Business interest associations have an important role in public policy, industrial relations, and economic governance. Despite their relevance they are under-researched both theoretically and empirically.

Traxler and Huemer’s innovative *Handbook of Business Interest Associations* combines unique theoretical approaches with empirical research. Part I offers a theory of business associations which centres on firm size as the key explanatory variable. Part II consists of an analysis of 15 countries and Part III contains a cross-national comparative study designed to test the hypotheses of Part I.

Throughout the book a unique set of data on membership, structures, activities and resources is introduced that make this book essential reading for scholars across a range of disciplines, such as organization studies, industrial relations, industrial sociology and political science, as well as for practitioners in related fields.

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Handbook of Business Interest Associations, Firm Size and Governance
A comparative analytical approach

Edited by
Franz Traxler and Gerhard Huemer
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Franz Traxler
Gerhard Huemer
Abbreviations

Countries

A  Austria
B  Belgium
DK  Denmark
FIN  Finland
F  France
GER  Germany
GR  Greece
IRL  Ireland
I  Italy
LUX  Luxembourg
NL  Netherlands
P  Portugal
SP  Spain
S  Sweden
UK  United Kingdom

Other abbreviations

AA  Arbetsgivaralliansen
ABI  Associazione Bancaria Italiana
ACFCI  Assemblée des Chambres Françaises de Commerce et d’Industrie
ACL  Associação Comercial de Lisboa
ACOSS  Agence Centrale des Organismes de Sécurité Sociale
ACSCP  Acordo de Concertação Social de Curto Prazo
ACT  Acordo Colectivo de Trabalho
AE  Acordo de Empresa
AEB  Asociación Española de Banca
AEP  Associação Empresarial de Portugal
AES  Acordo Económico e Social
AFNOR  Association Française de Normalisation
List of abbreviations

AGCI Associazione Generale delle Cooperative Italiane
AI-BOA Asfaltindustriens og Benzin- og Oliebranchens Arbejdsgiverforening
AIP Associação Industrial Portuguesa
AIPortuense Associação Industrial Portuense
ALE Business and Industrial Advisory Committee of OCDE and Latin-American Organization of Business
AMCHAM American Chamber of Commerce Ireland
APCM Assemblée Permanente des Chambres des Métiers
APED Associação Portuguesa de Empresas de Distribuição
APEQ Associação Portuguesa das Empresas Químicas
API Associazione provinciale della Piccola e Media Industria
APM Association for the Progress in Management
ASSEDIC Association pour l’Emploi dans l’Industrie et le Commerce
ASU Arbeitsgemeinschaft Selbständiger Unternehmer
AWM Aktionsgemeinschaft Wirtschaftlicher Mittelstand
AWVN Algemene Werkgevers Vereniging Nederland
BAK Bundesarbeitskammer
BCC British Chambers of Commerce
BCCI Belgian Chambers of Commerce and Industry
BDA Bundesvereinigung der deutschen Arbeitgeberverbände
BDI Bundesverband der Deutschen Industrie
BDS-DGV Bundesverband der Selbständigen – Deutscher Gewerbeverband
BFH Bundesvereinigung der Fachverbände des Deutschen Handwerks
BIV Bundesinnungsverband
BMKB Borgstellingstregeling voor het Midden- en Kleinbedrijf
BRC/CCS Bijzondere Raadgevende Commissies/Commissions Consultative Spéciale
BTI British Trade International
BVMW Bundesverband Mittelständische Wirtschaft
CA Chambres de l’Agriculture
CAO Collectieve Arbeids Overeenkomst
CAP Confederação dos Agricultores de Portugal
CAPEB Confederation of Craft Enterprises of the Construction Sector
Casartigiani (CASA) Confederazione Autonoma dei Sindacati Artigiani
CBENM-BCSP Confédération Bruxelloise des Entreprises Non Marchandes/Brusselse Confederatie van Social Profit Ondernemingen
CBI Confederation of British Industry
CCI  Chambers of Commerce of Ireland; Chambres de l'Industrie et du Commerce
CCP  Confederação do Comércio e Serviços de Portugal
CCT  Contrato Colectivo de Trabalho
CCTE Chamber of Commerce, Training and Enterprise
CECOT Confederación Empresarial de Terrassa
CEOE Confederación Española de Organizaciones Empresariales
CEP  Conselho Empresarial de Portugal
CEPTA Confederación de Empresarios de Tarragona
CEPYME Confederacion Española de Pequeñas y Medianas Empresas
CES  Consejo Económico y Social; Conselho Económico e Social; Conseil Économique et Social
CESRW Conseil Économique et Social de la Region Wallone
CGAD Confédération Générale de l’Alimentation en détail – Section Artisanale
CGPME Confédération Générale du Patronat des Petites et Moyennes Entreprises
CGTP Confederação Geral dos Trabalhadores Portugueses
CIDEM Centro de Innovación y Desarrollo Empresarial
CIF Construction Industry Federation
CIP Confederação da Indústria Portuguesa
CIU Convergencia i Unió
CJD Centre des Jeunes Dirigants
CLAAI Confederazione delle Libere Associazioni Artigiane Italiane
CLP Comité de Liaison Patronal
CM Chambres de Métiers
CNA Confederazione Nazionale dell’Artigianato e della Piccola e Media Impresa; Confederação Nacional de Agricultura
CNAMS Confédération Nationale de l’Artisanat, des Métiers et des Services
CNEL Consiglio Nazionale dell’Economia e del Lavoro
CNPF Conseil National du Patronat Français
COELL Confederación de Empresarios de Lleida
Confapi (CAP) Confederazione Italiana della Piccola e Media Industria
Confartigianato (CAR) Confederazione Generale Italiana dell’Artigianato
Confcommercio (CCO) Confederazione Generale del Commercio, del Turismo, dei Servizi e delle Piccole e Medie Imprese
Confcooperative (CCOO) Confederazione Cooperative Italiane
Confesercenti (CE) Confederazione Italiana Esercenti Attività Commerciali, Turistiche e dei Servizi
Confetra Confederazione Generale Italiana dei Trasporti e della Logistica
Confindustria (CI) Confederazione Generale dell’Industria Italiana
Contrasporto Confederazione del Trasporto, della Spedizione e della Logistica
Confturismo Confederazione del Turismo
COPCA Consorcio de Promoción Comercial de Catalunya
COPYME Confederación de Pequeñas y Medianas Empresas
CPCS Comissão Permanente de Concertação Social
CPPME Confederação Portuguesa das Micro, Pequenas e Médias Empresas
CRB/CCE Centrale Raad voor het Bedrijfsleven/Conseil Centrale de l’Economie
CSCC Consejo Superior de Cámaras de Comercio
CSPO/CENM Confederatie van Social Profit Ondernemingen/La Confederation des Entreprises Non Marchandes
CSWV Centraal Sociaal Werkgevers Verbond
CTP Confederação do Turismo Português
DA Dansk Arbejdsgiverforeningen
DB Dansk Byggeri
DHKT Deutscher Handelskammertag
DHS Dansk Handel Service
DI Dansk Industri
DIHK Deutscher Industrie- und Handelskammertag
DIRCE Directorio Central de Empresas del Instituto Nacional de Estadística INE
DM Danske Malermestre
DMA Danske Mediers Arbejdsgiverforening
DTB Dansk Textil & Beklædning
DTI Department of Trade and Industry
EGSSE National General Collective Labour Agreement
EK Elinkeinoelämän Keskusliitto
EKEP National Centre for Vocational Orientation
ELINYAE Hellenic Institute for Health and Safety at Work
EMIRE European Employment and Industrial Relations
Glossaries
EOMMEX National Organization of Small and Medium-sized Handicraft Production Firms
ESBA European Small Business Association
ESEE National Confederation of Hellenic Commerce
ESRBG/CESRB Economische en Sociale Raad voor het Brussels Gewest/Conseil Economique et Social de la Région Bruxelloise
List of abbreviations

ESSEEKA National System Associating Vocational Education and Training with Employment
ETHIC Entreprises de Taille Humaine Independente et Croissance
EUROPMI European Committee for Small and Medium-Sized Enterprise Companies
FADVIG Foreningen af Danske Virksomheder i Grønland
FAS National Training and Employment Authority
FDA Fédération des Artisans
Federalimentare Federazione Italiana dell'Industria Alimentare
Federchimica Federazione Nazionale dell'Industria Chimica
Federmeccanica Federazione Sindacale dell'Industria Metalmeccanica Italiana
FEDIL Fédération des Industriels Luxembourgeois
FEPIME Federación de Empresarios de la Pequeña y Mediana Empresa
FF FöretagarFörbundet
FFB Fédération française du bâtiment
FIEH Fédération intersyndicale des établissements d'hôpitalisation privée
FOEG Confederación de Empresarios de Girona
FORcem Fundación para la Formación Continua
FPB Forum of Private Business
FR Företagarnas Riksorganisation, briefly Företagarna
FSB Federation of Small Businesses
FVIB Federatie voor Vrije en Intellectuele Beroepen
GA Grafisk Arbejdsgiverforening
GSEE General Confederation of Greek Workers
GSEVee General Confederation of Greek Small Business and Trades
HORESCA Fédération Nationale des Hôteliers Restaurateurs et Cafetiers de Luxembourg
HRZKMO/CSIPM Hoge Raad voor de Zelfstandigen en de Kleine en Middelgrote Ondernemingen/Conseil Supérieur des Indépendants et des PME
HTS Handels, Transport og Servicehvervene
HVR Håndværksrådet
HWK Handwerkskammer
HwO Handwerksordnung
IAPMEI Instituto de Apoio às Pequenas e Médias Empresas
IATP Imposition Additionnelle à la Taxe Professionnelle
IBEC Irish Business and Employers’ Confederation
ICTU Irish Congress of Trade Unions
Idea Arbetsgivarförbundet för Ideella Organisationer
IEA Irish Exporters Association
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>IHK</td>
<td>Industrie- und Handelskammer</td>
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<td>IKA</td>
<td>Social Security Foundation</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>INE</td>
<td>Instituto Nacional de Estadística</td>
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<tr>
<td>INPS</td>
<td>Istituto Nazionale per la Previdenza Sociale</td>
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<tr>
<td>IoD</td>
<td>Institute of Directors</td>
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<tr>
<td>ISME</td>
<td>Irish Small and Medium-Sized Enterprises Association</td>
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<tr>
<td>ISTAT</td>
<td>Istituto Nazionale di Statistica</td>
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<tr>
<td>IV</td>
<td>Industriellenvereinigung</td>
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<tr>
<td>KEEE</td>
<td>Union of Hellenic Chambers of Commerce and Industry</td>
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<tr>
<td>KFO</td>
<td>Kooperationens förhandlingsorganisation</td>
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<tr>
<td>KHN/CCI</td>
<td>Belgische Kamers van Koophandel/Chambres Belges de Commerce et d’Industrie</td>
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<tr>
<td>KHS</td>
<td>Kreishandwerkerschaft</td>
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<td>KKK</td>
<td>Keskuskauppamari</td>
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<tr>
<td>KNNOV</td>
<td>Koninklijke Nederlandse Ondernemers Verbond</td>
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<td>KvK</td>
<td>Kamer van Koophandel</td>
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<tr>
<td>LAEK</td>
<td>Employment and Vocational Training Fund</td>
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<td>Legacoop (LC)</td>
<td>Lega Nazionale Cooperative e Mutue</td>
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<td>LHV</td>
<td>Landeshandwerksvertretung</td>
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<td>LIV</td>
<td>Landesinnungsverband</td>
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<td>LO</td>
<td>Landsorganisationen</td>
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<td>LTO</td>
<td>Land- en Tuinbouw Organisatie Nederland</td>
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<tr>
<td>MBL</td>
<td>Medbestämmandelagen</td>
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<td>MEDEF</td>
<td>Mouvement des Entreprises de France</td>
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<tr>
<td>MKB</td>
<td>Midden- en Kleinbedrijf</td>
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<tr>
<td>MTL</td>
<td>Maaseudun Työnantajaliitto</td>
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<tr>
<td>NAR/CNT</td>
<td>Nationale Arbeidsraad/Conference Nationale du Travail</td>
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<tr>
<td>NCMV/OBPME</td>
<td>Nationaal Christelijk Middenstandsverbond/ Organisation Belge des Petites et Moyennes Entreprises</td>
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<td>NCOV</td>
<td>Nederlands Christelijk Ondernemers Verbond</td>
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<tr>
<td>NCPP</td>
<td>National Centre for Partnership and Performance</td>
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<tr>
<td>NCW</td>
<td>Nederlands Christelijk Werkgeversverbond</td>
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<tr>
<td>NESC</td>
<td>National Economic and Social Council</td>
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<tr>
<td>NESDO</td>
<td>National Economic and Social Development Office</td>
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<td>NESF</td>
<td>National Economic and Social Forum</td>
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<tr>
<td>NGCLA</td>
<td>National General Collective Labour Agreement</td>
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<tr>
<td>NKWV</td>
<td>Nederlands Katholiek Werkgeversverbond</td>
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<tr>
<td>NUTEK</td>
<td>Verket för näringslivsutveckling</td>
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<tr>
<td>OAED</td>
<td>Manpower Employment Organization</td>
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<tr>
<td>OEEK</td>
<td>Organization for Vocational Education and Training</td>
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<tr>
<td>OFT</td>
<td>Office of Fair Trading</td>
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<td>ÖGB</td>
<td>Österreichischer Gewerkschaftsbund</td>
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<td>ÖGV</td>
<td>Österreichischer Genossenschaftsverband</td>
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List of abbreviations

OKE Economic and Social Committee
OLAMP Organización Latinoamericana de la Micro, Pequeña y Mediana Empresa
OMED Mediation and Arbitration Organization
ÖRV Österreichischer Raiffeisenverband
PIMEC-SEFES Pequeña y Mediana Empresa de Cataluña
PKLWK Präsidentenkonferenz der Landwirtschaftskammern
PRMATT Union for Temporary Work
PT Palvelutyönantajat
PTK Privattjänstemannakartellen
RSA Rappresentanza sindacale aziendale
RSU Rappresentanza sindacale unitaria
SAF Svenska Arbetsgivareföreningen
SAK Suomen Ammattiliittojen Keskusjärjestö
SAMA Sammenslutningen af Mindre Arbejdsgiverforeninger i Danmark
SBS Small Business Service
SCDI Scottish Council for Development and Industry
SER Sociaal Economische Raad
SERV Sociaal-Economische Raad van Vlaanderen
SEV Federation of Greek Industries
SFA Small Firms’ Association
SI Sveriges Industriförbund
Sinf Svensk Industriförening
SN Svenskt Näringsliv
STATEC Service Central de la Statistique et des Études Économiques
STK Suomen Työnantajain Keskusliitto
SY Suomen Yrittäjät
TAF Trade Association Forum
TCO Tjänstemännens Centralorganisation
TECs Training and Enterprise Councils
TEKNIQ Danish Mechanical and Electrical Contractors’ Association
TKL Teollisuuden Keskusliitto
TT Teollisuuden ja Työnantajain Keskusliitto
TUC Trade Union Congress
UCM Union des Classes Moyennes
UEAPME European Association of Craft, Small and Medium-Sized Enterprises
UEL L’Union des Entreprises Luxembourgeoises
UFENM L’Union Francophone des Entreprises Non-Marchande
Ufi University for Industry
UGT União Geral de Trabalhadores
UIMM Union des Industries et Métiers de la Métallurgie
UNCASS Union Nationale des Caisses de Sécurité Sociale
UNCI Unione Nazionale delle Cooperative Italiane
UNEDIC Union Nationale pour l’Emploi dans l’Industrie et le Commerce
UNET Union Nationale des Entreprises de Travail Temporaire
UNICE Union of Industrial and Employers’ Confederations of Europe
Unioncamere Unione Italiana delle Camere di Commercio, Industria, Artigianato e Agricoltura
UNIZO Unie van Zelfstandige Ondernemers
UNPMC Union Nationale des PME du Commerce
UNPMI Union Nationale de la Petite et Moyenne Industrie
UNPS Union Nationale des Prestataires des Services
UPA Union Professionnelle Artisanale
UPH Union des Hôpitaux Privés
UTPMC Union Territoriale des PME du Commerce
UTPMI Union Territoriale de la Petite et Moyenne Industrie
UPM Unie van Zelfstandige Ondernemers
UNICE Unione Nazionale delle Cooperative Italiane
UNEDIC Union Nationale pour l’Emploi dans l’Industrie et le Commerce
UNET Union Nationale des Entreprises de Travail Temporaire
UNICE Union of Industrial and Employers’ Confederations of Europe
Unioncamere Unione Italiana delle Camere di Commercio, Industria, Artigianato e Agricoltura
UNIZO Unie van Zelfstandige Ondernemers
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UTPMI Union Territoriale de la Petite et Moyenne Industrie
UTPS Union Territoriale des Prestataires de Services
UVA Uitvecklingsavtalet
UWE Union Wallonne des Entreprises
VBN/FIB Verbond van de Belgische Nijverheid/Union de l’Industrie Belge
VBO/FEB Verbond van Belgische Ondernemingen/Fédération des Entreprises de Belgique
VCSPOV Vlaamse Confederatie van Social Profit Ondernemingen
VDMA Verband Deutscher Maschinenbau- und Anlagenhersteller
VESOC Vlaams Economisch en Sociaal Overlegcomité
VEV Vlaams-economisch Verbond
VNO Verbond van Nederlandse Ondernemingen
VNO-NCW Verbond van Nederlandse Ondernemingen (VNO)-Nederlands Christelijk Werkgeversverbond (NCW)
VNW Verbond van Nederlandse Werkgevers
VOB/UEB Verbond voor Ondernemingen te Brussel/Union des Entreprises de Bruxelles
Voka Vlaams Network voor Ondernemingen
VPV Verbond van Protestants-Christelijke Werkgevers
WKÖ Wirtschaftskammer Österreich
ZDH Zentralverband des Deutschen Handwerks
Part I
1 Introduction

Franz Traxler

Since internationalization and deregulation of markets have gathered momentum from the early 1980s onwards, business interests have gained ever-growing importance as a key factor of the economic and political development of capitalist societies. Despite this general trend towards market liberalization there is overwhelming evidence from comparative studies that differences in the institutional set-up of countries still prevail and also have a significant impact on the direction of a country’s development and its performance (e.g. Crouch and Streeck 1997; Hollingsworth et al. 1994; Kitschelt et al. 1999; Traxler et al. 2001). Reflecting the growing relevance of business, recent work on comparative political economy has adopted a firm-centred approach that intends to explain the impact of institutions by reference to their potential to help firms develop and exploit core competences in several fields of operation (Hall and Soskice 2001). In line with this, the special role of business associations in supporting and guiding the operations of firms has been highlighted, as far as the governance of ‘coordinated market economies’ is concerned (Hall and Soskice 2001:4). In this respect, the approach devotes attention primarily to the functional requirements that combine with this role, rather than to the actual capacity of business associations to assume it.1 However, functional requirements do not explain their fulfilment (Elster 1982). Therefore it is important to find out what induces and enables business associations to assume public-policy tasks and thus to participate in socioeconomic governance. There is good reason to believe that the general trend towards market liberalization thwarts rather than promotes any such participation. This is mainly because the market is the focal place in which businesses pursue their interests. The power to control investment equips business with a strategic advantage in relation to other actors, when it comes to allocating and distributing resources through the market. As the importance of the market has increased in comparison to political and negotiated modes of governance, business may see less need to realize its interests via associations.2 In particular, it is the internationalization of markets that threatens to devalue the benefits of associations whose scope of activities is still limited to the nation state. Tendencies of market liberalization are likely to erode the willingness of
Franz Traxler

businesses to associate, but also their ability to do so. Market liberalization magnifies the well-known problems of collective action that burden interest associations, because market-led competition for the sake of self-interest is at odds with the principles of solidarity and cooperation on which associations must rest. Similar effects emanate from changes within the company itself, namely from recent developments of finance and corporate governance, such as the tendency towards the principles of shareholder value: They include the rise of short-termism, declining investment in training, and the challenge to multi-employer bargaining and other forms of employer cooperation (e.g. Gospel and Pendleton 2003). In addition, they are likely to put strain also on the relationship between the companies and their interest associations.

If the willingness and ability of companies to band together in business associations declines, the latter’s capacity for assuming governance tasks decreases, all the more since such tasks go far beyond organizing and representing interests. Such tasks require associations to establish themselves as ‘private interest governments’ (Streeck and Schmitter 1985) which are capable of pursuing long-term goals, moulding the interests of their members, as well as monitoring and even sanctioning their behaviour (Hall and Soskice 2001).

Analyses of the organizational capabilities of interest associations and their incorporation into public policy have two, partly interrelated, sources. One source may broadly be described as the (economic) theory of collective action and interest groups whose foundations were laid down by Olson (1965, 1982). His reasoning has made two essential contributions to the debate. On the one hand, it shows that common interests do not necessarily result in collective action, since it is precisely the commonality of interests that provokes ‘free riding’, with the consequence that efforts to associate may fail at worst. On the other hand, the argument is that the goals of interest associations and their performance effects systematically vary with their domain demarcation. Accordingly, narrow associations concentrate on performance-inhibiting re-distributional politics, since they can easily externalize the negative consequences of their politics (e.g. high inflation) due to their narrow membership domain. In contrast to this, encompassing associations must adopt a ‘responsible’ line of interest representation, because their domain covers so many groups that they cannot pass the costs of their action on to third parties. The second source from which studies of associations draw is the debate on neo-corporatism (e.g. Schmitter and Lehmbruch 1979; Lehmbruch and Schmitter 1982). The essence of this debate points to the key role the state has in establishing the structural and functional preconditions for neo-corporatist governance (e.g. Offe 1981; Streeck and Schmitter 1985). In functional terms, corporatism is commonly characterized by interest associations taking responsibility for public policy on the basis of political exchange, in the course of which they receive certain rewards (e.g. benefits for their members, organizational privileges) from the state for their cooperation. The viability of such governance is seen as
contingent upon encompassing, centralized and state-licensed structures of interest intermediation. Although this literature placed special emphasis on the labour unions and their integration into public policy, it nevertheless pioneered research in organized business. It is no exaggeration to say that most empirical studies of business associations originate in and draw from a comparative project on ‘The organization of business interests’ (Schmitter and Streeck 1981).

The analytical perspectives developed by these lines of reasoning continue to be relevant to any study of business associations. Regardless of this, there is also a need to go beyond them in theoretical as well as empirical respects. This is mainly because important premises of this work are geared to the socioeconomic profile of the Keynesian policy regime that prevailed throughout the 1960s and 1970s. According to Olson (1982) a fully competitive market free from any intervention by organized interests would be economically superior to encompassing associations which thus offer merely the second-best solution. However, Keynesianism worked in a direction opposite to unleashing market forces. As Schmitter and Streeck (1981: 16) emphasized, one could observe an ‘increasingly systematic intervention of the state into the economy’ which gave rise to ‘trends toward corporatist intermediation’ (Schmitter and Lehmbruch 1979) in all developed countries. In a situation of growing regulatory importance of the state, corporatist arrangements attracted the state as well as organized interests. Seen from the perspective of the state, the devolution of public tasks to the associations offered an opportunity to relieve itself from problems of legitimation and control in a context of increasing regulatory load. Conversely, it was reasonable for the associations to enter corporatist arrangements, since state intervention affected their interests in any case. Moreover, there was a special incentive for business associations to embark on corporatism, because pure state regulation in tandem with full employment and strong trade unions were suspected of producing less favourable policy outcomes than a negotiated, corporatist arrangement. This general trend towards corporatism was expected to transform the relationship between the association and their members, shifting the associations from instruments to advance member interests to quasi-authorities capable of binding the members for the sake of regulatory goals. In line with this, Schmitter and Streeck assumed an ‘inherent tendency for successful interest associations to become regulatory agencies for their constituent interests’ (1981: 29) and to strive to increase their autonomy from any kind of environment, including their members (1981: 129).

With the policy shift from the demand side to the supply side and growing recourse to deregulation policies, important conditions conducive to corporatism have faded away (Streeck 1991). However, this has not led to a general decay of corporatism. Current developments match neither the neo-corporatist version of convergence thesis nor the inverse reading of this thesis: that is the proposition of a convergence of countries towards
'disorganization' (e.g. Lash and Urry 1987). In contrast to this, there has been a sharp polarization between uncoordinated economies which dismantled these institutions, and coordinated economies which renewed them (Traxler et al. 2001).

The paradox is that even the route taken by the coordinated economies runs counter to conventional wisdom of a nexus between corporatist associational structures and corporatist (i.e. negotiated) policy-making. Since the early 1980s corporatist macro pacts have been struck mainly in countries (e.g. Ireland, Italy and Portugal) where the structures of interest intermediation differ from the classical pattern of a few monopoly-like, encompassing associations. For instance, the negotiations on the Irish Partnership Agreements traditionally involve a wide range of interest groups including labour, farmers, the community and voluntary sector as well as business which is represented by eight distinct organizations. Italy counts no less than 12 cross-sectoral business associations which were all signatory parties to the pacts concluded between 1992 and 2002. There is a similar ambiguity concerning the governance role of business associations and their relations to their constituency. On the one hand, the pressures of their members have prompted the business associations in almost all countries to enforce a decentralization of collective bargaining, something which has certainly curtailed their regulatory role. On the other hand, they have tended to intensify coordinating activities in industrial relations within a framework of organized decentralization.

All these ambiguities put business associations again on the agenda of empirical research in comparative political economy. Moreover, the crucial influence of business associations on the viability of negotiated forms of governance brings them to the forefront of research. Generally speaking, when an actor has a stronger power in systems of (negotiated) governance, the higher is its disagreement utility. In the case of business, slack labour markets, deregulation and market internationalization have increased the disagreement utility to an extent that exit has become a feasible option. Business associations may have a preference for opting out, when expecting that replacing negotiated governance with a free-market solution will suit their members’ interests better as a result of their strategic advantages in market relations. This contrasts with the situation of the labour unions for which participation in public policy remains as one of the few available means of retaining political influence.

Whether this expectation may become predominant, does not simply depend on member interests as such, but rather results from the configuration of intra-associational power relations which make certain interests prevail. In this respect, our approach to the analysis of business associations offers a new theoretical perspective insofar as its guiding assumption is that the formation, internal politics and activities of business associations cannot be understood without directing special attention to the differences of their potential members in firm size. The importance of firm size to the action
of business and its interaction with business associations has been a rather neglected issue in the literature. This is surprising because there is no other interest group which compares with business in terms of heterogeneity as a result of its high variance in size. What is commonly subsumed under the notion of business ranges from self-employed persons to big multinational enterprises which employ several hundred thousands of employees. There is good reason to believe that this heterogeneity has a substantial impact on business associations when it comes to recruiting members, processing their interests and participating in governance.

Overall, these considerations result in three principal subjects, which this book will address and which tend to crosscut the research interests of several disciplines such as institutional economics, business studies, political science and organizational sociology. These subjects refer to associability and collective action; interest representation and participation in public policy; and the governance capacity of the associations. They can be specified as follows:

- What makes businesses still associate with others, although the trends towards market liberalization have tended to weaken their willingness and ability to do so? Seen from the angle of the associations, what means of attracting and integrating members are available? How does firm size interact with associability? Is there still a prospect for encompassing associations even though heterogeneity of business has been increasing on grounds that the risks and opportunities of economic internationalization and deregulation are asymmetrically distributed among small and large companies?

- What are the factors that determine the range of activities performed by business associations, and how do they interact with firm size? This question is central to explaining continued participation of organized business in public policy, which one can observe in coordinated market economies. As argued above, the participation of organized business is more uncertain than that of any other interest group, since business enjoys a credible exit option. Business associations may nevertheless hesitate to opt out for several reasons referring to their survival goals as organizations, the opportunity to exploit their superior power position in the course of negotiations, or feared discomfort in macroeconomic terms caused by the break from governance (Crouch 1995b). If such considerations prevail, the question is whether the associations can keep their members in line with the requirements for continued participation. This brings us to the third topic.

- Heterogeneity of their constituency becomes important to the action of associations in terms of diverse interests which correlate with notable power differentials according to firm size. Representing interests presupposes unifying these interests and transforming them into common goals. If associations take on responsibility for governance tasks, they must
also be able to ensure member compliance with the governance goals. This depends on whether associations dispose of governing capacities vis-à-vis their members. In this respect, one essential question is whether business associations can actually develop and maintain such capacities in relation to members of any size, or whether associational actions are notoriously bound to dependence on and dominance of large firms. As noted above, corporatist theories imply an inherent tendency towards growing governance capacities: the associations strive to enhance them as a means of self-consolidation, and they can find state assistance in such efforts so as to be able to participate in governance. The problem is that exogenous conditions have changed in a way that threatens to undermine such capacities. Alternatively, they – once established during the heydays of corporatism – may cause a ratchet effect that contributes to the continuity of negotiated governance even under unfavourable conditions.

This research agenda has several conceptual and methodological implications. First, we will concentrate on the cross-sectoral peak associations of business. Since they claim to organize and represent business as a whole, they should face more problems with recruiting and governing distinct member groups than narrower associations. Moreover, it is only the cross-sectoral peak associations which may coordinate the activities of the narrower, lower-level business associations, such that they are most important when it comes to studying the impact of organized business on the governance of an economy. Second, this study will adopt a cross-national comparative design, because this saves as much variance across business associations as possible. The above reflections make it reasonable to concentrate on countries which have a corporatist record some way or other. Hence, this comparison will concentrate on the countries of the EU-15. There is also a pragmatic reason for this selection of countries: accessibility of comparable data which has proved a thorny issue, as far as business associations are concerned. This relates to a third methodological point. The goal of this analysis is both descriptive and explanatory. There is so little systematic information on business associations, that there is even a demand for country-related overviews along comparative lines of analysis. The more rigorous version of comparative analysis is designed to test hypotheses on the three principal subjects.

Consistent with these substantive and methodological considerations, the structure of this book is organized as follows: the next chapter will elaborate the theoretical framework for the other parts of the book. This ensures coherence and comparability in the way in which each of the 15 country studies presents its data and analysis. The volume closes with a cross-national comparative chapter which takes up the theoretical framework and the material provided by the country studies. This chapter transforms the theoretical framework into testable hypotheses which are then examined on the basis of the data available from the EU-15.
Notes

1 The exception to this rule is case study analysis of selected countries, whereas cross-national comparative research on the contribution of business associations to coordinated market economies is especially sparse. For such a study dealing with the role of employer associations in industrial relations, see Traxler et al. (2001).

2 According to Offe and Wiesenthal (1980) associations are of secondary relevance, when it comes to defining and defending the interests of business. This is because business has at its command two alternative means of advancing interests: the firm itself and informal cooperation.
Firm size and business interests

A comprehensive review of the literature on economic performance and firm size found that there is overwhelming evidence that smaller companies in general are not inferior to larger units (Aiginger and Tichy 1989: 2). Regardless of this, however, firm size strongly affects the way in which companies are competing in markets. Comparative studies have identified five main properties that make small and large companies differ in their market position and their requirements for competitiveness.

- Territorial scope of action and mobility: small firms still concentrate on local markets, in contrast to large firms the activities of which have become increasingly transnational (OECD 2002).
- Innovation and organizational change: although small firms are important sources of innovation and do enjoy innovative advantages in several respects (Observatory 2003), they often lack the resources to rapid change. Above all, they spend less on research and development than large firms (OECD 2002).
- Regulations: compliance costs caused by such regulations as taxation, environmental protection, and labour standards are likely to be higher for smaller companies, since a certain critical mass of resources and expertise is needed to cope efficiently with them.
- Finance: small firms have far more problems obtaining finance than large ones (OECD 2000). This is because survival rates increase with size and age of firms (Observatory 2002), while banks and traditional lending institutions are averse to risky ventures.
- Capital–labour ratio: the production process of small firms is usually more labour-intensive than that of large firms. In connection with this, labour productivity tends to be lower and unit labour costs, higher in small companies (Loveman and Sengenberger 1990; Observatory 2003).1
Each of these properties constitutes special interests. As the OECD (2000: 6) put it, the relatively high compliance costs which small firms have to bear ‘stem from regulatory systems developed to serve the needs of large firms and the cumulative pressure of regulatory requirements’. The difference in territorial scope of action and mobility translates into corresponding differences in power. Highly mobile actors enjoy a competitive edge, as compared to less mobile actors. Hence, the fact that small firms are geared to serving local markets does not mean that they are sheltered from international competition. On the contrary, market liberalization ‘is exposing many SMEs to fierce international competition and imposes substantial adjustment costs on them’ (OECD 2002: 13). As a consequence, small and large firms tend to differ in their view of the costs and benefits of market deregulation. Due to their higher capacity for mobility, large firms have been the vanguards of market liberalization. While any kind of business may try to shelter its markets, small firms are especially interested in protecting their local markets from foreign competition. This implies that they favour legal regulation of the access to business activities. A case in point is craft or artisan production as the ideal type of small units in manufacturing. In several countries the acquisition of the right to practise a craft is still subject to certain formal qualifications gained through vocational training. Aside from this, differences in mobility have become increasingly important to tax policy, as the ability of the nation states to tax actors who are transnationally mobile has strongly declined, such that the tax burden imposed on labour and the less mobile parts of business tends to grow (Ganghoff 2000).

Innovation has become a growing factor of competitiveness not least as a consequence of intensified competition in internationalized markets. This has generally created a need to assist companies to deploy their capacities for innovation. Again, small firms are distinct, since programs to aid their innovativeness cannot simply be limited to research and development. Their limited resources require a more systemic approach that includes promotion of such capabilities as innovation management, commercial exploitation of innovations, further training and qualifications aimed at fostering the creative potential of the employees. The same holds true for funding. As a consequence of their limited access to conventional types of funding, small companies need special financial assistance designed to promote and concert supply of capital from a rather wide range of sources, including private individuals, corporations, government agencies, pension funds, banks and insurance companies.

Finally, the difference in the capital–labour ratio makes labour costs much more important to small firms than to larger units. Due to their labour-intensive production, any increase in labour costs affects the competitiveness of small firms far more than that of large companies whose share of labour costs in total costs tends to be lower.

While the above five properties constitute a general divide between small and large firms, this divide in terms of concrete firm size may vary with
the problem in question. Compliance costs, for instance, tend to increase with the sophistication and complexity of a certain regulation, such that the threshold of what amount of resources characterizes a ‘small’ company varies accordingly.

There are certainly other specificities which also give rise to differing interests. Some of them cluster with the companies’ sectoral affiliation and their place in the vertical chain of production. For instance, the service sector, and especially retail, record above-proportionate shares in small companies. In contrast to this, relatively large business units characterize most parts of manufacturing (Observatory 2003). In the manufacturing sector small companies often operate as suppliers of large multinational companies. Although manifold cooperative, vertical networks between small suppliers and their large buyers have developed in such sectors as the automobile industry, conflicts over the terms of exchange are endemic even in these circumstances. Due to the difference in firm size between the participants in the networks, this conflict is asymmetrical, enabling large buyers to enforce short-term changes in the terms of exchange. For example, Nissan demanded price reductions of 20 per cent from its suppliers by 2002 (OECD 2002).

The upshot of these considerations is twofold. First, large firms and small firms have distinct and even conflicting interests. As we have seen, such differences arise from the labour market (mainly as a result of differences in the capital–labour ratio) as well as from the other markets (e.g. sales markets and the differences in territorial scope of activities there). For reasons of brevity, these other markets will here be designated as ‘product markets’. Second, it is hard to arrive at a clear-cut categorization of small and large firms in operational terms of firm size. As noted above, a given level of size may enable a company to efficiently cope with one certain problem in stark contrast to other problems. Furthermore, each of the above five properties is likely to give rise to a configuration of interests which is more complex than a simple distinction between ‘small’ and ‘large’ firms suggests. For instance, firms which have no employees differ completely from other small companies in their concern about labour costs and related matters of industrial relations. Likewise, the requirements for human resource management skills tend to increase discontinuously with the number of employees. What is subsumed under small and medium-sized enterprises (SMEs) by conventional statistical standards thus embraces widely differing interests in many areas.²

This holds true all the more since the vast majority of businesses representing also the majority of employment are SMEs. In the case of the EU-15, no less than 99.79 per cent of all companies with a share of 69.74 per cent in total employment belonged to this category in 2003, if SMEs are defined as employing fewer than 250 employees (Table 2.1). Any of the 15 single countries concurs with this pan-European profile. Regardless of this, the national economic structures differ in their composition of firm size, as closer consideration reveals. This becomes evident, when disaggregating the two basic groups of SMEs and large companies by subcategories of size. In the
Table 2.1 The number of companies and employment by firm size, 2003

<table>
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<tr>
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<th>S</th>
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</tr>
<tr>
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Notes
1 Business sector, excluding agriculture and fishing. 2 As a percentage of the total number of companies/of total employment. 3 1,000s. 4 Defined as Europe’s 500 largest companies. 5 Number of big multinationals per 10,000 companies. 6 Total number of employees working in big multinationals as a percentage of the total number of private-sector employees. 7 Unweighted mean. 8 Weighted mean. Micro = 0–9 employees; small = 10–49 employees; medium-sized = 50–249 employees; large = 250 employees and more.

case of SMEs, this was done by classifying them according to the categories of micro, small and medium. Large firms were further differentiated in terms of the relevance of the big multinational enterprises per country (i.e. Europe’s 500 largest companies grouped according to the country where the headquarters is located). This relevance was measured in two ways: the number of big multinationals per 10,000 companies of a country, and their number of employees as a percentage of a country’s total number of private-sector employees. These measures for subgroups of SMEs and large firms were used for a cluster analysis in order to examine how the countries differ in their composition of firm size. Accordingly, five distinct clusters can be distinguished (Table 2.1). Group one comprises the countries (i.e. Denmark, France, the Netherlands, Sweden and the UK) whose structure is clearly skewed towards the large companies, in particular towards the big multinationals. Its counterpart is group two embracing the Mediterranean countries (Greece, Italy and Spain) which stand out in terms of very small business units. More than 50 per cent of total employment is covered by the micro companies in these countries. Group three (i.e. Belgium, Finland and Germany) comes close to the European average in most dimensions, aside from the weight of large firms which tends to be above the average in terms of both the number and employees. Likewise, big multinationals are comparatively numerous, whereas their employee share remains slightly below the average. Finally, there are two groups whose structure leans upon the strong presence of larger companies within the SME group, albeit with some remarkable differences in the overall configuration. Group four (Austria and Portugal) is characterized by a high share of small and medium-sized companies in terms of employees, whereas multinationals are under-represented in this respect. Group five (Ireland and Luxembourg) shows a polarizing profile of SMEs in that a strong presence of small and medium-sized firms coincides with weakness of micro companies in both dimensions of analysis. At the same time, the big multinationals are over-represented in terms of their number, but under-represented with regard to their employee share. These different patterns indicate that the configurations of interests that relate to firm size vary across the countries. They may feed through to the national systems of business association, although there will be hardly a deterministic relationship between economic and associational structures.

Although the manifold differentiations of interests are associated with firm size, business as a whole has also many interests in common. Companies of any size will find it easy to subscribe to such demands as streamlining administrative procedures, reducing regulatory burdens, taxes and labour costs. Hence, companies face a complex coincidence of divisive and common interests in relation to other companies, something which makes it difficult for them to identify priorities as regards the choice between self-interested and collective action. The conceptual implication of this fact is that it would be misleading to proceed from a notion of objective and unequivocal interests that ensue from differences in firm size and directly translate into
corresponding collective action. On the contrary, interests that actually
guide action are socially constructed as well as contingent on circumstances.
Interests are socially constructed by the actors insofar as they transform
given economic properties into interests through subjective interpretations
and views. Which interests are taken up by an actor and put on its agenda
for action, and whether individual or collective action is then preferred, is
contingent on the actors’ resources and the exogenous environment. This
kind of contingency implies the possibility that even collective interests that
rank high in the actors’ preference order cannot effectively be pursued on
grounds of a lack of resources or as a consequence of detrimental exogenous
circumstances. These reflections bring us to the problem of collective action.
Moreover, they also point to firm size, since the amount of available resources
is linked to size.

The problem of associability: collective action and
demarcation of membership

Collective action and demarcation of membership represent two distinct
perspectives on the problem of forming an interest association. The first one
proceeds from the potential members of an association, when analysing their
ability and willingness to embark on collective action. The second perspective
is association-centred, seeing associations as the vehicles for formalized and
institutionalized collective action. Any association has formally to delimit its
organizational domain by means of selecting its potential members. Although
associations may have some autonomy in demarcating their membership
domain, even the most powerful of them will fail to organize groups unable
and/or unwilling to associate, or will refrain from any of such effort due to
high risks and costs. Hence, the demarcation of membership domains more
or less follows the associability of distinct interest groups. We will thus focus
here on collective action, since this analysis also sheds light on an association’s
options, when it comes to demarcating its membership domain.

The main problem of collective action is that its aim is to provide non-
excludable goods. This means that nobody who is interested in this type
of goods can be excluded from the benefits of its provision. The primary
goal of such interest organizations as business associations is the provision
of non-excludable goods. If an association successfully campaigns for a
tax reduction in favour of business, any company can benefit regardless
of whether it is a member of the respective association. Non-excludability
makes collective action uncertain, since it creates an incentive for each
interested actor to take a free ride; i.e. to leave the costs of collective action
to the ‘others’. The consequence is that the provision of the collective good
may be suboptimal or even fail, if a noticeable number of actors actually
decide not to contribute.

There are numerous studies which have analysed the prospects for
collective action under the premise of self-interested, rational actors who
will engage in common purposes only when this maximizes their individual payoff. In this respect, Olson’s *The Logic of Collective Action* (1965) has been seminal. According to Olson, a group’s ability to voluntarily overcome the collective action problem increases with declining group size and growing heterogeneity of interest in the collective good among group members. Small group size favours collective action, because it facilitates coordination among group members. The need for coordination will also be diminished with growing interest heterogeneity, since this means that one or a few group members are so highly interested in the collective good that they are willing to bear a disproportionate share of the costs. If neither small size nor interest heterogeneity is given, selective incentives (that reward membership or punish non-membership so as to yield an individual payoff in case of membership) are needed to mobilize collective action.

Olson’s argument on group size has become the most popular as well as the most controversial element of its reasoning. As several critical reviews have convincingly pointed out, the argument holds only when the costs of providing the collective good rise proportionately or even more with group size (i.e. the number of actors interested in that good) (e.g. Hardin 1982; Oliver and Marwell 1988). This cost function hardly meets the situation of interest associations. The cost of lobbying for a tax reduction is rather insensitive to the number of actors who will benefit from lower taxation. Put differently, the standard case of interest associations will be costs that are constant or even tend to decrease with group size, such that economies of scale are given. Under these circumstances, large group size is argued to support rather than impede collective action, since large groups have more resources and probably a larger number of highly interested actors. Therefore, heterogeneity of interests matters far more than mere group size. Moreover, a high degree of heterogeneity is conducive to collective action not only in terms of interest, but also in terms of resources (Oliver and Marwell 1985, 1988). An extraordinarily strong interest (implying that the expected benefits from the good outweigh its costs) makes actors willing to contribute to the collective good. Their ability to do so, however, depends on the scale of available resources.5

Research in collective action usually relies on formal analysis and aims to arrive at a general theory of behaviour. The general approach somewhat contrasts with its applicability, since formal analysis must be based on a certain number of simple, *a priori* assumptions that reduce the complexity of the problem in question. This raises the question of what lessons can be drawn from this theory for an empirically oriented study of business associations. Objections to the theory mainly address its core assumption of self-interested, rational actors which has been criticized as unrealistic (e.g. Etzioni 1988). This point is not important here for two reasons. Even when actors do not always act out of self-interested rationality, the assumption makes sense, because it defines the potential risks with which attempts at collective action are burdened. Aside from this analytical purchase, companies are likely to
adopt a self-interested orientation more consistently than any other interest
group. As market competition forces them to continuously weigh costs and
benefits, this orientation is a constituent part of any kind of business.

The real problem with collective action theory lies in the fact that the
aim of collective action is captured as producing a ‘good’ whose expected
costs and benefits are clear to everybody concerned (Traxler 1993). This
means that collective action is understood as being oriented towards an
already well-defined common goal. Characteristically, accounts of collective
action theory often refer to such examples of collective ‘goods’ as building
a bridge or fighting a school closure in the neighbourhood (e.g. Oliver and
Marwell 1985, 1988). As an implication, collective action theory reduces the
concept of interest heterogeneity to mere variance among group members
in their degree of interest in a given goal. What is generally excluded from
this analysis is the possibility that the interests of group members differ
not only in degrees but in substance, such that common goals cannot be
formulated without aggregating and unifying the interests of the group
members. Under these circumstances, one must conceptualize the collective
action problem not only as a matter of membership, but also as a matter of
goal formation. Seen from the actors’ perspective, this means that the costs
and benefits of the collective ‘good’ are unclear instead of being given, since
they hinge on the unforeseeable outcome of goal formation. This magnifies
the collective action problem, since uncertainty about whether the ‘others’
will contribute combines with uncertainty about the content – and hence the
costs and benefits – of the common goal. There is good reason to believe
that the common goal is a priori unclear in most cases of collective action. In
particular, this applies to interest associations, since associations are rarely
formed for one single, pre-determined goal whose fulfilment then leads to
their dissolution. Associations are set up for an unlimited time period, with
the consequence that old goals and demands need to be revised and new
ones must be formulated in response to changing circumstances.

Uncertainty about the benefits and costs of common goals has two
important consequences for collective action. First, the ‘production function’
of collective action will become decelerating insofar as later contributors
have to expect lower payoffs than earlier ones.6 This is because the few initial
contributors can exert the strongest influence on the content of the common
goal. In the case of associations, this includes special influence on the rules
of goal formation: the actors going on to found an association can design
its organizational structures so that they are closely tailored to their specific
needs. This means that uncertainty about the common goal sets a selective
incentive to initiate collective action, as compared to a strategy following
the principle of ‘wait and see’. However, only highly resourceful actors are
able to seize this opportunity. Therefore the second important consequence
for collective action is that uncertainty about common goals renders the
distribution of resources even more important than formal collective action
theory assumes.
One can infer from this that it is rather easy for business to mobilize collective action, since its high heterogeneity of both interests and resources ensures that there are always actors willing to pay the start-up costs. The dynamics and sequence of business’ collective action are thus strongly associated with differences in firm size, making large firms the key players in this process. Large firms have interests distinct from the mass of small firms and they also dispose of superior resources. Superior resources enable them not only to cover all start-up costs of collective action, but also to make this a very powerful undertaking from the very beginning. This is because a relatively small number of large companies suffice to reach notable scales of representativeness. As Table 2.1 indicates, there are usually no more than 1,000 large companies in small countries which represent around 30 per cent of total employment. In the case of larger countries, a similar relationship is given, if one refers to firm groups of somewhat larger size. In the private sector in the UK, for instance, there were 3,010 companies in 2003, which had 500 or more employees, and which recorded a share of 36.9 per cent and 44.2 per cent in the sector's total employment and the total number of employees, respectively.

Large firms wield so much power in society that this may entail an ambivalent effect on collective action. On the one hand, this power accounts for their special ability to act collectively. On the other hand, superior power may impair their willingness to do so. Large firms can lobby the authorities directly and they may also conduct single-employer bargaining, instead of resorting to collective action in industrial relations. The advantage of such an individualistic approach is that a company’s self-interests can be advanced authentically, without any need to reconcile them with other competing interests in the course of goal formation. Empirical evidence suggests that large firms are so resourceful that they can treat individualistic and collective means of interest representation as complementary rather than alternative options. There are numerous reasons to maintain the collective option. The most important ones relate to the strategic imperatives to effectively influence the companies’ interlocutors, namely the state and organized labour. In consequence, the relative importance of this option varies with the preferences and power of these interlocutors.

As regards the state, Grant (1993) makes the distinction between the ‘company state’ and the ‘associative state’. A company state regards direct representation by firms as legitimate, whereas associative states insist on the special role of associations as intermediaries between interest groups and the state. Likewise, the unions’ bargaining power shapes the employers’ strategies in the labour market. For instance, unions capable of effective action at multi-employer level will provoke a corresponding response from the employers that protects them from 'whipsawing' union tactics aimed at confronting the companies individually (Traxler et al. 2001).

Since large firms play the key role in forming business’ collective action, they have also the choice between an exclusive and an inclusive demarcation...
Theoretical and methodological framework

of membership. They may either set up a special, narrow association that excludes smaller companies from membership, or they may try to integrate them into a more inclusive association. Large firms are likely to opt for the most inclusive solution: that is, a general association that aims to gather any kind of business. The reasons for this are as follows:

- A special association of ‘big business’ may face problems of goodwill which threaten to weaken its legitimacy vis-à-vis the authorities. This is because interference of a very small and highly powerful group into public affairs tends to be at odds with the principles of democratic politics.

- A general association enables large companies to use the demands of smaller members for their own purpose in fields where their interests are distinct but nevertheless commensurable. An example is multi-employer bargaining conducted jointly for large and small firms. Under these circumstances, the unions are forced to take account of the lower ability of small firms to pay on grounds of their lower level of labour productivity, as compared to larger companies. Hence, joint negotiations are likely to lead to pay hikes which are lower than those which the group of large companies can afford.

- In cases of conflict of interest, large companies can trust that they will dominate the politics of the general association, even when small companies numerically prevail in the association. This can be traced to resource superiority of large firms that informally or formally translates into higher influence on the association. For instance, large firms are more able to engage in associational activities due to their higher number of qualified staff. Moreover, they can provide expertise needed by the associations in many policy fields such as collective bargaining.

As a consequence, representatives of large firms often play a key role in the association’s negotiations with the authorities and the unions. The amount of dues to be paid is normally linked to criteria of firm size (e.g. the number of employees, the wage sum and sales), something which makes an association strongly dependent on its largest payers. This informal preponderance of large firms becomes formalized if voting rights are weighted according to dues or other criteria referring to firm size. In the case of general confederations, another way of formalizing the predominance of large firms is admittance of companies to direct membership in the confederation, aside from the eligibility of (lower-level) associations. Under these circumstances, it will be large companies which directly associate and then contribute the lion’s share to the confederation’s revenues.9

While large firms have obvious reasons to prefer general associations, they may look rather dubious from the perspective of their smaller counterparts. Why should they join an organization whose internal power configuration is...
so skewed towards large members that many of the special interests of small companies will be filtered out in the course of goal formation? To integrate small companies on a large scale, a general association has to offer them special benefits which outweigh their marginal role in the process of goal formation. The solution to this problem is the provision of services. Small companies need external services far more than large companies which can internalize a wide range of activities. If services are attractive enough, then they help an association to disconnect membership from collective goals (Moe 1980). In extreme cases small companies will maintain membership for the sake of access to services, although they disagree with the association’s goals.

Moving from the perspective of the potential members to the angle of the associations, one can conclude that the general associations of business stand out in their special capacity to take advantage of a two-step recruitment strategy: first of all, they may concentrate on recruiting large firms by attributing formally or informally a distinct status to them, such as direct membership at confederal level or a privileged role in decision making. They can then invest some of the resources provided by their large members in services as a means of attracting smaller companies within their domain. This two-step recruitment strategy results in an intra-associational trade off between large and small firms, as outlined above. The small firms can benefit from services in exchange for the prevalence of large members in interest representation. Put otherwise, the two-step recruitment strategy helps overcome the problem of collective action by offering two distinct selective incentives: one is tailored to large members, whereas the other, to small companies.

As far as collective goals are concerned, this means that the representational activities of a general association are oriented towards the special interests of their large members and towards the interests common to any kind of firm size. Therefore the representation of the special interests of small companies requires separate associations. This pattern of domain demarcation may look paradoxical at first glance. Although small companies clearly outnumber their large counterparts, the former have to gather in special (i.e. ‘narrow’) associations, whereas the general associations are the stronghold of the latter. This underscores the fact that it is not the sheer number of members but resource endowment that puts its stamp on the associational power configuration of business.

For the above reasons, the large number of small companies does not pose an insurmountable impediment to forming such special associations. Overcoming the free-rider problem requires a few relatively large companies among the mass of small companies which have enough resources and interest in a special association, such that they can take the lead in this process. The prospects for this, however, are uncertain on grounds of both interests and resources. As outlined above, small companies are still oriented towards local markets, whereas many regulations which are
relevant to them are economy-wide in their purview. Therefore the interest in embarking on economy-wide collective action may be too weak. Even when some small companies do have a strong interest, they may refrain from initiating collective action due to rather limited resources. This means that – aside from their special membership domain – associations of small companies will be distinct from their general counterpart in four main structural respects. They will be geared to local issues and interests, thus reflecting the focus of their potential members on local markets. They will be resourced far less well than the general associations that are backed by the very large firms. As regards the composition of the national associational systems, there will be only one single voluntary general association per country, but there may be several special associations. While the few large companies can easily concentrate on one association of cross-sectoral coverage, the very large number of small companies, which are differentiated into subgroups with differing interests, may give rise to a plurality of special associations. Finally, the formation and strength of the special associations will be more sensitive to exogenous conditions than is the case of the general associations. An important condition is set by the way in which the general associations deal with small companies. Their capacity to incorporate small companies has a strong impact on whether special associations can find a place in the associational system of business. Another exogenous determinant of the emergence of special associations of small companies is the economic structure, namely the distribution of firms by size. As noted, the prospects for special associations are likely to increase with the number of potential members. A third category of exogenous conditions crystallizes in the institutional framework for associational action. This framework which is mainly laid down by the state may encourage or rather discourage associational activities. A supportive framework equips the associations with special organizational capabilities that help them recruit members and raise resources. In this respect, five mechanisms are of utmost importance. First, provisions for membership may constitute a divide between voluntary and obligatory association. Law may oblige all companies covered by the domain of a certain association to be a member of that association. Such associations are commonly captured as Chambers although membership of Chambers is voluntary in several countries. The principle of obligatory membership is closely associated with the idea that business associations can produce worthwhile goods insofar as their activities promote business and thus a country’s overall economic development. Hence, obligatory membership normally goes hand in hand with other statutory regulations on the structure and tasks of the Chambers. Obligatory Chamber organizations somewhat counterbalance the above advantages of large firms in (voluntary) collective action, and thus give special support to the interests of small companies. As an implication, a Chamber which effectively organizes these interests, may crowd out voluntary association of small companies. Second, the state
may (co)finance associational activities. Aside from its positive effect on the associations’ revenues, such state sponsorship facilitates recruiting members, since it enables the associations to keep members’ subscriptions rather low. Third, low statutory barriers to formal recognition as a voice of business facilitate the formation of associations. While freedom of organization is generally established throughout the EU, recognition as an employer association entitled to bargain is tied to certain criteria of representativeness in some cases. Since these criteria usually refer to the association’s size, they may favour large (i.e. general) associations rather than special and small organizations. If the authorities prefer dealing with employer associations involved in bargaining even in policy areas other than industrial relations, then this tends to generally discourage the formation of small associations, such as those representing SMEs. Fourth, business associability is stimulated by legally-based extension of the validity of multi-employer agreements to employers who are not affiliated to the signatory employer association (Traxler et al. 2001). Given such practices, employers have good reason to believe that a collective agreement will bind them, even when they stay outside the employer association. Hence, it is rational for them to associate, so as to be entitled to participate in the bargaining process and in the association’s services which are related to the collective agreements. Fifth, participation in public policy tends to buttress associability provided that the associations can derive selective incentives for membership from such activities. Industrial policy programs designed to aid business offer the best opportunities. If business associations participate in the formulation and/or implementation of these programs, companies may hope that membership gives access to better information and preferential treatment.

As argued above, the special associations of smaller companies will be more sensitive to these exogenous conditions than the general associations which can rely on the endogenous power of large firm membership. This means that the exogenous conditions will affect both the existence and membership strength of the special associations, whereas they will have an impact only on strength in the case of the general associations. We refrain here from elaborating testable hypotheses and leave this to the concluding chapter on the comparative analysis. Instead, we briefly summarize the main points from the above theoretical reflections.

- The propensity of companies to voluntarily associate increases with firm size, implying that very large firms play the key role in business’ collective action.
- The associational system of business normally embraces one general, voluntary association, possibly in combination with one or more special associations of smaller companies and a Chamber. Large firms do not form separate associations. In contrast to this, they join and dominate the general association. Due to their predominance in the general association,
it is the representation of the special interests of smaller companies that needs separate association. Whether one (or even more of such) separate association exists, depends on exogenous circumstances.

- Analogous consequences for domain demarcation apply to special interests other than those of smaller companies. If they are not compatible with the prevailing interests of large firms under the umbrella of the general association, then their articulation requires separate association. Such special interests include ‘deviant’ cases of business goals (e.g. non profit) and ownership (e.g. cooperatives). Overall, their quantitative importance will be far lower than that of small companies.

**Associational tasks and activities**

There are two basic tasks of interest associations: the representation of interests and the provision of services. These tasks are distinct insofar as representing interests is a collective good the benefit of which is non-exhaustible and non-excludable, whereas services can be provided exclusively for the association’s members. The following discussion will first address the associations’ activities of interest representation and then shift to the service activities.

**Interest representation**

As outlined above, business associations can represent two main types of interests: labour market interests and product market interests. While business has its labour market interests in relation to the employees and the unions, its product market interests ensues from exchange relations which a certain business group has with other actors in its product markets. Since these actors are often other companies, the product market interests of a certain business group emerge in relation to other business groups. Depending on the type of interest covered, we distinguish between three basic representational types of business associations (Schmitter and Streeck 1981):

- pure trade associations are specialized in representing product market interests;
- pure employer associations deal only with labour market interests; and
- mixed associations combine the representation of product market interests and labour market interests.

In the case of both interest types, representational activities may target two groups: either the market counterpart as such or the state. The state has become an important target, since a wide range of product market issues as well as labour market issues are regulated by the state. An association may advance a certain type of interest either in a complete way (i.e. *vis-à-vis* the
state as well as market counterparts) or incompletely (i.e. *vis-à-vis* either of these interlocutors). Classifying the associations according to the two types of interest covered and these types of interlocutors addressed yields 15 possible categories of interest representation. The requirements, which these categories create for the associations involved, vary with the type of interlocutor as well as interest (Traxler 2002).

As regards interlocutors, it is generally easier for associations to represent their members’ interest *vis-à-vis* the state. Lobbying the authorities is not very demanding, since this brings about no need to formally accept compromises on member demands and to commit the members to such compromises. This more or less relieves the associations from the thorny task of governing the differing interests of their members. To ease their internal conflicts, associations may present maximal demands whose fulfilment is then beyond their responsibility. All this differs from interests which are advanced in relation to the market counterparts of the members. This often requires the association to agree to a compromise and to make the members comply with that agreement.12

Representing labour market interests contrasts with the pursuit of product market interests, since the former tend to be less divisive than the latter (Streeck 1989; Traxler 1993). This is because differences in the product market interests are mainly endogenous, such that they divide the business community into distinct competing groups (e.g. suppliers and buyers of raw materials). As a consequence, representing the product market interests of one special business group often requires advancing these interests in relation to and in conflict with another business group. In contrast to this, differences in labour market interests are primarily exogenous, since the labour market interests must be advanced *vis-à-vis* a group external to business, i.e. labour. Differences in labour market interests which are endogenous to business tend to be gradual rather than categorical. As a consequence, a common denominator can be applied to labour market interests, which enables the distinct business groups to arrive at an all-encompassing compromise: that is, a level of labour costs that even the marginal enterprise can accept. There is hardly a common denominator of differing product market interests, in particular when it comes to negotiating with market counterparts. Suppliers and buyers face a conflict over the terms of their contract, which constitutes a zero-sum game, unless the costs of the agreement can be passed on to third parties (e.g. the customers of the buyer). Similar conflicts emerge in connection with representing product market interests in relation to the state, if regulations have discriminating effects on distinct business groups. For instance, a law against air pollution harms such industries as chemical production, whereas it favours the producers of air purifiers and filters.

When reviewing the 15 possible categories of interest representation, one finds that it is most difficult for business associations to pursue product market interests in relation to the market counterparts of their members. Doing the same with regard to labour market interests faces fewer problems of
internal interest diversity but nevertheless creates the need to make collective agreements binding upon the members. Moreover, collective bargaining takes more resources than most of the other representational activities. This is mainly because collective bargaining is an iterated process that implies dealing with a direct counterpart under the premise of possible industrial action. An association that is a party to collective bargaining usually needs a high level of expertise in a wide range of distinct subjects as well as funds for industrial action.\textsuperscript{13} In comparison to this, lobbying activities that target the state in matters of labour market issues are least demanding.

How do the categories of interest representation systematically relate to an association’s demarcation of membership? Generally speaking, an association’s problems with representing product market interests increase with growing encompassment of its membership domain, because the product market interests of distinct business groups tend to conflict with each other. The opposite relationship applies to labour market interests. The fact that they are less divisive and need to be directed against an external group facilitates and promotes their incorporation into rather comprehensive associations, in particular when it comes to collective bargaining. For instance, profitable business groups may be interested to combine with weaker ones, so as to reduce their collective ability to accept union demands for higher labour standards. Moreover, business may even find itself compelled to establish comprehensive associations in response to encompassing union organization. This is because there is a strategic imperative imposed on both sides of industry to cover and control as many segments of the labour market as its counterpart. Otherwise, members of the less organized party run the risk of being played off against one another. Cross-sectoral associations like those studied in this volume are rather encompassing by definition. Hence, it will be extremely difficult for them to represent product market interests especially \textit{vis-à-vis} the market counterparts of their members, unless the actual composition of membership is markedly narrower than their formal domain, such that the market counterpart of their core constituency is excluded. While the general association will thus not differ from special associations due to their common cross-sectoral domain, there will be a difference in their involvement in bargaining. The special associations are likely to leave collective bargaining to the general association for two main reasons. First, there is evidence from OECD-wide studies that union density tends to increase with firm size (Visser 1991). Facing far stronger union presence in the workplace, large firms and their associations are under stronger pressure than smaller companies to embark on collective bargaining. Second, collective bargaining incurs relatively high costs, while associations of small companies are probably worse resourced than the general associations.

Regardless of this, it is rational for the special associations to internalize collective bargaining under either of the following two conditions. The first one is (negative) externalities imposed on them by collective agreements signed by other more encompassing business associations. Such externalities
arise from the use of statutory extension schemes. If the general association or its member associations conclude a collective agreement which then becomes extended to unaffiliated companies, this binds also unaffiliated small companies that are covered by the purview of that agreement. These externalities are likely to be negative for small companies. In comparison to them, large firms can concede higher wages due to their higher productivity and they may be forced to do so because of stronger union presence in their workplaces. The second condition is given by a ‘corporatist’ state that makes an association’s access to participation in public policy contingent upon its involvement in multi-employer bargaining. The state has a generalized interest in incorporating associations into its policies only when their actions have a notable effect on the economy, something which the associations can maintain solely through multi-employer bargaining. In many countries this association between multi-employer bargaining and participation in public policy crystallizes in tripartite macro-corporatist boards designed to concert incomes policy and state policy. In these circumstances, collective bargaining is the necessary precondition for exerting effective influence on public policy. However, closed-shop effects may hinder the special associations to enter corporatist policy formation. On the one hand, labour law may reserve the legal capacity to conclude collective agreements for the ‘most representative’ association, if parallel associations exist. In practice, this tends to favour the general association, since its domain is more encompassing than those of the special associations. On the other hand, governments may prefer dealing with a few encompassing associations in order to relieve themselves from the burden of reconciling the demands of a multiplicity of competing associations. As a consequence, the narrower associations of business are locked out. Overall, the general association and the special associations are expected to differ most strongly in the way in which they cope with interests to be represented vis-à-vis the unions.

Services

Large firms and SMEs clearly differ in their need for services. Associational services are important to SMEs due to their limited resources, while their large counterparts can easily make or buy services independently of associations. In accordance with this, research in the activities of sectoral trade associations found that associations which have many SMEs as members invest significantly more in membership-related activities than associations whose membership mainly consists of large firms. In the latter case the associations’ focus is on lobbying activities (Grote and Lang 2004). This, however, does not mean that associations dominated by large firms necessarily provide fewer services to their members than associations specialized in SMEs. In this respect, the intervening variable is resources.

The above considerations of the properties of the general associations and the special associations suggest that they will hardly differ in the range of
services offered. This is because they will compete most strongly for members in terms of services with the consequence that members will be not charged when using them. The general associations must produce services which are geared to the needs of SMEs as closely as possible, so as to attract them as members in a situation where their politics are dominated by the large members. Scarcer resources compared to the general association will hinder the special associations from outperforming their general counterparts in terms of services. Nevertheless, we assume that special associations will focus more on services than the general associations: If the former want to arrive at the same level of services as the latter, they must spend a higher share in total revenues on services as a result of fewer resources available to them.

Services are not only a field of inter-associational competition. In addition, there is also the possibility of competition from professional providers. This restrains the service activities of the associations in two respects. First, the service companies are usually covered by the domain of cross-sectoral associations. Hence, associational services threaten to crowd out business of (potential) members. This problem especially applies to the associations of SMEs, as their potential members are found particularly in such sectors as business services (OECD 2000). Second, commercial providers are argued to have a competitive edge, since they are not forced to bear costs of interest representation in addition to the costs of the production of their services (Stigler 1974). Business associations can mitigate both problems by linking services to the area of their representational activities (e.g. offering advice on industrial relations in connection with their role in collective bargaining). This specialization helps to take associational services out of competition with business of members. In addition, it helps develop expertise and reduce costs, as services can more or less be provided as by-products of interest representation.

Governance capacity: organization, resources and restructuring

The governance capacity of an association depends on the ability to control its members’ behaviour. At one extreme, this capacity may come close to zero, if an association must solely rely on voluntary member support. At the other extreme, one may find associations vested with the capacity of imposing binding decisions on their constituency. The governance capacity of associations is commonly regarded as the key determinant of their role in socioeconomic policies (e.g. Streeck and Schmitter 1985). In principle, this role may range from pure lobbying in favour of member demands to the assumption of public policy functions by means of associational self-regulation. The assumption of public policy functions transcends the confines of genuine interest representation. Associations that perform such functions must ‘govern’ their members’ interests, i.e. mould these interests and police their members’ action for the sake of the public goals, since the interests of
their members are never identical with these goals. Hence, there is a high risk of member defection. Associations that get their strength only from their members on a voluntary basis can hardly overcome this risk and will limit themselves to lobbying on behalf of demands which can draw from their members’ consent. Conversely, associations which have managed to establish a level of internal governance capacity which is required for the assumption of public policy functions may use them as a means of reinforcing and further strengthening their authority vis-à-vis the members.

It is the organizational design of an association that conditions its capacity for controlling the members. Its constituent dimensions have been elaborated by Schmitter and Streeck’s concept of ‘organizational development’ (1981). Accordingly, the degree of organizational development in the sense of governing capabilities increases with ‘organized complexity’ and ‘organizational autonomy’. Schmitter and Streeck apply their concept to individual associations as well as the overall associational system. Hence, organized complexity refers to the ability of an association/an associational system to internalize as many interests as possible and to process them in a functionally coordinated way. The range of interests internalized varies with the degree of domain encompassment which is thus the key property of organized complexity. Since a wide range of interests covered gives rise to intra- and inter-associational differentiation, the functional coordination of these differentiated components of the association/the associational system must take place in a hierarchically ordered way so as to arrive at a high level of organized complexity. The organizational autonomy of associations depends on their possibilities of raising resources, and on their strategic capacity to determine their goals independently. Autonomy generally increases with diversification of access to resources. This means that an association receives its resources not only from its members but from several sources, such that it becomes less dependent on member support. To increase their autonomy, associations can basically resort to two sources of funding: sale of services to customers or sponsorship by third parties, namely the state. While such diversification indirectly increases the association’s strategic capacity for autonomous goal formation, a direct supportive effect on its strategic capacity ensues from manifold forms of state licensing, including organizational privileges (e.g. obligatory membership). The guiding hypothesis of Schmitter and Streeck (1981: 129) is ‘that organizations strive to increase their autonomy ... in order to protect themselves as much as possible from unpredictable turbulences in their environments’.

Applying these arguments to our analysis requires several specifications. The first one is that the associations studied here are, by definition, rather encompassing, since the focus is on cross-sectoral organizations. Regardless of this, the organized complexity of business interests will be considerably limited in most countries, if the above reasoning on collective action is correct. Accordingly, the general associations as the principal collective
actors of business are presumed to be dominated by large firms. Therefore special interests that cannot easily be synchronized with the interests of this dominant group are usually forced to find separate and independent channels of articulation. This restrains the possibility of hierarchical coordination. It should be noted that the sheer number of co-existing associations tends to downplay the actual cleavage behind these structures. This is because small companies which represent the vast majority of both firms and employment must seek representation outside the general (i.e. formally most encompassing) association. Similar qualifications must be made with regard to the prospects for organizational autonomy. The commercial option of resource diversification is restricted, since business associations must use their services primarily as a selective incentive for membership. Therefore most services will not be made payable, unless an association wishes to transform itself into a service company. State sponsorship is thus the only source of diversification. However, associations have to balance carefully its benefits against the risks of arousing suspicion of being a state-dependent institution. The main point regarding organizational autonomy is that the power relations between business associations and their members differ strongly from those characterizing associations of other interest groups (Traxler 1993, 1995b). This difference lies in the fact that – leaving aside own account self-employment – the companies themselves are collective entities that can rely on a notable scale of resources. While associations are normally more powerful and resourceful than their individual members, this cannot be taken for granted in the case of business associations. In particular, such preponderance of the association does not hold true for very large firms which surpass their association in all kinds of resources. Hence, the limits to organizational autonomy, which are set by this ‘inverse’ power configuration, again affect the principal voice of business (which should bear the main burden of functional coordination) most strongly: the general associations whose core membership is the powerful group of large companies.

These structural limits to organizational autonomy do not rule out the possibility that business associations assume full responsibility for public policy functions. However, this requires a highly specific kind of devolved authorization by the state to bind members and possibly non-members, which must be geared precisely to the governance problem in question. As a result of this functional specificity, governance capacity becomes a component of the respective regulatory system rather than an organizational property of the association. Furthermore, the range of policy issues that can be devolved to the regulation by cross-sectoral business associations is also limited as a consequence of their encompassing domain. They will certainly refrain from assuming policy tasks related to product market interests that divide their members. Hence, the primary field, in which cross-sectoral business associations can take on regulatory tasks, points to labour market interests: that is collective bargaining and incomes policy. The effectiveness of such
involvement strongly depends on whether the bargaining system as such can rely on state-backed governability that ensures compliance of the members of the signatory associations (Traxler et al. 2001). This includes such statutory provisions as legal enforceability of the collective agreements, the peace obligation during the time of their validity and extension schemes.

Regardless of these specifications, Schmitter and Streeck’s concept puts forward the relevant dimensions of an analysis designed to study differences in governance capacity. In this respect, we will concentrate on the following problems:

- Combining the findings on domain demarcation and representational tasks will afford evidence on the organized complexity of the associational systems. The main question is whether inter-associational rivalries exist, since the essence of a high degree of organized complexity is a non-competitive, coordinated associational pattern, given cross-sectoral domains of the system’s components. Rivalries are likely to be endemic, because a general association and special associations will compete for membership of small companies and for representational competences in matters of product and labour market interests to be advanced vis-à-vis the state.

- The analysis of organizational autonomy will concentrate on two dimensions: The composition of revenues indicates the degree of resource diversification. Since financial affairs are a delicate subject, attention will be paid also to qualitative information on state-sponsorship. Aside from this, we take the direction of structural change as an indicator of organizational autonomy. The question is whether ongoing organizational restructuring strengthens or weakens the authority of the associations in relation to their members. For the above reasons, we expect a high degree of dependence on members, manifested in a strong financial focus on member dues and tendencies of restructuring that weaken rather than strengthen the authority of the associations.

- We also compare the general associations and the associations of small companies in terms of their resource endowment and their organizational reforms. The former are presumed to be better resourced and to be more under pressure to undergo structural reforms that give priority to member interests over considerations of organizational autonomy. Both differences follow from the special role of large firms in the general associations. On the one hand, their propensity to make extraordinary contributions leads to a relatively high level of resource endowment. On the other hand, this constitutes and reinforces their intra-associational hegemony, giving them the power to enforce structural reforms, whenever their special interests appear to make them necessary.
Definitions and research design

Firm size

According to the definition of the European Commission (1996), SMEs have fewer than 250 employees, and have an annual turnover not exceeding ECU 40 million, or an annual balance-sheet total not exceeding ECU 27 million, and must be independent in terms of ownership. This definition is important because it is used as the criterion for access to Community programs in favour of SMEs, whereas many member states have no general definition and often operate on the basis of definitions related to local practice or particular sectors.

For reasons of simplicity, this analysis adopts the maximum number of 249 employees as the definitional criterion for SMEs. We also follow the conventional differentiation of SMEs into three subcategories according to their number of employees, as used already in Table 2.1: micro firms (0–9 employees), small firms (10–49 employees) and medium-sized firms (50–249 employees). As any number of employees above the threshold of 249 makes a firm ‘large’ according to this classification, this category covers a relatively small but highly heterogeneous group of companies.\footnote{14} Notably, we will use this classification only for statistical purposes. Aside from this, we will refer to how SMEs are defined in the respective countries. In particular, the way in which a country’s associations define SMEs is of interest.\footnote{15}

Business interest associations

In any EU member state a multiplicity of business associations exists the study of which is beyond the capacity of one single research project. This holds true even for small countries. In Sweden, for instance, there are more than 1,000 business associations. In the Netherlands their number is estimated to be in between 800 and 1,200. Hence, we have to conceptualize business associations in a way that makes this study both manageable in empirical respects and relevant in analytical respects. For the analytical reasons outlined in the introduction, we centre on cross-sectoral peak-level associations. This concept requires further clarification in sectoral, territorial, hierarchical, and functional respects.

- The sectoral domain: by cross-sectoral coverage of the membership domain we understand associations which – according to their formal constitution – cover at least three one-digit activities as defined by EU NACE classification.\footnote{16}
- The territorial domain: this study centres on associations whose domain is nation-wide (in contrast to provincial or regional organizations).
- Hierarchical level: associations often build complex pyramids of associations. In such circumstances ‘lower-level’ associations are the member
organizations (affiliates) of ‘higher-order’ associations (confederations). This study concentrates on the peak level. Peak associations are formally independent in the sense that they are not an affiliate (i.e. a subordinate member) of a higher-level national association. Accordingly, there are two possible categories of peak associations: confederations and ‘direct membership’ (i.e. primary) associations. Confederations are associations of associations (i.e. have other associations as their members), whereas direct membership associations have the companies themselves as members.17

- Functional domain: this definitional criterion proceeds from the representational tasks. In this respect, our concept of associations includes what was designated above as pure employer associations, pure trade associations and mixed associations.

Confederations and Chambers of business create special problems of conceptualization. Confederations represent the top of a multi-level hierarchy of associations that corresponds with a certain intra-confederal division of labour and distribution of resources.18 An analysis that confines itself to the confederal level, fails to inform about the full range of activities and resources under the confederations’ umbrella. For this reason, all activities and services will be considered which are covered by the confederation directly or indirectly (i.e. via its affiliates).19 This is especially important for clarifying the confederations’ functional domain. For example, a confederation will be classified as employer organization, if it is directly or indirectly involved in representing labour market interests. Chambers (and similar types of public-law organizations) perform fairly differing functions across the EU member states. Since the focus of this study is on interest associations we include Chambers only if their main field of activity is the representation of interests relating to either the labour market or product markets. This means that Chambers which are primarily either administrative bodies (that implement certain public policy functions on behalf of the state) or service organizations (that are specialized in the provision of certain services for their members) are excluded from consideration.

Levels of analysis

In accordance with the theoretical outline, business associations will be studied at two analytical levels:

- The first level is a country’s ‘associational system’ of business. This system consists of all associations that meet the above definitional criteria: that is, peak associations whose domain is cross-sectoral and national. This approach enables us to analyse how business interests related to firm size are inserted into the associational system.
The second level of analysis refers to the structures and processes of the individual associations. For countries where the associational system is composed of a large number of associations, an in-depth analysis of all of them cannot be done. Therefore, the cross-national comparison will concentrate in-depth analysis on two associations within a country’s associational system: (1) the principal association (i.e. the largest one);\textsuperscript{20} and (2) the largest special association of SMEs. The size of the associations is measured in terms of the number of employees working in the member companies of the respective associations.

**Matching case study analysis with cross-national comparative research**

The main goal of the empirical part of this book is to examine the theoretical propositions on business associations and their interaction with firm size, as outlined above. This will be done in two steps. The first one is to present the country studies in the EU-15. The concluding chapter then adopts a cross-national comparative perspective. Each of the country chapters offers a case study analysis in its own right, aimed at giving an overview of how business interests are organized and processed in the respective country. In addition, they are designed to prepare the ground for the cross-national comparison. To serve both purposes, the country studies rest on a common basic structure. On the one hand, this structure is so consistent that it follows the main lines of the above theoretical reflections and also keeps each study as comparable as possible. One the other hand, it ensures so much flexibility that special attention can be paid to country-specific properties which are important to understand how the representational system of business works.\textsuperscript{21} According to this common structure, each country study is organized around the following themes: the economic and cultural characteristics of the country; the legal framework for associational action, the role of organized business in social dialogue and public policy-making; the associational system of business; and the comparison of the principal association and the largest association for SMEs. The volume concludes by a cross-national comparative analysis which is devoted to review and refine the theoretical propositions in the light of empirical evidence. This is based on testing hypotheses which are deduced from the theoretical propositions.

**Notes**

1  This difference, however, decreases when controlling for the sector of business activity (Observatory 2003).

2  Statistical standards primarily relate firm size to a certain number of employees. This number, however, varies across national and international statistics, when it comes to defining SMEs. The most frequent upper limit is 249 employees (OECD 2002).
Note that the list of the 500 largest companies covers ‘greater’ Europe, including not only the EU-15, but even countries outside the enlarged EU, such as Switzerland, Norway, Russia and Turkey. Furthermore, the measure of employment relates the aggregate number of employees of the multinationals (including those working in countries other than their national home base) to the total number of employees in that country where the headquarters is located. It interests us here the relative relevance of the interests of the big multinationals rather than their proportion in employment in their home countries. Put otherwise, the fact that a multinational records a notable number of employees abroad will increase rather than decrease its power in relation to the national authorities and the unions.

This analysis employed the average linkage method, since this is a rather robust clustering technique.

Consistent with these analytical objections, empirically oriented criticism of Olson emphasizes that his concept of selective incentives can hardly explain observable cases of collective action of ‘large’ groups (e.g. Keller 1988).

For an analysis of the effect of decelerating and accelerating production functions on collective action, see Oliver and Marwell (1985). This analysis, however, proceeds from the standard assumption of full information about the benefit and cost of a given goal.


This role resembles what is often captured as the ‘political entrepreneur’ in the literature on collective action (e.g. Moe 1980).

The section on associational resources considers this issue in greater detail.

Since large companies are more able than smaller firms to influence effectively the bargaining strategy of their employer association the opportunity to participate in the bargaining process primarily attracts the former, whereas services appeal to the latter.

As Bowman (1982) argues, product market interests rather than labour market interests prompt businesses to embark on collective action, as a consequence of their superior power position in relation to labour.

One may argue that these requirements hold true also for corporatist dealings with the state which result in tripartite accords and pacts. However, the obligation of organized business and labour to commit their members relates to their regulatory power in the labour market through free collective bargaining and incomes policy, whereas the responsibility for implementing the public policy components of such accords remains with the state.

The withdrawal of the Swedish SAF from central-level bargaining illustrates the amount of resources needed for bargaining activities. In 1990 when SAF withdrew and terminated its bargaining section, its staff decreased from nearly 500 to around 300 in 2000. In addition, the confederation managed to substantially reduce its membership dues from a total of SEK 781.5 million to SEK 409.7 million over the same period (Pestoff 2006).

While the lower statistical threshold for large firms is a minimum of 250 employees, the largest company among Europe’s largest businesses, Carrefour, recorded 419,040 employees in 2003.

We do not regard a certain kind of self-employment that is often subsumed under ‘liberal professions’ (including such groups as doctors, lawyers and architects) as belonging to the category of SMEs, since these professions are defined by certified qualification rather than by business activity. As a consequence, their interest associations are also excluded from consideration.

NACE one-digit classification is as follows: A (agriculture, hunting and forestry), B (fishing), C (mining and quarrying), D (manufacturing), E (electricity, gas and water supply), F (construction), G (wholesale and retail trade; repair of motor
vehicles, motorcycles and personal household goods), H (hotels and restaurants), I (transport, storage and communication), J (financial intermediation), K (property, renting and business activities), L (public administration and defence; compulsory social security), M (education), N (health and social work), O (other community, social and personal service activities), P (private households with employed persons). The domain of an association may crosscut these one-digit sectors. In this case, a sector can be seen as belonging to the BIA's domain only when its domain covers the majority of the NACE-listed business activities of the respective sector. Cross-sectoral coverage does not rule out the possibility of specifying the membership domain in other respects. For instance, an association which limits its membership domain to cooperatives but leaves sectoral activities unspecified is a cross-sectoral association.

17 There may also be confederations which organize both companies and other (lower-level) associations.

18 For instance, services are provided mainly by those affiliates to the confederation which operate as the direct membership (i.e. primary) associations.

19 The affiliates of a confederation may strongly differ in their activities. In this case the most common pattern will be reported.

20 If a general voluntary association in the sense outlined above exists, then it ought to obtain the status of the principal association in the associational system, according to the above reasoning.

21 For instance, the chapters on Belgium and Spain include an elaborate analysis of the regional associations (which are not part of the associational system, as defined above), since they are important SME representatives which are not affiliated to any of the national peak organizations. Several country chapters investigate all associations covered by the associational system in greater detail, instead of focusing on the principal association and the largest association of SMEs.
Part II
3 Austria

Franz Traxler

The economic and cultural background

In comparison to the EU-15, Austria is characterized by strong small and medium-sized enterprises, which record an above-proportionate percentage of both companies and employment. Conversely, the number and employment share of micro companies is below the European average (Table 2.1). In the case of large companies, the picture is more complex. Their number is comparatively large; the opposite applies to their employment share. This indicates that most of Austria’s large companies record relatively few employees. Likewise, the relative frequency of companies belonging to Europe’s 500 largest businesses is comparatively high, whereas their employment share is rather low. All in all, SMEs prevail in the Austrian economy. They accounted for 99.6 per cent of all companies and 71.9 per cent of total employment in 2003.

The present importance of Austria’s SMEs and their structural profile originate in the country’s late industrialization, as compared to Western Europe. On the one hand, this has induced the state to deliberately promote economic and technological development. For this purpose, the Chambers of business were set up in 1848. In contrast to the rest of Europe, the Chambers gradually developed into the principal business association of Austria, with the consequence that the interests of SMEs figure prominently in the overall process of advancing business interests. On the other hand, late industrialization has caused the preservation of craft traditions and practices. Although no special legal status has been attributed to SMEs, regulations related to these traditions and practices have backed their survival and performance. They crystallize in Austria’s country-wide dual system of supra-plant vocational training. Due to its corporatist profile, vocational training is tied to associational action, as the Chambers participate in devising new job categories and adapting old ones, and are also involved in implementing the system. Furthermore, the system is formally linked to business activities. This is because acquisition of the right to practise a certain business activity is traditionally subject to a formal qualification gained through vocational training. Due to the current tendencies of deregulation, these preconditions
for access to economic activities have been abolished or relaxed in many fields of business. However, they have survived in the area of craft skills (Handwerk), such that manufacturing continues to be divided formally into two segments (Guger et al. 2000). The Trades Code distinguishes manufacturing industry from craft production according to the following characteristics: capital-intensive production; a high degree of mechanization, installed in geographically and organizationally linked premises; standardized mass production; a production process involving a high division of labour and using a larger number of employees; and the organizational separation of management functions from execution, with the head of the enterprise only performing management functions. The implication is that craft production shows none or few of these characteristics. In contrast to craft production, no legally-regulated qualification is needed for industrial production. As will be outlined in greater detail below, the associational system of business reflects this formal divide. This, in turn, has structured industrial relations, in particular collective bargaining, which is conducted separately for industry and craft. Since the collective agreements for the industry tend to lay down employment terms that are more favourable to the employees than those in craft production, the legal and associational differentiation between industry and craft contributes to a corresponding segmentation of the labour market.

For a long time, the shape of the large firm sector was determined by the consequences of World War II and the imperatives of post-war reconstruction which prompted the government to nationalize large parts of it. Until the late 1980s, the segment of nationalized enterprises, where the state was the majority stakeholder, represented approximately 14 per cent of total employment (Beer et al. 1991). This segment comprised the vast majority of large manufacturing companies, namely those operating in key sectors like steel and chemicals, the power industry, and all major banks which in turn owned a notable number of companies in the area of industry. In addition, important services, such as telecommunications and postal services, were organized as state monopolies. From the early 1990s onwards, almost all of them were sold for two reasons. The persistent economic crisis of nationalized industries had required public subsidies which were increasingly seen as unsustainable. Privatization further gathered momentum in connection with Austria’s accession to the EC in the mid-1990s. The fate of the privatized companies differs. Some were taken over by domestic investors or foreign multinational companies. Others have been consolidated as independent businesses. Two-thirds of the Austrian companies listed among Europe’s 500 largest businesses in 2003 were owned by the state in former times. Aside from this, the Austrian economy and its large firm sector, in particular, have undergone two major changes since the late 1990s. The first one is growing internationalization, boosted also by EC membership which implied opening sheltered parts of the economy. For instance, Austria’s foreign trade penetration measured as the sum of imports and exports as a percentage of GDP, increased from 68 per cent in 1989 to
109 per cent in 2003 (OECD 2004). Furthermore, there has been a growing tendency of larger firms to raise capital from equity markets, as compared to the traditional mode of finance via banks. Economic restructuring has also affected one distinct feature of corporate governance. In comparative perspective, Austria, together with Germany and Switzerland, was reported to record the densest network of interlocking directorates and ownership ties (Stokman and Wasseur 1985). Meanwhile, several of the now privatized banks sold major parts of their industry holdings. Although no systematic research in this issue is accessible, anecdotal evidence suggests that the network has seen re-arrangements along the new ownership structures rather than erosion. In contrast to Germany, legislation has not set incentives for companies to reduce their network commitments. There are still numerous instances where top executives simultaneously hold seats on the supervisory board of a large number of companies.

In any case, these developments have markedly changed the context in which organized business has to operate. As far as interest representation is concerned, they have altered the inter-class power configuration in favour of business. Above all, privatization has contributed to this shift in power relations, since the nationalized industry was the traditional stronghold of social democracy and the union movement. The consequences of economic change are more mixed, as regards business associability. On the one hand, privatization has enlarged the membership potential in the case of the voluntary associations which traditionally focus on the private sector of business. On the other hand, there have also been negative implications of economic change, such as the spread of shareholder orientation and competitive pressures from internationalization which have forced the companies to curb costs, including costs of membership of associations. It is indeed the group of the Austrian subsidiaries of multinational enterprises which do not easily see the need to join a voluntary business association in a situation where they are obliged to be a member of the all-encompassing Chamber. This means that utilitarian, self-interested perspectives on membership of associations have been supplanting traditional views of solidarity.

Finally, one should also mention an important condition of associational action which has proved stable. This is the long-term tradition of close cooperation between organized business and labour in the area of industrial relations which has brought about an outstanding record of wage moderation (Traxler et al. 2001). This bipartite cooperation more than ever constitutes the core of what is commonly praised as ‘Social Partnership’ (Sozialpartnerschaft), since its tripartite complement has diminished in importance since the late 1980s.

The legal framework for associational action

As regards the legal status of interest associations, there is an important distinction between the Chambers on the one hand and voluntary interest
associations on the other which are governed by different laws. Chambers are public-law bodies which are based on mandatory membership. Their membership domains, powers and responsibilities, internal structure and finance are laid down by statute. In Austria particular Chambers exist for almost all interest groups in the economically active sector (i.e. employers, employees, and also a range of such liberal professions as doctors, lawyers and architects). Both individuals and legal entities falling within the domain of a Chamber are all de jure members of that Chamber. Chambers enjoy the public-law status because two basic tasks are attributed to them by statute: to represent their members’ interests and to participate in state regulatory functions. Their involvement in state regulatory functions includes participation in both their formulation and implementation. They have the statutory right to be consulted by the public authorities on all issues affecting their members’ interests in broadly defined areas of economic and social policy. In certain matters (e.g. the collection of statistics) they also function as public administrative bodies. These two basic tasks make the Chambers an important intermediary between civil society and the state which is modelled on the principle of subsidiarity. The Chamber system is thus the institutional expression of the preference for governance by ‘self-administration’. This means that the representative bodies of civil society should systematically participate in public functions, such that they can be carried out at a level as close as possible to the interests affected. Since almost all socioeconomic groups are covered by the Chamber system, Austria records the most comprehensive system of ‘corporatist’ governance according to comparative analysis (e.g. Siaroff 1999).

By contrast, the legal basis of the voluntary interest associations is the general freedom of association. The Associations Act (Vereinsgesetz) defines the general framework for the formation, structure and operation of associations, giving considerable leeway for specifying an association’s profile. Proponents wishing to found an association are obliged to submit its constitution to the authorities for registration. If the constitution is in accordance with the Association Act, the association must be registered and recognized by the authorities.

From a formal point of view, these recognition procedures do neither discriminate nor support the association of SMEs. De facto, however, they do buttress their associational action as a consequence of the public-law status of the Chambers of business (Wirtschaftskammern). As outlined in Chapter 2, SMEs face more difficulties in forming associations. Since all businesses – regardless of their size – are obliged to be a member of the Chambers, these differences in the capacity for associational action are overcome by law in the case of Austria.

Likewise, the rules on recognition as a party to collective bargaining do not formally discriminate in terms of firm size. Nevertheless, they have had special effect on SMEs, in combination with their practical implementation.
Recognition as a party to collective bargaining is regulated by labour law. Accordingly, the right to conclude collective agreements is made contingent on certain preconditions. This means that collective agreements may be concluded only by bodies either directly invested with the capacity by the Act or granted recognition on the basis of application and an admission procedure. Hence, labour law provides for two forms of recognition that correspond with the distinction between Chambers and voluntary associations. The Chambers are directly equipped with the capacity to conclude collective agreements in that they automatically possess this capacity ex lege. A special admission procedure is devised to grant the right to conclude collective agreements to associations, for which membership is voluntary. Such unions and employer associations can acquire granted recognition as a bargaining party only when they meet certain preconditions.

These preconditions are given if they are independent of the opposing side and if the Federal Arbitration Board (Bundeseinigungsamt), a joint body established within the responsible ministry, has granted them recognition as possessing it by virtue of their extensive occupational and territorial coverage and major economic importance. Individual employers are entitled to conclude collective agreements only by way of a few exceptions listed by law (e.g. legal persons governed by public law, or specifically identified employers such as the Austrian Broadcasting Company). As a consequence of these recognition criteria, Austria’s labour law authorizes only multi-firm (i.e. associational actors) to conclude collective agreements. Neither company unions nor the companies themselves – with the few exceptions specifically identified by law – can acquire the right to bargain. Expressed otherwise, Austria’s labour law generally rules out the possibility of single-employer bargaining. This restriction is of practical importance only with regard to the employers, since no company union exists in Austria. Moreover, this importance varies with firm size, since single-employer bargaining would be a feasible option only in the case of large companies.

If both a Chamber and a voluntary association possess the capacity for collective bargaining on behalf of one and the same group, the law gives priority to the voluntary association. As an implication of the higher ability of larger companies to associate, this rule might privilege voluntary employer associations dominated by large firms. In practice, however, the vast majority of voluntary business associations has refrained from engaging in collective bargaining and has left this task to the Chambers of business. This means that Austria is one of the few countries, where the Chambers of business perform the tasks of both a trade association and an employer association which conducts collective bargaining.

The overall effect of these formal regulations and industrial relations practices is that SMEs are fully integrated into the associational system of employers, with the consequence that their influence on the employers’ bargaining strategies and the process of collective pay-fixing is considerable.
The role of organized business in social dialogue and public policy making

The social dialogue, understood as Social Partnership, is a complex phenomenon which includes both negotiation and consultation. Social Partnership takes place at three levels.

The micro level concerns companies and establishments. This level is regulated by labour law which attributes certain tasks and responsibilities to management and the works council. The focus is clearly on consultation, whereas an obligation of management to negotiate with the works council exists only in the case of a few issues. Notably, labour law refers to firm size insofar as a works council can be established only in establishments with a minimum size of five employees. By comparative standards, this is a rather low threshold which excludes only the very small employers from micro-level social dialogue (Traxler et al. 2001).

At the meso (i.e. sectoral) level, negotiations prevail, since the purview of the vast majority of collective agreements is demarcated in sectoral terms. Therefore, it is this level where the statutory criteria for recognition as a party to collective bargaining become relevant. Since the Chambers, backed by mandatory membership, come close to having a representational monopoly on behalf of the employers, collective bargaining coverage is around 98 per cent (Traxler et al. 2001). This sector-specific system of collective bargaining is coordinated across the economy by the pattern-setting role of the metal industry.

As regards the macro (i.e. the cross-sectoral) level, one has to differentiate between bipartite and tripartite social dialogue. The bipartite variant involves only the two sides of industry. Since no cross-sectoral collective agreement has been concluded for decades, consultation rather than negotiation characterizes the bipartite dialogue. Put more specifically, joint declarations and policy recommendations for the government are its most visible output. Bipartite negotiations occur, when the government delegates drafting a regulation to the two sides of industry, implying that the government is willing to enact their joint draft. Such practice, however, has become rare since the late 1980s. Likewise, the tripartite social dialogue rests on consultation rather than on negotiation. In contrast to its counterparts at the micro and meso level, the bipartite as well as the tripartite form of cross-sectoral social dialogue mainly follows informal customs and practices. Exceptions to this rule are formally established corporatist boards which perform advisory or regulatory functions in certain policy fields such as labour market policies. As a consequence of the predominance of informality, access to the macro-level social dialogue is based on mutual recognition by the relevant actors. In practice, there is a small and exclusive circle of actors which includes the government and the circle of the so-called ‘social partners’. This circle is composed of five peak associations that include Chambers as well as voluntary associations: the Austrian Federal Economic Chamber (Wirtschaftskammer Österreich,
WKÖ), the Federal Chamber of Labour (Bundesarbeitskammer, BAK), the Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB), the Standing Committee of Presidents of the Chambers of Agriculture (Präsidentenkonferenz der Landwirtschaftskammern, PKLWK), and the Federation of Austrian Industry (Industriellenvereinigung, IV). Originally, the core group of social partnership consisted of WKÖ, BAK, ÖGB and PKLWK. This is because this group met a double symmetry of interest representation. On the one hand, it matched the requirement of inter-class parity, since it covered the most influential associations of employers and employees. On the other hand, it reflected the traditional configuration of political pillarization: WKÖ and PKLWK are dominated by the conservative party; BAK and ÖGB, by the social-democratic party. Meanwhile, the role of the PKLWK has declined, whereas the role of the IV has grown, as a result of economic internationalization and Austria’s accession to the EU. In the case of agriculture, this is because the transfer of agricultural policies to Brussels has re-directed the representational activities of the PKLWK. European integration, economic internationalization and privatization have all increased the influence of large companies of the internationally oriented, exposed sector which form the backbone of the membership of the IV, as will be outlined in greater detail below.

Owing to their statutory rights of consultation, the Chambers obtain a legally-privileged position in public policy-making. In practice, however, their position is not outstanding, as compared to the other associations referred to as the social partners above. Generally, the authorities prefer consulting these four social partners. This fact is also manifested in the composition of statutory corporatist boards. As a rule, the right to nominate representatives for corporatist boards accrues not only to the Chambers, but also to the ÖGB. The IV, the second voluntary association among the social partners, is also represented on such boards although this is less frequent, compared to the other social partners.

Thus when giving clear priority to the social partners in matters of negotiations and consultation, the state has attributed a de facto privileged voice in social and economic policy to them. As a result, in order to gain support for their particular interests, other, smaller and narrower business associations outside the system of Social Partnership often have to direct their lobbying at the Chambers rather than at the government. Aside from this difference between the social partners and other interest associations, the social partners themselves differ in their relative weight and input, when it comes to implementing public policies (e.g. vocational training). As regards the implementation of policies involving business, WKÖ and its subunits are the partners of the authorities. This follows from their public-law status. Moreover, it is also the Chambers which offer the services needed to complement public policies. In comparison to this, IV has presented itself more as a ‘lobby’.
The associational system

Following the definition of cross-sectoral business associations, as documented in Chapter 2, one finds only two associations: WKÖ and IV. The membership domain of WKÖ comprises almost all areas of businesses, with the main exceptions of agriculture and the liberal professions. All firms in the domain of WKÖ are legally required to be a member. In functional respects, WKÖ is a mixed association, dealing with both the product market interests and the labour market interests of its members. As already noted, this includes collective bargaining. WKÖ itself and its sectoral subunits traditionally conclude the vast majority of collective agreements for the employers. IV is a voluntary association whose domain broadly embraces the (manufacturing) industry and related businesses. Like WKÖ, it is a mixed association. While IV possesses the right to conclude collective agreements, it has never made use of this right, even though, as a voluntary association, it would have priority over WKÖ in this field.

For reasons of clarification, one should also mention two other associations which might be presumed to satisfy the criteria of a cross-sectoral business association, as set out by this volume: This is the Austrian Association of Cooperatives (Österreichischer Genossenschaftsverband, ÖGV), and the Austrian Association of the Raiffeisen Cooperatives (Österreichischer Raiffeisenverband, ÖRV). Both ÖGV and ÖRV are specialized in cooperatives. The state has vested the associations of cooperatives with the public task of auditing the cooperatives. This also works as a very strong selective incentive for membership. According to law, cooperatives must periodically be monitored by a special form of auditing. Normally, this is done by associations which are formally authorized to audit cooperatives. As a consequence, the establishment of a cooperative is bound to an application for membership in an auditing association, such as the ÖRV and ÖGV. Auditing also provides the associations with a legally-based source of income, since the member cooperatives have to pay for the auditing procedure. The membership domains of ÖGV and ÖRV are complementary, since they organize different types of cooperatives.

ÖGV voluntarily gathers all cooperatives that are established according to the principles of Schulze-Delitzsch who initiated this type of cooperative as a self-redress for SMEs in the nineteenth century. All cooperatives complying with the principles of Schulze-Delitzsch are directly organized by the ÖGV. Today, Schulze-Delitzsch cooperatives operate in commerce, tourism, transport, manufacturing and banking, with a main focus on the latter sector which records more than 50 per cent of the total number of employees working in member firms of the ÖGV. Voting rights are differentiated by member group. In the case of the banks they are weighted, whereas the one member one vote principle applies to the other cooperatives. In matters that affect only either of these two groups, each group holds its special assembly, based on the corresponding distribution of votes. In matters of common
interest, each group also votes in line with its specific voting procedures. However, to maintain the share of each group in total membership, the votes of the non-banking group must be adjusted accordingly. Since the ÖGV is an association that is legally authorized to audit cooperatives, auditing its members is one of its core tasks. Furthermore, a broad range of services, in particular advice on all questions of business administration, is offered. Most of these services are free of charge. ÖGV performs tasks of interest representation only on behalf of the banks. This includes product market interests and labour market interests, and involves both the authorities and the unions. For instance, ÖGV negotiates the collective agreements on behalf of its banks. Overall, the activities of ÖGV centre on auditing and services. Since interest representation is not only less important, but also limited to the group of banks, ÖGV does not fit with the profile of a cross-sectoral interest association.

ÖRV is the voice of the Raiffeisen cooperatives which developed historically as a self-help movement for farmers. Membership is voluntary. The main areas in which Raiffeisen cooperatives operate are banking, commerce, and manufacturing. As regards manufacturing, the stronghold of Raiffeisen is food-processing (in particular the dairy industry) due to its historical roots in agriculture. However, nowadays, more than 50 per cent of the employees covered under the umbrella of ÖRV work in the banking sector. In contrast to ÖGV, ÖRV is vertically differentiated in that only higher-order (i.e. trans-regionally operating) cooperatives are its members. In addition, several subsidiaries (established in a legal form other than cooperatives) as well as the Land-level auditing associations are affiliated to ÖRV. The licence to audit cooperatives is used with regard to its direct members, while the Land-level associations audit the lower-level cooperatives. Interest representation deals with both product market interests and labour market interests. As an employer association, ÖRV conducts collective bargaining on behalf of several member groups, such as the banking and the dairy industry. Like ÖGV, ÖRV provides services which relate to all aspects of business activities. Most of them are free. Voting rights are based on the principle one member one vote. In comparison to ÖGV, there is a stronger focus on interest representation. Regardless of this, ÖRV does not meet the criteria for this analysis, since it lacks independence. ÖRV is a member of PKLWK, in addition to the nine Land-level Chambers of agriculture. This is remarkable, because, the domain of the ÖRV is not confined to agriculture. Its impact on PKLWK is profound. Empirical evidence suggests that the ÖRV has successfully used PKLWK as a means of channelling its special interests (even those not related to agriculture) into public policy-making (Krammer 1997).

Basic data on WKÖ, IV, ÖGV and ÖRV are summarized in Table 3.1. They reveal that WKÖ surpasses the other associations by far in its comprehensiveness of domain and its membership strength. This goes hand in hand with its key role in public governance, its monopoly-like position in collective bargaining, and its pre-eminent function as a service organization.
for business. WKÖ is thus the gravity centre of the associational system of business. This holds true not only for cross-sectoral, but also for sectoral interests, since the subunits of WKÖ and their activities in the areas of interest representation and services are differentiated by branches. As a result of this, the membership domain of almost any other voluntary business association in Austria overlaps with the domain of WKÖ. Due to mandatory membership, WKÖ is not under pressure to compete for members with the other associations, whereas each of them has to convince their potential members of the benefits of joining it in addition to their legally pre-determined membership of WKÖ. Austria’s voluntary business associations have responded to this challenge mainly in two ways, as will be shown with regard to IV, ÖGV and ÖRV. These two responses to the preponderance of WKÖ characterize also the large number of sector-specific voluntary business associations that are beyond the scope of this analysis (Traxler 1986).

First, the voluntary associations have usually established collaborative relations with the WKÖ in fields of non-rivalling interests for the sake of economizing on resources. For instance, the distinct voluntary associations which altogether cover the banking sector have an agreement with the WKÖ according to which the WKÖ devolves the tasks of its subunits established for the banking sector to these voluntary associations. The ÖGV and ÖRV are parties to this agreement on behalf of their cooperative banks. The agreement is advantageous to the WKÖ, since it saves resources. Conversely, the voluntary associations can benefit from the Chamber’s legally established privileges of interest representation. The agreement also implies that one

<table>
<thead>
<tr>
<th>Association</th>
<th>Scope of functions</th>
<th>Membership domain</th>
<th>Members covered</th>
<th>Employees covered</th>
<th>Voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>WKÖ</td>
<td>Mixed</td>
<td>All businesses, with the main exception of agriculture and the liberal professions</td>
<td>200,945*</td>
<td>2,222,565*</td>
<td>Unweighted</td>
</tr>
<tr>
<td>IV</td>
<td>Mixed</td>
<td>Manufacturing industry and related businesses</td>
<td>1,200</td>
<td>425,000</td>
<td>Weighted</td>
</tr>
<tr>
<td>(ÖRV)**</td>
<td>Mixed</td>
<td>Raiffeisen cooperatives</td>
<td>72</td>
<td>47,000</td>
<td>Unweighted</td>
</tr>
<tr>
<td>(ÖGV)**</td>
<td>Mixed</td>
<td>Schulze-Delitzsch cooperatives</td>
<td>226</td>
<td>11,300</td>
<td>Differentiated by economic sector</td>
</tr>
</tbody>
</table>

Notes
* 2001; ** not meeting the criteria of a cross-sectoral, country-wide and independent business interest association, as set out in Chapter 2.
and the same person performs representative functions in the WKÖ and the corresponding partner association. Such ‘dual office-holding’ also links the IV to the WKÖ, since the lists of candidates for the elections of the Chambers’ Industry Division, as put forward by the IV, have always been successful. This facilitates cooperation in fields of joint interests and also helps to channel the special interests of the narrower voluntary associations into the Chamber system. A case in point is collective bargaining. Before the annual bargaining round for the pattern-setting metal industry starts, the Chamber officials who negotiate these agreements usually have consultations with their colleagues from IV.

Second, the voluntary associations have specialized in narrower, more particularistic interests, as compared to those represented by the WKÖ which is obliged to pursue a ‘universalistic’ policy line which requires unifying the interests of its member groups. Since highly heterogeneous interests are under the encompassing umbrella of the WKÖ, this means that many narrow, group-specific interests are usually transformed and even filtered out in the course of this process. This enables voluntary associations to find a niche by specialization in terms of tasks and interests. With the licence to audit cooperatives, ÖGV and ÖRV perform a task that is not covered by the Chambers.

Specialization by interests and/or tasks enables the voluntary associations to accentuate their profile not only in relation to the WKÖ, but also among each other. Moreover, they can specialize in distinct business groups. As a consequence, their scope of activities comes close to being mutually exclusive. Needless to say, such forms of specialization mitigate inter-associational competition for members and/or representational tasks, but they do not fully overcome it. This holds true also for the relationship between WKÖ and IV, since their membership domains almost completely overlap.8 Albeit treated by the two associations discretely, this competition intensified as a consequence of European integration. The reason for this was that IV, as the far smaller association, became the business representative of Austria in the course of the cross-sectoral European Social Dialogue through its affiliation to UNICE. WKÖ was excluded, because UNICE does not accept mandatory associations as members. Under Austria’s presidency of the Council in 1998, the conflict could be settled by a cooperation agreement between UNICE and UEAPME (of which WKÖ is a member). The agreement enabled UEAPME representatives to participate in the dialogue.

Membership domains and organizational structures

The Act on the Chambers of business (Wirtschaftskammergesetz) obliges every natural and legal person to be a member of the economic Chambers, if the business carried on falls within the scope of one of seven sectors (Sparten): craft production (Gewerbe and Handwerk); (manufacturing) industry (Industrie) including construction; mining and quarrying; commerce; banking and insurance; transport; telecommunications; radio and television
activities; tourism and other services. This membership demarcation includes all types of ownership as well as profit and non-profit organizations. Due to the principle of mandatory membership, the actual number of members is identical to the potential members. However, it should be noted that membership is formally linked to an operating licence that authorizes the licence holder to carry on a certain type of business. In practice, not all holders make use of their licence and thus belong to the group of ‘sleeping’ members. Furthermore, the subject of the licence is sometimes narrower than the scope of business carried on by a company, which therefore has more than one licence. When the membership files are adjusted for sleeping members and multiple licensing, the number of member businesses under the umbrella of WKÖ in 2001 was 200,945 members, with a total number of 2,222,465 employees (Statistik Austria n.d.). The 2002 composition of membership is as follows: craft production, commerce, industry, bank and insurance, information and consulting, transport and communications, tourism and leisure industries represent 26.4, 33.0, 1.9, 0.3, 16.5, 5.9, and 16.0 per cent of WKÖ’s (unadjusted) total membership, respectively. Table 3.2 shows that SMEs prevail in WKÖ. The average number of employees per member firm was 11 in 2001. This composition of membership mirrors the firm size structure of the economy as a whole, in line with the all-encompassing membership domain of WKÖ.

WKÖ is the peak of the Chamber system of business which is based on a two-dimensional organizational structure. One dimension mirrors Austria’s territorial differentiation, with Land-level Chambers for each of Austria’s nine Länder. The second dimension refers to the sectoral composition of its membership domain. There are seven broadly defined divisions which correspond with the seven sectors under its umbrella (see above). Each of these divisions is in turn divided into narrower federal branch subunits. Within each of the nine Land-level Chambers there is an analogous differentiation into Land-level divisions and Land-level branch subunits. In all, WKÖ covered 129 federal branch subunits and approximately 1,200 Land-level

<table>
<thead>
<tr>
<th>Size of employment</th>
<th>Member companies</th>
<th>Employees covered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Absolute numbers</td>
<td>%</td>
</tr>
<tr>
<td>1–9</td>
<td>169,527</td>
<td>84.4</td>
</tr>
<tr>
<td>10–49</td>
<td>26,055</td>
<td>13.0</td>
</tr>
<tr>
<td>50–249</td>
<td>4,434</td>
<td>2.2</td>
</tr>
<tr>
<td>250 and more</td>
<td>930</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>200,946</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Statistik Austria (n.d.).
branch subunits in 2003. Each company is simultaneously affiliated to WKÖ and any of its subunits which embrace its business activity. Voting rights of the members are allocated on the basis of one member one vote, as far as the primary elections are concerned. At higher levels, the seven sectors of WKÖ are weighted according to their economic importance. In the case of the federal representational assembly (Wirtschaftsparlament) their proportion of delegates is as follows. Crafts, industry and commerce each have 18 per cent; telecommunications and tourism each 12 per cent; and banking/insurance and transport each 11 per cent. This rule favours industry and banking/insurance, as their membership shares are far below the relative number of their delegates in the assembly (see below).

The membership domain of IV is formally defined as covering the companies which use ‘industrial’ methods of production and organization, and which practise a business activity related to industry. Moreover, the top executives of the member firms may become personal members. What makes a business related to industry remains unspecified. Hence, the domain of IV is rather open. Member companies from sectors other than industry usually provide services for the industry sector. In addition, IV has members from other branches whose special ties with the industry are less evident. This includes enterprises engaged in what is called by IV as ‘systematic’ commerce (i.e. enterprises that can benefit from economies of scale, such as retail chains), telecommunications companies, power-supply companies and large banks and insurance companies. In 2002 IV recorded about 1,200 member companies, with a total number of approximately 425,000 employees. Industry accounted for the lion’s share of membership, with c. 1,000 member companies (i.e. 83.3 per cent of all members) and c. 380,000 employees (i.e. 89.4 per cent of all employees covered). It is impossible to calculate the density ratio of IV, since its membership domain is not demarcated in operational terms. An estimate, however, can be made with regard to its core membership, i.e. industry. Its potential membership in industry more or less corresponds with the membership in the Industry Division of WKÖ. Accordingly, density of IV in terms of companies and employees is around 21.8 per cent and 84.2 per cent, respectively. The difference in density between companies and employees indicates that a firm’s willingness to join the IV increases with its size. As noted above, the IV seeks to avoid the impression of being the representative of large companies. The IV claims that the majority of its members are SMEs. Accordingly, in the late 1990s the share of member firms employing no more than 100 employees, employing 101 up to 500 employees, and employing more than 500 employees was 49.6 per cent, 36.3 per cent and 14.1 per cent, respectively. Unfortunately, this classification by firm size crosscuts the conventional definition of SMEs (i.e. enterprises with fewer than 250 employees). At any rate, using the above 2002 data on members and employees for calculating the average size of the member companies yields 354 employees per member company. This is above the threshold that designates SMEs. Moreover, the average firm size
of the IV member companies is far higher than that of any other business association studied in this volume.

The thoroughgoing economic changes of the 1990s caused major transformations in the composition of membership. Before these changes large banks together with their industry holdings formed a key group of IV membership. For instance, the once largest bank of Austria, Creditanstalt-Bankverein (CA-BV), and the companies of its industry holdings were affiliated to IV. This was because CA-BV saw IV as an important means of channelling its interests into the political process. This kind of ‘package membership’ disappeared when the banks began to sell companies of their holdings. For example, Bank Austria, which had taken over CA-BV in 1997, sold Austria’s largest producer of vehicles to the Canadian Magna group in 1998. The Austrian Magna group, which is now among the most important industry companies in Austria, is not a member of IV. This case underscores the problems of organizing subsidiaries of multinational companies. However, IV succeeded in organizing a notable number of privatized companies which had been part of nationalized industry. Against the background of these alterations one certain type of business has proved to be the most stable member group: indigenous companies, where the owner is also the manager, can be organized rather easily.

The member companies are directly affiliated to IV, without any internal differentiation by sectors or territory. However, separate Land-level associations of IV exist which are independent organizations, without formal membership in their national counterpart. As a consequence, an affiliated company normally obtains dual membership in the IV of its Land and in the country-wide IV. In contrast to WKÖ, voting rights are weighted according to the number of employees working in the member firms, as far as the general assembly of the IV is concerned. For SMEs, a special committee is established.

**Activities**

Table 3.3 summarizes the scope of representational activities regularly performed by IV and WKÖ. Seen from the perspective of WKÖ, there are overlapping as well as exclusive fields of activity. The state is a primary target of both associations for representing labour market and product market interests. The associations, however, differ somewhat in how they advance interests *vis-à-vis* the state. In comparison to IV which concentrates on lobbying, WKÖ is more involved in the formulation and implementation of state policies. This includes public schemes to aid business. In contrast to IV, WKÖ also participates in the implementation of such schemes. There is also an informal division of labour in terms of the kind of interests represented. There is an area exclusively covered by WKÖ: representing interests *vis-à-vis* the unions in the course of collective bargaining, and the participation in and implementation of schemes for vocational training and product
standardization. As already noted, the WKÖ and its subunits negotiate the collective agreements on behalf of nearly all sections of Austria’s employers. Since labour law gives priority to voluntary associations when it comes to collective bargaining, this is not simply due to the encompassing domain of WKÖ. As mentioned above, almost all voluntary associations whose domains overlap with that of the WKÖ do not engage in collective bargaining, such that only a few collective agreements (e.g. for banks and printing) within the WKÖ domain are concluded by voluntary associations. The role of WKÖ is also essential in all matters of vocational training. WKÖ participates in defining new professions as well as in drafting the legally-established curricula of the numerous professions covered by the public vocational training system. Furthermore, the state has devolved the implementation of important components of the system to WKÖ. For instance, WKÖ registers and administers the contracts on apprenticeship, as concluded by the employer and the apprentice, and organizes the examinations for the vocational leaving certificate. WKÖ also participates in matters of standardization mainly via its links with the Austrian Standards Institute which is responsible for the preparation, application and implementation of standards according to the Act on Standardization.

It is important to note that IV and WKÖ also differ in how they deal with group-specific interests within their domain. These differences are predetermined by their organizational structures. As delineated above, WKÖ

<table>
<thead>
<tr>
<th>Table 3.3 IV and WKÖ: activities</th>
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<tbody>
<tr>
<td><strong>Type of activity</strong></td>
</tr>
<tr>
<td>Represents:</td>
</tr>
<tr>
<td>Labour market interests vis-à-vis the unions</td>
</tr>
<tr>
<td>Labour market interests vis-à-vis the state</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
</tr>
<tr>
<td>Product market interests in relation to suppliers</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
</tr>
<tr>
<td>Services related to</td>
</tr>
<tr>
<td>Industrial relations</td>
</tr>
<tr>
<td>Economic policy programs</td>
</tr>
<tr>
<td>Exchange relations with suppliers</td>
</tr>
<tr>
<td>Exchange relations with customers</td>
</tr>
<tr>
<td>Vocational training</td>
</tr>
<tr>
<td>Further training and qualification of company staff</td>
</tr>
<tr>
<td>Developing/monitoring quality standards for products</td>
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Note
Main activities are marked in italics.
rests on a complex differentiation by regions, sectors and branches which systematically give rise to the articulation of corresponding, group-specific interests. At the same time, WKÖ is legally required to balance and aggregate the manifold group interests, such that business can be represented with one single voice. To cope with interest diversity under these circumstances, WKÖ follows the principle of subsidiarity. Accordingly, all interests that affect more than one of its numerous subunits must be aggregated and unified across the subunits involved for the purpose of joint interest representation. In practice, this means that the scope of interest aggregation varies with the respective interlocutors and the strategic imperative to arrive at unequivocal positions vis-à-vis them. There is a need to unify the interests of all groups under the umbrella of WKÖ in matters of legislation that affect business as a whole. In contrast to this, formulating bargaining goals remains within the realm of the branch- and sector-specific subunits, since collective bargaining takes place at this level. Representing group-specific product market interests vis-à-vis suppliers and customers is most decentralized, as this is completely left to the corresponding branch- and sector-specific subunits. Hence, such interests are unimportant to WKÖ as a whole. These practices indicate that WKÖ is rather cautious when it comes to unifying interests across distinct business groups. However, mandatory membership, in combination with its privileged position as a business representative, empowers WKÖ to do so, if this is actually needed. In comparison to WKÖ, a unitary approach characterizes IV, insofar as this association centres on the interests common to industry as a whole. This enables IV to externalize inter- and intra-industry conflicts, something which is especially reasonable in the case of a voluntary organization. In line with the unitary policy-line, the internal structure of IV is differentiated neither by regions nor by branches. Regional interests are devolved to its parallel Land-level associations. Representing the special interests of the distinct industry branches is left to the branch-specific subunits under the umbrella of the Industry Division of WKÖ. Needless to say, this unitary approach does not overcome informal differences in the ability of distinct groups to influence associational politics. As long as the group of large banks and their holdings were the paymasters, their interests were especially important to IV. Meanwhile, their influence has declined, as they sold off their holdings.

The range of member services offered by the two associations largely reflects their scope of representational activities (Table 3.3). This is because services usually follow and relate to the kind of interests represented. In the case of the WKÖ, however, the range of services is more comprehensive than the scope of interest representation, since the former, in contrast to the latter, includes exchange relations with suppliers and customers as an important activity. The state has formally delegated the promotion of foreign trade to WKÖ, such that this task constitutes one major part of its activities. A special department of WKÖ, specialized experts within the Land-level Chambers, and 70 foreign trade offices around the world offer a wide range
of information, advice and business support regarding international trade. The WKÖ also tries to stimulate business connections among its members by providing a platform designed to initiate exchange relations between potential business partners.

The WKÖ regards the provision of services as important as interest representation. This is for several reasons. Services help legitimize mandatory membership; they are needed more by smaller companies (which prevail in the Chambers) as compared to larger ones. Last but not least, they are a means of compensating the members for the universalistic policy orientation of the WKÖ which subordinates the members’ special, group-specific interests to general, cross-sectoral goals. In line with this special emphasis on services, a notable proportion of the staff of WKÖ is specialized in this field of activity. In particular, professionalized services of this kind are offered in the areas of promotion of international trade, further training and qualification.

This approach to services differs from that of IV. Member services provided by IV are simply the by-product of interest representation. As an IV representative noted, this implies that the amount of dues paid by a member clearly exceeds any possible benefits from services. According to his view, there is another problem with services, insofar as they are hardly visible for large firms, even when they make use of them. In large companies it is middle management which usually contacts the associations for information and advice, which is often then passed off as its own expertise. The efforts of IV to attract and integrate members thus concentrate on emphasizing the importance of its representational activities, since IV itself does not see its services as a convincing reason for membership.

This difference in the internal status of services translates into differing modes of financing them. In the case of IV services are financed by the membership dues and thus free of charge. WKÖ differentiates between basic services (such as advice on labour law, other regulations, and foreign trade) and special services (which are mainly related to the promotion of international trade, further training and qualification of company staff). While the former are gratuitous, the latter are payable.

**Human and financial resources**

Table 3.4 documents the associations’ human resources (in terms of the number of paid staff members) and the composition of their revenues. In 2002 WKÖ and its Land-level Chambers altogether recorded 4,615 staff members. About 24 per cent of them worked in WKÖ itself. In the same year the staff of IV was 65. These figures, however, are not fully comparable, since the Land-level is represented by formally independent ‘satellite’ associations in the case of IV. The number of staff members of these associations in 2002 totalled 44. Even when they are added to the staff of IV, its combined human resources are clearly smaller than that of WKÖ. This can certainly be traced to the larger size of WKÖ and its broader scope
of activities. Closer consideration, however, shows that human resources grow not monotonically but rather degressively with associational size, as the number of staff members per 1,000 member companies and per 1,000 employees working in the member firms reveals. With 54 staff members per 1,000 company members (in comparison to 23 in the case of WKÖ), IV is more than twice as well resourced as WKÖ is. This difference even grows, if one also includes the satellites of IV into the calculation (i.e. 91 staff members per 1,000 members). Another indicator of the relative endowment of human resources is the number of staff members per 1,000 employees employed in member firms. Equipped with two staff members per 1,000 employees, WKÖ is somewhat better resourced in this respect than IV whose comparable figure (with and without its satellites) is zero. This indicator, however, is less important than the first one, since the member companies (in contrast to their employees) are the clients of an association’s staff.

Given that the associations receive almost all revenues from their members, this difference between WKÖ and IV in terms of staff per member indicates that the members of IV pay much higher dues, compared to the dues prescribed by WKÖ. This, in turn, has to do with the far larger size of

### Table 3.4 IV and WKÖ: human and financial resources, 2002

<table>
<thead>
<tr>
<th></th>
<th>IV</th>
<th>WKÖ</th>
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<tbody>
<tr>
<td><strong>Human resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of staff members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peak level</td>
<td>–</td>
<td>1,120</td>
</tr>
<tr>
<td>Association as a whole</td>
<td>65</td>
<td>4,615</td>
</tr>
<tr>
<td>Satellite associations</td>
<td>44</td>
<td>–</td>
</tr>
<tr>
<td>Staff members per 1,000 member firms</td>
<td>54 (91*)</td>
<td>23</td>
</tr>
<tr>
<td>Staff members per 1,000 employees working in member firms</td>
<td>0 (0*)</td>
<td>2</td>
</tr>
<tr>
<td><strong>Composition of revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues (firm members)</td>
<td>98.0</td>
<td>85.7</td>
</tr>
<tr>
<td>Membership dues (affiliated associations)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Voluntary subsidies from members</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Sales of services</td>
<td>0.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Obligatory dues and levies</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Revenues from the state (including contracts with government)</td>
<td>0.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>7.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Note**

* Including the staff of the satellite associations.
the companies affiliated to IV. In addition to these regular dues, voluntary contributions (amounting to 0.5 per cent of total revenues) are another source of finance, supplied by the members of IV. Since none of the two associations is a confederation, there are no dues from affiliated interest organizations. Revenues from sales of services do not exist in the case of IV, whereas the WKÖ’s amount of sales (i.e. 4.2 per cent) is low in relation to the overall importance of its service activities. Both IV and WKÖ get income from the state (including EU institutions) in the form of reimbursement for joint activities. This accounts for 0.5 per cent and 2.5 per cent of total revenues, respectively.

Regardless of their differing profiles of activities, expenditure for interest representation is estimated by both associations to be as high as those for services. As regards IV, which clearly focuses on representational activities, this is surprising. IV representatives explain this by the fact that services are very labour-intensive, even when they are provided mainly as by-products of interest representation. Recalling that the number of WKÖ staff per 1,000 members is smaller and the range of services, broader than in the case of IV, leads one to the conclusion that the resources of WKÖ are rather limited in relation to its tasks, although they look impressive in terms of absolute numbers.

Restructuring

WKÖ as well as IV underwent major internal reforms in the early 2000s. They were propelled by the same factors. The economic changes of the 1990s challenged the traditional associational patterns. In particular, the companies have become more share-holder-oriented, internationalized and exposed to intensified competition. This has forced them to curb costs and improve their profitability. As a consequence, their relations to interest organizations have changed. They tend to perceive associational membership as a question of costs and benefits now much more than they did in the past, when they were often affiliated out of habit. Hence, the associations have had to face growing demands for economizing on resources. In terms of agency, the reforms of WKÖ and IV were interrelated, as the driving force behind them was one and the same business group: industry, with the more or less open support from large companies from other sectors, namely banking, insurance and commerce. The industry companies were able to initiate the reform of both associations due to their economic weight, in combination with their dual membership and concomitant ‘dual office-holdings’ in the two associations. While IV is the special association of industry, there are also close ties with the Industry Division of WKÖ, since its boards are traditionally dominated by officials nominated by IV for the Chamber elections. However, aside from these basic communalities, there were also important differences between WKÖ and IV in the pressures for organizational adjustment.
Until the mid-1990s WKÖ could rely on revenues from a tax on foreign trade which was levied on any export and import. These revenues were dedicated to financing export promotion in general and the foreign trade offices of WKÖ in particular. This tax was rescinded in connection with Austria’s accession to the EC. Since that time WKÖ had to finance these activities itself, something which caused financial problems. Increases in dues clashed with the members’ opposite demand for lowering them. Against this background, WKÖ became the first target of the reform initiatives launched by the coalition of industry and other large companies. This business group regards WKÖ as being biased in favour of the group of smaller companies. The criticism by large companies is that they have to bear the main burden of financing WKÖ, whereas its profile is tailored to the SME interests for two reasons. WKÖ spends much of its resources on services (which large companies need less); and its internal goal formation rests on the one member one vote principle (that weakens their power position in relation to smaller member firms). Hence, the group of large companies primarily pressed for a reduction of membership dues. In response to this, the new leadership of WKÖ presented a reform proposal in August 2000. Its key goal was to reduce dues by about 30 per cent. This required sustainable efforts to economize on resources, which in turn presupposed thoroughgoing restructuring. The main elements of the restructuring program, as adopted after intensive internal debates in 2001, were as follows (Biach 2001; EIRO 2001; Kreimer 2001; Nausner and Baumann 2001):

- Activities and tasks were more efficiently distributed among the numerous subunits of WKÖ. Accordingly, WKÖ as the peak organization now concentrates on representational activities at national and EU level. All services provided by WKÖ were transferred into the remit of the Land-level Chambers which also have to represent Land-level interests. While all the Land-level Chambers still offer basic services, each of them now specializes in a certain category of sophisticated services (e.g. complex questions of environmental protection) in order to reduce redundancies.
- Sophisticated services (e.g. relating to the promotion of international trade) were made payable.
- The administrative apparatus was made ‘leaner’. This included the reduction of the number of departments, the closure of 10 foreign trade offices and the downsizing of staff by 950 persons (i.e. a decrease by 20 per cent).
- In-house services were concentrated in a special business unit and modern management techniques were introduced in order to improve planning and control.
These measures have proved successful in that they enabled WKÖ to arrive at a balanced budget and to reduce its membership dues by 29.4 per cent on average from 2004 onwards. There is one notable area where these measures deviate from the initial reform concept. Originally, the goal was to reduce the high degree of internal sectoral differentiation by replacing the more than 100 federal branch subunits and their Land-level counterparts with 29 broader units. This met strong resistance from the established subunits for several reasons: the preference for a restrictive (i.e. a particularistic) interpretation of joint interests; inequality of resource endowment; traditional rivalries among contiguous sectors which thus refused to merge; and the given purview of the collective agreements which generally follows the domain of the signatory branch subunits. Regardless of this, WKÖ continues its efforts to build more encompassing subunits. They now concentrate on merging the administrative apparatus of related subunits which are expected to accept this restructuring due to growing financial restraints imposed upon them. In 2006 WKÖ renewed its plan to streamline its sectoral differentiation. Its goal has been to reduce the given number of 128 federal subunits with 1,164 Land-level subunits to 80 federal subunits, such that the restructured federal subunits will at least record 1,500 members and annual revenues of EUR 400,000 from basic dues.

The reform of IV also began in 2000, somewhat later than that of WKÖ. Although this process was fostered by the ongoing restructuring of WKÖ, the primary impulse came from several other factors which caused even more severe financial problems than in the case of WKÖ. A structural problem of financing emanates from the general guideline for prescribing the regular member dues. This guideline links the amount of dues to the wage sum and the number of employees of a member company. Given the long-term decline in employment in the sector of industry, a dampening effect on the revenues from dues follows from this guideline. Furthermore, the amount of dues to actually be paid is seen as negotiable. This custom has magnified the problems of dues collection: As utilitarian orientations towards membership in associations have spread, the companies have adopted tougher positions on their possible contributions. In this respect, the restructuring of the group of large member banks was especially grave. As noted, they and their holding companies had been the largest payers before their restructuring process. For instance, it was the managing director of CA-BV himself who had decided on the dues of the companies being part of the bank’s holding; and he had done so in a generous way. This changed after the holding companies had been sold, and their managers had to justify dues payment before the new shareholders.

In contrast to WKÖ, IV did not envisage cutting back dues. Instead, the goal of the reform was to stabilize the association’s finances. As in the case of WKÖ, the means of accomplishing this goal was improving organizational efficiency. The reform carried out by IV included four main components:
A new, project-oriented structure of the administrative apparatus was established instead of the conventional system of a functionally differentiated bureaucracy. This included a reduction of the number of hierarchical levels.

Staff was pruned to around 20 persons (implying a decrease by almost 24 per cent). In-house services were outsourced.

IV regards the reform as a success: membership and dues enjoy enhanced legitimacy, and finances have consolidated.

Recalling the marked differences in tasks and structures between WKÖ and IV, one may find the fact that both associations underwent thoroughgoing organizational change rather surprising. In particular, one might have expected the public-law status of WKÖ to shield this association from the strain of restructuring. Two main points can be inferred from the above counter-evidence. First, the pressures for change appear to have been enormous. Since the economic changes which unleashed these pressures affected also business associations other than WKÖ and IV, their cases probably indicate a general trend. The development of ÖGV and ÖRV support this assumption. Both associations reduced their service activities. This involved only the banks of the ÖGV, leading to a decrease of dues by 15 per cent on average, as regards this group of members. The ÖRV (which had 58 staff members in 2004) reduced its staff by 12 per cent over the last 10 years. Second, economic pressures for change as such would not matter, if they were not transformed into strategic action. This underpins the companies’ power vis-à-vis their association. They need not take given organizational arrangements, but are powerful enough to re-design them in accordance with their demands. Even mandatory membership does not enable a business association to become a governing agency capable of fully controlling its members.

Conclusions

In Austria company size is irrelevant as a formal criterion for demarcating the domain of cross-sectoral business associations. Neither an association explicitly specialized in SMEs is established; nor an association formally claiming that it is the voice of big business exists. Regardless of this, there is a subtle, informal differentiation by firm size, involving the two cross-sectoral associations, i.e. WKÖ and IV. Since the membership domain of WKÖ almost completely includes that of IV, this differentiation ensues from distinct profiles regarding not only membership domains, but also decision-making procedures and tasks.

While WKÖ is Austria’s general and principal business association, it at the same time pays special attention to the interests of SMEs as a consequence of the combined result of mandatory membership, the encompassing domain and the one member one vote principle. Mandatory membership overcomes
the extraordinary problems of SMEs, when it comes to collective action. In connection with this, the encompassing domain makes SMEs numerically prevalent in WKÖ. The one member one vote principle translates this numerical preponderance into remarkable influence and strength in the course of internal goal formation and interest representation. This is not to say that large companies are weak. As regards their branch-related interests which are not affected by other business interests, large companies of industry can rely on the Industry Division of WKÖ and its branch subunits as their primary channel of associational action. Moreover, the group of large companies can exert strong influence even in matters of general interest which are subject to encompassing interest aggregation within WKÖ. In formal terms, their influence is based on their above-proportionate presence in higher-level decision-making bodies (see above). Their successful initiative to reform the Chamber demonstrates this influence. Nevertheless, they run the risk of becoming overruled in all areas where the interests of small and large companies clearly conflict. Due to the organizational properties of WKÖ, SMEs are structurally favoured in the course of interest representation. The same holds true for services, as a consequence of the elaborate range of services which are performed by the Chambers free of charge in most fields of this activity.

The opposite pattern characterizes IV. Its formal domain focuses on industry which, by statutory definition, constitutes the large-scale segment of manufacturing. While the domain remains rather indeterminate in other respects, IV actually attracts large companies also from other sectors. Voting rights are weighted according to employment and thus strengthen large firms. Therefore the domain and decision-making procedures structurally favour this business group. In line with this, the average number of employees per member firm is clearly above the threshold of SMEs, as documented above. Furthermore, the provision of services by IV is subordinate to and a by-product of interest representation. This underpins that large firms need services less than SMEs. In addition, the very high density ratio of IV in terms of employees suggests that large firms can easily associate on a voluntary basis, without special selective incentives that extend the range of by-products of interest representation. A high degree of voluntary associability is not the only finding which strongly confirms what Chapter 2 hypothesized with regard to collective action of large firms. IV has internally provided for a special committee for SMEs and has been anxious to reject prevailing public opinion which regards it as the voice of ‘big business’. Aside from general considerations in favour of inclusiveness, as discussed in Chapter 2, another reason for this rejection may lie in an Austrian peculiarity. That is the fact that IV, as the smaller cross-sectoral business association, is the voice of Austria in the larger European business association (i.e. UNICE). The preference of large firms for inclusive solutions also explains why IV has left collective bargaining to WKÖ. Since all SMEs, together with their large counterparts, are members of WKÖ, it is better for the latter to equip
WKÖ with the bargaining mandate, as compared to establishing IV as their special agent of bargaining. This is because the limited ability of SMEs to pay restrains the scale of wage increases generally, when small and large companies are under the umbrella of one and the same association. Although the (large) companies of industry are more exposed to union demands due to their separate collective agreements, they can nevertheless control the overall bargaining process through the pattern-setting role of the metal industry.20

Overall, the strong presence of SMEs in WKÖ has prompted industry as the traditional stronghold of large companies to set up a separate association. At the same time, large companies do appreciate the advantages of pursuing their interests through WKÖ in certain matters such as bargaining. This means that they do not see the two associations as alternatives. This perspective tends to contain rivalries between the two associations and has paved the way for a complementary relationship in terms of both domains and tasks. This complementarity cannot be understood without taking account of the interplay of association and firm size. The structure of IV is well suited to taking up the special interests of large firms, whereas the structures of WKÖ are more geared to the special interests of SMEs. In matters that do not relate to firm size, the two associations can easily cooperate. This is facilitated by the practice of dual office-holding which interlocks the two associations through common representatives. In comparative perspective the most notable finding is that large companies have a special association, while the general association is the preferred voice of SMEs. This makes Austria a unique case, since the reverse pattern applies to the other European countries.

Notes

1 Mandatory membership in the Chambers is independent of the type of ownership of a business, such that nationalized companies are included by law.
2 In addition, a few other legal persons (such as the public social insurance institutions) enjoy this capacity ex lege.
3 It should be noted that, de facto, single-employer settlements are possible in that the respective union and its associational employer counterpart may conclude a special collective agreement on behalf of one single company.
4 In Europe, this arrangement only applies to Slovenia, aside from Austria.
5 If a cooperative’s application for membership is rejected by the official auditing associations, then the commercial courts appoint an auditor for the unaffiliated cooperative.
6 A complicated formula referring to a bank’s own capital, deposits and contribution to the group’s capital formation defines the number of votes. There is an upper limit in that one single bank can obtain no more than 3 per cent of the total number of votes.
7 Although ÖRV and ÖGV do not meet the criteria of a cross-sectoral independent interest association, we include them in the analysis of the associational system for heuristic reasons.
8 The exception is the power industry which is not covered by WKÖ.
9 For the same year, the unadjusted membership totalled 400,938.
10 This estimate refers to 2001. To calculate density in terms of employees, the figures on actual membership are for 2002, whereas potential membership is for 2001.

11 More than any other company in Austria, Magna has adopted a strategy of direct interest representation, based on recruiting former representatives of the distinct parties in parliament.

12 Although its membership domain has never been confined to the private sector, the nationalized industry always kept aloof from IV. In the late 1970s (i.e. before entering into crisis), the nationalized industry employed around 18 per cent of all employees in industry.

13 According to the constitution, one vote, two votes, three votes, and four votes are allocated to firms counting a maximum number of 100, 400, 700, and 1,000 employees, respectively. One additional vote is allotted to each further package of 1,000 employees. There is a ceiling in that no member firm can have more than 10 votes.

14 In 1993 (i.e. the last year before its abolition) the tax amounted around 31.3 per cent to the total budget of approximately ATS8 billion (Der Standard 1993).

15 Forty per cent of the federal subunits were reported to run a deficit of €5 million in 2005/6.

16 From 1998 to 2002, the number of employees working in IV member firms dwindled by around 5.2 per cent.

17 This negotiability is not simply rooted in informal practices, since the guidelines, as endorsed in the association’s constitution, are vague. Accordingly, any criterion other than the wage sum or the number of employees may be used for fixing the dues, provided that this criterion correlates with the size and importance of the company.

18 The territorial satellite associations are excluded from consideration.

19 One may argue that the reform serves the interests of the group of large members of WKÖ more than their smaller counterparts, since the scale of relief from dues tends to increase with firm size.

20 To prepare the annual bargaining round, the Industry Division of WKÖ surveys the members’ views, with a special emphasis on large companies.
4 Belgium

Patrick Kenis and Franz Traxler

The economic and cultural background

Belgium belongs to the group of countries whose economic structure in terms of firm size is close to the European average (Table 2.1). There are only a few minor differences from the European mainstream. The employment share of the Belgian companies belonging to Europe’s 500 largest businesses is slightly below the average, whereas their number is above. Furthermore, the proportion of the micro firms and their employment share is somewhat higher, whereas the corresponding percentages of small companies are lower. In contrast to the structure of firms, the Belgian economy strongly deviates from the European average with regard to foreign trade penetration. With the sum of exports and imports (i.e. goods and services) representing 172.7 per cent of GDP in 2003, the Belgian economy surpasses almost all other countries in openness.¹ This has directed special attention to the issue of comparative labour costs, as we will see below.

Although Belgium is a rather small country, it is extremely heterogeneous in almost any respect. In economic terms, there is considerable diversity across sectors and regions. The productivity gap between the manufacturing sector and the business sector as a whole is higher in Belgium than in most other European countries (Arcq and Pochet 2000). As regards regions, Flanders contrasts with the other parts of the country, in particular Wallonia. Whereas Flanders enjoys an industry mix conducive to economic growth, Wallonia is burdened with declining industries, such as coal and steel. As a consequence, their performance fairly differs in such dimensions as productivity and employment. In 2001, for instance, Flanders and Wallonia recorded an unemployment rate of 3.8 per cent and 10.6 per cent, respectively. Due to these economic imbalances, Flanders transfers around €5 billion per annum to the other regions (D’Addio and Nicaise 2004).

The economic differentiation by regions tends to coincide with differentiations by language. Belgium has three official languages (i.e. Dutch, French and German), something which has given rise to cultural enrichment as well as political conflict. Over the last few decades this has led to fundamental constitutional reforms resulting in a quasi-federal structure based on the
three regions (i.e. the Flemish Region, the Walloon Region and the region of Brussels-capital) on the one hand, and on the constitutional recognition of the three language communities, on the other. The three regions have competence over matters concerning the environment, housing, water policy, economic policy, energy and employment, public services and transport. They also have administrative authority over the 10 provinces and boroughs. The three communities enjoy autonomy in the regional aspects of culture, language, ‘every day life’ (including educational matters), domestic and international cultural cooperation. The two large communities in Belgium have left their marks on all aspects of society. In the Cabinet, i.e. the main organ of national (i.e. ‘federal’) executive power, there must be an equal number of Dutch speaking and French speaking ministers. Similar arrangements can be observed in the case of the judicial system, the administrative system and the associational system. The thesis that the associational system follows the political and administrative system can certainly be confirmed for the Belgium case. As competences moved from the central to the regional level, the associational system (which was nationally oriented) became also ‘regionalized’.

To make things even more complicated, Belgium is still a politically polarized country in many areas. The political parties developed in response to several divisions in society, referring to religion, region and language, and class alignments that separated labour from capital. The formation of the political parties echoed these divisions in a way that they covered distinct social surroundings within Belgian society. Specific organizations (schools, insurance companies, etc.) were set up in tandem with each party, such that the party members as well as their families could enjoy their care and services almost from birth to the day they died. In exchange for their loyalty, the members of these organizations have had access to jobs, housing or other social benefits. For their part, the leaders of the political parties tend to distribute the positions available within the system of public administration more or less proportionate to their strength.

The associational system is also traditionally divided along these lines of socio-cultural differentiation. Whereas the language divide has become more pronounced, the other lines of differentiation have become less relevant.

**The legal framework for associational action**

In Belgium there exists no legally-based obligatory membership of business associations, except for some professional associations like those for doctors or lawyers. Business associations can assume a legal status on the basis of either the *Wet op de beroepsverenigingen/Loi sur les unions professionnelles* (31.03.1898) or the *Wet op de vereniging zonder winstoogmerk/Loi sur les ASBL* (27.06.1921). Not all associations have, however, taken a legal status (the same holds true for unions with the consequence that they can not
be prosecuted). This means that anybody can associate, even if the legal requirements for association are not met.

The most essential regulation concerning associations refers to the concept of representativeness. While there is no law which gives a general definition of the concept, its constituent principles are laid down in the Collective Agreements and Joint Committees Act of December 5, 1968 (Blanpain 1992b). The Act excludes minor and emerging organizations from the right to bargain. To be representative, an employer association has to satisfy the following criteria: it must be multi-industry, established at national level; and represented on the National Labour Council (Nationale Arbeidsraad/Conference Nationale du Travail, NAR/CNT) and the Central Economic Council (Centrale Raad voor het Bedrijfsleven/Conseil Centrale de l'Économie, CRB/CCE). Furthermore, the member associations of an association which meets the above criteria are recognized as representative. As the Act explicitly specifies, the national inter-professional organizations and federations, which have been recognized by the Act of March 6, 1964 and which represent the craft companies, SMEs of commerce and industry and the self-employed, have also to be considered representative. Being entitled to representative status entails a privileged role in public policy. It is only representative employer associations which have the right to conclude collective agreements, participate in the joint administration of social security, nominate candidates for the labour courts, partake in corporatist bodies, etc.

The representative status of the parties to collective bargaining, in combination with its link to NAR/CNT, makes collective agreements a mechanism of public governance. This is because the government can decree a collective agreement concluded within NAR/CNT or its sector-specific counterparts (i.e. the Joint Committees and Joint Subcommittees) generally applicable. Such agreements then bind, on pain of penal sanctions, all employers and employees who fall within the purview of the agreement. In practice, pervasive use of this extension provision has been made, leading to a rate of collective bargaining coverage of more than 95 per cent of the total number of employees (Traxler et al. 2001). Moreover, the extension provision frequently serves as a means of financing public functions, such as vocational training and additional unemployment benefits (e.g. Blanpain 1998). These funds are created under a clause of the sectoral collective agreements, requiring that employers have to contribute to the funds. Since these agreements are made generally applicable, such clauses result in imposing a compulsory levy on any employer of the respective sector. This practice buttresses the parties to the collective agreements in two respects. On the one hand, the compulsory levies induce employers to join their association; on the other hand, they are a source of income, since the associations keep a certain percentage of the levies for running their own organization.
Likewise, representative associations receive grants from the state in exchange for their participation in the formulation and implementation of public policies. For example, the Union of the Middle Classes (Union des Classes Moyennes, UCM), which organizes the SMEs of Wallonia, get funds from the Walloon Region for an environmental programme (‘Conseil environment’) and for a programme to help starters (‘Starters Day’). Representative associations also enjoy preferential rights to offer ‘authorized’ services which their constituencies need, when it comes to observing certain regulations. As regards business, the so-called ‘Social-accounting Secretariat’ is an important example. On behalf of their members, the secretariats carry out the various duties imposed by social security legislation. To be officially approved by the Minister for Social Affairs, such a secretariat must be linked to a representative organization, and constituted in the form of a non-profit organization, with a certain minimum number of member firms. There are at present some 40 of them in existence, with a total of over 200 branch offices. Most Belgian SMEs have joined an approved Social-accounting secretariat which carries out any task of wage cost accounting and personnel management for their members (e.g. administrative duties of recruitment, calculation of wages and social security contributions, withholding taxes on wages, undertaking the respective monthly, quarterly or yearly declarations). The use of the services provided by these social-accounting secretariats is so widespread that very few SMEs do the related duties themselves. These secretariats provide such associations with a special selective incentive to attract members. Recent legislation further strengthened the privileged role of the associations in public policy. In July 2003 the entire administration of setting up an enterprise was devolved to private actors. These ‘starter offices’ which are co-financed by the state are often (but not exclusively) run by business associations.

The state also co-finances the associations of non-profit organizations (e.g. hospitals) which receive a lump sum subsidy for membership of these associations.

The role of organized business in social dialogue and public policy making

The social dialogue embraces consultations and negotiations which are built on a functionally differentiated, hierarchically ordered network of statutory institutions. The main functional differentiation of the consultative bodies is between economic and social issues. CRB/CCE is the chief advisory body in matters of economic policy. The Council submits to the government and Parliament, at request or on its own initiative, opinions on issues pertaining to the national economy. As will be delineated below, this includes advice on incomes policy. While the Council itself deals with macroeconomic questions, its Special Advisory Committees (Bijzondere Raadgevende
Commissions/Commissions Consultative Spéciale, BRC/CCS) address sector-specific issues. The Council is composed of delegates from the representative peak organizations of business and labour, plus six independent experts (Vilrokx 1992). A special consultative body is established in favour of the self-employed, the liberal professions and SMEs. This is the High Council for the Self-Employed and the Small and Medium-sized Enterprises (Hoge Raad voor de Zelfstandigen en de Kleine en Middelgrote Ondernemingen/Conseil Supérieur des Indépendants et des PME, HRZKMO/CSIPM). About 140 professional and interprofessional organizations are represented on the Council, including the largest associations of SMEs, UCM and the Union of Self-Employed Entrepreneurs (Unie van Zelfstandige Ondernemers, UNIZO), which are influential members of the inter-sectoral section of the Council. The Council has the task of advising all Ministers dealing with matters affecting the interests of the Council’s members. Reflecting the federal structure of the state which confers considerable autonomy upon the regions, corporatist bodies also exist at this level of socio-economic governance (Vilrokx and Van Leemput 1998): the Economic and Social Council for the Brussels Region (Economische en Sociale Raad voor het Brussels Gewest/Conseil Économique et Social de la Région Bruxelloise, ESRBG/CESRB), the Economic and Social Council of the Walloon Region (Conseil Économique et Social de la Région Wallone, CESRW), the Flemish Economic and Social Concertation Committee (Vlaams Economisch en Sociaal Overlegcomité, VESOC), and the Social Economic Council of Flanders (Sociaal-Economische Raad van Vlaanderen, SERV). They advise on matters of economic and social policy. Like CRB/CCE and HRZKMO/CSIPM, CESRW and SERV are purely consultative bodies, whereas ESRBG/CESRB and VESOC) are designed as tripartite fora of concertation. The actual impact of these bodies on policies differs across the regions. They are most influential in Flanders, where attempts at a regionalization of policies are most pronounced. These tendencies include collective bargaining. In 2002 Flanders adopted a bill which made collective agreements on community and regional matters mandatory. The governments of Belgium and Wallonia appealed against this law, which the Court of Arbitration abrogated in 2004. The Flemish employers and their associations have been the driving force behind the efforts to transfer bargaining to the regional level (Mormont 2005). This is because the Flemish employer representatives have recurrently called for taking more account of the regional differences in productivity and employment, when it comes to setting wages (Arcq and Pochet 2000; D’Addio and Nicaise 2004).

Nevertheless, collective bargaining takes place at three main levels: cross-sectoral bargaining, sectoral bargaining and company bargaining. Labour law ensures for their articulated interaction, giving rules established by the higher level precedence over agreements at lower levels. State regulation is not confined to the issue of articulation. Generally, the Belgian system of collective bargaining stands out in terms of its high degree of juridification.
Labour legislation provides for a system of mandatory bargaining at cross-sectoral and sectoral level within the framework of NAR/CNT and the Joint Committees (Paritaire Comites/Commission Paritaires, PC/CP) (Mormont 2005). NAR/CNT is a cross-sectoral body designed to advise the authorities on social issues. The Council is considered ‘one of the most powerful consultative bodies’ in Europe (Beyers et al. 2001: 78). Since 1968, its parties are also entitled to conclude cross-sectoral collective agreements which are regularly declared generally binding for the entire private sector. The participants in NAR/CNT are the most representative peak organizations of business and labour. Cross-sectoral agreements usually regulate wages as well as non-wage issues, referring to early retirement, employment and vocational training (e.g. education and training for young people and the unemployed who are difficult to place in new jobs, positive action in favour of women, career breaks, special training opportunities for young people, in-service courses). It should be noted that there is also a practice of negotiating cross-sectoral agreements every two years outside the framework of NAR/CNT. These agreements which are not legally binding are devised to set guidelines for bargaining within NAR/CNT and the Joint Committees (Incomes Data Services 1996). As a rule, cross-sectoral agreements do not go beyond relatively general provisions; more detailed provisions are laid down by industry bargaining. In a way analogous to NAR/CNT, the Joint Committees and their narrower (i.e. sub-sectoral) Joint Subcommittees perform functions of advice and bargaining for their respective purview. Like the cross-sectoral agreements put into practice by NAR/CNT, (sub)sectoral agreements made in the Joint (Sub)Committees are extended to the entire (sub)sector. Two categories of associations are admitted to the (Sub)Committees: the sectoral affiliates of the representative cross-sectoral associations which are parties to NAR/CNT and other associations which are declared representative by the authorities. In early 2004, 99 Joint Committees and 75 Subcommittees were in operation. If a branch is not covered by an agreement of any of the established Committees, NAR/CNT itself may conclude a collective agreement on behalf of this branch. Unanimity rules NAR/CNT and the Committees. This means that the conclusion of collective agreements within their framework requires the consent of all participating parties.

Company-level bargaining mainly regulates new issues such as flexibility and work organization. In recent years there has been a sharp rise in the number of such agreements. Regardless of this, it is practised only in larger companies. From a formal point of view, the size threshold, as laid down by agreement on union delegates, who act as the bargaining partner of management, is usually 50 employees. Some sectoral agreements concluded in the Joint Committees set lower thresholds from 20 employees onwards (Vilrokx 1992). In response to demands for lowering the standard threshold, however, organized business has been determined to preserve the status quo. For example, UNIZO, the Flemish voice of SMEs, organized several press
conferences on this issue. The Federation of Enterprises in Belgium (Verbond van Belgische Ondernemingen/Fédération des Entreprises de Belgique, VBO/FEB) commissioned a report in order to demonstrate that neither employers nor employees see a need for employee representation in companies with less than 50 employees.

The enormous diversity of the country makes cross-sectoral consultations and negotiations a very difficult undertaking. This has paved the way for a politicization of the bargaining process, vesting the government with a key role as a third party. From the mid-1970s, negotiations at cross-sectoral level became increasingly ineffective, as the state capacity to back wage moderation by financial compensation had become weakened in the face of growing economic problems (Vilrokx and Van Leemput 1998). Until the late 1990s central level wage bargaining faced a series of deadlocks which recurrently provoked state-imposed wage controls. In their earlier phase they were launched on an ad hoc basis. The 1989 Act on the Protection of Competitiveness marked a turning point in the mode of state control in that this law enabled the government to systematically intervene into collective bargaining in the event that the collective agreements failed to preserve the country’s competitiveness in terms of comparative labour costs. According to its amended version of 1996, cross-sectoral bargaining must take place every two years. Most essentially, the law obliges the Central Economic Council to issue twice per year a report and an opinion on the competitiveness of Belgian enterprises, which are submitted immediately to the government and the two Chambers of the legislature (the Chamber of Representatives and the Senate). These documents must include information on the maximum margins available for wage increases and the expected pay hikes in the neighbouring countries (i.e. Germany, France and the Netherlands) (Arcq and Pochet 2000). The reports serve as a basis for negotiations between the government and the social partners. Starting from the date on which the government has convened the social partners for negotiations, the latter have a period of one month in order to take measures themselves (in the form of a collective agreement), which restore or preserve competitiveness, or to propose measures which fall within the purview of state responsibilities. If the government believes that competitiveness is still jeopardized, it can submit a reasoned statement to this effect to the Chambers of the legislature. If the latter concur with the government, for a period of two months following the vote in Parliament, the government, acting through Royal Decree, can adopt the measures deemed necessary to preserve or restore competitiveness, including wage freezes. In addition to this regular review of competitiveness and its regulations, analogous ad hoc procedures can be launched in exceptional circumstances (i.e. external shocks). The outcome of the procedure is a ‘wage norm’ (i.e. a ceiling for wage increases) which is either negotiated by the social partners or imposed by the government. At any rate, the procedure formally binds the bargainers at sectoral and company level insofar as the aggregate pay rise resulting from their agreements must
not exceed the fixed ceiling. The parties involved in defining the wage norm have agreed to relate the implementation of the wage norm to the broader economic context, namely employment trends. This means that sectors and companies which record growing employment may arrive at wage increases higher than the wage norm (Arcq and Pochet 2000). This flexible mode of applying the wage norm to the distinct sectors and companies has helped the social partners to find cross-sectoral compromises on the wage norm itself. Since the late 1990s they have been able to voluntarily pursue an incomes policy which is in line with the 1996 Act. Regardless of this, collective bargaining has remained in ‘preventive custody’ (Vilroox and Van Leemput 1998: 336), as the governments have continued to play an active role by stimulating negotiations, drafting proposals for agreements, issuing guidelines for bargaining, and threatening to impose a regulation, if an agreement cannot be reached.

The associational system

There are two business associations which meet the definition of a cross-sectoral nation-wide peak organization, which guides the analyses of this volume: VBO/FEB is the general business interest association of Belgium. The Confederation of the Non-profit Firms (Confederatie van Social Profit Ondernemingen/La Confédération des Entreprises Non Marchandes, CSPO/CENM) embraces health, care, socio-cultural and educational activities. In addition, one finds two borderline cases: UNIZO and UCM. UNIZO and UCM are each cross-sectoral associations of SMEs, which fall short of a nation-wide membership domain. UNIZO is the principal association of Flemish SMEs in Flanders and Brussels. UCM is its Walloon counterpart. Regardless of this, two properties somewhat give them a nation-wide set-up. Both have some members outside their home region, because they are organized along linguistic rather than along regional lines. UNIZO is a Dutch speaking organization, whereas UCM is a French speaking organization. Both organizations, for example, offer information only in their own language. Furthermore, they are represented on the two chief nation-wide corporatist boards (i.e. NAR/CNT and CRB/CCE). This underscores the fact that they are operating for a large part at the federal level, and are fully involved in the national process of interest intermediation, since numerous cases of legislation and public policy at the national level affect the interests of SMEs.

One should also mention the Belgian Chambers of Commerce and Industry (Belgische Kamers van Koophandel/Chambres Belges de commerce et d’industrie, KHN/CCI). Unlike all its neighbouring countries, Belgium has a network of Chambers of Commerce subject to private law instead of public law. This is for historical reasons. In 1802 Napoleon re-established the Chambers of Commerce, after they had been dissolved under French Rule in 1791. In 1815, under Dutch rule, the Chambers of Commerce
became official state organizations, equipped with a public law status. In 1875 the Belgian authorities, accusing the Chambers of promoting mainly particularistic interests of industry (in spite of their public status) abolished them. As a reaction, businessmen all over the country created private associations, which often were called Chambers of Commerce. Today, the main tasks of their umbrella organization include the national coordination of the local Chamber network (i.e. for the sake of the quality and coherence of the network), representing the network at a federal and international level, and the management of certain technical missions. The local Chambers are legally independent organizations providing mainly services to their members and are also involved in political lobbying. Recently, a further regionalization of the Chamber network has taken place. The local Chambers of the Flemish region (nine in total) and the Flemish Business Association (Vlaams Economisch Verbond, VEV) combined in the new Flemish Network of Enterprises (Vlaams network voor ondernemingen, Voka). Overall, the focus of Chamber activities is clearly local and regional. Consequently, they will not be taken into consideration in the remainder of this chapter. However, despite their borderline character this country study includes UNIZO and UCM, so as to give a more complete overview of how business interests are organized and represented (Table 4.1).

Like VBO/FEB, CSPO/CENM, UNIZO and UCM are mixed associations which combine the representation of labour market interests and product market interests. However, they differ in their capacity for interest representation, as the criterion of representativeness discriminates between CSPO/CENM and the other associations. In contrast to CSPO/CENM, VBO/FEB, UNIZO and UCM are all fully recognized as representative associations. Hence, these three associations enjoy the privileges outlined above, including participation in a large number of public and quasi-public national bodies, such as NAR/CNT and CRB/CCE. Likewise, UNIZO and UCM are also represented on the corporatist bodies of their region. Moreover, given the size of Belgium and the size of the regions, informal contacts between the associations and the authorities are also very common. As far as the unions are concerned, they see VBO/FEB as their main interlocutor, although they regard UNIZO and UCM also as important partners. Flanders, however, is characterized by a longer tradition of incorporating the association of SMEs into public policies, since large enterprises dominated for a long period in Wallonia. At any rate, the associations show little differences in political weight according to the subjective perceptions of the firms. Recently, the economic magazine *Trends* has carried out a study in order to investigate how much companies feel represented by the different Belgian associations and how they interpret the influence of the associations on public policy. It is interesting to see that the associations of SMEs (especially UNIZO) score as high or even higher, as compared to VBO/FEB (Muelenaer 2004).

It should be noted that the system of cross-sectoral business representation underwent several changes from post-war reconstruction onwards. In 1972
Table 4.1 The cross-sectoral associations in Belgium: basic data, 2003/4

<table>
<thead>
<tr>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Function</th>
<th>Voting rules</th>
<th>Density (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Companies</td>
<td>Employees</td>
<td></td>
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<td></td>
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<tr>
<td>VBO/FEB</td>
<td>General</td>
<td>53</td>
<td>30,000 (IDM)</td>
<td>1,000,000</td>
<td>Mixed</td>
<td>2</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Unweighted</td>
<td>7</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>CSPO/</td>
<td>Non-profit</td>
<td>46</td>
<td>17,000 (IDM)</td>
<td>310,000</td>
<td>Mixed</td>
<td>n.a.</td>
</tr>
<tr>
<td>CENM</td>
<td>organizations³</td>
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<td></td>
<td></td>
<td>Unweighted</td>
<td>n.a.</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>65</td>
</tr>
<tr>
<td>UNIZO</td>
<td>SMEs and the liberal</td>
<td>&gt; 80</td>
<td>82,000 (MM)</td>
<td>400,000</td>
<td>Mixed</td>
<td>37</td>
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<tr>
<td></td>
<td>professions</td>
<td></td>
<td></td>
<td></td>
<td>Unweighted</td>
<td>67</td>
</tr>
<tr>
<td>UCM</td>
<td>Self-employed persons</td>
<td>c. 35</td>
<td>27,000 (MM)</td>
<td>n.a.</td>
<td>Mixed</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Unweighted</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Notes

1 2005. 2 Unweighted voting in both the peak and its affiliates. 3 Actual focus on health, social welfare and education. 4 No involvement in collective bargaining.

IDM = indirect membership in the peak. DM = direct membership in the peak. MM = mixed membership (i.e. comprising both direct and indirect member companies). n.a. = not available.
VBO/FEB was formed as a merger of the Union of Belgian Industry (Verbond van de Belgische Nijverheid/Union de l’Industrie Belge, VBN/FIB) and the Federation of the Belgian Non-industrial Companies (Verbond van Niet-Industriële Ondernemingen in België). CSPO/CENM was set up in 1994. Originally, there was one single SME association, i.e. the National Christian Association of the Middle Classes (Nationaal Christelijk Middenstandsverbond/Organisation Belge des Petites et Moyennes Entreprises, NCMV/OBPME), which had been founded in 1946. Only two years later, its Walloon part seceded, leading to the present situation of two separate SME associations. The Flemish organization kept the name NCMV until 2000, when it was renamed in UNIZO. Differences in the economic structure of the regions probably contributed to the split. As noted above, SMEs have stronger roots in the Flemish region, while large-scale heavy industry traditionally prevailed in Wallonia. Meanwhile, SMEs have gained in economic importance and UCM has become more influential as their voice. This development culminated in the 1999 ‘Contract for the Future of Wallonia’ (Contrat d'Avenir pour la Wallonie), which for the first time emphasized the relevance of SMEs for the Walloon economy.

The breakaway from NCMV in 1948 indicates that the differentiation by region and language involves enormous centrifugal forces which business interest associations cannot deny. In particular, this poses a challenge to associations which intend to be truly nation-wide in terms of their membership domain and their actions. The business associations at the sectoral level more than their counterparts at the cross-sectoral level have managed to integrate this differentiation into their structures. Most of the sectoral associations are differentiated into three subunits which represent Brussels, Flanders and Wallonia. This does not hold true for VBO/FEB and CSPO/CENM. Aside from their domain overlaps with the independent regional associations of SMEs (i.e. UNIZO and UCM) each of them co-exists with other independent business associations whose domains are regionally specified but otherwise congruent with their own domain. As will be outlined in the following section, both VBO/FEB and CSPO/CENM try to cope with the regional and linguistic divide by seeking to establish cooperative relations with their regional counterparts. In comparison to this divide, sector-specific interests create less disruptive forces. VBO/FEB has proved a high capacity for gathering the sectoral associations under its umbrella, aside from agriculture and the social sector. In this respect, VBO/FEB has benefited from the statutory provisions for representativeness which derive the representativeness of a sectoral association from its affiliation to a representative cross-sectoral association.

Since all associations considered here are mixed organizations, specialization in membership is the only means of avoiding competition for members. Such specialization is evident in the case of CSPO/CENM which covers a distinctive niche of business activities. This holds true also in relation to VBO/FEB even though the latter’s membership domain is general.
Associations organizing companies from the profit-oriented social sector are usually not affiliated to VBO/FEB. Similarly, the domains of UNIZO and UCM are complementary as a result of their regional/linguistic differentiation. In practice, there are thus two relevant areas of domain overlap, affecting the system of cross-sectoral business association: first, VBO/FEB competes for SME members with UNIZO on the one hand, and UCM on the other. Second, VBO/FEB, CSPO/CENM, UNIZO and UCM each have to face competition for members from (other) regional associations whose domains crosscut their own organizational boundaries some way or other. The lack of hierarchical links between the national and regional system of business association has repercussions also on governance, as this situation fosters competition for competences. This includes the centralized, country-wide bargaining system which has been under strong pressures for regionalization. In connection with the bargaining round for 1999–2000, for example, the Flemish employer representatives signalled their willingness to embark on regional negotiations, if no central agreement could be reached (Arcq and Pochet 2000).

Membership domains and organizational structures

VBO/FEB organizes only associations (‘confederations’) as direct members. In the early 2000s, the confederation recorded 33 full members and 20 applicant members which were all specialized in a certain sector or branch of business activity, ranging from manufacturing to services, including the financial sector. According to VBO/FEB, its members represent 80 per cent of the total number of associations eligible for membership. Its membership stronghold is the industrial sector. VBO/FEB claims that its member associations represent a total of more than 30,000 businesses, of which 25,000 belong to the category of SMEs. All in all, the members are estimated to have more than 1,000,000 employees. Given the general domain of VBO/FEB, this means a density of approximately 7 per cent of the companies and 32 per cent of the employees. VBO/FEB has also institutionalized ties with the Chamber system, as the local Chambers are under its umbrella as corresponding members. To assure a regionally balanced and at the same time coherent representation of business interests, the confederation works together with Belgium’s three regional employer organizations: Voka, the Union of Walloon Enterprises (Union Wallonne des Entreprises, UWE) and the Union of Enterprises in Brussels (Verbond voor Ondernemingen te Brussel/Union des Entreprises de Bruxelles, VOB/UEB).

As far as the voting rights of the members of VBO/FEB are concerned, the principle one member one vote generally applies. This is also the most common voting pattern among its member associations. VBO/FEB is functionally differentiated into several departments (e.g. economic affairs, social affairs, legal affairs, European affairs, communication and administration). The confederation has also a special SME-committee. Vertically, the confederation
rests on three levels. The companies gather in branch-specific ‘federations’, which are members of the sectoral ‘confederations’ that are affiliated to VBO/FEB.

The membership domain of CSPO/CENM embraces the non-profit organizations regardless of public or private ownership. In terms of branch activities, non-profit organizations are concentrated in the areas of health, social welfare, culture and education. CSPO/CENM was founded by 26 federations of the non-profit sector in 1994. Ten years later, it represented 46 federations, covering both the public and private segment of the sector, with a total of 17,000 member companies and 310,000 employees. CSPO/CENM claims to cover 65 per cent of the employees working in its domain. The associability of CSPO/CENM is backed by the state. Its members receive a lump sum subsidy which is devised to finance membership in associations representing their interests. The non-profit sector is also represented by three independent, regional associations: The Flemish Confederation of social enterprises (Vlaamse Confederatie van Social Profit Ondernemingen, VCSPO), the Walloon Confederation of social enterprises (l’Union Francophone des Entreprises Non-Marchande, UFENM), and the Brussels Confederation of Social-Profit Enterprises (Confédération Bruxelloise des Entreprises Non Marchandes/Brusselse Confederatie van Social Profit Ondernemingen, CBENM-BCSP) which were established in 1997, 1998 and 2005, respectively. As a consequence of their common agenda, the four associations concert their activities. Since 2002, members of CSPO/CENM have also to be a member of either VCSPO or UFENM.

The membership domain of UNIZO comprises the Flemish SMEs and liberal professions (doctors, accountants, stockbrokers, architects, lawyers, etc.). This implies a regional focus on Flanders and Brussels. Companies and associations are eligible for membership. In 2003, more than 80 sector- and branch-specific (‘professional’) associations were affiliated. The liberal professions are integrated through the Federation of Liberal and Intellectual Professions (Federatie voor Vrije en Intelectuele Beroepen, FVIB). FVIB itself is an umbrella organization, covering the most important organizations for independent professionals. The integration of the professional associations is built upon joint operating agreements with UNIZO. Voting rights of the members are allocated on the basis of one member one vote, which is also the pattern most common to the member organizations themselves. The elaborate local differentiation is another property of UNIZO’s organizational structure. The confederation runs a local branch in most municipalities, led by a local management of self-employed persons. There are approximately 423 of such branches which are coordinated by 24 UNIZO regions. Each region is led by a regional management of self-employed people. The regional management forms the link between the local UNIZO branches, the UNIZO national management and the UNIZO General Council. UNIZO claims that it represents a total of 82,000 businesses. Since UNIZO estimates its membership potential at 220,000 businesses, its density is around 37 per
Belgium

Most of them are from the construction sector, wholesale and retail trade, repair of motor vehicles, motorcycles, personal and household goods and hotels and restaurants and property, renting and business activities, with a membership share of 24.0 per cent, 35.3 per cent and 15.7 per cent, respectively. The breakdown of membership by firm size shows a clear dominance of very small firms (Table 4.2). Almost half of the members (i.e. 46 per cent) are self-employed, and the vast majority (i.e. 91 per cent) belongs to the group of micro firms (i.e. recording no more than nine employees).

The membership domain of UCM refers to the Walloon self-employed. This group is understood in the broad sense, namely encompassing directors of SMEs, self-employed, the members of the liberal professions, etc. Unlike the other associations, UCM has persons (in contrast to companies) as members. About 35 sectoral associations, such as the Association professionnelle du libre service indépendant en alimentation (Aplsia) and the Association professionnelle des agents financiers indépendants de Wallonie et de Bruxelles (Apafi), are affiliated to UCM. Any entrepreneur from Wallonia or the Brussels region can become a member of UCM and often more than one person of the same company are members of UCM. In 2003 UCM had 27,000 members out of an estimated potential of 210,000 members. This makes a density of 13 per cent. In general, UCM attracts entrepreneurs of micro companies and those who would like to start a company. Regardless of this, there are also a few entrepreneurs of larger companies among its members, because marked growth of their companies does not induce members to leave the association. To assist its members, UCM has 26 offices throughout the Walloon region and Brussels. They are complemented by seven regional offices. The voting rights are regulated in a way which gives each member one vote.

Table 4.2 UNIZO: distribution of direct and indirect member companies by number of employees

<table>
<thead>
<tr>
<th>Number of persons employed</th>
<th>Percentage of indirect and direct member companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>46.17</td>
</tr>
<tr>
<td>1–4</td>
<td>35.23</td>
</tr>
<tr>
<td>5–9</td>
<td>9.15</td>
</tr>
<tr>
<td>10–19</td>
<td>5.21</td>
</tr>
<tr>
<td>20–49</td>
<td>3.26</td>
</tr>
<tr>
<td>50–99</td>
<td>0.52</td>
</tr>
<tr>
<td>100–199</td>
<td>0.24</td>
</tr>
<tr>
<td>&gt; 200</td>
<td>0.20</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Activities

VBO/FEB is active in all areas of business interests, focusing in particular on economic, social, fiscal and legal questions as well as European and international issues. An important task is to study how legislation and policy making in these different areas affect business interests. The politics of VBO/FEB aim to: create an optimum entrepreneurial environment; promote the interests of enterprises of all sizes on a federal, European and international level; ensure the coherence of positions and actions of business. VBO/FEB is a mixed association, with a very broad scope of action (Table 4.3). Its representational activities target the suppliers, the customers of its members, the authorities and the unions. In addition, the confederation makes its views and demands known to the media. VBO/FEB channels its interests into public policy through both lobbying and presence in corporatist bodies. All in all, the confederation participates in nearly 150 national, European and international bodies. Collective bargaining is an essential part of its activities. As already noted above, the confederation is a representative cross-sectoral interest association which is empowered to participate in the bargaining rounds taking place on behalf of the entire private sector. Its affiliates perform analogous bargaining tasks at branch/sectoral level. The services offered to the member companies are mainly provided by the lower-level member associations. VBO/FEB itself concentrates on producing services for its member associations. Member services are free of charge.

CSPO/CENM represents the interests of its members at the national and European level. It also supports research which informs about the characteristics and developments of the non-profit sector. Although CSPO/CENM is a mixed association, its possibilities of dealing with labour market interests and product market interests are rather restricted. Lacking full recognition as a representative association, CSPO/CENM still plays a minor role in the country’s corporatist system of public policy making. It has merely an observatory status in CRB/CCE. Likewise and even more importantly, CSPO/CENM is only an associated member of NAR/CNT, with the consequence that it does not participate in the process of cross-sectoral bargaining. Against this background, the confederation is anxious to improve the political standing of the non-profit sector. For this purpose, CSPO/CENM campaigns for the following: achieving the status of a regular member in the different social dialogue forums; the nomination of a government member specifically responsible for the interests of the non-profit sector; the creation of more employment in the sector by reducing employment costs; public recognition of the social-profit model as a means of providing effective and accessible high-quality services; and to change the NACE-BEL (i.e. the national classification system of business activities) in a way which would produce more valid data about the importance of the sector. These activities are supported by a monthly newsletter about the sector.
Table 4.3 VBO/FEB, CSPO/CENM, UNIZO and UCM: activities

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>VBO/FEB</th>
<th>CSPO/CENM</th>
<th>UNIZO</th>
<th>UCM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Represents:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the unions</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the state</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Product market interests in relation to suppliers</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
| **Services related to**
| Industrial relations (e.g. advice on the provisions of collective agreements; representation of members in labour court proceedings) | Yes | Yes | Yes | Yes |
| Economic policy programs (e.g. advice on the preconditions for the application for public grants and subsidies) | Yes | Yes | Yes | Yes |
| Exchange relations with suppliers (e.g. information on the quality and availability of raw materials and intermediate goods) | No | No | No | No |
| Exchange relations with customers (e.g. information on sales markets, export promotion) | Yes | No | Yes | No |
| Vocational training | Yes | No | Yes | No |
| Further training and qualification of company staff | Yes | Yes | Yes | No |
| Developing/monitoring quality standards for products | Yes | Yes | Yes | Yes |

Notes
1 Services provided (directly or indirectly through associated members). Main activities are marked in italics.

The representational activities as well as the services performed by UNIZO strongly resemble those of VBO/FEB (Table 4.3). What might be added is that UNIZO, aside from its presence in NAR/CNT and CRB/CCE, is also a member of the Socio-economic Council of Flanders (Sociaal Economische
Raad van Vlaanderen, SERV) which deals with both social and economic issues. Local matters figure prominently on the list of UNIZO’s activities. Its municipal branches give a voice to the members’ local interest and advance them vis-à-vis local government. At the same time, these branches promote networking and solidarity between the local entrepreneurs through regular meetings.

UCM shares with VBO/FEB and UNIZO recognition as a representative association and also participates in CRB/CCE, NAR/CNT and the cross-sectoral system of collective bargaining. In comparison with these associations, however, UCM is far less involved in representing product market interests and offering related services. This is because UCM represents persons (i.e. entrepreneurs) rather than companies, something which results in differing priorities. At any rate, product market interests are not excluded from UCM’s agenda, as a consequence of its participation in CRB/CCE at the national level, and in CESRW in matters of the Walloon region.

When comparing the activities of the associations, one finds that the range of services provided by an association tends to parallel its scope of interest representation (Table 4.3). Aside from this common pattern, the associations clearly differ in the scale of financial and human resources which are spent on the two main types of activities (Table 4.4). In the case of VBO/FEB, and CSPO/CENM interest representation takes the lion’s share of the resources. The reverse distribution applies to UNIZO and UCM. This may be traced to their distinct membership profile. UNIZO and UCM are specialized in SMEs, and actually have the group of micro firms as their stronghold. Small-scale firms depend on associational services more than larger companies; at the same time, their ability to pay dues is more limited. The consequence of both tendencies is that UNIZO and UCM are forced to allocate a higher percentage of their resources to the provision of services, as compared to VBO/FEB as the general business association.

It should be noted, however, that these differences in the intra-associational allocation of resources do not translate into inter-associational differentials in influence. In other words, one cannot infer from these figures that VBO/

<table>
<thead>
<tr>
<th>Association</th>
<th>Interest representation</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBO/FEB</td>
<td>75</td>
<td>25</td>
</tr>
<tr>
<td>CSPO/CENM</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>UNIZO</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>UCM*</td>
<td>33</td>
<td>67</td>
</tr>
</tbody>
</table>

Note
* Social secretariat etc. excluded from consideration.
FEB has a privileged role in interest intermediation and collective bargaining. Although peak-level bargaining is usually chaired by VBO/FEB and takes place in its building, UNIZO and UCM are equal partners in the bargaining process. As a survey indicates (Muelenaer 2004), the businesses are rather critical of their associations, especially as far as the sectoral organizations are concerned. They regard the quality of interest representation as well as services as mediocre and at the same time regard the membership fee as relatively high. On the other hand, only a few businesses think of terminating their membership.

**Human and financial resources**

Table 4.5 documents available data on the human and financial resources of the associations. Accordingly, UNIZO appears to have the largest staff. It should be noted, however, that the figures of UNIZO somewhat overstate the size of its staff, as compared to the other associations. This is because the UNIZO figures include the staff of the social secretariat. While VBO/FEB and UCM also run a social secretariat, the related staff members are not part of their figures listed in Table 4.5. Hence, the data for UNIZO are not comparable with those for VBO/FEB and UCM. At any rate, the figures reveal that any one of the peak organizations controls a relatively low proportion of the aggregate staff working under the umbrella of the peak organization. This indicates a high degree of intra-confederal decentralization. For instance, peak-level staff accounts for only 8 per cent of aggregate staff in the case of VBO/FEB, while the remaining 92 per cent work for lower level member associations. It is worth mentioning that staff is just one source of labour on which associations are based. A second source is unpaid labour. UNIZO, for instance, can rely on around 3,500 volunteering members (i.e. 4.3 per cent of the total number of members) who are regularly active on behalf of the association at the local level.

The figures on financial resources are fully comparable, as they all exclude revenues from the associations’ social secretariat. Such revenues may be seen as a very special case of sales of services. As outlined above, they are ‘authoritative’ insofar as only associations are entitled to offer them. As a consequence, their financial contribution to the budget of the associations is considerable and almost as important as dues, as available data from UNIZO show. Revenues from the social secretariat amount to 40 per cent of UNIZO’s total budget, whereas the corresponding share of membership dues (from both individual members and associations) is no more than 46 per cent. If one controls for these revenues (Table 4.5), membership dues become the pre-eminent source of income. In any case, the financial data in Table 4.5 should be taken with a pinch of salt, as they certainly understate revenues from the state. As noted above, the associations do receive public revenues in exchange for their participation in public policy.
Since the figures in Table 4.5 refer only to the peak associations, they are not necessarily representative of the associations on aggregate or at lower levels. Above all, one may expect obligatory dues and levies to be a notable source of income, as far as the associations engaged in sectoral collective bargaining are concerned. As noted above, there is a practice of sectoral bargaining whose agreements prescribe levies which are then made compulsory via the extension of the collective agreements.

Conclusions

This chapter started with emphasizing the enormous heterogeneity of Belgium. This situation has markedly shaped the structures as well as the functions of the associational system of business. In structural respects, the most notable property of the system is its differentiation and fragmentation along regional and linguistic lines. Empirical evidence suggests that the
Belgium businesses do not feel comfortable with these structures. According to the survey conducted on behalf of the magazine *Trends* (Muelenaer 2004), more than half of the businesses interviewed stated that they would prefer a simplification of the system. These subjective preferences do not easily fit the ‘objective’ development which has been driven by growing regionalization. In particular, the Flemish associations, which have traditionally adopted a pronouncedly regionalist perspective, have become more powerful (Arcq and Pochet 2000). Against this background, the demand for ‘simplification’ may well translate into further regionalization that undermines the national system. How much such centrifugal forces unfold depends on the effectiveness of the national system as a mechanism to govern the economy. In this respect, the capacity for voluntary wage moderation across the economy is of utmost importance.

This brings us to the functions of the system. It combines the representation of interests with extensive ‘self-administration’, i.e. the devolution of state regulatory functions to organized business. These functions cover the micro level of public governance (e.g. the social secretariats), the meso level (e.g. vocational training), and the macro level (e.g. incomes policy). Belgium is unique in terms of the institutional design of ‘self-administration’, since its actors are voluntary, private-law business associations. In other countries where ‘self-administration’ prevails in public governance, it is the compulsory, public-law Chambers which primarily perform these tasks on behalf of business. Purely voluntary associations were unable to partake in ‘self-administration’. Hence, the implication of this institutional design is that the business associations involved in ‘self-administration’ are heavily supported by the state. This includes representational privileges, such as representative status and generalized reliance on state powers (e.g. the extension provision), legally-based selective incentives for membership, and state grants. ‘Self-administration’ is generally devised to cope with interest diversity by means of using interest associations as intermediaries between state and society. Hence, its extensive institutionalization also echoes the heterogeneity of Belgium. This creates a governance problem insofar as the strong centrifugal forces to which the Belgian central state is subject give ‘self-administration’ a special flair. Put in Parsons’ (1965) terminology, its integrative functions tend to become an aim in itself, while functions of goal attainment recede into the background. A case in point is the institutional set-up linked to cross-sectoral bargaining, which could survive despite being deadlocked for a long time.

In comparison to these specificities of the associational system, interests related to firm size are processed in a way which one generally expects. Aside from one general association, there are special associations of SMEs which can also rely on extensive state support. Their regional focus does not come as a great surprise, since the regional orientations typical of SMEs are reinforced by the regional divisions of Belgium. What makes, nevertheless, the situation of the Belgian SMEs distinct is the integration of these regional
associations into national bodies of governance. Again, this reflects the aim of the central state to maintain its coherence by incorporating organized interests into national policy-making.

Notes

1. The comparable figure for the Netherlands – which is commonly seen as highly internationalized – is 132.7 per cent (OECD 2004).
2. A similar arrangement has given rise to the comparatively high level of unionization: The unions act as social secretariats for the administration of social and health benefits.
3. In addition, they have a role as conciliation boards in industrial disputes.
4. In 1971 a cross-sectoral agreement on union delegates was concluded in NAR/CNT. The Joint Committees were asked to implement and specify this agreement, while further details can be fixed by company agreements (Blanpain 1992a).
5. In comparison to applicant members, full members have the privilege of being represented on the confederation’s board of directors.
5 Denmark

Carsten Jørgensen and Franz Traxler

The economic and cultural background

Denmark is commonly seen as a country whose economic structure is shaped by SMEs. According to national figures, only 1,588 or 0.8 per cent of the companies employed more than 100 employees in 2002, representing 49.7 per cent of total employment (Statistics Denmark; Firm Statistics). This is also reflected in the official statistical classification of firm size. Companies employing 100 or more employees are considered large, and no further differentiation by firm size is available beyond this threshold. The European comparison, however, somewhat qualifies the proposition that SMEs generally prevail in Denmark. As Table 2.1 shows, Denmark belongs to the group of countries characterized by an above-average importance of large companies. The big multinational companies, which are among Europe’s 500 largest businesses, figure prominently in terms of both their number and employment. Likewise, there are relatively numerous large companies which, however, record an employment share which is below the average of the group of countries designated by large firms as well as below the average of the EU-15. This indicates a remarkable bifurcation between rather small and extraordinarily large units within the segment of large companies. In 2003 there were six big Danish multinationals whose employment totalled around 580,000, which was almost four times as high as the comparable figure for Austria. As a closer examination reveals, two companies accounted for 85 per cent of total employment of Denmark’s big multinationals. As these two companies supply services (i.e. security services and temporary agency work), the vast majority of their employees are likely to work outside Denmark. Hence, their economic weight is not very visible in their homeland. As far as SMEs (as defined by European standards) are concerned, micro firms are less numerous and represent a smaller proportion of total employment, as compared to the EU-15, whereas the corresponding figures for small and medium-sized firms are above the European average (Table 2.1).

Danish SMEs operate in four main trade areas: small-scale manufacturing, building, retail and service, which are altogether called ‘trade and small-scale manufacturing’ (Handwerk und Kleinindustrie). Micro companies and small
firms are almost all family owned and the owner typically also works in the company.

According to national statistics, the share of this SME sector in the national turnover was 12 per cent in 2002. Danish SMEs are not very export-oriented. In terms of turnover, their export rate was only 4.9 per cent. The ‘small-scale manufacturing’ enterprises, however, show a higher figure (i.e. 20 per cent).1 The share of the four main trade areas in employment was as follows in 2002: retail: 25 per cent; building: 33 per cent; services: 14 per cent; ‘small-scale manufacturing’: 29 per cent. As a whole, the four trade areas represented 14 per cent of total employment and 30 per cent of the workplaces.

Organized business and labour have a key role in Denmark’s policy, since a system of social partnership was institutionalized in Denmark earlier than in any other European country. This system dates back to the peak-level ‘September Compromise’ which was concluded by the Confederation of Danish Employers (Dansk Arbejdsgiverforening, DA) and its union counterpart in 1899, after a longer, country-wide labour conflict. The main components of this basic agreement were the mutual recognition of the right to organize, the endorsement of the peace obligation (that forbids labour conflicts during the validity of collective agreements) and union acknowledgement of the managerial prerogative. The Compromise was an early agreement not only in cross-nationally comparative respects, but also in terms of domestic institution-building. It was a vanguard of democratization, insofar as it preceded the introduction of parliamentary democracy (Scheuer 1998). In connection with the peak-level design of the Compromise, this has paved the way for the development of several lasting properties of Denmark’s system of interest intermediation: collective bargaining became the hub of the labour market regime. Many issues which are regulated by legislation in other countries are governed by collective agreement. This practice also prevails in the implementation of EU Directives on industrial relations and social policy. EU directives are implemented through a dual method introduced in 2001 in connection with the implementation of the part-time and the working-time directives. The directives are implemented in the sector agreement, which is supplemented by legislation to cover the rest of the group not covered by the agreement of c. 15 per cent. The collective agreements have precedence in relation to the supplementary legislation and the social partners play a key-role in the preparation and the implementation of the whole process. This dual method was the response to an opening letter from the Commission that was not satisfied with the pure Danish collective agreement implementation of EU directives.

Furthermore, the negotiated approach to labour market governance also applies to issues which in formal terms fall within the purview of the state. There is a long tradition of involving DA and its union counterpart in the drafting and administration of labour market legislation in a way that makes their consensus on a certain issue the precondition for subsequent
legislation (Due et al. 1995). The Compromise and its lasting influence on interest intermediation also indicate the relatively strong position of the peak-level actors. This is mainly the outcome of very early concerns of the employers about union whip-sawing tactics that DA has sought to overcome by coordinating bargaining across the entire economy. In accordance with this, DA has been very centralized since its inception. According to a rule adopted in 1907, all agreements concluded by member associations still have to be approved by the executive committee of DA before they can come into force (Due et al. 1995). In comparison to DA, the unions have developed less centralized structures. Moreover, they were not interested in a fully-fledged centralization of bargaining at peak level for a long time. Hence, DA could arrive at a de facto centralization of bargaining only indirectly, i.e. through generalized resort to central level state conciliation which has developed into another property of Danish industrial relations (Due et al. 1995). The centralization effect of conciliation ensues from the conciliator’s right of concatenation, which means that the numerous sector-level negotiations are regularly linked during each bargaining round by formulating one all-encompassing conciliation proposal. Since a rejection of the proposal imposes high conflict costs on all parties, this conciliation procedure has contributed to cooperative relations between business and labour.

The legal framework for associational action

Following the principles of the September Compromise, which was renewed but hardly changed by the Basic Agreement of 1960, the legal framework for associational action is based on joint regulation by the two sides of industry rather than on legislation. Two important bills, however, preceded the rise of joint regulation. The Danish constitution of 1848 established the principle of freedom of organization, giving every citizen the right to form associations. In 1857 freedom of trade (Næringsloven) was enacted. According to this law, membership of the traditional craft guilds was no longer compulsory. Since that time membership in interest organizations has been voluntary.

There are no statutory rules regulating the right to bargain. Achieving the status of an employer association which is authorized to conclude a collective agreement is a matter of reciprocal recognition (Due et al. 1994; Jensen et al. 2000; Due and Madsen 2006). Likewise, legislation has not provided for a mechanism that makes collective agreements generally binding within its domain. Therefore, a company which is not affiliated to an employer association is not covered by collective bargaining, unless the union of the respective sector manages to conclude a single-employer ‘adoption agreement’ with the company, which copies the terms laid down by the sectoral agreement.

Since a statutory mechanism to extend collective agreements to unaffiliated employers is absent in Denmark, employer associations thus lack the selective incentive for membership that is inherent in this mechanism.
Moreover, membership in mixed business associations – which is now the standard case of a business organization – does not necessarily create an obligation for a company to observe the collective agreements, as signed by its association. This can be traced to the specific conditions that led to the formation of these associations. They are the results of mergers between pure employer associations and pure trade associations at sectoral level. The newly established mixed associations perpetuated the old structures by means of maintaining two separate sections for employers and trades in combination with two corresponding groupings of membership. This situation applies to most affiliates to DA, including its two largest ones. In this case, it is only the members of the employers’ section which are bound by the collective agreements, as signed by the association. Joining only the trades’ section is thus a possibility of avoiding being covered by collective bargaining. The last decade indeed saw a trend towards new memberships which were confined to the trades section. In particular, this held true for SMEs, namely those from the IT sector and the service sector. In contrast to this, the long-standing members tend to adhere to the grouping they had joined once. The composition of the two groupings may fairly be disconnected. For instance, only 15 per cent of the company members under the umbrella of the Danish Chamber of Commerce (Handels, Transport og Serviceerhvervene, HTS), which is the second largest affiliate of DA, are both members of the employers’ section and the trades’ section.

It should be noted that leaving the employers’ section does not automatically release the company from the provisions of the given collective agreement. According to the Basic Agreement concluded between DA and its counterpart, the Danish Federation of Trade Unions (Landsorganisationen i Danmark, LO), a former company member has to observe an agreement signed during its membership until this agreement is terminated and/or renewed. Analogous rules apply to an association affiliated to DA. A member association can leave (or be excluded by) DA at 1 July of the year by giving notice six months before. The last time this paragraph was used was in 1993 when the Haulage Contractors’ Employers’ Association (Vognmandsfagets Arbejdsgiverforening) was excluded from DA. It is also possible, according to DA’s statutes, for a company or member association to move from one (higher-level) member association to another one. This happened in the summer of 2004 when the Danish Textile Trade Association (Dansk Textil Union) left the Danish Commerce and Services (Dansk Handel and Service, DHS) in protest at the association’s politics on the law on opening hours, and joined another affiliate of DA, HTS.

The role of organized business in social dialogue and public policy making

Negotiations and consultation as the constituent components of the social dialogue in Denmark take place at the level of the company, the sector, and
the economy as a whole. As far as negotiations are concerned, this multi-level system is characterized by a high degree of coordination and articulation. Although the domains of DA and LO cover neither the economy as a whole nor the entire private sector, the collective agreements which are coordinated and concluded under their umbrella set the pace for the overall process of bargaining and labour market governance. Furthermore, the system is highly articulated in that higher-level regulation establishes the framework for the decisions taken by lower levels. The relative importance of negotiations and consultations varies with these three levels, and there have also been changes over time (Due et al. 1994, 1995; Jensen et al. 2000; Scheuer 1998).

The strategic imperative that guided employers’ collective action from the late nineteenth century until the 1970s was to centralize bargaining as much as possible. Until the 1950s the trades and sectors were the focal areas of bargaining, which were complemented by peak-level coordination and conciliation on the one hand, and limited company level bargaining on the other. The latter served as the flexible element of the overall system, in a way as established in the metal trades already in 1900. Accordingly, the multi-employer settlement set the minimum wage, while allowing the actual wage rate to be determined by local bargaining at single workplaces. From the 1950s onwards, the centre of gravity of bargaining shifted to the central level. Backed by a major role of peak-level conciliation, issues of general importance were negotiated directly by DA and LO, while negotiations over specific issues were left to the lower-level bargainers. The limits of these arrangements became visible in the mid-1970s when several deadlocks provoked a major conflict and state-imposed wage controls. In response to this crisis the two sides of industry reversed their strategic priorities. While LO defended central-level bargaining, DA called for a decentralization. The reason for this reversal reflected technological and socioeconomic changes that affected the production system of the companies, the sectoral composition of the economy, and the structure of the labour market. In particular, employers felt increasingly uncomfortable with the egalitarian effect of centralized bargaining on the wage structure, which reduced more and more any leeway for flexibility at the local level. In 1982 a conservative government took office which abolished the system of automatic wage indexation and integrated Denmark into the European Monetary System. Hence, centralized bargaining could no longer externalize the costs of compromising by means of inflationary pay hikes and concomitant devaluations of the Danish Crown. Faced with the risk of losing their grip on the labour market, the two sides of industry shifted to sectoral bargaining rounds in 1985, but still embedding them in peak-level coordination and conciliation. Since the early 1990s bargaining has become further decentralized, as the sectoral agreements have tended to extend the possibilities of local bargaining by replacing clauses on actual pay rates with minimum rates. In principle, this can be seen as a return to the old pattern of meso-level framework agreements for local bargaining that can be traced back to the early bargaining practice in the metal trades. As will be outlined
below, however, this return happened under the premise of building far more encompassing bargaining units than those characterizing the old practice.

Since the mid-1980s the role of DA and LO concentrates on coordinating sectoral bargaining. They also sign the final compromise settlement, reached by their sectoral affiliates in the course of the conciliation procedure. These coordination activities constitute Denmark’s special form of incomes policy which has directed special attention to the requirements of competitiveness. In 1987 the confederations hammered out a declaration of intent (renewed in 1996) which emphasized the goal to keep wage movements ‘at a rather low level’ in comparison with the country’s main competitors (Due et al. 1997). The confederations are still responsible for negotiations over the fundamental rules of the game in industrial relations which add to the Basic Agreement and the Cooperation Agreement. In 1999, for instance, LO and DA signed the so-called ‘Climate Agreement’ prior to the collective bargaining round of 2000, which stressed the need to monitor the negotiations and secure peaceful developments against the background of a major conflict during the preceding bargaining round of 1998. The latest accord of 2004 was to implement the EU directive on information and consultation.

The influence of DA, LO, and their affiliates on labour market policy exceeds mere consultation. At cross-sectoral level, they are consulted and heard in the preparatory phase of the legislative work regarding labour market issues, and they are represented on all important councils and committees, especially when it comes to issues of vocational education and training. Informally, important policy decisions are bound to their prior consensus. For instance, the system of labour market pensions, which has become an important element of the Danish welfare model, was established by tripartite negotiations between the government, the confederations and the sectoral organizations in 1987. Sector-related policies follow the same principles of decision-making. Sectoral associations are also influential partners of public policy. They are consulted by the government and have seats in numerous councils and committees. These consultations include industrial policy. For example, the government has launched different initiatives aimed at supporting SMEs, in accordance with EU programs. The social partners at sector level take part in these initiatives. Overall, LO and DA belong to the inner circle of tripartite dealings, and other interest associations have often reproached them with their tendency to monopolize the representation of functional interests vis-à-vis the government.

Consultation procedures are also established at company level in case of transfer of undertakings and the announcement of mass redundancies. This is based on EU regulation which was implemented by collective bargaining. According to law the employees are represented on the board of the company. The 1947 Cooperation Agreement provides for the formation of a Cooperation Committee (Samarbejdsudvalg) in companies with more than 35 employees. The Agreement also allows for negotiations over the establishment of a Committee in smaller companies, if so wished by both parties. Cooperation
committees consist of an equal number of representatives from management and the employees. The employee representatives have no power of veto, but they must be consulted in all-important matters of the company, such as work organization, training, restructuring. As a joint body, the Committee does not conduct local bargaining. This task is left to management and the union workplace representatives (Tillidsrepræsentanten).

The associational system

Denmark records two associations, which meet the profile of an independent, country-wide and cross-sectoral organization (Table 5.1): one general association and one special association of SMEs. The general and at the same time largest confederation of the private sector is the Confederation of Danish Employers (Dansk Arbejdsgiverforening, DA). The Federation of Small and Medium-sized Enterprises (Håndværksrådet, HVR) has specialized in organizing SMEs. In addition to these cross-sectoral associations two independent sector-specific business organizations exist: the Danish Confederation of Employers’ Associations of Agriculture (Sammenslutningen af Landbrugets Arbejdsgiverforeninger, SALA), and the Danish Employers’ Association for the Financial Sector (Finanssektorens Arbejdsgiverforening, FA). They cover around 50,000–55,000 full-time employees each.

DA and HVR are differentiated by function, while their membership domains overlap. As a peak organization, DA concentrates on representing labour market interests, and HVR centres on product market interests. On aggregate, however, this division of labour is less clear-cut, since both confederations have internalized the interest domain of their counterpart via member associations which combine the representation of labour market interests and product market interests.

Inter-associational relations

As the system of collective bargaining originates in the nineteenth century, so does the associational system of business. In 1879 the first country-wide

<table>
<thead>
<tr>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered(^1)</th>
<th>Function (^3)</th>
<th>Voting rights(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>General</td>
<td>13</td>
<td>28,265 (IDM)</td>
<td>Mixed(^4)</td>
<td>Weighted</td>
</tr>
<tr>
<td>HVR</td>
<td>SMEs(^4)</td>
<td>37 sectoral</td>
<td>22,500 (MM)</td>
<td>Trade association</td>
<td>Weighted</td>
</tr>
<tr>
<td></td>
<td>60 local</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes
1 Full-time equivalents. 2 Peak level. 3 Function performed on aggregate. As a peak, DA acts as a pure employer association. 4 Actual domain; unspecified in formal terms. IDM = indirect membership. MM = mixed membership.
organization was founded, ‘the Joint Committee of Danish Industry and Craft’ (Fællesrepræsentationen for Dansk Industri og Håndværk). This was a pure trade association, as unions and bargaining were no issues of importance at that time. Its membership embraced two types of association: regionally based cross-sectoral associations, and associations of the single trades or crafts (e.g. bakers, shoemakers, carpenters, and bricklayers). The latter grew out of the remnants of the traditional guilds. Although they were less numerous than the regional associations, they were usually larger and had more influence on the Joint Committee. The crafts of the building sector formed the core membership, such that the confederation could cultivate a double profile as the ‘main organization’ of the construction sector on the one hand, and as the representative of SMEs on the other. This set the character of the overall association and its direct successor, HVR, until the late twentieth century.

In response to the rise of the union movement, employers, namely those of Copenhagen’s large building trade and subcontractors and the iron industry, set up a country-wide employer association in 1886. It was called the Danish Master and Employers Association, the direct forerunner of the present DA. The Association had close contacts with the Joint Committee. In 1898 the board of the Joint Committee approved the statutes of the new, separate employer association. As a matter of fact, the two organizations shared most of their members. They, nevertheless, tended to develop distinct profiles. Many members of the Joint Committee were small companies, with rather few employees, if they were employers at all. Furthermore, some employers of the iron industry were not members of the Joint Committee. This development was fuelled by growing tensions between small-scale crafts and large-scale industry within the Joint Committee, leading to the secession of industry which formed its own trade association, the Industrial Council (Industrirådet) in 1910. With the formation of DA and the Industrial Council, the representational activities of the Joint Committee were confined to the product market interests of the small crafts and trades vis-à-vis the government and other authorities. This role is the same as that of HVR today.

In 1940, the German occupation of Denmark changed the conditions for associational actions radically. DA took the initiative to establish a special Council for its craft and trade members (i.e. the Håndværksrådet) which was devised to cope with the war economy. Although the Joint Committee saw this as interference in its own domain, the two associations could find a compromise. The 46 representatives on the Council were equally shared between the Joint Committee and DA. For a short time the ‘Council’ was thus the umbrella organization for DA and the Joint Committee, although it is doubtful that the council had much influence outside its own limited scope. In 1950 the Council and the Joint Committee merged, adopting the name of the former, i.e. Håndværksrådet, HVR. The association has borne this name since.
At the level below the peak associations, many associations of HVR were also affiliated to DA, something which had been the tradition since the formation of the employer association, DA, outside the Joint Committee. This pattern of dual membership followed the division of labour at peak level. The branch-specific associations holding dual membership left the central level representation of labour market interests (including collective bargaining) to DA, whereas their product market interests were processed by HVR at peak level.

The shift from central level bargaining to sectoral bargaining in the mid-1980s required strengthening the highly fragmented sector level associations. At that time more than 150 rather small member associations were under the umbrella of DA. Given the small size of the Danish economy, this was an extremely high degree of fragmentation. This fragmentation still reflected the craft-related, fragmented structure of the Danish economy of the early nineteenth century, when the associations of business and labour as well as the bargaining system had taken shape. In connection with the decentralization of bargaining, the need for organizational adaptations became thus irresistible, resulting in a series of mergers that have turned out to question the traditional co-existence at peak level. This is mainly because most mergers have taken place between pure employer associations and pure trade associations, creating mixed associations that crosscut the traditional division of labour between HVR and DA. In response to this, HVR and DA concluded a demarcation agreement designed to reinforce recognition of their distinct interest domains. Accordingly, HVR committed itself to non-interference with DA's labour market interests, and DA did so with regard to product market interests covered by HVR. This agreement might be said to benefit mainly DA as a consequence of the way in which the associational changes have interacted with product and labour market interests. The key factor behind this interaction is that labour market interests are more homogenous than product market interests. Most essentially, this higher degree of homogeneity has preserved a need to coordinate bargaining across the economy even after its decentralization. This, in turn, helped DA to consolidate its position as an employer peak association. Conversely, the higher heterogeneity of product market interests corresponds with a greater importance of differentiated channels of interest representation below peak level, such as the sectoral associations. Their strengthening as well as their transformation into mixed associations in the wake of mergers has increasingly enabled them to integrate the specific product market interests of their members into their representational activities. The representation of product market interests has thus tended to move away from HVR’s realm, with centrifugal implications for its coherence: in 1991 a larger merger in the construction sector led to the formation of the Federation of Danish Building Employers (Byggeriets Arbejdsgiverforening, BYG), which involved half of the members HVR had in the sector. However, since some of its member groups in the sector (among others, the painters and the plumbers)
refused to join the new association, the undertaking resulted in a split. In 1992 BYG broke away from HVR, causing a substantial loss of around 10,000 members for HVR. Its membership fell to the current number of around 22,500 members. This event changed the *raison d’être* of HVR. It could no longer define itself as the main organization of the construction sector. Hence, the confederation had to derive its profile only from its function as the voice of SMEs.

Nowadays, the relations between the member associations of HVR and DA are more complex than the demarcation agreement of the two peak associations suggests. Some associations are still members of both HVR and DA (e.g. the Danish Association of Master Painters, Danske Malermestre). Others are members of HVR and are also affiliated now to a broader member association of DA. An example is the Association of the Wood-processing Industry, Træets Arbejdsgivere, TA, which is under the umbrella of DA via membership of the Confederation of Danish Industries (Dansk Industri, DI) which is the largest affiliate to DA. This arrangement allows members of TA to process its labour market interests through DI, and its product market interests through HVR. Around 25 per cent of TA’s members are also members of HVR and they are all SMEs. Their influence on DI’s trade department would be so limited, that they are certainly better off with HVR acting as their peak trade association. As a third way of dual membership, four important member associations of HVR set up a joint employer association in order to represent the interests of SMEs on the bodies of DA. In 1997 the Guild of Glaziers of Denmark (Glarmesterlauget i Danmark), the Hairdressers’ Association of Denmark (Danmarks Frisørmesterforening), the Danish Association of Auto and Industrial Painters (Foreningen af Auto- og Industrilakerere), the Association of Timberyards in Copenhagen and Environrs (Arbejdsgiverforeningen for Tømmerhandlere i København og Omegn, ATKO), formed the Federation of the Associations of Small Employers (Sammenslutningen af Mindre Arbejdsgiverforeninger i Danmark, SAMA) which then joined DA.

Regardless of these forms of dual membership and the demarcation agreement between HVR and DA, competition for members is not absent. In particular, this applies to construction and manufacturing, where DI and BYG covering most of these sectors within DA are in direct competition with the corresponding affiliates of HVR.

**Membership domains and structures**

DA’s formal membership domain is defined as follows: ‘Employers’ associations which aim to organize practitioners within the same trade and industry can join DA as a member’ (Statutes of DA, §4, part 1). The actual composition of membership is narrower than this general domain demarcation suggests. In 2003 DA registered 13 member associations, covering the private sector with the exception of agriculture, fishing and finance for which special independent
associations exist, as mentioned above. The two largest and most influential affiliates are the Confederation of Danish Industries (Dansk Industri, DI) and HTS, which together represented around 12,100 companies out of the DA’s total membership of around 30,000 companies and accounted for 67 per cent of DA’s wage sum.8 DA’s four largest affiliates cover more than 85 per cent of the wage sum (Table 5.2). In 2004/5 DA’s wage sum was DKK 156 billion. With organizing around 50 per cent of DA’s total wage sum, DI prevails in DA, all the more since intra-confederal voting rights and influence follow the amount of dues paid by the member associations.

As can be seen from the definition of membership, companies can only join the member associations of DA, without the possibility of obtaining direct membership of DA. Direct membership of DA was rescinded in connection with the organizational reforms during the end of the 1980s, and direct members were compelled to join one of DA’s associations accordingly. In 2003 DA’s member firms had 651,000 full-time employees.

According to the statutes of HVR, its membership domain includes:

- associations/organizations of companies within the area of craft, trade, service and small-scale manufacturing;
- cross-industry associations, including craft and industry associations;
- small and medium-sized companies, which by the way of their nature, or other reasons, are not members of an organization under the umbrella of HVR;
- institutions, organizations or persons with connection to craft, trade, service and small-scale manufacturing.

Like DA, HVR has left its formal domain unspecifi ed, insofar as any definition of what makes a small and medium-sized company is lacking. The domain is, nevertheless, specified in practice. HVR rests on crafts (trade). This means, for instance, that large building contractors are not part of HVR’s constituency; nor are enterprises or retailers which mainly employ unskilled workers. The members of HVR are in service trades (hair stylists, chimney sweeps, window cleaners, etc.) in craft-related retail (e.g. bakers, butchers, goldsmiths); in the building trades; in the repair trades (e.g. shoemakers, smiths, machinery repair shops and car repair shops); and also in small-scale manufacturing. Craft enterprises tend to correlate with specific forms of ownership, management and production. The members typical of HVR are family-run companies. The company’s manager and owner is usually one and the same person, and the enterprise is often located under the same roof as the home of the owner. The average size of member enterprises of HVR is six employees. In this respect, membership of HVR is almost identical with the average number of employees per SME in Denmark (i.e. seven). The majority of member firms have fewer than 20 employees. Overall, HVR’s membership consists mainly of micro firms and small firms (i.e. employing fewer than 50 employees), although a few larger companies with
Table 5.2 Affiliates of DA 2004 – listed according to share of total wage sum

<table>
<thead>
<tr>
<th>Association</th>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Members/companies</th>
<th>Function</th>
<th>Share in DA's wage sum %</th>
</tr>
</thead>
<tbody>
<tr>
<td>DI</td>
<td>Industry and related services</td>
<td>60</td>
<td>6,100</td>
<td>Mixed</td>
<td>50.7</td>
</tr>
<tr>
<td>HTS*</td>
<td>Transport and service sector</td>
<td>15</td>
<td>6,000</td>
<td>Mixed</td>
<td>16.5</td>
</tr>
<tr>
<td>DHS*</td>
<td>Retail and service sector</td>
<td>42</td>
<td>6,000</td>
<td>Mixed</td>
<td>11.0</td>
</tr>
<tr>
<td>DB</td>
<td>Building and construction</td>
<td>14</td>
<td>5,800</td>
<td>Mixed</td>
<td>10.1</td>
</tr>
<tr>
<td>TEKNIQ</td>
<td>Plumbing, electrical and mechanical operations</td>
<td>2</td>
<td>3,000</td>
<td>Mixed</td>
<td>4.4</td>
</tr>
<tr>
<td>DMA</td>
<td>Media and press</td>
<td>11</td>
<td>95</td>
<td>Mixed</td>
<td>1.7</td>
</tr>
<tr>
<td>GA</td>
<td>Electronic and printed communication</td>
<td>0</td>
<td>700</td>
<td>Mixed</td>
<td>1.6</td>
</tr>
<tr>
<td>AI-BOA</td>
<td>Asphalt, oil and petroleum industry</td>
<td>6</td>
<td>40</td>
<td>Mixed</td>
<td>1.1</td>
</tr>
<tr>
<td>DTB</td>
<td>Textile and footwear industry</td>
<td>0</td>
<td>300</td>
<td>Mixed</td>
<td>1.0</td>
</tr>
<tr>
<td>DM</td>
<td>Painting and decorating</td>
<td>60</td>
<td>1,800</td>
<td>Mixed</td>
<td>0.8</td>
</tr>
<tr>
<td>SAMA</td>
<td>SMEs – hairdressers, glaziers, auto repair shops, etc.</td>
<td>4</td>
<td>4,430</td>
<td>Mixed</td>
<td>0.7</td>
</tr>
<tr>
<td>Rederiforeningerne</td>
<td>Shipowners</td>
<td>4</td>
<td>23</td>
<td>Mixed</td>
<td>0.3</td>
</tr>
<tr>
<td>FADVIG</td>
<td>Danish contractors/companies in Greenland</td>
<td>0</td>
<td>7</td>
<td>Mixed</td>
<td>0.1</td>
</tr>
</tbody>
</table>


Note
All mixed associations are engaged in collective bargaining. * In 2007 DHS and the trade part of HTS merged.

a maximum number of around 100 employees are also among the members. According to most recent HVR statistics (referring to 2002), no companies with more than 50 employees are recorded for the group of ‘craft and small-scale manufacturing’. In 2003 HVR had 22,500 member companies with c. 135,000 full-time employees under its umbrella. HVR members represent a total wage sum of about DKK 30 billion (€4 billion).
Direct membership of companies in HVR is rare and exceptional. This is possible only for enterprises falling outside the scope of one of the member associations. Their total number is around 800.\textsuperscript{10} HVR is the umbrella organization for 37 sectoral affiliates and 60 local cross-trade affiliates which are all mixed associations. The largest member association is DS Håndværk Industri, representing 2,500 companies. The chairman of DS HI is also the chair of HVR at the moment. The affiliates of HVR are generally smaller than those of DA. Voting rights are mainly allotted according to the scale of dues paid. The delegation of 20 members of HVR's board is based on this principle. Dues are also the decisive criterion for the allocation of voting rights within the affiliates to HVR. It should be noted, however, that important decisions are not taken before a consensus could be reached.

Activities

DA itself concentrates on representing labour market interests, whereas all of its affiliates are mixed associations. Owing to its status as the principal employer association of Denmark, collective bargaining has traditionally been at the forefront of DA's tasks. As early as in 1899 the key position of DA in the collective bargaining system was established in the statutes of the DA. It was stated that no member association could conclude any agreement with trade unions on shortening of working time, pay increases, new minimum wage rates, longer paid holidays and a number of other issues, unless approval is given by DA. These provisions are still in force. However, after a long period of peak-level bargaining rounds, the centre of gravity of bargaining has shifted to lower levels since the mid-1980s, with the consequence that a coordinating role in this process accures now to DA. This role has become increasingly difficult, as the numerous mergers between its affiliates have resulted in fewer and larger member associations which are more powerful also in relation to their own peak. Among these member associations, DI stands out in terms of power, and even rivals DA in being the leading voice of business. Yet even DI needs the coordinating activities of DA so as to secure that the export sector DI represents can set the pace for pay increases. Some of the smaller member associations have tried to escape from the dominance of DI. In 1995 the employers of the transport sector and the construction sector at an early stage in the process of collective bargaining concluded agreements with the trade unions, which went beyond the level DI was heading for. DI succeeded in having these agreements overruled by DA, but a precedent was nevertheless set for the following agreements whose outcomes were oriented towards the agreements for transport and construction. In the following bargaining round of 1998 it was a primary goal of DI to regain its dominant position. This round ended in a major labour conflict. DI was vigorously trying to control events, and was eventually blamed for the conflict. In contrast to this, DA and its peak-level counterpart, LO, played a key role in resolving the conflict. Moreover,
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DA and LO drew up a so-called ‘climate-agreement’ stating guidelines for the round of collective bargaining in 2000, which reinforced the status of the peak associations as the coordinators of sector-level bargaining. In contrast to 1998, negotiations in 2000 ended fairly quickly and peacefully. The climate agreement was renewed in 2003 preceding the collective bargaining round in the early months of 2004 and again negotiations ended peacefully. These events helped DA to re-establish its grip on collective bargaining, which had been dominated by the sectoral organizations during the previous decade. In this respect, the most important ally of DA has been its trade union counterpart, LO.

Apart from the role of coordination the main task of DA is to influence legislation of labour issues, employment and labour market policy as well as related policies such as education and vocational training. The confederation also monitors labour market developments by means of collecting statistics on sickness absence, unlawful strikes, unemployment, wage movements, etc. Over the last decades, DA has transformed itself from the principal bargainer into a professional secretariat, designed to coordinate bargaining and promote the political interests of the employers. These tasks are performed at three main levels. At national level DA represents the employers’ views vis-à-vis the parliament, the government, the central administration and the trade unions. DA has seats in the councils that deal with labour market issues at regional level, and in the social coordination committees, at municipal level. DA is also represented on a recently created body, the Employment Council, which is a merger of the National Labour Market Council and the Social Council. The Employment Council is devised to implement the new ‘one-string’ employment policy. At international level DA brings up the employers’ interests in Brussels and takes part in European labour market issues through its membership of UNICE. The reform of 2004, however, is devised to reduce DA’s functions to matters of internal coordination. Among these tasks, the continued responsibility for the coordination of collective bargaining will be most important. Any of the representational activities of DA and its affiliates is committed to the principle of free enterprise. In cases where regulations are unavoidable, DA clearly prefers single- or multi-employer collective agreements over state regulation. DA offers services mainly in the fields of industrial relations, economic policy programs and training.

DA itself does not deal with SME-specific interests. This is left to the member associations. They all have special departments or offices for lending support to SMEs, in particular to those employing fewer than 50 employees. As noted above, SMEs have formed a special association, SAMA, so as to strengthen their voice within DA.

HVR primarily represents product market interests, although labour market interests are advanced vis-à-vis the state (Table 18.9). However, HVR does not take part in collective bargaining. The members of HVR are mixed associations, which are engaged in collective bargaining, either...
independently or through affiliation to a member association of DA (see below). HVR’s main political activities are lobbying the authorities in matters of tax policy, educational policy (vocational training), trade and industrial policy, and export policy. Conversely, HVR is consulted by the government in questions concerning trade and industry and export policy. HVR has a seat on the Danish Council for Trade and Industry (Dansk Erhvervsråd) and in the Danish Council for Export (Danmarks Eksportråd), which are both government bodies. The confederation also participates in SME-specific programs to support exports and innovation. HVR provides statistics and information about the developments in the area of crafts and small-scale manufacturing. HVR’s services relate to advice and information on economic policy programs (e.g. on Danish development cooperation programs with developing countries), and training. The association is also involved in standardization of product quality.

The main demands raised by HVR on behalf of SMEs are: lower taxes on labour, fewer administrative burdens, easier access to capital; improvements in the quality of education and training, a business climate supportive to growth and development, and respect for the culture of the self-employed.

In the case of both DA and HVR, the services are provided free of charge. The focus of their activities, however, is on interest representation, as compared to services.

Resources

DA’s secretariat consisted of 145 full-time employees in 2003. This is a professional apparatus, which plays an important and active role in formulating and implementing the policies of DA. The secretariat’s managing director participates, together with the elected chairman of DA, in all negotiations on major issues. It is a property of DA that, throughout its history, the managing directors have often prevailed in the decision-making process. DA is almost completely financed by the membership dues paid by its member associations. The amount of dues is defined as a certain percentage of the total wage sum represented by the firms affiliated to the member associations. However, the statutes set an upper limit to the scale of dues paid that the dues contributed by one single member association may not exceed 50 per cent of the total amount of dues. In 2003/4 the percentage of the wage sum to be paid as dues was 0.06 per cent. To a very limited extent, DA receives revenues also from commercial activities: DA owns a conference centre, offers training programs and runs a publishing house. As will be outlined in the following section, the 2004 reform brought about substantial cuts in both staff and dues.

In 2004 HVR employed 40 staff members. There is no information on its budget. However, it is reasonable to assume that membership dues account for the lion’s share of its revenues. A firm with less than five employees can obtain membership for less than €200 a year. Income from sales of services
(e.g. sales of pre-printed forms and information to make administration easier for SMEs) constitutes a more symbolic income for HVR.

On HVR's home page potential members can find the information that fees payable for membership in interest associations are tax-deductible in Denmark. Business interest associations as well as trade unions do not receive any kind of public subsidies. Likewise, there are no joint funds connected to the collective bargaining system.

Organizational restructuring

Denmark’s business associations have undergone thoroughgoing changes that mainly involved DA. These changes are twofold: mergers between lower-level associations, resulting in a marked concentration of the sectoral system of associations;13 and internal reforms aimed at economizing on resources, leading to a radical streamlining of DA as well as a reformulation of its functions.

The structure of the sectoral system of associations, as covered under the umbrella of DA, remained more or less unchanged from the early twentieth century until the late 1980s (Table 5.3). With far more than 100 affiliates to DA, this structure showed an enormous degree of differentiation. The number of affiliates peaked in the 1920s, hardly changed until the beginning of the 1960s, and then saw modest concentration until the late 1980s, when a dramatic process of persistent concentration was initiated. From 1989 to 1990, the number of affiliates was reduced from 150 to 51, and the development continued so that DA had no more than 13 member associations in 2004.

As noted above, the trend towards decentralization of bargaining has been an important reason for this concentration. The shift from centralized to sectoral bargaining in 1985 required strong sector-level associations. Likewise, further decentralization, devolving bargaining tasks to management and the union shop floor representatives, could meet the employers’ demand for more flexible arrangements only when there was a relatively broad domain of multi-employer settlements. Hence, the effectiveness of decentralization was bound to establish encompassing bargaining units instead of the highly narrow ones (Traxler et al. 2001). In this respect, the manufacturing sector, and in particular its metal-working branch, developed into the prime mover. In 1988 the dominant Metal Industry Employers (Jernets Arbejdsgivere, JA) and the also influential Industrial Trades Association (Industrifagene) merged, creating the Industrial Employers (Industriens Arbejdsgivere, IA). In terms of DA's total wage sum, the total number of employees covered, and its budget, JA and Industrifagene represented approximately 36 per cent and 14 per cent, respectively. The new mixed association thus accounted for half of the total economic potential of DA. Beyond its mere economic weight, this merger affected the intra-confederal relations also in qualitative respects, since the predecessors of IA had been rivalling associations before
Table 5.3 The development of DA membership, 1896–2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Affiliated associations</th>
<th>Direct membership of companies</th>
<th>Total membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Companies</td>
</tr>
<tr>
<td>1896</td>
<td>5</td>
<td>4</td>
<td>461</td>
</tr>
<tr>
<td>1899</td>
<td>36</td>
<td>4</td>
<td>5,272</td>
</tr>
<tr>
<td>1901</td>
<td>65</td>
<td>15</td>
<td>7,191</td>
</tr>
<tr>
<td>1906</td>
<td>68</td>
<td>30</td>
<td>6,339</td>
</tr>
<tr>
<td>1911</td>
<td>112</td>
<td>34</td>
<td>8,304</td>
</tr>
<tr>
<td>1916</td>
<td>147</td>
<td>104</td>
<td>9,663</td>
</tr>
<tr>
<td>1921</td>
<td>253</td>
<td>225</td>
<td>18,177</td>
</tr>
<tr>
<td>1926</td>
<td>229</td>
<td>176</td>
<td>12,548</td>
</tr>
<tr>
<td>1931</td>
<td>222</td>
<td>174</td>
<td>12,163</td>
</tr>
<tr>
<td>1936</td>
<td>225</td>
<td>193</td>
<td>13,612</td>
</tr>
<tr>
<td>1941</td>
<td>238</td>
<td>248</td>
<td>16,250</td>
</tr>
<tr>
<td>1946</td>
<td>247</td>
<td>315</td>
<td>20,633</td>
</tr>
<tr>
<td>1951</td>
<td>253</td>
<td>326</td>
<td>24,071</td>
</tr>
<tr>
<td>1961</td>
<td>255</td>
<td>325</td>
<td>22,072</td>
</tr>
<tr>
<td>1966</td>
<td>223</td>
<td>290</td>
<td>22,803</td>
</tr>
<tr>
<td>1971</td>
<td>198</td>
<td>206</td>
<td>24,072</td>
</tr>
<tr>
<td>1976</td>
<td>178</td>
<td>58</td>
<td>20,581</td>
</tr>
<tr>
<td>1981</td>
<td>157</td>
<td>48</td>
<td>22,651</td>
</tr>
<tr>
<td>1986</td>
<td>151</td>
<td>45</td>
<td>22,642</td>
</tr>
<tr>
<td>1988</td>
<td>151</td>
<td>41</td>
<td>23,935</td>
</tr>
<tr>
<td>1989</td>
<td>51</td>
<td>7</td>
<td>25,513</td>
</tr>
<tr>
<td>1991</td>
<td>48</td>
<td>5</td>
<td>29,913</td>
</tr>
<tr>
<td>1993</td>
<td>34</td>
<td>4</td>
<td>28,227</td>
</tr>
<tr>
<td>1994</td>
<td>32</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>1995</td>
<td>28</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>1996</td>
<td>25</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>1997</td>
<td>22</td>
<td>0</td>
<td>–</td>
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<tr>
<td>1998</td>
<td>18</td>
<td>0</td>
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<td>1999</td>
<td>16</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>2000</td>
<td>16</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td>2001</td>
<td>16</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>2002</td>
<td>15</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>2003</td>
<td>13</td>
<td>0</td>
<td>28,265</td>
</tr>
<tr>
<td>2004</td>
<td>13</td>
<td>0</td>
<td>Approx. 30,000</td>
</tr>
</tbody>
</table>


Note
At the annual general meeting of DA in May 1989 it was decided to reduce the number of affiliated associations from 151 to 51 within one year.
their merger, something which had meant leeway for DA as their peak (Due et al. 1994). In 1992 the new organization increased its potential even further, when IA merged with the independent trade association of industry, the Industrial Council (Industrirådet) in 1992, to form DI. This two-step merger caused a fundamental change in the intra-confederal power relations that threatened to shift the gravity centre from the peak to its largest affiliate. This was underscored by the fact that the managing director of DA left the confederation in order to become the managing director of the newly established DI instead. The formation of IA and, subsequently, DI has fuelled any further restructuring within DA. On the one hand, DI has unintentionally propelled the process of concentration, since the smaller associations have sought to counterbalance the hegemony of DI by building larger units. On the other hand, DI has been the driving force behind the internal reforms of DA, which will be considered in greater detail below.

Since 2000 the concentration process has made notable headway in the construction sector and the service sector. In 2002 the Danish Construction Association (Dansk Byggeri) came into operation as a result of a merger between BYG and the Danish Contractors’ Association (Dansk Entreprenørforening), and represents around 6,000 companies with 70,000 workers. The Danish Association of Mechanical and Electrical Installation Businesses (TEKNIQ) was founded by the Danish Association of Electrical Installation Businesses (ELFO) and the Danish Association of the Manufacturers of Plumbing, Heating and Ventilation (Dansk VVS) on 1 January 2002. In 2003 TEKNIQ organized about 3,000 mechanical and electrical contractors in the electricity and the plumbing, heating and ventilating industries. In July 2002, three major service-sector affiliates to DA (i.e. the Employers’ Federation for Trade, Transport and Service (Arbejdsgiverforeningen for Handel, Transport og Service, ATHS), the Chamber of Commerce (Håndelskammeret), and the Association of the Hotel, Restaurant and Leisure Industry (Hotel-, Restaurant-, og Turisterhvervets Arbejdsgiverforening, HORESTA)) merged to form a new umbrella organization, namely HTS. Although the membership of HTS, Dansk Byggeri and also DHS comes close to the number of member companies under the umbrella of DI, they cannot compare with DI in terms of their economic weight. With a share of 50.6 per cent of the wage sum, the employees and the budget covered by DA in 2003, DI remains unmatched. Aside from its sheer economic weight, DI obtains a hegemonic position also as a consequence of its accentuated political profile, resulting from such activities as its primary role in debates on globalization. This tends to appeal to many managers of the group of larger companies, including those in areas other than industry. This explains why Danish Telecom and Post Denmark both joined DI, to the disappointment of HTS and DHS. Due to this hegemonic position, DI has been the main architect behind the internal reforms of DA, striving to cut DA to a mere secretariat with around 50 employees (EIRO 2005b). This radical goal – which was supported by HTS and DHS, but opposed by other, smaller affiliates – has not been
accomplished. Regardless of this, the scale of retrenchment which has been implemented since the formation of DI is impressive. The staff of DA has been reduced from 300 in the mid-1990s to 95 after the 2004 reform (see below), and DA membership dues, from 0.35 per cent of the total wage sum in 1990 to 0.06 per cent in 2003/4, and further, to 0.037 per cent in 2006.

Aside from retrenchment, several major reforms have also brought about qualitative organizational changes. The first one of these reforms was adopted in 1989. Its main components were as follows (Due et al. 1994): DA’s goals, as endorsed in the statutes, were revised, so as to emphasize the importance of internationalization. The possibility of direct firm membership was abolished, and the member companies were obliged to join one of the sectoral affiliates as well as one of the local associations that constitute the territorial network of DA. The composition of the annual general meeting was changed, so that ‘small enterprises’ were no longer guaranteed over-representation. At the same time, DA’s local associations were granted representation.17 The main grouping within DA was altered, replacing the three sections (i.e. industry, crafts and commerce) with five electoral groups: IA and Industrifagene which were merging to form IA at that time; the other associations of industry (i.e. textiles, printing and newspapers); the associations of the construction sector; the associations of retail, commerce, consultancy services, hotels and catering; and the associations of wholesale trade, transport and manual services (e.g. cleaning, private security). The continued concentration process has made the five electoral groups disappear. In practice, DA now rests on three pillars: industry, construction and services, with a small number of associations remaining outside the comprehensive organizations. In the case of industry, for instance, three associations exist aside from DI: the Danish Association of the Printing Industry (Grafisk Arbejdsgiverforening, GA), the Federation of the Danish Textiles and Clothing Industry (Dansk Textil and Beklædning, DTB), and the Danish Newspaper Publishers Association (Danske Dagblades Forening og Forhandlingsorganisation, DDF). On aggregate, they cover 5 per cent of DA’s wage sum.

The 1990 conference on reform measures arrived at two other interrelated goals (Due et al. 1994): company membership in DA’s affiliates should be re-organized according to the rule ‘one firm one organization’. This emphasis on continuing the process of associational concentration was seen as the complement to and precondition for reforming the bargaining system in a way that establishes encompassing bargaining units in line with the principle ‘one firm one collective agreement’. In operational terms, this meant a reduction of the number of collective agreements from about 650 to 20–25 or even fewer.

In 2004 another far-reaching reform was adopted in tandem with the cuts in dues and staff mentioned above (EIRO 2005b). Accordingly, DA is to lose one-third of its budget over 2005. This will be financed by cost cuts mainly resulting from closing the six regional offices of DA and by new cost-saving forms of cooperation between DA and its affiliates. The
member associations have to take over the tasks of the offices, something which provoked protests from the group of smaller associations which lack the means of dealing with regional matters. Furthermore, the annual meeting consisting of 100 representatives was replaced by a smaller board. All the member associations are represented on the board, with votes still weighted by their wage sum. The reform also aims to implement a general revision of tasks according to which the future role of DA should be confined to internal matters such as the coordination of bargaining, the coordination of labour market policies vis-à-vis the authorities and issues of labour law (Due and Madsen 2006). This declining role of DA correlates with the growing importance of product market interests within the mixed member associations.

Conclusions

In contrast to most other countries, it was not the state but organized business and labour themselves which set the basic framework for their actions. While this holds true also for the other Scandinavian countries, Denmark is distinct because of the very early institutionalization of this framework, which even preceded the advent of political democracy. This property has brought about several long-term effects on the organization of business and, more generally, the system of interest intermediation. Since state regulations devised to mould the associational structures of business have been absent, the structures of the economy, on the one hand, and the unions in tandem with collective bargaining, on the other, all the more shaped organized business and its action.

One important consequence of this property for the overall system of interest intermediation has been that collective bargaining and its agents have clearly become its hub. In Denmark the political weight of a business association is closely linked to whether and how it is involved in the process of collective bargaining. Within the bargaining system the employer side has been the key actor who has designed its architecture: DA initiated its centralization first as well as its decentralization later on. Collective bargaining and the related strategic imperatives have essentially formed also the associational structures of business. This is manifested in the high degree of centralization of DA as well as in the race for intra-confederal concentration that began in the mid-1980s. The impact of the economic structures on the associational system has been more complex. During the early stage of their development, the employer associations tailored their domain to the craft-related, small-scale system of production. Due to organizational inertia, the changes in the associational structures did not keep pace with the changes in the economy, such that the associational and economic structures diverged and became increasingly disparate. Characteristically, these economic pressures for change needed a reorientation of the bargaining strategy of business from strict centralization
Denmark 105
to ‘centralized decentralization’ (Due et al. 1994; 1995) as a stimulus for thoroughgoing organizational re-adjustments.

Among the manifold economic factors behind the pressures for change, economic internationalization appears to have been especially important. This is indicated by two facts. First, the 1989 reform made special reference to the importance of internationalization to the associational action of business. The second and more relevant fact relates to the emergence of a powerful unitary employer association of industry as a result of the merger of JA and Industrifagene, which then combined with its trade association counterpart to form DI. Originally, the associational differentiation of industry into two separate organizations corresponded with differences in the exposure to international competition. Since JA was the voice of the exposed sector and Industrifagene, the representative of the sheltered industry, they were traditionally rivals for influence within DA (Due et al. 1994). In the wake of Denmark’s growing integration into the world market and, in particular, into the Single European Market, this division faded away, preparing the ground for the merger. DI is so predominant in DA that its formation has triggered a race for mergers which – beyond strategic bargaining aims – seek to counterbalance its intra-confederal weight. This has involved mainly the service sector and the group of SMEs.

The direction of organizational restructuring has especially weakened the position of SMEs. At confederal level, they have lost influence also as a result of the revision of voting rights, as adopted by the 1989 reform of DA. The mergers have brought about an analogous effect on their position within the affiliates of DA, since many of their special associations have disappeared in the course of building more encompassing organizations. Furthermore, DA’s restructuring has burdened HVR with negative externalities, namely a substantial loss of members.

Hence, the mergers following the formation of DI have changed the intra- as well as the inter-confederal power configuration in several respects. However, with DI representing around half of the wage sum, the employees of DA members and the budget of DA, these mergers have been unable to correct the profound shift of intra-confederal power in favour of industry, which contrasts with employment trends. Overall, the primary effect of the internal ‘mergermania’ has been the weakening, if not questioning, of DA as a peak. As Due et al. (1994) already noted with regard to the 1989 reform, DA runs the risk of becoming superfluous, if its mission to reduce the number of affiliates to a few members can be accomplished. The 2004 reform corroborates this risk. As it seems, the future of DA once again depends on bargaining priorities. DA will perform a vital function, as long as its member associations wish to continue the process of peak-level coordination of bargaining.
Notes


2. The conclusion of the September Compromise was the first step towards this coordination.

3. This implies that the timing of the distinct negotiations follows a strictly synchronized pattern.

4. At that time a few craft-related business associations had already been set up outside the guild system.

5. Despite its name HTS is not a chamber in the conventional sense and rests on voluntary membership.

6. There is some confusion in Danish as to translate and use the English terms ‘business, industry, trade and craft’. Craft and/or trade are understood here as håndværk.

7. As a comparison with the 1970s shows, DA ranked third among the principal business associations of 11 countries in terms of the number of affiliates, surpassed only by the associations of two large countries (i.e. the CBI and Confindustria) (Traxler et al. 2001).

8. Company membership is often measured in total wage sum by the associations rather than the number of employees. DA ceased to document the number of employees in 1989.


10. Interviews with Economy Manager of HVR Søren Nicolaisen and Deputy Manager Ane Buch

11. At this level DA is represented by the managers and owners of the local companies.

12. See also the section on organizational restructuring, for this reform.

13. Such concentration has happened also outside DA’s realm in the financial sector (Andersen 1995).

14. The trade union of the metal industry essentially contributed to overcoming this rivalry, thus paving the way for the merger.

15. In autumn 2004 TEKNIQ and Dansk Byggeri announced their willingness to merge. This project is still in its preparatory stage.

16. The corresponding figures for HTS, Dansk Byggeri and DHS are 16.4 per cent, 10.5 per cent and 10.0 per cent, respectively.

17. Before the reform, the meeting consisted of 514 representatives allocated to the members according to the dues paid and 86 representatives allotted in line with the number of their member companies. This was superseded by a meeting composed of 520 representatives allocated in accordance with the amount of dues and the number of the chairpersons of the approximately 80 local associations. Succeeding reforms replaced the local association with regional offices and the number of representatives has been reduced to 100.

18. However, although the Danish Constitution stems from 1849, it was not until 24 July 1901 that a parliamentary system was introduced permanently.
The economic and cultural background

According to Statistics Finland, the total number of registered companies was around 230,400 in 2003. The number of companies increased throughout the 1980s until the year 1990. Then the depression made their number decline until 1994, when it was at its lowest level, i.e. 184,931. One reason for this development was the structural changes that had already taken place earlier. An example of this was the disappearance of small retailers in the rural areas. After the deep recession during the early 1990s, Finland has seen rapid economic growth, boosted by production of electro-technical equipment (which has quintupled) and communications equipment (which is now 13 times higher than before). The number of enterprises has taken an upward turn from 1995. The most rapid growth period was from 1995 to 1998. Old companies were replaced by new, innovative ones with growth potential, as the resources of the economy were allocated towards more productive use than earlier. The growth in the number of companies has accelerated, since the big companies and the public sector have outsourced activities. Likewise, the development of employment reflects the business cycle. The number of employees decreased by about 40,000 during 1990–94; after this, dependent employment increased rapidly until 2001, in particular in the IT sector. In 2001, the number of employees in companies was 1,298,198.1

As regards firm size, Finland belongs to the group of countries which most resemble the EU average (Table 2.1). Regardless of this, there are some deviations from this average, as a more detailed inquiry shows. In comparison to the EU-15, micro firms and small companies record a smaller proportion of employment, whereas medium-sized companies, a higher one. Furthermore, the number as well as the scale of employment in large companies is above the average. The same applies to the relative number of big multinational companies. Headed by Nokia, there are eleven Finnish companies among Europe’s 500 largest businesses. They mainly belong to the manufacturing sector, with a preponderance of pulp and paper, metal-working and steel. This sector profile corresponds with the country’s export structure. The metal-working industries cover over a half of exports, and
the share of electronics alone was 32 per cent in 2000. The traditionally important forest industry is responsible for about 10 per cent.

To characterize the business climate in Finland from a comparative perspective, the total entrepreneurial activity (TEA) rate may be taken as an indicator. In Finland 6.9 per cent of the adult population was either trying to start a new business or running a new business in 2003. Finland ranks fifteenth in terms of the total entrepreneurial activity level according to the global entrepreneurship monitor (GEM) of 31 countries. This is an improvement on the relative ranking of the previous year, when Finland scored twenty-eighth among the 37 countries participating in GEM 2002. Among the 17 European countries which participated in GEM 2003, Finland was number five. Only Iceland, Ireland, Norway, and Switzerland have a higher TEA rate (Arenius et al. 2003: 6). One reason for this is that the barriers to business activities are low. Statutory restrictions apply only to certain liberal professions (e.g. doctors and lawyers), whereas no formal qualification is established in the case of crafts.

Finland rests now on what is often called a corporatist or negotiated economy which is backed by the principles of social partnership. However, the country underwent a long period of fierce class conflict before arriving at the present situation. Until the 1940s employers usually refused to enter into collective agreements with the unions due to lack of confidence between the parties after the events of civil war of 1918. Politically, this politics of union avoidance ensued from the hegemony of the right which had been the outcome of the civil war in 1918. Economically, it was the result of the economic preponderance of the forest industry that also predominated in the employer confederation. Its specific production system empowered this industry more than any other industry to contain unionization. The winter war of 1939–40 changed the situation. The Central Organization of Finnish Trade Unions (Suomen Ammattiliittojen Keskusjärjestö, SAK) and the Confederation of Finnish Employers (Suomen Työntekijöiden Kunta, STK) acknowledged each other as negotiating partners. At that time the tripartite negotiating system was formed. After World War II inter-class power configurations changed in favour of labour, such that collective bargaining could spread.

The war transformed the predominant political division from an antagonism between the right wing and the left wing to one between social democracy and communism. Employers and social democrats co-operated very closely during the war and post war era. Industrial relations, nevertheless, remained adversarial due to the ideological split in the union movement which led to a high level of strikes and to wage-inflating leapfrogging in the course of collective bargaining. Full employment and the liberalization of foreign trade increased the interest of the employers as well as the government in finding a compromise with the unions. The employer confederation thus encouraged the unification of the union movement in tandem with efforts to establish a centralized approach to a national incomes policy in a way similar to the
Scandinavian model. Both goals could be accomplished at the end of the 1960s which marked the beginning of Finland’s lasting record of tripartite, centralized incomes policy. The first two agreements in 1968 and 1969 constituted a historical compromise which granted the consolidated unions full recognition in combination with certain organizational privileges such as a check-off system and tax-deductible union subscriptions (Lilja 1992).

The legal framework for associational action

Compulsory business associations do not exist in Finland. Freedom of association is guaranteed in the Finnish Constitution. If business associations wish to act as an employer organization (i.e. as a party to collective bargaining), the purpose of the organization must be, according to the Collective Agreements Act, to safeguard employers’ interests in labour market issues. In practice, this means that the organization must widely represent companies within a certain branch, and that it must rely on a bargaining mandate given by its member companies to negotiate binding collective agreements. The Act does not set a minimum level of representativeness. However, the custom is that the organizations must ‘truly’ represent the employers covered by their membership domain. An independent board of judges has to approve every collective agreement and decide the representativeness of the parties to the agreement on the basis of certain criteria (e.g. the continuity of bargaining activities). The Act explicitly obliges the employer associations to monitor their member companies so as to ensure that they follow the terms of the collective agreement. Failure to comply with the agreement’s terms is liable to a penalty (i.e. a fine) according to the Employment Contracts Act.

On the basis of the same Act, a collective agreement can be declared binding upon such companies which are not affiliated to the signatory employer association. The precondition for making use of this extension provision is that the majority of the employees within the domain of a certain collective agreement are actually employed by the companies affiliated to the signatory employer association. The Finnish rules of extension set a special incentive for the employers to join their association. This incentive relates to their interest in social peace. Accordingly, the legally-based peace obligation (which otherwise binds the parties to a collective agreement) does not apply to unaffiliated employers covered through extension. Hence, a union can engage in industrial action against unaffiliated employers in order to enforce employment terms more favourable than those fixed by the respective agreement (Surviranta 1999).

The role of organized business in social dialogue and public policy making

Corporatism, i.e. close co-operation between the political system and the labour market organizations, is characteristic of Finnish industrial relations.
What this means is that almost all legislation pertaining to working life is drafted as a tripartite co-operative effort of the government, the employer representatives, and the labour unions.

Collective agreements are minimum agreements in the private sector. Since 1971, there has been a principle of general applicability of collective agreements (i.e. the extension procedure) in effect in Finland. According to that principle, unorganized employers in the domain of a certain national sectoral agreement also have to comply with that agreement. In 2001, the so-called confirmation procedure for universally binding collective agreements came into force, according to which a special commission examines and confirms the general applicability. An agreement is generally applicable if it can be considered representative of the field in question. The criterion of being representative is evaluated and based on statistics that measure the degree of general applicability of the collective agreements, the established bargaining practices in that field, and the density level of the bargaining parties. This extension mechanism is devised to guarantee generalized minimum conditions, and this also is taken into consideration in the course of the evaluation process.

Collective bargaining takes place at three levels. Since 1968 peak-level negotiations between the two sides of industry have worked as the basis for Finland’s incomes policy. They are embedded in a broader framework of tripartite package deals. In addition to wages, a wide range of other issues (e.g. social policy and tax reforms) are usually negotiated within this framework. This type of tripartite arrangement has been the preferential means of coping with the country’s economic problems, including the deep recession of the 1990s (Kiander 1997). Incomes policy in the genuine sense concentrates on moderating wages. Over time, the overall arrangement has undergone some modifications (Kauppinen 1994: 325–6, Kauppinen 2000). Most importantly, the government’s ability to compensate the unions for wage moderation has declined, implying a change in policy priorities from union demands to business interests. This has given rise to a supply-side version of corporatism, as in several other countries (Traxler 2004).

The overall bargaining round begins with peak-level bargaining. Its goal is to establish the guidelines for lower-level (i.e. sectoral) bargaining. If a peak-level agreement can be reached, the sectoral agreements have to conform to its guidelines. However, the essential precondition for such articulated bargaining is that the member associations of the confederations have accepted the peak-level agreement. Aggregating and unifying the interests of business and labour at the central, cross-sectoral level is a very difficult undertaking. Hence, the peak-level accords do not always embrace the entire membership domain, as covered by the confederations involved, because one or more of its affiliates may pull out of the accord and try to do better on their own. On several occasions, such as during the mid-1990s, the peak organizations failed to reach an accord (Traxler et al. 2001).
Sector-level bargaining is traditionally differentiated by employee groups. Separate agreements are concluded on behalf of the blue-collar workers and the white-collar workers. Less frequent are separate collective agreements for academic professionals. For instance, separate bargaining on behalf of this group is established in the technology industry, such that blue-collar workers, salaried employees and academic professionals each have their own collective agreements there. Following employer demands, sectoral bargaining has undergone a process of ‘organized decentralization’ (Traxler 1995a) since the 1990s in that the sectoral bargaining parties have authorized management and the employee representatives of an enterprise and/or establishment to negotiate over certain working conditions (i.e. most frequently working hours) and even to deviate from the basic conditions of the sectoral agreement. Unlike earlier local bargaining which led to provisions more favourable to labour than the sectoral agreement, the new option of deviation makes it possible for local agreements to be less favourable than the higher-level agreements (Lilja 1998). Collective agreements are usually signed for one or two years’ duration.

Aside from labour relations, corporatist practices also characterize industrial policy which is especially important to organized business. Throughout its term (2003–7), the government will carry out measures aimed at supporting entrepreneurship, growth and employment, and at reducing unemployment. These will affect education policy, R&D and other growth-inducing areas, tax policy, support for incomes policy settlements, reform of labour policy, and two inter-administrative policy programmes. Of these, the Entrepreneurship Policy Programme will coordinate government measures to bolster entrepreneurship, with the main emphasis on promotion of practical projects. The focus of the employment programme will be on reducing structural unemployment and promoting labour supply. The target of the Entrepreneurship Policy Programme is to create a business environment that will enhance the start-up, growth and internationalization of enterprises. Another aim is to provide enterprises with appropriate conditions for long-term investments and employment. In addition, entrepreneurship and its development as a societal phenomenon will be monitored within the Entrepreneurship Policy Programme. As regards organized business, the Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusliitto, TT) and the Employers’ Confederation of Service Industries (Palvelutyönantajat, PT) are the main interlocutors of the government, as they took part in the formulation of the programme and participate in its implementation. The Federation of Finnish Enterprises (Suomen Yrittäjät, SY) could exert influence on its preparation. The programme is implemented in close cooperation with various stakeholders.

The associational system

There were three associations which met fully the criteria of a country-wide, cross-sectoral and independent voice of business in 2003 (Table 6.1):
The Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusliitto, TT), the Employers’ Confederation of Service Industries (Palvelutyönantajat, PT) and the Federation of Finnish Enterprises (Suomen Yrittäjät, SY).

In addition, two other associations are worth mentioning. The agricultural employers are represented by the Federation of Agricultural Employers (Maaseudun Työnantajaliitto, MTL). Its membership domain includes farming and related business, such as nurseries and horticultural centres, park and golf course construction, and fur farming. Its collective agreements covered about 9,000 employees in 2003. MTL will not be considered here, because its domain is not cross-sectoral. The Chambers of Commerce and their peak organization are cross-sectoral. However, they are a borderline case because of their marginal role in representing business interests. Hence, only limited attention will be devoted to them.

Furthermore, it should be noted that TT and PT merged in late 2004, as will be outlined in greater detail below. During the period under consideration here, however, they were still separate and independent organizations which will be treated by this analysis accordingly.

Until 2004, the basic structure of Finland’s cross-sectoral associational system of business was as follows: TT, as the principal voice of business, and PT were mixed associations which were directly involved in peak-level bargaining, incomes policy and tripartite policy making. At the same time, their actual membership domains were rather complementary, as they were specialized in distinct macro sectors. SY was and still is a special association of SMEs. Established in 1996, SY is the youngest association in the system. Its impact on labour market issues is so limited that it comes close to

<table>
<thead>
<tr>
<th>Association</th>
<th>Scope of functions</th>
<th>Membership domain</th>
<th>Members</th>
<th>Employees covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>TT</td>
<td>Mixed</td>
<td>In practice: Finnish industrial and manufacturing companies</td>
<td>5,600 (IDM)</td>
<td>520,000</td>
</tr>
<tr>
<td>PT</td>
<td>Mixed</td>
<td>Not formally defined</td>
<td>9,436 (IDM)</td>
<td>374,628</td>
</tr>
<tr>
<td>SY</td>
<td>Mixed</td>
<td>Not formally defined</td>
<td>88,000* (IDM)</td>
<td>450,000</td>
</tr>
<tr>
<td>KKK</td>
<td>Trade association</td>
<td>Cross-sectoral</td>
<td>16,800 (IDM)</td>
<td>890,000</td>
</tr>
</tbody>
</table>

Notes
*Some overlap with TT and PT exists. IDM = indirect membership.

Table 6.1 The cross-sectoral associations in Finland: basic data, 2003
the profile of a trade association. Finally, there are the Chambers whose membership domain is general, while its scope of representational activities is most special, as compared to the other business associations. This makes them a borderline case of what is understood as an interest association in this volume.

**Inter-associational competition**

Although the domains of TT and PT were rather complementary, they were not mutually exclusive. Hence, competition for members was not absent, all the more since TT’s decision to incorporate services related to manufacturing meant invading the genuine domain of PT. Over the years, however, competition for members between TT and PT receded into the background, whereas competition over representational domains, involving SY on the one hand, and TT and PT on the other hand, emerged as a field of inter-associational rivalries. For years a certain kind of division of labour characterized the relations of SY to TT and PT. SY gathered the companies without a proactive interest in bargaining matters, TT and PT represented employer interests in peak-level concertation and incomes policy, while their member associations conducted collective bargaining at lower levels. However, SY felt increasingly uncomfortable with this arrangement. The main reason for this is that a company’s lack of interest in and distance to collective bargaining does not mean that a company can escape from the outcome of the bargaining process. The contrary follows from the given practice of extending collective agreements to those companies which are not affiliated to the signatory associations. The consequence is that TT, PT and their affiliates, together with their union counterparts, determined the standard of the employment terms also with regard to SY’s members, when concluding generally applicable collective agreements at peak level and at sectoral level. This means that the special interests of SY’s constituency do not attract much attention in the course of bargaining. For instance, incomes policy has moderated pay increases to an extent that facilitated the expansion of such sectors as the IT industry. At the same time, SMEs, especially those of the service sector, have found these pay hikes too high. Furthermore, companies, which are covered by a collective agreement merely through extension, face disadvantages, as compared to the members of the signatory employer associations. According to labour law, the peace obligation that is linked to collective agreements does not bind the unions in relation to unaffiliated employers. In some cases, only the members of the signatory employer associations are entitled to use the bargaining competences which the sector-level bargaining parties devolved to management and employee workplace representatives within the framework of organized decentralization. All this questions the role of SY as the voice of its members in matters of labour market interests and at the same time constrains its capacity to recruit members, since experience shows that only micro firms
with fewer than five employees tend to ignore bargaining issues. Whenever the size of a firm exceeded four employees, membership in TT or PT thus gained in importance, as compared to membership in SY. These problems have been increasing, as SY’s policy line aimed at challenging the established labour market regime turned out to be ineffective.

Against this background SY launched an initiative to become a participant in the national incomes policy negotiations in 1999, after the confederation had been given a mandate by four of its member associations to represent them in the course of these negotiations (Hietanen 1999). At that time, the four associations organized nearly 1,300 employers with 7,000 employees, which represented around 2.3 per cent of the aggregate number of employees under the umbrella of SY. In comparison to this, TT and PT covered 800,000 employees. Referring mainly to the rather limited bargaining mandate of SY, the confederations of business and labour which were traditionally negotiating over incomes policy refused to admit SY as a new partner. Hence, the status quo was retained.

TT and PT maintained their distinct status as social partners, since they enjoyed authorization by their branch associations and member companies to conclude incomes policy agreements which cover a wide range of labour market issues other than wages. SY met scepticism not only because of its limited mandate, but also on grounds of its past record as a critic of centralized incomes policy and widespread extension practices. This critical role made the unions prefer especially TT and PT as interlocutors, because they were interested in further strengthening the extension mechanism (Hietanen 1999).

Due to the connection between collective bargaining and tripartite policy concertation, the governments also preferred dealing with PT and TT. This corresponds with the opinion prevailing in the party system. The status quo of the Finnish industrial relations system is commonly accepted by the biggest parties, especially by the Social Democratic Party (SDP). However, the biggest and most influential supporter of the status quo is the largest trade union confederation, SAK, which is closely related to the SDP. A few voices in support of the role of SY have been heard from the right wing of the political spectrum: the conservative party (Kokoomus), the Centre Party (Keskusta) and the Swedish People’s Party (Ruotsalainen Kansanpuolue). The Centre Party, SDP and the Swedish People’s Party formed the present majority government elected for 2003–7.

After the merger of TT and PT, however, SY came one step closer to its goal of achieving the status of a social partner in the incomes policy negotiations. The newly formed EK (Elinkeinoelämän Keskusliitto) agreed to embark on cooperation with SY in matters of labour market interests, including collective bargaining. Under the terms of their 2004 agreement the managing director of SY is to sit on the bargaining committee of EK. Furthermore, EK and SY will intensify exchange of information on labour market issues and their boards will meet regularly to discuss topical issues (EIRO 2004).
Membership domains

In formal terms, the membership domain of the TT was general. In practice, however, TT had specialized in organizing the Finnish industrial and manufacturing companies (including construction) as well as service companies which are closely related to manufacturing (e.g. transport). The affiliation of the companies to TT was indirect through its branch associations. In 2003 TT had 27 branch organizations under its umbrella which represented nearly 5,600 member companies, with about 520,000 employees. Ninety-four per cent of TT’s member companies employed less than 250 people. In other words, a clear majority of the member companies were SMEs. They could rely on a special committee within TT. The chairman of this committee also held the position of a vice-chairman of TT. At confederal level, the number of votes of each member association related to the amount of membership fees each member association delivers. In the member associations each company had one vote.

Like TT, PT had left its formal membership domain unspecified. De facto, PT acted as the representative of the service sector. Companies were not directly, but indirectly – via lower-level associations – affiliated to PT. In 2003 PT recorded 14 affiliates, covering a total membership of 9,436 companies which employed 374,628 employees. The vast majority of the member companies were SMEs, as was the case of TT. However, a special committee for SMEs did not exist, while PT’s politics directed special attention generally to the interests of SMEs. Voting rights were weighted according to the membership fees. PT was financed by membership fees, as TT was.

SY’s formal domain is unspecified, too. Regardless of this, SY can be considered the largest special associations of SMEs. Like TT and PT, SY is a confederation that organizes the companies only through lower-level associations. Sixty sectoral associations are direct members of SY. In addition, the confederation rests on a differentiated territorial structure which consists of 20 regional associations and 420 local associations. In 2003, SY had around 88,000 member companies, as compared to 75,000 members in 1995, employing a total of about 450,000 employees. The territorial structure of SY has fostered membership growth, since SMEs and especially micro companies with less than five employees have a strong local orientation. Hence, the stronghold of membership is also the group of micro firms with less than five employees. Approximately 4,000 of SY’s member companies are also members of TT or PT. Voting rights are weighted according to the number of members in each regional organization. In the member associations, one vote is allotted to each company.

The Central Chamber of Commerce of Finland (Keskuskauppakamari, KKK) is the peak organization of 21 Chambers that constitute the Finnish Chamber system. Unlike many other countries, the Chambers are voluntary organizations in Finland. They have about 16,800 businesses and
organizations as their members. Most of these members are SMEs. The total number of employees covered by the Chamber members is estimated to be 890,000.

Activities

TT was a mixed association. As far as product market interests are concerned, one primary goal was the promotion of entrepreneurship. The fact that this involved such general issues as entrepreneurial education, taxation, bankruptcy, transfer of business, internationalization, networking of companies and utilization of ICT tools enabled the confederation to arrive at positions which were acceptable to any of its member groups. As an employer association, TT regularly negotiated over a wide range of issues with their peak-level trade union counterpart. This included negotiations referring to incomes policy. TT also took part in any kind of tripartite policy concertation. The confederation’s branch associations were engaged in sector-level bargaining and TT provided a wide range of services to its members. They were mainly free of charge, although in some cases when services clearly served only one company, their costs were charged. Most of the payable services were provided by separate organizations which were financed by TT. PT’s scope of representational activities widely paralleled those of TT. PT, however, was somewhat less involved in collective bargaining. Bargaining activities were mainly performed by its sectoral affiliates, while PT itself negotiated only the peak-level accord on incomes policy. PT provided services to its member companies both directly and indirectly via its member associations. Standard services were included in the membership fee. Paid service (e.g. in matters of attorney and training) was provided through service companies owned by PT.

For a long time, SY distinguished itself as the business association which was rather distant from collective bargaining. Hence, an allegedly over-rigid labour regulation, the extension practices, as well as incomes policy (into which SY has not been integrated) were main targets of criticism. By the end of the 1990s SY changed its view, with an effort to achieve the status of a participant in the negotiations over incomes policy. As will be explained below, this initiative failed and labour market interests continue to be a sideline of SY’s representational activities. Six of its member associations conduct collective bargaining, and SY itself represents labour market interests vis-à-vis the state. As a trade association, SY has launched its own programme to promote entrepreneurship. Its focus is on such issues as cultivating entrepreneur attitude, lobbying special legislation for small enterprises, improvements in public services, extended freedom of customer choice, and support of ownership change in enterprises (The Federation of Finnish Enterprises 2003: 55–6). SY offers manifold services, namely advice on legal matters and numerous information services. Most of these services are included in the membership fee.
KKK and its regional Chambers perform three main tasks: they provide their members with expertise in many fields related to business; they fulfil certain public-law functions, and they also operate as an interest association in matters common to all business groups. To serve such interests, the Chambers aim to improve the climate for business, make Finland an attractive investment location, and enhance the international competitiveness of the economy. In connection with this, the Chambers also communicate legislative proposals to the authorities.

**Associational restructuring**

From the early 1990s the Finnish associational system of business underwent major changes. Above all, the deep economic recession intensified pressures to reduce costs and membership fees, leading to a series of mergers between trade associations and employer associations at the industry as well as the confederal level (Lilja 1998). This involved such important industries as the metal industry and the forestry industry. In 1993 STK and the Confederation of Industry (Teollisuuden Keskusliitto, TKL) amalgamated to form TT. Since STK was a mixed association and TKL, a pure trade peak association, their activities overlapped to a notable degree, as did their membership domains. Their amalgamation – like those at industry level – thus helped avoid duplication of efforts in activities. As a result, the number of staff and the membership fees could be reduced. Furthermore, certain tasks were contracted out to commercial service firms in such areas as training, consulting, research, and publishing (Lilja 1998).

In February 2004, TT and PT decided to merge. The new peak-level organization, the Confederation of Finnish Industries (Elinkeinoelämän Keskusliitto, EK), goes on to represent business as a whole, covering 15,000 member companies, over 70 per cent of the GDP, over 95 per cent of the exports and over 900,000 employees. The activities of the new organization started officially at the beginning of 2005, but had already done so in practice in autumn 2004.

The main purpose of the merger is to strengthen the effectiveness of representing business interests. EK is ambitious enough to see its role in advancing the interests common to all business in Finland within the national context, in the EU and in other international institutions. Priority is given to the representation of common interests, because the ever-faster changes in the business environment and increasing international competition are seen as creating an imperative to concert business interests across all distinct groups. Another goal is to improve the services provided to member associations and companies. Approximately 83 per cent of the 15,000 member companies have fewer than 50 employees. Therefore, special attention will be paid to services tailored to SMEs. Last but not least, the merger aims to reduce the costs by around 10 per cent by the end of the year 2005, and by about 2.5 per cent by the end of the year 2007 in comparison with its predecessors.
Since EK is planned as a completely new association that does not perpetuate given structures of its predecessors, important organizational issues such as voting rights and the membership fees were not clarified at the time of writing this chapter. As regards the delicate issue of fees, the commitment was to set a level of fees for 2005 which – at the most – should reach the same level, as had been given in the founding organizations in 2004 (TT press release 2004).

Comparing the profile of TT and SY

Membership

Within a formally generalized membership domain, TT concentrated on organizing manufacturing and related services. As regards its membership structure in terms of firm size, 94 per cent of its member companies were SMEs, as noted above. It should be noted, however, that the composition of SME members was strongly skewed towards the small and medium-sized firms, whereas micro firms rarely joined TT for two reasons. First, membership fees were rather high; second, collective bargaining which was one core competence of TT and its affiliates is not very important for micro firms. As an implication, micro firms tend to gather more in SY. In fact, SY strongly competed over subscription policy with TT and PT, since SY’s fees were significantly lower than those of the two other associations.

Tasks

In terms of interest representation, TT and SY most strongly differ in their involvement in collective bargaining (Table 18.9). The bargaining role of SY is negligible, since merely six of its 60 affiliates conduct collective bargaining. SY itself is not engaged in bargaining. As its representatives stated, this situation would not change, even when SY would be admitted to the incomes policy negotiations (Hietanen 1999). Since incomes policy has usually been one single component of package deals referring to a broader range of policy issues, this absence in bargaining has meant a competitive disadvantage of SY, as far as its influence on public policy is concerned. TT and PT on the one hand, and SY on the other, differed not only in their political weight, but also in the feasible options of interest representation. TT and PT enjoyed the privileged position of participants in corporatist policy making. In comparison to this, SY has to rely on lobbying, in particular when it comes to advancing the labour market interests of its members. Aside from these essential differences, the basic profiles of the representational activities of TT and SY resembled each other. Both associations represented product market interests only in relation to the state. Furthermore, both associations participated in public governance dealing with training, business promotion and product standardization.
TT and SY also covered almost the same range of services, with the notable exception of services related to suppliers which are not part of SY’s service activities (Table 18.10). Closer consideration shows remarkable differences in their service activities. In the case of TT most of the services were produced by separate organizations which were co-financed by TT or had TT representatives on the board of directors. To a limited extent the services were provided by TT and its member federations. The membership fee covered most of the services for the member companies, like information and seminars on current legislative changes and policy issues, services related to industrial relations, and also advisory help for individual member companies on various issues. Industrial relations services – in particular advice on collective agreements – were offered by the peak and its affiliates. TT itself advised in matters of the peak-level agreements, as its branch affiliates did with regard to the sectoral agreements. Some of TT’s branch associations offered representation at court proceedings that was also included in the membership fee. To support the exchange relations of member companies with suppliers, TT collected aggregated data on suppliers. Services dealing with exchange relations with customers were produced by separate organizations on behalf of TT, as was the case of services related to vocational training. Annual training events dealing with selected issues (e.g. on tax issues, bookkeeping, social costs, further training and qualification of company staff) were also organized by TT and its member associations. Some member associations were involved in standardization of products.

SY offers services related to industrial relations, such as advice on collective agreements and labour law. SY provides a free telephone service in matters of juridical questions. Advice on the preconditions for the application for public grants and subsidies is also supplied free of charge. Services dealing with customers are limited to foreign trade. The confederation also organizes seminars on further training and qualification of company staff. Members have to pay for participation. As regards developing and monitoring product quality, SY created a system of management tools which are tailored to SMEs. The system is available for members on sale. Aside from these conventional services, SY organizes social networks where members can get together, exchange information, discuss and solve their problems. These networks are established along the lines of the regional local subunits of SY. These kinds of activities have been emphasized as an especially powerful incentive for membership, all the more since their territorial differentiation is in accordance with the priority SMEs give to local interests. This suggests that TT and SY fairly differed in their approach to services, although they more or less cover the same range of subjects. TT’s services were highly elaborate, usually supplied free of charge and produced in cooperation with external organizations. SY services are produced inside the association and the members must pay for them, if their provision requires more than standard operations. Moreover, SY strongly relies on inducing its members
to supply themselves with selective incentives. In combination with a greater significance of payable services this enables SY to keep its fees lower than its competitors.

Overall, the representation of interests and the provision of services were/are regarded by TT and SY as equally important activities.

**Resources**

Both TT and SY got revenues from work on EU projects, the share of which, however, they did not specify (Table 18.12). Aside from this, TT’s budget was completely financed by membership fees. In the case of SY sales of services are a notable, albeit not primary, source of income, accounting for 12 per cent of its revenues in 2003. This difference in the relevance of sales of services can be traced to two factors. The first one is that TT was hardly involved in the provision of payable services. They were supplied by separate organizations, such that their sales were not registered as revenues of the confederation. The second factor refers to the above-mentioned difference in subscription policy. As the fees of SY are rather low, certain services are sold so as to provide the confederation with a supplementary source of income. Regardless of this, the overall budget of TT was certainly higher than that of SY. This is indicated by their size of staff (Table 18.4). In 2003 TT had 165 staff at peak level, including eight regional TT representatives located in major cities of Finland, and 611 staff on aggregate. TT had also an office in Brussels together with PT. Peak level staff of SY embraced 100 employees, including 60 employees in the regional subunits. The aggregate number of staff was around 200.

**Conclusions**

Finland’s cross-sectoral business associations have refrained from specifying their domains in formal terms. *De facto*, however, they have focused on distinct business groups, such that competition for membership is rather limited. The traditional line of differentiation was between macro sectors (i.e. industry vs. services) and firm size, with some overlaps regarding industry-related services and SMEs. The separate association of industry and services was rooted in the relatively low pay levels in the service sector, as compared to the industry. Hence, service employers preferred having their own organization (Lilja 1992). The merger between TT and PT (into EK) has overcome this separation. Since these two confederations already cooperated within the centralized framework of incomes policy, the merger will hardly exacerbate the given differences of the two sectors in pay issues. When centralized bargaining overhears the unification of interests, special interests have found their vent in the form of occasional breakdowns of incomes policy agreements and, more frequently, sector-level breakaways from them.
What remains to be important is the associational differentiation by firm size. In line with their predecessors, TT and PT, EK seeks to organize SMEs, as SY does. In practice, this has resulted in differentiated membership profiles in that SY has mainly attracted the group of very small companies with fewer than five employees. This segmentation of SME membership relates to the properties of the system of collective bargaining which works as a divide in the associational system of business. Put more specifically, the case of Finland demonstrates how the externalities of an inclusive bargaining system tend to pull a special association of SMEs into bargaining matters, although its basic position has been averse to bargaining. One can also learn from the Finnish case that the well-established employer associations will tend to keep newcomers away from the bargaining arena. This is not because collective bargaining as such is especially popular among employers. However, under the conditions of an inclusive system of multi-employer bargaining the role of a bargainer is the key to privileged participation in public policy. Equally important is that such a system provides the bargaining employer associations with a selective incentive for membership. SMEs which wish to influence the bargaining process have to join the established employer associations. The given membership profiles suggest that in Finland it is primarily the group of very small companies which is either unwilling or feels unable to exert an influence on employer associations and their bargaining policies. In these circumstances, SY can cover only a niche of business interests. Owing to its elaborate territorial differentiation, SY is especially well prepared to deal with local interests. The membership growth, which SY recorded over the last ten years or so, indicates that this niche refers to vital interests of SMEs.

Notes
1 Modified Nace All- Nace(A+ B).
2 The Global Entrepreneurship Monitor (GEM) is a unique, global initiative that explores relationships between entrepreneurship and economic growth. It produces globally comparable data on the entrepreneurial potential of nations.
3 Therefore SY strongly opposed any enlargement of the possibility of applying the extension provisions, as was discussed in connection with the reform of Finnish labour law (Hietanen 2000).
4 The other side of the coin is that such discriminatory clauses work as an incentive for employers interested in flexible working conditions to join the signatory employer association.
5 In 1999 the employment terms of two-thirds of the total number of employees working in member firms of SY were regulated by the extension of collective agreements. One-third was also under the umbrella of TT and PT through dual membership of the respective companies (Hietanen 1999).
6 For more information on the revenues of TT and SY, see the section on resources.
7 France

Sabine Saurugger

The economic and cultural background

France is among the countries characterized by an above-average significance of large companies (Table 2.1). In particular, this holds true for the big multinationals. France outperforms the other countries of the EU-15 in terms of the number as well as the employment of these companies: In 2003, the country had 75 companies, with a total of more than 5.6 million employees among Europe’s largest 500 businesses. In the same year Europe’s single largest business in terms of employees, Carrefour, also originated in France. This outstanding weight of very large firms reflects the long-term efforts of French industrial policy to promote and shield its leading firms as international champions (e.g. Cawson 1994).

Regardless of this, SMEs numerically prevail in the economy (Table 2.1). In 2002, France was home to 2,496,000 companies in the industrial, commercial and service sectors according to national statistics. Among these, only 2,000 had more than 500 employees which accounted for 0.1 per cent of all companies and 11 per cent of French employees. Available figures regarding the creation of firms show that the micro-firms sector proved most dynamic. Between 2000 and 2002, the number of newly established micro firms increased by 1.14 percentage points, whereas firms with 10 employees or more only increased by about 0.66 percentage points.¹

The way in which small and large companies interact follows a clear pattern (Hancké 2001, 2002): In almost all French regions one large firm dominates in terms of output, investment and employment. Via network structures, many SMEs of these regions are subordinated to the exigencies of the local plants of large firms. More than half of the French SMEs make a substantial share of their turnover as suppliers of large firms.

French state authorities are generally much less enthusiastic about involving private interests in public policy formulation than their Austrian or German counterparts.² The bureaucracy in countries characterized by statism, such as France regards the influence of interest groups as illegitimate. It has traditionally used its formal consultation process more as a way of gathering information than as an opportunity to incorporate organized
interests (Meynaud 1958; Wilson 1987; Suleiman 1976). The French system of interest intermediation is characterized by the importance of personal networks and clientelistic structures which dominate the relation between business interests and French political actors, including administration officials. The fact that the political and administrative elite – and often the business elite – are educated in the same schools (i.e. at Grandes Écoles such as Conservatoire National des Arts et Métiers, École Nationale des Ponts et Chaussées ou École Polytechnique) entails close personal relations between actors from different spheres. As Vivien Schmidt characterized the very specific pattern of French interest representation:

For French business (…) personal contacts based on personal relationships or positions of power which are focused on swaying the Prime Minister or, failing that, the ministers of the more technical ministries, are the main means of influencing policy formulation. Also helpful would be the President as long as his party controls the government.

(Schmidt 1996: 203)

While there is a negative image of formalized forms representing functional interests, there are strong informal links between the government and big business. At the heart of the French system is an informal consensus shared by French business and the state, and maintained by a relatively homogeneous national elite. One of the consequences of the highly stratified, elitist and meritocratic educational system is that business, administrative and political leaders have mindsets that are shaped by the same mould and thus share numerous assumptions, and beliefs. Although this system is managed by a self-confident elite, with little interest in power sharing, and supported by the state, it also allows the recognition, understanding, and legitimization of the other stakeholders’ interests. The consensus forged by big business and the state is characterized by a recognition of the need for both parties to collaborate in pursuit of economic growth. In the context of economic globalization, this means that the state has to re-define the rules of the ‘economic competition game’ in a way that suits French business. The focus is therefore on the interests of firms rather than on purely defensive positions such as the preservation of jobs. Strong French firms, that the French government generally helps to foster, and whose management is mainly recruited from state-trained public-service institutions networked across Europe and beyond, are seen as the foundation for long-term domestic economic prosperity (Maclean 2002). While SMEs are excluded from this system of elite cooperation, the balance of power within the system has gradually shifted from the state to the management of large firms in the wake of European integration and economic internationalization (Hancké 2001). Since the state and large firms are the key actors in the system, business associations can exert very little influence. However, European integration and economic internationalization have also unleashed tendencies of the
state to retreat from direct interference into the economy (Saurugger 2004). This has given organized business and labour an opportunity to take on governance tasks on the basis of direct negotiations. Yet the weakness of both organized business and labour makes it difficult for any kind of concertation to deliver effective collective agreements. Large firms and business associations do not feel bound by their leading organizations, whereas trade unions are fragmented into competing confederations. In addition, their membership numbers have decreased drastically, which makes for a poor social partnership, as we will see.

The legal framework for associational action

Concerning the legal status of interest associations, one must draw an important distinction between the Chambers on the one hand, and voluntary interest associations on the other, which are governed by different laws.

Chambers are public legal bodies in the sense that they are established by law and are based on mandatory membership. Their membership domains, powers and responsibilities, as well as internal structure and financing, are laid down by statute. In France, three distinct Chambers exist: the Chambers of Industry and Commerce (Chambres de l’Industrie et du Commerce – CCI), the Chambers of Agriculture (Chambres de l’Agriculture – CA), and the Chambers of Crafts (Chambres de Métiers – CM). Chambers enjoy a public-law status because of the two basic tasks which are attributed to them: to represent their members’ interests, and to provide information and services to their members. All businesses – regardless of their size – must be members of these Chambers. The 9 April 1898 Law, which constitutes the charter of the Chambers of Commerce and Industry (CCI), defines Chambers as commercial and industrial interest organizations for their constituency. The Law gives them the right to provide the government, upon its request, with advice and information regarding industrial and commercial issues; the right to represent their views in order to increase the prosperity of industry and commerce, and the right to supply their member firms with necessary services. Thus, the Chambers establish a close link between the political sphere and the business world. However, contrary to neo-corporatist states such as Austria, the French representational system does not allow extensive devolution of public tasks to the Chambers. They have the right to represent their members’ interests and to inform their members. They do not play, however, a central role in the social and economic decision-making processes, as they are bound to give their advice merely upon the government’s request.

In contrast, the legal foundation for the voluntary interest associations system is the freedom of association principle, based on the Law of 1901 (Loi 1901). This law is essential to understand the French system, as voluntary associations were prohibited in France from 1789 to 1901. An exception to this rule was enacted by the 1884 Waldeck-Rousseau Law which allowed the
creation of trade unions. After 1901 any interest group could choose one of the two legal forms and they never did so by accident. Therefore, it is possible to find ‘trade unions’ among sectoral business organizations, such as departmental ‘trade unions’ representing the interests of SMEs that are active in the building industry. By establishing itself as a ‘trade union’, a business organization wishes to be seen, ideologically, as a form of guild. Whereas the principal business association, MEDEF (see below), has chosen to become an association according to the Law of 1901, a number of business groups, i.e. doctors or farmers, have identified themselves with ‘trade unions’. As in other countries, the Law of 1901 lays down a general framework for the creation, structure and operation of associations. The founders of an association must submit the organization’s by-laws to the authorities for registration. If these by-laws are in line with the general framework, as defined by the law of 1901, the association can be registered and recognized by the authorities. This means that anybody can form a business interest association, provided that the basic requirements of the Law of 1901 are met.

Article L133-1 of the employment code regulates the representativeness of trade unions. The term of representativeness emerged in 1936. It was codified by a circular of the Ministry for Employment on 28 May 1945 which defines the criteria for the recognition of representative trade union organizations: the number of declared members, the independence, the recurrence and importance of membership fees, and the patriotic attitude during World War II. Initially, this text sought to exclude employer organizations established during the Vichy regime. However, in the 1950s, it became evident that employer organizations had to be recognized as representative, and therefore had to comply with the same criterion as trade unions. There is, however, no law, legal regulation or precise criteria defining the representativeness of business organizations. Elections to the Chambers of Commerce and Industry (CCI) give an indication of the representativeness of employer organizations, without clearly stating it. The main business associations, in particular CGPME (as the largest association of SMEs) and MEDEF (as the principal association) are used to present a joint list of candidates. On the basis of these criteria, it is the government which assigns the label of representativeness to trade unions and employer organizations. Most essentially, recognition as a representative association constitutes the right to conduct collective bargaining and participate in the management of unemployment schemes and social security funds.

The role of organized business in social dialogue and public policy making

As in all European countries, there exists an intermediate level of negotiation between the law and individual work contracts: collective bargaining. More flexible than the law, this level adapts the general principles of the law to particular use by a firm or a profession and sectors. However, contrary to
other countries, collective agreements are not a central element of French industrial relations.

The first difficulty is one of compliance. Employees usually do not feel bound by the decisions taken by the representative unions (FO, CGT, CFDT, CFTC and CGC). Therefore, it is relatively difficult for unions to make their members comply with collective agreements and enforce social peace during the periods covered by collective agreements. The relationship between employer associations and their members is not very different from that of the unions (Andolfatto and Labbé 2006). This profound problem has led the state to decree a comprehensive and extremely precise employment law, which curtails the role of collective bargaining. The complex relations between the law and collective agreements make the situation even more difficult. In theory, the law supersedes national agreements which, in turn, are imposed on local agreements. In practice, however, the laws define a rather loose framework that can be adapted under certain conditions. The social dialogue takes place at three levels.

Micro-level: before the 1980s, most businesses did not conduct single-employer bargaining, aside from very large enterprises such as Renault or the big nationalized firms. However, from the 1980s onwards, the situation has changed due to a number of reasons: the effects of European integration; the slowdown and stalemate of collective negotiations at the national level since the 1970s; and the 1982 law which allowed deviations from statutory employment regulation. Hence, negotiations have increasingly taken place at the level of the individual firms. This situation is also fostered by an inter-sectoral agreement of October 1995 which specified that in the absence of any union section in a firm, negotiations can take place between an employee mandated by one of the national unions and the management of the firm. As a consequence, the number of single-employer agreements (accords d’entreprise) increased significantly (i.e. 1,955 agreements in 1983, as compared to 30,965 agreements in 1999), decreasing since then to some 16,000 in 2003 (Andolfatto and Labbé 2000; Groux 2002, 2003; Lallement 2006). In a certain number of sectors, multi-employer agreements are increasingly dismantled in favour of single-employer agreements. This especially applies to SMEs: more than half of the new single-employer agreements signed in 1998 have occurred in firms with less than 50 employees. Firms generally welcome this system, as the ‘rapport de force’ in single enterprises weakens the union’s influence. It must also be underlined that these agreements cover an increasing number of issues. Whereas negotiations were limited for a long time to questions such as wages or holidays, new areas such as employment in a broad sense, work flexibility, or working time schedules are increasingly negotiated. This development also explains the relative weakness of CGPME, the main employer association representing SMEs.

Meso-level, i.e. sector-level bargaining: Legally established in 1936 and confirmed in 1950, the practice of sectoral bargaining embraces all employment terms and social issues. A sectoral agreement signed by representative
organizations is usually extended by the Ministry of Employment to the totality of the sector’s employers and employees. The Law of 1982 aims to stimulate sectoral bargaining across the economy. Sectoral bargaining on wages is made mandatory in each of the country’s approximately one hundred sectors. Some sectors play a pilot role, such as metalworking (approximately three million registered employees), chemicals, banking, textiles and wholesale trade. The results of these negotiations influence bargaining in the rest of the economy. Nevertheless, sectoral bargaining is very formal and often leads to poor agreements, oriented towards the statutory minimum wage.

Macro-level: the first negotiations at the macro level took place after the general strike of 1936. After the liberation in particular, the social partners participated in the regulation of social policies, namely unemployment insurance schemes, complementary pension funds, training and vocational training. These institutions are managed jointly by the representative employer organizations and unions based on equal representation in joint committees. The macro level thus focuses on unemployment schemes and the management of social security funds. Industrial and commercial employment associations (Association pour l’Emploi dans l’Industrie et le Commerce – ASSEDIC) and National Federations for employment in Industry and Commerce (Union Nationale pour l’Emploi dans l’Industrie et le Commerce – UNEDIC) are administered jointly by the representative business associations (MEDEF and CGPME) and workers’ unions (FO, CGT, CFDT, CFTC, CGC). The same applies to the Central Agency for Social Security organizations (Agence Centrale des Organismes de Sécurité Sociale – ACOSS), which is responsible for collecting and redistributing social contributions in the fields of healthcare, work accidents, family and the disabled. These institutions have nevertheless been weakened for several reasons. First, they are threatened by declining unionization as well as inter-union rivalry. This is particularly the case of CGT whose systematic opposition to any governmental decision has given a referee role to employer associations and created an imbalance of influence in favour of the latter. Second, economic problems have led to endemic crises, regarding primarily unemployment insurance schemes. This has provoked increasing intervention and control by the state. Furthermore, employer associations have threatened to leave the tripartite bodies. In this perspective, one of the most commented actions taken by both MEDEF and CGPME was their withdrawal from ACOSS. In the specific case of the social security system, both MEDEF and CGPME have opposed the use of the social security fund for co-financing the cost of reducing the firms’ social contributions as they move to a 35-hour week. In 2000, MEDEF had already withdrawn from the Council of the social security fund (Union Nationale des Caisses de Sécurité Sociale – UNCASS) and threatened to cease participating in the UNEDIC unemployment fund. This was to protest against what they labelled excessive state intervention. However, it is important to note that MEDEF’s and CGPME’s affiliates, be they sectoral or inter-sectoral
organizations, did not withdraw from any bipartite or tripartite structures during this period. Both MEDEF and CGPME are umbrella organizations which leave significant leeway to their more powerful member associations (Coulouarn 2004). Macro-level negotiations on other issues are not very common in France. They are generally initiated by the government in response to a specific problem (such as the 35-hour working week – la Loi Aubry in 1997). Regular meetings are scheduled at a macro-level within the framework of the National Commission for collective negotiations, but they are considered discussion meetings rather than genuine bargaining. At this level, the authorities and MEDEF exert more influence than the unions. The former define the policy agenda, the contents of the negotiations and the goals that must be reached. The informational basis is often provided by the business associations. Business associations easily find partners among the five main unions that allow them to bypass the others. Finally, the absence of unions in the workplaces of most SMEs makes the enforcement of collective agreements contingent upon public administration and court decisions. Thus, in France, we observe the pre-eminence of state regulation over bipartite negotiations. Moreover, organized interests have normally no more than an advisory role in public policy. This generally takes place on an ad hoc basis in which the relevant recognized actors are invited by the government to participate in the consultation process.

Given the volatility of social dialogue in France, in which the government exercises a major influence, it is clear that the associations’ opportunities to participate in the social dialogue and broader areas of public policies largely depend on their links with political parties. The main employer associations, MEDEF and CGPME, have strong institutional and personal links with both conservative parties, UMP (Union pour un Mouvement Populaire – former RPR) and UDF (Union Démocratique de France). During election campaigns, business associations approach these parties, as well as the government, and offer economic expertise (Garrigues 2002). Since the transformation of the major business association from CNPF (Comité National du Patronat Français) into MEDEF in 1998, vested interests have been supported in an extremely professional way, under the guise of expertise offered to further the growth of the French economy.

The associational system

Membership domains and organizational structures

France records five cross-sectoral peak associations: the Confederation of French enterprises (Mouvement des Entreprises de France – MEDEF), the General Confederation of Small and Medium Enterprises (Confédération Générale des Petites et Moyennes Entreprises – CGPME), the Assembly of Chambers of Commerce and Industry (Chambres de Commerce et d’Industrie – ACFCI), the Assembly of Chambers of Crafts (Assemblée
Permanente des Chambers des Métiers, APCM) and the Crafts Confederation (Union professionnelle artisanale, UPA). As Table 7.1 shows, there are two interrelated main lines of inter-associational differentiation: voluntary mixed associations (i.e. MEDEF, CGPME, and UPA) versus mandatory trade associations (i.e. ACFCI, APCM).

MEDEF is the principal business association, based on a multi-layered structure of various sectoral and territorial organizations bringing together companies which comprise more than 10 employees. Whereas this definition is found in MEDEF official documents, the practice is different. Several sectoral and regional associations even include micro-firms among their members. MEDEF directly organizes 87 federations which cover some 600 associations and so-called ‘trade unions’ and 155 regional organizations. The firms can join the sectoral federations (where they share their membership with associations), or the regional associations. This structure leads to a situation where a number of companies are members of both, regional organizations and sectoral federations. MEDEF claims to represent a total of approximately 750,000 companies with 15 million employees from all sectors except agriculture and certain service professions, which are

Table 7.1 Cross-sectoral associations in France: basic data, 2002

<table>
<thead>
<tr>
<th>Association</th>
<th>Scope of functions</th>
<th>Membership domain</th>
<th>Direct members</th>
<th>Companies covered</th>
<th>Employees covered</th>
<th>Voting rights**</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACFCI</td>
<td>Trade</td>
<td>All businesses, with exception of agriculture and crafts</td>
<td>180 Chambers</td>
<td>1,800,000</td>
<td>No figures</td>
<td>Unweighted</td>
</tr>
<tr>
<td>APCM</td>
<td>Trade</td>
<td>All craft businesses</td>
<td>106 Chambers</td>
<td>846,000</td>
<td>No figures</td>
<td>Unweighted</td>
</tr>
<tr>
<td>MEDEF</td>
<td>Mixed</td>
<td>All businesses, with the main exception of agriculture</td>
<td>87 federations</td>
<td>750,000</td>
<td>15,000,000*</td>
<td>Weighted</td>
</tr>
<tr>
<td>CGPME</td>
<td>Mixed</td>
<td>Small and medium-sized enterprises (0–499 employees)</td>
<td>250 federations</td>
<td>1,500,000</td>
<td>13,000,000*</td>
<td>Weighted</td>
</tr>
<tr>
<td>UPA</td>
<td>Mixed</td>
<td>Micro-companies in crafts</td>
<td>3 confederations</td>
<td>836,000</td>
<td>No figures</td>
<td>Unweighted</td>
</tr>
</tbody>
</table>

Notes
* Estimated. ** For details, see text.
excluded from membership. This implies a density of around 30 per cent of the companies and of 91.3 per cent of the employees within its domain. The industrial sector is the stronghold of MEDEF. Approximately two-thirds of the seats are attributed to federations coming from the industry. The regional MEDEFs are mainly controlled by the federations representing the interests of the metalworking, textile and construction industry.

CGPME is the largest association representing SMEs. It defines its members as comprising less than 500 employees. There are 250 sectoral, regional or departmental federations under the umbrella of the confederation which are presumed to cover 1.5 million companies and 13 million employees. This yields a density of 60 per cent and 77.1 per cent in terms of companies and employees, respectively. For organizational reasons, the federations are grouped into three sectoral and three regional confederations: the National Confederation of Commercial SMEs (Union Nationale des PME du Commerce – UNPMPC), the National Confederation of Industrial SMEs (Union Nationale de la Petite et Moyenne Industrie – UNPMI), the National Confederation of Service SMEs (Union Nationale des Prestataires des Services – UNPS); the Regional Confederation of Industrial SMEs (Union Territoriale de la Petite et Moyenne Industrie – UTPMI), the Regional Confederation of Commercial SMEs (Union Territoriale des PME du Commerce – UTPMC), and the Regional Confederation of Service SMEs (Union Territoriale des Prestataires de Services – UTPS).

UPA consists of three sectoral confederations: the Confederation of Craft Enterprises of the Construction Sector (Confédération de l’Artisanat et des Petites Entreprises du Bâtiment – CAPEB), the Confederation of the Craft Companies of the Service Sector (Confédération Nationale de l’Artisanat, des Métiers et des Services – CNAMS) and the Confederation of the Small-scale Food Retailers (Confédération Générale de l’Alimentation en détail – Section Artisanale – CGAD). These three confederations represent 50 sectoral federations and 4,500 departmental ‘trade unions’. According to its formal membership demarcation, it represents craft firms of less than 15 employees. The national UPA council is the central internal decision-making institution. The three sectoral confederations have the same voting rights within UPA. Decisions are made by unanimity. CAPEB organizes more than 300,000 of approximately 320,000 craft companies of the construction sector. This means a density of around 94 per cent. Furthermore, CAPEB represents 61 per cent of the employees, 59 per cent of total turnover, 71 per cent of investments, and 61 per cent of total sales in the sector. The confederation is differentiated into 105 departmental unions. CNAMS records 37 sector federations, which cover 430,000 enterprises. Overall, UPA is estimated to organize 836,000 companies.

ACFCI is the national federal body of the French CCI. Every natural or legal person licensed to conduct business within the scope of the Chamber’s domain is obliged to become a member in a CCI, except those coming from the farming and crafts sectors. This comprehensive membership
domain makes ACFCI the largest business association in France, with a recorded membership of 1.8 million companies. They are grouped into 160 departmental CCIs, and 20 regional CCIs. The representatives of the regional CCIs are elected by the departmental Chambers. Voting rights are allocated on the one member one vote basis. One hundred and eighty staff members and a large number of related bodies form a vast centre of resources.

Similar to ACFCI, APCM is the national federal body of 106 Chambers. Membership is compulsory for every legal and natural person in the crafts sector. In 2002 846,000 companies were under the umbrella of APCM. Its Assembly consists of the presidents of the 106 CMs. Its general decision-making body is the Bureau whose 12 members are elected by the Assembly. Voting rights are based on the principle one member one vote.

**Activities**

Among the cross-sectoral peak associations MEDEF, CGPME and UPA are recognized as representative interest organizations. This status gives them privileged access to the institutions of public policy making in general and the social dialogue in particular, thus constituting their character as mixed associations.

In France, large firms negotiate individually with the government, such that the representational tasks of MEDEF are rather supplementary. On behalf of its member organizations, MEDEF conducts surveys and takes any action necessary to represent business interests. With regard to labour market issues other than wages, MEDEF may be given a mandate by its affiliates to negotiate and conclude agreements with the unions and the government. Any association which does not wish to be bound by a specific agreement is entitled to opt out. The major reform of 1998, transforming CNPF into MEDEF, has also led to a re-orientation of interest representation. Opinion formation and communications with the media, the public and the authorities have become MEDEF’s main objectives. The services provided are tied to its representational tasks.

CGPME participates, if solicited by the government, in negotiations. As noted above, these negotiations can either be bilateral, i.e. directly between the government and CGPME, or tripartite. The services are mainly provided by the regional and departmental federations. CGPME itself finances training of SME employees through special training programmes, and also manages a special housing fund.

In matters of interest representation, ACFCI pursues two primary objectives. First, it perceives itself as the representative of its members vis-à-vis French and European official institutions as well as other social partners. Second, it participates in consultations with a number of national institutions. It sees itself as an intermediary organization which promotes the development of the French enterprises and territories. However, the main activities of the CCIs and the ACFCI lie in the delivery of services. These
services target commerce, industry, services, and tourism. They are dealing with local and regional economic development, transport and environment, security and sustainable development, vocational and business training, information and communication technologies, innovation, social affairs and law. Most of these services are free of charge. Skill formation and vocational training are central tasks. The CCIs run a number of French business schools (i.e. Haute Ecole de Commerce – HEC). An annual budget of €900 million (i.e. 25 per cent of its total budget) is allocated to initial professional training and the education of company staff. Each year, the CCIs train more than 500,000 students, apprentices, employees and unemployed in their 540 establishments. However, when asked to assist in problems not covered by the services generally offered by the CCIs, some of them may require a financial contribution.

The activities of APCM resemble that of ACFCI. As a trade association, APCM tries to unify the different policy proposals stemming from the 106 Chambers of Crafts through its commissions and the general assembly, with a focus on providing services to its members such as economic and legal advice, advice on administrative formalities, training programmes and statistics.

**Inter-associational rivalry**

As we have seen, the formal membership domains of ACFCI, APCM, MEDEF, CGPME and UPA overlap. The voluntary associations hardly compete with ACFCI or APCM which mainly provide services to their members and are not strongly engaged in representational tasks. Overlapping domains, however, create accentuated tensions and competition among the three voluntary associations. Enterprises or even sectoral associations often hold membership in two or three national confederations. Whereas all three are considered representative by the government, they compete for contacts with trade unions and the media, for influence on public opinion, and for members. Competition for members refers not only to companies, but also to lower-level business associations.

Inter-associational rivalries affect CGPME most strongly, since it finds itself sandwiched in between UPA and MEDEF. UPA represents very small enterprises, and is therefore rather distinct from the other two. Its increasing importance challenges the position of CGPME as a voice of SMEs in the French representational system. The relationship between MEDEF as the principal peak and CGPME as the largest association of SMEs is especially delicate, as will be outlined in greater detail below.

However, competition does not only exist among, but also within the three voluntary associations. Inside MEDEF, for example, the National Federation for Temporary Work (Union Nationale des Enterprises de Travail Temporaire – UNET) and the Union for Temporary Work (PRMATT) compete for the membership of temporary work agencies. Likewise, competition characterizes the Federation of Private Hospitals (Fédération Intersyndicale
des Établissements d’Hôpitalisation Privée – FIEH), and the Union for Private Hospitals (Union des Hôpitaux Privés – UPH) (Bunel 1997).

Furthermore, the newly established business organizations often do not join CGPME or MEDEF. Examples are the sectoral organization Comité Richelieu (representing firms active in the field of high technology), think tanks such as the Association for the Progress in Management (Association Progrès du Management – APM), Independent Small-sized Enterprises (Entreprises de Taille Humaine Independents et Croissance, ETHIC) and the Centre of Young Managers (Centre des Jeunes Dirigants – CJD). All these business associations negotiate directly with the government, bypassing the peak business organizations.

State-sponsored resource endowment

Data on the financial resources of business associations are generally sparse and incomplete (see also Table 18.12). However, it is worth noting that business associations (as their union counterparts) can – to a notable extent – rely on supportive state regulation, when it comes to raising funds other than membership fees. In particular, this applies to the Chambers. ACFCI receives a certain percentage of the business tax IATP (Imposition Additionnelle à la Taxe Professionnelle). There are no ACFCI membership fees. This applies also to APCM whose revenues mainly stem from a tax paid by all craft enterprises according to financial law. Each component of the Chamber system (i.e. the departmental Chambers, the regional Chambers and APCM) receives a certain percentage of this tax. In the case of APCM, these revenues account for more than half of its budget. Ten per cent of the budget is covered by commercial activities and the rest comes from partnership contracts.

While the Chambers are, by definition, compulsory organizations, even the voluntary representative associations can benefit from compulsory levies on companies. A case in point is the Act on the promotion of training. Based on an inter-sectoral agreement of the social partners, its application was extended by the government, resulting in a ‘negotiated law’ (loi négociée) (Levy 1999; Mériaux 1999; Bentabet et al. 2002; Dubar 2004). According to this law, public training schemes are organized on the basis of concertation, including the coordination between ministerial departments, as well as the dialogue with the representative organizations of employers and employees on the one hand, and with regional councils on the other. Within this framework, employers have to contribute to the training of their employees, either by delivering this training themselves or by paying a tax (Taxe de Formation Continue) to an institution that is authorized by the state. It is the business associations such as MEDEF, CGPME, the CCI, and the large sectoral organizations (i.e. representing the construction industry and the metal industry) which are entitled to collect this tax for the purpose of organizing training programmes. The companies are taxed by special institutions such
as OPCAREG (linked to MEDEF) or AGEFOS-PME (linked to CGPME). This generates revenues for these associations and enables them to pay some permanent staff. As an implication, this arrangement makes them somewhat independent from membership subscriptions. Another legally-based source for resource endowment is a special social insurance fund for businessmen. Both MEDEF and CGPME draw parts of their financial resources from the management of an employment and social insurance fund for businessmen called ‘garantie sociale des dirigeants’. To benefit from this insurance, individual employers have to be members of either a sectoral or an inter-professional association and pay an annual fee. This can be considered a major incentive for individual employers to affiliate their firm with an employer’s association (Coulouarn 2002: 6).

An indirect form of state support for fund raising results from the possibility to extend a multi-employer agreement to employers and employees who are not affiliated to the signatory parties. Statutory extension practices which are pervasive in France (Traxler et al. 2001) empower the bargaining parties to introduce general levies covering any company within their membership domain. In late 2001 UPA and five trade union confederations (i.e. CGT, CFDT, CGT-FO, CFTC and CFE-CGC) signed an agreement on fostering the social dialogue in the craft sector (EIRO 2002b). For this purpose, a contribution of 0.15 per cent of the pay bill was fixed. One component (i.e. 0.08 per cent) is distributed equally between the two sides of industry at the cross-sectoral level. The other part (i.e. 0.07 per cent) is distributed at the sectoral level, depending on the arrangements made at this level. While the agreement originally bound only the members of UPA, the Minister of Employment and Solidarity extended the agreement to the whole sector in April 2002 (EIRO 2002c).

There is good reason to believe that these forms of state-sponsored resource endowment help the associations to keep their membership subscription rather low and thus contribute to the relatively high level of membership.

**Comparing the profile of MEDEF and CGPME**

**A resemblance of domains and structures**

The basic structure of MEDEF and CGPME shows several similarities. Both count only sectoral federations – in contrast to lower-level associations and companies – as members. Individual firms can acquire membership only through a sectoral or territorial association. Both types of association include members from the industry, commerce and services. Industry is the membership stronghold of both MEDEF and CGPME. The sectoral federations include both ‘trade unions’ (i.e. sub-sectoral business associations) and firms. Only at the lowest level (i.e. the sub-sectoral level) one finds associations which solely organize the firms themselves. Generally, the rule of one firm one vote prevails in these associations, regarding voting rights in
the General Assemblies as well as the Administrative Board, whereas voting rights are weighted in the case of the higher-level associations.

As noted above, MEDEF’s formal domain demarcation excludes companies with 10 or less employees from membership. Regardless of this, MEDEF wishes to be perceived as more than the representative of large companies. According to its figures, 35 per cent of its members have even less than 10 employees, and 70 per cent, less than 50 employees. Hence, the minimum threshold for membership, as formally set, is rather pointless in practice. One official explanation for this paradox is that the associations representing construction cannot comply with this threshold, as most of the French enterprises in this sector employ less than 10 employees. Therefore, the actual membership domain of MEDEF completely includes that of CGPME.

Voting rights in the general assembly are granted, not to individual companies, but to the federations that represent them. Each member has one basic vote in the general assembly, while additional votes are attributed by the statutory committee (comité statutaire) to the member organizations on the basis of their membership and dues.8 The 155 regional units of MEDEF organize both, sectoral organizations and firms. The member firms are, however, considered rather as sponsors than members with full rights, although a specific representational structure is established for them. The general assemblies have therefore a double structure: the so-called College of Organizations (Collège des Organizations) where voting rights are weighted according to the affiliates’ membership9 and the College of Individual Firms (Collège des Enterprises Individuelles) where one firm has one vote. Voting rights are also weighted in the case of the sectoral and regional federations which are affiliated to CGPME. In general, the number of votes is proportional to membership dues.

**Differences in activities**

Overlapping representational activities *vis-à-vis* the state and the unions (Table 18.9) parallel the structural similarities of MEDEF and CGPME. The state is a primary target of both associations even regarding labour market interests. Bilateral contacts with representatives of the political system, in particular the President, the Prime Minister, and various ministers are the preferred means of communication. In addition, the two confederations participate in several corporatist committees which mainly deal with social policy issues. Finally, both the MEDEF and CGPME are particularly active in the field of product regulation and standardization directly through their members, and indirectly in cooperation with the French Association for Standardization (Association Française de Normalization – AFNOR) (Quittkat 2002).

This overlap of both domains and activities fuels inter-associational competition. These rivalries were especially intense before 1998, when CNPF was transformed into MEDEF. Today however, they are less accentuated, since CGPME has lost much of its influence.10 As regards the possibilities of
exerting influence, the former president of CGPME said ‘I ensure behind the scenes that MEDEF integrates CGPME’s positions during discussions with the unions or the government’. Observers, however, think that CGPME simply follows MEDEF’s position rather than influencing it behind the scene. Thus, CGPME is under the tutelage of MEDEF, all the more since a larger number of employers are members of both MEDEF and CGPME. Moreover, the federations of the metalworking sector (Union des Industries et Métiers de la Métallurgie – UIMM) and the construction sector (Fédération Française du Bâtiment – FFB), which are members of both MEDEF and CGPME, are said to dominate CGPME. All these sectoral associations also act independently from MEDEF and CGPME, when it comes to influencing public policy. However, MEDEF stands out in terms of its clear communication strategy, as well as its close contacts with the current conservative government which help to ensure its influence on the sectoral associations. In comparison, CGPME’s more limited financial and social resources do not enable it to adopt a similar approach.

MEDEF and CGPME provide a variety of free services to their members (Table 18.10). In both cases, informing members on political developments is one of the most important services offered, as well as providing statistics and branch-related information. Other services include industrial relations, such as advice on collective agreements, and on economic policy programmes. They also include customer-related services, such as market research, advertising and PR activities. CGPME, in particular, offers services aimed at furthering training and technical skills, and setting educational standards for members. Individual legal advice is generally a task for the CCIs and their umbrella organization, ACFCI. As far as international relations are concerned, MEDEF offers a much wider range of information, advice and business support than CGPME.

The two associations differ in their assessment of the relative importance of interest representation and services. Whereas CGPME highlights its task as a provider of services, MEDEF defines itself primarily as an agent of interest representation, with services provided by its member federations. Moreover, CGPME places special emphasis on providing specific services for smaller companies as opposed to large enterprises. This helps define its profile in contrast to MEDEF whose resources and management are more suited to a lobbying role. After its reform of 1998, MEDEF established 10 groups dealing with (i) work relations and social dialogue, (ii) social protection, (iii) education and training, (iv) economic growth, (v) management, (vi) research and innovation, (vii) international issues, (viii) territorial networks, (ix) private law and, finally (x) communication. This indicates that services are subordinate to and a by-product of interest representation. The main exception is legal advice, where the umbrella organization is very active.

CGPME often offers its services in cooperation with other institutions which are co-managed by the state, and with business associations such as AGEFOS-PME (which is engaged in professional training programmes and
company staff qualifications), or FORCE PME (which assists businessmen in the development of their commercial, management and export activities). These collaborative projects are financed by membership fees as well as state subsidies.

Conflicts over resources

In 2004, MEDEF had 200 staff members. No data are available for its 87 federations. Its annual budget was €31.1 million. €20.48 million came from membership fees, €2.38 million from the sales of services to non-members and interest on assets. €8.24 million were paid by the state and European programmes for MEDEF’s activities in different national and European public projects. As far as CGPME is concerned, no budget data are available since it is considered confidential. In 2004, CGPME had 30 staff members (Table 18.4).

As a consequence of the clear predominance of MEDEF in interest representation, its competition with CGPME is primarily over resources, namely membership of lower-level associations. In this respect, MEDEF has adopted an offensive strategy that concentrates on deploying its local presence. One component of this strategy has been the creation of local networks for managers of SMEs. Moreover, MEDEF has started to sign conventions with local business associations (unions patronales), which were initially members of both CGPME and MEDEF. These local associations have become ‘MEDEF territoriaux’ since 1998 (Coulouarn 2002). One important reason for this development has been the transformation of the 155 employer federations of MEDEF (which are local employer sectoral structures, bringing together large enterprises and SMEs) into as many local MEDEFs. CGPME has not yet found a response to this strategy.

The local level has become the focal arena of competition not only because of its relevance for recruiting companies. In addition, it is also a key to acquiring financial support from the state. One example is the act on the promotion of training. As mentioned above, MEDEF and CGPME (as well as other associations) are entitled to collect the taxes devised to finance the training programmes. Inter-associational competition over related funds results from the fact that the programmes are implemented at the local level (Coulouarn 2004: 16). This means that the higher-level affiliations of the local associations (which implement the taxation of the companies) determine whether and how much a certain peak-level confederation participates in these funds. There is an analogous competition over resources from the ‘garantie sociale des dirigeants’ (see above).

Organizational restructuring

MEDEF (formerly CNPF) has launched a series of internal reforms from the late 1980s onwards (Weber 1991; Woll 2006). Seriously plagued by debt
in 1987, CNPF had to borrow money from its federations and implement a restructuring plan that led to an important reduction of its staff members from 227 to 180 members. In 1995, financial problems re-emerged and CNPF called upon its members to make a large and exceptional contribution. The budget was cut by 13 per cent which indicated a decrease in member confidence since the early 1990s (Bunel 1997). In 1998, CNPF was transformed by its charismatic leader, Ernest Antoine Seillière, into MEDEF, implying a complete restructuring of the organization. As outlined above, this included measures to strengthen the local level. The structure became also project-oriented, and communication skills were put at the centre of the organization’s activities. Its 10 working groups are designed to elaborate action proposals which lead some observers to see MEDEF as a form of neo-liberal economic think tank. This went hand in hand with a re-orientation of tasks towards opinion formation and public campaigning.

From 2003 onwards, however, income from membership fees again decreased as a result of the overall economic recession. Moreover, the construction of a new headquarters building made new savings measures necessary in order to avoid a long-term budgetary deficit. A €2 million savings plan was implemented in 2004. On this basis, MEDEF has reduced its expenditures by 15 per cent. Staff decreased by approximately 15 persons and in house services were externalized. Membership fees, however, were not reduced. In 2005 the first woman, Laurence Parisot, from a family led SME, was elected president of MEDEF. While this fact is remarkable as such, the rude electoral campaign also marked the decline of the influence of industrial federations and the rise of the financial sector.

In comparison to these profound changes, no reforms were undertaken by CGPME during the past 15 years.

Conclusions

In France, business interests are aggregated and processed by MEDEF, CGPME and UPA along two lines of collective action: sector and territory. In the course of the consultation and decision-making structures of MEDEF and CGPME, members express their interests in the name of the chemical industry, the insurance sector or the textile industry, or on the behalf of such territorial areas as the Ardèche, the Mayenne, or the Somme. As regards the aggregation of these interests, voting rights in the peak organizations are generally weighted according to the number of members. At the lowest associational level, voting is not weighted but organized according to ‘one firm one vote’. Therefore, voting rights do not give big business more formal influence than SMEs in the French peak business associations. One reason for this is that big business does not much depend on collective interest representation, and manages to advance its interests individually, due to the special relationship with the French administration and politicians. Therefore, MEDEF, which according to common wisdom is considered the spokesperson
of big industry, devotes no specific structure to the representation of large firms. Due to their large financial and social resources, large companies can influence public debates individually.

Regardless of this, MEDEF is regarded today as the principal association of French business, because of its important relations with the media and the political sphere. CGPME generally tends to follow MEDEF’s opinions, despite the dismissal of its former president who was considered to be too close to the MEDEF’s official position. Whereas this situation annoys some of its member associations, they continue to stick to CGPME. The main reason for this is the given division of labour between the two confederations. It has become generally accepted that MEDEF concentrates on interest representation, while CGPME focuses on services, rather than on interest representation. This contrast is not as clear cut as it may seem on paper, but a careful analysis of the confederations’ rhetoric and discourses leads to this conclusion.

Despite this informal division of labour, CGPME faces a number of problems. First, the real service providers in France are the CCIs. Second, particularism of its powerful member associations often creates difficulties in reaching coherent positions. Finally, UPA also represents micro-companies in a very professional manner. CGPME must therefore seek a niche that makes it distinct from the service-oriented CCIs, the dynamic MEDEF, which has a significant local presence since 1998 and claims to represent all French business, and UPA which is extremely well established among the very small companies.

Since one can find similar tensions also within the associational system of other countries, they signify the French system less than a striking coincidence of comparatively high levels of membership, a notable degree of state sponsorship and a relatively limited governance capacity.

Although the membership figures may be inflated, there is little doubt that density in terms of companies and employees is high by comparative standards. This can be traced to elaborate state assistance in recruiting members which includes mandatory membership (in the case of the Chambers), pervasive extension of collective agreements to unaffiliated companies (which is also used to impose general levies on the companies), association-led public insurance funds and direct public funding in connection with public tasks performed by the associations (which enables them to keep their dues low). Despite this massive state sponsorship there is strong evidence that the governance capacity of the associations is low. As mentioned above, the peak associations have severe problems with holding their members together. Sectoral collective agreements generally have less impact on the wage level than the statutory minimum wage. Last but not least, the attempts by the legislator to involve the local business associations in public programmes to support industrial development are commonly seen as failure, since these associations have been unable to work as intermediaries between the firms targeted and the regional institutions (such as training funds) that were
supposed to serve them (Hancké 2001). Characteristically, large companies have taken over the governance tasks originally assigned to the associations. The centre of gravity of collective bargaining has shifted from the sectoral level to the companies; and they have also become the key actors of regional development, including measures of qualification and training.

This alternative road to non-state forms of governance reflects the focus on large firms that has been adopted by the French state for decades. This approach, however, blocks the associational route to non-state governance, as it tends to undermine the authority of the associations vis-à-vis their (potential) members. In this respect, the wide range of state support of the associations is at odds with the privileged relationship between the state and big business.

Notes

1 Source INSEE-UNEDIC.
2 However, associations are involved in implementing public policies, as will be shown below.
3 Such an extension can, however, be blocked, if two unions in the concerned sector oppose this measure by making a formal case in writing (called an ‘Avis motivé’ in French law).
4 Membership figures, as reported by the confederations, appear generally to be exaggerated.
5 In France, crafts enterprises are defined along two criteria: their registration in the Repertoire des métiers (index of crafts) and their professional training (defined by decree of 1996). Diplomas are delivered by the government (Ministry of Education). More than 700 diplomas are debated in 20 Consultative Professional Commissions (Commissions professionnelles consultatives), consisting of employer organizations, trade unions, and civil servants linked to the Ministry.
6 9 July 1970.
8 The membership fee for 2003 was €1.06 for 10,000 of the enterprise’s added value. The minimum fee was €26,500.
9 The rule is one vote for 10 members.
10 A case in point is public attention paid by the media. For instance, the special issue of *Le Monde Économie*, 2 June 2004, on SMEs in France did not mention CGPME at all.
8 Germany

Jürgen R. Grote, Achim Lang and Franz Traxler

The economic and cultural background

While all countries of the EU-15 have seen major economic restructuring since the late 1980s, such changes have been most thoroughgoing in Germany. This is mainly due to unification which has combined one of the most advanced capitalist economies and an inefficient command economy, leading to considerable economic imbalances and profound diversity of business interests within the legal framework of former West Germany which was entirely extended into the East. In addition, the sector of large companies has seen far-reaching alterations of corporate governance. Together with Japan, Germany is commonly considered an exceptional case of strong stake-holder orientation, built upon what is often captured as Deutschland AG: a dense inter-firm network of interlocking directorates and cross-shareholdings in which the banks have a multiple role as creditors, shareholders and representative of shareholders. This network has been disintegrating mainly as a result of economic internationalization and financial deregulation which have eased the companies’ access to external capital markets, and have also forced them to concentrate on core activities. Likewise, they have induced the banks to diversify from lending activities to other business such as investment banking which conflicts with board representation and equity holdings. Furthermore, changes in taxation have set an incentive to divest from mutual shareholdings. The upshot of these changes has been a move from accentuated stake-holder orientations to more shareholder-oriented models (e.g. Jackson and Moerke 2005). Implying greater emphasis on short-termism, profitability and competition, this change in corporate governance has made the relations between large companies as well as their relations with SMEs and organized labour more difficult. In combination with the burden of unification, this development has created problems of an unprecedented scale for the country’s business interest associations.

Germany belongs to those countries whose firm size structure comes most closely to the European average (Table 2.1). There are, nevertheless, some notable properties. The number as well as employment of micro firms is disproportionately low, whereas the opposite holds true for large companies.
Regardless of this, the employment share of the German companies among Europe’s 500 largest businesses is relatively small. With above-average employment shares, SMEs are as frequent as in Europe on average. The overall profile is thus characterized by preponderance of comparatively large SMEs on the one hand, and by large albeit not huge companies on the other. This profile may explain why SMEs are widely understood as companies employing fewer than 500 employees, in contrast to the standard definition.

It should be noted, however, that the term SME (i.e. Klein- und Mittelunternehmen), is hardly ever used in public discourses and almost never shows up as part of the name of interest organizations, as a study of SME-related associations reveals (Krickhahn 1995). Politics and the media rather prefer to speak of Mittelstand – an idiosyncrasy escaping a precise definition. Therefore this category is not easy to quantify with respect to size, turnover or ownership status. Embodying more a socioeconomic standing or status rather than a specific economic activity, it includes companies of all sectors and branches as well as the liberal professions. In this respect, Mittelstand in the broad sense differs from its most important component, i.e. the Handwerk which is demarcated by statutory definitions and affiliation to the Handwerk Chambers (Table 8.1). Just as Mittelstand, however, Handwerk is difficult to translate. As argued by Streeck (1989a: 62),

Table 8.1 The development of ZDH: lower-level affiliates and company members

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional Chambers (HWKs)</th>
<th>District Chambers (KHSs)</th>
<th>Guilds (Innungen)</th>
<th>Number of companies covered</th>
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<tr>
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<td>Appendix A</td>
</tr>
<tr>
<td>1991</td>
<td>56</td>
<td>347</td>
<td>7,219</td>
<td>642,234</td>
</tr>
<tr>
<td>1992</td>
<td>56</td>
<td>380</td>
<td>7,451</td>
<td>650,652</td>
</tr>
<tr>
<td>1993</td>
<td>56</td>
<td>381</td>
<td>7,451</td>
<td>658,568</td>
</tr>
<tr>
<td>1994</td>
<td>56</td>
<td>373</td>
<td>7,399</td>
<td>666,793</td>
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<tr>
<td>1995</td>
<td>56</td>
<td>367</td>
<td>7,272</td>
<td>672,613</td>
</tr>
<tr>
<td>1996</td>
<td>55</td>
<td>365</td>
<td>7,167</td>
<td>675,081</td>
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<td>1997</td>
<td>55</td>
<td>357</td>
<td>6,995</td>
<td>678,829</td>
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<tr>
<td>1998</td>
<td>55</td>
<td>357</td>
<td>6,857</td>
<td>686,939</td>
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<tr>
<td>1999</td>
<td>55</td>
<td>357</td>
<td>6,791</td>
<td>685,456</td>
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<tr>
<td>2000</td>
<td>55</td>
<td>353</td>
<td>6,650</td>
<td>682,151</td>
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<tr>
<td>2001</td>
<td>55</td>
<td>350</td>
<td>6,379</td>
<td>673,674</td>
</tr>
<tr>
<td>2002</td>
<td>55</td>
<td>347</td>
<td>6,262</td>
<td>666,190</td>
</tr>
<tr>
<td>2003</td>
<td>55</td>
<td>345</td>
<td>6,250</td>
<td>662,702</td>
</tr>
</tbody>
</table>

[M]ost of what is called ‘small business’ in other countries falls in Germany in the legal category of Handwerk. The least awkward equivalent of Handwerker in English is probably ‘artisan’; a close competitor might be ‘independent craftsman’ [...] [difficulties in translation may point to differences not just in perception but in reality, and indeed a case could be made that Handwerk is so peculiarly German that the concept is simply not translatable.]

Taking account of these idiosyncrasies, we shall treat Handwerk as a business activity, whereas we take Mittelstand to represent a specific policy domain. Although the interests of SMEs can broadly be subsumed under Mittelstand as a policy domain, it is important to note that not all Mittelstand firms are SMEs. Likewise, not all Mittelstand associations are special associations of SMEs, as defined in this volume.

When associating, firms do not follow statistical classifications (Grote 1995: 238). Since it is difficult to develop and maintain an identity in relation to other factions of the economy, cultural values and norms are essential, when it comes to organizing interests. As some kind of a popular normative asset, Mittelstand is used by most interest associations and politicians as a means of justifying and legitimizing collective action and policies. This is all the more curious since there is no consensus at all on what this concept actually means (Gellner 1968: 37). Krickhahn (1995: 12) has counted almost 200 different definitions and this number is constantly rising with every new attempt to analytically delimit the domain. The criteria used for definition include, for instance, (i) the legal status (single establishment controlled by an owner-entrepreneur); (ii) the organizational form (arms-length control by the owner); (iii) financial assets (capital hold by the entrepreneur; absence of vertically integrated structures within larger compounds), and (iv) the production system (i.e. absence of serial production and no pronounced division of labour). Recent empirical studies of industrial enterprises (BDI 2002; 2003) take ‘family-owned’ as a proxy for Mittelstand (Table 8.2), while excluding craft enterprises from this definition. Accordingly, 88,832 (i.e. 83.5 per cent) of the total number of industrial enterprises were family-owned and thus classified as pertaining to the category of Mittelstand in 2001. Interestingly, there were 589 Mittelstand firms in the same year which were large firms by German standards (i.e. employing 500 employees or more). When following the EU-definition of company size, one finds even 1,900 large Mittelstand firms.

Historically, it was the affluent strata of the bourgeoisie located somewhere in between the nobility and the proletarian masses which have been accredited the term. Its key component, Stand, is highly ambiguous, as its meaning embraces rank, status, profession and estate. During the nineteenth century, it consisted mainly of the group of independent commercialists, farmers and artisans. Later on, salaried employees and civil servants were additionally brought under this heading. Towards the end of the century, modern industry
and free trade were increasingly perceived as threatening small-scale producers. Their concerns were shared by the Bismarck government for which ‘the possible “proletarianization” of a group which was one of its staunchest allies presented a formidable threat’ (Streeck 1989a: 66). Offering them political and economic support ‘was seen by Bismarck as an ideal opportunity to cultivate a Mittelstand constituency that would for a long time be immune to the lures of social democracy and provide a stable base of support for conservative governments’ (ibid.). Accordingly, a separate Chamber for craftsmen was first introduced under the Bismarck government. The never-ending debate of where exactly to draw the line between craft and industry dates back precisely to that period (Grothe 1884). Until today, it has remained essentially a question of subjective self-assessment and ideological preference whether or not one believes oneself to be part of the Mittelstand.

Entrepreneurs and artisans producing according to ‘Handwerk’ regulations are the core group of German Mittelstand. The access to business activities subsumed under Handwerk is subject to a licensing procedure which grants permission to practise a Handwerk only under certain conditions. The related rules are laid down in the Handwerksordnung (HwO) of 1953. The HwO identifies the criteria by which Handwerk is distinguished from other forms of economic activity, in particular, industry. These criteria have somewhat changed over time and it is the courts which decide in the last instance what designates Handwerk. The first criterion relates to a special system of production:

The courts have a long tradition of jurisdiction on what does and does not constitute an artisanal mode of production […]. The prevailing
opinion at the turn of the century [1800–1900] was that Handwerk, as distinct from the emerging, modern, large-scale ‘Industrie’, was characterized by small size of establishments, active participation of the owner in the process of production, exclusive employment of skilled labour, an absence of both a formal division of labour and machines, customized production for local markets, no formal book-keeping, and no specialized administrative staff.

(Streeck 1989a: 64)

Almost each of these characteristics was amended or abandoned by later court rulings, since the need was seen to keep Handwerk flexible and adaptable. Accordingly, many new professions were added and more traditional ones were removed from the list over the past decades. Critics of the above definitional criterion doubt that Handwerk still exhibits properties setting it apart from industry (RWI 2004: 9). The second criterion which is used by the HwO for defining Handwerk relies on the qualification of both the owners and the employees. Above all, this relates the Handwerk license to the Master certificate. To become a master, an individual has first to serve a three-years apprenticeship (Lehre) including a final examination (Gesellenprüfung). As a Geselle (journeyman), one normally works for several years before being allowed to embark on a two-year Master’s course at a special school which ends with the Master’s examination. The high level of qualification obtained in that system is manifested in the fact that the prestigious university degree of graduate engineer (Diplom-Ingenieur) carries the same entitlement to run an artisan business as the Master’s certificate. Specifying the qualification criterion, the HwO differentiates between proper craft businesses (Handwerk) and craft-related businesses (handwerksähnliche Betriebe) which are listed in Appendix A and Appendix B of the HwO, respectively (Table 8.1). Access to the ‘A’ crafts is highly restricted, since several requirements are assumed the most relevant of which is the Master certificate.

One could thus say that the Handwerk regulations look like ‘one giant conspiracy in restraint of trade, and indeed in a sense it is’ (Streeck 1989a: 66). The creation of barriers to market entry is, however, not the whole story. Possible welfare losses resulting from over-regulation are commonly assumed to be more than offset by the contribution of Handwerk to the production of customized goods and services of high quality on the one hand and to high-level vocational training on the other. The vocational training system supplies the entire economy with highly skilled labour. In 2001, 34 per cent of all apprenticeship contracts were concluded in the craft sector, as compared to 51 per cent in industry and commerce. Many of those having completed their Handwerk apprenticeship are then employed by large industrial firms where they are more than welcome. The role of Handwerk in generating high levels of qualification ‘is one of the main reasons why this peculiar institution continues to be so firmly established and why it is
unlikely to lose its political or cultural legitimacy in the foreseeable future’ (Streeck 1989a: 68).

For this reason, Handwerk has managed to defy not only, as some 50 years ago, the liberalizing pressure of the allied forces, but also more recent national and European attempts at deregulation. The latest reform process started with a 2002 proposal to open the system for persons not possessing the required qualifications. Following first recommendations made by the Hartz-Commission on the reform of the labour market which was set up by the country’s red-green coalition government in the same year, the argument was that this would help the unemployed to set up their own enterprises (so-called Ich-AGs) and thus contribute to reducing unemployment. In comparison to this initiative, the final solution took account of the massive protests by members of the Chambers and hence represented a compromise acceptable to both defenders of the status quo and liberal reformers. The new legislation provides for six major modifications. First, the number of A-crafts was reduced from 94 to 41. Second, the B-crafts were divided into two subsections. Section B1 embraces all of the 53 former A-crafts for which the Master’s exam ceased to be mandatory according to the new legislation. Section B2 includes those 57 crafts which were listed in Appendix B already before the reform. Third, every person of any qualification is now entitled to run an A-craft business, if employing a Master in a managerial position. Fourth, after having acquired the status of a journeyman, a person can immediately register for the Master’s exam without having to wait for any specified period of time. Fifth, even journeymen may now practise an A-craft provided they have six years of professional experience, including four years in a leading position. Finally, engineers, technicians and holders of other diplomas obtained at a Polytechnic (Fachhochschule) are entitled to immediately register an A-craft without any requirement of professional experience. Even the voice of the Handwerk, the Central Association of German Artisans (Zentralverband des Deutschen Handwerks, ZDH) could subscribe to this legislation after it had criticized the initial draft as ‘populist propaganda’ (ZDH 2004: 112), while other critics had pointed to the ‘de-qualification of the craft profession with serious consequences for society and the economy at large’ (Schwanecke and Heck 2004: 136).

The changes are indeed less dramatic than expected. The 41 crafts now covered by Appendix A still account for roughly 90 per cent of the number of Handwerk enterprises belonging to the group of 94 A-crafts according to the old legislation. The corresponding figures for employment and apprenticeships are 83 per cent and 90 per cent, respectively (Kormann and Hüpers 2004: 353). In this respect, the new legislation continued previous reforms, since the number of A-crafts had already been reduced before the recent amendment, while the number of B-crafts had increased. It is only the fifth of the above amendments which may create problems in the long run. Originally devised to overcome the discrimination of Germans against other citizens (who are not required to pass an exam before setting up a company
in Germany\(^3\)), this amendment may foster a process of de-qualification. The willingness to register for the tough Master’s examination will be limited, as the Master’s certificate has ceased to be a necessary precondition for the access to a certain craft.

The economic weight of Handwerk comes out clearly in comparison to industry in the narrow sense (Tables 8.1 and 8.2). In 2003, the Handwerk sector roughly recorded some 846,000 companies with about five million employees. While the number of firms operating under Appendix A remained relatively stable, the firms under Appendix B strongly expanded (Table 8.1). The employees of A-crafts decreased from 6.3 million in 1994 to 4.77 million in 2003. The employees covered by Appendix B increased from 290,400 to 330,000 over the same period. Despite this shift of Handwerk production from Appendix A to B there was always a highly uneven composition of Appendix A. For instance, in 1994, some 78 per cent of turnover and some 81 per cent of employment was concentrated in only 19 of the 127 A-crafts, while the remaining 108 merely accounted for 22 and 19 per cent, respectively. In other words, the bulk of A-crafts tend to be relatively unimportant in quantitative terms (RWI 2004: 13). The sector comprises a wide range of variations in company size. Very large Handwerk firms most of which originate in the construction crafts have 500 employees or more. Regardless of this, they can maintain membership in the corresponding local Handwerk Chamber (Pilgrim 1995: 5).\(^4\) Overall, however, the sector is clearly skewed towards small companies, with an average firm size of eight employees.

**The legal framework for associational action**

The German Basic Law (Grundgesetz, GG) refers to the political parties as actors in the political process which may contribute to the formation of public opinion. Interest associations are not assigned a special function within the political process, but are subsumed as a special case under Article 9 GG which grants the freedom of association (Vereinigungsfreiheit). The reason why the German constitution does not explicitly address interest associations relates to the principle of the separation of state and society. Freedom of association was constructed as an individual right that should be protected against state interference (Reutter 2001: 78f.). This protection includes the ‘negative’ freedom of association, i.e. the right of an individual not to join an association. Interest associations are seen as part of the society. Thus the constitution considers only their independence from the state and not their incorporation into institutions of the state (Grimm 1995: 657f.).

Voluntary interest organizations are covered by the Association Acts within the German civil code (Bürgerliches Gesetzbuch, BGB) which lays down basic requirements an interest association has to meet (§§ 21–79 BGB), while leaving further specifications – such as the associational structure – to private initiative. The BGB does not regulate or even mention the external
relations of voluntary associations. However, some aspects of the relations of voluntary associations with public institutions are governed by the rules of procedures of the ministries and other government agencies and by the standing orders of the Parliament (Bundestag). These provisions regulate the access to these institutions and their advisory committees (Weber 1977: 175–9).

Voluntary associations must be distinguished from a second type of interest organizations: that is, the Chambers which are public law bodies based on compulsory membership. Distinct Chambers exist for several professions (e.g. lawyers) as well as for the private business sector. All businesses except those of agriculture are obliged by law to be a member of either the Chambers of Industry and Commerce (Industrie- und Handelskammern, IHKs) or the Crafts Chambers (Handwerkskammern, HWKs). Both Chambers of business are strongly involved in state regulatory functions which have been assigned to them by law. Hence, they play a major role as business representatives as well as agents of public policy. This role, however, has not been uncontested. Criticism and deregulatory initiatives have targeted compulsory membership and its implication, compulsory payment of dues. In 1993, for instance, the criteria for dues payment were amended in the case of the IHKs. Before 1993, the group of larger company members contributed an above-proportionate share to the revenues of the IHKs. About 52 per cent of the members were exempt from fees because of their small size. This system was made more balanced by the 1993 reform. This, however, sparked an open conflict over the Chambers. The redistribution of the dues burden encountered fierce protests from many Chamber members and harsh criticism from some politicians, eventually provoking attacks on compulsory membership in general. Voluntary associations, it was argued, should assume the tasks of the Chambers. From inside, the Chambers were challenged by a group of members expressing their wish to break away. From outside, one of the major challenges arose from an initiative of the Green Party. Calling for abolishing the compulsory Chamber system, the Greens presented a corresponding draft law to parliament on 8 November 1996. This document considered the Chambers obsolete for four main reasons. First, they were exclusively designed for the immediate post-war situation. Second, they are incompatible with Article 52 of the EEC Treaty. Third, organized interests generally suffer from a substantial loss in legitimacy, as compared to earlier periods. Finally, the Chamber-related regulations deter foreign companies from investment in Germany. The Chambers managed to ward off these attacks. Relying on a large number of lawyers and other experts, they successfully emphasized the merits of a non-state system of public governance, resting on compulsory interest organizations (Kluth 1997). As the peak organization of the IHKs put it in response to critics:

[...] one very important point is generally overlooked – the exceptional efficiency of this system of corporate self-government. The state certainly
would not become leaner if it had to take on the role of the Chambers again. Not even the best and most economical public authority could carry out the mandatory tasks of the Chambers and guarantee the same price and the same quality. This is because the Chambers, unlike the state, can draw upon a vast reservoir of local voluntary business expertise.

(DIHK Webpage, English Version, March 2004)6

As far as collective action in industrial relations is concerned, legislation has established only a few provisions for the capacity to conclude collective agreements. In the case of business, the Collective Agreement Act (Tarifvertragsgesetz, TVG) generally attributes this capacity to the individual employer and employer associations. No further eligibility criteria for employer associations are laid down by statute. The TVG contains a provision for extending multi-employer agreements to employers who are neither affiliated to signatory employer associations nor a party to a single-employer settlement. Accordingly, the responsible Minister may issue an extension order if certain conditions are being met: either one of the signatory parties to the agreement must apply for an extension and the signatory employer association must record a density of at least 50 per cent of the employees within the purview of the agreement; extension must be in the public interest; finally, the extension order needs majority approval by a committee consisting of an equal number of union and employer representatives. This means that both sides of industry are vested with considerable veto power.

The role of organized business in social dialogue and public policy making

Industrial relations and the social dialogue rest on a dual system of interest representation which means that employees are represented by two formally separate institutions, i.e. the works council and the union. In the private sector a works council may be established in companies/establishments with five or more employees. In 2002 works councils existed in 11 per cent of the West German companies eligible for a works council, covering 50 per cent of the employees. With 11 per cent of the companies and 40 per cent of the employees, the coverage of works councils is lower in the East (Funk 2004b). Equipping the works councils with rights of information, consultation and codetermination, labour law defines the activities of works councils as complementary to the unions in terms of means and issues of interest representation. Most essentially, works councils are obliged to maintain peace and cooperate with management. They are not allowed to negotiate over wage increases or other issues falling within the purview of collective bargaining, unless being authorized to do so by a collective agreement. Collective bargaining takes place mainly at the sector level, with agreements differentiated by regions in most industries (Bispinck 1995). Since the 1980s the bargaining system has seen a process of organized decentralization
designed to make the agreements more flexible by devolution of certain issues to negotiations between management and works councils within the framework set by the multi-employer settlement. Beginning with clauses on flexible working time, this process has extended to pay since the early 1990s. Under the pressure of growing economic problems, provisions for flexible pay have often taken the form of hardship clauses that entitle a company to deviate from the standard rate to the disadvantage of the labour force under certain conditions (Bispinck 1997, 2004). Usually, this happens in exchange for employment security (e.g. Hassel and Rehder 2001). In particular in the East, a practice of unorganized decentralization has emerged in that management and the works council agree to violate the collective agreement in a situation of economic pressures (Artus 2001). As the 2004/5 WSI survey of works councillors found in establishments with 20 or more employees, 12 per cent of them (i.e. 11 per cent in the West and 16 per cent in the East) reported a breach of the collective agreement in their company. This proportion is likely to be higher in smaller establishments.

Although the company level has thus gained in importance, multi-employer bargaining still prevails, as survey data from the IAB Betriebspanel document (Table 8.3) show. Overall, the bargaining system has been in a process of erosion. Coverage strongly fell during the second half of the 1990s, while the fall has slowed down afterwards. The decay has been more profound in the East than in the West. This reflects the external shock to which the poorly performing economy of the East was exposed by unification in general and the rapid adaptation to Western pay levels in particular. In the new Länder little more than 50 per cent of the employees were covered by a collective agreement in 2004. In the West the withdrawal from bargaining has been primarily a case of smaller companies, as is evident from the fact that the coverage rate fell stronger in terms of establishments than in terms of employees from 1995 to 2004. Since the use of the extension mechanism has always been rare, the strong fall of multi-employer bargaining primarily

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<th>West</th>
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<td>Establishments</td>
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<td>SEB</td>
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<td>MEB</td>
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<td>45</td>
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<td>Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEB</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>MEB</td>
<td>73</td>
<td>63</td>
</tr>
</tbody>
</table>

Source: IAB Betriebspanel.

Notes
a As a percentage of total establishments and employees. SEB = single-employer bargaining. MEB = multi-employer bargaining.
indicates a decreasing ability of the employer associations to integrate their constituency. For instance, the newly established direct banks (which are mainly separate subsidiaries of the major banks) have refrained from joining the sector’s employer association and are thus uncovered (Marginson et al. 2003). It should be noted, however, that the governance effect of collective bargaining extends over its formal domain, since a notable number of firms which are uncovered (i.e. 24 per cent in the West and 32 per cent in the East in 2003) orient their pay policy towards the collective agreements. This means that the employment terms of 78 per cent of the West German employees and 67 per cent of the East German employees were directly or indirectly governed by collective bargaining in 2003. This high degree of inclusiveness lays the ground for an informal practice of bargaining coordination across the economy which is traditionally based on the role of the metal industry as the pattern setter for the bargaining units of the other sectors (Traxler et al. 2001).

The German political system is commonly referred to as moderately-to-strongly corporatist (Siaroff 1999), i.e. organized interests have a say in meso-level policies. Several hundred advisory committees and councils have been set up which mainly coordinate policies at this level (Weber 1977; Reutter 2001). Corporatist governance is especially important in the field of training and business promotion. The Chambers have a key role in these arrangements. They regulate training and further training, grant certificates and support the public administration in all aspects regarding business interests that fall under their domain. Public schemes to promote business usually involve their representatives. SMEs are a primary target of such policies. In recent years the government launched several Mittelstand programs, including measures to support the foundation of enterprises and to stimulate innovation, market entry, research and development. While many of these activities are carried out at local and regional level, the peak organizations also engage in meso-corporatist policies from time to time. For instance, in 2004, the government and organized business agreed on a peak-level pact on apprenticeships, whereby the business associations committed themselves to creating new opportunities for apprentices and less qualified young people over the next three years (Funk 2004c). In contrast to other countries, Germany has not built up an effective macro-economic coordination system where the peak-level organizations of capital and labour jointly with the government concert their policies. Two unsuccessful tripartite attempts have been made to extend the practices of meso-level social dialogue to the macro-level. The change in government in 1966 led to a reorientation of economic policy substituting the dominant neo-liberal paradigm for a new Keynesian approach. One of the first measures taken by the new government of Social Democrats and Liberals was the institutionalization of a consultation body where the economic activities should be harmonized and concerted (Konzertierte Aktion). The list of participants included representatives of organized business and labour, among them were the Association of German Chambers
of Industry and Commerce (Deutscher Industrie- und Handelskammertag, DIHK), the Federation of German Industry (Bundesverband der Deutschen Industrie, BDI), the Confederation of German Employers’ Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA), and ZDH (Zink 1975). In 1977, with the exit of the unions, the Konzertierte Aktion came to an end after business associations had raised a constitutional challenge to the 1976 Codetermination Act (*Mitbestimmungsgesetz*). In 1996, a new attempt was made under the conservative government of Chancellor Kohl to revive tripartite concertation. The so-called ‘Alliance for Jobs’ (*Bündnis für Arbeit*) was re-established in 1998 by the new government under social-democratic leadership. Again, business was represented by DIHK, BDI, BDA, and ZDH. The Alliance was discontinued by another exit of the unions which found unbridgeable differences between themselves and business which had proposed a controversial plan for job creation (EIRO 2003b). Albeit set up under very different economic and political circumstances, the Konzertierte Aktion as well as the Alliance for Jobs were burdened with the same problem – they failed to establish themselves as the real centre for concerting economic and social policy (Lehmbruch 1999; Traxler 2005; Zohlnhöfer 2003). The government bypassed each of the two tripartite arrangements, when taking important decisions on socioeconomic issues. This suggests that structural impediments to macro-concertation exist in Germany. Aside from the relative weakness of the peak associations of business and labour in relation to their affiliates, another major impediment is the federal fragmentation of political power that requires a complicated process of compromising within the state apparatus, with the consequence that the possibilities of tripartite compromising tend to be crowded out.

The associational system

**Basic features**

The German system of business interest associations rests on three pillars that originate in the nineteenth century. Local Chambers and voluntary trade associations were set up first. Employer associations were formed at the end of the century in response to rising union power. In combination with their territorial expansion, the three pillars unfolded hierarchically, by building higher-level associations which covered their narrower lower-level counterparts. At the beginning of the Weimar Republic, this process was more or less completed with the formation of country-wide peak organizations. However, the trade associations and employer associations strongly differed in their degree of peak-level concentration. While an all-encompassing employer peak organization was founded in 1919, several sector-specific trade peak associations developed, among which the peak association representing the industry was most important. The Nazi regime dissolved this system, transferring its components into a state-imposed comprehensive
Chamber (Reichswirtschaftskammer) in which heavy industry prevailed. After World War II, the reconstruction of the associational system followed the traditions of the German Empire and the Weimar Republic (Prigge 1985; Ullmann 1988). As early as 1946, more than 80 business associations were re-established in the British and US zones of occupation. After initial reservations, the Allied Forces actively supported the revival of organized business in Western Germany in order to coordinate and reconstruct the post-war economy (Plumpe 2000). Nevertheless, they refused early attempts at re-building hierarchically integrated peak associations (Simon 1976: 48–51). This only changed in the late 1940s. In 1949, one peak association was (re)established each for the Handwerk, the Chambers of Industry and Commerce, the employer associations, and the trade associations of industry within the territory of West Germany. One year later, the two voluntary peaks of the employers and the industry were renamed in BDA and BDI, respectively. Separate trade peaks (e.g. for banking and insurance) were set up aside from the BDI (Lang and Schneider 2007 forthcoming). In 1950, BDA, BDI and other peak associations founded the Council of German Business (Gemeinschaftsausschuss der Deutschen Gewerblichen Wirtschaft) which also had a predecessor in the Weimar Republic. Composed of the most relevant peak associations of industry, commerce, craft, services, insurance and banking, the Council is not a collective actor, but a forum for debates on any issue affecting business as a whole (Reutter 2001). No binding decisions can be taken at its meetings. The Council is not completely irrelevant, though. For example, in September 2002, for the first time in its history, it delivered a memorandum on Mittelstand policies (Mut zu Reformen – für nachhaltiges Wachstum und Beschäftigung) that was signed by all its members and has been widely discussed in the media (ZDH 2003: 11).

Reflecting the size of the country, there is a myriad of associations claiming to represent the interests of business. For instance, the number of associations dealing with labour market interests – a subgroup of the total population of business associations – is estimated to be around 1,000 (Schroeder and Silvia 2003). To disentangle the relevant organizations from the irrelevant ones, we draw from a study by Krickhahn (1995). The procedure of boundary specification used by Krickhahn started with a nominalistic technique making use of handbooks and of the 1987 lobbying list of the German Bundestag. Snowball sampling is then used for identifying the most important organizations within the policy domain. This results in a total of 56 organizations, including 42 associations of SMEs. Their membership domain fairly differs, ranging from national, cross-sectoral, and sector-specific organizations to regional associations. In a second step, turning to a realist technique of delimiting the boundaries of his sample, Krickhahn further reduces this number by reputation analysis based on responses by leading representatives of these organizations themselves. Using specific cut-off values qualifying for further consideration, the author arrives at a total of 19 organizations that are most relevant in the policy domain. On this basis,
we have identified those associations which fulfil the criteria of a national, cross-sectoral and independent business association, as defined as the unit of analysis for this volume. This includes eight associations. We have then approached these associations with a standardized questionnaire asking for information on organizational properties and activities. The basic data from this survey are summarized in Table 8.4.

As a consequence of the threefold pillarization of the associational system of business in Germany, there is no association which is all-encompassing with regard to both membership domains and tasks. As regards the membership domain, BDA is Germany’s general association, which, however, concentrates on representing labour market interests, leaving product market interests to other organizations. DIHK as a trade peak association comes second in terms of domain inclusiveness. The other associations – which are all mixed organizations with the exception of BDI – have specialized in organizing distinct subgroups of business by referring to industry, crafts, family-owned businesses and SMEs. From a formal point of view, SMEs or – put in accordance with the German tradition – the policy domain of Mittelstand businesses is highly contested, since the domains of those associations which have not specialized in SMEs, nevertheless include this policy domain. As already noted above, this domain is somewhat larger than the group of SMEs by conventional standards. This is because according to German customs, SMEs are understood by six of the eight associations as companies employing fewer than 500 employees. The exception here is the ZDH which follows the conventional definition of SMEs (i.e. companies recording fewer than 250 employees). BDI (2003) refers only to Mittelstand companies whose domain is defined in a rather complex way. In quantitative respects, BDI follows the above German definition. At the same time, the confederation emphasizes that a qualitative definition is preferable, characterizing the Mittelstand as businesses, where the owner acts also as the manager, with full responsibility for all decisions. This definition in turn brings BDI to equate Mittelstand companies more or less with family-owned enterprises.

As demonstrated in the section on inter-associational relations (see below), the German system of country-wide, cross-national business associations is clearly divided into two hierarchically ordered subsystems. BDA, BDI, DIHK and ZDH form the inner circle of organized business. This corresponds with the fact that they significantly surpass the other associations in members and influence. Hence, they will be designated here as the ‘big four’. This hierarchical order of membership and influence includes the policy domain of Mittelstand, even though none of the ‘big four’ has formally specialized in SMEs or Mittelstand, whereas the other four associations have done so. Since Handwerk is the main component of the SME sector in Germany, it is reasonable to regard ZDH as the sector’s most representative and important association. The following comparison of the associations’ domains, activities and resources will thus devote special attention to ZDH as the voice of SMEs and, to BDA as Germany’s general association.
<table>
<thead>
<tr>
<th>Membership</th>
<th>Firm members (1,000s)</th>
<th>Employees covered (1,000s)</th>
<th>Voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU</td>
<td>6.5 (DM)</td>
<td>1,700</td>
<td>Unweighted</td>
</tr>
<tr>
<td>AWM</td>
<td>100 (MM)</td>
<td>650</td>
<td>Companies covered by the affiliates</td>
</tr>
<tr>
<td>BDA</td>
<td>2,000 (IDM)</td>
<td>20,000</td>
<td>Employees covered by the affiliates</td>
</tr>
<tr>
<td>BDI</td>
<td>n.a.</td>
<td>n.a</td>
<td>Employees covered by the affiliates</td>
</tr>
<tr>
<td>BDS-DGV</td>
<td>80 (IDM)</td>
<td>1,360</td>
<td>Companies covered by the affiliates</td>
</tr>
<tr>
<td>BVMW¹</td>
<td>150 (MM)</td>
<td>2,800</td>
<td>Unweighted</td>
</tr>
<tr>
<td>DIHK</td>
<td>3,600 (IDM)</td>
<td>32,000</td>
<td>Unweighted</td>
</tr>
<tr>
<td>ZDH</td>
<td>850 (IDM)</td>
<td>5,648</td>
<td>Unweighted</td>
</tr>
</tbody>
</table>

Notes

¹ Figures for 2004. DM = direct membership. IDM = indirect membership. MM = mixed membership. n.a = not available.
Membership domains

According to its statutes, the membership domain of the BDA comprises (lower-level) employer associations of the private sector. These associations may belong to either of two categories: associations differentiated by sector, crafts or occupations, and territorially specialized associations. In 2003 the BDA had 54 sectoral employer associations and 14 regional (mainly Land-level) associations as direct members. It is only a few of the (smaller) direct affiliates of BDA which are primary organizations in the sense that they directly organize the companies. Most of the BDA affiliates are associations of associations of their own. In this case the primary associations are affiliated to the corresponding higher-level associations at both sectoral and territorial level which in turn are usually linked to broader associations of sectoral and territorial coverage. The direct affiliates to the BDA thus often operate as ‘secondary’ peaks that altogether form a highly complex, hierarchically ordered pyramid of associations, with the BDA at its top (Figure 8.1). In January 2006, 750 associations were directly or indirectly affiliated to these 54 sectoral and 14 territorial peaks (Behrens 2006). It is difficult to estimate the number of companies and their employees organized under the umbrella of the BDA, since precise membership figures as well as official statistics on the companies and employees covered by the BDA's domain are not available. The BDA (BDA 2003: 4) claims to represent some 2 million companies (i.e. 74.1 per cent of 2.7 million eligible enterprises) which are estimated to employ 20 million employees (i.e. 80 per cent of the 25 million employees) working in the domain of the BDA. The problem is that the BDA itself lacks reliable data on membership figures, since a notable number of its affiliates do not communicate them to the BDA. However, there are several

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**Figure 8.1** The structure of BDA
reasons to believe that the above estimates are rather inflated. According to earlier BDA estimates, density in terms of employees was also 80 per cent in West Germany in 1990. At the same time, the corresponding density of the Employer Confederation of the Metal Industry, Gesamtmetall – the largest affiliate to BDA which is one of the few associations which regularly publish membership data – was around 73 per cent. Employer density is far higher in West Germany than in the East. According to regular surveys conducted by the Deutsche Institut für Wirtschaftsforschung, density of the East German manufacturing sector dropped from 36 per cent to 25 per cent from 1993/4 to 1996, covering 74 per cent and 56 per cent of the employees, respectively (Zagelmeyer 1997). In 2003, no more than 10 per cent of the sector’s companies with 30 per cent of the employees were under the umbrella of an employer association equipped with the capacity for collective bargaining (Brenke 2004). After privatization many larger companies left their employer association, and the majority of the newly emerging SMEs have never joined (Ettl and Heikenroth 1996). When comparing the above densities of BDA and Gesamtmetall, one should note that density is likely to be higher in the metal industry than in many other sectors. Since 1990 membership has tended to decline also in West Germany, albeit to a less accentuated extent than what happened in the East. In the case of Gesamtmetall, for instance, density of employees fell to 68 per cent in 1994 in West Germany, arriving at 59 per cent in 2003. For all these reasons, one finds lower figures in sources other than the BDA itself. For, instance, the BDA’s density in terms of employees for West Germany was 72 per cent in 1995, as estimated by Traxler et al. (2001). According to Schroeder (1997: 227), BDA density of companies was 66 per cent, 56 per cent and 43 per cent in 1966, 1984 and 1994, respectively. Empirical evidence indicates that the decline in density ensues primarily from the departure of Mittelstand companies (e.g. Artus 2001). This evidence also suggests that the decline of density is caused not simply by the country’s economic problems, but by multiple factors: a company’s propensity to associate decreases with shrinking size, declining age, low levels of unionization, low risks of involvement in labour conflicts, and growing exposure to world market competition (Schnabel and Wagner 1996).

The membership domain of ZDH comprises the Handwerk sector. ZDH is the peak of a two-dimensional, intertwined organizational system (Figure 8.2). One dimension consists of the trade-unspecific Chambers of Craft (Handwerkskammern, HWKs) which are based on compulsory membership. The basic local units of the second dimension are the voluntary trade-specific Guilds (Innungen). The Chambers as well as the Guilds are public law institutions which operate as the primary associations of the two territorially and hierarchically differentiated dimensions. At the federal level, the Chambers are represented by the Federal Association of the Chambers of Crafts (Deutscher Handelskammertag, DHKT) and the Guilds, by the Federal Association of Guilds (Bundesvereinigung der Fachverbände des
Deutschen Handwerks, BFH). DHKT and BFH cover 55 regional Chambers and 43 national federations of Guilds (Bundesinnungsverbände, BIV), respectively. At the distinct territorial levels the two dimensions are connected by a special organization: the Kreishandwerkerschaften (KHS), the Landeshandwerksvertretung (LHV), and, finally, ZDH as the all-encompassing peak. The dual structure of ZDH rests on differences between the Chambers and Guilds not only in their membership domain (i.e. a trade-unspecific vs. a trade-specific profile), but also in functions, since the Guilds act as the employer associations of the craft sector. BFH holds dual membership in ZDH and BDA, acting as the umbrella association for the Guilds within ZDH and at the same time as one of the sectoral member associations of BDA. As a consequence of the structural and functional differentiation of ZDH, many craft companies are members of both a Chamber and a Guild. Due to compulsory membership, density is 100 per cent, which meant a membership of 850,000 companies with almost 5.7 million employees in 2001. The density level of the Guilds was in between 85 to 99 per cent in

Figure 8.2 The structure of ZDH
the 1980s (Streeck 1989a: 70). Pronounced decline in the number of Guilds (Table 8.1) coupled to a decreasing willingness of companies to associate voluntarily\textsuperscript{12} suggest that density has probably fallen since that time.

BDI organizes the industry (i.e. the manufacturing sector) and, more recently, industry-related services.\textsuperscript{13} BDI (2003: 50) understands these services extensively as comprising renting of machinery and equipment; computer and related activities; research and development; sewage and refuse disposal, sanitation and similar activities; and other business activities. In 1998 these branches were estimated to cover 487,326 companies. Together with industry (Table 8.2), this made a membership potential of 594,420 companies. The direct members of BDI are 34 sectoral associations and 15 sector-unspecific \textit{Land}-level associations (the latter having no voice in federal matters) (Henneberger 1998). Moreover, these direct affiliates further cover lower-level associations. Overall, BDI assembles between 600–700 associations under its umbrella. As is the case of BDA and ZDH, the companies are indirectly affiliated through membership in one of the lower-level member associations. BDI has not disclosed any information on the number of member companies and related employment.

DIHK also rests on compulsory membership, such that density is 100 per cent by law. All companies registered in Germany, with the exception of craft and craft-related activities, the liberal professions and farms, are required by law to join one of DIHK’s local chambers.\textsuperscript{14} DIHK speaks for more than 3 million businesses with a total of around 32 million employees. It is thus the largest business association in Germany. Due to its encompassing membership domain, numerous SMEs belong to its membership, something which makes DIHK also an association of special importance to this business group.

The German Association of the Self-Employed – German Association of Small-Scale Businesses (Bundesverband der Selbständigen – Deutscher Gewerbeverband, BDS-DGV) is one of the oldest associations in Germany. Its predecessor was founded in 1891. With a total of 12 regional associations some of which organize more than one of the smaller \textit{Länder}, BDS-DGV is present across Germany and operates a total of about 3,000 local and district offices. The association claims to represent 80,000 member companies which employ about 1.36 million employees in almost all economic branches except agriculture, fisheries, and mining. In 1993, the sectoral composition of its member firms was as follows: craft and artisan sector: 40 per cent; retailing: 35 per cent; services: 10 per cent; wholesale trade: 5 per cent; industry: 4 per cent; liberal professions: 4 per cent; transport and communication: 2 per cent.

The Federal Association of \textit{Mittelstand} Businesses (Bundesverband Mittelständische Wirtschaft, BVMW) was founded in 1975. Its stronghold is the group of micro firms. In 2004, around 88 per cent of its members had fewer than 50 employees. Firms can be direct or indirect members. Indirect membership may be obtained through one of the 34 smaller member associations. In 2004, BVMW recorded a total membership of
150,000 companies with 2.8 million employees. This included 54,000 direct firm members, as compared to 20,000 direct firm members and 34 member associations in 1993 (Krickhahn 1995). In the same year, industry, crafts, wholesale, retail, the liberal professions and services, transport and communication, and other branches accounted for 10 per cent, 20 per cent, 5 per cent, 30 per cent, 5 per cent and 10 per cent of the members, respectively.

The Association of Mittelstand Businesses (Aktionsgemeinschaft Wirtschaftlicher Mittelstand, AWM) was formed in 1973. In 2002, AWM had around 100,000 indirect members which were affiliated through 26 national associations (which gathered 65 regional and district associations) and seven regional associations whose national (i.e. country-wide) peak organizations are not members of AWM. No more than 540 firms are direct members (AWM Jahresbericht 2002). Although the formal domain includes all branches, AWM actually centres on services. Around 85,000 members are companies from the service sector, which implies a density of, roughly, 10 per cent. The remaining 15,000 members belong to the liberal professions (e.g. architects) and the group of managers (e.g. from assurance companies). AWM estimates that its members have about 650,000 employees, representing 13 per cent of a total of approximately 5 million employees in the private service sector.

The Association of Independent Entrepreneurs (Arbeitsgemeinschaft Selbständiger Unternehmer, ASU) concentrates on organizing family-owned Mittelstand companies. ASU is a primary association whose structure is differentiated into 45 district and county offices. The association claims to represent approximately 6,500 companies. They are estimated to employ about 1.7 million employees with an annual turnover of about €100 billion. In comparison with the other associations documented in Table 8.4, the average number of employees by member firm is rather high (i.e. 262 employees). It is thus no mere coincidence that fairly large enterprises belonged to its founding members in 1949, such as Bahlsen, Henkel, Cloppenburg, and others. As regards the sectoral distribution of members, manufacturing, the construction industry, commerce, other services, and miscellaneous businesses represent 33.6 per cent, 8.9 per cent, 17.9 per cent, 33.4 per cent and 1.3 per cent, respectively.

Activities

BDA prevails in representing the labour market interests of business, since most areas of collective bargaining for business take place under its umbrella. BDA itself is not authorized to negotiate and conclude collective agreements. This task is performed by either the direct affiliates to BDA or by their lower-level member associations. Bargaining is, nevertheless, a matter of discussion within the framework of the bargaining committee of BDA. Such debates foster a soft version of cross-sectoral coordination of bargaining strategies
which may be formalized as (non-binding) recommendations on the basis of unanimous vote of the executive board (Behrens 2003). Known to the public as a ‘taboo catalogue’ which was devised primarily to prevent precedents to the disadvantage of the employers, the catalogue was already compiled in 1965 and was occasionally adapted to new circumstances (Müller-Jentsch 1997). However, continued decentralization of bargaining has restrained the capacity for peak-level coordination. Coordination activities within their own domain are also performed by those affiliates which do not themselves engage in bargaining. The presence in the extension committee equips BDA with a legally-based means of influencing bargaining policies. Generally, the position of BDA – in accordance with most of its members – has increasingly become restrictive, when it comes to decisions on applications for extension orders. This policy line, however, has to face a counter position represented most prominently by the construction industry. In 1999, for example, BDA – in special coalition with Gesamtmetall – vetoed an application by the construction industry on the grounds that the agreement provided for an ‘excessive increase in wages’ (Schnabel 1999). This controversy points to divisions of interest between the distinct sectors under the umbrella of BDA, which relate to differences in exposure to international competition and in the position in the production chain. Moreover, the 1999 case indicates the limited capacity of BDA for bargaining coordination, as employers’ internal conflicts over pay policies fed through to public disputes over extension. Bargaining matters apart, representing employer interests vis-à-vis public authorities is the main task of BDA and its affiliates. Employer interests are understood in the broad sense, embracing also such issues as education and training, labour law and the public welfare system. In addition to advancing these interests by lobbying, BDA and its members also participate in several statutory bodies of corporatist governance. This includes the administrative boards of public social security (i.e. the insurance system covering unemployment, health and pensions), the labour courts and the committee dealing with the extension of collective agreements. Although BDA itself is a pure employer peak association, it has incorporated product market interests through its affiliates. While only a minority of its direct affiliates are mixed associations, many of the lower-level organizations are mixed (Behrens 2003). At territorial level one finds even pure trade associations of certain branches under its umbrella. The services offered concentrate on consulting activities in the fields of industrial relations and training. Two services are borderline cases of interest representation. They are the representation in labour court proceedings by attorneys and the financial support by dispute funds in case of a strike or lockout. In highly unionized sectors, these funds set an important selective incentive for membership especially for larger companies. In accordance with the intra-confederal distribution of bargaining tasks, BDA itself does not hold a dispute fund. The way in which the dispute funds are organized varies across the member associations. They are highly decentralized in the case of Gesamtmetall. Each of its Länder affiliates runs...
its own fund, while Gesamtmetall itself administers only a clearing system for trans-regional disputes. BDA operates an analogous cross-sectoral clearing system. In comparison with the other cross-sectoral associations, BDA is distinct, since it directs no special attention to Mittelstand interests. Hence, BDA also lacks special representational structures for SMEs, aside from having BFH among its members.

As the peak organization of the Handwerk sector, ZDH represents the common interests of the sector in relation to the authorities of the federal state, the EU and international organizations. Its unique combination of a voluntary and a compulsory membership dimension makes the overall organization a blend of an interest association, a private interest government and a service provider. The intra-confederal division of labour follows the structural differentiation into the two dimensions. BFH is responsible for industrial relations. BFH leaves collective bargaining to lower levels, i.e. by the BIVs or LIVs, depending on the traditions of the respective crafts. Subjects other than industrial relations are covered by the DHKT and its territorial Chambers. Their primary task is the implementation of the HwO (see above). This means administering the roll of crafts (in which all qualified persons wishing to practise their craft must be registered) and the system of vocational training. The number of people trained within the system has slightly increased over the past decade, although the number of Meister examinations declined from roughly 45,000 in 1991 to 28,000 in 2001 (ZDH 2003: 88). This indicates that the Chambers are becoming increasingly active on the free, i.e. unregulated market for vocational training which is becoming an ever more important source of their income. Within this unregulated market, the HWKs compete with all sorts of institutions like, for instance, private training agencies, state schools and polytechnics. Attesting certificates of origins is another public task. Furthermore, the HWKs engage in promoting trade by such means as organizing fairs. Reflecting the character of ZDH as a mixed association, the scope of services performed under its umbrella is broader than that of BDA. Important activities are advice on training and on technological, economic and juridical questions. Overall, the associational system of Handwerk is characterized by six complementary organizational functions (Streeck 1989a: 75–7): public and private law activities; compulsory and voluntary membership; horizontal and vertical representation; the functions of employer associations and other functions; representation of individual crafts and craft as a whole; and territorial differentiation of organization (i.e. local, sub-regional, regional and federal).

As the trade peak association of industry, BDI coordinates the interests of its member associations and represents them in relation to the state, customers and suppliers. This mission covers all areas of economic policy. Analogous representational activities are performed by its affiliates within their own sectoral or territorial realm. It is worth mentioning that BDI pays special attention to the Mittelstand, as a special committee for this group
is among its 13 permanent committees. As will be shown in greater detail below, BDI has tended to intervene in industrial relations affairs. With the exception of industrial relations, the service activities cover any of the main categories listed in Table 8.5.

DIHK is the voice of German business vis-à-vis the Federal Government and the European Commission in matters other than labour market interests.

Table 8.5 Cross-sectoral associations in Germany: activities

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>ASU</th>
<th>AWM</th>
<th>BDA</th>
<th>BDI</th>
<th>BDS-DGV</th>
<th>BVMW</th>
<th>DIHK</th>
<th>ZDH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Represents:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour market interests vis-à-vis the unions</td>
<td>N</td>
<td>N</td>
<td>B</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>I</td>
</tr>
<tr>
<td>Labour market interests vis-à-vis the state</td>
<td>D</td>
<td>D</td>
<td>B</td>
<td>N</td>
<td>D</td>
<td>D</td>
<td>N</td>
<td>I</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
<td>n.a.</td>
<td>I</td>
<td>n.a.</td>
<td>B</td>
<td>I</td>
<td>I</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
<td>D</td>
<td>D</td>
<td>n.a.</td>
<td>B</td>
<td>D</td>
<td>I</td>
<td>B</td>
<td>B</td>
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<td>Services related to</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>Yes-F</td>
<td>Yes-F</td>
<td>No</td>
<td>Yes-C</td>
<td>No</td>
<td>No</td>
<td>Yes-F</td>
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<td>Yes-F</td>
<td>No</td>
<td>Yes-F</td>
<td>Yes-C</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
</tr>
<tr>
<td>Exchange relations with suppliers</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>No</td>
<td>Yes-F</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Exchange relations with customers</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>No</td>
<td>Yes-F</td>
<td>Yes-C</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
</tr>
<tr>
<td>Vocational training</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-C</td>
<td>Yes-F</td>
<td>Yes-C</td>
<td>Yes-F</td>
</tr>
<tr>
<td>Further training and qualification of company staff</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-C</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>Yes-F</td>
</tr>
<tr>
<td>Developing/monitoring quality standards for products</td>
<td>Yes-F</td>
<td>Yes-F</td>
<td>No</td>
<td>Yes-F</td>
<td>n.a.</td>
<td>No</td>
<td>No</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Notes
Its encompassing membership domain gives this association considerable political influence. In combination with compulsory membership, this domain provides SMEs with a stronger footing within DIHK than within the large voluntary associations. Although officially stressing that it would not specifically represent any distinct business group, Mittelstand interests figure prominently under the umbrella of DIHK. The association operates a special Mittelstand network and presents an annual Mittelstand report. DIHK and its Chambers offer manifold services focusing on economic policy programs, training and exchange relations with customers. In addition, they run consultancy agencies, dealing with such matters as foreign trade promotion and management (IHK-Gesellschaft zur Förderung der Außenwirtschaft und der Unternehmensführung mbH). One of the major tasks of DIHK is the representation of German industry abroad. DIHK operates a total of approximately 120 foreign trade Chambers (Aussenhandelskammern) and other representational offices across the world. The state has assigned to the Chambers many public tasks. The Chambers issue certificates of origin and carnets, implement the vocational training system and, more recently, maintain a register of companies who meet specific environmental standards (‘eco sites’). They place experts under oath (beeidete Sachverständige), advise government departments, are involved in the registration of companies and in the appointment of arbitrators, and also assist their members directly as counsellors or mediators in conflicts arising in matters of local, regional and supra-regional importance.

The activities of the four Mittelstand associations differ from the ‘big four’ in several respects. As far as interest representation is concerned, they are less influential in policy fields they share with ‘the big four’. This is manifested in the fact that the Mittelstand associations have to rely on lobbying. In comparison with their smaller counterparts, the ‘big four’ are more engaged in corporatist governance bodies on a regular or occasional basis. Only BDI among the ‘big four’ represents product market interests vis-à-vis customers and/or suppliers, while only ASU among the four smaller associations does not (Table 8.5). The reason for this is that only an accentuated membership profile enables an association to demarcate its constituency from external customers and suppliers. Such a profile contrasts with the encompassing membership domain of BDA, DIHK and ZDH. Some of the Mittelstand associations have sharpened their profile also in relation to large companies, because they understand Mittelstand interests not only as differing from but also conflicting with the interests of larger companies. It is the declared mission of AWM and BVM to advance the interests of their members in relation to big business, the unions and the state. Each of the Mittelstand associations operates as a mixed business organization, although none is involved in collective bargaining. With the exception of the BVMW, however, they all offer services related to industrial relations. This corresponds with a general tendency of the smaller associations to extend the range of services beyond the scope of their representational
activities (Table 8.5). On the one hand, this underscores the relevance of associational services for smaller companies; on the other hand, it suggests that the associations usually offer only basic services, all the more since most of them are considerably worse staffed than the ‘big four’. They also differ from the ‘big four’ insofar as services generated by the members themselves are an especially important activity of the Mittelstand associations. ASU, for example, organizes a platform for mutual exchange of business strategies and practices among its members. BVMW and BDS-DGV have established something like an internal market where the members can enter into preferential business relations with each other.

**Inter-associational relations**

As outlined above, the associational system is characterized by manifold overlaps. The domains of the ‘big four’ fully or partly include the domains of the Mittelstand associations. The scope of representational activities also overlaps in many cases, in particular as far as the Mittelstand associations are concerned. To find out the actual inter-associational relations underlying these manifold formal overlaps, our survey also addressed the patterns of cooperation and competition among these associations. The respective information provided by the respondents was brought into matrix format and was then submitted to basic network-analytic operations. The result is quite unambiguous. Our sample clearly divides into two clusters remaining completely unconnected among each other (Figure 8.3). The first cluster is made up of the ‘big four’. The second cluster consists of the four smaller Mittelstand associations.

One main finding is that the two clusters are unconnected by any of the two types of relations. The fact that none of the Mittelstand associations relates to the ‘big four’ and vice versa indicates a clear hierarchical relationship between the two clusters in terms of political influence. Furthermore, the internal relations of the two clusters contrast with regard to their type. While expressing strong mutual cooperation, the members of the first cluster do not choose nor are they being chosen by the members of the second cluster. The polar opposite pattern holds true for the second cluster the members of which also relate only to each other, but do so only in terms of competition.

As demonstrated by Figure 8.3, rival relationships are especially pronounced between BDS-DGV and BVMW on the one hand, and between BVMW and ASU on the other. The predominance of rivalries underscores the fact that the four associations claim to represent more or less the same business groups in shared policy fields. It is only AWM which feels uncontested, presumably because its specialization in the service-sector Mittelstand has made this association somewhat distinct. Overall, the inter-associational relations characterizing cluster two are extremely messy, uncoordinated and competitive.
The high degree of cooperation within the first cluster is backed by several formal links between its members: BDI, BDA and DIHK are hosted by the Haus der Deutschen Wirtschaft in Berlin since November 1999. Technical coordination and other internal services within their joint headquarters have been externalized to a facility-management company. Organizational problems and possible synergy effects are frequently discussed among representatives of all three actors. The new headquarters in Berlin which has moved the three peaks much closer to government has also had the effect of improved inter-associational coordination. Coordination among these four organizations is also institutionalized through their membership in the Council of German Business. Furthermore, BDA and ZDH are intertwined through a common affiliate, namely BFH. Analogous interlocking relationships are established between BDA and BDI – 12 of the 14 Länder-level affiliates to BDA also serve as the Länder organizations of BDI. The structural precondition for this high degree of coordination lies in the fact that the ‘big four’ have formally specialized in membership and/or tasks in a way that makes their
scope of interest representation complementary to each other. In the case of BDA and BDI, this formalized task complementarity is given only at peak level in contrast to lower levels, where the associations do crosscut the scope of activities of these peaks. This is most evident in the case of the 12 Länder organizations which – as mixed associations – are affiliated to BDA and BDI. There are also branch- and sector-specific mixed associations and even some pure trade associations under the umbrella of BDA.

Even at peak level, formal complementarity of tasks has become increasingly blurred since the early 1990s, when BDI and DIHK began to raise bargaining issues. In 1996 they publicly criticized the bargaining policy of BDA and its affiliates, something which BDA saw as an unacceptable interference in its domain (Jacobi et al. 1998). This development has its lower-level parallel in certain sectors where separate associations process labour market and product market interests. A case in point is VDMA, a trade affiliate to BDI, which has called for a greater role in bargaining policy (Thelen 2000). The tensions between BDA and BDI continued with an open conflict over the bargaining system as such. BDI called for replacing multi-employer bargaining with single-employer bargaining in combination with a legal reform vesting the works council with the right to conclude collective agreements. This was in flagrant contradiction to BDA. While arguing for making the system more flexible, BDA defended multi-employer bargaining as the precondition for social peace in the company, employer solidarity and non-interference of the state in industrial relations. The tensions seemed to be overcome by a joint working group of BDA and BDI which recommended deferring any discussion on this issue for the time being (Thelen 2000). The president of BDI nevertheless renewed the conflict in 1998 when defending employers breaching collective agreements as giving a ‘shining example’ (vorbildlich) (Frankfurter Rundschau, 16 January 1998).

The division of interest underlying these conflicts has been between large companies and SMEs (Hornung-Draus 2002; Schnabel 2005; Thelen 2000). Generally, the view of SMEs is that the bargaining policy is dominated by large companies which are seen as being too generous in relation to union demands, while imposing price reductions on SMEs as their suppliers. The group of smaller companies has also felt uneasy about the long-term strategy of the BDA employer associations to exchange working time reductions and wages increases for enhanced flexibility of working time. In comparison with their larger counterparts, they lack the expertise and resources when it comes to taking advantage of sophisticated flexibility clauses. Moreover, they need less formalized flexibility of working conditions due to higher informal flexibility. Unlike BDI that organizes companies of any size, ASU, one of the Mittelstand associations, made this division of interest explicit by complaining that employer associations oriented their policy too much towards the interests of large companies.

Meanwhile, the rivalry between BDI and BDA has become less intense for several reasons. A change in the BDI presidency has improved the climate. By
introducing hardship clauses into collective agreements and, non-conforming membership into their statutes (see below), the BDA employer associations have established two safety valves in face of growing heterogeneity of member interests. Finally, BDA has come around to integrating its trade association counterparts into basic questions of labour market interests. In 2004, for instance, BDA, BDI, DIHK, and ZDH issued a joint declaration on the government’s recent labour market and social policy reforms (EIRO 2004a); in the same year a commission on codetermination by BDA and BDI presented a report plus recommendations (Funk 2004a).

**Resources**

Table 8.6 summarizes data on staff of the eight associations and composition of their revenues in 2002. In absolute terms the number of staff strongly correlates with the number of members, showing the difference between the ‘big four’ and the Mittelstand associations also in this dimension. While BDA, BDI and DIHK had several thousand staff members under their umbrella, only AWM recorded more than 50. The number of staff members per 1,000 member firms reveals that the big associations tend to be better resourced also in terms of the relative size of staff. In this respect, ASU is an outlier whose relatively large staff probably ensues from the fact that the average size of its member companies is far higher than that of the other smaller associations. The officials and representatives who work on an honorary basis provide the associations with a second pillar of human resources and outnumber the staff members significantly. In the case of DIHK and ASU, for instance, the ratio of staff to officials and representatives is 7,000 to 250,000, and 22 to 200, respectively.

Membership dues are either the sole or the main source of income. It is only the AWM that recorded notable revenues from sales of services. Dues are pre-eminent in the composition of revenues, since services are usually free and state funding of associations is absent. It is, however, important to note that Table 8.6 refers only to the revenues of the peak associations itself. This conceals the fact that income from interest resulting from the dispute funds as accumulated by the employer associations, provides the main source of their income. This is not visible in Table 8.6, as BDA itself does not dispose of a dispute fund. Regardless of this, this source of income is also essential to the budget of BDA through the dues paid by its affiliates. Gesamtmetall, the largest affiliate to BDA, is said to contribute more than 50 per cent of the budget of BDA. In 1998, Roland Berger Consulting estimated the BDA budget to be around DM 26 million (Behrens 2003). There are views among sector-level employer representatives that the employer associations, based on the revenues from interest coming from the dispute funds, bear the main financial burden of representing business interests, while the resources of BDI and its affiliates are seen as being more restricted. No coherent time series of resource endowment exists, but anecdotal evidence suggests that
Table 8.6 Cross-sectoral associations in Germany: human and financial resources, 2002/3

<table>
<thead>
<tr>
<th>Human resources</th>
<th>ASU</th>
<th>AWM</th>
<th>BDA</th>
<th>BDI</th>
<th>BDS-DGV</th>
<th>BVMW</th>
<th>DIHK</th>
<th>ZDH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of peak-level staff</td>
<td>115</td>
<td>150</td>
<td>203</td>
<td>115</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peak-level staff per 1,000 member firms</td>
<td>0.06</td>
<td>0.06</td>
<td>0.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peak-level staff per 1,000 employees working in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>member firms</td>
<td>0.006</td>
<td></td>
<td>0.006</td>
<td></td>
<td>0.02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of aggregate staff members*</td>
<td>22</td>
<td>84</td>
<td>~3,000</td>
<td>~3,000</td>
<td>50</td>
<td>25</td>
<td>~7,000**</td>
<td>~13,000</td>
</tr>
<tr>
<td>Aggregate staff members per 1,000 member firms</td>
<td>3.39</td>
<td>0.84</td>
<td>1.5</td>
<td></td>
<td>0.63</td>
<td>0.48</td>
<td>1.94</td>
<td>15.3</td>
</tr>
<tr>
<td>Aggregate staff members per 1,000 employees</td>
<td>0.01</td>
<td>0.13</td>
<td>0.15</td>
<td></td>
<td>0.04</td>
<td>0.02</td>
<td>0.22</td>
<td>2.3</td>
</tr>
<tr>
<td>working in member firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Composition of revenues (in %)

| Membership dues (firm members)                  | 95.0| 10.0| 0.0 | 100.0| 100.0 | 0.0 |
| Membership dues (affiliated associations)       | 0.0 | 70.0| 100.0|    | 0.0   | 0.0 | 99.5 |
| Voluntary subsidies from members                | 0.0 | 0.0 | 0.0  |    | 0.0   | 0.0 | 0.5 |
| Sales of services                               | 0.0 | 20.0| 0.0  |    | 0.0   | 0.0 | 0.0 |
| Obligatory dues and levies                      | 0.0 | 0.0 | 0.0  |    | 0.0   | 0.0 | 0.0 |
| Revenues from the state (including contracts    | 0.0 | 0.0 | 0.0  |    | 0.0   | 0.0 | 0.0 |
| with government                                  |     |     |     |     |        |      |      |
| Other                                           | 5.0 | 0.0 | 0.0  |    | 0.0   | 0.0 | 0.0 |
| Total                                           | 100.0| 100.0|100.0|    |100.0  | 100.0|100.0 |

Notes
* Including staff of the affiliated associations. ** Including the foreign trade Chambers.
retrenchment has been the prevailing trend. Two of the four Mittelstand associations had a smaller number of staff in the early 2000s than in 1989/90 (as reported by Krickhahn 1995: 223f.). With a fall from 120 to 50 staff members, BDS-DGV underwent a drastic reduction. A similar development characterizes the voluntary associations among the ‘big four’. During the 1990s BDI and BDA reduced their staff by around 30 per cent (Hornung-Draus 2002).

Organizational change and restructuring: the case of BDA and ZDH

In several countries (e.g. Denmark, Ireland and Sweden) the traditional peak-level differentiation between employer associations and trade organizations has changed in favour of mixed associations since the early 1990s. In Germany a merger between BDA and BDI was debated on several occasions. Most recently, this happened in response to the growing rivalries between the two associations during the 1990s (Süddeutsche Zeitung, 19 January 1998), but again without resulting in real efforts to merge. Likewise, the development of BDA does not show a clear tendency towards intra-confederal concentration. Unification prompted a further differentiation, since BDA quickly incorporated the newly established employer associations in East Germany. This, however, caused only a slight decrease of direct affiliates. Before unification, BDA had 46 sectoral affiliates and 11 Länder affiliates, as compared to 46 sectoral affiliates and 15 Länder affiliates in 1994. Over the last decade the number of its direct affiliates further increased. In 2005 BDA had 53 sectoral associations and 14 Länder organizations as members. The growing number of sectoral associations ensued from the formation of associations in newly emerging sectors (such as private broadcasting) which joined BDA (Behrens 2004a). The number of Land-level organizations slightly decreased as a consequence of a merger between the associations of Hamburg and Schleswig-Holstein. The total number of the member associations of the sectoral affiliates of BDA also dropped from 528 in 1995 to 436 in 2001. They decreased in the traditional sectors like industry, construction, the financial sector and Handwerk, while there was an increase in other sectors. The foundation of separate OT organizations (see below) has also added to the number of associations under the umbrella of BDA. Since the incidence of newly established memberships and associations outnumbers the frequency of mergers, the total number of associations has grown since the early 1990s.

The overall decline in employer density implies that the expansion into new segments of potential membership could not offset the loss of members in traditional sectors. The reduction of revenues caused by this development was one reason for BDA to prune its staff by around 30 per cent during the 1990s (Hornung-Draus 2002). As in the case of BDI, the move to the joint Berlin headquarters created the opportunity to implement most of
these reductions. Their cost savings enabled BDA to keep its membership dues constant. Since the early 2000s, staff has grown again. This is because certain tasks which were transferred to the members during the 1990s – something which also contributed to staff reduction during that time – were re-transferred to BDA. However, the most far-reaching organizational response to the decline in membership has been the establishment of the status of a non-conforming member (ohne Tarifvertrag, OT) by many regional organizations of the sectoral employer associations under the umbrella of BDA. In contrast to standard membership, non-conforming members are not bound by the collective agreements concluded by their employer association. At the same time, non-conforming members have access to the full range of services provided by their association. In line with this, OT members usually have to pay the same dues as standard members, except for the dues component dedicated to the dispute fund. There are two models of OT membership. The employer association may set up a parallel organization in which its (potential) members wishing to be uncovered by collective bargaining gather. The parallel organizations are usually linked by joint management and administrative apparatus. Alternatively, the employer association may introduce OT as a special membership status into its statute, aside from standard membership, such that both categories of members combine within the same organizational framework. OT membership existed in a few employer associations already before the 1990s, but has significantly spread afterwards, when the membership crisis has been emerging (Völkl 2002). As a survey of 319 employer associations under the umbrella of BDA shows, 32.2 per cent of them offered OT membership in the form of either model in the early 2000s. The fact that OT is more widespread in the East than in the West indicates that OT tends to follow the scale of membership problems. In accordance with this, OT is most often used by Mittelstand companies. There are no figures on the incidence of OT membership across the BDA associations. In the case of Gesamtmetall, 2,000 companies with 200,000 employees obtained the OT status in 2005 (EIRO 2005), as compared to around 4,800 standard members employing 1.9 million employees. OT members thus account for a remarkable proportion of members, while their share in employees is relatively small. With OT companies and standard member companies recording an average firm size of 100 employees and 390 employees, respectively, these figures corroborate the special preference of smaller companies for OT. It should be noted that the lawfulness of OT, in particular that of the model organizing standard and OT membership in one and the same association, is contested (Artus 2001; Völkl 2002). It is for this reason – and also on general grounds of maintaining employer solidarity – why many sectoral peak associations appreciate OT far less than their regional affiliates which feel stronger pressures from the companies. Gesamtmetall, for instance, warned its regional member associations against OT for juridical reasons in 1992 (Artus 2001). In 2005, however, Gesamtmetall decided to allow parallel OT organizations to become its
member, after all of its regional affiliates have had such organizations since 2004 at the latest (EIRO 2005a). Gesamtmetall probably surrendered OT, since it has attracted most of the new members. For example, around three-quarters of the companies which in 2002 joined its affiliate, Metall NRW, decided to become OT members.

In contrast to BDA, ZDH has undergone a process of concentration. While the number of Chambers has decreased slightly, there has been a notable fall in the number of Guilds as a result of mergers (Table 8.1). This concentration process also includes higher levels, with mergers between the KHSs on the one hand, and the LIVs on the other (ZDH 2003). The difference between the Chambers and Guilds in the pace of concentration can be traced mainly to the fact that the former are compulsory organizations, while the latter are voluntary. The stronger concentration among the Guilds has probably been caused by a declining propensity of the companies to voluntarily associate and maintain their membership.

In 2004, the ZDH adopted a reform aimed at making its organizational structure leaner and improving the effectiveness and the legitimacy of interest representation. Related measures include a reduction of the number of the members of the presiding committee and an enlargement of the competences of the general assembly. Furthermore, BFH renamed itself as Business Association of the German Crafts (Unternehmerverband Handwerk). The new name is to signal the opening of the association towards organizations which are closely connected with the Handwerk. Against the background of severe financial problems brought about by the bankruptcy of the internet company of ZDH the reform took place in response to markedly changed exogenous conditions, namely the recent amendment of the HwO. The 2004 reform which is confined to the peak level of the overall organization is understood as a first step to be followed by reforms targeting the lower levels.

Conclusions

The structure of the German system of both sectoral (Grote and Schneider 2006) and cross-sectoral business associations stands out in terms of its high degree of both hierarchical and functional differentiation. Hierarchically, the overall system is divided into two clusters of business associations along their relative importance as a voice of business. On the one hand, there is the cluster composed of the ‘big four’ which are the preferred partners of the authorities and/or the unions in matters of corporatist governance. Cooperation of the ‘big four’ with each other as well as with their interlocutors is facilitated by their complementary associational structure which is based on the non-competitive design of membership domains and/or functions. The other cluster comprises the associations located at the periphery of interest intermediation. They are all specialized in Mittelstand/SME interests and strongly compete for influence and members due to widely
overlapping domains and tasks. This hierarchical differentiation means that the representation of SME interests lacks a formalized gravity centre. On the one hand, none of the Mittelstand associations can challenge the associations of the predominant cluster even within their own, genuine policy domain; on the other hand, none of the four leading associations formally concentrates on representing SMEs as such.

The second property of the German associational system of business is the accentuated functional differentiation of its predominant cluster. Meanwhile, Germany has become the only country of the EU-15, where organized business is, from the base up to the peak level, so consistently built upon a functional differentiation into pure employer associations and trade associations. It has often been argued that the inclusiveness of the domain of the BDA, as compared to the narrower focus of BDI on industry, has been the main obstacle to a merger between the two voluntary peaks (e.g. Hornung-Draus 2002). There is also the feeling that assuming the functions of a trade association by comprehensive employer organizations such as Gesamtmetall might create the risk of provoking a split into several narrower branch associations. Put more generally, this indicates the enormous problems of integrating the highly diverse product market interests of business into a general and all-encompassing association. However, the examples of Denmark, Finland, Ireland, Sweden and Norway (not covered by this volume) demonstrate that it is not impossible to merge a pure trade association of industry with an encompassing pure employer peak. The Deutschland AG may have diminished the need for an encompassing mixed association, since this inter-firm network enables its managers to influence economic and political processes fairly beyond the realm of their own companies. It remains to be seen whether the erosion of the Deutschland AG will unleash pressures for merger activities.

These hierarchically and functionally differentiated structures have faced severe problems with coping with the immense increase in business interest heterogeneity, as caused by the economic transformations of the 1990s, namely those resulting from unification. One sign of strain was the emerging conflict over the collective bargaining strategy between the ‘big four’, especially between BDA and BDI, which somewhat questioned the traditional division of labour. Likewise, inter-associational tensions have become apparent also at lower levels within BDA. Important cases are the conflict over extension practices between the construction sector and other industries, and the differing views of the primary associations and their sectoral umbrella organizations, as far as the introduction of OT membership is concerned. However, the organizational problems have become most acute in terms of a strong decline in associability. As a consequence of the properties of the associational system outlined above, this decline has been most pronounced in the case of the Mittelstand companies.

Clear evidence on the decrease in membership is available only with regard to the employer associations. This is mainly because employer
density determines the coverage rate of multi-employer bargaining, the latter being well documented since the mid-1990s.\textsuperscript{24} We do not have data on the member development in the other voluntary sections of organized business. However, given the strong association between the scale of resources and the level of membership characterizing associations which get their revenues solely or mainly from dues (Table 8.6), available information on thoroughgoing resource retrenchment indicates that the fall in membership has been a general trend affecting trade associations and mixed associations on the one hand, and both clusters of the associational system on the other. Nevertheless, this trend has probably hit the pure employer associations harder than other associations for two reasons. Unlike other business associations, employer associations which are engaged in collective bargaining have to bind and commit their members to rarely popular compromises with the unions. Furthermore, pure employer associations cannot compensate declining attractiveness of bargaining by other activities in contrast to mixed associations.\textsuperscript{25} In these circumstances, the employer associations seek to cope with the weakened attractiveness of bargaining by means of OT membership. As available data on Gesamtmetall suggest, this strategy seems to be successful. In 2004 almost 50 per cent of the companies which opted out of collective bargaining shifted to the OT status (Schnabel 2005). Regardless of this, this strategy is burdened with a structural problem, since OT sets contradictory incentives. It discourages from collective bargaining, but attracts companies by services which are contingent on the continued relevance of bargaining. The \textit{raison d’être} of OT is that the governance effect of bargaining extends to uncovered companies, such that services related to bargaining are important to this group as well. This situation applies to approximately one-quarter of the companies in the West and one-third in the East, as noted above. However, the higher the number of companies moving from bargaining to OT, the more the externalities of bargaining will be weakened; with the consequence that the services related to bargaining – and, concomitantly, the incentive for OT membership – will become irrelevant as well. What works as a promising strategy in the short and medium term, may thus turn out to be self-defeating in the long run.

Notes

1 A more recent report also argues that ‘there hardly is any correspondence between what is meant with “artisanat”, “craft”, or “Handwerk” in different European countries’ (RWI 2004: 383). There are no two countries within the EU whose legal-institutional definitions of craft would converge or be compatible. Similarities to the German practice only exist in Luxembourg and Austria (ibid: 386). In terms of legal entry barriers to the profession, these at the same time are the three most strictly regulated countries in Europe. It is precisely this incompatibility which has defied the efforts of institutes such as, for instance, the ENSR (European Network for SME Research) to come up with consistent data
on that category for all European countries. The ENSR had been given the task by the EU Commission to scrutinize development in the sector and has produced several reports before 1997 when this agreement was discontinued.

2 Official data series on companies and employment, differentiated by firm size, end in 1987. More recent data are sporadically provided by research institutes, consultants or interest associations. The definitions and classifications underlying them vary with the specific purpose of these studies.

3 See EU regulation 1999/42/EC concerning the recognition of foreign certificates and qualifications and the free movement of persons and the Fifth Directive on Craft and the Artisans.

4 Whether a larger company growing out of what actually establishes Handwerk in terms of employment or production patterns stays with the HwO regime or registers under the rules of the Chambers of Industry and Commerce is often contingent on pure economic considerations. Many prefer to remain under the protective roof of Handwerk, not least because wages, on average, are lower than in industry (by approximately 15 per cent; RWI 2004: 24).

5 Attempts at rescinding these constituent principles of public law Chambers are neither new nor specific to Germany, as a comparative study shows (Forster 1984: 97–8).

6 For details of this line of reasoning, see DIHK (1996) which reports the Chambers’ position presented at a hearing before parliament.

7 This was the Central Committee of Business Associations (Zentralausschuss der Unternehmeverbände) which dated back to 1920.

8 The term is borrowed from the network-analytic literature.

9 In this policy domain, business associations have to face competition also from the political parties, namely from the Mittelstand organization of the Christian Democrats.

10 One important reason for the stronger decline in East Germany was the speedy adaptation of wages to the Western standard rates which many of the less productive companies of the East refused to accept.

11 For a more recent estimate of BDA’s density, see Chapter 18 and Table 18.4.

12 According to interviews carried out by the authors with several local Chambers.

13 BDI extended its domain to industry-related services in 2003.

14 In the case of crafts, the domain of DIHK somewhat overlaps with that of ZDH.

15 The number of orders should be reduced to a few exceptional cases according to the coordination rule of BDA (Kirsch 2003).

16 Since the construction industry is a supplier for all the other sectors, the latter are strongly interested in moderating pay policies of the former.

17 For instance, this applies to the economically important machine industry whose territorial associations are also linked to BDI via their federal organization (i.e. Verband Deutscher Maschinen- und Anlagebau, VDMA).

18 Interview with HWK-Konstanz, March 2004.

19 There are special and separate BDI organizations for Baden-Württemberg, North Rhine-Westphalia and Hamburg.

20 Over this period BVMW recorded an increase in the number of staff members, while there was stability in the case of AWM.

21 In the case of BDI, the reduction of staff was part of more comprehensive measures, leading also to a flatter hierarchy of the administration and a smaller number of departments as a consequence of closures and amalgamations.

22 BDI could temporarily lower its dues.

23 Data kindly provided by Martin Behrens. This survey includes only primary associations.
As an implication, studies of the factors of employer density and bargaining coverage concur in their list of significant predictors (e.g. Artus 2001; Schnabel 2005). But the correlation between the two variables has become more contingent over time. On the one hand, the spread of OT membership has somewhat weakened this correlation. On the other, this effect has been more or less offset by the declining coverage of extension practices.

Such compensatory activities have gained increasing importance in Denmark, where new members prefer to join the trade section over the employer section in mixed associations. See Chapter 5.
The economic and cultural background

According to EUROSTAT figures, Greece, along with Italy, has the largest proportion of firms per inhabitants in the EU: 694.4 and 683 firms per 10,000 inhabitants respectively, against 546.4 firms in the EU on average. In Greece, there exist over 800,000 SMEs, which constitute the vast majority of all firms (see Table 2.1). SMEs also contribute considerably to the creation of new jobs. It is worth pointing out, however, that the survival rate of newly established firms is rather low. According to a recent survey carried out by the Federation of Greek Industries (SEV), seven out of 10 newly established firms close down within 12 months, whilst the number of closures exceeds that of new establishments.

Micro businesses employing less than 10 employees clearly prevail in SMEs. In 2003 they represented 97.5 per cent of all firms and 56.8 per cent of total employment in Greece. There is no other country of the EU-15 recording higher shares of micro companies in the national economy. The comparable figures for the EU-15 as a whole were 92.4 per cent of all firms and 39.7 per cent of total employment (Table 2.1). With two occupied persons per enterprise in 2003, the Greek companies are far smaller on average than in the EU-15, where the corresponding figure was seven for 2003. The same holds true for the group of large companies which had 646 occupied persons on average in Greece, in comparison to 1,059 persons in the case of the EU-15.

The upshot of these statistics is that Greece stands out in terms of the numerical predominance of SMEs in general and micro businesses in particular. A notable number of them belong to the group of family-run enterprises and own-account workers (i.e. self-employed people without employees). Self-employment is thus very widespread in Greece, accounting for 40.2 per cent of total employment. For the EU-15, the corresponding figure is 14.9 per cent (Employment in Europe 2005). On the other hand, firms employing fewer than 50 employees account for 73.5 per cent of total employment and 59.2 per cent of firms’ revenues (Economic and Social Committee 2001).
For a long time that covered the inter-war dictatorships and the regime of the colonels between 1967 and 1974 the economic development of Greece was overshadowed by authoritarian political systems, leading to clientelistic relationships between business and the state in such matters as credit allocation, subsidies and public procurement (Kritsantonis 1998; Lavdas 1996). This put its stamp on organized business in two respects. On the one hand, it undermined the representative role of the business associations and their authority vis-à-vis their members, since networks of personal patronage proved more effective as a means of advancing interests. On the other hand, clientelism gave rise to politicization and the ‘colonization’ of organized interests. Business interest associations in Greece are still differentiated not only according to the type of business activity and the size of firms, but also along political party affiliations. Nowadays, the boundaries between political parties and interest groups have become more accentuated and business is organized along more autonomous lines. This has mainly been the result of European integration. The need to cope with the economic challenges of European integration has prompted efforts to concert the actions of organized interests. Furthermore, EU policies have opened manifold opportunities to involve organized business in their implementation.

Hence, the accession of Greece to the EC in 1981 has contributed to the consolidation of organized business as well as to the modernization of the economy, as is manifested in relatively high growth rates, a stabilized economy, social peace, a modernized public infrastructure, and a steady influx of EU funding. Regardless of this, however, the Greek economy is still lagging behind in a number of crucial indicators such as high public debt, low labour productivity, low international competitiveness, declining foreign investment, an ineffective and over-sized public sector, high unemployment rates and an obsolete educational system. SMEs are especially burdened with economic backwardness. At the same time, they lack the human and technical resources that would allow them to reap the full benefits of the programs directed to them through the Community Support Frameworks.

A number of policy proposals have occasionally been put forward, by various actors, regarding SMEs. The most coherent proposals were presented by OKE, the Economic and Social Committee (2003). Its recommendations include: the establishment of a central political agency, such as the National Council for SMEs, that will have the capacity to co-ordinate all policies affecting SMEs and will constitute a permanent social dialogue forum; enhanced participation of the SME associations in the social consultation process; and access to public procurement policies.

The legal framework for associational action

After the fall of the colonels’ regime in 1974, Greece rather hesitantly liberalized the statutory regulations on associational action, as compared to the developments in Spain and Portugal (Schmitter 1995). The major reform
of the associational rights of the group of SMEs was introduced as late as 1987, with Law 1712/1987 on the ‘modernization of professional associations of traders, artisans and other professionals’, following concerted and long lasting pressures from the SME associations. Until that time, the internal organization and functioning of business organizations was regulated by a law dating back to 1914, by the civil code provisions for associations, and by other more or less irrelevant laws. The absence of an explicit and coherent institutional framework inhibited the formation of associations and led to a multitude of contradictory and fragmentary provisions that caused unequal treatment of the various organizations. Depending on the organization, there existed different electoral systems and different membership criteria. These irregularities were cancelled out when the 1987 legislation came into effect. This law introduced uniform regulations for the professional organizations of artisans and traders and imposed the clearing of registers from ghost organizations. Its main provisions are: (a) only individuals can become members of the professional organizations of traders, artisans and professionals; (b) the autonomy of the organizations is reinforced; (c) a member can belong to up to two primary associations but can vote only once; (d) the proportionate electoral system is introduced, so as to enhance the democratic functioning of the organizations; and (e) the financial autonomy of professional associations is established (Vassiliou 2001).

Law 1712/87 came into full effect in 1994, after a number of amendments. The most important amendments were introduced in 1992 (Law 2081/92). They aimed at curtailing the influence of the sectoral federations affiliated to GSEVEE (see below) and favoured the establishment of a new confederation of commercial firms. The 1992 amendments were eventually abolished in 1999, by virtue of Law 2741/99. The new legislation was welcomed by the organizations concerned, as it solved long-standing institutional problems of representativeness and resource endowment. However, it did not effectively address the problem of the fragmentation of the primary associations into a plethora of weak and very small organizations, with limited resources and low bargaining power. Moreover, a common legal framework for associational action still does not exist. While the 1987 law applies to associations organizing small firms and micro firms, the principal association, SEV representing the group of larger companies (see below), operates under the terms of the Civil Code.

The legal preconditions for free collective bargaining followed the legislation with regard to associational action with some delay. Until 1990 the scope of bargaining was confined to pay and its outcome was subordinated to a compulsory system of state arbitration. These regulations were replaced by the Law 1876/1990, which marked a breakthrough in modernizing industrial relations, insofar as it enacted the independence of bargaining from pervasive authoritarian interference of the state. The new law recognized the right of the representative organizations of the social partners to create their own system of collective bargaining, extended the scope of bargaining and established a
system of voluntary and democratic conciliation, mediation and arbitration instead of compulsory arbitration (Kravaritou 1994). In principle, single employers employing 50 employees or more, employer associations and unions are vested with the legal capacity to conclude collective agreements. Hence, micro businesses and small companies are not authorized to engage in single-employer bargaining. Labour law also provides for a rank order of bargaining rights which is usually linked to associational representativeness in terms of the number of members. If the bargaining domains of associations overlap, then the capacity to conclude collective agreements lies with the most representative association. In case of a competition over bargaining rights the contesting party must appeal to a special committee, established by Law 1264/1982, within 10 days after the document calling for negotiations has been notified to the Labour Inspectorate. The decision taken by the above committee is final. In practice, there have hardly been conflicts over bargaining domains despite the relatively low density ratio of both unions and employer associations. Mutual recognition is thus the constituent principle, when it comes to demarcating bargaining units and their signatory parties. The concept of representativeness is nevertheless important as a criterion for the access to public policy functions. The right to participate in corporatist government bodies in fields like social insurance and industrial policy is reserved for the most representative unions and employer associations (Kravaritou 1994).

The role of employer associations and unions as agents of bargaining is strengthened by a statutory mechanism for extending the purview of a multi-employer collective agreement to employers unaffiliated to the signatory employer association. The application of this mechanism is tied to a minimum level of coverage: Before extension, the signatory parties must organize already 51 per cent of the employees within the agreement’s domain. There are three ways of extending a collective agreement. The Minister for Labour, following an opinion issued by the Supreme Labour Council, may initiate the extension. The agreement may also be extended at the request of the appropriate union and employer association. Finally, unions and employer associations which are not parties to a certain collective agreement may unilaterally adhere to the agreement, by making a formal request to the Ministry for the extension of an agreement signed by third parties. The extension mechanism is quite widely used in Greece. Therefore the parties to multi-employer bargaining create considerable externalities for unaffiliated employers through extension practices.

The role of organized business in social dialogue and public policy making

Since 1990 collective bargaining takes place at four levels (Ioannou 2000a). The National General Collective Agreement (EGSSE), with a one year or two year duration, sets the basic rates for private sector employees throughout
Greece

the country. The signatory parties to this centralized agreement are the General Confederation of Greek Workers (GSEE) and three cross-sectoral employer peak associations (i.e. the Federation of Greek Industries, SEV, the General Confederation of Greek Small Business and Trades, GSEVEE, and the National Confederation of Hellenic Commerce, ESEE). Industry-level bargaining is conducted by sector-specific unions which have either sectoral or peak-level employer associations as their counterpart. Occupational bargaining occurs at national and local level. Finally, there is company-level bargaining. As noted above, single-employer settlements can be concluded for companies with at least 50 employees. Industry-level agreements have proved to prevail in the bargaining process, because their pay hikes exceed those fixed at central level. Moreover, labour law guarantees industry- and company-level bargaining precedence over occupational bargaining. Company-level bargaining is not very important for structural reasons, as 99.6 per cent of all companies, covering 73.7 per cent of total employment, had less than 50 employees in 2003 (Table 2.1). Furthermore, many of the subsidiaries of multinational enterprises are non-union (Kritsantonis 1998).

The institutional reforms introduced over the past 20 years, and in particular during the 1990s, have given a new impetus to the social dialogue process that was until then largely underdeveloped. The scope of the social dialogue is not strictly limited to labour market issues, something which may be traced to the fact that the peak-level representatives of the employees and employers are directly engaged in collective bargaining. This makes them important partners from a government perspective. Hence, the privileged interlocutors of the government, regarding economic policy and industrial relations issues, are GSEE for labour, and SEV, GSEVEE, and ESEE on behalf of business.

These four social partner organizations participate in the preparation of reforms on public policy issues such as social security, labour market flexibility, the taxation system, etc. They have the capacity to nominate their representatives to a wide array of public institutions, decision-making bodies, ministerial committees, steering committees, monitoring committees of EU funded programs, etc., the most important of which are as follows: the National Competitiveness Committee; the National Council for Competitiveness and Growth; the Manpower Employment Organization (OAED) and its two subsidiary companies (i.e. the Vocational Training SA and the Employment Observatory SA); the Mediation and Arbitration Organization (OMED); the Employment and Vocational Training Fund (LAEK); the Hellenic Institute for Health and Safety at Work (ELINYAE); the Supreme Labour Council; the National Employment Committee; the National Social Protection Committee; the Organization for Vocational Education and Training (OEEK); the National System Associating Vocational Education and Training with Employment (ESSEEKA); the National Committee for the Definition of Professional Rights; the Competition Committee; the Capital Market Committee;
the National Export Council; the Social Security Foundation (IKA), the National Land Planning Council; the National Centre for Vocational Orientation (EKEP); the National Organization of Small and Medium-sized Handicraft Production Firms (EOMMEX); and the Economic and Social Committee (OKE). OKE is the main social dialogue institution established by law 2232/1994. It is modelled on the EU Economic and Social Committee. OKE generally plays an advisory role and is entitled to articulate its opinion on every draft law submitted to it on important social and economic issues regarding industrial relations, social security, taxation, regional development, investment policies, exports policies, consumer protection and competition. It can also express an opinion on its own initiative. Since its establishment, OKE has issued over 100 opinions. It consists of 48 members, broken down to three distinct interest groups (i.e. business, labour and other groups comprising farmers, independent professions, local government, and consumers) with 16 members each. According to Law 3220/2004, the President of OKE is in turn elected from one of the above three groups for a three-year term.

In 1997 the social dialogue culminated in the conclusion of a tripartite ‘Pact of Confidence’, the only accord of this type ever signed in Greece. The pact is commonly seen as rather ineffective, mainly because such essential policy fields as wage bargaining, taxation and social security were excluded from its agenda (Ioannou 2000a). OKE as the key advisory body in matters of economic and social policy was not incorporated into the process. The fate of the pact reflects general problems of the social dialogue in Greece (Ioannou 2000a). There is a fragmented and incoherent policy agenda and a lack of integration of the distinct corporatist government bodies. Moreover, concertation efforts lack continuity. The government tends to oscillate between involvement of the social partners and unilateral decisions. The social partners each face internal fragmentation that makes them hesitate to fully engage in the social dialogue. The unions are primarily plagued by political differences. In the case of business the divide is between groupings of interest which mainly relate to firm size. Characteristically, the voice of SMEs, GSEVEE, did not sign the 1997 pact.

Despite these manifold difficulties business associations can derive power resources from their participation in public policy which enables them to attract members as a result of their intermediary role in policy implementation. Since Greece has been a primary target of community financial assistance, related programs have increased available funds. It should be noted, however, that programs specific to SMEs do not figure prominently. Since 1977, such programs have traditionally been administered by EOMMEX. Recently, its activities were reduced to an extent that there is currently no focal institution addressing SMEs. The establishment of the Centres for the Development of Enterprises and of the Centres of Young Entrepreneurs have, so far, had a limited effect in boosting entrepreneurial activity. The on-going operational program on Competitiveness includes
actions aimed at creating support structures for SMEs. Regardless of this, it is mainly the business associations themselves that have created their own structures, lending support to SMEs.\(^{10}\)

**The associational system**

There are four country-wide, cross-sectoral peak associations which meet the definition, as outlined in Chapter 2 (Table 9.1): the Federation of Greek Industries (SEV), the General Confederation of Greek Small Business and Trades (GSEVEE), the National Confederation of Hellenic Commerce (ESEE) and the Union of Hellenic Chambers of Commerce and Industry (KEEE). While SEV, GSEVEE and ESEE are voluntary, mixed associations, KEEE as a trade association relies on legally-based obligatory membership, as many other Chambers in Europe. A notable number of business associations have remained outside the umbrella of these cross-sectoral peak associations. In particular this applies to regional associations, and, to a lesser extent, to sectoral associations. Most importantly, the associations of the powerful ship owners of Greece belong to this group (Kritsantonis 1998).

The demarcation lines between the peak organizations are fairly blurred, since 99 per cent of all firms are SMEs. However, micro-business and labour-intensive SMEs tend to band together in GSEVEE, whilst larger firms and many (capital-intensive) SMEs prefer to be represented by SEV. Commercial firms usually join ESEE. Finally, the membership domain of KEEE is all-encompassing. In practice, this configuration of representational profiles and membership strongholds means that SEV is the principal business interest association, whereas GSEVEE is the largest association of SMEs.

**Domains and membership**

The formation of SEV dates back to 1907. Its membership domain rests on a dual structure: associations as well as firms (in contrast to individuals) are admitted to membership.\(^{11}\) According to its formal demarcation of membership, SEV’s potential members embrace all firms with over 50 employees in manufacturing and services.\(^{12}\) In 2004 SEV had around 560 firms, 70 sectoral associations and seven regional associations as members, which represented an estimated total of 95,000 employees.\(^{13}\) This implies a density of approximately 20 per cent of the employees covered by the domain of SEV. Its membership stronghold is large, capital-intensive companies of the traditional sectors of manufacturing, such as engineering, cement, construction, chemicals, textiles and electrical equipment. It is also this core group of members which dominates its governing bodies and thus its interest politics (Lavdas 1996). Furthermore, membership has become broader over time, ranging from small entities to large corporations (including privatized public utility companies) on the one hand, and from manufacturing to the service sector on the other.
Table 9.1 The cross-sectoral business associations in Greece: basic data, 2003/4

<table>
<thead>
<tr>
<th>Association</th>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Function</th>
<th>Density</th>
<th>Voting rights*</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEV</td>
<td>Firms with over 50 employees in manufacturing and related services</td>
<td>70 sectoral 7 regional</td>
<td>560 (DM)</td>
<td>90,000</td>
<td>Mixed</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>GSEVEE</td>
<td>SMEs (i.e. traders, artisans and professionals) with no more than 250 employees</td>
<td>20 sectoral 48 local 1 other</td>
<td>101,833 (IM)</td>
<td>n.a.</td>
<td>Mixed</td>
<td>12.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>ESEE</td>
<td>Commerce</td>
<td>14</td>
<td>50,000 (IM)</td>
<td>n.a.</td>
<td>Mixed</td>
<td>17.8</td>
<td>n.a.</td>
</tr>
<tr>
<td>KEEE*</td>
<td>General</td>
<td>58</td>
<td>820,000 (IM)</td>
<td>n.a.</td>
<td>Trade association</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Notes
* Based on obligatory membership. a According to law. DM = direct membership in the peak association. IM = indirect membership in the peak association. MM = mixed membership. n.a. = not available.
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GSEVEE is the confederal representative of artisans, traders and professionals. It was established in 1919 under the name of the ‘Association of Greek Handicrafts’ and has gradually evolved into the largest association for SMEs. To date, its formal membership domain covers the self-employed entrepreneurs, the micro businesses, small firms, and medium-sized business. GSEVEE’s structure is regulated by the provisions of Law 1712/1987. Accordingly, only those engaged in an entrepreneurial activity, and in doing so, possessing the formal and substantial qualifications, can become members of the primary organizations. A primary association embraces exclusively traders, artisans and professionals as natural persons and not as legal entities. A federation must consist of at least three primary organizations. The federations, in turn, are affiliated to GSEVEE. In 2003 GSEVEE covered 69 federations (48 local federations, 20 sectoral federations and one pensioners’ federation) and 1,359 lower-order associations with 101,883 registered members. Accordingly, density of companies is around 12.5 per cent. As compared to its formal membership demarcation, it is mainly the self-employed and the micro and small business with up to 50 employees that actually tend to join GSEVEE. According to the organization’s estimates, 96 per cent of total membership consists of SMEs that employ less than 10 employees (of which around half are self-employed entrepreneurs), whilst the remaining 4 per cent are SMEs employing between 10–50 employees. Larger companies (with over 50 employees) usually choose to be represented by SEV, whilst commercial SMEs, alternatively, can be organized also by ESEE (see below). The reasons for choosing one or another of the organizations are often influenced by political rather than business-related considerations. This fuels competition over the representation of small companies in commerce, involving GSEVEE and ESEE. Emphasizing its own profile as the voice of SMEs, GSEVEE has criticized ESEE as the representative of large companies which neglects the interests of smaller trades (Kritsantonis 1998).

ESEE is the youngest association in the cross-sectoral system of business organizations. Established in 1994, its formal domain embraces any commercial firm irrespective of size. As already noted, this domain widely overlaps with that of GSEVEE. In 2003, 14 commercial federations and 185 commercial associations at primary level, established throughout the country, were under the umbrella of ESEE. These associational affiliates covered approximately 50,000 enterprises. This implies a density ratio of approximately 17.8 per cent of the potential member companies. Compared to its formal domain, actual membership is concentrated on the relatively small firms (i.e. employing less than 10 employees), as several groups of larger commercial corporations have remained outside ESEE.

KEEE is the umbrella organization of the 58 local Chambers, which was set up in 1980. KEEE’s domain covers all business sectors of the economy (i.e. trade, manufacturing, handicraft and professional activities). All Chambers are public-law legal entities, run by democratically elected entrepreneurs. The structure of the Chambers – which are self-financed institutions supervised
by the Ministry of Development – is regulated by Law 2081/1992. This law gave new impetus to the operation of the Chambers, by guaranteeing their administrative and managerial independence. Membership in the Chambers is compulsory. Approximately 820,000 firms of every size are affiliated to the Chambers that are established all over the country. Every prefecture has a multi-sector Chamber, whilst the three largest cities (Athens, Thessalonica and Piraeus) have three different Chambers each: a commerce and industry Chamber, an arts and crafts Chamber and a Chamber for the professions. Firms belong to the respective Chamber, according to their type of activity.

**Activities**

SEV appears to be the most prestigious business association, with increasing authority and an influential position in policy-making. This association organizes the product market interests as well as the labour market interests of its members and represents them vis-à-vis the state authorities and the other social partner organizations. As regards product market interests, SEV has been the advocate of economic openness and participation in European integration. This has been supplemented by a corresponding policy regarding labour market interests. SEV has favoured the development of social dialogue and macroconcertation as a means of preparing the Greek economy for the Single Market and EMU (Ioannou 2000a). The basis for such efforts has been its key role in collective bargaining. SEV is directly engaged in this process in that it negotiates the National General Collective Agreement, as well as 67 sectoral and occupational agreements.

Overall, the process of European integration and its implications for domestic policies have considerably strengthened SEV’s representative role as well as its authority vis-à-vis its members. Its representative role is underpinned by its presence in numerous corporatist bodies. The association is represented on more than 90 committees, boards of directors, managerial units, monitoring committees, councils, etc., which are devised to formulate and implement policies that affect, directly or indirectly, the business environment and the competitiveness of Greek industry. SEV’s service activities centre on the following issues: industrial relations (e.g. advice on bargaining matters, support in case of labour disputes); economic policy programs (advice on public grants and subsidies); exchange relations with suppliers and customers (i.e. information and export promotion through the Exports’ Forum, and the organization of business missions abroad, participation in exhibitions, etc.); vocational training and further training of staff; and member support when it comes to claiming their rights before the state and the EU authorities. Services are generally free of charge. Despite the wide range of services offered, the main focus of activities is on interest representation.

While GSEVEE is a mixed association like SEV, its priorities of interest representation somewhat differ from those of SEV. In the case of product
market interests GSEVEE has adopted a more reserved position, as far as the opening of markets is concerned. There has also been less willingness to embark on a strategy of social pacts. In contrast to SEV and ESEE, GSEVEE did not sign the tripartite ‘Pact on Confidence’, since, in its view, the agreement ignored essential interests of SMEs in such matters as economic development and taxation (EIRO 1997). Regardless of this, GSEVEE has a role in the bargaining process. On behalf of SMEs, it negotiates the National General Collective Agreement and several sectoral collective agreements. In addition to its representation on the corporatist institutions (along with the other social partner organizations) mentioned above, GSEVEE also participates in an array of regional and local committees, Arts and Crafts Chambers, etc. The services provided to its members are free of charge and cover areas such as economic policy programs (i.e. advice on public grants and subsidies); and exchange relations with suppliers and customers (e.g. information, export promotion). GSEVEE has its own accredited vocational training centre with five local branches, whose activities address employees, the self-employed and employers of small commercial and manufacturing firms. To perform documentation tasks, GSEVEE is setting up its own portal, in view of providing daily updated information on all issues of interest to its members, and eventually also distant training. Moreover, through its vocational training centre, it conducts studies and research, with special emphasis on skills, innovation and know-how issues.

ESEE is also a mixed association. Its primary goals do not differ from the other business associations, as it aims to improve the business environment, rationalize the taxation system, minimize bureaucracy, maximize the public sector’s efficiency, increase labour market flexibility and enhance the overall competitiveness of the Greek economy. ESEE is represented on manifold corporatist boards in a way analogous to SEV and GSEVEE. Together with these two peaks, ESEE represents business in the course of the negotiations for the National General Collective Agreement and also concludes sector-related agreements. In the mid-1990s it unsuccessfully claimed to lead business in the process of joint central-level bargaining over wages on the grounds that the majority of employees work in commerce (Kritsantonis 1998). There are four main fields of services: the confederation has established its own, accredited, vocational training structures. A web portal provides up-to-date information to Greek traders and foreign business, regarding possibilities for cooperation. Another group of services concentrates on documentation of commercial issues and transfer of know-how. Finally, there is a focus on the dissemination of e-commerce.

KEEE is a peak trade association. Its representational activities rest on its legally-based role as an advisory body to the authorities. This enables KEEE and its affiliated Chambers to articulate their views on issues of legislation and policy in matters affecting commerce, industry and the national economy. The Chambers are thus important representatives of business. Regardless of this, their scope of action is restricted in two ways: (a) They do not have the
status of social partners, and (b) due to their encompassing domain, they can do no more than express the lowest common denominator of the interest of all businesses. KEEE also represents the 58 Chambers internationally and participates in the Eurochamber, in the Association of Balkan Chambers, and in the Chambers’ Association of the Black Sea Zone. Services include mediation between the firms and the state; further training (which is mainly related to management skills), the promotion of international trade (e.g. through organizing trade missions) and the dissemination of a wide range of information on markets, the legal framework on business activities, collaboration opportunities, funding opportunities, financial tools, community programs, technology and innovation, etc. SMEs use these services most frequently.

Resources and restructuring

Almost nothing is known about the associations’ resources. Staff of SEV and GSEVEE consists of 44 and 10 full-time members, respectively. What can be said about financial resources is that several of the associations enjoy state-aided, mandatory resource endowment. In the case of KEEE this follows directly from legally-based obligatory membership of the companies in its member Chambers. GSEVEE and ESEE can, by law, participate in the Chambers’ revenues from membership subscriptions. Put more specifically, the primary, secondary and tertiary-level organizations representing the traders, artisans and other professionals are the beneficiaries of an 8 per cent levy on the annual contributions of the company members of the local Chambers. According to law, 60 per cent of the total income from this levy is allotted to GSEVEE and the remaining 40 per cent, to ESEE. In turn, these two confederations have to give 10 per cent of the total amount awarded to them to the Panhellenic Exporters’ Association, and an unspecified part also to their member federations and the primary associations, which correlates with the number of members they have.

In connection with training activities, SEV, GSEVEE and ESEE can draw from indirect state support of resource endowment (Aranitou 2003). This rests on a unique interplay of centralized bargaining, its generally binding effects, and supportive legislation. In 1988 the three employer peak associations and GSEE concluded a National General Collective Labour Agreement (NGCLA) which introduced a levy for financing training activities, which was then increased according to the 1993 NGCLA (Ioannou 2000b). This agreement which was legislated in 1994 by the Government (Ioannou 2000a) laid down the framework for the establishment of the Employment and Vocational Training Fund (LAEK) which is managed and supervised by the social partners. Nowadays this fund is mainly financed by contributions of employers and employees to the statutory Special Joint Unemployment Fund and various grants from the Special Fund for Vocational Training Programs (Papadopoulos 2000).
Despite this public assistance in raising funds, scarcity of resources is said to be one major problem facing voluntary business associations, since the total revenues from member dues and the Chamber levy are considered insufficient to cover growing expenditures for interest representation and services. Regardless of this, the associations are not willing to charge a fee for the services they provide for their members, since this is seen as inconsistent with common customs and practice.

Commerce was involved in a major case of restructuring in the 1990s (Aranitou 2003; Kritsantonis 1998). In 1994, ESEE was formed as a confederation which replaced an informal coordinating council set up in 1961 and covering the local associations of the sector. While this reform strengthened the internal coherence of structures, it failed to integrate the independent associations that represent several groups of the sector’s larger companies. No other kind of organizational restructuring is reported aside from such administrative changes as improvements in telecommunications and IT systems.

Conclusions

The overall picture of organized business (as well as labour) is ambivalent. On the one hand, a consolidation is evident. For many years, the system of interest intermediation in Greece had been marked by strong state interventionism, party dependency and clientelistic politics. Following a transformation process that had gathered momentum in the early 1980s (when the socialists had come to power), organized interests gradually achieved independence and institutionalized access to public policy within the framework of corporatist bodies (Lanza and Lavdas 2000). This process was mainly triggered off by developments in the EU. The participation of Greek business interest associations in the European institutions reinforced their bargaining power *vis-à-vis* the Greek state, boosted their self-confidence and opened up new opportunities for domestic action, namely through the diffusion of knowledge and information; the accumulation of experience; the modernization of their organizational basis; and their voice in European interest organizations in the EU (Aranitou 2002). This means an increase in both representational weight and authority *vis-à-vis* their constituencies. As Lavdas (1996: 1579) put it, the participation of Greece in European integration ‘did at least as much in terms of modernization of business interests intermediation as it did in terms of industrial structures modernisation’. In particular, enhanced possibilities for distributive policies, which are based on resources from Community funds, and the integration of the associations into this process have strengthened their position.

This rise of organized business in Greece has been described as an ‘artificial neo-corporatism’, owing to the fact that it was not caused by a genuine, endogenous development, but rather by a top–down process, unleashed by the growing requirements for macro governance in the wake of European
integration (Aranitou 2002). This brings us to the weaknesses of the system. Membership in interest associations has not grown in parallel with the improvements in external conditions. One may infer from this a traditional reluctance of business, especially its SMEs, to associate. Problems with interest representation parallel these difficulties with member recruitment. The corporatist institutions equip organized interests often with a formalistic rather than a substantial influence on public policy in such important areas as vocational training, economic programs and industrial relations (Economic and Social Committee 2001). If there is a substantial impact, then this varies over time with political cycles. Again, this affects SMEs more than their larger counterparts which are less dependent on associational action. Although several policy initiatives to increase the competitiveness of SMEs were launched in line with the Lisbon Council, the situation has improved only marginally. The firms seem unable to take advantage of these policies and to adjust to the new environment and challenges ahead.

Notes
1 The term ‘colonized’ is used in Lanza and Lavdas (2000).
2 According to the 2005 Growth Competitiveness Index, Greece ranks forty-sixth among 117 countries, nine positions lower than in 2004. This is the third lowest position in the enlarged EU-25, after Italy and Poland (SEV 2005).
3 Until 1982, the associational status was mandatory for all professional organizations (Moudopoulos 1994).
4 The system of interest intermediation is differentiated into three hierarchical levels. The tertiary organizations operate at the confederal (i.e. peak) level and gather the various sectoral and occupational federations of the secondary level. These federations, in turn, organize the primary associations, which have the individual businesses as members. The same system applies to labour.
5 Until 1987, there were no statutory provisions regarding the electoral system. In practice, the system was regulated by the statutes of each association. The absence of a universal legal framework was in fact a source of inequalities, distortions and undemocratic practices that permeated all levels of association. The introduction of the proportionate electoral system as mandatory (Law 1712/1987) introduced democracy into the associational system and ensured the equality of votes (Vassiliou 2001).
6 The distinction between commercial federations and the rest, as introduced in Law 2081/1992, constituted unfair treatment of artisans and professionals. According to Article 9 each federation at the secondary had to organize a minimum of four commercial associations or six artisans’ or professionals’ associations; and at the tertiary level, each confederation had to cover a minimum of either eight federations representing traders, or 12 federations representing artisans and professionals. Moreover, the representatives of the federations were deprived of the right to elect the governing bodies of the confederation, although they maintained the right to be elected.
7 In fact, EGSEE covers around 20 per cent of private sector employees, the rest being covered by industry-wide, occupational or company-level agreements.
8 EOMMEX is a non-profit public institution supervised by the Ministry of Development. Its Board of Directors (appointed by the Minister of Development) consists of representatives from the SMEs sector of the economy. Its main mission
is to provide policy advice to the Ministry of Development on the formulation of a national strategy for the development of SMEs, on the impact of legislation on SMEs, and on ways of simplifying and improving the business environment. EOMMEX is also charged with implementing the national policies regarding SMEs, through specific, business support measures, actions and programs.

9 In relative terms, Greece was the second biggest recipient of EU expenditures in 2003, with 3.18 per cent of GNI (European Commission 2004b).

10 A case in point is LAEK (see above) which is, nevertheless, sponsored by the state. In 2004, for instance, its program included training activities for the employees of small businesses (i.e. employing 1–25 employees) to be carried out by the bodies representing the employers of small businesses, either on their own account or in cooperation with the corresponding trade union.

11 In 1979 the Federation adopted a change of its constitution that replaced individuals with corporations as the unit of membership (Kritsantonis 1998).

12 SEV’s domain was confined to manufacturing until 1988, when a change of its constitution also permitted membership of service companies which are related to and in support of manufacturing (banks, insurance companies, transport companies, IT companies, etc.).

13 As recent official figures have not been disclosed by SEV, we can only provide an estimate, using 1998 information. There have been only marginal changes since that time, however.

14 One should also differentiate between the registered members and the voting members (those who are entitled to vote after having paid their fees and contributions). In 1990, for instance, GSEVEE had 131,548 recorded members, whereas only 67,029 voted for the confederal congress (Kritsantonis 1998).

15 GSEVEE contends that ESEE has 10,000 to 30,000 members, rather than 50,000.

16 For a detailed account of the privileged relations of SEV with the parties in power, see Lanza and Lavdas (2000).
10 Ireland

Franz Traxler
in collaboration with Edel Walshe

The economic and cultural background

Ireland is a small open economy and is heavily dependent on the international economy in terms of trade and foreign direct investment. Over the past decade it has been one of the fastest growing economies in the OECD. At its peak, in 1999, output alone in the economy increased by 9.8 per cent in real GDP terms and 7.8 per cent in real GNP terms (CSO 2000). In addition, employment increased by over 40 per cent between 1990 and 2000, again the fastest growth rate in the OECD. During its remarkable expansion the Irish economy has been transformed from a predominantly agrarian and traditional manufacturing based economy to one increasingly based on the hi-tech and internationally traded sectors such as information and communications technology, software services, pharmaceuticals and medical technologies. The growth of the economy has increasingly come from these sectors. In 2002, the services sector accounted for 65 per cent of employment, industry for 28 per cent and agriculture for 7 per cent (ESRI 2004). In 1970 the comparable figures for services, industry and agriculture were 43 per cent, 30 per cent and 27 per cent, respectively, with an employment share of agriculture almost twice as high as on OECD average (i.e. 14 per cent) (OECD 1992).

The Irish economic structure shows a structural divide in three interrelated but distinct respects. In terms of firms size, the number as well as the employment share of SMEs is above the average of the EU-15, whereas the corresponding figures for micro firms and large firms is below average (Table 2.1). There is also a notable divide between the sector of larger subsidiaries of foreign multinational companies and the group of smaller indigenous firms many of which operate as sub-supply companies for the multinational sector. In this sector US companies are by far the largest single national group, with a total of 570 companies directly employing around 90,000 people (i.e. around 7.2 per cent of the total number of private-sector employees in 2002). Numerous multinational subsidiaries which represent the most advanced segment of Ireland’s economy are established on ‘greenfield’ sites in non-traditional industrial areas (Prondzynski 1998).
Third, a unionized sector covered by single-employer bargaining contrasts with a growing non-unionized and unprotected sector, the latter being dominated by newly established greenfield operations, and more specifically, by firms of US origin (Incomes Data Service 1996).

Another distinct feature of the Irish economy is small size. After Greece, the country registered the lowest number of both employees in large firms (i.e. 281,000) and employed persons per large firm (i.e. 691 persons) in 2003, as compared to 1,059 persons on average in the EU-15 (Observatory 2003).

In cultural respects, many of the traditional features of the Irish system of interest intermediation, namely its ‘voluntaristic’ component, originate in the United Kingdom, as the country achieved independence at the beginning of the 1920s. This means that there is a strong tendency of all interest groups to avoid state regulation. Ireland, nevertheless, differs significantly from the UK with regard to its deeply rooted corporatist traits that date back to Roman Catholic social teaching and continental corporatism during the interwar period (Prondzynski 1998). These two lines of tradition have resulted in a unique combination of decentralized, voluntaristic bargaining and centralized, tripartite policy formation which have been integrated successfully within the framework of the ‘Partnership Process’ since 1987.

The legal framework for associational action

Ireland operates on a voluntary system of business interest representation and collective bargaining. The statutory regulations for setting up a business association are the same for all associations. There are no regulations inhibiting the formation of such an association as the constitution of the state guarantees ‘the right of the citizens to form associations and unions’ (Constitution 1937, Article 40.6.1).

It is in line with the corporatist properties of the system that access to essential representational activities are regulated and restrained by the state. This applies to both industrial relations and public policy-making. While history of collective labour law in Ireland dates back to British Trade Union Act 1871, the Act of 1941 provided dramatic changes to Irish industrial relations. The Act introduced the licensing of bodies to carry out collective bargaining negotiations and it declared it a criminal offence for any group to bargain for the fixing of wages or any other conditions of employment unless such body held a ‘negotiation licence’ or was an ‘excepted body’.1

The Minister for Enterprise and Employment defines what excepted bodies are. In practice, they are few in number (e.g. some staff associations) and rather irrelevant in the overall bargaining system. The capacity of all the other associations intending to enter into collective bargaining is contingent on a licence from the Ministry. The licence must be granted if certain conditions are satisfied, including the deposit of a certain sum of money with the High Court and recording a minimum membership (i.e. 1,000 members).
The voluntaristic heritage still dominates the legal effect of collective bargaining. Collective agreements are in general not legally binding, unless they are formally registered (Prondzynski and Richards 1994). Agreements can be registered with the Labour Court by any of the parties involved in the bargaining process. The Labour Court will register an agreement if it is satisfactory to all the parties involved in the bargaining process. However, registration is a little used mechanism. According to a study conducted by the Department of Enterprise, Trade and Employment (1998), there were only six active registered agreements in the late 1990s.

The role of organized business in social dialogue and public policy making

Single-employer bargaining clearly prevails in the Irish system of collective bargaining. Industry-level bargaining has decreased over time. However, it is still practised in a few sectors like printing (Dobbins 2003). As an implication of voluntarism, the unions have to strive for recognition as a party to single-employer bargaining. Legislation allows them to refer controversial cases to the Labour Court which may impose a binding decision. Furthermore, the system lacks any country-specific form of statutory employee workplace representation, such that only the Directive on European Works Councils equips the employees with statutory representational rights in the company.

Since 1987 this system of free collective bargaining has been framed consistently by centralized tripartite negotiations under the terms of the ‘Partnership Process’. After a period of decentralized bargaining from 1981, this renewal of corporatist governance was initiated by the combined efforts of a new government and the unions. The unions, in particular, were in favour of this policy style, since they had lost membership and bargaining power in the wake of rising unemployment. In addition, they feared that a government might adopt the anti-union strategy of the Thatcher government. The government saw tripartism as an instrument for consolidating public finances and keeping pace with the requirements of European integration, as imposed by the European Monetary System, the Single Market and, later on, EMU (Incomes Data Services 1996). Another reason for the return to corporatism was the poor socioeconomic performance of decentralized bargaining (Prondzynski 1998). What followed was a sequence of tripartite agreements and programs, the latest one covering 2003–05. In comparison to many other national pacts, the Irish partnership agreements stand out in terms of their comprehensive and well-integrated approach which covers several interdependent policy fields (O’Donnell and O’Reardon 1997, 2000). While agreements on wage levels in the private and public sectors are the main focus of attention by the media and general public, the programs also include agreement on tax reform, the evolution of welfare payments, trends in health spending, public sector reform, enterprise level partnership and measures to combat social exclusion. In more recent times
new institutional mechanisms, such as the National Economic and Social Development Office (NESDO), have been established to support ongoing dialogue between government and the social partners on economic and social policy (O’Donnell 2000). Furthermore, there is an attempt to broaden the involvement of interest groups in society. As well as the traditional interest groups, effort has been made to include the community and voluntary sector, women’s groups, the unemployed and the disabled (O’Donnell 2000). The 2003–05 agreement was concluded by 19 interest organizations. As regards organized labour and business, the Irish Congress of Trade Unions (ICTU), the Irish Business and Employers’ Confederation (IBEC), the Small Firms’ Association (SFA) (which is a member of IBEC), the Construction Industry Federation (CIF), the Irish Exporters Association (IEA) and the Chambers of Commerce of Ireland (CCI) were the signatory parties.

Several statutory bodies of social dialogue, which operate under the structure of NESDO, complement the agreements: the National Economic and Social Council (NESC), the National Economic and Social Forum (NESF) and the National Centre for Partnership and Performance (NCPP). The most important cross-sectoral nation-wide institution of the social dialogue is NESC. Established in 1973, NESC deals with overall economic policy. Its main tasks are to advise the government on the development of the national economy and the achievement of social justice. The Council is representative of the major economic and social interests in society. Up to 1997 the social partners represented on the NESC were the unions, business associations and agricultural and farming organizations. Since 1998 the community and voluntary sector has representation on the Council. The government also nominates a number of public servants and independent members to the Council. The specific business interest associations represented on NESC are IBEC, CCI and CIF.

NESF was originally set up by the government in 1993 for the purposes of achieving consensus, on as wide a basis as possible, on major economic and social policy issues. Since 1998, its main task is to monitor and analyse the implementation of specific measures and programs concerned with the achievement of equality and social inclusion. In addition, NESF considers policy issues on its own initiative or at the request of the government. Membership is drawn from parliament, employers, trade union and farm organizations, the voluntary and community sector; central government, local government and independents. On behalf of business IBEC, SFA, CIF, CCI and IEA participate.

The NCPP was established by the government to support and drive change in the Irish workplace. The institute’s remit is to enable organizations in the private and public sectors, through partnership, to respond to change, to build capability and to improve performance. IBEC and CIF represent business on NCPP.

Corporatism thus provides organized business and labour with a strong role in economic and social policy. In exchange for this, wage moderation
is their key contribution to partnership. They are generally regarded as successful in meeting this objective (Incomes Data Service 1996), although the voluntaristic elements of industrial relations are not supportive. There is no mediating link between central accords and local wage formation. Single-employer settlements are not legally binding, and there is also the non-unionized, uncovered segment of the economy. The Labour Relations Commission and the Labour Court have played an important role in ensuring compliance with the central wage accords, as their conciliation and determination in case of disputes have been in line with the accords’ principles (Incomes Data Service 1996). This support is structurally predetermined, since key participants in the Partnership Process (such as IBEC and ICTU) are represented on these institutions.

Within this corporatist policy framework industrial policy is of special importance to the business associations, all the more since the country has been a primary beneficiary of financial support from the EU Structural and Cohesion Funds. Since joining the EU in 1973 Ireland received over €17 billion support until end 2003. This financial assistance has enabled the country to launch a comprehensive and consistent industrial policy that successfully attracted large-scale foreign direct investment as well as the development of the indigenous sector. This policy is implemented by two government agencies. The task of IDA Ireland is to secure new investment from overseas and to encourage existing investors to expand their business. Financial incentives to attract foreign investment include employment grants, research and development grants, training grants and capital grants, and, more generally, favourable taxation such as a low corporation income tax rate. Enterprise Ireland is the government agency responsible for the development of the Irish indigenous sector. In addition to assisting client companies build a competitive advantage in their marketplace, the agency aims to bridge the gap between innovation and internationalization by working with the research community to maximize the benefits of technology innovation. Technology innovation, business development, and internationalization are the priority areas. This specific focus on the indigenous sector combines with efforts to develop networks and local clusters of expertise in particular sectors. This policy includes the development of linkages between large multinational enterprises and indigenous SMEs through the development of supply chains as well as helping companies to move up the value chain. These clusters of highly embedded large MNEs and SMEs are perceived as important mechanisms for achieving a competitive advantage in targeted sectors of the economy. Approximately 95 per cent of Enterprise Ireland members are SMEs. Therefore the policies and programs specifically target these companies. Business associations participate in the implementation of these programs. This participation helps the associations to attract members. Among the member benefits listed on IBEC’s home page, for instance, one finds advice on funding opportunities and incentives for industrial development.
The associational system

There are five associations which meet the conditions of being a cross-sectoral country-wide peak organization (Table 10.1). IBEC is the most influential association. IBEC was formed on 1 January 1993 following the merger of the country’s pure employer peak association (i.e. the Federation of Irish Employers, FIE) and the industry’s pure trade peak association (i.e. The Confederation of Irish Industry, CII). Based on a general membership domain, IBEC operates as a mixed association. Information and advice on economic affairs, employee conditions, taxation, competition, trade, transport, sectoral matters and environmental issues are some of the wide range of services offered to members. The association develops and reviews policy on such topics through consultation with its members. IBEC is the principal voice of business within the framework of the Partnership Process.

In terms of the number of businesses covered, CCI is the largest business organization. In 2003 CCI indirectly represented 11,000 businesses from 53 affiliated local chambers in cities and towns throughout Ireland, as well as 39 direct corporate members. Ninety per cent of the company members under the umbrella of CCI are SMEs. The mission of CCI is to stimulate and facilitate the growth and development of the Irish chamber network and to enable the network to promote effectively the long-term development of their locality on behalf of their members. CCI concentrates on the general interests of business. The main objectives are to promote Irish business, encourage foreign trade, and foster investment in Ireland. Its interlocutors are primarily the government and semi-state bodies (Dobbins 2003). While the focus of its representational activities is thus on product market interests, it also deals with labour market interests. Since 1996 it has participated in the National Social Partnership negotiations. Seeing itself as a representative of

<table>
<thead>
<tr>
<th>Association</th>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBEC</td>
<td>General</td>
<td>58</td>
<td>6,961 (MM)</td>
<td>626,301</td>
<td>Mixed</td>
</tr>
<tr>
<td>ISME</td>
<td>SMEs</td>
<td>–</td>
<td>3,600 (DM)</td>
<td>78,000</td>
<td>(Mixed)a</td>
</tr>
<tr>
<td>CCI</td>
<td>General</td>
<td>53</td>
<td>11,000 (MM)</td>
<td></td>
<td>(Mixed)a</td>
</tr>
<tr>
<td>IEA</td>
<td>Export sector</td>
<td>–</td>
<td>4,500 (DM)</td>
<td>450,000</td>
<td>(Mixed)a</td>
</tr>
<tr>
<td>AMCHAM</td>
<td>American business</td>
<td>–</td>
<td>245 (DM)</td>
<td>50,500b</td>
<td>(Mixed)a</td>
</tr>
</tbody>
</table>

Notes
a Focus on product market interests. b 2005. DM = direct membership in the peak association. MM = mixed membership.
the entire enterprise rather than just employer interests, CCI aims to ensure that the negotiations take account of the business community as a whole. Services include the provision of information, advisory, training, business development, arbitration and/or conciliation.

The Irish Small and Medium-Sized Enterprises Association (ISME) was formed as a breakaway from IBEC in 1994. This happened because IBEC was perceived as placing undue emphasis on representing the interests of big business, to the disadvantage of SMEs (Dobbins 2003). Hence ISME claims to be the genuine and independent voice of SMEs. Among the five associations under consideration, ISME is the only one which is formally specialized in SMEs. ISME is a borderline case of a mixed association. It represents the interests of its members (including those related to the labour market) mainly vis-à-vis the government and state bodies. ISME is not recognized as a social partner and thus excluded from the Partnership Process. While ISME has applied to join the Partnership Process on several occasions, this has failed because of opposition from IBEC. As a compromise, ISME was offered a ‘secondary’ role in the process, but refused, and continued to lobby in vain for a more influential role.

IEA aims to advance the interests of Irish exporters. Founded in 1951, the association represents the exporters in matters of foreign trade policy and in accessing better services from government and its agencies and more competitive services from suppliers. The prime objectives of the association include the promotion of Irish exports and trade in all sectors, the provision of education on all aspects of Irish exports, the promotion and improvement of trade practices in Ireland and the review of government policy and programs affecting export trade in Ireland. The range of services offered parallels these representational activities: regular information on all issues concerning the Irish export industry (including best export business practice), education and training on matters of exports and specific lobbying at government for individual members. Although IEA is mainly a trade association, it is also involved in labour market interests as a consequence of its participation in the Partnership Process.

Reflecting the specific economic structure of Ireland, the American Chamber of Commerce Ireland (AMCHAM) also has a role in public policy. AMCHAM aims to promote a business environment that is attractive to US companies in Ireland, by representing their business interests at government level and in the media. The strong presence of US multinationals in the Irish economy has made AMCHAM a powerful lobby group which is capable of exerting remarkable influence on government policy. Although AMCHAM is not a party to the Partnership Process, its influence has been strong enough to shape its outcome. A case in point is union recognition. Since employers, particularly those from the USA, have increasingly refused to recognize the unions for collective bargaining purposes (Incomes Data Services 1996), ICTU has unsuccessfully sought to introduce a mandatory system of enterprise-level partnership under the terms of the Partnership Process.
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(O’Donnell and O’Reardon 2000). The strong opposition to such demands, as advanced by US multinationals and AMCHAM is widely perceived as the key reason why the government has been unwilling to enact any kind of statutory union recognition (Dobbins 2003). AMCHAM provides a limited number of services, including participation in networking events, regular information on EU-US commerce news, and access to US embassy support and services. The association’s domain comprises the group of US companies in Ireland. In 2005 it recorded around 245 member companies with 50,500 employees. This represents a density of approximately 42 per cent and 56 per cent in terms of companies and employees, respectively.

Membership in all associations (including the chambers) is voluntary. This accounts for inter-associational competition for members in cases where domains overlap to a notable extent. Such overlaps primarily involve IBEC, ISME and the CCI. These associations compete especially for SMEs with each other. This competition has assumed the form of open rivalry between IBEC and ISME, since they face a conflict not only over members, but also over representativeness and access to representational tasks.

The system of cross-sectoral association, as delineated above, is not comprehensive, since sector-related, independent business associations exist outside its realm. The most important case is CIF which is among the participants in the Partnership Process.

A comparison of IBEC and ISME

Domains and membership

IBEC has left its membership domain unspecified. Companies may become a member in two ways: either through direct membership in IBEC or indirectly via membership in one of IBEC’s member associations. In 2003 IBEC recorded a total of 6,961 direct and indirect member companies employing 626,301 employees. The share of direct membership in total membership is over 50 per cent of both companies and employees. In the same year IBEC had 58 member associations which covered the confederation’s indirect member companies. The vast majority of the member associations are specialized in a certain branch or sector of the economy. An exception to this rule is SFA which represents the group of SMEs under the umbrella of IBEC. SFA’s formal membership domain embraces companies with less than 50 employees in manufacturing, retail, distribution and services. SFA accounts for more than 30 per cent of the total number of IBEC’s member companies, and for more than 6 per cent of the total number of employees covered.

IBEC’s member companies come from a wide range of sectors. Reflecting the significant transformation of the economy over the last decades, the membership structure of IBEC has also changed, with a tendency towards growing heterogeneity (Dobbins 2003). The once homogenous economic
structure, characterized by labour-intensive, indigenous industries has been replaced by a bifurcated structure, consisting of an indigenous and a multinational segment, as mentioned above. IBEC has managed to keep pace with this development, as most of the multinational companies are under its umbrella.

The membership domain of ISME is formally specified by reference to SMEs which are defined as companies with up to 150 employees and a turnover of up to €10 million. As noted above, ISME was set up by a group of SMEs that left IBEC or, more specifically, its SME affiliate, SFA. In 2003 ISME registered 3,600 member companies which had 78,000 employees. Ninety-eight per cent of ISME’s members belong to the group of owner managed firms (Dobbins 2003). Available data suggest that ISME organizes more SMEs with a larger number of employees than SFA. At the end of the 1990s ISME was reported to have 3,500 member companies with 100,000 employees, as compared to 2,250 member companies with 40,000 employees affiliated to SFA (IST 1999). One reason for the larger number of ISME members emanates from the fact that the membership domain of ISME is more encompassing.

**Activities**

IBEC articulates the interests of its members in virtually all fields of economic and social policy. As an implication, these interests are represented to government, other state bodies, the unions, other interest groups and the public. The representation on numerous government bodies gives IBEC an institutionalized influence on public policy. Examples are its presence in NESC, NESF, NCPP, the National Training and Employment Authority (FAS), the Labour Relations Commission, the Labour Court and the Joint Labour Committees (which set legally binding minimum rates of pay for certain sectors uncovered by collective bargaining). Most important is its participation in the Partnership Process which has become the core vehicle for economic and social policy. As noted, IBEC’s member association for SMEs, SFA, is recognized as a distinct participant in national Social Partnership. Hence, it has also been a signatory party to the national agreements concluded within the framework of the Partnership Process. Aside from the national level, IBEC also covers the European, sectoral and local level of interest representation (Dobbins 2003). For the purpose of European level interest representation, IBEC runs its own office in Brussels, the Irish Business Bureau. Like ICTU, IBEC as a major social partner organization is involved in the formulation of training policy through its committees and makes submissions to government. In addition, IBEC (and also ICTU), and their affiliate bodies are providers of their own (as opposed to public) vocational training, particularly for those in employment. Sectoral interests are processed by IBEC’s associational affiliates. For instance, some of them are engaged in industry-level collective bargaining. At local level
of industrial relations, IBEC’s representational activities concentrate on support of its members in third party processes of conciliation, mediation and arbitration. In many ways, IBEC is also involved in local bargaining in member companies. This includes coordination of the bargaining policies across member companies as well as supplying information and expert personnel during the course of negotiations. The association’s local activities thus tend to blend the representation of interests and the provision of services. IBEC’s services offer advice and information on four broad areas: labour relations (including occupational health and safety), economic issues (e.g. information on taxation and incentives for industrial development), environmental matters (e.g. waste management), and European affairs.

ISME mainly acts as a trade association of SMEs. As regards labour market interests, ISME’s activities concentrate on representing SMEs in matters of public vocational training. The association itself sees as its major role ‘to continually raise a wide range of issues relating to business competitiveness, directly with government Departments, Institutions and the Media’. Recently, for instance, ISME managed to get the Competition Authority to conduct a review of the banking sector to establish charging/lending policies to SMEs. The members’ product market interests are also represented vis-à-vis suppliers. Based on the combined purchasing power of its members, ISME negotiates preferential purchasing and group discount schemes. As mentioned above, there is an open and sharp conflict between IBEC and ISME over representativeness which has become most acute with regard to participation in the Partnership Process. Excluded from this process, ISME has tried to secure influence on a number of industry bodies such as FAS (Dobbins 2003). Since few of ISME’s member companies are unionized, its role in collective bargaining is limited to offering service like assistance and information on employment issues (Dobbins 2003). Other services include advice and support on such topics as revenue audits, environmental regulations and new legislation. ISME also offers training on selected subjects and organizes an ‘owner/manager skillnets network’ to improve management skills.

**Human and financial resources**

In 2003 IBEC’s staff consisted of 178 employees. Additional staff (for which data are not available) works on behalf of its member associations. As Table 18.4 shows, the confederation gets 88 per cent of its revenues from membership dues paid by the member companies, whereas the affiliated associations account for less than 1 per cent. This means that the companies which are directly affiliated to IBEC contribute above-proportionately to its resources, since the share of this group in total membership is slightly above 50 per cent of organized companies and employees. One can infer from this that IBEC sponsors the membership of narrower business associations, probably as a means of extending the total number of members and its
scope of representativeness. Aside from revenues from dues, sales of services are the second source of income, representing 11 per cent of IBEC’s total income. This relatively low percentage reflects the fact that most services are included in fees. The exception to this rule are services related to further training and qualification.

In 2003 ISME had 18 employees in its staff. There is no information on the association’s composition of revenues. What can be said, however, is that ISME receives no income from sales of services, since all services are included in the membership dues.

Organizational restructuring

The merger of FIE and CII to form IBEC differs from peak-level restructuring in other countries with regard to its primary goal. While restructuring efforts, in particular mergers, are designed in most other countries to economize on resources, cut back costs, and reduce membership dues, an expansionary strategy aimed at enhancing interest representation and extending the range of services prompted the FIE and CII to merge. As an implication, an increase in regular annual costs (totalling circa £900,000 per year) was anticipated in addition to the ‘once-off’ costs of the merger which were estimated to amount to £2 million. To cover these costs, an increase in dues of 6 per cent each in 1993 and 1994 was envisaged (IBEC 1992).

While this strategy parallels the extraordinary and long-term expansion of the Irish economy, the reasons for the merger, as given in detail by IBEC, reflect significant change in the external conditions of associational action. As IBEC (1992) explains, the economic and social agendas at national and European level have become inseparable. Moreover, a single unified voice of business has become necessary for making the choices among competing economic and social priorities such as pay policy, training, taxation, social welfare and industrial development. Although the need to overcome duplication of effort in external representation was listed as a reason for the merger, only modest synergies resulting from it were expected. The argument was that there had been little overlap between the two associations.

The merger affected not only the two peak associations involved, but also the wider associational system of business, since it unleashed the secession of a group of SMEs, leading to the formation of ISME.

Conclusions

Ireland has undergone profound changes in its economy as well as its system of policy-making. This in turn has had a strong impact on the tasks and structure of business associations. The Partnership Process as the core mechanism for governing industrial relations, economic and social policy has provided the participating associations with a key role in these policy fields, something which has also broadened the scope of their representational
activities. The Partnership Process tends to treat product market interests and labour market interests as an integrated package, such that even those participating associations whose genuine profile is geared to product market interests (e.g. IEA and CCI) are now mixed in their scope of tasks. This interdependence of policy fields also prompted FIE and CII to merge, leading to the formation of IBEC.

Hence, partnership has brought about growing complexity of the interests represented by the associations. The transformation of the Irish economy has caused the same effect. An example is the growth of the non-union, unprotected sector of the economy which takes a free ride on its unionized, protected counterpart, as this sector enjoys the benefits from partnership (e.g. wage moderation) without fully bearing its costs, namely union recognition. This interest divide, however, has not provoked conflicts among the business class either at inter- or intra-associational level, although IBEC also organizes many non-union multinationals. There is good reason to believe that the extraordinary expansion of the Irish economy has made it easier for the associations to cope with growing heterogeneity of interests. Firm size is the notable exception. Since the secession of a group of SMEs from IBEC and ISME’s exclusion from partnership the corporatist system has been unable to integrate fully the group of SMEs.

Notes
1 The principal aim of this Act was to reduce the number of trade unions operating in Ireland (Murphy and Roche 1998).
2 SFA performs this task as well.
11 Italy

Alessia Vatta

The economic and cultural background

When comparing the economic structure of the EU-15, Italy turns out to belong to the group of countries which are significant due to the very small size of their companies (Table 2.1). No other country records a higher percentage of employment in the area of micro firms, while the share of all the other size categories in the total number of companies and employment is below the European average. The economic preponderance of micro firms has its counterpart in the fact that large firms account for a very low proportion of employment. Likewise, the segment of the very large companies is comparatively small. Altogether, 25 Italian firms were listed among Europe’s 500 largest companies in 2003. Many of the very large companies (e.g. Fiat, Pirelli) are controlled by a few families through holding companies and cross-shareholdings with industrial and financial allies. Before their privatization from the early 1990s onwards, the state-owned companies formed a constituent part of the group of large companies. With its presence in such branches as electricity utility, gas and oil, industry, telecommunications, finance and insurance, this public sector of the economy was larger than in the other major OECD countries (Goldstein 2003). Another property of Italy’s economic structure relates to the differences across regions, dividing the country into three main areas: the north-west as the traditional core of large-scale manufacturing; the notoriously backward south; and the north-eastern and central parts, dominated by industrial districts of mainly family-owned SMEs which specialize in the flexible production of high-quality consumer goods (Piore and Sabel 1984; Pike et al. 1990; Onida 2004a; Fortis 2004). SMEs in general and the industrial districts in particular were by far most dynamic during the last decade. For instance, SMEs increased employment at an average rate of about 3.4 per cent per year between 1982 and 2001, while in the same period large firms reduced employment at an average yearly rate of 3.1 per cent (Conti and Varetto 2004).

Several structural properties of the Italian economy have contributed to its pronounced small size profile and have also inhibited performance. In this respect, one main problem is the lack of venture capital and the
dependency on short-term loans from banks. This tends to dampen growth, since investments become particularly expensive (Garonna 2004). The average size of firms in industries, which depend highly on external finance, tends to increase with the efficiency of the financial markets (Kumar et al. 1999). Consequently, financial constraints can keep firms small. Aside from access to external financing, capital-intensive production, a well-paid, highly qualified labour force and pronounced R&D activities are other factors fostering large firm size. These factors are also widely absent in Italy, where the most common production pattern is labour-intensive, the firms’ ability to pay and hire qualified personnel is limited, and investment on R&D is underdeveloped.\(^2\) In addition, regulations have also an impact on a country’s distribution of firm size (Kumar et al. 1999: 22). In particular, regulations dealing with patent rights, brand names, protection of intellectual property and innovative processes, and other property rights, in tandem with transparent and effective regulations on accountancy and financial markets tend to result in growing firm size. An efficient legal system also protects outside investors and reduces co-ordination costs. On the contrary, high corporate taxes and costly regulations may drive firms towards a smaller size, in order to avoid such costs. These observations may help to explain the spread of SMEs in Italy. For instance, widespread family ownership may create problems of management and financing, since the distribution of property and prerogatives is not always clear (Onida 2004b: 266). Most importantly, corporate taxes are comparatively high. At the same time, however, SMEs as such, cooperatives and the craft enterprises enjoy numerous financial and credit advantages and are traditionally exempt from the purview of certain labour regulations (for an example, see note 11). Article 2083 of the Italian Civil Code includes craftsmen also in the definition of small entrepreneurs: ‘small entrepreneurs are ... those who practice a professional activity which is mainly organized by their own work and that of their families’. In consequence, a clear-cut legal distinction between crafts and SMEs is lacking, although craftsmen are registered separately from other business categories. According to jurisprudence, craft production of goods and services either requires specific technical, scientific capabilities or has an artistic, decorative character. Over time, the distinction between crafts and other SMEs has blurred. ‘Modern craft’ (as defined by jurisprudence) also involves the production of standardized goods, and technological innovations have also spread among ‘traditional’ artisans. However, according to the framework law on handicraft (No. 443/1985), craft firms cannot have more than 40 employees and cannot be a limited company.

Like crafts, cooperatives have to enrol in special registers and enjoy specific preferential treatments in such matters as fiscal and labour regulations. These group-specific specifications testify a general tendency of legislation; in particular, the rather general definition of SMEs, as endorsed in the civil code, has led to separate regulations which are specific to certain sectors and groups. Interest organizations usually insist on applying favourable regulations
to their own sector or group. This has entailed the gradual extension of some of these regulations to other sectors and groups. In the case of SMEs, this means that provisions, including those establishing certain economic or financial advantages, may apply to either craft companies, commercial and industrial SMEs jointly or one of these SME groups exclusively. Complaints about high tax burden, high energy costs, cumbersome state bureaucracy, inefficient transport systems, and poor infrastructures are the common background of demands for extending favourable regulations. More recently, the defence of crafts and high-quality products has become an important issue of SME interest organizations, in response to deregulatory EU policies and growing competition from low-standard goods imported from countries like China. In particular, the organizations of the craft sector tend to stress the specificity of craft productions, and they often emphasize that the Italian Constitution (Basic Law) officially states the importance of handicraft (Article 45). This is also the sector where apprenticeship contracts are most widespread. Distinct qualifications and licensing by the Chamber of Commerce are required for such craft activities as goldsmiths, bakers, car repairers, electricians, employers in the disinfection and cleaning sector. Alternatively, they must obtain a leaving certificate of a professional training course, have a secondary school certificate or hold a degree. There is no particular legal requirement for industrial production, but there are some exceptions. Brokers, agents and mediators (in financial and tourist services) must hold at least a high school certificate, attend a course at the local Chamber of Commerce and pass a final examination. Alternatively, they must hold a degree. Some other professional categories must pass a specific exam. These include maritime mediators and agents, taxi drivers, import-export carriers, restaurant and bar owners. After the exam, these entrepreneurs get a licence and are registered at the Chamber. Chambers of Commerce, regional public authorities and interest associations organize training courses, especially for beginners (e.g. in the food and beverage sector) and are also engaged in disseminating knowledge of legal and technological innovations.

The upshot of these economic properties is that SMEs and their interests constitute a wide and important area of business interest representation that has boosted the formation of numerous associations of SMEs, as will be shown in greater detail below. In addition, the cultural properties of the country, namely its traditional ideological differentiation into a Communist-Socialist and a Christian-Catholic camp, have also had a strong influence on how business interests are advanced. This differentiation has especially affected the associational structures of SMEs, since each of the two camps has set up their own associations for crafts, cooperatives, SME-dominated sectors etc. While these ideological affiliations have been eroding, they have nevertheless survived in the form of a special kind of associational ‘parallelism’, echoing the ‘left/right’ divide: e.g. left-leaning CNA vs. centre-right Confartigianato in the craft sector; Legacoop vs. Confcooperative in the area of cooperatives; and Confesercenti vs. Confcommercio in commerce and services. As business
interests are hard to reconcile with truly Communist orientations, this ‘parallelism’ primarily follows the traditional hegemony of a political camp in a certain region (e.g. the leftist predominance in Emilia-Romagna). The manifold links between (regional) public policies and business interests have tended to incorporate business, especially its smaller, regionally oriented parts, into the prevalent camp. As an implication, associational parallelism has combined with marked regionalism, insofar as the parallel associations differ considerably in their membership strongholds across regions.

Aside from its impact on the structure of the associational system, the ideological differentiation has affected the long-term relationships of organized business with both labour and the political parties. As regards labour, the co-existence of two powerful camps has created the need for a consensual industrial relations policy, all the more since governments have been notoriously volatile (Regalia and Regini 1998). In combination with extensive intervention of the state in the economy, the ideological differentiation also laid the ground for strong dependence of the interest associations on the political parties, something which was called collateralismo (Mattina 1997). In the post-war years, for instance, Confindustria, the most influential business association, kept a so-called ‘consonance’ with the small Liberal Party (Partito Liberale), and later on, an ‘alliance of necessity’ with the Christian Democratic Party (Democrazia Cristiana). The ‘consonance’ was rooted in ideological similarity, while the ‘alliance’ originated in the need to be on good terms with the predominant party, given the presence of a particularly strong Communist party in Italy. In contrast to this, Confindustria has repeatedly asserted its political impartiality since the early 1990s. This can be traced to the breakdown of the traditional party system after the bribe scandals (known as Tangentopoli affairs). In the wake of these disturbances, reforms introduced a mixed majority electoral system. This political transformation marked also a watershed in the relationship between the associational system and the party system, since the privileged connections between certain parties and associations evaporated, and the associations have generally become more autonomous from the party system as well as more legitimated as representative actors. This may strengthen further their political position in the coming years, especially if they prove able to keep their distance from the parties (Lanza and Lavdas 2000). Furthermore, this distance, in tandem with the long-term decline of ideologies, has fostered growing cooperation between parallel business associations. At the same time, the changed political conditions have paved the way for new forms of concertation between organized business, the unions and the government, as has been manifested by a series of ‘social pacts’ concluded since the early 1990s.

The legal framework for associational action

Associational action is subject to very little statutory regulation. The formation of associations rests on the principle of freedom of association, as endorsed
by the Constitution. Business organizations – like unions – are de facto associations and have no de iure identity. This does not preclude their ability to act as a de jure identity, namely their capacity to bargain. The Constitution also provides the basis for the capacity to conclude collective agreements. In the case of the unions, the basic legal preconditions for collective bargaining are their autonomy from the employer side and a mandate to represent their members (Article 39), while employer organizations are free to organize themselves according to Article 19 and Article 41. The single employer is also authorized to conduct collective bargaining for its own company. There is a difference in bargaining rights, since legislation has attributed a privileged bargaining status to the ‘comparatively more representative’ unions and employer associations. It is only these representative associations which possess the right to conclude collective agreements on certain issues, such as the capacity to specify statutory labour standards and make them more flexible by collective agreement (Runggaldier 2003). In practice, these associations are also privileged, as far as consultation by the government in matters of legislation or public policy-making is concerned. They are consulted more regularly, but this is not a ‘right’ in the strict sense. The concept of representativeness lacks a precise definition. In the absence of specific criteria, political representativeness is more de facto than de jure.

Statutory provisions for extending multi-employer settlements to companies which are not affiliated to the signatory employer association are also lacking. Nevertheless, non-member firms are covered by the ‘minimal provisions’ of the agreements, thanks to court rulings. The Italian Constitution states that the standard rate, as fixed by collective agreements, is automatically applicable to all workers. Following this basic provision, the courts take the standard rates set by the sectoral agreements as the levels of fair minimum wages to be paid to workers (Dell’Aringa 2003).

The system of social dialogue and public policy making

There are three main levels of social dialogue: the macro level, the national sectoral level and the company or plant level (Regalia and Regini 1998). Until 1993 they lacked any kind of articulation, such that their relative importance showed strong fluctuations over time (Traxler et al. 2001). The tripartite macro agreement of 1993 introduced bargaining rules aimed at establishing a two-tier bargaining system, with complementary tasks of either level. Accordingly, national sectoral bargaining was reinforced as the cornerstone of the bargaining system, whereas the company or, alternatively, territorial areas in the case of small firms were established as supplementary bargaining levels. In particular, the pact stipulates that the bargaining issues at the two supplementary levels are to be set by the sectoral agreements and that company pay bargaining must be linked to the companies’ productivity and competitiveness. Whether the company or the territory works as the arena of the second level of bargaining depends on the properties and traditions of
the distinct sectors (Pedersini 2002). Company-level bargaining is usually the second level in manufacturing and services, while territorial bargaining takes place essentially in agriculture, construction and craft activities. According to Act 300/1970, the company-level bargaining partner of the employer is an employee representation combining elements of a union body and all-employee institution (i.e. Rappresentanze Sindacali Unitarie, RSU) which can be set up only at firms with more than 15 employees, thus leaving out the majority of small firms, whose employees can elect delegates. The subjects of consultation and information typically involve the economic and financial situation of the firm, the provisions set in industry and company collective agreements, and the employment situation (especially regarding work organization, new technologies and possible redundancies) (European Foundation 2002).

Collective bargaining coverage is generally estimated to be higher than 80 per cent of the workforce as a consequence of the de facto extension of the agreements by court ruling (see above). Firms with up to 100 employees are mainly covered by national sectoral bargaining. Those with fewer than 20 employees may also be unprotected. The spread of company bargaining even stronger correlates with firm size. From 1990 to 1994 company agreements were signed only in 8.7 per cent of the enterprises with 20–99 employees, in 19.9 per cent of the enterprises with 100–499 employees and in 32.9 per cent of those with more than 500 employees (Bellardi and Bordogna 1997; EIRObserver 1999). According to EUROSTAT data referring to 1997, company bargaining covers about one-third of the Italian firms (Boeri 2004b).

From time to time macro level (i.e. inter-confederal) agreements are struck which frame national sectoral bargaining and its supplementary level. Such agreements may be bipartite or tripartite. The 1990s were characterized especially by a series of ‘social pacts’ between the governments and the social partners. Two main factors supported the development of macro concertation. First, the economic changes induced by globalization and the convergence criteria for European Monetary Union prompted attempts at incomes policy, the reform of the welfare system and employment policy. Second, the crisis of the political parties favoured the empowerment of interest organizations as political ‘substitutes’ (Trentini and Zanetti 2001). The 1992 agreement abolished the automatic pay indexation. The principal purpose of the 1993 protocol was twofold. On the one hand, it introduced articulated bargaining relations, based on a complementary two-tier system, as outlined above. Second, it set the framework for voluntary incomes policy. Accordingly, the national sectoral agreements should gear pay hikes to the expected inflation rate every four years. Every two years further wage increases should be negotiated also by the sectoral bargainers, if actual inflation had exceeded its forecast. The 1996 pact set the framework for reforms of employment policy, introduced several forms of work flexibility and re-launched vocational training. The 1998 pact confirmed previous
pacts (namely the 1993 consensus on the two-tier bargaining structure), proposed measures to stimulate employment and encouraged reforms of public administration and the extension of concertation to the local level. In 2002 the Pact for Italy laid down guidelines for tax reforms (including tax incentives for SMEs), measures to promote employability, investment and employment in the Southern regions, and the amendment of the regulation of dismissals. In 2003 a bipartite pact for development, employment and competitiveness aimed to give fresh impetus to reforms prioritizing research, training, the Southern regions, and infrastructures. All the business interest organizations studied here signed the agreements between 1992 and 2002. In the absence of quantifiable criteria for participation in tripartite macro concertation, some observers noted that the influence of the associations representing smaller companies had gradually increased (Ferrante 1998: 82–4; Lanzalaco 2000). However, following the 2002 pact, handicraft and trade associations had to struggle for tax concessions, originally reserved for industrial firms only. For the employer camp, the 2003 pact was signed only by Confindustria, the principal business representative in Italy. This raised criticism from other organizations, which feared a new hegemony of Confindustria, leading to their exclusion from future tripartite agreements. Other tensions regarded the adoption of the EU Directive on fixed-term work in 2001. A joint document on the implementation of the Directive was hammered out and then submitted to the government; but several employer organizations did not sign it. In March 2004, business associations and trade unions of the artisan sector reached an agreement on the reorganization of collective bargaining, after their withdrawal from the two-tier structure in 2000. While confirming the principles of pay policy, as laid down in 1993, the new arrangement is more decentralized in that it transfers the adaptation of pay to actual inflation from the national to the local level under certain circumstances.

At national level, the union confederations enter consultations and negotiations with Confindustria and the other major business confederations more often than with other organizations, because the former are regarded as more representative. The regional/provincial branch associations and sectoral organizations, which represent the employer interests, may take positions that differ from those of the national confederations.

As far as public policy-making is concerned, Confindustria is considered most representative. On behalf of the sectors not covered by Confindustria, Confcommercio and Confartigianato are often consulted by the government, but there is not any ‘preference’ in strict terms, since the other organizations may be asked to give their opinion, too. Since the end of World War II, representatives from the social partners have been involved in the administration of social security bodies and welfare programmes. The social partners participate in the implementation of public policies in a ‘relatively formalized and stable’ way (Regalia and Regini 1998: 495). Corporatist
bodies of public governance provide the institutional basis for formalized participation. The most important nation-wide and cross-sectoral tripartite institution of social dialogue is the National Council for Economy and Labour (Consiglio Nazionale dell’Economia e del Lavoro, CNEL, www.cnel.it), which is recognized by the Constitution and whose activity is regulated by Act 936/1986 and Act 383/2000. This body consists of 121 members. Its business representatives are grouped according to their sectoral affiliation as follows: industry: 14 representatives from Confindustria, 2 from Confapi; trade and services: five from Confcommercio, two from Confesercenti; artisan sector: two from Confartigianato, one each from CNA, Casartigiani and CLAII; cooperatives: one each from Legacoop, Confcooperative, UNCI and AGCI. In addition, there are five representatives from autonomous sectoral associations for services, transport and shipping, and 10 from agricultural and fishing organizations. As the multiplicity of participating associations shows, CNEL is far from being exclusive. In fact, each of the business associations which are relevant for this study (Table 11.1) is a member of the council. CNEL has merely consultative tasks and research functions. Manifold other forms of bipartite and tripartite consultation exist at the distinct levels of public governance. At national level this includes the enti bilaterali which deliver services to workers and organize training schemes in the handicraft sector (De Lucia and Ciuffini 2004). At regional level, the regional councils for economy and labour (Consigli Regionali dell’Economia e del Lavoro, CREL) rest on a formalized tripartite structure (Regalia 1997; CNEL 2004). These institutions are supplemented by more flexible modes of regional, provincial and even local concertation, such as the cabina di regia – a sort of permanent consultation body at regional and provincial level. Local forms of concertation have been given a strong impulse after the 1998 social pact, in combination with the devolution of public functions and resources to the regional authorities according to the subsidiarity principle.16

Programs to aid business are a policy field of utmost importance to the companies and their interest associations. The economic weight of these programs is documented by the fact that around 2 per cent of GDP is assigned to firms through public subsidies (Ostellino 2004; Giavazzi 2005). The business associations are involved in these policies via concertation procedures at local and national level. In particular, they have a principal role in designing and implementing ‘territorial pacts’ (patti territoriali) which, according to Act 662/1996, are aimed at the development of economically depressed areas. As noted above, SMEs or certain subgroups of them are a special target of industrial policy programs. At the Ministry for Productive Activities, for instance, a specific roundtable, including representatives from Confindustria, Confapi, CNA, and Confartigianato, has been set up, dealing with the elaboration of programs supportive to SMEs. They include support of underdeveloped regions, tax relief, promotion of exports and internationalization, and incentives for employment, innovation, R&D, and firm start-up.
<table>
<thead>
<tr>
<th>Association</th>
<th>Function</th>
<th>Domain</th>
<th>Membership stronghold</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confindustria (1910)</td>
<td>Mixed</td>
<td>Companies relying on industrial organization</td>
<td>Manufacturing</td>
<td>113,307 (IDM)</td>
<td>4,280,075</td>
<td>Weighted</td>
</tr>
<tr>
<td>Confapi (1947)</td>
<td>Mixed</td>
<td>SMEs of industry</td>
<td>SMEs of metalworking, textiles and chemicals</td>
<td>50,715 (IDM)</td>
<td>1,175,888</td>
<td>Unweighted</td>
</tr>
<tr>
<td>Confcommercio (1945)</td>
<td>Mixed</td>
<td>SMEs, service sector</td>
<td>SMEs of commerce and tourism</td>
<td>850,000 (IDM)</td>
<td>More than 2,000,000</td>
<td>Weighted</td>
</tr>
<tr>
<td>Confesercenti (1971)</td>
<td>Mixed</td>
<td>Commerce and tourism</td>
<td>SMEs in commerce, services, tourism and franchising</td>
<td>250,000 (IDM)</td>
<td>More than 500,000</td>
<td>Weighted</td>
</tr>
<tr>
<td>Confartigianato (1946)</td>
<td>Mixed</td>
<td>Crafts and SMEs</td>
<td>Craft firms</td>
<td>520,000 (IDM)</td>
<td>c. 450,000</td>
<td>Weighted</td>
</tr>
<tr>
<td>CNA (1946)</td>
<td>Mixed</td>
<td>Crafts and SMEs</td>
<td>Large craft firms and SMEs (textiles, transport, mechanics)</td>
<td>350,000 (IDM)</td>
<td>More than 400,000</td>
<td>Weighted</td>
</tr>
<tr>
<td>CLAAl (1954)</td>
<td>Mixed</td>
<td>Crafts</td>
<td></td>
<td>160,000 (IDM)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Casartigiani (1958)</td>
<td>Mixed</td>
<td>Crafts</td>
<td></td>
<td>70,000 (IDM)</td>
<td>c. 126,000</td>
<td>-</td>
</tr>
<tr>
<td>Legacoop (1886)</td>
<td>Mixed</td>
<td>Cooperatives</td>
<td>Cooperatives in agriculture, fishing, services</td>
<td>15,000 (DM)</td>
<td>385,694</td>
<td>Weighted</td>
</tr>
<tr>
<td>Confcooperative (1919)</td>
<td>Mixed</td>
<td>Cooperatives</td>
<td>Small cooperatives in agriculture, banking and social services</td>
<td>18,592 (MM)</td>
<td>390,800</td>
<td>Weighted</td>
</tr>
<tr>
<td>UNCI (1973)</td>
<td>Mixed</td>
<td>Cooperatives</td>
<td>Cooperatives in agriculture, construction, services</td>
<td>About 6,300 (DM)</td>
<td>About 88,000–90,000</td>
<td>Unweighted</td>
</tr>
<tr>
<td>AGCI (1952)</td>
<td>Mixed</td>
<td>Cooperatives</td>
<td>Small cooperatives in agriculture, banking and social services</td>
<td>About 5,598 (DM)</td>
<td>n.a.</td>
<td>Weighted</td>
</tr>
</tbody>
</table>

Sources: Alacevich (1996); Hege (2001); websites and data of the organizations. The data on the employees of handicraft confederations are estimated.

Notes:
DM = direct membership. IDM = indirect membership. MM = mixed membership. n.a. = not available.
The associational system

Italy registers 12 business associations which are independent, cross-sectoral and national, in accordance with the definition as adopted by this volume (see Table 11.1): the General Confederation of Italian Industry (Confederazione Generale dell’Industria Italiana, Confindustria), the Italian Confederation of Industrial SMEs (Confederazione Italiana della Piccola e Media Industria, Confapi); the General Confederation of Commerce, Tourism, Services and Small and Medium-sized Enterprises (Confederazione Generale del Commercio, del Turismo, dei Servizi e delle Piccole e Medie Imprese, Confcmercio), the Italian Confederation of Commerce, Tourism and Service Activities (Confederazione Italiana Esercenti Attività Commerciali, Turistiche e dei Servizi, Confesercenti); the General Italian Confederation of Crafts (Confederazione Generale Italiana dell’Artigianato, Confartigianato), the National Confederation for the Craft Sector and Small and Medium-sized Enterprise (Confederazione Nazionale dell’Artigianato e della Piccola e Media impresa, CNA), the Independent Confederation of Artisans’ Organizations (Confederazione Autonoma dei Sindacati Artigiani, Casartigiani, CASA) the Confederation of Italian Free Craft Associations (Confederazione delle Libere Associazioni Artigiane Italiane, CLAAI), the National League of Cooperatives (Lega Nazionale Cooperative e Mutue, Legacoop), the Confederation of Italian Cooperatives (Confederazione Cooperative Italiane, Confcooperative), the National Union of Italian Cooperatives (Unione Nazionale delle Cooperative Italiane, UNCI) and the General Association of Italian Cooperatives (Associazione Generale delle Cooperative Italiane, AGCI).

Apart from Confindustria, which was originally founded in 1910 and consolidated in 1919, the oldest organizations are Legacoop (1886) and Confcooperative (1919). All the others were founded after World War II, when the Fascist system, in which Confindustria played a central role, was dismantled and freedom of association was established. In addition to these associations, there are also several independent associations, organizing narrower sectors of the economy. Nevertheless, some of them are larger in terms of employment than the smaller associations among the cross-sectoral organizations. This applies to banking and transport: the members of Associazione Bancaria Italiana (ABI) count 300,000 employees, and those of Confetra (Confederazione Generale Italiana dei Trasporti e della Logistica), 500,000 employees. The most encompassing organizations of business are the Chambers of Commerce. In 1993 the composition of the councils of the Chambers was reformed, so that they now include members designated by the employer organizations proportionally to their economic weight and number of associates (Coletto 2006). Chambers are, however, mainly administrative bodies, which are closely related to the public administration. Their national umbrella association is Unioncamere. All firms must be registered at the local Chamber, and this gives the Chambers privileged insight into the state of the
Italian economy. Due to their public law status, the Chambers perform public functions, such as licensing, organizing training courses and conferences, and, in particular promoting foreign trade. But they do not conclude collective bargaining, which remains a task of the voluntary organizations.

Turning back to the 12 associations under consideration here, one finds two commonalities. First, they all perform the task of mixed business organizations. In all cases, labour market interests are also represented in the course of collective bargaining. As a rule, the confederations are engaged in ‘inter-confederal’ negotiations, while their sectoral affiliates are involved in sector-level bargaining. In the case of two confederations bargaining takes place also at territorial level: that is Confindustria, whose territorial branches often bargain on behalf of their constituencies, and, to some extent, Confartigianato which has to apply sector-level agreements to the regional level. Second, membership is voluntary. The formal demarcation of membership domains is somewhat ambiguous in some cases, since the official name of the confederations does not always correspond with the domain demarcation, as spelt out in their statutes. The name of Confindustria, for instance, is misleading, since its domain is broader than industry according to its statutes. CLAAI refers to crafts in its name. Likewise, Confapi, Confesercenti, and the other craft associations use statutes and denomination as alternative means of domain specification. As a consequence of these ambiguities, we interpret the formal domains (Table 11.1) in the most comprehensive sense. Regardless of this, none of these associations can be classified as general, as all specify their domain one way or other. The domain of Confindustria, which is also the principal business association of Italy, is most comprehensive: it embraces industry and services operating on the basis of ‘industrial organization’. This reference to industrial organization de facto excludes only the craft sector. The other associations have delimited their domains far less broadly. Since some of them have used even more than one parameter for specification, it is not easy to group them. By and large, one can distinguish four categories relating to industry (Confapi), commerce and other services (Confcommercio, Confesercenti), the craft sector (Confartigianato, CNA, CASA, CLAAI) and the cooperatives (Legacoop, Confcooperative, UNCI and AGCI). These domain demarcations often overlap with regard to SMEs. If we include domains relating to crafts, then we find that more than half of the 12 associations have formally specialized in organizing SMEs. Even when associations formally refer to SMEs, they usually leave this business group unspecified. An exception is Confartigianato whose statutes relate the group of SMEs to the EU definition. Confindustria, which sees SMEs as a special subgroup of its constituency, also follows the EU definition. The fact that none of the associations has delimited its domain solely by reference to SMEs has to do with separate regulations which attribute special protection to different SME groups, such as craft companies and cooperatives. The lack of any kind of functional differentiation as well as the manifold domain overlaps suggest that inter-associational competition is intense. This competition,
however, is mitigated by the fact that most of the associations have informally specialized in certain groups within their formal domain, such that their actual memberships are rather complementary (Table 11.1). Confindustria most extensively crosscuts the domains of the other associations, since it also stresses its role as a representative of SMEs. Its actual appeal to SMEs is limited for structural reasons: the combination of weighted voting rights and ceiling dues is unfavourable to SMEs (see below).

Eight of the confederations have only lower-level associations as members (Table 11.1). The confederations of the cooperatives differ from this pattern. Cooperatives become direct members of the confederation after their enrolment in the lower-level (i.e. territorial and sectoral) associations or subunits of the confederation.

Most confederations have weighted voting rights, with differing forms of proportionality, as regulated in their statutes. In practice, however, weighted voting rights create a potential problem of representation for SMEs only in the case of Confindustria, in which large firms traditionally prevail. The counter example of unweighted voting rights is Confapi (where the principle ‘one firm, one vote’ applies in the general assembly), something which reflects the origins of the association. The voting rules within the confederations’ affiliates differ across confederations as well as across the affiliates of a confederation. For instance, the sectoral federations and the branch associations of Confindustria usually rely on weighted voting, linked to either the level of paid contributions or the number of employees. The ‘one firm, one vote’ principle may apply to certain issues (e.g. the amendment of statutes). Some of the branch associations of Confcommercio use the turnover of their member firms as a criterion for weighing. Yet unweighted voting seems to be more common, in particular in branch associations organizing the firms themselves (e.g. in sectors like communications or consulting). The member associations of Confartigianato have to observe the criteria set out in the confederal statute.

The services of the organizations are usually free of charge for member firms. They are provided mainly by the territorial (e.g. regional and provincial) subunits. In juridical or fiscal matters, a modest fee may be payable. The local associations may also charge some services. The associations of crafts and commerce run specific organizations for retired members. Their task is assistance in all matters of pensions (e.g. compliance with the provisions for claiming the pension). Information on international developments (including European matters) and the start-up of new firms have become services of increasing importance. Services dealing with juridical and fiscal problems and questions of industrial relations are common to virtually all associations. Another range of services is related to financing, namely access to credit: this is particularly important to crafts and cooperatives. Therefore their associations are connected with specific funds and savings banks. Fiscal consulting addresses not only taxes and social contributions, but also social security and pensions. Juridical advice covers any aspect
of business activity, from licences to environmental protection and work safety. Most organizations provide training courses, run statistical databases and publish newsletters or bulletins. Supporting members in matters of their relations with other institutions (e.g. Chamber of Commerce and the regional and local public authorities) is another important and ubiquitous service activity. Many services deal with management, development, information technologies and E-business. Some associations run research centres (Confindustria, Confcommercio, Confartigianato, Confesercenti, Legacoop, Confcooperative). Especially in recent years, inter-associational competition over services has increased. Due to overlapping functions and domains, companies have a choice, when it comes to joining an association. Sometimes – as in the case of Confindustria – membership becomes a matter of social prestige (Ferrante 1998: 108). Aside from this, services are the primary reason for choosing a certain association. Since the scope of services covered is rather similar, an association’s attractiveness mainly hinges on the amount of fees and the quality of their services. However, if quality improvement implies increases in fees, then this tends to conflict with the image of ‘mutual assistance’ that many associations cultivate. A stronger professionalization in this sense would require a remarkable change in the reciprocal expectations and attitudes of firms and associations, especially as far as SMEs and their organizations are concerned.

During the 1990s and more recently, internal reform has been on the agenda of many associations. Some have launched explicit and formalized reform projects. A case in point is the ‘Confapi 2000’ project. Based on a new confederal statute, Confapi has embarked on regional decentralization and network methods, according to the subsidiarity principle. The alternative to formal reforms has been continuous and pragmatic modernization, including efforts to intensify cooperation with contiguous interest organizations. This holds true for Confesercenti and the organizations of crafts. They participate jointly in official hearings, release joint documents, and concert their politics. They are also trying to unify their service structures and simplify bureaucratic procedures. Likewise, the associations of the cooperatives have joined forces, and have often managed to arrive at common positions on public policy matters. In addition, they increasingly concert their activities with the associations of crafts and services when it comes to advancing interests which are common to the various groups of SMEs. There have also been efforts to improve the administrative apparatus: Confcooperative has established a database in order to let regional branches have access to documents and information. AGCI has focused on decentralization and rationalization of management. In comparison with the other business associations, the organizations of the cooperatives rely more on voluntary labour. This practice is seen as no longer as appropriate, since it is burdened with efficiency problems. Steps in the direction of substituting volunteers with employed personnel on a regular basis have recently been made (e.g. by AGCI at its 2002 organizational conference).
Confindustria, Confcommercio and Confartigianato in comparison

An in-depth analysis of each of the 12 confederations is beyond this chapter. In accordance with the general design of this volume, the alternative is to focus on the principal business association and the most important association of SMEs. As already noted, Confindustria is the principal association. On grounds of the ambiguities of formal domains and the use of multiple parameters for domain demarcation, it is not easy to detect the most important association of SMEs. There is no association that organizes SMEs exclusively across all sectors of the economy. Hence, one can select only an association which gathers SMEs of a certain macro sector, possibly together with other categories of firms. This leaves two primary candidates. Confcommercio was originally founded for the representation of commerce, and now embraces the service sector plus SMEs according to its name. On aggregate, Confcommercio counts the largest number of members. In practice, the vast majority of its members belong to the group of SMEs, and Confcommercio has specialized in their representation. Alternatively, one may resort to crafts because of the preponderance of SMEs in this sector and its economic importance to the economy as a whole. In terms of members, the largest craft association is Confartigianato. Since there is no compelling criterion for selecting either of them, both will be included in the following analysis.

Membership: domains, composition and figures

In 2002, Confindustria organized 18 regional associations, with 105 territorial (mainly provincial) associations, 12 aggregated members, 13 sectoral federations and 112 branch associations. ‘Aggregated members’ are associations representing activities that are similar or affiliated to those of full-member organizations. They may also be associations of Italian firms operating abroad. Aggregated members pay special dues and do not have the same status as full members. Traditionally, territorial associations are more relevant than sectoral associations for the day-to-day activities of the confederation. This is rooted in the origins of the confederation, which was established in Turin, with the north-western regions of the country being the front-runners of industrialization (Lanzalaco 1989). Meanwhile, some sectoral federations have strongly increased in importance, such as Federmeccanica (established in 1971 for the representation of the metalworking sector) and, more recently, Federchimica (1984, for chemical firms).

Originally a confederation of industry, Confindustria extended its membership domain to services in 1991. Moreover, the confederation could even strengthen its presence in industry, since it managed to incorporate the nationalized industries in the wake of their privatization in 1994. Before privatization, these industries had been organized in separate,
independent associations. Manufacturing, in particular metalworking, is still the confederation’s stronghold. Other major groups of members are from construction, transport, tourism, and the supply of energy and raw materials (Table 11.2). In contrast to this, commerce is uncovered, although its companies formally form part of Confindustria’s domain when relying on ‘industrial organization’. On aggregate, the proportion of members from the service sector is growing. From 1989 to 2003 member firms in manufacturing decreased from 73 per cent to about 50 per cent of the membership. Member firms from non-manufacturing industry increased from 18.5 per cent to 30 per cent, and member firms from services, from 4.5 per cent to 15 per

Table 11.2 The sectoral composition of Confindustria, 31 December 2002

<table>
<thead>
<tr>
<th>Covered sectors</th>
<th>Member firms</th>
<th>Employees covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy, gas and water</td>
<td>1,071</td>
<td>76,682</td>
</tr>
<tr>
<td>Mining and construction materials</td>
<td>3,895</td>
<td>176,832</td>
</tr>
<tr>
<td>Chemicals and pharmaceutical products</td>
<td>4,472</td>
<td>312,952</td>
</tr>
<tr>
<td>Metalworking</td>
<td>19,381</td>
<td>1,380,816</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>6,404</td>
<td>224,095</td>
</tr>
<tr>
<td>Textiles, leather, clothing</td>
<td>9,561</td>
<td>447,862</td>
</tr>
<tr>
<td>Wood and furniture</td>
<td>2,988</td>
<td>113,742</td>
</tr>
<tr>
<td>Paper and publishing</td>
<td>3,207</td>
<td>126,093</td>
</tr>
<tr>
<td>Rubber and plastic</td>
<td>1,699</td>
<td>137,921</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>1,092</td>
<td>51,195</td>
</tr>
<tr>
<td>Construction and installations</td>
<td>13,690</td>
<td>154,316</td>
</tr>
<tr>
<td>Transports and communications</td>
<td>7,198</td>
<td>348,799</td>
</tr>
<tr>
<td>Tourism and entertainment</td>
<td>21,317</td>
<td>343,556</td>
</tr>
<tr>
<td>Services and other tertiary activities</td>
<td>17,612</td>
<td>385,224</td>
</tr>
<tr>
<td>Total</td>
<td>113,587</td>
<td>4,280,085</td>
</tr>
</tbody>
</table>

Source: www.confindustria.it (Dichiarazione Rappresentatività Sistema Confindustria, 31 December 2002).

Notes
Percentages are the density ratios (calculations based on data from Unioncamere, 2002 and Ministero dell’Economia e delle Finanze 2002). a Includes energy, gas and water. b Manufacturing as a whole. c Energy, gas and water only.
cent. In 2003, Confindustria registered more than 117,000 member firms, with about 4,250,000 employees.

According to the data of Unioncamere (2002), there were 1,295,543 (including the construction sector) active industrial firms in 2002, with 6,932,000 working units, of which there were 5,394,000 employees (ISTAT 2004a). In the same year the total number of firms and employees in industry and services was 3,944,473 and 15,387,000, respectively. There is a problem in estimating Confindustria’s density, since it is impossible to disentangle firms based on ‘industrial organization’ from the other businesses. As outlined above, craft production may be taken as a proxy for businesses not relying on industrial production. When thus adjusting for crafts, one finds that density of employees is very high in industry (including construction), with 83.2 per cent. On aggregate, the corresponding figure is 30.9 per cent. This implies a rather low level of density in the service sector: that is, 10.8 per cent for all parts of services, and 13.0, when commerce is excluded. In terms of companies, density is less impressive. Again in 2002, the figure for industry (construction included) was 5.2 per cent. For services only (without commerce), density was about 3.8 per cent. Aggregate density of industry, construction and services (again without commerce) was 4.5 per cent. The big difference between density of employees and density of companies indicates the economic predominance of large firms in membership. According to the 2003 confederal data, the distinct categories of firm size accounted for the following proportions of member companies and employees covered (the latter being put in parentheses): 0–50 employees: 83 per cent (23 per cent); 51–250 employees: 14 per cent (32 per cent); more than 250 employees: 3 per cent (45 per cent). Hence, SMEs represent about 97 per cent of the membership, but only little more than half of the employees covered. The average size of the member firms was almost 38 employees in 2002. There is a specific board for the representation of small and medium employers (i.e. the Consiglio Centrale per la Piccola Industria), whose president sits in the confederal directing committee. Twenty representatives of the group of small companies, appointed by the central council, take part in the giunta, the confederal executive body. However, the proportional voting system (weighing votes according to the level of contributions in the general assembly and according to the number of employees in the giunta) tends to restrain the influence of SMEs on the confederation.

Like Confindustria, Confcommercio considers itself a ‘system’ of different sector-specific components, enjoying notable autonomy in action. These are commerce (about 500,000 firms in 2002), tourism (about 270,000 firms) and services (about 80,000 firms). In 2002 the confederation counted 21 regional unions, 103 provincial associations and 152 national branch associations. The member companies have to join both their sectoral as well as their territorial organization. The most important components are Conftrasporto (for transport, with about 320,000 employees). Altogether,
the confederation’s member firms record more than 2,000,000 employees. As a study of the tertiary sector made in 2002 on behalf of Confcommercio and Microsoft and based on a sample of 1,000 firms showed, 34.7 per cent of them belonged to Confcommercio, 9.5 per cent to Confesercenti, 8.2 per cent to Confartigianato and 3.4 per cent to Confindustria (NetConsulting 2003); 17.2 per cent did not belong to any organization. These findings corroborate that Confcommercio is the preferential organization of the firms of the tertiary sector. They also reveal that a noteworthy minority of SMEs may well choose not to join any association. The majority, however, has joined an association, mainly on grounds of its services, assistance and representational activities. Density may be estimated also on the basis of Confcommercio’s membership files and public statistics on business activities. According to Unioncamere data (2002), there were 2,603,564 active firms in the tertiary sector in 2002, recording 13,802,000 working units (i.e. 9,993,000 employees and 3,809,000 self-employed persons, ISTAT 2004a). This yields a density level of around 33 per cent of companies. Density of employees is lower than one might expect, with a level of in between 20 and 24 per cent. This may be traced to the spread of non-standard employment (e.g. part-time work, flexible forms of contract, seasonal employment) throughout the sector, such that it is not easy to arrive at reliable figures on employees covered. Therefore the data, as documented by Confcommercio, should be taken with a pinch of salt. Voting rights are weighted: in the general assembly and in the council of the confederation, each member association has one vote plus a certain number of additional votes depending on the number of member firms. A similar principle applies to the calculation of votes per sector in the giunta. Weighted voting rights do not seem to affect the confederation’s internal power configuration very strongly, since SMEs clearly prevail in membership as well as in the sector as a whole. In 2002, the average number of employees per firm in the tertiary sector was about 15, while in commerce it was about three (NetConsulting 2003).

In 2002 the ‘system’ of Confartigianato consisted of 121 territorial associations and 20 regional federations. It also comprised 12 branch organizations. The domain is formally defined in the statute which delimits craft firms, the self-employed, small firms, and services as the membership potential. De facto the backbone of membership is the craft sector and its SMEs. Confartigianato has approximately 520,000 firms with 450,000 employees under its umbrella. According to Confartigianato, density is about 30 per cent of both the craft firms and their employees. Since these estimates imply that all members originate in the craft sector, they are inflated to the extent that a notable number of members exist outside this sector. At any rate, density is lower, if the reference for the estimate is the formal membership domain (Table 18.4). The general assembly is composed of the presidents and/or the delegates of the member associations. Each association has one vote, plus one further vote for every 2,000 member firms and fractions
higher than 1,000 member firms, calculated at regional level. Each firm must have paid the membership fee in order to be included in the calculation. Accordingly, the actual allocation of votes strongly echoes the territorial distribution of membership, since territorial associations representing large numbers of member firms can count on extra votes. The same voting rights apply to the member associations themselves, which have to respect the confederal statute in drawing their own statutes.

**Tasks and activities**

Table 11.3 summarizes the tasks and activities implemented by Confindustria, Confcommercio and Confartigianato. Confindustria represents the members’ interests *vis-à-vis* the trade unions and the state directly (at national inter-confederal level) as well as indirectly (through the territorial and sectoral organizations). In the field of product market interest, the sectoral organizations play the main role. The same holds true for collective bargaining. Aside from negotiating inter-confederal agreements, Confindustria conducts sector-level bargaining only in exceptional cases. Depending on the subject matter, Confindustria or its territorial affiliates participate in public policymaking. In the latter case the focus is on the regional level of governance. The confederation is not involved in governance dealing with standardization of products and product quality, including the implementation of EU norms. This is considered a public matter, in which state agencies and the Chambers of Commerce are active. However, the confederation may lobby the government, if regulations in this field are of economic importance. Services are usually free of charge for members, although the territorial organizations – which provide most services – may ask for limited *ad hoc* contributions (e.g. in exchange for assistance with fiscal questions). The territorial branches may also certify the quality of products or firms. Even though the confederal statute stresses the importance of providing the members with services, the focus of activities is on interest representation. In comparison with bargaining, lobbying has gained in importance. However, the impression is that the confederation still lacks a long-term perspective on its priorities and needs a proper strategy especially for the development of industrial relations (Bordogna 2004).

The activities of Confcommercio resemble those of Confindustria. However, Confcommercio is more involved in sector-level bargaining, as it regularly negotiates the collective agreements for retail and wholesale trade. As regards product market interests, the confederation was anxious during the 1980s and 1990s to achieve the recognition of commerce as a ‘productive’ sector and to combat what it regarded as a discrimination of the sector. This coincided with scepticism about deregulatory measures targeting the sector. In comparison with Confindustria, the confederation focuses more on services and conventions for members. The division of labour between territorial and sectoral associations is less clear-cut, since the provincial
Like Confindustria and Confcommercio, Confartigianato deals with the representation of both labour market and product market interests. The main difference between the three associations is that Confartigianato participates in public governance of product standards and product quality, since these activities are especially important to the craft sector. Calling for a uniform system of quality certification, the confederation takes part in state committees for issuing technical and legal norms. Within the confederation, the regional federations have coordinating functions and bargaining tasks. They will probably become more important in the future, in response to

<table>
<thead>
<tr>
<th>Activities</th>
<th>Confindustria</th>
<th>Confcommercio</th>
<th>Confartigianato</th>
</tr>
</thead>
<tbody>
<tr>
<td>Represents:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the unions</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the state</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product market interests in relation to suppliers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Services related to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial relations</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Economic policy programs</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange relations with suppliers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange relations with customers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Vocational training</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Further training and qualification of company staff</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Developing/monitoring quality standards for products</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Note
Main activities are marked in italics.

subunits of Confcommercio, called *Ascom*, have not only a territorial, but also a sectoral role. Services are free for members, but extraordinary dues can be charged locally in connection with special services, such as the quality certification of firms and products, which may be done by local and sectoral member associations.
the devolution of state functions to the regional public authorities. The sectoral associations represent the specific interests of their craft branches, in particular those related to product markets and competitiveness. Services are offered at territorial level and are payable in most cases.

**Human and financial resources**

In 2004, staff of the confederal head offices of Confindustria in Rome was 220; on the whole, 4,600 professionals were involved in the provision of services and representative functions for members. Between 1992 and 2003, the confederal personnel decreased from 319 to 226 employees, in order to cut costs. In recent years, fixed-term and temporary job contracts have become common for flexibility reasons. Apparently, staff of territorial associations is larger than that of the sectoral organizations, but less numerous in comparison with that of other employer organizations (Ferrante 1998: 108).29 The overall organizational ‘system’ (i.e. the combination of territorial and branch associations, regional and sectoral federations, plus the confederal structures) is rather expensive with respect to efficiency. Every year, the system requires financial resources within a range from €400 to €500 million (i.e. €481,798,020 in 2002). About 93 per cent of these revenues come from membership contributions. The confederal apparatus needs about €35–€36 million per year, but this is just 7 to 8 per cent of the total costs of the system. The sectoral and territorial associations usually transfer a certain percentage of the dues paid by their member firms to Confindustria.30 The criteria used for calculating the dues vary across the associations. The payroll of member firms is most important in this respect. On average, each firm pays around €120–€130 per employee annually for the enrolment in its territorial association, and more or less the same sum for enrolment in the sectoral association. This would mean a total annual fee of about €250 a year per employee. However, the territorial and sectoral associations usually set a ceiling for the contributions. Every year, the assembly of Confindustria determines the level of dues to be paid by each member association to the confederation. This was €17.80 per employee in 2003–4 (Rizzo 2004). Since 1996, this contribution has increased by 13 per cent, while the minimal associative contribution has risen by 50 per cent: it is now around €25,000 (Lanzalaco 2004).31 Critics maintain that the contributions are among the highest in the world, with a level of 3–5 times higher than those in the most industrialized countries, Germany included (Carraro 2004). Because of growing dues resistance, another form of finance has gained in importance: profits from Confindustria’s publishing house Il Sole 24 Ore, which – beyond a rich catalogue of books – publishes the financial newspaper with the same name. In 2003 about a quarter of the confederal activities were financed in this way. In 2002, about 84 per cent of the confederal budget was from membership fees and contributions, while 16 per cent came from shares and holdings, in particular from the ownership of the newspaper, which is very
well known and widespread. The confederation does not sell services and does not receive subsidies or other revenues from the state.

Officially, Confcommercio is financed by three main sources: ordinary and extraordinary member contributions, voluntary donations and ‘other profits’, with the specification that the confederation does not receive state grants. Confcommercio sees itself as a non profit organization, so that even the revenues from payable services are defined as ‘reimbursement’ from member associations or firms. Presumably, the member dues represent the most important source of income. However, the confederation does not disclose any data on budget and staff.32

In the case of Confartigianato, most financial and human resources are concentrated on the representation of interests at national and regional level. At territorial level, they are also used for providing the member firms with services. At confederal level, full-time staff includes 90 employees; total staff (including member associations and occasional collaborators) amounts to 14,000 people. The revenues of the confederation stem from membership fees, voluntary contributions, real estate income and profits from stock market shares. The confederation claims that nearly 100 per cent of the budget comes from the membership fees, as paid by the companies and collected by the territorial associations. Charged services cover a minimal part of the budget. State subsidies are tied exclusively to specific projects and cover a certain share of the implementation costs.

Internal reforms and restructuring

It has been said that since 1970, when the first important reform (the riforma Pirelli) was approved, the organizational history of Confindustria has been that of a ‘continuous and perpetual reform’ (Lanzalaco 2004).33 Apart from the enlargement of the membership domain (see above), the primary goal of restructuring pursued since the early 1990s has been to improve efficiency. As already noted, the number of staff of Confindustria was reduced by 30 per cent from 1992 until 2003. With the ‘riforma Mazzoleni’ (1991), the confederal apparatus was re-organized as a network. Internal functional ‘lines’ (in the fields of economic relationships, trade unions’ relationships, external and internal affairs), which the Pirelli reform had imposed also on the member associations and federations, were rescinded. Former ‘bureaux’ were transformed into departments, currently called ‘strategic areas (i.e. International Affairs, European Affairs, Organization and Development, Enterprise, Welfare and Industrial Relations, Fiscal and Corporate Law, Innovation and Education, plus the Research Centre), which include specific committees. Instead of the statute as such, it is now the president who determines the competences of the vice-presidents (the former heads of ‘lines’). The 1994 reforms aimed at centralizing the confederal leadership and strengthening the ability to represent common interests, also at European level, since the integration of the various components of
Confindustria’s system has always been problematic. Until 1994, the efforts to increase the intra-confederal integration had focused on two measures: regulating membership and the distribution of competences in a highly detailed way, and standardizing the operation of peripheral, lower-level structures. At the end of 2002, after a two-year debate, the ‘riforma Mondello-Tognana’ was adopted. Its reform package includes the free enrolment of firms and steps towards decentralization which are designed to strengthen the sectoral federations and local structures, based on the possibility to devolve representational functions to sectoral and territorial associations. The internal web of rules was deregulated by 70 per cent, so as to introduce higher flexibility. Overall, the reform led to changes in the formal structures, but did not bring about dues reductions. This contrasts with the firm commitment made by Mondello who had publicly denounced the high costs of Confindustria. Once again, this disappointed the group of SMEs which had supported Tognana. As their dissatisfaction with the leadership thus continues, the effectiveness of the reform remains uncertain. As a consequence of the financial problems of Confindustria, further attempts at a rationalization of staff and structures are needed, but this meets strong opposition from the internal bureaucracy, especially at the lower levels of the system.

In comparison to Confindustria, Confcommercio and Confartigianato have launched less marked initiatives for restructuring. Confcommercio has modernized its network of territorial and sectoral structures and processes as a means of improving its services. This is in line with the organization’s focus on services. Confartigianato underwent internal restructuring aimed at getting ISO quality certification from 1999 to 2002, when human resource management and financial management were certified.

Conclusions

Italy’s associational system of business is characterized by an extremely high degree of fragmentation. Historically, this originates in economic, legal and political properties. In economic respects, the numerical preponderance of SMEs has been important. Legally, low barriers to entry for business associations, an unrestricted access to corporatist boards, and group- and sector-specific regulations have also inflated the associational system. Politically, the ideological divide has had a similar inflating effect. The decay of ideologies in connection with the collapse of the traditional party system has strengthened considerably the representational weight of the business associations, since this development has increased their legitimacy and autonomy as collective actors, and has empowered them to embark on new forms of cooperation with one another as well as on new forms of concertation with their interlocutors. This has brought both intra- and inter-associational coordination activities to the forefront of the tasks performed by the peak associations.
The consolidation in terms of interest representation, however, has not helped overcome the fragmented structures: the coincidence of overlapping membership domains, a lack of functional differentiation of interest representation, and the similarities of service activities is likely to threaten the future effectiveness of the associations. For instance, growing inter-firm competition has brought about a growing demand for sophisticated services, in particular as far as SMEs are concerned. Since associational fragmentation into parallel organizations implies a dispersal of resources, it is uncertain whether the organizations can actually satisfy this demand. Likewise, the decay of ideology may have ambivalent consequences in the long run. While this has fostered cooperation between parallel organizations, it will also fuel competition for members, because it has been depriving the associations of their specific identity. Competition for members, in turn, may undermine the present attempts at inter-associational cooperation. As a consequence, pressures for mergers are likely to increase, especially in the most ‘overcrowded’ domains. In the 1990s the three associations for crafts already discussed a possible merger, albeit without arriving at an agreement (Ferrante 1998: 101). Regardless of this, the associational system has become less fragmented as a consequence of the disappearance of the public-sector business associations. As Confindustria has integrated them and their companies during their privatization, and has also extended its membership domain to the private service sector, it comes close to a general association. This development led to noticeable growth. In 1990, the last year before the enlargements of domain started, Confindustria covered 3.4 million employees, as compared to 4.3 million in 2002. Despite this growth the confederation is beset with difficulties. One main problem is that Confindustria’s membership is much more heterogeneous now than it was before the enlargements. As unifying the interests of the members has become more difficult, so Confindustria’s standing as a voice and lobby of business threatens to become weakened. While thus aggravating the problems of goal formation and interest politics, the enlargements have not solved Confindustria’s financial problems.

Overall, the situation of Confindustria does not substantially differ from that of the smaller, parallel associations. After having succeeded in strengthening their representational role in the political system, the future challenge to any of them is to modernize their organizational structures in a way that enables them to economize on resources.

Notes

1 According to national statistics (ISTAT 2004b), the average firm size is 3.7 employees. The corresponding figures for manufacturing, construction, commerce and services are 8.7, 2.9, and 3.0, respectively.
2 In 2001 R&D investments, as undertaken by Italian firms, were equivalent to 0.56 per cent of GDP (OECD 2003). The comparable figures for Germany,
France and the USA were 1.76 per cent, 1.37 per cent, and 2.1 per cent, respectively (Onida 2004a: 164).

3 The exception to this rule is big business which calls for deregulation. In coalition with the unions, its voice Confindustria has successfully criticized regulations favourable to the cooperatives as establishing ‘unfair competition’. In 2000 legislation has clarified the status of the soci lavoratori (i.e. the persons who operate as partners as well as workers in a cooperative), so as to rescind special regulations applying to this group in matters of collective bargaining coverage and trade union representation. The 2003 reform of company law obliged the cooperatives, inter alia, to deposit balance sheets and to have at least nine soci lavoratori. Aside from this, the status of the cooperatives was assimilated to the other types of companies, unless specific rules do exist.

4 These tendencies may have led to an excessive protection against market competition, if not to the spread of the ‘hidden’ economy, as a former president of Confindustria criticized (D’Amato 2004). This view is supported by OECD data on administrative regulation (OECD 2001; Onida 2004a). Another line of criticism argues that the inflated use of regulations in favour of SME groups has taken public resources on a large scale without success or with uncertain results (Onida 2004a).

5 ‘Only handicraft’ is a motto of Casartigiani.

6 In the early 2000s, however, possible ‘affinities’ between the leadership of Confindustria (then led by Antonio D’Amato, an SME representative) and the centre-right national government attracted criticism (Sarfatti 2003).

7 Put more succinctly, political change has established the preconditions for prolonged concertation, whereas European integration has created a strong need for it.

8 Originally, Act 300/1970 defined the representational structures as RSA (Rappresentanze Sindacali Aziendali) and captured them as trade unionist bodies. Historically, they followed the consigli di fabbrica (works councils, operating between 1972 and 1993) and the commissioni interne (internal commissions), which dated back to the beginning of the twentieth century and represented the workforce as a whole. The current bodies (RSUs) were established in 1993 and devised as unitary institutions.

9 Dell’Aringa (2003) reports collective bargaining coverage of 82 per cent of the workforce.

10 These estimates exclude ‘black’ or ‘grey’ labour which remains a serious problem, especially in agriculture, with about 30 per cent of the workers belonging to this category of labour. It is also widespread in building, catering, retail, tourism, personal care and domestic services. Undeclared work accounts for about 15 per cent of the total labour force and for 18 per cent of the employees. It is especially pervasive in the south, where one in every five workers is illegal (Broughton 2004). According to the same source, the ‘hidden’ economy oscillates between 15.2 and 16.9 per cent of GDP. In metalworking 50 per cent of the employees are not covered by second-level (i.e. complementary) bargaining, while in commerce this percentage rises to 80 per cent (CNEL 2002a).

11 Following an intense debate among the social partners, a referendum on dismissal regulation failed in 2003, because of insufficient turnout. Its goal was to include all companies in the obligation to reinstate employment in case of unfairly dismissed workers. This obligation applies only to firms with more than 15 employees according to Article 18 of Act 300/1970. In general, employer organizations were against the extension. For a discussion of the potential effects of employment protection regulations on firm size, see Garibaldi et al. (2003).
12 Confartigianato did not sign the 1992 agreement, because it entailed increases in taxes and social contributions which were considered too heavy for the artisans.

13 This group included Confcommercio, CNA, Confesercenti, Legacoop (see below) and Confiservizi, a sectoral autonomous organization of the tertiary sector.

14 These activities include the role of a mediator in the course of company bargaining.

15 Both the trade unions and the employer organizations take part in the management of the national institute for social insurance, INPS, which administers the pension scheme for most employees in the private sector. Representatives from Confindustria, Confcommercio, Confesercenti, CNA, Confapi, and from the main agricultural organizations are also represented on the INPS’s supervisory council.

16 Local concertation was boosted in the 1990s, following a constitutional reform, but still needs improvement. The extent and effectiveness of the involvement of the social partners in economic and financial policies differ widely across regions. There is the need to integrate local concertation into national agreements (CNEL 2002a). It is also necessary to evaluate the effectiveness of pacts, in order to avoid waste of funds (CNEL 2002b).

17 For this claim, see Confindustria’s Social Balance Survey (Bilancio Sociale 2003), available online. The same document also points to court rulings which recognized Confindustria as ‘more representative’ than ‘other organizations specialized in the representation of SMEs’ (p. 119).

18 It was established in 1947 by small firms which seceded from Confindustria, as a protest against insufficient representation of SMEs’ interests, especially regarding the access to bank credit (Alacevich 1996). According to another Confapi rule, which is especially supportive to SMEs, firms enrolling in the provincial subunit automatically become a member of the corresponding sectoral branch without paying additional contributions.

19 Quality is especially relevant with regard to international services (e.g. supporting the cross-border activities of the member companies). In this respect, some organizations (i.e. Confindustria, CNA and Legacoop) seem to perform better than others.

20 The reforms undertaken by Confindustria, Confcommercio, and Confartigianato will be considered in greater detail in the following section.

21 The craft sector recorded 1,417,261 firms with 1,545,801 employees in 2002 (Unioncamere 2002).

22 The branch associations are normally affiliated to broader sectoral federations. According to the statute of Confindustria, only one single federation can cover a certain sector. However, if a branch association represents interests which are not covered by any existing sectoral federation, then this branch association can be recognized by the giunta (the executive confederal body) as functionally equivalent to a federation. Thus, branch associations may exist outside the federations. Moreover, branch associations are allowed to join even more than one federation, provided they pay the corresponding dues. For all these reasons, they are listed separately from the sectoral federations.

23 In fact, the incorporation of the state-owned enterprises meant a return to older representational patterns, since these companies had split from Confindustria in the late 1950s (Lanzalaco 1998).

24 In 2002 commerce registered 1,384,439 companies with 1,723,000 employees (Unioncamere 2002; ISTAT 2004a).

25 Confartigianato and CNA also have extensive, complex structures, usually referred to as ‘systems’.
The fact that one and the same president held office from 1995 until 2005 also indicates the absence of any serious internal opposition. However, in 2006 an internal reform limited the presidency to two mandates, for a maximum of eight years (four + four).

Scholarly studies often criticize commerce as a main cause of inflation and an area of tax evasion. In 1998 the 1971 Act providing the legal framework for commerce was amended. While including some elements of deregulation and liberalization, the amendment remained half-hearted in this respect, mainly as a consequence of resistance from the sector itself (Pellegrini 2001).

Confartigianato, CNA, and the confederations of the cooperatives apply dual affiliation (see note 35). Confindustria has repeatedly failed to implement dual affiliation fully, although it is enshrined in its confederal statute (Lanzalaco 1998).

For example, staff of the provincial association of Trieste, a middle-sized town with a small province, includes about 23 people. In comparison, the sectoral federation of food and beverage products (Federalimentare) has only 21 people on the staff of its central office.

Since 2002 efforts have been made to exchange and analyse figures on the budget of the members. In connection with this, information on the contributions of the member associations to the confederation was made available for the first time in 2003. In the future, this may change the presentation of balance sheets within the confederation, so as to include the data on the territorial and sectoral associations.

Since it is mainly SME members who criticize membership costs, the lower dues seem to have increased disproportionately. This tendency is confirmed by Boeri (2004a).

In February 2006 the confederation announced that the confederal budget would amount to €52,242,000.

In the 1970s, 15 reform proposals were elaborated.

Andrea Mondello was the president of the provincial association of Rome; Nicola Tognana was vice-president of Confindustria and a representative of the group of SMEs of the North-Eastern regions.

Confindustria thus renounced the principle of dual affiliation (i.e. the simultaneous membership of each firm in both the related territorial association and the sectoral federation/branch association). According to the most recent orientation, conventions, devised to lower the fees, should set an incentive for the companies to obtain dual membership. However, in practice, the firms tend to join whichever association they want – more often the territorial than the sectoral one.
The economic and cultural background

With around 450,000 inhabitants, Luxembourg is the smallest member country of the EU-15. In comparison with the European average, small and medium-sized firms are above-averagely strong in terms of both their number and employment share, whereas the opposite applies to micro firms and large firms (Table 2.1). The situation is more complex, as far as domestic companies belonging to Europe’s 500 largest businesses are concerned. Their share in the total number of companies is relatively high, whereas their employment share is below the average of the EU-15. Over the last decade or so, small, medium-sized, and large companies expanded, whereas micro companies declined. This development as well as the special size structure of the companies may be traced to favourable legislation which has prompted many foreign firms, especially those from the financial sector (see below) and from the transport sector to establish operations in Luxembourg. Overall, SMEs, defined by conventional standards, dominate the economy.¹ In 2002, their share in the total number of companies and in total employment was 99.2 per cent and 63.6 per cent, respectively.

Small-scale production rests on a long Handwerk tradition. Like Austria and Germany, there is a dual system of vocational training administered by a compulsory Chamber organization. The Chamber of Crafts (la Chambre des Métiers du Grand-Duché de Luxembourg) registers 103 official crafts. The big factories of the iron and steel industry, however, brought about the country’s economic expansion in the nineteenth century, and led the development until the 1970s, when they entered into crisis. In response to this, the sector underwent major restructuring, implying severe reduction of labour. It was only the iron and steel conglomerate ARBED which survived this restructuring process. In 2002 ARBED merged with two other international companies (Aceralia and Usinor) to form a worldwide operating company, Arcelor, with headquarters in Luxembourg. Arcelor is still the largest private employer in Luxembourg.

The economy has seen not only a thoroughgoing transformation of its iron and steel industry, but also notable changes in its sectoral composition.
Luxembourg has developed into a main international financial centre as a result of a preferential legal and tax regime which has stimulated banks of other countries to set up numerous subsidiaries in Luxembourg. Nowadays Luxembourg records the greatest banking concentration in Europe.

Public policy-making is based on what is often called the ‘Luxembourg model’. This means resolving economic and social problems by means of tripartite consultation, concertation and consensus-building. This model arose from concerted efforts to cope with the economic crisis from the mid-1970s to the late 1980s, which was caused by the decline of the iron and steel industry. Following several meetings between government, organized business and the unions, the Law of 24 December 1977 formally institutionalized a ‘Tripartite Coordination Committee’ (Comité de Coordination Tripartite, CCT) that is to be convened if the economic and social situation deteriorates. In 1979, the ‘Tripartite Iron and Steel Conference’ which was organized within this framework reached a first agreement on the restructuring and modernization of the sector, which was amended in 1981. The positive experiences with these tripartite agreements then stimulated tripartite arrangements in other sectors. Tripartite concertation rapidly developed from a means of crisis management into a generalized mechanism that systematically seeks consensual solutions to any kind of economic and social problems.

The legal framework for associational action

As regards the legal status of interest associations, one has to differentiate between the obligatory Chambers and the voluntary interest organizations.

Chambers are public law institutions which have two basic tasks according to statute: interest representation and participation in state regulatory functions. There are six leading Chambers in Luxembourg, which were created by the Law of 4 April 1924. Aside from three Chambers of business (see below), three other Chambers organize distinct categories of employees: the Chamber of Labour (Chambre de travail), the Chamber of White-Collar Workers (Chambre des employés privés), and the Chamber of Civil Servants and Public Servants (Chambre des fonctionnaires et employés publics).

Whereas the Chambers are established by law, voluntary associations are formed on the initiative of their constituency. The legal basis of the voluntary interest associations is freedom of association, as guaranteed by Luxembourg’s constitution (Article 11; liberté syndicale). The Association Act lays down a general framework for the formation, structure and operation of associations, allowing a relatively large degree of discretionary scope. To set up an association, its proponents are obliged to submit the association’s constitution to the authorities for registration. If the constitution is in line with the general framework as defined by the Association Act, the association must be registered and recognized by the authorities. This means that anybody can form a business interest association.
Labour law regulates the capacity for collective bargaining. The parties which have the right to conclude collective agreements are: representatives of employers, a group of companies of the same profession or trade, and each single company on the side of business; and the national representatives of labour. In reserving the capacity for collective bargaining to the most representative trade union organizations at national level, Luxembourg law excludes sectoral and enterprise-level unions as well as employee representatives within the workplace from the right to bargain. The concept of national representative status is laid down in the 1965 law on collective agreements, which specifies two criteria for attaining the right to bargaining: a significant number of members, and independence. Labour law also differentiates between two types of collective agreements: ordinary collective agreements and collective agreements which are the outcome of a conciliation settlement or arbitration award within the National Conciliation Service. Under the terms of Article 9 of the 1965 law, a collective agreement may be made applicable to any employer and employee falling within the purview of the respective agreement. Such extension (déclaration d’obligation générale) is effected by grand ducal regulation and published in the Mémorial, on the basis of a unanimous proposal issued by the Joint Conciliation Commission, and on advice of the relevant Chambers. The social partners are generally in favour of extending collective agreements, since they regard incomplete collective bargaining coverage as a factor distorting the competition among the companies in the sector concerned (Feyereisen 2002b). Regardless of this, use of the extension provision is made only in a limited number of sectors, such as the construction and the power industries. In the construction sector, the extension provision serves as a means of imposing a compulsory levy on the employers, in a way similar to more widespread practices in Belgium and the Netherlands. This arrangement is provided for by a sectoral collective agreement signed in 2000. Accordingly, a levy of 0.65 per cent of total pay roll costs is used for financing training programs for employees in a situation of a shortage of skilled labour (Feyereisen 2002a).

The role of organized business in social dialogue and public policy making

Collective bargaining, which covers around 60 per cent of the total number of employees under the right to bargaining (Feyereisen 2002b), regularly occurs at the sectoral level and at the company level. The employment terms of approximately 60 per cent of the employees under a collective agreement are regulated by sectoral bargaining (Feyereisen 2002b). Sectoral agreements of major importance cover banking, insurance and construction and civil engineering (Tunsch 1998). Where no sectoral agreement exists, bargaining at company level may take place. However, company agreements exist only for larger firms, such as Arcelor and large major retail outlets, whereas small firms remain uncovered in these circumstances. For instance, collective
bargaining is absent in the hotel and catering industry. Finally, special issues may occasionally be addressed by cross-sectoral bargaining. In 2003, the principal business association, the Union of Luxembourg Enterprises (L’Union des Entreprises Luxembourgeoises, UEL), and the two main union confederations signed an agreement on continuing vocational training (Feyereisen 2003). The fact that some of the provisions of the agreement require implementation via legislation underscores the close cooperation between the state and organized interests.

Organized interests are integrated into public policy through two main statutory mechanisms. The traditional mechanism relies on the Chamber system. The involvement of the Chambers in state regulatory functions includes both formulation and implementation of policies. They have the statutory right to submit proposals for legislation and must be consulted by the public authorities on all issues affecting their members’ interests in broadly defined areas of economic and social policy. At the same time, they operate as agents of public policy in such fields as the supervision of vocational training, particularly apprenticeships. Statutory bodies of tripartite concertation and consultation represent the second mechanism to integrate organized interests into the formulation of economic and social policy. They constitute the hallmark of the ‘Luxembourg model’. The most important components of this system of concertation and consultation are the Economic and Social Council (Conseil Économique et Social, CES), the National Employment Commission (Commission Nationale de l’Emploi, CNE), CCT, and the Standing Committee on Employment (Comité Permanent de l’Emploi, CPE) (EEIG n.d.; Tunsch 1998).

CES, created in 1966 and replacing the Economic Commission, deals with economic, financial and social issues of major importance. CES produces an annual report and may make proposals on its own initiative. It may also be consulted by the government on manifold matters, including proposed legislation and regulation, issues of general concern, conclusions reached by CCT, and questions on which the various professional Chambers have presented conflicting opinions. CES has 14 members representing employers and 14 members representing employees in the various sectors of the national economy (appointed by the government from lists nominated by the business associations and the unions), plus four members co-opted by the business associations and the unions, and three members nominated by the government who are totally independent of the former and include one representative from the liberal professions.

CNE was set up in 1976, in connection with the formation of the employment department. CNE is devised to advise the Minister for Labour on labour market issues and employment policy. It is composed of seven representatives from the government, the business associations and the most representative unions.

CCT was established in 1977, in the context of the economic crisis. As noted above, its most important achievement was the successful restructuring
of the steel industry during the 1980s. Within its framework, tripartite meetings (*conférences tripartites*) are held, whenever a worsening of the economic and social situation (e.g. in terms of the inflation rate or the country’s international competitiveness) requires national policy responses. Advice, as offered by the Committee, consists of analyses of the problem in question as well as policy recommendations. If the three parties are unable to reach an agreement, the government may appoint a mediator, so as to arrive at a compromise on the policy recommendations. The Committee is made up of four representatives from each of the government, the most representative national trade unions, and business, with two representatives from the Chamber of Industry and Commerce (Chambre de Commerce), one from the Chamber of Crafts, and one from the Chamber of Agriculture (Chambre d’Agriculture).

CPE was set up in 1995. It continuously examines the labour market of Luxembourg, with special emphasis on the optimum use of labour resources in coordination with economic and social policy, the match or mismatch between labour supply and demand, and legislation on combating unemployment and on the relations between the employment service and the employers. CPE has 12 members, composed of equal numbers of representatives of government, the business associations and the most representative unions.

As a consequence of encompassing concertation practices, it is not only the Chambers, but also the voluntary business associations which participate in public policies. The numerous programs to aid SMEs may be taken as a case in point. For example, the Tripartite Coordination Committee developed a concept aimed at boosting employment through specific investments. A national plan in favour of SMEs is in operation. Two one-stop shops (Centres de formalités PME) were established. The ‘Société luxembourgeoise de capital-développement pour les PME’ was launched. In 2004 a new framework law for the craft industry was enacted. The Chamber of Crafts as well as its voluntary counterpart, the Federation of Crafts (la Fédération des Artisans, FDA), have been involved extensively in any of the programs set up in favour of SMEs.

The associational system

There is only one single business association which satisfies the criteria of being a cross-sectoral, country-wide and independent interest organization: that is, UEL. Formed in 2000, UEL is a comparatively young organization. Its predecessor was the Employers’ Liaison Committee (Comité de Liaison Patronal, CLP) which embraced most of the country’s compulsory and voluntary associations of business (Feyereisen 2000). Set up in late 1965, CLP was an informal platform, enabling the various representatives of organized business to meet regularly and discuss common issues. However, CLP remained inactive during most of the 1990s. In 1997 a government
plan aimed at drawing up an employment program within the framework of CCT breathed new life into CLP which then met with the two major union confederations in order to prepare the meetings under the auspices of CCT (EIRO 1998). To communicate their positions in a more forceful and coherent way, it was then decided to formally found an encompassing peak organization which has become the principal association of business in Luxembourg.

The creation of UEL does not simply mean the transformation of an informal business network into a formal structure. It brought about a far-reaching change in the status of the collective actors involved. The associations affiliated to UEL were independent organizations playing the key role in representing business interests before the formation of UEL. Now they are lower-level member associations of UEL. This new hierarchical order directs special attention to UEL and its affiliates.

UEL has eight members: the Chamber of Industry and Commerce, the Chamber of Crafts, the Luxembourg Bankers’ Association (l’Association des Banques et Banquiers, Luxembourg, ABBL), the Luxembourg Insurers’ Association (l’Association des Compagnies d’Assurances du Grand-Duché de Luxembourg, ACA), the Luxembourg Confederation of Commerce (la Confédération Luxembourgeoise du Commerce), FDA, the Luxembourg Federation of Industry (la Fédération des Industriels Luxembourgeois, FEDIL), and the National Federation for the Hotel, Restaurant and Café Industry (la Fédération Nationale des Hôteliers Restaurateurs et Cafetiers de Luxembourg, Horesca). This means that UEL has essentially all areas of business under its umbrella with the exception of agriculture and the liberal professions (e.g. lawyers and doctors). UEL is on friendly terms with these associations. One should note that there is another association which crosscuts the domain of UEL. This is the Union of Self-employed Persons and the Middle Classes (Syndicat des Indépendants et des Classes Moyennes, SIC) which claims to represent 700 members in the area of the liberal professions and SMEs in commerce. Since SIC is inactive, aside from occasional demands for recognition as a representative association (Feyereisen 1999), it will not be included in the following analysis.

UEL as well as its affiliates can be classified as mixed associations. There are, however, differences in the focus of their activities. These differences are primarily related to collective bargaining. UEL concentrates on advancing business interests through consultation and concertation, whereas collective bargaining is conducted only occasionally. None of the Chambers are engaged in collective bargaining. Nevertheless, they also address labour market issues in connection with their participation in the procedures of consultation and concertation. As noted above, they are formally vested with state regulatory functions. For instance, they administer the apprenticeship system (including the design of the training programs and the organization of the examinations). Furthermore, they give advice and assistance to enterprises in all economic, legal, fiscal, social or administrative matters.
These services are free of charge. With the exception of Horesca, any of the other voluntary member associations are either directly or indirectly engaged in collective bargaining (Feyereisen 2003). ABBL and ACA operate as bargainers on behalf of their sector. The remaining voluntary associations leave collective bargaining to their narrower member associations. Like the Chambers, the voluntary member associations of UEL partake in tripartite consultation and concertation.

As Table 12.1 shows, the domains of the affiliates to UEL overlap in manifold ways. Above all, there are overlaps of the Chambers with the voluntary associations. In the case of crafts, a Chamber and a voluntary association co-exist with even identical membership demarcations. The two Chambers relate to each other in a mutually exclusive way after some problems of overlapping were resolved in 2003.5 The membership figures of Table 12.1 suggest that co-existence with a Chamber does not rule out a high level of density in the case of the voluntary associations. For instance, density of ABBL is 58 per cent in terms of companies, and 77 per cent in terms of employees. In the case of FDA the corresponding figures are both above 80 per cent (Table 12.2). The affiliates of UEL differ markedly in size. The Chamber of Industry and Commerce clearly surpasses the other associations in the number of members and employees covered. Regardless of this, FEDIL is said to be the dominant association among the organizations below the level of UEL (EEIG n.d.). In comparison with the other associations, FEDIL stands out in terms of the large size of its member companies which have 133 employees on average. Hence, its stronghold is ‘big industry’. The largest affiliate more or less matches its umbrella organization, as far as the associations’ economic weight is concerned. According to its own membership files, the Chamber of Industry and Commerce records even more member companies than UEL, with a total number of employees representing 89 per cent of the employees under the umbrella of UEL.6 Moreover, the power and influence of the affiliates to UEL markedly exceeds what one would normally expect in the case of associations which are subordinated to an umbrella organization. The main reason for this is that the affiliates can still rely on their traditional, special channels of interest representation, namely their participation in tripartite consultation and concertation. For instance, they are all represented on CES, with the exception of Horesca.

In these circumstances, representing the common interests of all members and promoting inter-sectoral solidarity, which form part of UEL’s main goals, become delicate undertakings. In connection with its formation, UEL was anxious to emphasize that it does not aim to cause or resolve conflicts among its affiliates, while at the same time granting them the continued right to express their own opinions, with the consequence that it might be impossible to reach a consensus on certain questions. This happened against the background of conflicts over the foundation of UEL behind the scenes. Hence, there were views that the affiliates will continue to take the real decisions, leaving little capacity to UEL for unifying its members’ interests.
<table>
<thead>
<tr>
<th>Function</th>
<th>Domain</th>
<th>Status of membership</th>
<th>Members covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>UEL</td>
<td>Mixed Business sector except agriculture</td>
<td>Combination of compulsory and voluntary membership</td>
<td>22,500 224,000</td>
</tr>
<tr>
<td>Chamber of Industry and Commerce</td>
<td>Mixed All sectors except agriculture, crafts and the liberal professions</td>
<td>Compulsory</td>
<td>35,000 200,000</td>
</tr>
<tr>
<td>Chamber of Crafts</td>
<td>Mixed Crafts</td>
<td>Compulsory</td>
<td>4,300 58,000</td>
</tr>
<tr>
<td>ABBL*</td>
<td>Mixed Banking and related financial institutions</td>
<td>Voluntary</td>
<td>159 18,207</td>
</tr>
<tr>
<td>ACA</td>
<td>Mixed Insurance</td>
<td>Voluntary</td>
<td>50 2,200</td>
</tr>
<tr>
<td>Confederation of Commerce</td>
<td>Mixed Commerce, transport and services</td>
<td>Voluntary</td>
<td>n.a. n.a.</td>
</tr>
<tr>
<td>FDA</td>
<td>Mixed Crafts</td>
<td>Voluntary</td>
<td>~ 3,500 ~ 50,000</td>
</tr>
<tr>
<td>FEDIL**</td>
<td>Mixed Manufacturing, construction and related business services</td>
<td>Voluntary</td>
<td>450 60,000</td>
</tr>
<tr>
<td>HORESCA</td>
<td>Mixed Hotels, restaurants and cafés</td>
<td>Voluntary</td>
<td>5,500 n.a.</td>
</tr>
</tbody>
</table>

Notes
Patrick Kenis and Franz Traxler

One of the two most representative union confederations, for instance, thought that it was highly unlikely that UEL could represent employers generally (Feyereisen 2000). In the first place, these problems refer to differences in interests across sectors, as most of the affiliates have specified their domain by sectors. Analogous problems, however, apply to firm size, because domain demarcations tend also to coincide with differences in size. As noted above, the group of large manufacturing companies is represented by FEDIL. The craft organizations are its counterpart, representing the bulk of SMEs. Other affiliates have a large number of SMEs among their otherwise demarcated membership. Three affiliates (i.e. Horesca, the Confederation of Commerce and FDA) cooperate in the informal Network of Middle Classes (Confédération des Classes Moyennes), which enables them to formulate common positions on behalf of SMEs.

The following sections will analyse UEL, the Chambers of Crafts and FDA in greater detail although the two craft organizations do not meet the criterion of formal independence. They will be included for two purposes. First and in line with the guiding questions of this volume, it is important to examine how SMEs get inserted into broader associational frameworks for interest representation. Second, comparing the Chamber and FDA enables us to study how a strong voluntary association can exist in parallel with a compulsory Chamber.

**Membership domains and organizational structures**

The domain of UEL is formally defined as comprising all compulsory and voluntary associations of business except those representing the primary sector. In practice, UEL organizes almost all national business associations (i.e. around 80 per cent according to estimates) which are included by its domain. The associations of the liberal professions are not affiliated to UEL, since their interests are presumed to conflict with the interests of the other members. All members of UEL are associations. Individual companies cannot be admitted as members, according to the statute of UEL. Density of both companies and employees is very high (Table 12.2). This can be traced to the fact that the aggregate membership of UEL results from a unique combination of compulsory and voluntary membership. Voting rights within UEL are allocated on the basis of one member two votes. Two voting principles are practised by the affiliates: either one member one vote or weighted votes according to the number of members organized by the lower-level member associations.

<table>
<thead>
<tr>
<th></th>
<th>UEL</th>
<th>FDA</th>
<th>Chamber of Crafts</th>
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<tbody>
<tr>
<td>Number of associational affiliates</td>
<td>8</td>
<td>52</td>
<td>–</td>
</tr>
<tr>
<td>Density in terms of companies</td>
<td>94</td>
<td>83</td>
<td>100</td>
</tr>
<tr>
<td>Density in terms of employees</td>
<td>94</td>
<td>86</td>
<td>100</td>
</tr>
</tbody>
</table>
The law on the Chamber of Crafts obliges every natural and legal person to be a member of the economic Chambers, if the business carried out falls within the scope of the 103 different recognized crafts in Luxembourg. It thus organizes physical persons, commercial companies, as well as the branches of foreign companies established in Luxembourg engaged in craft businesses, which, in sectoral terms, embrace construction, housing and the metal working sector, the food, the fashion, health and hygiene sector, the printing industries as well as the handicraft activities (‘Sont ressortissants de la Chambre des Métiers: toutes les personnes établies au Grand-Duché comme artisans, conformément à la legislation en matière d’établissement.’ (Arrêté grand-ducal December 31, 1960)). The Chamber registers around 4,200 enterprises (so-called affiliated enterprises), representing 58,000 employees and 21 per cent of GDP. The Chamber is governed by the Plenary Assembly (L’assemblée plénière), which consists of 22 members. Nineteen product groups have a seat in the Assembly. Three members are delegated by FDA. Each member has one vote. Due to compulsory membership, density is 100 per cent.

FDA covers the same domain as the Chamber of Crafts, while membership is voluntary. Its members are sectoral associations which represent a registered craft. There are 52 member associations which are grouped along broader areas of business activities: food; fashion and personal hygiene, health; mechanical engineering; construction and diverse. With 83 per cent of the companies and 86 per cent of the employees, FDA records a very high density ratio. In practice, the vast majority of crafts are under its umbrella. However, the density of newly set-up companies and of companies in newly developing industries (e.g. IT) is below the average. Within FDA, voting rights are weighted according to the number of members and the number of employees organized by each affiliate.7 Voting within the affiliates commonly rests on the principle one member one vote.

**Activities**

UEL deals with labour market interests as well as product market interests. As far as product market interests are concerned, UEL formulates positions and undertakes actions with regard to gender issues, sustainable development, health insurance, fiscal reforms, consumer issues, etc. Put more generally, UEL can address product market interests, if related conflicts are exogenous to its domain. As an implication, UEL is unable to process product market interests in relation to suppliers and customers (Table 12.3). As regards labour market interests, UEL is not directly involved in concluding collective agreements on wages and working conditions. Occasionally, it negotiates agreements on qualitative, cross-sectoral issues, such as training, telework, and part-time work. These agreements may be made generally applicable or endorsed in labour law. UEL has regular informal contacts and meetings with members of government and is also
Table 12.3 UEL, FDA and the Chamber of Crafts: activities

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>Chamber of Crafts</th>
<th>FDA</th>
<th>UEL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Represents:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the unions</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the state</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Product market interests in relation to suppliers</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Services related to</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial relations (e.g. advice on the provisions of collective agreements; representation of members in labour court proceedings)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Economic policy programs (e.g. advice on the preconditions for the application for public grants and subsidies)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange relations with suppliers (e.g. information on the quality and availability of raw materials and intermediate goods)</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange relations with customers (e.g. information on sales markets, export promotion)</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Vocational training</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Further training and qualification of company staff</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Developing/monitoring quality standards for products</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Notes
1 Services provided directly or indirectly through member associations. Main activities are marked in italics.

present in the tripartite bodies of consultation and concertation. Services are provided free of charge.

The tasks of all Chambers are regulated by the same principles, as laid down by the law of 1924. Their basic mission is to create and/or subsidize any establishment, institution, operation or service contributing to the development of their constituency, to broaden their range of activities, to supply advice, to put forward claims, to solicit information and to produce statistical data on the sector. Overall, they fulfil three main functions: first, they represent their members in matters of product market interests and
labour market interests *vis-à-vis* the authorities and the unions, with the notable exception of collective bargaining. As the statutory representatives of business, they enjoy special rights of consultation and advice and also partake in the processes of tripartite consultation and concertation. Second, they perform regulatory functions on behalf of the state. Finally, they are service organizations to the benefit of their members.

Like its Chamber counterpart, FDA deals with both product market interests and labour market interests. It is integrated into the process of consultation and concertation indirectly (i.e. through its institutionalized presence in the Chamber of Crafts) as well as directly (i.e. through its participation in the tripartite bodies). The representational activities of FDA differ most strongly from those of the Chamber of Crafts with regard to collective bargaining. FDA advises, coordinates and supports its member associations in matters of collective bargaining. While it generally participates in the negotiations, it is the member associations which sign the agreements. Since the affiliates are rather small and have only limited resources, the impact of FDA on the bargaining process is considerable. The services offered to the members are free of charge. They include advice on public subsidies, labour, taxation, social legislation and financial issues.

Table 12.3 summarizes the scope of the representational activities and services, as regularly performed by the Chamber of Crafts, FDA and UEL. Differences are most evident in the area of interest representation. In comparison to the Chamber and FDA, UEL’s involvement in product market interests is more limited. Differences also exist in the case of collective bargaining. FDA and its affiliates are the key players in this field, with a minor role of UEL. Not any role in collective bargaining accrues to the Chamber. Generally, FDA and the Chamber operate as representatives of business at the meso (i.e. craft-specific) level, whereas UEL only deals with issues of cross-sectoral relevance. There are similar differences in the service profile, although the scope of service activities of the three associations seems to be almost identical at first glance. UEL is hardly directly engaged in services and concentrates on interest representation. Services are mainly produced by its affiliates. UEL itself spends about 10 per cent of its resources on services (i.e. providing relevant information for companies). In contrast to this, both the Chamber and FDA regard services as important as interest representation. Regardless of this, there are differences *between* the two associations, as far as the importance of services is concerned. In accordance with its statutory mission, the Chamber is more of a service organization than FDA. Finally, their services target distinct groups. The Chamber provides services mainly for the individual companies; FDA offers its services to the member associations. The upshot of these considerations is that the activities of the three associations are guided by a clear and well-respected division of labour which enables them to cooperate with each other.
Table 12.4 documents the human resources of UEL, FDA and the Chamber of Crafts, together with the composition of their revenues. Due to compulsory membership, which ensures a secured influx of resources, the Chamber records the highest number of staff (i.e. about 65 members). FDA has 16 staff members. This number is rather large for an association of crafts in a small country like Luxembourg. The large number reflects the fact that most of the affiliates of FDA have no staff at all and are completely dependent on the human resources of its umbrella organization. Aggregate staff under the umbrella of UEL outnumbers the peak-level staff of the Chamber and FDA. However, the lion’s share of this staff is employed by its affiliates (including the Chamber and FDA). The staff of UEL itself is rather small by absolute standards as well as in comparison with the Chamber and FDA. The figures from Table 12.4 suggest that most of the affiliates – if not all of them – control a larger staff than UEL.

As regards revenues, the main difference is between the Chamber and the voluntary associations. As a consequence of its statutory role as an agent of state regulation, revenues from the state are as high as revenues from member dues in the case of the Chamber. The voluntary associations get all or almost all of their income from their members.

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>Chamber of Crafts</th>
<th>FDA</th>
<th>UEL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff members</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peak level</td>
<td>65</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>Aggregate</td>
<td>not applicable</td>
<td>n.a.</td>
<td>~170</td>
</tr>
<tr>
<td><strong>Composition of revenues (as a percentage of total revenues)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues (firm members)</td>
<td>50</td>
<td>95</td>
<td>100</td>
</tr>
<tr>
<td>Membership dues (affiliated associations)</td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Voluntary subsidies from members</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligatory dues and levies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from the state (including contracts with government)</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes
1 FDA receives the dues directly from the companies, although it has only sectoral associations as members. n.a. = not available.
None of the three organizations underwent major internal reforms and restructuring over the last few years. There were no pressures to do so, since they were developing and expanding.

Conclusions

The creation of UEL brought about a profound concentration of the associational system of business. Before this restructuring, five associations among those then becoming affiliates to UEL qualified as country-wide, cross-sectoral and independent peak organizations. By comparative standards, this was a very high degree of inter-associational differentiation, especially if one takes Luxembourg’s small size into consideration. There is good reason to believe that this differentiation ensued from the pre-eminent role which the Chambers had (and still have) in business interest representation, public governance and the provision of services. This situation forces voluntary associations to find a niche, such that their interest politics and services can be tailored more closely to a special group than is the case of the Chambers. This entails a high degree of inter-associational differentiation. One should add that this niche strategy is feasible primarily in relation to the encompassing Chamber of Industry and Commerce. In relation to the Chamber of Crafts, FDA does not exhibit any notable comparative edge in terms of specialization. History can explain the rise of a voluntary association of crafts, but not necessarily its survival: FDA is older than the Chamber. FDA was established in 1905 and was the successor of the even older Allgemeiner Handwerkerverband. Nowadays, collective bargaining – which makes FDA and its affiliates differ mainly from the Chamber – tends to generate a remarkable selective incentive. This is because the collective agreements concluded on behalf of the craft trades are usually made generally applicable. In contrast to this, services hardly produce selective incentives. Like FDA, the Chamber offers advice on labour relations. Regardless of this, a comparative advantage of FDA may lie in the fact that the companies may prefer advice on this issue provided by the bargainer itself over advice delivered by a third party. However, the stronger focus on services, which characterizes the Chamber in general, probably offsets this advantage. At any rate, the way in which the differentiation of the associational system evolved tends to favour SME interests. FDA, the Confederation of Commerce, Horesca and the two Chambers, with their goal formation based on one member one vote, are important agents of their interests. The formation of UEL gave rise to doubt about its ability to aggregate the manifold interests under its umbrella for the sake of common goals and to represent them vis-à-vis its interlocutors. In fact, there are several structural limits to this ability: the continued presence of its affiliates in cross-sectoral tripartite bodies; their control over collective bargaining; and their superiority in terms of resources. These structural constraints compel UEL to confine its representational activities to what can rely on full consent of its affiliates.
Regardless of this, UEL has proved its effectiveness. It has become the key actor when it comes to representing business interests at cross-sectoral, national level (Feyereisen 2003). This is mainly because the capacity of an association for strategic action depends not only on its internal structures, but also on external conditions, namely the relationship with its (potential) interlocutors. In immediate response to the formation of UEL, one of the two major union confederations expressed its interest in having a partner which could speak with ‘a single voice’ on behalf of business (Feyereisen 2000). Likewise, it is rational for the authorities to deal with UEL, since this promises themselves relief from concertation activities: The aggregation of business interests may be transferred from the tripartite bodies to UEL and its internal goal formation.

Notes

1 In contrast to the conventional definition, the National Statistical Institute of Luxembourg understands SMEs as companies recording no more than 100 employees.
2 Although the unions are formally separate from the Chambers, and were originally excluded from them, they now have seats within the Chamber system and use it as channel of interest representation.
3 However, the authorities implement this rule in a flexible way. In 2001 they granted the Association Luxembourgeoise des Employés de Banque et Assurance (ALEBA) national representative status, allowing it to conclude collective agreements, because the main union confederations were not present in the sector (IST n.d.).
4 For details, see the chapters on the two countries in this volume.
5 As a consequence of the identity of the domains of the Chamber of Crafts and FDA, the same holds true for the relationship between the Federation and the Chamber of Industry and Commerce.
6 Due to overlapping domains, aggregate membership of the affiliates is not equal to the membership of UEL.
7 For example, the Federation of Construction and Civil Engineering Employers (Fédération des Entreprises de Construction et de Génie Civil) has 20 votes in the general assembly, whereas the Federation of Laboratory Dentists (Fédération des Laboratoires Dentaires) has one vote.
8 SMEs have separate seats in the plenary assembly (L’assemblée plénière) of the Chamber of Industry and Commerce. The Assembly consists of 23 elected members representing eight sectors: insurance (one seat), banking (four seats), restaurants (one seat), retail and other commercial activities (five seats), wholesale trade (three seats), hotels and hospitality (one seat), metal production and processing (three seats), small and medium sized industries (five seats). Each representative has one vote.
The economic and cultural background

The economic structure of the Netherlands is clearly skewed towards large firms (Table 2.1). In particular, big multinational enterprises figure prominently in the Dutch economy. In 2003, 35 Dutch companies, including Phillips, Unilever, Shell, Akzo Nobel, Heineken, Ahold and some of Europe’s largest banks and insurers, were among Europe’s 500 largest businesses. In terms of the number of both firms and employment, their relative importance to the Dutch economy exceeds the comparable figures of any of the four other countries belonging to the group characterized by above-average firm size. This indicates a very strong international orientation of the Dutch economy which is backed by the largest port of Europe, i.e. Rotterdam. Despite the outstanding importance of large firms, SMEs numerically prevail also in the Netherlands. In 2003 they accounted for 99.5 per cent of all companies and 65.2 per cent of total employment.

The political culture of the Netherlands is strongly committed to the principle of consensus, something which has been paralleled by a long tradition of corporatist policy making, involving government and organized business and labour. During the 1970s this system entered into crisis, when immobility made it incapable of containing rising rates of wage inflation, unemployment and welfare expenditure (e.g. Hemerijck 1995). This deadlock could be overcome with the 1982 Wassenaar agreement which has revitalized the cooperation between the two sides of industry. Based on voluntary incomes policy as its cornerstone, this new cooperation has essentially contributed to the country’s economic recovery and its successful adjustment to such changes as the integration into the Single Market and European Monetary Union (Visser and Hemerijck 1997). In contrast to consensus orientation and corporatism, another traditional component of Dutch culture has faded away: the ‘pillarization’ (verzuiling) along a Catholic, a Protestant and a socialist camp in all areas of society. Most of its manifestations disappeared already during the second half of the 1960s, with polarized organizational structures of business and labour being a notable exception. As regards labour, a Christian union confederation still exists. In the case of business,
the polarized structures were overcome no earlier than in the mid-1990s, when the last confessional confederation merged to form a non-confessional organization. De-polarization helped renew corporatism. This is because conflicts between the traditional camps within the Christian Democratic platform caused deadlocks which in turn immobilized the centrist coalitions of the 1970s. In contrast to this, the new centre-right government managed to initiate the (formally bipartite) Wassenaar agreement by threatening to impose a combined price and wage freeze (Hemerijck 1995).

The legal framework for associational action

In the Netherlands there is no business interest association which can rely on legally-based compulsory membership. The Chamber of Commerce (Kamer van Koophandel, KvK) may be regarded as a borderline case of a business association. The Dutch companies are associated to the Chamber of Commerce through their obligation to be listed on the Dutch trade register. The Chamber is devised to manage the trade register, provide Dutch entrepreneurs with information, stimulate regional trade and industry and advise local and regional government. Its emphasis is clearly on services as compared to interest representation. As far as interest representation is performed, the scope of this activity is mainly local and regional. Therefore the Chamber will not be taken into consideration in the remainder of this chapter.

Business associations in the Netherlands have the legal status of non-profit organizations. There exists no special legislation for trade or employer associations (which does not mean that they cannot be targeted by such legislation as the Collective Agreements Act of 1927). Business associations are treated like every other association. They are based on the principle of freedom of association, as specified in Article 8 of the constitution. This means that they are understood as legal entities representing members, promoting a good cause, with the obligation to comply with the rules of associations (as endorsed in Article 2 of the Dutch Civil Code). Therefore anybody can form a business interest association, provided that these basic legal requirements are met.

Recognition as a party to collective bargaining is regulated by labour law (i.e. the Collective Agreements Act of 1927). Accordingly, the right to conclude collective agreements is reserved only to those trade unions and employer associations possessing the proper legal capacity to do so. The basic prerequisite for granting a union or employer association this capacity is that its statute must have formally laid down collective bargaining as one of its goals. In addition, unions are required to be independent (i.e. not being financed by employers). The employer associations share their bargaining capacity with the companies which are authorized to conclude single-employer settlements.

In principle, multi-employer agreements bind only the employers affiliated to the signatory employer association, unless their coverage is
extended to the entire industry or parts of an industry to which they are referring to. According to Article 2 of the 1937 Act on the Extension of Collective Agreements, the responsible Ministry may declare a multi-employer agreement as generally binding at the request of one or more parties to the agreement. This extension procedure is subject to several preconditions among which representativeness of the bargaining parties is the most important one. Representativeness is given if the agreement covers a sufficient majority of the employees already before extension, something which means a coverage rate of 60 per cent of the employees in practice. Since most agreements become extended (IST 2001), employers have good reason to join their employer association, so as to have access to its decisions and services which are related to bargaining. Another reason for membership lies in the fact that collective agreements may oblige the members of the signatory employer associations to pay dues or levies to special sector-related funds (for vocational training, health and safety care, etc.). Such obligations take the form of compulsory payment, after the agreement has become extended. This type of collective agreement (which is concluded in addition to standard agreements) is very common in the Netherlands (van Waarden 1995). Hence, the amount of related funds is considerable. In 2001 the free ‘distributable reserves’ of these funds totalled more than €500 million, with around 12 per cent of the funds’ expenditures finding its way back to the signatory unions and employer associations (van het Kaar 2001). Another incentive for companies to join their interest associations follows from the fact that in the political system business interests are almost exclusively processed through the associations (Visser and Wilts 2006). In this respect, the associations enjoying privileged participation in the corporatist system of policy concertation and implementation are especially attractive. Although there is no obligatory membership in Dutch business associations, very strong incentives to associate exist. The reason is that certain associations have an exclusive and privileged position in the system. Notably, the business associations are also integrated into public programs to aid business. For example, both the Confederation of Netherlands Industry and Employers (Verbond van Nederlandse Ondernemers – Nederlands Christelijke Werkgeversverbond, VNO-NCW) and the Dutch Confederation of Small and Medium-sized Enterprises (Midden- en Kleinbedrijf Nederland, MKB) participate in programs on the diffusion of information and communication technologies (OECD 2005). There are also numerous specific policies in favour of SMEs, aimed at reducing administrative obligations, providing fiscal relief, allocation of funds to an SME guarantee scheme (BMKB), export promotion, disseminating R&D information and supporting innovation. The participation of business associations in these programs might also prompt companies to associate. Some of these initiatives are administered by the Chambers of Commerce and are thus provided as public goods. On balance, however, the Dutch business associations can rely on strong
legally-based incentives for membership, as they are set by the extension
practices and their participation in public policy.

The role of organized business in social dialogue and public
policy making

The actors in the Dutch system of social dialogue and public policy making
are the government, the peak associations of business and labour; their
counterparts at sectoral level; and the individual companies. As regards their
roles, one has to distinguish between consultation and bargaining.

The role of the peak organizations is consultative and mainly draws from
presence in two chief bodies: the bipartite Labour Foundation (Stichting
van de Arbeid) and the tripartite Social and Economic Council (Sociaal
Economische Raad, SER). The Labour Foundation is a private-law foundation
established in 1945 as a bipartite consultation body in which the employer
confederations and trade union confederations co-operate. Its management
board consists of seven representatives from each side. Three members of
the employer’s side are from VNO-NCW; two are each from MKB and the
Dutch Organization for Agriculture and Horticulture (Land- en Tuinbouw
Organisatie Nederland, LTO). The Labour Foundation serves as a forum
for top-level consultation between the two sides of industry and also plays
a noticeable role at national level as an advisory body to the government on
social and economic matters. Its main function lies in its influence on the
climate of relations between employers and unions and in its capacity as an
informal channel alongside the Social and Economic Council to advise the
government on pay policy in detail. The role of the Labour Foundation as a
consultant to governments has become somewhat less important after SER
was established. Regardless of this, the Foundation has continued to be the
vehicle for incomes policy.

Enacted by the 1950 Industrial Organization Act (Wet op de Bedrijfs-
organisatie), SER is the main advisory body to the Dutch government on
national and international matters of social and economic policy. SER is
financed through contributions from the employers which are collected
by KvK. Hence, this body is independent of the government. It represents
the interests of the two sides of industry, advising the government (upon
request or at its own initiative) on all major social and economic issues. SER
also has an administrative role in monitoring the commodity and industrial
boards, which are responsible for representing the interests of particular
branches of industry. They are made up of the sectoral representatives of
business and labour. Furthermore, SER helps the government implement the
Works Councils Act (Wet op de Ondernemingsraden), the Establishment of
Businesses Act (Vestigingswet Bedrijven) and the Insurance Agencies Act (Wet
Assurantiebemiddelingsbedrijf). SER includes 11 business representatives:
seven from VNO-NCW, three from MKB, and one from LTO. The
Foundation of Labour and the Social Economic Council are the two most
important, though not the only institutions that exert a centralizing and aggregating impact on the organization of Dutch business. From the above, it becomes clear that representatives of SMEs are formally incorporated into the Dutch national consultation system, which sets important ramifications for collective bargaining at lower levels.

The influence of these concertation practices has varied over time and with issues. As noted above, Wassenaar marked the turning point, leading the system out of a deep crisis which was presumed to bring about even its demise (Visser 1992). Since that time a series of informal and formal peak-level accords of bipartite and tripartite nature has followed, dealing with both qualitative and quantitative questions of economic and social policy. While the overall success of this supply-side version of corporatism is evident, its effectiveness nevertheless differs with regard to policy fields (Hemerijck 2003). The corporatist rationale of consensus-building more or less failed in the case of the welfare reforms of the 1990s, which the governments were forced to push through against union resistance. The opposite applies to incomes policy which has proved its long-term capacity for wage moderation from a cross-nationally comparative point of view (Traxler et al. 2001). The Labour Foundation and SER essentially contribute to this effectiveness, by providing the framework for intense discussions of and quasi negotiations over the drafted bargaining goals. They are followed by meetings with the government, the revision of the bargaining goals in the sectoral forums and finally by the actual bargaining round (Visser 1998). The dealings at peak level are confined to coordination activities which do not formally bind the lower-level bargainers. Hence their main function is ‘to influence the “bargaining climate” and create an atmosphere of good will’ (Visser 1998: 306). From the early 1990s to the early 2000s this coordination worked even without issuing explicit recommendations for the bargaining parties. In 2002 and 2003, however, peak-level accords established quantitatively defined pay limits (EIRO 2002a, 2003a). This ‘soft’, non-binding form of cross-sectoral wage coordination does not face serious compliance problems, since it regularly takes place in the shadow of state regulation. Dutch governments have been able to foster peak-level accords and corresponding wage moderation in manifold ways. They may offer package deals in the course of corporatist concertation of broader fields of economic and social policy. Moreover, they can credibly threaten to either impose direct wage controls or forgo the extension of the collective agreements (van den Toren 1998; Visser 1998).

Collective bargaining is conducted at levels below peak level, with multi-employer settlements clearly prevailing. In 2001, multi-employer agreements covered around 68 per cent of all employees, as compared to 14 per cent in the case of single-employer bargaining (Traxler and Behrens 2002). Multi-employer bargaining refers to either an entire industry or parts of it. In the latter case this may mean a differentiation not only by narrow branches, but also by firm size. For instance, FME-CWM, the largest sectoral
employer organization, which embraces metal, plastics, electronics and the
electro-technical industry, concludes two main collective agreements, one
for large and one for small firms which are understood as recording less than
35 employees (Visser and Wilts 2006). As in other countries, the bargaining
system has undergone a process of organized decentralization, such that the
sectoral agreements have assigned certain bargaining tasks to management
and works councils. This process has mainly involved non-pay issues, since
Dutch companies still prefer to keep wage bargaining and related conflicts
out of the company (Visser 1998). The noticeable exception to this rule
is the group of large multinational companies which negotiate their own
collective agreements. The agreements concluded by large companies of
the industry, such as Akzo, Philips and Unilever, have a pattern-setting
effect especially in qualitative matters of bargaining (Van den Toren 1998).
There are approximately 200 industry-level agreements and 700 company
agreements in force.

The associational system

Following the definition of cross-sectoral business associations, as set out in
Chapter 2, one finds only two associations: VNO-NCW and MKB (Table
13.1).2 The associational system developed this simple, dual structure no
earlier than during the second half of the 1990s. Before that time it had been
fragmented strongly along religious lines (see below). While the membership
domain of VNO-NCW is general, MKB has specialized in organizing SMEs.
They are both mixed associations, i.e. representing both the labour market
interests and product market interests of their members. Since they do
not demarcate their membership in other respects, their domains overlap
considerably. In response to this, MKB has accentuated its profile in the
media, by stressing the special interests of SMEs. Domain overlap implies
competition for members, including lower-level associations, since they often
gather small and large companies. This competition, however, is mitigated

<table>
<thead>
<tr>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Function</th>
<th>Voting rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>VNO-NCW</td>
<td>General</td>
<td>180</td>
<td>115,000</td>
<td>Mixed</td>
<td>Varying with decision-making body</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(MM)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MKB</td>
<td>unspecified(^a)</td>
<td>125 sectoral affiliates, 400 regional affiliates</td>
<td>175,000 (IDM)</td>
<td>Mixed</td>
<td>Weighted(^b)</td>
</tr>
</tbody>
</table>

Notes
\(^a\) Actual focus on SMEs. \(^b\) Unweighted voting within the affiliates. IDM = indirect membership in the peak. DM = direct membership in the peak. MM = mixed membership (i.e. comprising both direct and indirect member companies). n.a. = not available.
by the fact that lower-level associations whose domain includes large as well as small companies are sometimes members of both MKB and VNO-NCW.

Although some business associations have remained outside the reach of VNO-NCW and MKB, the Dutch system of business associations is differentiated hierarchically rather than horizontally. The confederal level constitutes the peak of a pyramid of lower-level associations which are still differentiated by function. The most common pattern is that the very narrow branch associations concentrate on representing product market interests, while they have devolved the employer function to their broader, sectoral umbrella organizations (Visser and Wilts 2006). Overall, lower-level associations show a very high degree of differentiation. Estimates of the total number of business associations in the Netherlands range from c. 800 to more than 1,400 (Van Waarden 1989; Visser and Wilts 2006). As in other countries, one finds the largest number of associations in manufacturing.

**Membership domains and organizational structures**

The membership domain of VNO-NCW is formally defined as covering associations, companies and personal members. Its statutes thus provide for indirect as well as direct firm membership. This corresponds with the large firm profile of the Dutch economy. Moreover, this might reflect views considering the group of large Dutch companies, national champions whose interests work also for the benefits of the country in general. VNO-NCW covers directly about 180 sectoral and branch affiliates and indirectly about 115,000 enterprises. In addition, the confederation registers about 250 companies as direct members. This group of members embraces almost all of the larger companies in the country (including the foreign-owned ones). All of them are not only directly, but also indirectly affiliated to VNO-NCW, since they are also members of their respective lower-level association under the umbrella of VNO-NCW. Their special status is also underlined by the fact that most of them negotiate and conclude their own collective agreements. The propensity to join VNO-NCW increases with firm size. According to its own files, the confederation’s density by firm size is as follows: 100 per cent of the companies with more than 500 employees, 90 per cent of the firms with more than 100 employees, and 50 per cent of the firms recording 20 to 100 employees (Visser and Wilts 2006). In terms of business activities, the composition of membership is truly cross-sectoral, comprising manufacturing, construction, transport, commerce, hotels and restaurants, the financial sector, health services and also recently privatized sectors. Due to its profile as a general and mixed association, the formal membership domain of VNO-NCW covers any kind of business, including those having no employees. This means an estimated density of 20 per cent of the potential members (Table 18.4).

Aside from its sectoral affiliates, three structural components add to the internal differentiation of the confederation. There are five regional
associations and a separate structure for personal membership of some 1,200 young managers. In accordance with the claim to represent also the interests of SMEs, SME-oriented platforms exist. Issues concerning SMEs are discussed regularly four to six times a year within VNO-NCW. Voting rules vary with the kind of decision-making body. The principle one member one vote applies to the representative boards: the Executive Board, which embraces multinationals and SMEs, the distinct regions and sectors, and the General Council, which is the highest decision-making body. In contrast to this, voting rights are weighted according to the amount of dues, which in turn is linked to company size, in the case of the Annual Membership Meeting, which is mainly a formality that does not attract a large number of members. In practice, voting rules are rather irrelevant, since decisions are usually made on a consensual basis. In the member associations of VNO-NCW voting rights are commonly tied to the fees paid.

MKB has not formally specified its membership domain. De facto, however, MKB focuses on SMEs. In the Netherlands they are generally defined as companies with less than 250 employees. The companies are affiliated to MKB only indirectly, through its two-dimensional structure of member associations. MKB organizes 125 sectoral and about 400 regional business associations. Most of its member associations cover branches and sectors, where SMEs prevail, such as retail, hotel and catering. Altogether, they represent about 175,000 companies, including a notable number operating without employees. In 2003, MKB’s density was approximately 31 per cent of eligible firms (Table 18.4).

Voting rights are weighted according to the contribution paid by the member associations of MKB. This contribution depends on the number of the members of the associations. The member associations themselves usually build their decision-making procedures upon the principle one member one vote.

**Activities**

In terms of the scope of representational activities, VNO-NCW is the principal association of business in the Netherlands. The confederation is a mixed association, if one considers the full range of its activities. Regardless of this, employer functions have traditionally been at the forefront. Employer interests are processed *vis-à-vis* the state and the unions. As outlined above, the Labour Foundation and SER serve as the institutional basis of these activities. As the long-term development shows, the political weight and reputation of these boards are bound to how effective voluntary incomes policy is. Therefore, the confederation’s contribution to coordinating lower-level collective bargaining is an essential part of its activities. In addition, VNO-NCW is occasionally a party to formal or informal peak-level pacts of either tripartite or bipartite format. Product market interests are advanced only *vis-à-vis* the state according to the principle of the lowest common
denominator. The confederation is anxious to concentrate on common themes (e.g. an initiative for an innovation platform) so as to avoid internal conflicts which may arise from addressing divisive product market interests. Overall, the range of policy issues addressing product market interests covers infrastructure, business promotion, public finances, taxation and environment.

The scope of member service provided by VNO-NCW itself is rather limited. These services which target its direct company members, the sectoral and regional affiliates focus on the provision of information on the entire spectrum of socio-economic, financial, fiscal, legal and ecological questions. They are offered free of charge. These services are communicated via direct contacts between VNO-NCW representatives and its members, information brochures, information gatherings and a telephone helpline. The member associations are far more engaged in producing services for the companies than VNO-NCW itself. There is even one affiliate which sees itself as a consultancy: The main task of the General Employer Association (Algemene Werkgevers Vereniging, AWVN) is to advise companies when they negotiate single-employer agreements. This service regularly involves the association in the making of around 500 collective agreements. Since large companies hardly need associational support in the course of single-employer bargaining, most of the agreements serviced by AWVN are concluded by smaller companies. Therefore the proportion of employees covered by them is relatively small (Van den Toren 1998). AWVN has managed to extend its activities from bargaining support to broader HRM issues, including training and career development (Visser and Wilts 2006). There has been a tendency of both VNO-NCW and its affiliates to place growing emphasis on the provision of services as a means of coping with increasingly heterogeneous member interests. In many cases this happened by creating special and separate service units. These units are often set up as companies devised to sell their expertise and consultancy. This kind of ‘commercialization’ also helps broaden the financial basis of the associations in a situation of increasingly scarce resources. VNO-NCW itself runs a formally independent centre for management development which is designed to offer training facilities to companies (Visser and Wilts 2006). Generally, VNO-NCW tends to invade in the area of services typically provided by the Chamber of Commerce, by arguing that these services can be better provided by business interest associations.

The representational activities of MKB resemble those of VNO-NCW (Table 18.9). It is also a mixed association which primarily deals with labour market interests. Like VNO-NCW, MKB is represented on the Labour Foundation and SER, is regularly engaged in coordinating collective bargaining through its collective bargaining commission, and occasionally concludes peak-level pacts. Product market interests are addressed only when being shared by all members of MKB. For example, concerning the question of who should bear the costs of the introduction of the euro (i.e. the
state, the banks or the companies), MKB could arrive at a common position, as banks are generally not SMEs. In comparison with VNO-NCW, MKB pays more attention to product market interests, insofar as they are also advanced in relation to the customers and suppliers of its members. This is not very common, but happens if there is a ‘mass interest’ among lower level associations which does not conflict with the interest of any other member association. For example, such commonality of interests applies to environmental issues (like soil sanitation) and energy prices (which prompted MKB action in response to the liberalization of the energy market). MKB is also more involved in the development of public schemes for vocational training and schemes to aid business than is the case of VNO-NCW. Regardless of these differences, the scope of the representational activities of VNO-NCW and MKB are widely in parallel with each other. This forces MKB to distinguish itself by emphasizing the special interests of SMEs (e.g. relief of bureaucratic burdens) and their potential conflict with the interests of larger companies. The fact that most of its sectoral and regional affiliates represent very small companies with very specific interests also contributes to its distinct profile.

The services offered by MKB to its members concentrate on information and manifold facilities. Some of them are payable. Like VNO-NCW, MKB regards services as increasingly important. As a consequence, MKB employs quarterly surveys, commissioned to a public opinion research institute as a means of finding out what members actually want and how they think their interest are best served.³

Although services have become more important to both confederations, they nevertheless give clear priority to their representational activities. VNO-NCW estimates the share of the resources (in terms of financial resources and staff) allocated to interest representation at c. 90 per cent, while services account for the remaining 10 per cent. In the case of MKB, the corresponding figures are 80 per cent and 20 per cent, respectively. This distribution indicates not only intra-confederal priorities, but also the fact that the focal sites of service provisions are the member associations. ⁴ Anecdotal evidence from sectoral associations suggests that smaller companies contact their associations mainly for services, while larger members provide their organizations with a significant input into their politics (Visser and Wilts 2006).

**Resources**

There is only scant information on associational resources (Table 18.12). As regards revenues, the lion’s share of the budget of MKB comes from membership dues. Sales of services account for a mere 3 per cent, whereas there is 22 per cent coming from sponsors. These figures more or less fit into findings on 103 Dutch business associations from a postal survey undertaken in 2000 (Visser and Wilts 2006). On average, membership fees amounted to 86 per cent of the associations’ income, services, 5 per cent and other
sources (e.g. interest on assets), 9 per cent. When interpreting these data, two points should be taken into consideration. First, the figures tend to downplay the relevance of sales of services. This is because they are often provided by firms which are separate from their parent associations, such that the related incomes do not show up in the associations’ budget. Second, the data underestimate the importance of obligatory dues and levies in the case of those sectoral employer associations which get noticeable revenues from funds generated by collective agreement and its extension (see above). Furthermore, as also noted above, the associations are modestly subsidized for their participation in corporatist consultation bodies.

As regards human resources, staff of VNO-NCW is almost twice as large as that of MKB, even though the former has fewer companies under its umbrella than the latter. This indicates resource superiority of VNO-NCW also in financial respects, something which probably has to do with differences in the composition of membership. The group of small companies organized by MKB will pay markedly lower dues than those prescribed by VNO-NCW. There is good reason to assume that the differences between aggregate human resources being under the umbrella of two confederations are even larger. The largest member of VNO-NCW alone (i.e. FME-CWM) recorded 225 staff members in the early 2000s (Visser and Wilts 2006).

Restructuring

In the Netherlands the traditional system of business associations showed a high degree of fragmentation along confessional alignments as a consequence of the ‘pillarized’ structure of society. Hence, overcoming these divides by mergers was the main issue of organizational restructuring until the recent past. A first round of peak-level mergers took place in the late 1960s and 1970s. In 1968 the Association of Dutch Enterprises (Verbond van Nederlandse Werkgevers, VNW, founded in 1899) and the Central Social Federation of Employers (Centraal Sociaal Werkgeversverbond, CSWV, founded in 1945) merged into VNO, a predecessor of VNO-NCW. This merger created a mixed organization instead of a pure trade association (VNW) and a pure employer organization (CSWV). In 1970 NCW was formed as a merger of the Catholic Employer Federation (Nederlandse Katholieke Werkgevers Verbond, NKWV) and its Protestant counterpart (Verbond van Protestants-Christelijke Werkgevers, VPCW). In 1977, the Royal Dutch Federation of Small Businesses (Koninklijke Nederlandse Ondernemers Verbond, KNOV) arose from the merger of a Catholic and a liberal association. The second round of mergers took place in 1995. On 1 March VNO joined up with NCW. The small firm sector was consolidated on 1 July, when KNOV and the Dutch Christian Federation of Small Businesses (Nederlands Christelijk Ondernemers Verbond, NCOV) merged to form MKB.

The earlier mergers were propelled by the country’s shift from state-imposed wage regulation to free collective bargaining which required the
business associations to professionalize their activities by increasing the number and quality of their staff. In this respect, the mergers helped contain the costs of this adjustment (Visser and Wilts 2006). Cost considerations induced large member firms and the largest payers among the confederations’ member associations to call for a merger of VNO and NCW already in the early 1980s. One major obstacle to this merger was the fear of a group of small companies within NCW that the merger might bring about dominance by large firms. The risk of a secession of this group blocked the project at that time. In the 1990s large companies and the main member associations successfully renewed their pressures on the two confederations to merge against the background of extended tasks (e.g. a stronger focus on interest representation at European level) and the need to save costs (Visser and Wilts 2006).

Conclusions

There are two main properties of the Dutch system of business interest associations, the first one referring to its interaction with firm size, and the second, to its relationship with the state. As regards the interaction with firm size, the Dutch situation fits perfectly the theoretical reasoning, as outlined in Chapter 2: there is a general confederation which is well able to integrate SMEs, although its structure is clearly skewed towards large firms. While SMEs are mainly attracted by services, large companies shape the strategies of the association. The strategic priority of large firm interests gives leeway for a special association of SMEs which can provide this business group with a voice in politics. Although it is harder for smaller companies to associate, this special association counts even more members than its general counterpart as a result of particularly favourable exogenous conditions for business associability. This brings us to the second property of the associational system.

Albeit voluntary in formal terms, the Dutch system of business interest associations stands out in terms of strong state sponsorship. In particular, the scheme for extending collective agreements and the opportunity to participate in the country’s corporatist ‘consultation economy’ (van den Toren 1998: 243) set noticeable incentives for the companies to join their business associations. In addition to this, these arrangements also work in favour of the associations as a direct source of revenues. The main consequence is a marked increase in the associations’ capacity for assuming tasks of public governance, which essentially contributes to the effectiveness of the Dutch approach to socio-economic governance. On the one hand, these arrangements strengthen the associations as such and thus their weight as intermediaries between the state and the economy; on the other hand, they make the associations more responsive to public goals, as their organizational stability depends on these supportive arrangements. The tendencies towards a ‘commercialization’, however, indicate that state sponsorship does not
equip the associations with sufficient means of weathering the centrifugal forces of growing diversity of business interests. If ‘commercialization’ is well synchronized with non-payable services for members, it may gain in importance as a mechanism to stabilize both the associations and the system of public governance. This is because services tend to disconnect the reasons for membership from representational activities and thus relieve the associations from legitimation problems.

Notes

1 Some professional associations (e.g. those organizing doctors and lawyers) do enjoy compulsory membership.
2 Despite its sector-specific domain, LTO has also a say in cross-sectoral policies on grounds of its peak-level presence in the Labour Foundation and SER (see above).
3 For a comparative summary of the service activities of VNO-NCW and MKB, see Table 18.10.
4 As a survey shows, Dutch business associations spend, on average, almost 50 per cent of their annual revenues on interest representation, and almost one-third on the provision of member services (Visser and Wilts 2006).
The economic and cultural background

Like Greece and Spain, Portugal saw a rather late coming of democracy after World War II, when a military coup did away with the authoritarian regime in 1974. Unlike the two other countries, however, the transformation resulted in a revolutionary mass mobilization under the hegemony of the left wing of the labour movement. This had a twofold effect on organized interests, the state and their relationships (Barreto and Naumann 1998). On the one hand, the nationalization of banks, insurance companies, large parts of infrastructure (energy, transport, telecommunications) and some important industries (steel, chemical, etc.) in 1975 changed inter-class power relations in favour of labour. At the same time cornering business and its associations developed in an adversarial climate. This led to an accentuated imbalance in collective bargaining and to the creation of a collective bargaining system that was not based on a balanced compromise between capital and labour. In the second part of the democratic transition (1980s) power relations changed in favour of employers, resulting in deadlocks in collective bargaining that provoked stagnation in the bargaining process and continued state intervention. In connection with the nationalization of key sectors, the state obtained the key role in economy and society during the early transformation process which ended in the late 1970s. Economic problems, namely growing unemployment, and the rise of centrist political forces changed the configuration of class forces in a way that fostered accommodation to the institutional patterns typical of the capitalist democracies in Western Europe. The role of the state declined accordingly. In the field of industrial relations, this reinforced the deadlock in collective bargaining and the formation of tripartism, as formalized in the Permanent Council of Social Concertation (Conselho Permanente de Concertação Social, CPCS). In the case of the economy, the retreat of the state culminated in extensive (re)privatization starting in the late 1980s. Portugal’s accession to the European Community in 1986 marked the irreversible character of this process.

Privatization and restructuring of large companies have shifted the economic structure of the country towards greater preponderance of SMEs.
As in the other EU member states, SMEs prevail in the Portuguese economy. From a comparative perspective, Portugal stands together with Austria, insofar as these two countries stand out in terms of the relatively large employment share of SMEs (Table 2.1). Aside from this, Portugal records a comparatively small segment of micro firms as well as large companies, with an extremely low weight of home-based big multinationals. While Portugal thus shares the weakness of genuine big multinationals with the other countries of Southern Europe, it differs from this group which is clearly skewed towards micro companies.

The legal framework for associational action

During the authoritarian regime (1926/33–1974), employers and workers were forced into a system of state-imposed interest representation. The primary employer associations (grémios) and trade unions (sindicatos nacionais) were based on compulsory membership along sectoral and occupational lines of affiliation. This system ruled out any kind of more encompassing umbrella organizations. Only the voluntary pure trade associations AIP, AIPortuense (now AEP, see below) and Associação Comercial de Lisboa (ACL) were allowed to stay outside the authoritarian system controlled by the Ministry of Corporations. Each of the compulsory associations obtained the monopoly right to negotiate over collective standards under tight control of the Ministry of Corporations. However, the employers were usually not interested in entering into negotiations with their counterparts, something which provoked direct state regulation.

The compulsory system of corporations created on the basis of the fascist constitution of 1933 was abolished after the revolution in 1974. It gave way to a system based on freedom of association which implies a division between interest representation by voluntary organizations and public functions carried out by state agencies. The principle of voluntariness applies also to the chambers. They do not rest on a strong tradition in Portugal, playing neither a major role in state regulatory functions nor performing important functions as public administrative bodies. The new law on chambers which came into force in 1992 did not change this situation. Exceptions to the rule of voluntariness are the representative bodies for specific professional groups (doctors, lawyers, engineers, pharmacists and architects, and, most recently, nurses) which have gained considerable importance, since the revolutionary period 1974–5. These bodies (‘ordens’) are each established by specific law and are based on mandatory membership. They are the guardians of formal qualification (gained through university education and vocational training) as the precondition for getting the right to practise the corresponding professional activities. They are involved in state regulatory functions and performing certain tasks as public administrative bodies. Thus, they hold a distinct status in a country with no tradition of governance by ‘self-administration’.
As regards the legal status of business interest associations, there is an important distinction between the employer associations which are recognized as social partners on the one hand and pure trade associations on the other. Employer associations (associações patronais) are established according to a specific law on the employers’ right of organization. They may also assume the profile of mixed associations, when performing the functions of trade associations. The law on the employers’ right of organization (Work Code, Section IV) lays down a general framework for the formation, structure and operation of employer associations, allowing a relatively large degree of discretionary scope in relation to the definition of membership domains, powers and responsibilities, internal structure and financing. To set up an association, its proponents are obliged to submit the association’s constitution to the Labour Ministry for registration. If the constitution is in line with the general framework as defined by the Work Code, the association must be registered and recognized by the authorities. Once registered, employer associations have the statutory right to carry out collective bargaining and to be consulted by the public authorities on issues affecting their members’ interests (particularly with regard to labour legislation). A privileged representational status is attributed to the participants in the CPCS. Recognition as a party to collective bargaining follows from the constitutional freedom of association and from the constitutional right to conduct collective bargaining, as is specified by labour law. Likewise, individual employers or groups of companies are entitled to conclude collective agreements without any further preconditions. The whole system of collective bargaining is based on the freedom of the two sides of industry to demarcate the geographical and occupational area and – with very few exceptions – the range of issues covered by their collective agreements. Labour law provides for the possibility of extending collective agreements to uncovered employers in three different instances (Pinto et al. 1996): first, employers are not covered, because they are not members of the signatory employer association; second, they are not covered, since an employer association does not exist; finally, non-coverage may arise from a lack of willingness of the parties equipped with bargaining rights to negotiate a collective agreement. The proactive role in issuing an extension order (Regulamento de Extensão) accrues to the Ministry of Labour, with a right of consultation given to the two sides of industry involved. Regardless of any kind of representativeness, they may also take the initiative and request the extension from the ministry. In this case the other bargainers whose domain is affected by the extension order are entitled to veto the extension of the agreement to their own members.

The role of organized business in social dialogue and public policy making

Although social partnership and social dialogue are rather new phenomena in Portuguese society, they are now institutionalized at micro-, meso- and
At micro-level employers have two kinds of interlocutors. On the one hand, there are the trade union workplace representatives (delegados sindicais) who may form committees (Comissões Sindicais or Comissões Inter-Sindicais). Unions have the exclusive right to call for a strike and to conclude legally binding collective agreements (even at company level). The other body of employee workplace representation is the works council (Comissões de Trabalhadores) which is elected by the workforce of the company. Union representatives and works councils have the legal right to be informed and consulted in certain matters. Union representatives are more widespread and generally more influential than works councils. In companies with both a works council and a union representation the major union normally dominates the respective works council. Workers have the right to elect a works council and/or union representatives in any company, regardless of its size. Although no statutory threshold for electing works councils and union representatives is set, labour law limits the number of representatives who can rely on the codified representational rights (i.e. time off, specific protection, consultation and information) according to the size of the company. Workers in companies with less than 50 employees have the right to elect one union representative enjoying the codified rights. Works councils in micro and small undertakings may have two members, in medium-sized companies three, and in large companies (more than 200 employees) up to 11 members. In micro and small companies the scope of representational rights is narrower than in larger units. In practice, there seem to be few negotiations at micro level. According to comparative studies, workers’ participation in Portuguese companies tends to be limited to the minimum of information and consultation procedures as guaranteed by law.2

Industrial relations at micro level are largely framed by meso-level collective agreements. The vast majority of them belongs to the category of industry agreements (Contrato Colectivo de Trabalho, CCT), with either regional or national purview. A notable number of them is differentiated by employee status (i.e. blue-collar vs. white-collar). There are also company agreements (Acordos de Empresa, AE) and agreements for several undertakings (Acordo Colectivo de Trabalho, ACT). Covering less than 10 per cent of the total number of employees, AE and ACT are mainly established in large companies. The bulk of SMEs is covered by CCTs and related extension orders. CCTs tend to set lower wages and less favourable employment terms for employees than AEs and ACTs. Since extension practices are pervasive, almost 90 per cent of the private-sector employees are covered by a collective agreement (Traxler et al. 2001; Traxler and Behrens 2002). In combination with the unrestricted access to the capacity for bargaining, the fragmentation of both the system of unions and employer associations has entailed a proliferation of collective agreements many of which are competing with each other.

From its creation onwards in 1984 until 2001, the prevailing pattern of macro-level social dialogue was tripartite. Bipartite contacts were usually informative and consultative, but most recently two bipartite agreements on
collective bargaining (2005) and on vocational training (2006) were signed. The chief body of tripartite dialogue is CPCS which was set up by law in 1984. During the two decades of its existence it has produced a series of agreements. Some cover a wide range of issues, others are limited to areas like incomes policies, vocational training and health and safety at the workplace. CPCS consists of 12 members, equally divided between employers (one representative from each of the four confederations), labour (two representatives from each of the two union confederations) and government, with four seats. Labour is represented by UGT (União Geral de Trabalhadores) and the larger CGTP (Confederação dos Trabalhadores Portugueses) which – in contrast to UGT – opposed the creation of CPCS and refused to join until 1987. The employer representatives are the Confederation of Farmers of Portugal (Confederação dos Agricultores de Portugal, CAP), the Confederation of Commerce and Services of Portugal (Confederação do Comércio e Serviços de Portugal, CCP), the Confederation of Portuguese Industry (Confederação da Indústria Portuguesa, CIP), and – since 2004 – the Confederation of Portuguese Tourism (Confederação do Turismo Português, CTP). Together with UGT, CAP, CCP, and CIP are represented on CPCS since its formation. Formally, CPCS members are appointed by law; de facto any change in the composition of the body is bound to approval by its established participants. The actual impact of the consultations and negotiations taking place within the CPCS framework tends to be rather limited. Nevertheless, its current members have systematically vetoed any efforts of other associations to be admitted to CPCS, except in the case of CTP who represents an important branch in the Portuguese economy that is effectively not covered by the CPCS’ founding members. CTP was founded in 1994 and is registered as an employer association. This is for several reasons. All members consider CPCS an important arena for their activities and most of them regard CPCS as an essential source of legitimacy. In exchange for their cooperation in tripartite negotiations, CPCS members frequently use their position to get a variety of trade-offs from government, part of them belonging to other areas than those normally dealt with by CPCS.\(^3\) Membership of CPCS combines with access to a large number of other consultative bodies of several public institutions.\(^4\) This representational privilege includes the meso-level bodies of consultation and concertation. Hence, the sectoral associations need to be a member of one of the peak organizations represented on the CPCS, if they want to participate in these public bodies.\(^2\) Furthermore, all CPCS members receive financial compensation from government for their participation. These circumstances make the members of CPCS the ‘inner circle’ of organized interests, as far as the social dialogue and public policy-making are concerned. In the case of business this means that CAP, CIP and CCP (and since 2004 CTP) form part of an exclusive group, recognized by the government as social partners. The three CPCS-founding associations CAP, CCP and CIP already participated in institution building during democratic transition.
CPCS is embedded in a more comprehensive corporatist body, the Economic and Social Council (Conselho Económico e Social, CES). When CES was created in 1991, CPCS was transformed into an autonomous commission of CES. CES is composed of a broad range of organizations representing civil society, the social partners, the government, regional and local authorities, NGOs and organized interests from various other areas. After each election for the national parliament, the composition of CES becomes renewed. Some member organizations have permanent seats (e.g. government, trade unions, and public companies), others have to run for a new term (like business associations, NGOs and others). Non-permanent members are appointed by the CES president after a consultation process amongst the associations of the relevant category. If there is no consensus on their participation in CES, the CES-president (who is elected by the parliament) makes the appointment. In practice, new members are not appointed against the will of old ones, as is the case of CPCS. In addition to CAP, CCP, CIP, and CTP the National Confederation of Agriculture (Confederação Nacional de Agricultura, CNA) also participates in CES on behalf of business. Due to its broader membership and its profile as a forum of mere exchange of information and consultation, CES equips its members with far less political influence than CPCS. CES and CPCS differ not only in their political weight, but also in their rules of procedure (Moreira 1998).

Macro concertation is designed to synchronize industrial relations with public policy-making. This undertaking, however, suffers from a lack of coherence and articulation. Agreements struck within the framework of CPCS are not legally binding. Their implementation depends on each party’s willingness and capacity to deliver what was promised according to the agreement and to induce the other partners to do the same. The representatives of the employers and unions frequently reproach the government with failing to keep its promises. This is not always caused by a lack of good will. Sometimes, it is also a problem of power relations in parliament. Another problem is that the employer associations and trade unions themselves tend to implement the agreements in a selective way. They also have serious difficulties in making the actors at meso and micro level comply with the macro agreements. Moreover, there is a notable number of meso level organizations of business as well as labour which are independent and thus outside the realm of the peak associations.

Business associations are important agents of public policy in the fields of training and business promotion. In the case of vocational education and training each of the two sides of industry is involved in governance tasks. In the first place this applies to the employer associations which are promoters of almost 70 per cent, 13 per cent, and 55 per cent of the so called ‘protocol centres’ for occupational training, the vocational schools and the technological schools, respectively. Trade unions run 14 per cent of the protocol centres and 5 per cent of vocational schools. Despite their relatively small share in the number of institutions they are also a relevant factor in the system (Alves
Programs for business promotion have been boosted by funds from the European Community. Together with Greece, Portugal has been the main beneficiary of EU programs in relative terms. In this respect, the country was the largest recipient in 2003, with EU expenditures accounting for 3.64 per cent of GNI (European Commission 2004b). The programs for business promotion are implemented in a corporatist way. For instance, the most important programs designed for SMEs are run by the Ministry for Economy and some of its bodies, in particular by the Institute for the Support of SMEs (IAPMEI). IAPMEI's most important initiatives are funded by the Portuguese state and the EU. They deal with guarantees for loans, venture capital funds, specific programs for the creation or expansion of firms and their modernization, the introduction of IT, health and safety standards, quality management, specific support of commerce in selected urban areas, and the promotion of recruitment of highly qualified labour in SMEs. Business associations are seen as an important vehicle for the implementation of these programs, namely in matters of their dissemination and information about their specificities. Furthermore, the associations may help the companies apply for projects and implement them. This is likely to work as a special incentive for SMEs to associate, and certainly improves the associations’ legitimacy.

The associational system

Basic features and inter-associational relations

The Portuguese system of business associations is characterized by small and narrow organizations representing particularistic interests at regional and sectoral level. This trend, historically fostered by the authoritarian regime has been reinforced by the voluntary organizations that emerged during and after the revolutionary period (1974–5). Many of the primary employer associations – as well as their union counterparts – were modelled on the structures of the ‘sindicatos nacionais’ and ‘grémios’ inherited from the corporatist system. This has led to a structure frequently described as ‘pulverized’. While there are no figures on the overall number of business associations, no fewer than 478 employer associations were registered at the Labour Ministry in 2002. Until today, the numerous existing associations have shown a high degree of resilience and have largely resisted all attempts at restructuring. The high degree of structural fragmentation is magnified by the fact that many of the associations are independent and thus outside of the realm of the large cross-sectoral peak associations which – with the exception of AIP and AEP of 1974 – had to start from scratch, as they had been prohibited under the fascist rule. Some of these independent associations are themselves peak associations, such as CTP, CNA and the Confederation of Representative Organizations of Artisanal Fishery (Confederação das Organizações Representativas da Pesca Artesanal). The
large peak associations are aware of the disadvantages of this situation and have recently begun a debate on this question.

Five business associations meet the definition of cross-sectoral, independent and country-wide interest organizations: CCP, CIP, the Portuguese Industrial Association (AIP), the Entrepreneurial Association of Portugal (AEP) and the Portuguese Confederation of Micro-, Small and Medium Enterprises (Confederação Portuguesa das Micro, Pequenas e Médias Empresas, CPPME) (see Table 14.1). AIP and AEP date back to pre-authoritarian times and managed to survive as voluntary associations outside the compulsory corporations of the fascist regime. In addition to this common history, they share several properties. Both are formally recognized as chambers and act as pure trade associations, with a membership concentrated in certain regions despite their country-wide domain.

CCP and CIP were set up soon after the fall of the authoritarian regime and operate as mixed associations. CIP was immediately founded after the

Table 14.1 The cross-sectoral associations in Portugal: basic data, 2004

<table>
<thead>
<tr>
<th>Association</th>
<th>Scope of functions</th>
<th>Membership domain</th>
<th>Members</th>
<th>Contributors*</th>
<th>Voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP</td>
<td>Mixed</td>
<td>All businesses that produce, distribute and/or sell products and services (de facto excluding agriculture)</td>
<td>43 associations and 7 companies</td>
<td>4 associations and 20 companies</td>
<td>Weighted</td>
</tr>
<tr>
<td>CCP</td>
<td>Mixed</td>
<td>Commerce and services</td>
<td>100 associations</td>
<td>20 companies</td>
<td>Weighted</td>
</tr>
<tr>
<td>AIP</td>
<td>Pure trade organization</td>
<td>All businesses (de facto excluding agriculture)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>Unweighted</td>
</tr>
<tr>
<td>AEP</td>
<td>Pure trade organization</td>
<td>All businesses (de facto excluding agriculture)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>CPPME</td>
<td>Pure trade organization**</td>
<td>SMEs</td>
<td>17 associations; unknown number of companies</td>
<td>n.a.</td>
<td>Weighted***</td>
</tr>
</tbody>
</table>

Sources: Lists of affiliates and statutes of CIP, CCP and CPPME; statutes of AIP.

Notes
* Contributors pay a solidarity fee, but do not have full membership rights. ** Formally registered as an employer association, but inactive as an employer representative. *** The weight of each affiliate’s vote depends on the type of organization and the coverage of the territorial domain. National federations have four votes, regional federations and associations three, local associations two votes and local sections one or two votes (i.e. one for 10–39 member firms, one for 40 and more members). n.a. = not available.
revolution in June 1974 by members of AIP and AEP in order to protect employers against the anti-capitalist menace of the revolutionary movement. This role lent considerable and lasting prestige to CIP within the employers’ camp (Barreto and Naumann 1998). Originally designed as an employer association, CIP has developed into a mixed association meanwhile. To date, it can be seen as the principal business association, since it stands out in terms of its encompassing scope of representational activities, its general membership domain and its considerable political influence. The opposite case is CPPME which is the youngest and least influential association. Founded in the early 1990s and registered as an employer confederation, it is de facto a pure trade association. The formation of SME-specific associations is a recent phenomenon in Portugal. According to experts, these associations are generally weak and few in number. There may be about 14 primary associations of SMEs. Six of them are registered as employer associations. Four of them are regional associations, with membership of CPPME.

None of the four larger cross-sectoral business associations (i.e. CCP, CIP, AIP and AEP) has SME-specific procedures and structures of interest representation. However, CCP, more than the other three associations, seems to take account of SME interests as a result of its membership profile. The backbone of its membership is commerce, where small retailers prevail in CCP and in most of its lower-level associations. Large companies dominate several business associations in manufacturing, which is the traditional stronghold of CIP. Moreover, a growing number of large companies from manufacturing and the service sector has become a direct member of CIP. Big business appears to have a very strong position in CIP. Hence, CIP is mainly oriented towards large companies and CCP, towards SMEs. Regardless of this, both are concerned about keeping a balance between the different interests under their umbrella and about pursuing an inclusive membership strategy.

Inter-associational rivalries are not absent. They emanate mainly from competition for representational activities. They involve the participants in CPCS and CES on the one hand, and AIP and AEP on the other. Although the formal domains of the associations overlap in manifold ways, there seems to be rather moderate competition for members in practice. Such competition between the mixed associations (i.e. CCP and CIP) and the pure trade associations (i.e. AIP and AEP) is mitigated by differences in the focus of activities (interest representation vs. the provision of services). The associations of the same type (CCP vs. CIP and AIP vs. AEP) may somewhat compete for members. In the case of CCP and CIP, the possibilities of competition have increased due to changes in their domain which have resulted in considerable overlaps. In 1992 CIP extended its domain from manufacturing to all companies that ‘produce, distribute or sell products and services’. This was, in a way, the organizational consequence of the confederation’s predominant political role in the employers’ camp. Likewise, CCP has also tried to widen its domain. Originally founded as the voice
of trade in 1976, CCP opened membership for the entire service sector in 1995. Overall, however, competition for membership is moderated by the tendency of many companies to hold multiple memberships and by their ability to find informal arrangements. CPPME does not pose a challenge to the ‘big four’ in terms of either interest representation or membership, because it is too small.

In addition to the widening of their domains, CIP and CCP have made efforts to reorganize and rationalize the structure of their member associations. In contrast to this, cost-cutting programs seem to be not on the top of their agenda. Other attempts at organizational restructuring concentrated on building more encompassing umbrella organizations under the leadership of CIP and with consent of the other relevant associations (i.e. CCP, CAP, AIP, AEP). In 1989 CIP first made an effort to set up an all-encompassing umbrella organization, the National Council of Portuguese Companies (CNEP) which, however, never came to work. In parallel with the preparations for the umbrella organizations, AIP and AEP joined CIP, holding membership in the confederation from the early 1990s until 2001. Awaiting a new initiative for forming an encompassing umbrella organization, AIP and AEP terminated their membership and limited their relations with CIP to the role of ‘contributors’. The new initiative was launched by CIP in 2002, leading to the formation of the Entrepreneurial Council of Portugal (Conselho Empresarial de Portugal, CEP), but this project suffered the same fate as its predecessor, CNEP. All relevant business associations (i.e. CIP, CAP, CCP, AIP and AEP) signed the founding document. Regardless of this, the body is inactive. In April 2004 AEP together with AIP responded to the failure of CEP by creating their own coordinating body, the Entrepreneurial Confederation of Portugal (Confederação Empresarial de Portugal). Simultaneously they terminated their CIP membership as ‘contributors’. Thus, AEP and AIP signalled their claim to a stronger (or even leading) role in interest representation. The mixed associations did not welcome this step. CEP appears to face the same fate as earlier projects.

Membership domains and organizational structures

The formal domain of CIP is general. In practice, it excludes agriculture. Primary associations as well as companies are direct affiliates to CIP. In 2006 the confederation recorded 30 branch associations (33 in 2004). In addition, 12 other associations (10 in 2004) with various domain specification (e.g. by branch in the case of fisheries and some services, and by region in other cases) were members. Furthermore, seven large companies that were not represented by one of the affiliated associations were direct members, including three large energy and power companies. There was also one intermediate association under the umbrella which organizes the primary associations in the agro-food industry. This federation is not a member of CIP but a ‘contributor’. The group of ‘contributors’ consists of 20 large and
medium companies and one sectoral federation. AIP and AEP had this status over years, but terminated it in the recent conflict about a general umbrella confederation (see above). In line with the original domain demarcation, the bulk of members and contributors is still located in manufacturing, as available figures on the sectoral composition of the 33 branch associations emphasize: Manufacturing, construction, fishery, and telecommunications account for 28, three, one, and one of these associations, respectively. However some important member associations from the service sector, representing telecommunications and commerce indicate that the confederation’s membership is growing. Eight of the total of 43 member associations joined during 2003, and further accessions, including large service sector companies, are currently negotiated. Overall, CIP has been managing to increase its membership in its traditional domain of manufacturing and to expand into the service sector (with a particular stronghold in transport and logistics). At the confederal level voting rights of the members are weighted according to the revenues from membership fees (in the case of associations) or turnover (in the case of companies). The regulations of the member associations may differ from this rule.

CCP has formally specialized in the service sector. The confederation had 100 member organizations in 2004. More than 60 of them organize retailers at local level. About 20 were rather narrow branch associations whose domain is demarcated by the kind of goods traded, and about 15 associations operated in the broader service sector. Hence the membership stronghold is still trade where the confederation has its roots. Originally, CCP was set up as an umbrella organization of wholesalers and retailers. Each group was organized in a separate federation and both federations formed part of CCP. In 1995 the confederation underwent a major organizational reform so as to appeal to wider areas of the service sector. Related measures included the formal enlargement of the domain to the service sector as a whole and a re-definition of the unit of membership. The lower-level associations became direct members of CCP and the federations were extinguished. At the confederal level, voting rights of the members are weighted according to the revenues from membership fees. Regardless of the considerable intra-confederal diversity, as caused by membership of retailers, wholesalers and larger companies from other service branches, CCP’s politics are strongly skewed towards the interests of the (smaller) retailers’ interests that conflict with those of the ‘hypermarkets’ which have spread since the late 1980s. As a consequence, the latter founded a separate association, the Portuguese Association of Distribution Companies (Associação Portuguesa de Empresas de Distribuição, APED), in the early 1990s.

CPPME recorded 17 member associations in 2004: four local associations for retailers and others (three of them also being affiliated to CCP), six local associations for SMEs (two of them organizing companies of the construction sector), six local CPPME sections and one national federation of taxi drivers. In territorial respects, membership concentrates on the Lisbon area and
the southern part of Portugal, where the majority of the local affiliates are operating. Voting rights are weighted according to the type and geographic domain of the affiliated association. Direct membership of individual firms is possible, but CPPME generally accepts companies as members only when there is no local member association which may organize them. The statutes of CPPME do not exclude large companies from its domain, but the explicit objective is the representation of SMEs. CPPME’s definition of SMEs follows the classification by EUROSTAT. Within the limits set by its scarce resources, CPPME seems to be able to deploy its organization with power. In January 2004 CPPME organized for the first time a national meeting for officials of associations of micro and small enterprises. A number of non-affiliated organizations from all parts of the country participated, most of them local trade and employer associations whose formal domain is not limited to SMEs. Main issues of the event were fiscal policy, health and safety at the workplace, vocational training and organizational questions concerning the associations themselves.

As regards AIP and AEP, their membership is centred on the metropolitan areas of Lisbon and Oporto, respectively, although their domains are country-wide in formal terms. In the case of AIP, voting rights are based on the principle of one member one vote. No further information on their membership exists. Nor are reliable figures on the number of companies and employees covered available for any of the associations under consideration. The primary reason for this is the general aversion of the Portuguese associations to disclose information on their internal structures and practices. However, aggregate data on employer density are published by the national statistics office (Instituto Nacional de Estatística, INE 1993). Accordingly, 196,544 of the existing 539,238 companies were affiliated to an employer association in 1993. This figure would mean a density rate of 36.4 per cent. This is a very rough estimate for two main reasons (Alves and Naumann 2001). First, INE (1993: 15) itself points out that the number of 539,238 companies is inflated by the large group of individual entrepreneurs who employ very few or even no employees, and that the density rate would increase from 36.4 per cent to 51.6 per cent if these individual entrepreneurs were excluded from the calculation. Second, the density rate calculated by INE may be inflated, because many companies hold multiple memberships of associations in different branches of industry and/or services, thus counting twice or more in the above statistics on aggregate membership.

Activities

CIP’s position as the leading confederation of business is rooted in the turbulent, revolutionary developments after the fall of the fascist regime. In particular, extensive nationalization of the group of large companies had an intimidating impact on business and its associations. During this period, CIP distinguished itself as the main defender of the market economy. The
revision of the Constitution in 1989 meant a landmark in the development of its reputation, since this paved the way for economic liberalization and the privatization of the nationalized companies, in accordance with CIP’s central demands. As a survey of the primary business associations carried out in the late 1980s found (Brites et al. 1988), CIP was recognized by these associations as the legitimate representative of their labour market interests relating to a wide range of socio-economic policies. CIP is a mixed association, representing both the product market interests and the labour market interests of business in close cooperation with its member associations (Table 14.2). The intra-confederal division of labour follows the principle of subsidiarity. Interests that exceed the domain of one of its member associations are represented by the confederation. As a consequence, CIP takes up common, general interests, while its member associations perform more specific representational tasks and services. For instance, collective

<table>
<thead>
<tr>
<th>Table 14.2 The activities of CIP, CCP, AIP, and CPPME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of activity</strong></td>
</tr>
<tr>
<td>Represents:</td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the unions</td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the state</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
</tr>
<tr>
<td>Product market interests in relation to suppliers</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
</tr>
<tr>
<td>Services related to</td>
</tr>
<tr>
<td>Industrial relations</td>
</tr>
<tr>
<td>Economic policy programs</td>
</tr>
<tr>
<td>Exchange relations with suppliers</td>
</tr>
<tr>
<td>Exchange relations with customers</td>
</tr>
<tr>
<td>Vocational training</td>
</tr>
<tr>
<td>Further training and qualification of company staff</td>
</tr>
<tr>
<td>Developing/monitoring quality standards for products</td>
</tr>
</tbody>
</table>

Sources: CIP, CCP, AIP and CPPME.

Notes
Activities completely or predominantly carried out by the member associations (in contrast to the peak association itself) are in parentheses. Main activities are marked in italics.
bargaining is exclusively carried out by the primary and intermediate associations. CIP observes and (to a lesser extent) coordinates the bargaining process. The confederation may exercise a stronger influence on bargaining by signing tripartite macro agreements on such issues as wage increases and working time. Since 1996 no such agreement has been concluded. Based on its rights of participation in advisory boards, the confederation is involved in the formulation and monitoring of public schemes for vocational training, industrial policy and the standardization of products and product quality. CIP itself does not participate in the implementation of these schemes, but several of its member associations do so. Moreover, CIP relies strongly on the expertise of its member associations and member companies, when it comes to participating in corporatist boards. CIP as a confederation clearly focuses on representing labour market interests both vis-à-vis the state and the unions and, product market interests vis-à-vis the state. The subsidiarity principle implies that most of the service activities are carried out by the affiliates of CIP. They offer a broad spectrum of services to their member companies, most of which are not payable. The confederation itself limits its service activities to a minimum of areas that exceed the domain of its affiliates. These services are closely tied to the type of representational tasks performed, and are generally provided free of charge (Table 14.2).

Like CIP, CCP represents labour market and product market interests. In comparison to CIP, however, negotiations with the unions figure less prominently, although the confederation is involved in peak-level negotiations and consultation within the tripartite framework of CPCS. Bipartite agreements may occasionally be concluded. In 1995 CCP signed a peak-level accord with UGT, devised to make working time in retailing more flexible. Reflecting its narrower composition of membership, the product market interests as pursued by CCP are more accentuated than is the case of CIP. In the mid-1990s, for instance, CCP struggled for legal reforms aimed at restricting the business activities of the ‘hypermarkets’ in such matters as opening hours. The range of services provided by the confederation parallels the scope of representational activities (Table 14.2).

CPPME is de facto a pure trade association which represents the product market interests of its members only vis-à-vis the state (Table 14.2). The confederation does not engage in collective bargaining, although it is the only peak level organization of SMEs that is registered as an employer confederation at the Ministry of Labour. Likewise, most of its member associations have registered as an employer association. However, according to the files on collective agreements as kept by the Ministry of Labour, only one of CPPME’s member associations has ever signed a collective agreement. At the political level (i.e. government and parliament), CPPME has lobbied for making fiscal and other policies more favourable to SMEs and has struggled against legislation facilitating the expansion of large retailing companies. Frequent contacts with public administration aim to harmonize regulations (e.g. concerning safety and health at the workplace) with the
needs of SMEs. The association is almost completely absent in corporatist governance. CPPME only participates in the advisory body of the state-owned broadcasting corporation. Due to its scarce resources, it offers only a small range of (non-payable) services to its members. CPPME systematically informs its members about how to respond to certain legal obligations (e.g. regarding taxes and health and safety at the workplace) and offers state-financed training to entrepreneurs and staff.

AIP and AEP are pure trade associations. In contrast to CIP, CCP, CAP, CTP, and CPPME which focus on interest representation, AIP and AEP concentrate their activities on providing services to members as well as non-members. They run the country’s largest trade fairs (FIL in Lisbon and EXPONOR in Oporto) and provide a wide range of services (directly or indirectly via service companies they own). Most of the services are payable if they are not financed by the state (e.g. participation in fairs, technical assistance, dissemination of public programs to aid business, promotion of training for workers and managers). Although AIP and AEP are primarily service organizations without presence in CPCS and CES, they nevertheless exert considerable influence on public policies in direct contacts with government. Their main interest relates to public schemes to aid business, and their important role in this area provides them with marked mobilization capacities to put pressure on government.

Resources

Information on the associations’ human and financial resources is as sparse as membership data. This especially applies to the primary associations. CIP as a confederation had 22 full time staff members in 2004. No data are available for its member associations. According to CIP, about 90 per cent of its revenues came from its affiliates (associations and companies) in 2003, whereas it does not list revenues from the state (Table 18.12). However, like all the other associations represented on CPCS, CIP does get public grants (i.e. currently €50,000 p.a.) understood as a compensation for involvement of its technical staff in the preparation of negotiations at the CPCS (see above).

In comparison with CIP, CPPME recorded three employees in 2003. The documented proportion of revenues from members is almost the same as that of CIP. However, the relatively high share of voluntary contributions (i.e. 25 per cent) indicates a high dependence on the good will of the members. Since sale of services is one of the main activities of AIP and AEP, they dispose of considerable financial and human resources that far exceed those of CCP and CIP. In 2003 AEP had net assets of almost €140 million, as compared to €374,000 in the case of CIP. The staff of AEP increased continuously from almost 200 persons in 1990 to more than 350 persons in 2000.

As is the case of membership figures, aggregate data on the resources of the employer associations are available from surveys. According to INE data, employer associations had a total of about 4,700 employees (as compared
to around 3,000 persons working for the trade unions) in 1976. Until 1996, the number of staff markedly decreased, as employer associations counted little more than 3,000 employees that year. Approximately 2,200 of them worked on a full-time basis (Table 14.3). The relative importance of membership fees as a source of income also dwindled over time. In 1977 the share of fees in the total income of the primary employer associations was 87.5 per cent, as compared to 37.7 per cent in 1996 (Table 14.4). This development probably reflects an increase in public subsidies and a decline in membership. INE data also inform about the distribution of resources among the associations of distinct hierarchical order (Tables 14.3 and 14.5). In relative terms, the primary associations, the intermediate associations and the confederations registered 87.5 per cent, 3.5 per cent and 9.0 per cent of the overall staff of 1996, respectively. This distribution strongly correlates with their share in aggregate income which can be calculated for the period from 1991 to 1996. The primary associations controlled more than 90 per cent of the total income of employer associations. The share of the intermediate organizations oscillated between 2 per cent and 3 per cent, while the confederations could increase their share from almost 5 per cent in 1991 to 6.9 per cent in 1996. The poor resource endowment of the intermediate associations corresponds to the fact that their role within the confederal structures is generally not vital. In this respect, CCP was an exceptional case until its 1995 reform.

Conclusions

The configuration of organized capital has been moulded in the revolutionary period of transition to democracy (1974–6). Three mixed confederations (i.e. CAR, CIP and CCP) – each of them related to more or less encompassing,

Table 14.3 Number of persons employed by the employer associations, 1996

<table>
<thead>
<tr>
<th></th>
<th>Primary organizations (associações)</th>
<th>Intermediate structures (uniões and federações)</th>
<th>Confederations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Men</td>
<td>Total</td>
</tr>
<tr>
<td>Total</td>
<td>2,681</td>
<td>1,280</td>
<td>107</td>
</tr>
<tr>
<td>Unpaid staff</td>
<td>55</td>
<td>51</td>
<td>2</td>
</tr>
<tr>
<td>Paid staff</td>
<td>2,626</td>
<td>1,229</td>
<td>105</td>
</tr>
<tr>
<td>Senior staff</td>
<td>69</td>
<td>52</td>
<td>–</td>
</tr>
<tr>
<td>Full-time officials</td>
<td>1,930</td>
<td>843</td>
<td>82</td>
</tr>
<tr>
<td>Number of organizations</td>
<td>404</td>
<td>27</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 14.4 The financial development of the employer associations

<table>
<thead>
<tr>
<th>Year</th>
<th>Total current income (million Escudos)*</th>
<th>Membership fees (million Escudos)</th>
<th>Membership fees (share in total income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>1,205.7</td>
<td>167.2</td>
<td>13.9</td>
</tr>
<tr>
<td>1976</td>
<td>524.0</td>
<td>212.1</td>
<td>40.5</td>
</tr>
<tr>
<td>1977</td>
<td>358.6</td>
<td>313.8</td>
<td>87.5</td>
</tr>
<tr>
<td>1978</td>
<td>466.2</td>
<td>373.5</td>
<td>80.1</td>
</tr>
<tr>
<td>1979</td>
<td>557.5</td>
<td>438.3</td>
<td>78.6</td>
</tr>
<tr>
<td>1980</td>
<td>707.4</td>
<td>543.8</td>
<td>76.9</td>
</tr>
<tr>
<td>1981</td>
<td>846.5</td>
<td>645.0</td>
<td>76.2</td>
</tr>
<tr>
<td>1982</td>
<td>1,099.3</td>
<td>814.1</td>
<td>74.1</td>
</tr>
<tr>
<td>1983</td>
<td>1,438.8</td>
<td>1,065.2</td>
<td>74.0</td>
</tr>
<tr>
<td>1984</td>
<td>1,699.9</td>
<td>1,249.6</td>
<td>73.5</td>
</tr>
<tr>
<td>1985</td>
<td>2,092.6</td>
<td>1,449.0</td>
<td>69.2</td>
</tr>
<tr>
<td>1986</td>
<td>2,797.9</td>
<td>1,870.6</td>
<td>66.9</td>
</tr>
<tr>
<td>1987</td>
<td>3,448.2</td>
<td>2,252.9</td>
<td>65.3</td>
</tr>
<tr>
<td>1991</td>
<td>10,515.6</td>
<td>5,432.4</td>
<td>51.7</td>
</tr>
<tr>
<td>1992</td>
<td>15,648.4</td>
<td>7,457.6</td>
<td>47.7</td>
</tr>
<tr>
<td>1993</td>
<td>17,807.8</td>
<td>6,577.0</td>
<td>36.9</td>
</tr>
<tr>
<td>1994</td>
<td>18,965.4</td>
<td>7,704.6</td>
<td>40.6</td>
</tr>
<tr>
<td>1996</td>
<td>22,897.8</td>
<td>8,635.4</td>
<td>37.7</td>
</tr>
</tbody>
</table>


Note
One million Escudos is equivalent to €5,000, approximately.

Table 14.5 The revenues of the employer associations by hierarchical level (million Escudos)

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary organizations</th>
<th>Intermediate structures</th>
<th>Confederations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>10,515.6</td>
<td>290.5</td>
<td>548.6</td>
</tr>
<tr>
<td>1992</td>
<td>15,648.4</td>
<td>416.4</td>
<td>670.5</td>
</tr>
<tr>
<td>1993</td>
<td>17,807.8</td>
<td>507.1</td>
<td>931.8</td>
</tr>
<tr>
<td>1994</td>
<td>18,965.4</td>
<td>633.1</td>
<td>911.8</td>
</tr>
<tr>
<td>1996</td>
<td>22,897.8</td>
<td>579.7</td>
<td>1,740.6</td>
</tr>
</tbody>
</table>


Note
One million Escudos is equivalent to €5,000, approximately.
complementary segments of the economy – were created during this period. The traditional pure trade associations AIP and AEP (the latter at that time still named AIPortuense) did not expand their activities to labour market interests. The result was a non-competitive configuration of associational domains and tasks until the 1990s. Since that time, inter-associational relations have become more competitive as a result of three developments. First, a competition for members has involved CIP and CCP, as both went on to claim to represent the service sector. Second, another line of competition for members emerged with the formation of separate associations of SMEs. Third, competition for representational tasks arose, because AIP and AEP began to seek access to the main body of social dialogue on which solely the three mixed confederations are represented on behalf of business. Faced with the rejection of their ambitions by the three mixed confederations, AEP and AIP recently sounded the bell for a new lap of this conflict by forming a new general business association in 2004.

At least for the foreseeable future, however, none of these developments seems to pose a serious challenge to the established system of business interest representation. As regards the relationship between CIP and CCP, their competition for members has calmed down for several reasons. On the one hand, some kind of a buffer zone exists within the overlapping area of their domains. In the service sector, a large group of branch associations and companies still does not belong to any confederation, such that CIP and CCP may grow without direct rivalry for membership. On the other hand, CIP and CCP appear to pursue recruitment strategies which are de facto complementary in their common domain of services. CIP especially attracts large companies, as the growing number of large companies with direct membership in the confederation indicates. This is in line with the fact that large firms (scilicet of the manufacturing sector as the core domain of CIP) have traditionally exerted a strong influence on the confederation. CCP’s strategy and organizational structure is clearly tailored to the interests of the group of small retailers. In contrast to CIP, CCP limits company membership to the status of ‘contributors’, vested merely with the right to receive some specific services from the confederation. This complementary membership potential of CIP and CCP in the service sector may, however, create serious conflicts of interests. CIP’s growing appeal to large retailers is at odds with CCP, as the interests of this business group clash with those of the membership backbone of CCP, i.e. small retailers. CCP’s battle in favour of state interventions devised to restrict the expansion of large retailers illustrates its affinity to SME interests. Conversely, CIP has shown its fundamental scepticism about any kind of state intervention into the economy. Given that SMEs generally need more state assistance than their larger counterparts, CIP’s liberal stand indicates a bias towards the interest of large companies.

Regardless of these informal contours of interest politics, CIP and CCP keep their domain inclusive by claiming to represent firms of any size. This
inclusiveness aggravates the difficulties in forming and consolidating special associations of SMEs, all the more since they suffer from poor resource endowment. The difference in political influence, economic and territorial coverage between CCP, CIP, AIP and AEP on the one hand, and CPPME on the other, is also abysmal. CPPME will have serious difficulties with acting as a voice of SMEs, because the established associations will veto its admission to advisory bodies on which they are represented. Recently, AIP used its position as the Portuguese affiliate to UEAPME to prevent CPPME from also becoming a member of UEAPME. The most probable scenario for the near future is a slow growth of CPPME and other SME associations in terms of membership and influence. This will hardly threaten the deeply entrenched patterns of social dialogue, public policy making and business interest representation. The special associations of SMEs have generally entered the scene at a time when the fields of business interest associations were already settled. Their fate as latecomers can be traced to the heritage of the authoritarian regime and the specific circumstances of the transition to democracy from 1974 to 1976. Shocked by the fierce pressure from the labour movement and the political left which were supported by influential parts of the armed forces, business tended to cling to the associational patterns inherited from the Salazar regime which had not provided for SME-specific associational structures.

The demand of AEP and AIP for a role in the social dialogue is burdened with analogous problems of being a latecomer. The privileged participants in the social dialogue, i.e. CAP, CIP and CCP, have every reason to keep the two trade associations out, and they can easily do so, based on their informal veto power. In the case of CTP they made an exception from their practice of keeping out other associations, because none of them represents the important tourism branch and because CTP does not represent a challenge to their position. In contrast to CPPME, however, AEP and AIP can rely on a considerable scale of resources as well as on their reputation as providers of services which are vital to the business community, when it comes to struggling for a place in the social dialogue. Since the attempt of AEP and AIP to form a joint umbrella organization is still in a stage of infancy, it is hard to see whether and how this will impact on the established associational system. At any rate, the prospects for AEP and AIP as well as for CPPME depend decisively on the development and politics of CIP and CCP.

Notes

1 The new legislation on labour relations (Código de Trabalho 2003) makes the distinction between medium and large companies at 200 employees.
2 See the comparative studies in ‘Workplace Involvement in Technological Innovation in the European Community’ carried out by the European Foundation for the Improvement of Living and Working Conditions.
3 The government has a particular interest in reaching tripartite agreements. CPCS agreements tend to legitimize government policy in general by creating
the impression of a consensus on important issues between the social partners and the government. Thus, government is ready to ‘pay’ a price for getting all members (or at the minimum one member from each party) ‘on board’, even if their demands may refer to issues without any link to the agreement itself.

4 CIP, for example, is represented on 92 public bodies. Thirty-four of them are under the umbrella of the Labour Ministry.

5 Cross-sectoral peak associations like CIP and CGTP generally delegate their representation on sectoral bodies to their respective primary or intermediate affiliates.

6 The most prominent case of a government’s incapacity to commit its own members of parliament to a draft issued on the base of a tripartite agreement was the Short Term Tripartite Agreement of 1996 (Acordo de Concertação Social de Curto Prazo, ACSCP). See Naumann (1996, 1997), Campos Lima and Naumann (2000).

7 The history of the Economic and Social Agreement (Acordo Económico e Social, AES) from 1990 illustrates this problem. It included an obligation of the social partners to introduce new regulations on working time. This re-regulation should be implemented by collective bargaining. The AES was signed by the employer confederations and by UGT, in contrast to CGTP. Due to CGTP’s fierce opposition and the employers’ weak commitment to the project (as they were not much interested in the agreed reduction of working time) the macro agreement was not implemented by the meso-level collective agreements (see Naumann 1996, 1997; Campos Lima and Naumann 2000).

8 Until 1995 this applied to trade unions too, but during the last 12 years the largest union confederation (CGTP) has undergone a comprehensive process of restructuring based on mergers at primary and intermediate level.

9 In the case of labour, a group of trade unions opposed to the regime formed the illegal ‘Inter-sindical’ in the late years of dictatorship. In 1975 this trade union confederation held its first congress and was later renamed ‘CGTP-Intersindical Nacional’.

10 Basic data on the functions, domains and membership are summarized in Table 14.1, as far as they are available for these associations.

11 According to the constitution of CIP this is a special status which implies a financial contribution. Contributors are not subject to the obligations of regular members, nor are they represented by CIP.

12 *Público* 29 April 2004.

13 Recently CIP managed to recruit some important companies, namely the Spanish department store chain El Corte Inglés, Nestlé Portugal and the national airline TAP-Air Portugal.

14 There are no data on CIP’s member associations. The Chemical Companies’ Association APEQ, for instance, allocates voting rights on the basis of one member one vote, but experts estimate that this may be the exception to the rule. CIP’s present president is a member of APEQ.

15 For example, several local associations of commerce which generally represent small retailers attended the meeting.

16 Examples are the ‘Code of Conduct’ negotiated between CIP and APED, and CIP’s lobbying of government institutions concerning the implementation of the Kyoto-Protocol.

17 Members receive a discount on fees and duties and some services free of charge.

18 The recent congress of entrepreneurs, organized by AEP, was an example for this mobilization capacity based on large financial and social resources.

19 Since the number of registered employer associations is not identical with the number of active organizations, it is impossible to estimate the number of staff
per association. We do not know whether the number of operating associations
stagnated or even decreased, while the number of registered associations grew
immensely.

In contrast to the resource distribution among employer associations, the trade
unions under the umbrella of CGTP received more than 70 per cent of its revenues
from membership fees, and a higher proportion is transferred to the intermediate
and confederal level (i.e. 12 per cent and 10 per cent, respectively).
Spain

Rosa Nonell and
Joaquim M. Molins López-Rodó

The economic and cultural background

Spain belongs to the group of countries where the size of companies is extraordinarily small (Table 2.1). Micro firms clearly prevail, accounting for c. 93.4 per cent of all businesses and 50.5 per cent of total employment. The 2003 figures provided by the Central Business Directory of the Statistical Office (Directorio Central de Empresas del Instituto Nacional de Estadística, INE) even show a somewhat higher share of micro firms in the total number of firms (i.e. 95.7 per cent). Accordingly 69.1 per cent of these firms (i.e. 66.1 per cent of the total number of firms) have no employees at all.

The numerical prevalence of micro firms corresponds with a clear lack of large firms of international relevance by standards of both their sheer number and their employment. Among Europe’s 500 largest firms there are only 25 Spanish firms, with a strong focus on such business activities as construction, finance and telecommunications. This reflects the fact that many of them were public companies or even public monopolies in former times before they had become privatized or deregulated.

This economic structure originates in a late industrialization process in combination with protectionist state regulation which sheltered and even isolated the domestic economy from exogenous developments for an unusually long time. This economic regime changed during the late 1970s after the breakdown of the Franco dictatorship. What followed was a thoroughgoing restructuring process, leading to a decline of traditional sectors of manufacturing and a sharp increase in unemployment in the early 1980s. Spain’s accession to the EEC in 1986 has pushed the transformation of the economy ahead, paving the way for the expansion of the service sector, a modernization of the industrial sector and the replacement of backward management styles with more sophisticated approaches. These dynamics have also affected the SME sector, something which is documented in the very high entry and exit ratio of the firms. During the period from 1995 to 2002, for instance, the entry ratio or birth rate of firms was 13.3 per cent and the death rate, 11.4 per cent, resulting in a net ratio of 1.9 per cent. This development is closely linked to the economic cycle: during periods of lower economic
activity, the number of new firms without workers (i.e. self-employment) tends to increase. Therefore, the still high level of unemployment amounts to the relatively high share of self-employment in the number of micro firms. Although the structural adjustments that have occurred since the late 1970s have substantially improved the competitiveness of the economy, serious problems remain, in particular poor R&D investment and human capital development.

As is the case of Portugal and Greece, Spain registers a long history of fascist rule that ended in the 1970s. The three countries, however, strongly differ in their modes of democratization. In this respect, Spain is distinct insofar as it took a concerted road to democratization with the consequence that organized business and labour played a key role in this process. From the late 1970s to the mid-1980s, the country saw the conclusion of a series of tripartite and bipartite pacts. Dealing with a wide range of socioeconomic policy issues, namely wage moderation, these pacts served three main political purposes (Martinez Lucio 1998): the consolidation of democracy; the design and institutionalization of the framework for industrial relations, and the stabilization of the peak organizations of business and labour as agents of interest representation and public governance. After these goals had been achieved, macro-corporatist policies cooled. Regardless of this, they have put their lasting stamp on Spain’s system of interest intermediation by means of integrating organized interests into public policy making, providing them with resources, and establishing Spain’s peak associations as the leading actors in an otherwise highly fragmented and heterogeneous associational system.

The legal framework for associational action

The Franco regime controlled the articulation of functional interests by grouping them into compulsory organizations: the ‘vertical unions’ which were differentiated along sectoral affiliations within a multi-layered structure that embraced the national, provincial and local level (Martinez Lucio 1992). The design of these organizations was totalitarian. They gathered business and labour jointly under their umbrella, and lacked any autonomy from the regime. The employment terms were authoritatively set by the Ministry of Labour by means of Labour Ordinances (Ordinanzas Laborales). Act 19/1977 laid down the foundation for the democratization of organized interests. This law regulated the rights of the trade unions, and also granted the right to create business organizations outside the vertical unions that represented the functional interests of the Franco regime.

The Spanish Constitution, enacted in 1978, specified and extended the rights of organized interests. According to Article 22, business organizations are interest associations. Article 131 entitles the authorities to involve interest association in the formulation and implementation of economic and social policies at all levels of government. However, these participation rights as
well as the right to conclude generally applicable collective agreements are
reserved only for those interest associations which enjoy the status of a ‘social
actor’. The recognition as a social actor depends on whether an interest
association meets certain criteria of representativeness which are set out by
the Workers’ Statute (Estatuto de los Trabajadores), March 10 Act 8/1980,
in the sixth additional provision, in accordance to the wording of August 2
Act 32/1984. A minimum of 10 per cent of the potential members (firms and
employees) should be organized by the association as a precondition for its
recognition as a party to collective agreements and social pacts at national
level, and a minimum of 15 per cent, as the prerequisite for recognition as a
party to collective agreements and social pacts carried out at territorial (i.e.
the autonomous, provincial and local) level. Associations which fulfil the
required criteria of representativeness are also equipped with the capacity
to participate in the formulation and implementation of public policy at
the corresponding level of state regulation and to receive public subsidies
from the ‘representational funds’ in exchange for their participation. The
regional governments dispose of special public funds designed to buttress
both the social actors and industrial relations within their realm. Especially
important to all social actors is their right to run the public funds available
from the Foundation for Continued Education (Fundación para la Formación
Continua en las empresas, FORCEM1), since this provides them also with a
source of revenues.

There is no information about the scale of subsidies which are channelled
into each of the representative associations through these manifold funding
institutions. All that is known about the flow of subsidies coming from the
representational funds, for example, is that the amount of subsidies that
an association gets is linked to its level of representativeness. The formula
for the allotment of subsidies, as determined by the Ministry of Labour,
has not been made public. At any rate, this kind of state sponsorship seems
to be so relevant that access to the related funding institutions is the main
reason for many of the newly established business associations at the regional
level to struggle for attaining the threshold of representativeness. This can
be traced to the fact that the sponsoring effect of being recognized as a
representative association is multiple. There is not merely the contribution
to the associations’ budgets. In addition, public subsidies help to keep
membership dues low and thus facilitate the recruitment and integration
of members. The right to participate in public policy works in the same
direction. In the case of business associations an important means of attracting
members is their involvement in programs to aid business and the economic
development. In this respect, it is important to note that Spain is among
the main beneficiaries of EU programs. In nominal terms, the country is by
far the largest recipient of EU expenditure.2 This provides industrial policy
programs with a considerable allocative potential, from which associations,
when participating in them, can draw.
The role of organized business in social dialogue and public policy making

Collective bargaining takes place at two main levels: the sector and the company. In terms of the number of employees covered, the sectoral level clearly prevails. Sector-level bargaining in Spain is characterized by its differentiation into three segments which formally follow the structure of the state along its national, regional and provincial levels of governance. Quantitatively, the provincial sectoral agreements and the national sectoral agreements are most important. In 2004 they accounted for 55.5 per cent and 23.7 per cent of the employees covered by collective bargaining, respectively. Company agreements covered only 10.7 per cent (CES 2005). The structure and composition of the sectors in terms of firm size tend to determine the level at which collective bargaining takes place. In sectors where the firms are rather large (i.e. employing about 300 workers on average over the period from 1990 to 2001) one can find single-employer agreements. For the same period, the average size of firms covered by national sectoral agreements was 186 employees. The corresponding figure for the provincial sectoral agreements was 15 employees. While it has become fashionable to shift bargaining to the company in several countries, the number of employees covered by single-employer bargaining has remained rather stable in Spain.

Insufficient ‘articulation’ between the distinct bargaining levels in the sense of a clear hierarchical order has been a recurrent theme of debates on industrial relations. The peak associations of both business and labour, nevertheless, claim a leading role in the overall bargaining process. This has resulted in recurrent efforts to coordinate the strategies of their lower-level affiliates in the course of the bargaining rounds. On several occasions, the peak organizations directly engaged in collective bargaining by concluding central-level accords. As noted above, reiterated accords on wage moderation were struck during the period of democratization. They were the central component of broader pacts tying together such manifold issues as incomes policy, employment policy, social reforms and legislation on industrial relations. One of these pacts, for instance, hammered out new rules for industrial relations which were then endorsed in the Workers’ Statute of 1980. This early phase of pacts came to an end by the mid-1980s, when the government turned to tough monetarist policies that lacked any means of compensating the unions for wage restraint. Likewise, organized business was disillusioned with the government’s insufficient ability to implement its agreed commitments in areas essential to business interests (Martinez Lucio 1998). By the mid-1990s, a second series of pacts were set in motion in response to unilateral government reforms which rescinded all remaining Labour Ordinances and enabled lower-level bargainers to override higher-level collective agreements. Fearing that these reforms might undermine their control over industrial relations, the peaks of business and labour managed to reach bipartite agreements which – *inter alia* – provided for measures
to introduce collective bargaining in areas previously covered by Labour Ordinances and to articulate the overall bargaining process (Perez 2000). The accord on articulation prepared the ground for the above-mentioned centralization of bargaining in that it contained the commitment to expand national sectoral bargaining. Furthermore, it reserved certain bargaining issues for this level, while allotting other issues to lower levels of bargaining. The second series of pacts marked a consolidation of the social dialogue, since they were struck without state sponsorship in procedural respects and led to a broadening of bargaining issues in substantive respects. Against the background of relatively high inflation rates a third series of pacts started in the shadow of the state in 2001, when the government threatened to intervene, if the social partners reached an impasse (Alos 2002). The central agreement laid down guidelines for lower-level bargaining, aimed at wage moderation. Running for 2002, the agreement was then renewed for 2003 and 2004.

Industrial relations, the social dialogue and broader fields of public policy making are structurally interrelated through the statutory regulation of the representativeness of associations and its legal effects. As delineated above, associations that are recognized as representative enjoy privileged access to public policy and legally-based corporatist governance bodies. Such bodies are numerous and most of them are specialized in certain policy fields, namely employment (e.g. the National Employment Institute, INEM, the Wage Warranty Fund, FOGASA), welfare, health and safety (e.g. the National Institute for Social Welfare, INSS, the National Institute for Health, INSALUD, the National Institute for Social Services, INSERSO) and training (FORCEM). The most important tripartite body is the Economic and Social Council (Consejo Económico y Social, CES) which advises the government on matters of economic and social policy (Miguelez n.d.).

The associational system: the national level

As in many other countries, the associational system of business is shaped by a dual structure. On the one hand, one finds numerous voluntary associations many of which are recognized as representative social actors. On the other hand, a Chamber system is established which rests on mandatory membership and acts as a trade association, with a rather limited scope of representational activities and a strong focus on services. There are, however, only two business associations which meet the definitional criteria of an independent, country-wide and cross-sectoral organization, as adopted for the comparative analysis of this volume. The Confederation of Spanish Employers Association (Confederación Española de Organizaciones Empresariales, CEOE) which can be characterized as a voluntary and mixed organization is the principal business association of Spain. The other business association, the High Council of the Chambers of Commerce (Consejo Superior de Cámaras de Comercio, CSCC), is the peak of the Chamber system.
Membership domains and structures

CEOE was established in 1977, following the Act which endorsed the right to form associations. This peak organization was not set up from scratch, but gathered three types of already existing organizations (Miguelez n.d.): regional, traditional (i.e. pre-Franco) associations which (like the Catalan Fomento del Trabajo Nacional) survived the era of dictatorship, since they had performed non-associational tasks (i.e. as a centre for studies in the case of Fomento) during that time; sectoral associations which had been part of the Francoist vertical unions; and several, usually territorial associations which had been formed already by 1976. In 1980 CEOE managed to rope in one of the two country-wide, cross-sectoral associations of SMEs, i.e. the Confederation of Employers Associations (Confederación Española de Organizaciones Empresariales, CEPYME) which had been founded in 1978. This arrangement enabled CEOE to marginalize the other SME peak association, the Confederation of Small and Medium-sized Firms, (Confederación de pequeñas y medianas empresas, COPYME). To date, COPYME which mainly organizes self-employed persons is irrelevant in terms of both membership and representational activities. Therefore this confederation will not be considered further here, whereas CEPYME will be analysed as a distinct affiliate of CEOE (Table 15.1).

The domain of CEOE is general. It is only associations which can become full members which then have voting rights and the obligation to pay fees. Companies can be admitted as collaborative members who are expected to pay voluntary fees. The type of primary associations which directly organize the companies varies with the structure of the sub-national associational systems across Spain’s distinct territories. As a rule, they may be local or provincial associations and their domain may be either sector-specific or cross-sectoral. This implies that companies often hold multiple memberships, all the more since SMEs can also join a primary association of CEPYME. The associations directly affiliated to CEOE are the national sectoral associations, and the regional and/or provincial associations. Overall, CEOE is the peak of a highly complex and incoherent pyramid of associations which are intertwined through cross-affiliations. This complexity dates back to the circumstances of its foundation. According to CEOE, 155 sectoral associations and 55 regional associations were under its umbrella in 2002, which covered a total of approximately 2,000 primary associations and 1.3 million firms. This means a density of 32.5 per cent, since the total number of companies was 3,996,004 in 2003 according to INE statistics. CEPYME organizes 17 territorial associations and 37 small sectoral associations. Firms are not directly affiliated. CEPYME claims that it represents in between 850,000 and 900,000 firms, with 1,330,000 employees. Following the national statistical classification, CEPYME – as other business associations – defines SMEs as companies employing less than 200 employees. According to INE figures, the total number of firms belonging to this category was 3,990,958 in 2003.
<table>
<thead>
<tr>
<th>Level</th>
<th>Association</th>
<th>Scope of functions</th>
<th>Membership domain</th>
<th>Membership density (% potential firms)</th>
<th>Members</th>
<th>Voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Associations</td>
<td>Firms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>National</td>
<td>Territorial</td>
</tr>
<tr>
<td>National</td>
<td>CEOE</td>
<td>Mixed</td>
<td>General</td>
<td>33(^5)</td>
<td>55 territorial 155 sectoral</td>
<td>1,300,000 (IDM)</td>
</tr>
<tr>
<td>National</td>
<td>(CEPYME)(^2)</td>
<td>Mixed</td>
<td>SMEs(^3)</td>
<td>21–3(^6)</td>
<td>17 territorial 37 sectoral</td>
<td>900,000 (IDM)</td>
</tr>
<tr>
<td>National</td>
<td>CSCC</td>
<td>Services</td>
<td>Provincial Chambers</td>
<td>100</td>
<td>85</td>
<td>3,996,004 (IDM)</td>
</tr>
<tr>
<td>Territorial</td>
<td>(Fomento/ FEPIME)(^2)</td>
<td>Mixed</td>
<td>SMEs(^3)</td>
<td>80</td>
<td>170</td>
<td>160,000 (MM)</td>
</tr>
<tr>
<td>Territorial</td>
<td>CECOT</td>
<td>Mixed</td>
<td>SMEs(^3)</td>
<td>70–80</td>
<td>29</td>
<td>7,000 (MM)</td>
</tr>
<tr>
<td>Territorial</td>
<td>PIMEC</td>
<td>Mixed</td>
<td>SMEs(^3)</td>
<td>25</td>
<td>6 territorial 6 sectoral</td>
<td>70,000 (MM)</td>
</tr>
<tr>
<td>Territorial</td>
<td>Chambers</td>
<td>Services</td>
<td>General(^4)</td>
<td>100</td>
<td>–</td>
<td>348,083 (DM)</td>
</tr>
</tbody>
</table>

Notes
1 Exemplified by Catalonia and Barcelona. 2 Under the umbrella of CEOE. 3 The associations understand SMEs as employing fewer than 200 employees, in accordance with DIRCE classifications. 4 With the exception of agriculture and the liberal professions. 5 Without CEPYME. 6 Without CEOE. 7 At local level (Fig. 15.1) voting rights vary, ranging from one member one vote to differentiated systems that allot one vote to member companies, and weighted votes to member associations. 8 Companies. 9 Associations. DM = direct membership. IDM = indirect membership. MM = mixed membership.
When proceeding from the above membership figures, this yields a density of 21–23 per cent.

It is difficult to estimate the combined density of CEOE and CEPYME due to the numerous cases of multiple memberships within their structure. One cannot simply add their members, since many of them are affiliated to both CEOE and CEPYME. Moreover, there are also multiple memberships within each of the domains of the two confederations. The latter implies that their separate densities are somewhat inflated, as noted above.

Additional qualitative information from employer representatives, however, may improve our knowledge on membership (Miguelez n.d.). The tendency to associate increases with firm size. Finally, metal-working, the chemical industry and the financial sector are the strongholds of CEOE in terms of business activity, and the regions of Catalonia, Madrid and Valencia, in territorial respects.

Since the end of the nineteenth century the Chambers of Commerce (CCs) have been public-law organizations, devised to promote the general, commercial, industrial and maritime interests of business. They were formed by a Royal Decree of 1886 that defined them as voluntary associations of traders, industrialists and ship owners. In 1911, their role was strengthened by introducing mandatory membership and extending the scope of their public functions. Nowadays, the CCs are regulated by the 1993 Official Commerce, Industry and Naval Chambers Basic Law. They are differentiated along territorial (i.e. provincial and local) demarcations. With the notable exception of agriculture and the liberal professions, their domain is cross-sectoral. As the peak of the chamber system, CSCC has 85 provincial and local chambers under its umbrella.

**Activities**

For an overview of representational activities, see Table 15.2. CEOE is a mixed association. As a consequence of its extremely complex, multi-level structure it leaves considerable leeway for its affiliates, so as to avoid internal conflicts on issues sensitive to them (Martinez Lucio 1998). This also explains why CEOE concentrates on the representation of labour market interests rather than on product market interests. Labour market interests are far less divisive, such that the peak can follow a more directive line in this policy area. This is underscored by the fact that CEOE (together with CEPYME) has signed all national pacts concluded ever since democratization. In particular, the pacts on incomes policy which were struck on several occasions require CEOE to perform the delicate task of making their member associations, which conduct lower-level bargaining, comply with the peak-level guidelines. This has sometimes proved a difficult undertaking, since its affiliates have autonomy in bargaining matters. In combination with CEPYME, CEOE and its affiliates prevail in bargaining on behalf of the employers. Approximately 99 per cent of the sectoral agreements which are registered every year are
Spain

concluded by its affiliates (Miguelez n.d.). CEOE seeks to coordinate lower-level bargaining by issuing recommendations for its affiliates.

The political weight, which CEOE has had from the very beginning of the democratic era, can be seen in the fact that it had played an important role in designing the legal framework of industrial relations. The peak-level agreement of 1980, for instance, clarified the criteria for representativeness (see above) for the first time (Martinez Lucio 1998). During the risky period

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>CEOE/CEPYME</th>
<th>Chambers</th>
<th>Fomento/FEPIME</th>
<th>PIMEC</th>
<th>CECOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Represents:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the unions</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>(national pacts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour market interests <em>vis-à-vis</em> the state</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Product market interests in relation to customers</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Product market interests in relation to suppliers</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Product market interests in relation to the state</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Services related to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial relations (only national pacts)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Economic policy programs (only long learning)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange relations with suppliers</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange relations with customers</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Vocational training</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Further training and qualification of company staff</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Developing/monitoring quality standards for products</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Note
Main activities are marked in italics.
of transition to democracy, CEOE played a key role in stabilizing the country by means of tripartite and bipartite national concertation. Since that time the confederation has followed a policy of partnership with the unions, which has been underpinned by an essential self interest: Peak-level partnership helps CEOE to strengthen its role in industrial relations and public policy in relation to autonomous and fragmented business associations at lower levels (Molins 1999). Since this interest implies a rather centralized bargaining system in institutional respects, it cannot easily be reconciled with its most important substantive objective: that is, making the labour market more flexible. These goals were made compatible by expanding the range of bargaining issues which has improved the conditions for trade-offs (Perez 2000). This, however, meant that CEOE had to give up its original goal of limiting collective bargaining to the narrow range of pay issues.

As a representative association CEOE has privileged access to public policy making and to corporatist government bodies. The confederation participates in all central-level, tripartite negotiations, in the autonomous bodies of the social security system, and in the institutions that manage training funds. In addition, it is a member of several advising committees such as CES. Analogous rights apply to CEPYME which is also recognized as a representative association. The 1980 agreement on the accession of CEPYME to CEOE guarantees autonomy of the two associations in matters of peak-level negotiations (Miguelez n.d.). This means that CEPYME formally acts as a separate party to such negotiations, as CEOE does. In practice, all peak-level pacts ever concluded, were signed by both associations. This has to do with the fact that CEOE can control CEPYME, as the latter depends on the resources of the former (see below). In the case of CES, for example, CEPYME participates in close conjunction with CEOE, such that their representatives are in fact the same, having the same resources and personnel to carry out their tasks. CEPYME also represents SMEs on the security and control committees of social security boards, government bodies, and in working groups of different public institutions dealing with SMEs.

CEOЕ and its affiliates also provide services to their members. There is no division of labour among CEOE and its affiliates, with the consequence that the services provided at the distinct hierarchical levels overlap to a considerable extent. They mainly refer to advice on matters which are associated with the representational tasks performed (Table 15.2). During the last years CEPYME has extended the range of services tailored to the needs of SMEs. Services target not only the companies, but also the member associations in matters of improving their organizational effectiveness.

The representational activities of the Chambers are confined to advancing the general (i.e. the cross-sectoral) product market interests of business vis-à-vis the state. In this respect, they can rely on the right to be consulted by the regional and national authorities. Furthermore, they participate in essential public policy functions (e.g. vocational training, product standardization), in line with their public-law character. The task of CSCC is to coordinate
the activities of the CCs in matters of country-wide and European relevance. Overall, the role of the CCs and their peak organization (i.e. CSCC) in representing business interests is rather limited. The main reason for this is their profile as a cross-sectoral pure trade association. Since most product market interests are special to distinct business groups and thus divide the business class as such, there are rather few issues for which a common consensus can be found across the various business groups. Hence, the provision of services is the main field of activity. The CCs offer support with regard to manifold issues, such as the foundation of companies, their internationalization, the introduction of new technologies, training and skill formation. Promotion of foreign trade in general and of exports in particular also belongs to the core competences of the Chambers. All these services primarily target SMEs.

**Resources**

While the Chambers can rely on mandatory dues, the financial situation is much more uncertain in the case of voluntary associations like CEOE. No data on the budget of CEOE are available, since business associations in Spain are not obliged to publish them. Nor are they subject to auditing by public accountants. What can be said, however, is that CEOE’s revenues come from three sources. There are the dues paid by its member associations in proportion to the number of companies and their size (in terms of employees and sales) they represent; voluntary contributions provided by large member firms; and public subsidies. Furthermore, the voluntary contributions from large firms as well as the public subsidies are essential sources of income, since CEOE would be unable to cover its expenditures solely by means of member dues.

CEOE has a staff of 110 employees whose main tasks are interest representation (in particular lobbying) and offering training services. CEPYME’s staff consists of 60 employees and is closely linked to CEOE’s staff. Salaries of the staff of CEPYME, including that of the Secretary General, are paid from CEOE funds. This makes CEPYME directly dependent on CEOE. There is no information on the aggregate number of staff working under the umbrella of CEOE. Some of its affiliates (like the territorial cross-sectoral association of Madrid and the national sectoral associations of the metalworking industry and the chemical industry) dispose of a large number of staff than CEOE itself (Miguelez n.d.).

**Inter-associational relations**

The relationship between CEOE, its affiliates and the Chambers has not been devoid of conflicts (Molins and Casademunt, 1998). They escalated during the mid-1990s when both competed for domains and resources. CEOE called for the abolition of mandatory dues to be paid by each company member of
the Chambers (i.e. the Chamber’s tax), advised the firms to stop paying these
dues as well as cancelling their membership, and claimed the Chambers’
assets.6 In 1996, a Constitutional Court ruling resolved the conflict in favour
of the Chambers, maintaining the firms’ mandatory membership. Since that
time, the conflict has diminished and the voluntary business organizations
participate in the Chamber system in that they can nominate 15 per
cent of the members of the General Council of the territorial Chambers.
Nevertheless, the roles of the CCs and the voluntary associations continue
to overlap, in particular in the area of services, something which weakens the
possibility of the voluntary associations to use services as a selective incentive
for membership. Therefore tensions remain and the terms of the relationship
between the Chambers and the voluntary associations are thus sensitive to
the personal orientation of their leaders.

With CEOE clearly prevailing over the other independent cross-sectoral
peak organization, CSCC, Spain’s associational system is comparatively
homogenous. This is because CEOE has succeeded in internalizing the SME
sector by incorporating CEPYME as an affiliate. CEPYME is the unchallenged
voice of SMEs at national cross-sectoral level, as is CEOE as the representative
of business in general. This high degree of homogeneity at national cross-
sectoral level, however, conceals considerable heterogeneity at lower
territorial levels of associational action. These levels correspond with Spain’s
constitutional distribution of political powers: the level of the autonomous
regions whose competences resemble the German Länder, the level of the
provinces and the local level of the counties. This decentralization of the
state has given rise to increasing associational activities at these territorial
levels. During the last 20 years numerous local, provincial and regional
associations were set up. These dynamics have prompted accelerating inter-
associational rivalries. The reason for this is that any business association
is under very strong pressure to obtain and retain recognition as a social
actor, since such recognition is the key to participation in public policy
and related state funds as a source of revenues (Molins 2002).7 Therefore
the territorial associations have been very innovative in their activities and
strongly compete for membership (Costas and Nonell 1996).

Today the basic structure of the territorial associational system is as
follows. At regional level, every autonomous community has a cross-
sectoral peak association. The members of these regional peak associations
are cross-sectoral provincial and local associations, local guilds and local
sectoral associations which operate as primary associations. Depending
on circumstances, however, a firm may also be a direct member of the
regional association, in a way analogous to direct membership in the
national sectoral peak association. The relative power of the distinct levels
of associational action below the peak level strongly echoes the economic
structure of the sectors, namely the number of their firms and their size. In
sectors characterized by a very low degree of economic concentration the
territorial organizations, mainly those at regional and provincial level, are
more powerful than national sectoral associations. In sectors where rather large firms prevail, the national sectoral associations are more important than their territorial counterparts.

To a large extent, this territorial system of business representation is under the umbrella of CEOE and contributes to the confederation’s enormous internal complexity. However, CEOE has been less successful in internalizing the interests of SMEs at the territorial levels than it has been at peak level. There are several territorial business associations of SMEs outside the umbrella of CEOE and its SME affiliate, CEPYME. The most important ones originate in economically strong regions such as Catalonia, Valencia and the Balearic Islands (Miguelez n.d.). This suggests that CEOE’s capacity for processing SME interests is limited. CEOE is controlled by the group of large domestic firms most of which are from the financial sector and the former public (but now privatized and deregulated) service sector. CEPYME is subordinated to this predominance of large firms due to its dependence on CEOE’s resources. There are two main reasons why CEOE is able to integrate SME interests at the national level rather than at the territorial levels. On the one hand, SMEs are usually oriented towards local markets. On the other hand, the territorial levels of interest representation are important due to the decentralization of the Spanish state. This is underlined by the fact that pacts on such matters as industrial policy and competitiveness have been concluded at these levels. As a consequence, advancing their interests at the territorial levels in as authentic a way as possible is of utmost importance to SMEs. Hence, they concentrate their own associational activities on these levels, whereas the national level recedes into the background. In Spain the independent business associations of SMEs pursue a niche strategy by focusing on the sub-national levels of interest representation. Nevertheless, they are the key actors when it comes to representing SME interests. This means that a full understanding of how business interest representation interacts with firm size requires a closer consideration of the territorial levels of action. However, giving a complete overview of the territorial associational system is beyond this chapter for reasons of space. Instead, we will take Catalonia as a case study. The case of Catalonia is instructive for two reasons. Together with Madrid, it is the region that has the largest number of companies. At the same time, competition over the representation of SMEs is most developed there.

**The territorial associational system: the case of Catalonia**

*Levels of action and actors*

As is the case of the other regions, the territorial organization of the Spanish state shapes strongly the cross-sectoral associational system of Catalonia, without however strictly determining the system’s structure. One reason for this is that the companies may be direct members of local associations,
provincial associations and regional associations, depending on the rules of eligibility, as laid down by the respective association. In addition, the associations’ scope of action does not fully correspond with the realm of the three levels of state governance. Figure 15.1 gives an overview of the basic structure of the associational system of Catalonia and its links with the national level.

As far as the regional level is concerned, one finds three cross-sectoral associations. The oldest one is Promotion of National Labour (Fomento del Trabajo Nacional, Fomento) which is a founding member of CEOE and also an affiliate of CEPYME. Firms of any size are eligible for membership of Fomento. Set up as a merger of the Catalan Small and Medium Business Association (Pequeña y Mediana Empresa Catalana, PYMEC) and Business and Financial Services of Lower Llobregat (Servicios Empresariales y Financieros del Baix Llobregat, SEFES) in 1997, the Catalan Confederation of SMEs (Asociación Catalana de la PIME, PIMEC) is a rather young association. Most importantly, PIMEC is unaffiliated to and independent of CEOE and CEPYME. It is important to note that the Catalan government

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**Figure 15.1 Voluntary business associations in Spain: the links between the national and territorial level**

Notes
* Exemplified by Catalonia and Barcelona. Affiliations. 1 Base associations can be members of Fomento and of PIMEC at the same time. 2 CECOT moved from the territorial level to the regional level. 3 A firm can be a member of the local and the provincial association.
has shown a strong, continued interest in the emergence and consolidation of an independent regional voice of business. The independent predecessor of PIMEC, PYMEC, immediately gained political support from Catalonia’s governing nationalist coalition (CIU), when it was founded as a Catalan cross-sectoral association in 1978. The other predecessor of PIMEC, SEFES, was a local association in the area of Baix Llobregat. In contrast to PYMEC, SEFES was affiliated to Fomento. Hence, the merger of PYMEC and SEFES – which was again supported by the Catalan government – meant a breakaway from Fomento and the wider umbrella of CEOE. The third actor of regional relevance is the Business Association of Terrassa (Confederación Empresarial de Terrassa, CECOT). Created in 1978, CECOT initially operated at the local level in Terrassa and then moved upwards to the regional level. Meanwhile, it has extended its scope of action to the regional level. Like PIMEC, CECOT has specialized in SMEs. In contrast to its rival for this constituency, CECOT is under the umbrella of Fomento and thus an indirect affiliate to CEOE and CEPYME.

The relationship between these three actors shows that representing the territorial interests of SMEs is an especially contested field. In response to growing strength of PIMEC, Fomento established a dual structure similar to what its peak, CEOE, had done. In 2002, Fomento established the Federation of SMEs (Federación de Empresarios de la Pequeña y Mediana Empresa, FEPIME) as an affiliate specialized in SMEs. The creation of FEPIME was thought not only as a means of sharpening Fomento’s profile as a voice of SMEs, but also as an incentive for PIMEC to enter into negotiations over a merger. In fact, the two associations began talks about a merger, but failed to reach an agreement about such important organizational questions as membership dues and their representation on the governing bodies of the new confederation. In the meantime, CECOT has reoriented itself towards a region-wide organization of SMEs. For this purpose, CECOT tried to get control over FEPIME. This meant reversing the formal hierarchy within the framework of Fomento, as CECOT is an affiliate to FEPIME. CECOT has made headway in this respect, since its president is currently president of FEPIME as well.

These competitive relationships are replicated at the provincial level. There are four associations which are members of Fomento and its SME affiliate, FEPIME: the Business Association of Lleida (Confederación de Empresarios de Lleida, COEL), the Business Association of Tarragona (Confederación de Empresarios de Tarragona, CEPTA), the Business Association of Girona (Confederación de Empresarios de Girona, FOEG), and CECOT which is a provincial association in formal terms, as noted above. In practice, any of these four associations is more active on behalf of SME interests than FEPIME itself, which is mainly a vehicle for maintaining Fomento’s status as a representative association at the regional level. These provincial affiliates to Fomento co-exist with the provincial sections of PIMEC. The inter-associational rivalries are mitigated at the lowest level of the state apparatus:
A notable number of the local (i.e. ‘base’) associations are under the umbrella of both Fomento and PIMEC. Last but not least, the local and provincial level is covered by the Chamber system. As outlined above, the Chambers are primarily service organizations. As a consequence, they interfere in that area in which the voluntary associations compete most intensely for members: the provision of services. The following analysis will concentrate on the voluntary associations at the regional level.

**Membership domains and structures**

The domain of Fomento is general. With an estimated membership of 160,000 companies, it is the largest regional business association. These companies are either direct members of Fomento or indirect members via its 170 affiliates. The majority of these affiliates, i.e. 130 associations, are direct members of Fomento. They consist of 102 sectoral associations and 28 lower-level territorial associations. The voting rights of the affiliates are weighted.8

PIMEC is specialized in SMEs. This association claims to represent a total of 70,000 companies with 340,000 employees. The association has been consolidated by creating provincial associations throughout Catalan territory and specifically in the central region of Catalonia. Sixty-seven thousand member companies are indirectly affiliated through lower-level territorial and sectoral organizations. PIMEC has six territorial associations and another six sectoral associations as direct affiliates. In terms of business activities, the stronghold of membership is retail. Every member firm has one vote. Each of the associational members holds a minimum of two votes and a maximum of 30 votes, depending on the number of its member firms.

CECOT which also organizes SMEs is the smallest regional association. In 2003 it covered 7,000 company members. As is the case of the two other regional associations, the member companies are affiliated to CECOT either directly or indirectly, via its 29 member associations.

**Activities**

Each of the three regional associations is mixed in terms of their tasks. The main reason for this is that recognition as a social actor is the precondition for participation in public policy and public funds which in turn provide the associations with government grants. As outlined above, the status of a social actor is attributed only to those associations that fulfil the criteria of representativeness. This provision has made member recruitment an issue which is particularly important to the associations. Competition for membership – mainly through the extension and improvement of services – has intensified accordingly.

As a peak organization, Fomento primarily performs coordinating functions within its domain. In addition to this, the association also
represents labour market interests and product market interests directly *vis-à-vis* the authorities and the unions. This includes negotiations over territorial pacts. In 1990, for instance, Fomento was a signatory party to the Acuerdo Interprofesional de Cataluña which dealt with industrial policy and a wide range of labour matters, such as arbitration, health and safety, and occupational training (Molins 1999). The formation of PIMEC has prompted Fomento to expand its service activities, with a special focus on advisory and training services.

The primary task of PIMEC is the representation of business interests *vis-à-vis* the unions and authorities. At the regional level, its activities concentrate on labour issues, industrial policy and training. At the local level the association focuses on legislative initiatives that affect business. PIMEC directly negotiates seven collective agreements at regional level (Catalonia) and some at provincial level (i.e. Barcelona). The association has managed to assume this bargaining role mainly on behalf of those sectors which were previously uncovered. Services figure prominently on the list of activities. For example, the association lends its members assistance in the course of single-employer bargaining. Other services relate to business consulting and the management of shopping centres (the latter reflecting the strong importance of retail as a member group). Overall, the focus is on professional and managerial training, environmental issues and labour relations. Services are differentiated into a free basic package, and more specialized, payable services.

Although CECOT is an affiliate of Fomento, it enjoys considerable autonomy in decision-making as well as in financial matters. As a mixed association its interlocutors are the unions and the authorities. The association also participates in the management of several public funds which deal with self-employment, information technologies, communication services and research and development. CECOT is active at any of the three sub-national levels of government. At the regional level, for example, it participated in the conclusion of the Valles Employment Territorial Pact and the Catalan Territorial Pact. CECOT negotiates collective agreements on behalf of the textile and metal-working sector. A special goal of CECOT is the promotion of economic performance and competitiveness of Catalan firms by such means as supportive legislative initiatives, encouraging innovation, enhancing sustainability and fostering relations between universities and firms. CECOT underwent profound changes in the last few years mainly in response to growing membership: In 1998 it had 600 members, as compared to 7,000 in 2003. Its staff increased from six to 60. This enabled the association to extend its activities from narrowly defined representation of interests to the professional provision of high-quality services. They concentrate on information on technological issues, economic analysis, consulting, innovation, continuous training and inter-firm exchange of employees.
Resources and restructuring

As outlined above, public grants are an important source of income in the case of CEOE and CEPYME. This also applies to the regional associations of Catalonia. Since access to public grants is bound to the status of a representative social actor, member recruitment is not an aim in itself, but rather a means of meeting the criterion of representativeness which has intensified competition for members. This competitive situation in the territorial associational system of Barcelona has triggered far-reaching organizational changes, including mergers, in several cases which are mainly aimed at improving efficiency of these organizations and their ability to offer attractive services to their members. This contrasts with the situation at national level, where the monopoly-like position of CEOE in terms of representativeness and eligibility for public grants appears to have impeded restructuring processes. The last decade saw only some modifications of the statutes, which mainly affected the managerial structure and the possibility of re-electing the president without constraints. Data on the resource endowment of the regional associations is available only for the size of their staff (Table 15.3). Accordingly, the number of staff members employed by Fomento, PIMEC and CECOT was 60, 108 and 60 in 2003, respectively. These figures underscore that the peak associations are not much better resourced than lower-level associations. Fomento has the same number of employees as its affiliate, CECOT. Likewise, PIMEC comes close to CEOE in this respect.

Conclusions

Spain is among the countries where SMEs, in particular micro firms and small companies, are most widespread. Therefore any kind of representation of business interests has to clarify how it relates to this group. The case of Spain demonstrates the vital interest of larger firms in integrating their smaller counterparts into common associational structures. There is no other principal peak association than CEOE which has been concerned so consistently about incorporating SMEs into its framework. The cornerstone of this strategy has been the accession of CEPYME to CEOE. At cross-sectoral level this has brought about one of the most unitary associational systems throughout the

| Table 15.3 Human resources, 2002/3 |
|-------------------------------|----------------|--------------|-------------|---------|---------|
|                               | CEOE/CEPYME   | CSCC         | FOMENTO/FEPIME | PIMEC   | CECOT   |
| **Staff members**             | 110/60        | 109          | 60           | 108     | 60      |

Note
- Peak level
EU-15. However, as this case also shows, the formal integration of SMEs into a general association does not necessarily mean overcoming divisions of interest caused by differing firm size. CEPYME, which is recognized as the representative voice of SMEs at cross-sectoral level, shares its structure, leadership, base associations, and representational privileges with CEOE. This lack of real autonomy subordinates the interests of SMEs to the interests of large firms and the key sectors that altogether prevail in CEOE. Hence SMEs feel compelled to find alternative, independent modes of interest articulation which have been built on sub-national, territorial structures for two main reasons: the primary orientation of SMEs towards territorially confined interests and the decentralization of state governance.

The rise of territorial business associations inside as well as outside the umbrella of CEOE reveals the centrifugal potential of business interests behind unitary organizational structures. Coping with this challenge has guided decisively CEOE’s strategies, namely its early and continued cooperation with its peak-level labour market counterpart. The accord on the rules of representativeness which were enshrined in the 1980 Workers Statute can be taken as a paradigm case. These rules equip the established peak organizations not only with representational privileges, but also with access to public grants. Likewise, their more recent efforts to centralize bargaining are devised to retain their status as the key actors in the overall system of interest intermediation. This suggests that the management of interest diversity may overstretch the capacity of such an encompassing and heterogeneous business association as CEOE, such that recurrent external support is needed.

Notes

1 After the 2006 reform this body is now called the National Foundation for further training (Fundación Estatal Tripartita para la formación en el empleo).
2 In 2003 Spain received 20.4 per cent of total EU expenditures. With EU payments representing 2.2 per cent of Spain’s GNI, the country came fourth after Portugal, Greece and Ireland in relative terms (European Commission 2004b).
3 These data are from the Department of Labour and Banco de España.
4 This type of pact was paralleled by pacts on welfare reforms which were reached between the union confederations and the (conservative) government without support from the employers’ side.
5 Voting rights are weighted accordingly. This contrasts with CEPYME, whose decision-making process rests on the principle ‘one member one vote’ (see also Table 15.1).
6 Part of these assets stem from the Francoist vertical unions the property of which was divided among the newly established labour unions and employer associations after democratization.
7 While this arrangement has induced many business associations to take on the role of an employer association, many of them have devolved bargaining to external specialists (in particular law firms which negotiate and sign provincial sectoral agreements in many provinces).
The rule is that every individual member has one vote, and every associational member, a minimum of 10 votes, with an allocation of further votes depending on the sales, employees and production volume of its member companies.

Especially in newly emerging sectors, employer associations were lacking. In 1997, this led to the conclusion of a national pact aimed at overcoming this situation (see above). Meanwhile, business associations have increasingly taken on bargaining tasks in such sectors.
16 Sweden

Annika Berg and Franz Traxler

The economic and cultural background

Small and medium-sized enterprises numerically prevail in Sweden’s economy, as is the case of the EU-15 in general. The share of SMEs in the total number of companies and employment is 99.8 per cent and 68.0 per cent, respectively (Table 2.1). The Swedish pattern is, nevertheless, distinct, since the quantitative significance of larger firms exceeds the European average. They tend to record a higher level of employment than in most other countries. Their number of occupied persons per enterprise was 1,062 in 2003, as compared to 1,059 in the EU-15 (Observatory 2003). Above all, the big multinational enterprises figure prominently in Sweden’s economy. In terms of their relative frequency, Sweden comes second (after the Netherlands) among the EU-15. In 2003 there were 23 Swedish companies in the group of Europe’s 500 largest businesses, recording a total of 910,759 employees across the world. As regards the sectoral composition of this list, the metalworking and engineering sector clearly dominated, with eight companies and a total of 360,652 employees.

Historically, Sweden shared with other European countries a long tradition of strongly organized handicraft businesses. German immigrants dominated commerce, iron production and other trades and brought their guild system to Sweden, starting in the middle of the 1300s and functioning for 500 years. The development of capitalism, however, entailed a radical break with these ancient institutions, as a consequence of the dominant role of merchant and export-oriented interests in the Swedish bourgeoisie (Lash and Urry 1987). In 1846 the guild system was abolished and in 1864 the Swedish Riksdag voted for full freedom of trade. This put an end to any kind of obligatory form of business organization. Another historical factor shaping organized business was the rise of a very strong labour movement that became the key actor in Swedish labour market politics from the 1930s. The unions developed into a powerful labour market counterpart to employers. This power configuration provided the impetus for an encompassing class compromise, called the Basic Agreement (i.e. the Saltsjöbadsvtalet, Saltsjöbaden Agreement) already in 1938, resulting in consensual labour relations and a ‘negotiated’ economy.
The specific circumstances that led to the agreement underscore another feature of interclass relations in Sweden. The agreement was created in a situation where there was a threat of possible legislation. The agreement reflected the wish of the two signatory parties, the Swedish Confederation of Employers (Svenska Arbetsgivareföreningen, SAE) and the Confederations of Trade Unions (Landsorganisationen, LO) to retain their freedom to regulate their own affairs without state interference. The agreement thus constituted the hallmark of the Swedish corporatist model: the principle of freedom from direct state intervention (Elvander 2002).

The legal framework for associational action

There are no statutory provisions that may make the opportunities to associate vary with firm size. Likewise, access to collective bargaining is fairly unrestricted. The right to negotiate collective agreements is stipulated in the Act on Employee Consultation and Participation in Working Life (briefly called the Co-Determination Act, Medbestämmandelagen, MBL, 1976). Accordingly, this right is granted to all individual employers, every employer organization, and every union and their federations. This means that the MBL (which covers both the private and public sector) does not link the right to bargain to criteria of ‘representativeness’ (Fahlbeck and Sigeman 2001). However, it authorizes associations to conclude agreements only on behalf of their own members. While the provisions for collective bargaining and related issues – such as mediation and the legal effects of collective agreements (e.g. the peace obligation) – were more or less copied from earlier legislation, the MBL also contains essentially new provisions for union participation in management decisions which met strong opposition from employers. However, as the law recommended that it should be supplemented by collective agreements, SAE, LO and the Federation of Salaried Employees in Industry and Services (Privattjänstemannakartellen, PTK), the bargaining cartel for the white-collar trade unions, signed the Development Agreement (Utvecklingsavtalet, UVA) in 1982 after six years of negotiation. The UVA provides for co-determination through joint bodies and projects, allowing more adjustment to local conditions than the original rules of the MBL (Kjellberg 1998).

The role of organized business in social dialogue and public policy making

In Sweden, the two sides of industry have a role in the social dialogue that put down its roots over 100 years ago. In 1902 SAE was founded, primarily as a response to the formation of LO in 1898. Over the years, the pattern of collective bargaining has changed in different ways, especially concerning the bargaining level. As regards the main area of private-sector bargaining, from the early 1950s to 1983, collective agreements were negotiated at peak
level by SAF and LO.\textsuperscript{1} Afterwards, wage negotiations oscillated between the central and sectoral level until the early 1990s, as a consequence of declining consensus on bargaining policies (Kjellberg 1992). Since that time bargaining has shifted to the sectoral level with supplementary local bargaining. Until 1997 bargaining rounds were overshadowed by accelerating conflicts over the bargaining level, with SAF pressing for full decentralization to the local level, in stark contrast to LO. In 1997, a group of blue- and white-collar unions of the manufacturing sector, along with their corresponding employer associations, reached the Industrial Agreement (Industriavtalet) on common principles for future bargaining, which include the abandonment of full bargaining decentralization (Traxler \textit{et al.} 2001).

The conflict over the bargaining level paralleled the demise of the corporatist consensus in the field of public policy-making. After SAF had declared the end of centralized wage bargaining in 1990, it decided to withdraw nearly all its 6,000 representatives from the governing bodies of public administration at central, regional and local levels (Pestoff 1995). A year later the bourgeois parliamentary majority in the Swedish Riksdag made a decision about reconstructing the government authority boards. The decision implied that SAF’s union counterparts (i.e. LO and the Swedish Confederation of Professional Employees, Tjänstemännens Centralorganisation, TCO) no longer had the right to participate in those bodies from which SAF had withdrawn. However, relatively little has changed in practice, since many former representatives from the peak associations have continued to serve on governing bodies, but now as personal representatives (Pestoff 1999). Likewise the associations (including SAF’s successor, SN) have continued to participate in \textit{ad hoc} working parties and commissions, set up to advise the government on manifold policy issues.

At any rate, the Swedish model has experienced fundamental changes that were led by the employers’ side which had once also laid the foundations of this model. It was SAF which took the initiative in setting up centralized bargaining as a means of implementing solidaristic wage policies across the economy (Swenson 1992). The reason was Sweden’s chronic shortage of labour, which exacerbated inter-firm competition for workers. Employers saw solidaristic wage policy as a vehicle for discouraging poaching other firms’ workers by means of equalizing pay rates across sectors. Two groups of Swedish employers were particularly interested in this policy-line. Export-oriented big business was keen on hindering the sheltered sector from pushing wages up to levels incompatible with international competitiveness. Additionally, the low-wage sectors also supported solidaristic wage policy as a way of holding down overall wage increases. From the late 1960s onwards, however, this model increasingly lost its effectiveness from the perspective of those employer groups which originally had advocated its formation. One important reason for this was that SAF and LO (and in particular their export-sector component) gradually lost their predominance over wage formation in Sweden’s economy with
the rise of strong union organizations for public-sector and white-collar employees. This provoked inflationary re-distributional conflicts. The goals of centralized solidaristic wage policy also underwent modifications, as LO managed to extend centralized agreements from equalizing pay across sectors to equalizing pay across occupations within sectors. Employers criticized this as a policy shift that made agreements extremely detailed and rigid. Employers also saw the corporatist consent superseded by a wave of labour legislation such as the law on co-determination, which was forced through by the social-democratic government at the request of the unions in open conflict with the employers (Myrdal 1991). In response to this, SAF renounced the Saltsjöbaden agreement (Pestoff 1995). After little had changed under a non-socialist government between 1976 and 1982, the SAF leadership adopted a deliberate, long-term strategy designed to change fundamentally the power relations between business and labour in both industrial relations and public policy (Johansson 2000). SAF’s decision to scuttle out of centralized wage bargaining and corporatist policy-making in the early 1990s marked spectacular steps in the course of this strategy, which, however, turned out to be not fully thoroughgoing. Facing the highest level of unionization in the OECD area, employers had to learn that they are powerful enough to scrap centralized bargaining, but not so powerful as to enforce total decentralization. This deadlock, manifested in a notable level of industrial action and state intermediation, increased attempts at re-establishing a consensus, which led to the 1997 Industrial Agreement for the manufacturing sector. Since this agreement has re-introduced consensus on economic goals and bargaining principles in the sector and served as a model for similar arrangements in other sectors, it is seen as having established a new regime of cooperation (Elvander 2003). This regime resembles the old regime of Saltsjöbaden in two important respects. Procedurally, it retains the principle of freedom from state interference. Substantively, it reinforces cooperation under the hegemony of the export industry, as centralized wage bargaining did during the heydays of the old regime. Aside from this, there are also essential differences. On the one hand, the new model has tailored cooperation of the two sides of industry to the conditions of market deregulation, high and still growing export dependence and a non-accommodating monetary policy linked to EMU. On the other, it has strongly reduced the role of the peak associations, in particular as regards collective bargaining. As will be outlined in greater detail below, SAF has encountered profound alterations in terms of both tasks and structures that parallel this transformation of the Swedish model.

While the legal framework for association and bargaining provides no specific incentives for companies to join a business association, such incentives may arise from the associations’ participation in government programs devised to promote business. Put more succinctly, the Ministry of Industry, Employment and Communications (Näringsdepartementet) has to further the development of companies. The Ministry is responsible for many
of the public authorities and organizations in the business development area. The most important ones are as follows:

- **NUTEK**, the Swedish Business Development Agency, is the central public authority for enterprise and regional development, financed by the Government.
- **ALMI Företagspartner AB**, is a publicly financed group with 21 regional companies and a parent company in Stockholm. ALMI offers financing and business development consultation focusing on innovators and new businesses.
- **VINNOVA**, the Swedish Agency for Innovation Systems, is responsible for developing problem-oriented research in such areas as biomedical engineering, innovation in foods, innovative systems in freight transport systems.
- **SIC**, the Swedish Innovation Centre, supports innovators in their earliest phases of development with financing, advice and networking.
- **The Swedish Industrial Development Fund (Industrifonden)**, founded in 1979 by the Government, offer loans of venture/equity capital to SMEs.
- **The Simplex Team** (within the Ministry) provides different measures in order to facilitate administration for small entrepreneurs.

As a social partner, business associations take part in these programs whenever it is convenient. They do not receive any public subsidy in exchange for their participation in government programs. As regards SMEs, many business organizations have programs of their own, adapted to their different sectors.

**The associational system**

In 2003 there were a total of 1,004 private business associations according to figures from Statistics Sweden. Very few of them meet the properties of a national, cross-sectoral peak association, as defined in Chapter 2 (Table 16.1). Aside from the associations listed in Table 16.1, the domain of the 11 Chambers of commerce existing in Sweden is also cross-sectoral. Relying on voluntary membership in contrast to their counterparts in many other countries, they deal with general trade issues. Chambers are located only in the large cities. Hence, they meet our definition of a peak association neither in terms of territorial coverage nor in terms of representational activities.

**Svenskt Näringsliv (SN)** is Sweden’s general and principal business association which represents its members’ interests in both labour markets and product markets. SN was set up as a merger of SAF and Sveriges Industriförbundet (SI) in 2001. This merger was to overcome the traditional division between pure employer organization and pure trade association at peak level: While SAF was specialized in employer interests, SI represented
the product market interests mainly of private-sector export industry. Several amalgamations between (sector-level) affiliates of SAF and SI – starting from the mid-1980s and resulting in dual membership in SAF and SI in most cases – had paved the way for this peak-level merger. At the end of the 1990s, 60 per cent of all employees covered by SAF were organized by affiliates which combined the representation of labour and product market interests (Pestoff 2006). In the course of the peak-level merger 40 SAF affiliates and 19 SI affiliates were transformed into 47 SN affiliates in 2002. SN is a confederation, as companies can only be members indirectly via the sectoral affiliates. The confederal domain encompasses any kind of business, including state-owned companies.

Aside from SN, six other cross-sectoral peak associations exist which focus formally or informally on special business groups. Three of them do so with regard to SMEs: the Federation of Private Enterprises (Företagarnas Riksorganisation, briefly Företagarna, FR), the Association of Entrepreneurs (Företagar Förbundet, FF) and the Swedish Industry Association (Svensk Industriförening, Sinf).

In terms of the mere number of member companies FR is the largest association which organizes business in the narrow sense. FR is the result of a merger between two smaller associations for SMEs (i.e. Företagare Förbundet and Småföretagens Riksorganisation) in 1991. In 2002 it registered a total of 82,000 member companies. Although the membership of FR is formally unspecified, the association has specialized in SMEs in practice. Membership

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### Table 16.1 The cross-sectoral associations in Sweden: basic data, 2003/4

<table>
<thead>
<tr>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Function</th>
<th>Voting rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>SN</td>
<td>General</td>
<td>48</td>
<td>56,929 (IDM)</td>
<td>Mixed</td>
<td>Weighted</td>
</tr>
<tr>
<td>FR</td>
<td>Unspecified</td>
<td>23</td>
<td>80,000 (MM)</td>
<td>(Mixed)</td>
<td>Unweighted</td>
</tr>
<tr>
<td>KFO</td>
<td>Cooperatives</td>
<td>2,300 (DM)</td>
<td>85,000 EO</td>
<td>EO</td>
<td>Weighted</td>
</tr>
<tr>
<td>AA</td>
<td>Non-profit organizations</td>
<td>1,765 (DM)</td>
<td>17,800 EO</td>
<td>EO</td>
<td>Weighted</td>
</tr>
<tr>
<td>Idea</td>
<td>Non-profit organizations</td>
<td>775 (DM)</td>
<td>8,500 EO</td>
<td>EO</td>
<td>Weighted</td>
</tr>
<tr>
<td>FF</td>
<td>Unspecified</td>
<td>23,000 (DM)</td>
<td>TA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SINF</td>
<td>Unspecified</td>
<td>1,500 (DM)</td>
<td>Mixed</td>
<td>Unweighted</td>
<td></td>
</tr>
</tbody>
</table>

Notes

a Actual focus on SMEs. b 2005. c Very limited involvement in collective bargaining. d Weighted voting in both the peak and its affiliates. IDM = indirect membership in the peak. DM = direct membership in the peak. MM = mixed membership (i.e. comprising both direct and indirect member companies). EO = employer organization. TA = trade association.
is partly direct, partly indirect. In the latter case the companies are organized by one of the 23 associational affiliates. According to our definition, FR is a mixed association. It should be noted, however, that primarily product market interests are represented at peak level. It is only a few affiliates which engage in collective bargaining.

Like FR, FF has left its formal membership domain open, although its statutes place special emphasis on ‘micro- and small enterprise’. Historically, FF was formed as a break-away from FR. It operates as a pure trade association, based on direct company membership.

Statutes of 1998 define Sinf as a national federation of industry organizations and industry enterprises with the aim to promote and represent the interests of the members and the small and medium-sized industry. Industry is understood in the broad sense, since some services are also under the association’s umbrella. The membership domain thus remains unspecifed, all the more since a definition of SMEs is also lacking. Membership of companies is direct, while at the same time they are grouped in several branch associations (i.e. 18 in 2003), for which Sinf handles the administration. Sinf is a mixed association.

Two other associations organize non-profit organizations: The Employers’ Alliance ( Arbetsgivaralliansen, AA) and the Employer Association of Non-profit Organizations ( Arbetsgivarförbundet för Ideella Organisationer, Idea). They are both pure employer organizations which are based on direct membership. Finally, a special association is established for cooperatives. The Association of the Cooperatives ( Kooperationens Förhandlingsorganisation, KFO) also rests on direct membership and acts as a pure employer organization.

Each of the above associations offers member services such as information on regulations, legal advice and support which closely relate to their representational activities. Most of the services are free of charge, while the member dues may include a fee for services. Although their domains in terms of membership and interest representation overlap, there is hardly inter-associational competition. The main reason for this is that an association’s political power and influence generally tends to vary with its relevance and weight as a social partner. In this respect, SN is unmatched as a consequence of its key position in collective bargaining in the private sector. In 2003, only 12 of its 48 affiliates were pure trade associations. The remaining group, consisting of 27 pure employer organizations and nine mixed associations, conducted bargaining, usually on behalf of broader sectors. In addition to the above employer peak associations that are involved in collective bargaining aside from SN, a few economic sectors of notable size are also outside the umbrella of SN. They include banking, real estate, publishers and other media which all have their separate, independent association for the purpose of collective bargaining.

Competition among the associations is also mitigated by the fact that complementary strongholds of membership have developed in practice, even when formal domains overlap. For instance, the member companies of Sinf
concentrate on a limited number of branches; FF has most of its members in the south of Sweden. Furthermore, member recruitment is not a zero-sum game, as there is the possibility of multiple memberships. For example, 25 per cent of the companies organized by FR are also under the umbrella of SN. Two of the four affiliates to FR, which are engaged in collective bargaining, are members of SN at the same time. Joint membership tends to contain open rivalries among the associations and even fosters efforts to amalgamate in many cases.

The non-competitive shape of the associational system does not mean that divisions within the business community are absent. However, such divisions are processed mainly within the principal association, as the conflict over the transformation of the Swedish model illustrates. The desire of the engineering industry to decentralize bargaining faced strong resistance from most of the other employer groups under SAF’s umbrella, namely the sheltered sector and SMEs, for three main reasons (Dølvik and Martin 1997; Swenson and Pontusson 2000). First, engineering was most affected by inter-occupational levelling, since its union counterpart was more determined to pursue this policy line than the unions from other sectors. Second, the employers of this industry more than their colleagues in other sectors sought to introduce new flexible systems of pay incentives for both blue- and white-collar workers, something which strongly clashed with the rigidities of centralized bargaining and the institutional differentiation between blue-collar and white-collar bargaining. Third, in contrast to engineering, the sheltered parts of business were able to externalize large parts of the costs of centralized bargaining by raising the output price, such that they clearly preferred the status quo as a precondition for social peace. Despite the minority position of engineering, the industry’s economic strength and especially the power of its large companies enabled its employer association to push through two steps of decentralization, each enforced by the threat to secede from SAF. First, the industry pressed for an amendment of SAF rules, which weakened its control over sectoral bargaining. This paved the way for the industry’s breakaway from centralized bargaining in 1983. Separate bargaining, however, turned out as an ineffective means of shielding engineering from the negative externalities of continued central-level bargaining for the other sectors. Hence, with a renewed threat to leave, the industry’s employers forced SAF to refrain from any centralized bargaining and to dismantle its organizational capabilities for doing so.

For some time the differences between small and large firms in bargaining matters seemed to spill over from SAF’s internal affairs to inter-associational relations. By the mid-1990s – when the bargaining system was still in a state of flux after the collapse of its centralization – FR, as the voice of SMEs, claimed a greater role in collective bargaining and negotiations with the government, in combination with the demand for a new setting of the basic agreement (Hähnel 1997). Remaining without positive response, FR has re-oriented its focus on product market interests.
SN and FR in comparison

Domains and membership

The domain of SN is general, i.e. it encompasses all businesses. In 2003 there were 56,929 companies with 1,487,000 employees under the umbrella of SN. Company membership is indirect. It is only the sector-level associations which are direct affiliates to SN. SMEs numerically prevail. In 2005 they accounted for approximately 98.5 per cent of total membership (Table 16.2). Only 797 member companies belonged to the group of large firms. However, these companies, representing a mere 1.4 per cent of total membership, covered 54 per cent of all employees under the umbrella of SN. Estimates of density also underpin the strong presence of large firms in SN. In 2002, around 93 per cent of this group was affiliated to SN.4 For the same year, SN’s overall density was approximately 20.7 per cent and 57.2 per cent in terms of companies and employees, respectively.

In 2003 the member companies were grouped in 48 associational affiliates. In terms of employees covered, however, membership is concentrated in a few affiliates. The four largest affiliates are estimated to account for more than 48 per cent of the total number of employees employed by SN.

Table 16.2 The membership structure of SAF and SN

<table>
<thead>
<tr>
<th>SAF, 1998</th>
<th>SN, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company size by employees</td>
<td>Member share in companies*</td>
</tr>
<tr>
<td>0–5</td>
<td>56.0</td>
</tr>
<tr>
<td>6–10</td>
<td>14.5</td>
</tr>
<tr>
<td>11–25</td>
<td>14.7</td>
</tr>
<tr>
<td>26–50</td>
<td>6.7</td>
</tr>
<tr>
<td>51–100</td>
<td>3.9</td>
</tr>
<tr>
<td>101–200</td>
<td>2.1</td>
</tr>
<tr>
<td>201–500</td>
<td>1.3</td>
</tr>
<tr>
<td>501–1,000</td>
<td>0.5</td>
</tr>
<tr>
<td>1,001 and over</td>
<td>0.4</td>
</tr>
<tr>
<td>Total membership</td>
<td>43,379</td>
</tr>
</tbody>
</table>

Data source: Fahlbeck and Sigeman (2001) for SAF; SN data bank for SN.

Note

* As a percentage of total membership.
Annika Berg and Franz Traxler

member companies: the Association of Swedish Engineering Industries (Sveriges Verkstadsindustrier, VI, recently renamed in Teknikföretagen), the Almega Service Employers’ Association (Almega Tjänsteförbunden), the Swedish Federation of Trade (Svensk Handel) and Almega IT Employers’ Association (Almega IT-Företagens Arbetsgivarorganisation), with 316,000, 148,000, 144,000 and 112,000 employees in 2003, respectively. The figures emphasize the strong position of the engineering industry within SN, all the more since the number of votes attributed to affiliates is related to the dues they pay.5 As the approximately 300,000 employees under the roof of VI are employed by around 3,000 member companies, large firms tend to characterize VI membership. Like SN, its affiliates also rely on the principle of weighted voting, giving more influence to larger companies at the annual meetings. As a rule, weighting provisions refer to either a company’s number of employees (e.g. Almega Service Employers’ Association, Almega IT Employers’ Association) or the amount of dues paid (e.g. Teknikföretagen, Svensk Handel).

The principle of weighted voting makes SMEs a minority within SN despite its numerical prevalence, as this group records clearly less than 50 per cent of the total number of employees covered by SN (Table 16.2). Reflecting their status as a minority, a special committee for SMEs was established in 2002 which is devised to provide support and guidance for this group.

Like SN, FR left its membership domain unspecified. Regardless of this, there is a formal difference in domains, as the unit of membership is the person conducting business (i.e. the ‘entrepreneur’) in contrast to the company in the case of SN. This difference corresponds with the fact that FR actually concentrates on organizing SMEs. The vast majority of members belong to the group of smaller businesses within the category of micro companies: About 45 per cent of the members do not have employees; 38 per cent employ no more than five. FR originates in the handicraft sector, as the domains of its affiliates also demonstrate. The group of 23 affiliates (in 2004) includes such associations as the Swedish Federation of the Masters of the Chimney Sweep Trade (Sveriges Skorstensfejarmästares Riksförbund), the Federation of Opticians (Optikerförbundet) and the Organization of the Cleaning Sector (Städ- och Fönsterputsföretagens Riksorganisation).The basic units which directly organize the members are 307 local associations. In the municipalities, where no such associations exist, the members are linked through regional organizations. About 52,000 members are directly affiliated to FR. The rest (i.e. c. 30,000 members) are indirect members via of one of the 23 member associations. Overall, the members of FR employ approximately 450,000 people. Voting rights are unweighted in that the number of representatives at the annual meeting of FR, who are nominated by the distinct subunits, is not related to any kind of firm size.
Activities

As noted above, SN was formed in 2001. To understand its activities and structures, it is thus also necessary to consider its main predecessor, SAF. In formal terms, SN most clearly differs from SAF in that the former is a mixed association, whereas SAF was a pure employer organization. However, this formal division already began to blur, when SAF leadership gradually adopted a critical view of both centralized bargaining and corporatist public policy from the 1970s. As a consequence of this, other means of exerting influence gained weight, namely lobbying, launching political campaigns and influencing public opinion (Pestoff 1995). Examples include public activities in favour of continued use of nuclear power, deregulation and privatization, membership in the EU and EMU. In all these cases product market interests rather than labour market interests were on the agenda. After withdrawal from central-level bargaining, such activities came even more into the focus of SAF. In face of the 1991 elections, SAF spent 225 million SEK on lobbying and opinion formation, which were twice the resources available to all the political parties in their electoral campaign. With Sweden’s accession to the EU in 1994, European-level interest representation also gained in importance.

In comparison to this transformation of SAF’s activities, there are relatively little differences between the ‘late’ SAF and present SN. Since the early 1990s wage bargaining has been conducted by the sectoral affiliates. For the peak organization of business, there is not even a clear coordination role in wage formation, since the sectoral associations representing manufacturing have taken the lead in wage negotiations since the Industrial Agreement (Traxler et al. 2001). The constitution of SN reflects the shift from central to sectoral bargaining. SAF had extensive bargaining rights. It was entitled to conclude collective agreements on behalf of its affiliates which in turn were obliged to submit their sectoral settlement to SAF for approval. In the case of SN bargaining rights are exclusively allotted to the affiliates. SN is not authorized to sign collective agreements itself; collective agreements negotiated by the affiliates do not require approval of SN. Regardless of this, SN does engage in negotiations on non-wage issues, as its predecessor did. In 2004 SN and LO signed a first agreement on such matters (EIRO 2004). As SN lacks the right to conclude collective agreements, this accord needed acceptance by the signatories’ affiliates which then formally implemented the accord by sector-level collective agreements.

While SAF intensified its impact on public policy through ‘pluralist’ forms of campaigning and opinion formation, it managed also to maintain its incorporation into public policy despite its withdrawal from governing bodies and their following ‘de-corporatization’ by law. As outlined above, this was possible, because interest group representatives of governing bodies now sit on an individual or ‘personal’ mandate. Furthermore, SAF maintained its coordinating role for these business representatives, and also
continued in special advisory boards, when formally leaving the governing bodies of these same authorities (Pestoff 1999). This continuity applies to SN as well. The communication of the authorities with SN goes on like before. Representatives from SN as well as from such business organizations as FR may take part in working groups of any kind conducted by the government in different issues, including SME matters. One working group in which SN recently participated dealt with life-long learning matters. In the course of legislation concerning not only labour law, but also many other matters like taxation and social insurance SN is generally called to send in comments to the government. There are tripartite talks arranged between the government, the union confederations and SN on subjects like mediation, measures for less sick leave, and recently on the growth of the Swedish economy. Officials from SN also take part in different informal meetings and ad hoc working groups. Such participation takes place on a temporary basis. There are also numerous institutions in which SN works together with the union confederations, for example with Prevent (formerly Arbetarskydd), which deals with management and labour improvement in work environment issues. Many issues on the agenda of SN cover also SMEs interests: fairer tax-rules for small enterprises, simpler administrative rules, decreased employer payrolls, and decreased responsibilities for the employers concerning sick pay for their respective employees.

As far as services are concerned, SN has a notable focus on industrial relations, with advice of members on labour law and collective agreements, and in-house provision of yearly statistics on wages and working hours. It also offers several special collective insurances (e.g. for pensions). In response to the very strong unions, conflict remuneration to members in cases of strikes and lockouts has been an important function, although expenses have remained low in most years (Pestoff 2006).

FR comes close to a pure trade association (Table 18.9). The peak itself does not engage in collective bargaining and only four of its more than 20 affiliates do so. The focus of its representational activities is thus on the product market interests of SMEs. These interests are advanced via both ‘corporatist’ and ‘pluralist’ channels. FR is represented on public commissions. Opinions are also disseminated through reports and directly to the relevant politicians and authorities. The association’s representational activities direct special attention to the regional and local level, since policies relevant to business in general and SMEs in particular are formed on these levels. More than 300 local associations promote direct contact with local politicians.

FR’s services for the members are mainly free as, for example, in giving advice on the telephone on economic and legal matters. A member newsletter is distributed every month and an SME index, eight times a year. Negotiation support is payable though. Several special enterprise and entrepreneur insurances are offered (e.g. sick care insurance). Members can also benefit from special cooperation agreements such as the contract with IT companies, giving access to cheaper IT solutions. Various kinds of education
and training are offered. Företagarna runs a ‘folk high school’ (folkhögskola) for vocational training. The local networks have been built on during the last 10 years. Manifold IT networks have also been developed, for the use of individual members. A central quality certification system called FR 2000 has also been inaugurated. A program for business development is available, giving current information.

**Human and financial resources**

In 2002 SN had 329 employees among its peak-level staff, of which 140 employees worked at the head office in Stockholm (Table 18.4). One hundred and ten employees were located in the c. 25 district offices and in the approximately 300 local organizations. SN’s office in Brussels had about 80 employees. For the same year the affiliates to SN recorded around 975 employees altogether. Hence, the aggregate number of staff under the umbrella of SN was about 1,304 employees.

SN dues are defined as a certain fraction of the annual wage sum of a member company. According to a decision taken at the 2001 annual meeting, this is 0.09 per cent. In addition to this, the member companies also pay subscriptions to the sectoral association to which they are affiliated. The amount of these subscriptions (including fees for services) varies with the respective associations. However, member dues are of minor importance as a source of income, as the lion’s share (i.e. 65 per cent) of total incomes comes from interest (Table 18.12). This has been the result of a continuous surplus of revenues in relation to expenditures which has been transferred to SAF’s Insurance Fund devised to finance industrial disputes (Pestoff 2006). In 2003 this fund contained a declared value of 9.5 billion SEK, which is far below its actual market value. This unique financial feature has helped SAF to decrease its membership dues during the 1990s (see below).

Peak-level staff of FR consists of 100 employees. There is a minimum level of dues (i.e. currently SEK 2,000) per year which self-employed people have to pay. For employers, dues refer to the number of employees. Another source of income is a general fee for services the scale of which also depends on firm size. On average, a member of FR pays a total of SEK 2,500 per year. In contrast to SN, almost all revenues result from membership fees. Sales of services are important to neither SN nor FR.

**Associational restructuring**

During the last decades, SAF has undergone three main stages of restructuring which all correlate strongly with changes in functions (Pestoff 2006). The first one dates back to the 1960s and 1970s, when many independent sectoral employer associations such as the representatives of commerce, hotels and restaurants, forestry and agriculture joined SAF. This transformed SAF from mainly a voice of industry to one of the private sector and also extended
the scope of its bargaining area. From the mid-1980s, the second stage of restructuring took the form of a series of amalgamations between SAF member associations and corresponding sectoral trade associations of SI, including the construction sector and the engineering industry. As a consequence, product market interests became incorporated by SAF, preparing the ground for its later merger with the trade peak association, SI.

While these organizational changes thus put its stamp on SAF’s tasks, one could also observe the reverse causality. Starting in 1977, SAF raised membership dues every second year, doubling them by 1990 (Pestoff 2006). This was mainly to finance its re-orientation of policy towards public campaigning and opinion formation. Since that time accentuated measures of rationalization followed. Withdrawing from centralized bargaining, SAF decided to terminate its bargaining department and to diminish its wage statistics department, leading to a reduction of peak-level staff from 510 to 350 employees within a few years (EIRR 1993: 12). Economizing on resources became a primary objective. Membership dues were steadily lowered, from a maximum of 0.42 per mill of a company’s annual total wage bill (blue collar employees) in 1990 to the current 0.09 per mill. Likewise, SAF discontinued in 1994 a unique source of both fund raising and control over member firms. This was the ‘Contingency Fund’ that was based on an obligatory agreement between SAF and its member firms (Pestoff 2006). Accordingly, each member firm authorized SAF to withdraw up to 3 per cent of its annual total wage bill from its bank in case of certain ‘contingencies’, such as industrial conflict or non-compliance of the member firm with SAF’s instructions in the course of such conflict. The amount of the Contingency Fund was considerable and even exceeded the value of the Insurance Fund. While the Contingency Fund had been a powerful means of maintaining discipline in the era of centralized wage bargaining, it somewhat lost its function after bargaining decentralization. The third stage of restructuring, i.e. the merger of SAF and SI to form SN, was driven mainly by efforts to cut down costs in the course of which about 85 staff members had to leave. For the same reason, the tendency to build mixed associations through mergers will continue at sectoral level also in the future.

Cost-cutting was also the driving force behind the formation of FR, resulting from an amalgamation between two smaller associations of SMEs (see above). The amalgamation meant a reduction of staff from 148 to 119 employees in 1992.

Conclusions

The case of Sweden is interesting for three analytical reasons. First, it provides evidence that a high degree of differentiation of the associational system is not incompatible with small country size. In comparison to other countries, Sweden records a relatively large number of associations. Regardless of this, the associations relate to each other in a complementary rather than
competitive way. This is based on the fact that SN and its predecessor SAF have been the centre of gravity of representing business interests, while the other associations obtain niches in terms of membership and/or tasks. The Swedish case also demonstrates that it is representativeness in terms of employees rather than member companies which makes it a centre of gravity of business interests. As the comparison of SN and FR shows, the former clearly outnumber the latter with regard to employees covered, whereas the reverse configuration applies to the number of members. This suggests that the interlocutors of business associations (i.e. the unions and governments) regard representativeness of business in terms of employees as more important than strength in terms of the mere number of member companies. As an implication, the power of business associations mainly depends on their ability to attract large firms. This is most obvious in the field of collective bargaining, where the number of employees covered is most relevant, when it comes to regulating the labour market. Since the outcome of bargaining also affects public policy, the bargaining power of an association tends to translate into political influence vis-à-vis the government. For SMEs, this means that their interests are processed in the shadow of what Pestoff (1995: 158; 2006: 86) calls large firm dominance.

Second, Sweden is interesting, because its mode of bargaining and public policy-making underwent more fundamental, business-driven changes than was the case in most other countries. These changes have brought conflicts among distinct business groups to the forefront, which are less visible in more stable countries. This includes conflicts of interest between small and large firms.

Third, the case of Sweden provides insight into the capacity of business associations to establish themselves as an authority vis-à-vis their own members. This question is important to organization theory as well as to theories of public governance and interest intermediation. Following Robert Michels’ ‘Iron Law of Oligarchy’, the literature widely agrees that organizations gradually develop an interest in themselves (which differs from their members’ genuine interest). This development runs parallel to increasing strategic autonomy in the sense that they achieve control over their members’ behaviour. This kind of strategic autonomy is essential to the incorporation of associations into corporatist patterns of public policy. To assume public policy functions, associations must be able to mediate the interests of their members and to govern their behaviour, something which transforms associations into ‘private interest governments’ (Streeck and Schmitter 1985). SAF, more than any other principal voluntary business association, seemed to have achieved this status of a private government, since it was equipped with unprecedented representational competences and sanctioning potentials in relation to its members. Yet SAF and subsequently SN rescinded all these means of strategic autonomy during the last decades: centralized bargaining, representation on governance bodies, the formal right to bargain and approve collective agreements of affiliates, and the
Contingency Fund, together with a long-term reduction of member dues. All these decisions were clearly at odds with the association’s interest in itself, whereas they did adhere to the interests of key member groups. This development is all the more remarkable, since SAF and SN have been little dependent on member dues for reasons of high revenues from interest. The ‘Iron Law of Oligarchy’ contends that there is an irresistible and irreversible tendency of organizations to augment their strategic capacity. The case of Sweden shows that this does not hold true for voluntary business associations. Their strategic capabilities are merely borrowed from their members who may revoke them when finding that this suits better to their interests.

Notes

1 It should be noted that industrial relations have never functioned exclusively on one single level. With the rise of centralized bargaining, a three-tier system evolved, with bargaining rounds at the sectoral and local (company) level supplementing central-level negotiations.
2 EU membership as well as a restrictive monetary policy was supported by both the union and employer association of the engineering industry as a means of disciplining the sheltered sector and re-establishing their pace-setting role in bargaining (Swenson and Pontusson 2000).
3 Only the Federation of Swedish Farmers (Lantbrukarnas Riksförbund) is larger, with 157,000 members.
4 These estimates exclude the liberal professions. Employment figures do not allow for estimating density by firm size in terms of employees.
5 This system of proportional voting also applied to SAF.
6 This direct reference to the company is based on the principle of dual membership according to which each company is a member of both SN and the corresponding sectoral affiliate.
7 In the case of white-collar workers the fee was 0.4 per mill per employee.
8 From 1990 to 2002, when the association’s strategic autonomy was continuously dismantled, the share of interest in total revenues steadily increased from 47.4 per cent to 65 per cent.
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The economic and cultural background

The UK belongs to the group of countries whose economic structure is skewed towards large firms (Table 2.1). Closer consideration shows that the UK has a below average spread of micro firms, and an above average spread of small and medium firms, compared to both the EU-15 average and the group characterized by the predominance of large firms. In each of the SME categories, the share of employment they represent is substantially less than the EU-15 average and this group. Overall, SMEs therefore make significantly less contribution to UK employment than the average for the EU as a whole. Conversely, the UK is relatively more dependent upon larger companies for employment levels than the EU-15 as a whole. As regards Europe’s 500 largest businesses, the UK comes second after France in terms of both the number of such companies and their employees. In this respect, the smaller countries belonging to the group recording an above average number of large firms surpass the country in terms of relative figures. However, the employment proportion of the UK’s large firms exceeds the level of any other country of this group.

Comparisons over time for the ‘whole economy’ demonstrate that, whilst the share of SMEs has remained constant over time, their contribution to UK employment has declined by 5.8 percentage points between 1995 and 2002. Over a similar period, the proportion of employment accounted for by firms with over 500 employees has risen from 36.4 per cent to 47.7 per cent (DTI 1996; Small Business Service 2003a). Among SMEs, there are some differences in trends over the years between the different size categories. The importance of ‘micro’ firms has grown among the population of SMEs, while that of ‘small’ and ‘medium’ sized firms diminished between 1995 and 2002. The growth of employment represented by micro firms, from 9.8 per cent to 17.6 per cent, has been substantial. This is mainly because access to economic activities is fairly deregulated. The minimum time for setting up a sole proprietorship (employing one to two people) does not take very long, with minimal registration costs, while registration costs for a private limited company are below €500. The minimum capital
requirement for a private limited company is £1 (2002 position) (European Commission 2002).

As far as the sectoral composition of the economy is concerned, manufacturing has undergone a far more accentuated contraction since the late 1970s than in most other industrialized countries. Over the same period, the service sector has strongly expanded, and the financial sector and business services, backed by the traditional strength of the City of London, in particular. This development has been fostered by the central bank which has pursued exchange rate policies supportive to the City and disadvantageous to the manufacturing sector (Hutton 1995). UK GDP grew in 2003 by 2.3 per cent, and did so consistently in the period between 1992 and 2001. In line with the long-term changes in the composition of the economy, much of the contribution to growth has come from service industries and from high technology manufacturing, while the share of GDP accounted for by agriculture and traditional manufacturing declined steadily. Eleven of the 12 fastest growing industries between 1992 and 2001 came from the ‘services’ sector (Office for National Statistics 2003). Notably, the UK has the second lowest level of business investment in research and development in the EU. This goes hand in hand with a relatively low level of labour productivity, despite a recent increase during the period 1999–2003 (European Commission 2004a).

The British economy is a more market oriented variant of capitalism than can be found in most other EU-15 countries. A constituent component of this variant of capitalism is a distinct form of corporate governance. Like the USA, the UK is seen as the paradigm case of the market-based, shareholder-oriented approach to governance, which forces the companies to pursue strategies aimed at maximizing short-term profits (Fligstein and Brantley 1992). Consistent with this, short-term flexibility and de-regulation have become the political agenda to which the UK was the first to reach for and was ideologically most committed to among EU governments. This implies a low-cost approach to international competitiveness, including lower worker protection and more welfare state retrenchment than in most other countries of the EU-15. This approach also means that a limited role for the state, and voluntaristic business participation in collective schemes of both a private and public nature, are typical.

These distinct attributes of Britain are all the more remarkable, since the country had a long record of institutional strength and stability before the 1980s, even though it has never been a case of accentuated corporatism. As Crouch (1995c) noted, an understanding of what has happened requires appreciating that the political economy of the mid-twentieth century was shaped by two contrasting legacies. The first one was the country’s past as the first industrialized economy, with strong reliance on the manufacturing sector, which was governed by a pragmatic compromise in organized industrial relations. In the mid-1960s this legacy has become inflexible and increasingly vulnerable as a result of poor economic performance. The second legacy was
laissez faire capitalism, committed to the principles of short-termism and market flexibility. This legacy was embodied by the City of London and the financial sector. Although this legacy originated also in Britain’s industrial revolution, it was at odds with the first one. As noted above, exchange rate policy was the crucial terrain of these contradictions, which traditionally saw the City and the central bank as allies. With the accelerated decline of manufacturing the contradictions exacerbated. After experiments with corporatism had failed to overcome the crisis, the Thatcher government radically altered the status quo by dismantling the first legacy in favour of the second. After 1979 a series of far-reaching reforms were launched which were all modelled on the neo-liberal principles of market-driven flexibility and competition. This policy implied weakening the power of organized interests and avoidance of entanglements with them. The labour unions were its primary target, as the Conservative governments enacted several laws designed to restrain their scope of action and to dismantle collective bargaining (e.g. Crouch 1995c; Edwards et al. 1992; Purcell 1995). Nevertheless, the role of organized business along with that of the unions became also reduced in such essential policy fields as industrial training (Crouch 1995a). As the reforms of the training system also emphasise, there was a tendency to replace representative forms of business participation in public policy with direct involvement of the companies themselves. Post-1997 Labour governments have not changed the neo-liberal policy line, although they have modified in favour of labour some details of the legal industrial relations framework introduced by their predecessors (Marchington et al. 2004).

Likewise, public programs to promote business have been continued despite changes in government. In accordance with the neo-liberal agenda, they are directed at enabling, supporting, and ensuring a framework for competition, rather than at directing or undertaking. Recent measures include those aimed at:

- moderating insolvency laws to enable a fresh start after bankruptcy;
- assessment of ways of lifting company law burdens in accounting and auditing for small businesses (European Commission 2002);
- regulatory impact assessments, and the systematic evaluation of alternatives such as voluntary agreements.

General and business taxation rates are low in comparison with the EU-15, and the extent of public sector provision and regulation reflects this. Nonetheless, a highly legitimised use of public funds in the UK is for business infrastructure support in the wider interests of wealth creation. Ambitiously, the UK government has set itself the task of making the UK the best place in the world by 2005 to start and grow a business (Small Business Service 2003b). A number of its strategies to achieve this resonate with the EU Lisbon process goals for knowledge driven entrepreneurship and social inclusiveness. These include the reduction of ‘red tape’ and time taken to start a new business,
encouraging more enterprise among disadvantaged communities, bringing enterprise skills into education, locally delivered advice services and grants, and access to finance (Small Business Service 2003c).

The legal framework for associational action

Consistent with the market driven culture of the UK, the limited role of the state, and the generally pluralist character of relations between the machinery of government and civil society interests, there is no specific legislation on business associations in the UK. There are few formal demands placed upon them and no requirement on them for registration. Private, rather than public law provisions dominate for associations.

Business associations can take a variety of available legal formats, of which three can be commonly found:

- a company limited by guarantee;
- a company limited by shares;
- an unincorporated structure.

Membership of UK business associations constituted by law is tax deductible. A major survey of UK business associations conducted in 2001 found that 79 per cent were companies limited by guarantee, 4 per cent were limited by shares, and 15 per cent were unincorporated (Boleat 2003). A small number have another format, such as CBI’s position as Incorporated by Royal Charter.

The relative popularity of the company format is that it gives the organization an independent legal personality from those who own, manage, or work for it. This means an association in this guise can own property, enter into contracts and legal action, and have limited liability, protecting the members from burden of its debts. The cost of guarantee for limitation is set at £1. The small proportion of associations opting for limitation by shares is explained by the transaction costs involved with changing details on a share register once members change, or the ownership issues which can arise if holders are restricted to a portion of members (Boleat 2003). Establishment as an unincorporated association provides a flexible and low cost option for smaller entities, and may have been a popular option for associations operating with a limited resource base. But it carries with it the risk of unlimited liability, where an action brought against the organization resulting in awards for damages would pass liabilities directly through to its members. The costs of taking the alternative structure of becoming a company limited by guarantee are not substantial, and there is some evidence of a progressive switch over time to this latter type of format (Boleat 2003).

Employer associations, and those affected by competition law, are required to comply with some reporting requirements (Boleat 2003). They are subject to these requirements arising from the 1992 Trade Union and
Labour Relations (Consolidation) Act. Where an association includes as one of its principal purposes the regulation of relations between employers and workers or trade unions it is thus required to undertake certain functions related to accounting and auditing, amalgamations and transfers of undertakings, and political funds.

In line with the UK’s limited regulatory focus upon providing a framework within which markets can operate, much of the statutory UK provision concerning business associations relates to competition policy. The Competition Act of 1988 embraces functions consistent with the framework of European competition policy and is similar to legislation found elsewhere in the EU-25 by including a number of provisions specific to business interest associations as collective entities capable as such of influencing markets through direct or indirect mechanisms.

These relate to provisions of membership and for excluding members in *de jure* or *de facto* senses, to the exchange of information, for the creation of technical standards, and for self-regulatory schemes. A very challenging standards regime for self-regulatory schemes operated by business associations is now in place through the Office of Fair Trading (OFT) following a reform process delivered in 2002. Compliance with the OFT scheme is gradually becoming standard for industries with a direct consumer interface, but does appear to involve substantial compliance costs (Boleat 2003), particularly for associations with a limited resource base.

Much of the interface between UK associations and government is similarly characterized by ‘regulated voluntarism’ in which associations are key stakeholders. Some codes have achieved the status of being binding upon government departments (and recommended for non-departmental public bodies and devolved administrations). Thus, the UK Cabinet Office published a Code of Practice on Written Consultation in 2001, applying to all UK national public consultations (a subsequent version is scheduled for 2004 to take account of the concept of regulatory impact assessments) (Boleat 2003). The standards differ only in detail from those recently adopted at EU level, and were likewise written substantially from the perspective of exchanges with representative associations.

They include provisions that

- targeting consultation through business interest associations (at an early stage) will assist small firms through the avoidance of burden placing upon those with limited resources;
- representative groups should give a summary of the people and organizations they represent. The views of broadly representative, rather than factional, organizations are particularly welcomed, with explicit recognition of the role of business associations. However, the scheme seeks to avoid any system of privileged access to any particular type of organization, and to provide for as broad consultation as is possible for all types of stakeholders;
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• fullest use will be given to electronic means, but not to the exclusion of others. The latter point reflects recognition that a large proportion of small firms do not have sufficient access to electronic resources, but that associations are likely to have such facilities;
• reasons for decisions taken shall be provided with account for the views expressed.

In concept, these standards assist SME based associations through the principle of broadening consultation beyond those with resource advantage such as large firm dominated industries. But such a principle carries a parallel issue for the business community as a whole arising from attempts to reach out to a much wider constituency of stakeholders in civil society.

It is important to note that the UK framework for associational action differs strongly from that of the other countries belonging to the EU-15, as far as its implications for associability are concerned. In the other countries the legal framework directly or indirectly generates incentives for the companies to associate. Such incentives are most evident in connection with the provisions for collective bargaining and programs to aid business. This does not apply to the British case, where the effects of the legal framework on associability are highly ambivalent.

In line with the voluntarist tradition of British industrial relations there was never systematic regulatory support of multi-employer bargaining from which employer associations could benefit. However, there had been two supportive provisions for extending multi-employer agreements to unaffiliated employers before 1979, which the Thatcher government rescinded in 1980 and 1983 (Traxler et al. 2001). The general strategy was to dismantle any kind of support of collective bargaining institutions. Symbolically, the Advisory Conciliation and Arbitration Service was relieved in 1993 of its obligation to promote collective bargaining as the cornerstone of good industrial relations (Purcell 1995). All this increased the pressures on multi-employer bargaining which were mainly caused by employer tendencies to decentralize bargaining or even to avoid any kind of joint regulation. As a consequence, multi-employer bargaining faded away during the 1980s, leading to a corresponding decline of the employer associations which lost around half of their members over the same period (Millward et al. 1992). From the late 1970s to 2003, the coverage rate of collective bargaining in the private sector fell from around 66 per cent (Traxler et al. 2001) to 22 per cent (Grainger and Holt 2005). The 1999 Employment Relations Act formally reflects the widespread demise of the employer associations as a party to bargaining, as the Act includes an employer-centred procedure for recognition of a union as a bargaining agent (Hall 1998).

As regards programs to aid business, a key agent of UK SME policy is the Small Business Service (SBS), established as an Executive Agency of the Department of Trade and Industry (DTI) in April 2000. Its goal is
To help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.

(Small Business Service 2003d: 7)

This mission therefore includes championing an enterprise culture, helping new business start ups and development, and improving access to government support services and to finance. The SBS runs the flagship business support and advice service, Business Links. Such activities have always been a function of UK central government, and prior to the Small Business Service were previously undertaken by agencies overseen by the DTI. Some of these functions could potentially overlap with activities which might otherwise be undertaken by business interest associations, and thus weaken their capacity to attract members. This overlap refers to both services and interest representation.

In the field of services the activities of the Business Links tend to overlap with those of the associations. Business Links are designed as ‘one stop shops’ which bring together all the most important development services into one single location. Stakeholders such as business associations and the Training and Enterprise Councils (TECs) may participate in running the Business Links. To this extent, they are potential partners of the associations. However, they are also competitors, since they offer services which are usually provided by the associations themselves (e.g. advice and information, business counselling). Moreover, Business Links enjoy a competitive edge on the associations, since their services are subsidized by the state (Teufelsbauer 1998).

There is a similar ambivalence in the representational activities of the SBS. This is echoed by the differing perspectives on the role of the SBS, which became evident among the constituency of the five UK business interest associations who participated in this study: that is, the CBI, British Chambers of Commerce (BCC), Federation of Small Businesses (FSB), Forum of Private Business (FPB), and the Institute of Directors (IoD). Some took the view that the SBS was seen as an additional channel of access to government for business interest associations. A former Secretary of State for Trade and Industry told the 2000 Annual Conference of the British Chambers of Commerce that the SBS was ‘an idea that came from the British Chambers of Commerce … to give small firms a strong voice at the heart of government’ (Department of Trade and Industry 2000: 1). Another organization took the view that the SBS, as a governmental organization, needed to be more connected to ‘grass roots’ SME opinion, and that its prime function should be to co-ordinate the sources of evidence presented by SME representative organizations. The Small Business Service has yet to fully establish itself, and over time it would be reasonable to expect ‘niches’ to emerge between it and the respective stakeholder associations so as to avoid arenas of competition. As is evident later, the SBS has
attempted to develop stakeholder relations through structured dialogue with the five representative associations covered by this study. The current Chief Executive of the SBS seeks to extend into a new realm by prioritizing less the direct delivery of individual support programmes for SMEs in favour of more orientation towards exerting influence across government (Small Business Service 2003d). A starting point for this is seen as enhancing government understanding of the impact of its various activities upon small business. Five hundred and seven people were employed in these various endeavours by the SBS in March 2003 (ibid.). An accompanying measure to the creation of the SBS was the establishment of smallbusiness|europe in the summer of 2001. This latter organization traces its origins as

[a] direct result of the line of action in the 2000 European Charter for Small Enterprises recommending that EU member states take measures to develop stronger, more effective representation of small enterprises’ interests at European Union level. This recommendation prompted the UK government’s Small Business Service to initiate and finance the creation of an independent SME liaison point in Brussels.

(smallbusiness|europe 2003: 3)

smallbusiness|europe is a company limited by guarantee, and although the SBS is its principal client, it also receives funding from other private sector sources. Consequently, smallbusiness|europe describes itself as a

[n]ot for profit organisation based in the heart of Brussels EU area, which aims to maximise the interests of UK SMEs at EU level through the provision of information, advocacy, and other associated services. No other member state administration has decided to financially support the creation of a non-governmental structure to represent SMEs at EU level.

(Ibid.)

This latter statement concerning the uniqueness of this UK arrangement is confirmed by the European Commission’s Report on the Implementation of the European Charter for Small Enterprises (European Commission, 2002). The orientation of the SBS to represent SME interests within government, and the advocacy role of smallbusiness|europe at the EU level, are factors which have potential to impact upon the activities of UK business-wide interest associations in the SME domain.

The role of organized business in social dialogue and public policy making

There is no formal, institutional social dialogue in the UK at any level involving any combination of representative associations of employers, trade
There are two important structural factors behind this situation. The Westminster model provides for an extreme centralization of political power. As Wolf-Philips (1983) put it, the essence of the model is a single-party government in a House of Commons dominated by the Prime Minister. Moreover, the election procedure usually equips the party in government with a broad majority in parliament. This extraordinary capacity to take decisions and implement actions creates little need for UK governments to incorporate organized interests into the political process. Such a need might emerge only when the strong political power of the government were matched by comparable socioeconomic power controlled by the interest associations. As comparative analysis shows (Traxler 2004), socioeconomic power of this kind originates in a system of multi-employer bargaining which enables the unions and employer associations to generate effects of macroeconomic relevance which governments cannot ignore. As noted above, single-employer settlements prevail in collective bargaining in Britain, and the aggregate rate of collective bargaining coverage is very low. Hence, none of the actors involved in bargaining can exert a noticeable impact on macroeconomic developments.

However, under the specific circumstances of full employment, Keynesian demand management and multi-employer bargaining still being in operation, governments tried to deploy cooperation with organized interests. A tripartite system of institutional involvement of the Confederation of British Industry (CBI)\(^2\) and the Trade Union Congress (TUC) in macroeconomic policy making did exist in the 1960s and 1970s, which embraced labour relations. The main problem was that its core component, i.e. counter-inflationary incomes policy, never worked, since the system of multi-employer bargaining had been hollowed out by informal and autonomous shop floor bargaining during that time. Since the real arena of bargaining had thus shifted already to the workplace, corporatist dealings involved the union side more than the employer associations. A case in point is the Social Contract of 1975–9. Concluded between the TUC and a Labour government, this arrangement was designed as an exchange of tax concessions and other benefits in labour legislation for wage restraint and social peace.

The context of declining economic performance, following the 1973 oil price shocks, as well as the spectacular collapse of the Social Contract in the winter of discontent provided the basis for the emergence of a challenge to the social democratic consensus. This challenge arose in the shape of the ‘New Right’, who successfully presented their platform in the 1979 UK general election. This positioned tripartism, and trade union influence in particular, as part of the problem of declining economic performance, and set about dismantling apparatus pejoratively labelled as ‘corporatist’. Neoliberal market ideology and the sovereign position of the consumer in ‘public choice’ theory have prevented attempts at its restoration. The ‘Third Way’ pursued by successor Labour governments from 1997 accepted part of the ideological mantle of their predecessors, and prevents a return to a visible,
institutionalized involvement of producer associations in anything carrying a resemblance to systems of tripartism of the 1970s. Furthermore, business can gain little from such a return in a context of predominant orthodox economics and growing internationalization of markets. The members of UK business-wide associations have resisted, and prevented, the involvement of their representative associations in social dialogue, and the formal positions of the five UK business-wide associations (see below) reflect this.

This does not, however, mean that incorporation of producer interests within government led policy processes is absent. The UK has long accepted a ‘pluralist’ label to characterize relationships between the machinery of government and civil society interests, a label in greatest use by analysts observing from the perch of more corporatist type systems. As a general caricature it holds some degree of plausibility, with relations characterized by open access ‘lobbying’ between competing factions of civil society interests, built upon an ideological basis of ‘Madisonian’ type checks and balances. Hence ‘lobbying’, rather than corporatist style ‘incorporation,’ is a term most frequently used to describe government/business relations, and a thriving commercial public affairs industry in the UK is built upon this. However, these general caricatures mask some islands and traces of corporatist style relationships between government and civil society interests. Associations representing the professions of law, and medicine, have substantial self-governing status based upon historic state delegation of powers. Thus, the roles performed by the UK British Medical Association, and the UK Law Society, are among the most corporatist relationships to be found in Western Europe. Among business domains, similar corporatist type relations can be found in sectors such as pharmaceuticals. Paradoxically, the City which worked as the catalyst for the new flexible British model is one of the purest cases available of sector-related corporatist self-governance (Crouch 1995b). At a regional level, support initiatives aimed at SMEs have emerged from tiers of government in Scotland, Wales, and Northern Ireland, and are in plentiful supply at local government level. Some of these relationships are more close-knit in involving representatives of small business organizations and other stakeholders than is typical for the UK as a whole, but which is common to ‘small country’ settings such as Scotland. For instance, the Scottish Ministerial Small Business Consultative Group brings together small business representatives with government officials, development agencies, and academics. The Scottish Council for Development and Industry (SCDI) is part financed by government, but which is a membership organization comprising mainly corporate and non-departmental public bodies, as well as the Scottish Executive, seeking to influence government economic policies. Scottish Financial Enterprise, whose membership includes very large banks and investment organizations, is similarly structured in respect of the financial services sector. Access to senior ministers, civil servants, and special advisors is very easy for the five business-wide representative organizations, which sit on ministerial groups and advisory bodies, and work together with the SCDI as part of a loosely organized business lobbying coalition.
At the cross-sectoral level, the UK based Small Business Service brings together the five UK business-wide organizations, for meetings held on a quarterly basis. These are principally aimed at getting the five associations behind the SBS, when it talks to government on issues such as the national budget statement. Beyond this, some joint statements between the groups of organizations do emerge on an issue by issue basis. The Chief Executive of the SBS, and the Secretary of State for Trade and Industry, are advised on small business issues by a Small Business Council, resourced by SBS, comprising a group of entrepreneurs which has come to include business associations, and an academic. For the five organizations, the SBS has been an additional voice for SMEs in government, but has not had a major impact upon their relationship with government. There is a view that the service needs a longer time to prove itself following some staffing changes affecting the way it engages with SME representative organizations. It is not however intended to be anything resembling a format capable of spawning social partnership structures. Similarly, none of the projects in which outlets of government involves stakeholder associations resemble, or are intended to be, social dialogue type initiatives. ‘Enterprise Insight’ is no more than a project delivery initiative. At the parliamentary level, the all party Parliamentary Small Business Group, with over 500 members now the largest such group in parliament, has succeeded in increasing the voice of SMEs in major debates in the UK parliament. A similar group is in the process of establishing itself in the Scottish parliament. The all party group has organized a number of trips to Brussels for interested members to meet up with like minded colleagues in Brussels to discuss regulatory measures to better inform parliamentary debate in the UK.

All in all, there are relationships to be found in which business associations have undertaken responsibility for delivering, or helping to deliver, public policy initiatives, most notably in the role of some local Chambers of Commerce in delivering training programme initiatives. In another venture, through the Small Business Service, UK government contributed £0.7 million to Enterprise Insight, a joint venture between itself and the CBI, the Institute of Directors, and the British Chambers of Commerce, aiming to foster an entrepreneurial spirit in the UK, in 2002 (Small Business Service 2003d). Thus, within the UK as a whole, there is some diversity to be found.

The closest contractual relationship between UK business-wide associations and government arise over initiatives designed to support the development of skills in the workplace, and business advisory support services. Whilst a number of associations are closely involved with the Enterprise Insight initiative, the role of the British Chambers of Commerce network in the delivery of workforce learning skills as a partner in government policy, in England at least, has been unique. Whilst arrangements across the UK differ, in England, Training and Enterprise Councils (TECs), and more recently their successor organizations Learning and Skills Councils, have been core business support mechanisms, grounded in public sector provision albeit
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with substantial private sector involvement. From 1995, a number of TECs took up the option of voluntary mergers with quality approved Chambers of Commerce so as to create Chambers of Commerce, Training and Enterprise (CCTEs). In doing so, these switched business support service provision from the public sector, although government provided significant financial support for the mergers to be undertaken and thereafter for service provision (Field et al. 1999).

By October 1998, when the initiative was put on ice while the government reviewed the future role of TECs, 16 such mergers had occurred, around one quarter of the eligible constituency (Field et al. 1999). Whilst this review resulted in the replacement of TECs by Learning and Skills Councils in 2001, the role of CCTEs is of interest in a number of contexts. Early reviews of CCTEs found it difficult to distinguish their performance in delivering business support services from TECs, or to find evidence of cross-selling or integration of services. Arrangements were put in place to ensure that the political activities of Chambers of Commerce remained entirely separate from training and enterprise provision (Field et al. 1999). CCTEs fitted with the vision of a single, integrated system of business support and representation envisaged by the British Chambers of Commerce, with Chambers owned, driven and managed by local business communities, enjoying strong government support but without government ownership or prescription (Fallon and Brown 2000). Today, some Chambers have an integrated structure with the Business Links advice service; the Herefordshire and Worcestershire organization, for instance, which took the option of CCTE status, describes itself on the front page of its website as ‘Chamber of Commerce and Business Link’ (http://www.hwchamber.co.uk/default.asp, on 22.4.04).

For all these reasons, ‘pluralist’ patterns may not be as prevalent as stereotypes suggest, particularly at regional levels. While central government relations with outside interests are characterized by pluralism in which business organizations act as ‘lobbying agents’, there are relationships where there is a closer incorporation of business interests with devolved regional, and doubtless local, administrations. As is evident later in this chapter, there are traces of relationships between business representative organizations and central government which go beyond pluralist style ‘lobbying’ and which resonate more with incorporation. Whilst some of these latter tendencies were most visible in the shape of tripartite initiatives involving business and trade union organizations in the 1970s, structures of incorporation of producer interests inside government can still be found today.

Issues surrounding UK involvement in EU social dialogue have also resulted in sensitivities as to the relationships of particular organizations within UK government. Important variations within the positions of individual business organizations as to the concept of social dialogue can be found between that which exists at the EU level on the one hand, and
formal opposition to UK social dialogue on the other. At the EU level, the CBI has a reputation within UNICE as a brake upon social dialogue, and has in the past used its membership to prevent UNICE from signing up to policy proposals negotiated under EU social partnership terms. In a UK context, the CBI ‘sells’ the role of UNICE in EU social partnership arrangements and its membership of UNICE as placing it in a unique position in comparison to other UK business representative organizations to influence EU social policy. Conservative UK governments used CBI’s position within UNICE’s social partnership status as a channel of interest representation to prevent the development of employment related dossiers. Nonetheless, its ability to influence UNICE positions drives a domestic profile which is pro-European relative to some other UK business-wide organizations. Its membership advocacy literature includes a flyer entitled ‘CBI at Home and Abroad’, in which it states that ‘we have the most effective links with EU decision makers of any business organization in the UK. As the UK member of UNICE, the organization of representing employers’ interests across Europe, we are uniquely positioned as the official business voice in European social policy negotiations’ (CBI undated).

CBI’s propensity to influence EU policy is therefore used to strengthen its domestic position, but has become an issue for the FPB in particular arising from its membership of UEAPME. Following initiation of legal proceedings and a settlement with UNICE in 1998, UEAPME was admitted by agreement with the existing partners among the employer’s institutional engagement in EU level social partnership. FPB identified discussions between the CBI, the UK Trade Union Congress, and the DTI over matters concerning the UK implementation of the EU framework (non-binding) agreement on teleworking in which it had not been involved. FPB, supported by UEAPME, requested of the DTI that it be included in any future UK discussions involving representative civil society organizations originating from the EU social dialogue as a result of its membership position of UEAPME. Whilst hopeful of achieving an outcome to its liking, FPB is not yet wholly convinced that the matter has been resolved. Although its members do not wish to see institutional UK level social dialogue, the position of FPB (and that of UEAPME) is that should a de facto dialogue exist concerning UK issues in the EU social dialogue, then FPB should be involved on the basis of its membership of UEAPME. This membership provides FPB with a unique position, which it sees as justifying its claim for special treatment relative to the other three small business representative organizations viz. inclusion in any EU related dialogue at UK level. FPB, CBI and TUC co-authored the UK national ‘Report of the Implementation of the European Employment Guidelines’, presented at the 2004 Tripartite Summit. Whilst the formal, member driven positions of both FPB and CBI would be to oppose a social dialogue in any UK context, both of these organizations would be likely to engage with it constructively (particularly at secretariat level) once it became a fact.
The role of the smallbusiness\europe service is one about which views can be found among the business-wide representative organizations. The second page of the smallbusiness\europe Annual Report for 2002–3 records some very appreciative comments of its operation from individuals occupying positions at the very top of each of the five UK business-wide organizations (smallbusiness\europe 2003), and some very positive, often shared, views about aspects of the concept. The service reflects a general concept that some of these organizations had sought for some time, although there does not appear to be a consensus when it comes down to the details of the precise role it can undertake, and its funding basis, and some careful wording can be found within these statements. One view was offered from the ‘constituency of five’ during the course of this study that any ‘representative’ role of smallbusiness\europe may reinforce views among others about UK separatism. Views among the five include those that it is a ‘valuable ally … in representing UK SMEs in the EU’, a ‘vital partner in representing UK SMEs’ in the EU, and that their work is ‘totally complementary’ (smallbusiness\europe 2003: unpaged). Certainly, the organization appears well placed to help address a landscape of fragmentation among the EU work of the five UK SME organizations. Four of them are affiliated to different EU associations, while a fifth has no channel of EU representation other than through the work of its London office. EU related issues of fragmentation in UK SME representation also arise from the choice of the Federation of Small Businesses (FSB), to work outside of UEAPME, and from the historically unsettled relationship between the British Chambers of Commerce and Eurochambres. Although once close to becoming a member of UEAPME through the latter’s merger with the European Committee for Small and Medium-Sized Enterprise Companies (EUROPMI), FSB chose instead to be a principal mover behind the foundation of the European Small Business Association (ESBA), a small organization of which it remains the principal member.

The associational system

The main patterns

According to estimates there are a total number of 1,600 business associations in the UK (Boleat 2003). Most of them are very small. For instance, 50 per cent of trade associations are reported to have less than 55 members (Bennett 2000). Employer associations represent a small proportion of the total population. One hundred and seventy-eight associations of this type submitted annual reports to a Certification Officer in 2003, a reduction of 42 when compared to 1994 resulting from mergers and activity cessations. Employment functions clearly do not represent a significant part of the work of most UK business interest associations.

The five business-wide associations (Table 17.1), as described in detail below, have several properties in common. Including the chamber peak and
Table 17.1 The cross-sectoral associations in the UK: basic data, 2003/4

<table>
<thead>
<tr>
<th>Domain</th>
<th>Associational affiliates</th>
<th>Member companies</th>
<th>Employees covered</th>
<th>Function</th>
<th>Voting rules</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBI General</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies with up to 150 employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FPB Businesses characterized by identity of ownership and management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IoD Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BCC Chambers with at least 1,000 members and those meeting quality approved status</td>
<td>61</td>
<td>135,000 (IDM)</td>
<td>n.a.</td>
<td></td>
<td>Unweighted</td>
<td>2,500d</td>
</tr>
</tbody>
</table>

Notes
a Only direct members. b Peak-level staff. c Late 1990s. d Aggregate staff. n.a. = not available. MM = mixed membership. DM = direct membership. IDM = indirect membership.
its local affiliates, they are all voluntary and have membership domains which overlap to some extent. This includes also firm size as a criterion for eligibility. While two associations (i.e. the FSB and the FPB) are formally specialized in SMEs, the domain of the other three associations is neutral to firm size. With the exception of the BCC, they can be subsumed under the category of a mixed association. They combine the representation of labour market and product market interests. Since single-employer bargaining prevails, labour market interests are primarily processed vis-à-vis the authorities. None of them is engaged in collective bargaining, although all the five business-wide associations covered by this survey indicated that employment related issues account for between 20–50 per cent of their work. None of them seek a bargaining role, and each has a history of membership resistance to any such role. It is only the CBI which counts a few member associations which are engaged in collective bargaining.

The CBI is the largest of the five organizations by any criteria. It is thus the undisputed principal business-wide representative organization, open to full membership for companies of all sizes (the core of CBI membership) as well as lower-level business associations (Boleet 2003). Apart from the special case of the BCC which gathers the local chambers, the CBI is the only confederation among the five business-wide associations. FSB, FPB and IoD do not admit narrower associations into full membership. The currently 150 associations affiliated to the CBI represent a very small proportion of the total population of UK business associations. Hence, the overall system of business associations in the UK is characterized by a very low degree of hierarchical order. Likewise, there is no systematic horizontal concertation of business interests across policy fields, as the five business-wide associations have refrained from coordinating their activities. In combination with multiple domain overlaps and the common profile as a mixed association this lack of structural order suggests that the five business-wide associations are bound to have strongly competing relationships.

In fact there are signs of competition for access to the political process. There are views among several organizations that the CBI enjoys a quasi corporatist relationship with the DTI. The leader of the largest individual trade union, the Transport and General Workers Union, is quoted in the Financial Times as stating that ‘Unions believe that the Department of Trade and Industry has become a “provisional wing” of the CBI … I know of very few DTI policy decisions which are not being written and driven by the CBI’ (CBI 2003a: 2).

Whilst it is a natural characteristic to exaggerate the influence of one’s ‘opponent’ and to under-estimate that of your own, traces of the above view can also be found among some business-wide organizations who feel less engaged with the DTI than they perceive the CBI to be. This is unsurprising given the position of the CBI as the principal organization, but those looking to confirm such a view may be able to locate evidence which appears supportive. At least one of the other business representative organizations
sees itself to be perceived by DTI as a potentially ‘awkward intruder’ into an otherwise smooth relationship which DTI enjoys with CBI.

Notwithstanding such rivalries the five associations all have ‘niches’ in terms of ideological orientation, activities and membership rationale which provide identity, focus, and appeal for a specific membership constituency. These niches help to limit the degree of competition with other cognate organizations, though cannot eliminate it. Even those organizations which draw from the most similar membership constituency pools (i.e. CBI, BCC and IoD on the one hand, and FSB and FPB on the other hand), have developed a niche sufficiently distinctive to avoid head on collision in recruitment markets, as closer consideration documents.

CBI, IoD and BCC show strong similarities, as each speak for the entire constituency of UK business. The CBI is based upon the prestige which comes from being the UK’s leading business organization, the quality of the network, and political representation. The CBI has almost no other membership services. The IoD is based upon the prestige of a national club of Company Directors, including those of large firms, and upon a very distinct neo-Liberal, ‘Eurosceptic’, political outlook. And, while fully engaged in important policy issues, the organization does explicitly ration the use of its energies upon policy work. For instance, IoD lacks any dedicated Brussels based outlet for EU representation, and has no wish for any kind of institutional form with which to conduct relations with government and civil society, or among other business associations, whereas CBI has no entrenched opposition to these concepts. In stark contrast to CBI, there is a significant emphasis upon member services (on a ‘pay per use’ basis).

BCC has also a very strong range and distinct brand of business services. In comparison to IoD, BCC has a very strong niche market in the provision of training. Its notable strengths in local organization, grounded in local Chambers of Commerce, mark another difference. In terms of member recruitment, BCC seeks to position itself in a niche in between the CBI and the FSB, representing what it describes as ‘middle Britain’ companies with 20–75 staff, in between what it describes as the large company territory of the CBI and the small business focus of the FSB (Financial Times 2004).

FSB and FPB are both dedicated to the representation of SMEs, and as such have the greatest potential to recruit from the most similar membership pool, though each has differing formal membership criteria. In a recent UK survey of 350 businesses, both were represented most heavily among the five to nine employee ‘micro business’ segment (Stanworth 2003).

Their general outlook is not dissimilar, with the greatest degree of differentiation apparent on EU matters arising from different circumstances, although even here there are shared policy positions to be found on issues such as an opposition to UK membership of the Euro zone.4

The two organizations do, however, have distinct niches. FSB, which comes second after the CBI in terms of the number of member companies, has a very strong local presence, a strong political presence among decentralized
regional administrations as well as at UK central government level, and a highly developed group of membership services. It has a very distinct brand of member activism and a service group of staff. Each is involved in political representation, though the balance of FPB work tends to be more focused upon this. While FSB has greater reputation for membership service provision, and its ‘activist’ member profile, FPB thus characterizes its reputation as arising from its political representation role. FPB has developed a particularly strong outlet for EU representation, and uses the position of UEAPME in EU social partnership to develop its role in UK political representation. These factors explain why FPB is much less opposed to the concept of social partnership than is FSB. Therefore, an ideological distinction between FPB and FSB appears to arise principally through their respective EU positioning.

The upshot of these considerations is that the group of SMEs is the most contested terrain of member recruitment, since the domain of any of the five associations includes this group. FSB, FPB and BCC (whose structure and activities imply an accentuated SME profile in practice) are most strongly involved in this competition. Since FSB shares with BCC the strengths of local presence and service orientation, they appeal for the most similar membership constituency. However, its ‘activist’ member profile makes the FSB also differ from the BCC. The figures on membership indicate there is some differentiation. In comparison to both FSB and FPB the BCC organizes more of the larger companies within the group of SMEs.

Membership domains and organizational structures

CBI was formed in 1965, as a merger of the British Employers’ Confederation, the Federation of British Industries (which had organized the product market interests of the major manufacturing firms), and the National Association of British Manufacturers (which had represented the smaller manufacturers) (Armstrong 1984). Full membership is open to individual companies of any size (currently 3,000, employing four million staff), and trade associations (currently 150, whose members employ 6 million staff). It is the only one of the five to admit the full range of national business associations into full membership.

There are no weighted member voting rights in CBI, with policy positions reached through its 18 Standing Committees and Councils. One of these is a dedicated SME Council which leads on SME issues and which is assisted by three permanent working groups, and one is a dedicated Trade Association Council. The most important CBI policy Committee (and its de facto governing body) is the Presidents Committee, comprising the Chairs of the different Committees and Councils. There is also a large ruling Council which sets broad policy parameters.

Whilst voting is hardly ever witnessed within the CBI, the ruling Council (empowered to delegate its powers) provides for constitutional voting rights,
comprised of nine English regions, the three UK devolved regions, the Presidents Committee, the SME Council, and the Trade Association Council. Association members of CBI can find representation through each of these 15 constituents, including where local associations hold a place on a regional Council. The Trade Association Council comprises 40–42 members sitting for a three year renewable term, constituted by *de facto* practice whereby key sectors of the UK economy are represented as well as provision for rotating places.

FSB was formed in 1974 as the National Federation of the Self Employed by an interest group entrepreneur whose initiative was triggered by a proposal to increase employer National Insurance contributions at the same time as the introduction of Value Added Tax. FSB is today the largest UK dedicated SME representative organization. FSB admits into membership any legal business entity with up to 150 employees (including public sector organizations), but has no association members. Its 185,000 company members (around 5 per cent of the eligible constituency) employ 1.25 million staff (around 11 per cent of the potential total), with a typical member employing nine staff. The organization has grown significantly within the past decade, up from a membership base of 50,000 in 1993 (Stanworth 2003) and income of £1.1 million in 1990 (Jordan and Halpin 2003). Part of this success is due to its focus on local organization and its sales force of seven consultants and 123 recruiters, who recruited 34,933 in the year ended 30 September 2003. After taking into account member turnover, there are, however, some recent signs that membership growth has slowed down (FSB 2004). There is no weighting of member voting rights according to the subscription paid.

FPB, established in 1977, comprises members who jointly have the role of owner and manager of a private business, embracing companies, partnerships and sole traders. Full members are those who pay their own subscription directly, while associate members are those who are either a commercial partner of the FPB (i.e. one providing a commercial service to it), or a sectoral (mainly regional) trade association (an exceptional historic example not involved in collective bargaining). There is no cap on the size of member, with the definition of its constituency provided by its insistence that the owner be involved in running the business, and the exclusion of publicly quoted companies. Hence, a small number of large firms are included within its membership constituency. This span of membership gives it a profile whereby the average firm size of its 25,000 members (600,000 employees) is 25, yet a median firm size of nine employees. Membership has remained relatively constant over the past decade (Stanworth 2003). Decision-making is formally based on the principle ‘one member one vote’.

BCC, founded in 1860, follows the international Chamber of Commerce ‘brand’ in acting as an umbrella organization for largely independent local Chambers of Commerce. Votes are allotted according to the principle ‘one chamber member one vote’. BCC membership is available to chambers with a membership threshold of at least 1,000 firms, and those meeting quality
approved status (involving the adoption of ISO 9000, a business plan, minimum income and range of services levels) (Institut des sciences du travail 2001). These standards ensure the quality of the BCC affiliated brand, but for the total constituency of UK chambers, some of which lie outside BCC membership, there is a significant variation of size and quality.

UK Chambers of Commerce are governed by private law status, with membership voluntary. The BCC does not seek a change to this status, emphasizing the greater responsiveness which arises from voluntary membership, independence from government, and strong resistance within the business community. Nonetheless, some local chambers did identify a number of problems arising from private law status, which included a lack of government support, their lack of political influence, government’s unwillingness to consult them, and competition from private sector providers. These factors explain the BCC vision, seeking private sector control combined with a higher degree of government support (Fallon and Brown 2000).

There are 61 accredited UK local chambers in the BCC network, drawn from 12 UK regions (http://www.chamberonline.co.uk/chamber_network/aboutchambers/chamberlist on 12.08.2004). This comprises around one third of the UK’s 174 local chambers (Fallon and Brown 2000). There are also a number of branches based overseas and associated members in the UK offshore islands. Local chambers cover vastly differing geographical areas, and some even have competing geographical boundaries at their margins. Chamber membership for an individual enterprise is through a local Chamber of Commerce, which set local membership subscription rates on a tiered basis according to the size of organization. There is no limit upon the size of organization which can be admitted into membership, and fluid membership criteria which allows public sector as well as private sector organizations to be members. The BCC network embraces 135,000 members serviced by accredited local networks and in its national offices in London, Coventry, and offices alongside decentralized UK regional administrations. The network’s strength in local organization and in provision of services gives the organization naturally an SME profile. According to the 1996 BCC Census 30 per cent of the chamber members were businesses from manufacturing, 62 per cent from services and 8 per cent from retail. Only 5.3 per cent were from the group of companies employing over 200 employees and 8.4 per cent were individuals or sole traders, while 86.3 per cent were SMEs, with an especially strong presence of companies with 6–199 employees. The national average of density of businesses is 11.5 per cent, with a variation from 5 per cent to 40 per cent across the local chambers (Bennett 2000).

Membership of the IoD is possible for a Director (defined as an individual over 21, involved at the strategic, governance level of an enterprise of a minimum qualifying duration, and who has a clean legal record) of a solvent company with a turnover of at least £200,000 with a qualifying time in post and in business. Associate membership is possible for other categories, including those in professional practice or for those in public
sector organizations. Sixty-one per cent of its 53,473 members (IoD 2004) are directors of firms with 1–200 employees, giving a significant focus of the organization to SME issues. Because of the way in which the individual basis of its membership drives the presentation of the organization, the IoD is reluctant to state or even to estimate how many enterprises this covers. However, in a 2002 response to the UK government DTI White Paper on Modernising Company Law, the IoD states that ‘the organisations from which our members are drawn employ over 10 million people in the UK’ (IoD 2002: 2). The membership criteria mean that it partly recruits from a pool shared by the FPB, although in practice the competition is limited by each finding a sufficiently differentiated niche. There is a ‘one member one vote’ system in operation. The Institute has recently been developing regional hubs, with premises in six UK cities supplementing those of its two London centres, and is able to address devolved tiers of authority. It has a regional network (nine English regions embracing 24 UK local branches, and three ‘Divisions’ for each of the UK’s devolved regions).7

Activities

The main membership benefits of CBI arise from the relationship with UK government, its lobbying activities, the networking opportunities it provides, and from its membership of the Union of Industrial and Employers’ Confederations of Europe (UNICE). CBI does have a historic relationship with UK government which has varied in its degree of closeness, with a high point reached when its current Director General suggested that business relations with the 1997–2001 Labour government were among the most friendly in living memory. CBI’s relationships with the TUC have intensified since the Labour Party came to power in 1997, and are on a broader range of subjects than any of the other business organizations. These include some joint documents and position papers. In 1998, for instance, the CBI and the TUC published a joint statement on statutory union recognition for collective bargaining in advance of related legislation (i.e. the 1999 Employment Relations Bill), which highlighted areas of agreement as well as disagreement.8 Observers interpreted the statement as ‘the most tentative step towards “social partnership” between the CBI and TUC, although it is hard to imagine a more difficult topic with which to start’ (Hall 1998: 2). However, CBI’s formal position towards social partnership reflects the preferences of its members that it should not be involved in any formal arrangements resembling this label. But in practice it does have a significant degree of informal contact with both the TUC and the DTI on topics which could otherwise be included as part of social dialogue arrangements. This is not to the degree that such contact is ‘social dialogue’ by another name, but CBI does see the presence of such informal relationships over employment related matters as an inevitable part of its position as the principal UK business representative organization. Less than 3 per cent of its member associations
Justin Greenwood and Franz Traxler are believed to be engaged in wage bargaining with trade unions in their own domains. Within its ‘achievements for business’ literature included in a membership pack, the CBI trumpets among its successes for SMEs:

- extending the Small Firms Loan Guarantee Scheme to cover additional sectors, providing £60 million of additional support for 400,000 firms;
- at least £13 million saved for small firms as a result of its work in persuading the UK government to limit the provisions of the most recent Employment Relations Act, citing the leader of the UK’s second largest Union that ‘the government has capitulated to the demands of the CBI’ (CBI 2003a: 4);
- an uplift in the qualifying threshold for plant and machinery capital allowances, enabling 3.7 million businesses to become eligible for the 40 per cent investment allowances.

There has been a past debate within CBI as to whether its role is primarily that of representing individual companies, or affiliated associations, with the former view prevailing (Boleat 2003). Meeting space on CBI premises is the only service for which members pay separately. There are no individual advice services or discounted access to benefits packages through the association arising from its principal role in political representation and as a high-level networking forum. CBI is principally involved in the representation of economic policy and labour market issues to the state, and in the environment in which the wider constituency of British businesses operates within. For reasons of prioritizing its resources, it limits the extent to which it is involved in the formulation and delivery of public schemes to assist business, of which one is Enterprise Insight, described earlier. It is however involved with a number of human capital development related schemes with both public agencies9 and with its members, but is not involved in schemes aimed at product standards or quality, or in structured exchanges with suppliers or customers.

FSB is specialized in representing and servicing SMEs. Jordan and Halpin chart the historical transformation of the organization from its early days as an activist driven campaigning ‘outsider’, to a viewpoint closer to an ‘insider’ role with government with a stronger emphasis upon involvement by professional staff, and an increasing importance of services to members relative to political work (Jordan and Halpin 2003). By the end of the 1980s, its National Chairman argued that ‘It is listened to in Westminster and Whitehall, and by the media, because it has learned the expertise over the years to negotiate with government rather than stand outside and shout abuse through the letter-box’ (Bettsworth 1999, cited in Jordan and Halpin 2003: 320).

FSB services include a legal advice phone-line (over half are employment related matters), defence in court, and debt collection, which are all provided through contractual insurance arrangements with suppliers. Members
pay for surplus use of these services, with the FSB receiving commission. Commission also comes from discounted benefits services, such as mobile phones. Membership services appear to have played an increasing role in FSB membership over time, as part of the normal pattern of the historical development of an interest group (Jordan and Halpin 2003). Its helpline receives over 100,000 calls per year, of which the majority are on employment related matters.

FSB has a business-wide remit, although like other organizations can get caught up in sectoral pressures arising from its branches. It has substantial institutional links with public service bodies beyond those common to most or all of the other business organizations (small business Minister, Small Business Service, smallbusiness|europe, Enterprise Insight, and those in Scotland identified earlier in this report). These include the small business committees of the British Standards Institute and UK Accreditation Services, the National Consumer Council, the Consumers Council, the Disability Rights Task Force, and the Better Regulation Task Force (a number of the other five organizations are also represented on some of these). Whilst it is not part of self-regulatory schemes with government, it does do a ‘name and shame’ of large firms who are late payers, with the support of government, and has claimed a leadership niche role on this topic within the group of five associations. FSB has developed links with each of the three main UK political parties, through the Industry Forum (Labour), the Enterprise Forum (Conservative), and Business Forum (Liberal Democrats). Approximately 30 per cent of the work of these fora is employment related. In Scotland, befitting a ‘small country,’ the FSB office has a slightly different caricature from arrangements prevailing in England, with strong relationships with political parties (including the Labour Party), more network contacts with Trade Unions, and more emphasis upon the work of professional staff relative to activists in policy work. FSB is more unambiguously opposed to anything which resembles collective bargaining at the UK level than the CBI and FPB, partly reflecting their different cultures but also their different outlets in EU interest representation. It acknowledges the need to be aware of what other organizations are saying on employment related matters, and participates with them in joint statements on an issue basis, although there is no systematic co-ordination. It also has some issue driven alliances with independent trade unions, with which it maintains links. While in practice FSB sees similar messages coming from the other organizations on employment related matters, FSB is happy to see each of the representative organizations go their own way. Indeed, it is content for competition to prevail between them if necessary.

FPB prioritizes its work in political representation in recruiting its members, including its institutional involvement in EU social dialogue through UEAPME. The association is engaged with the TUC in the production of employment and safety guidelines, and through a joint conference. It does not support either a formal consultation structure with
government or binding collective bargaining at the UK level, and does not nominate individuals for public bodies on anything other than an issue basis. It seeks relations with other employers, but there is no formal dialogue with other business associations on employment related issues. However, arising from its membership of UEAPME and the ability of UEAPME to influence EU employment legislation through the EU social dialogue, FPB’s position on engagement with EU social dialogue, and the UK input into EU social dialogue, is somewhat different (see above). The organization estimates as a whole that around 50 per cent of its work is taken up with employment related issues. The organization emphasizes the research basis of its political representation work, providing for regular surveys of its members’ views, which monitor the depth and breadth of concerns. Whilst it has a ‘one member one vote’ system, there is an informal weighting given where it finds a significant depth of feeling among its members. This, and its embrace of a small number of SME trade (e.g. hairdressing) associations, can involve the organization in sectoral matters. Payable services are information services, including guides to employment law and health and safety. Members have access to (sometimes discounted) services in telecoms, payroll, a credit card merchant fee, insurance, legal protection, with the FPB receiving commission on sales. A core service free to members is its ‘telephone sign-posting’ service, where around 40 per cent of calls are employment related queries.

BCC provides a political voice for business at the national level, support for business export activities, and a range of membership services for the network. The BCC network constitutes the most powerful structures of UK local business representation. BCC standards support the role of local chambers as a training provider, including those which took the option of merger with TECs to form CCTEs, and those involved with local Business Links partnership. BCC is also a national provider of ‘learndirect’ business courses to SMEs in partnership with Ufi (University for industry) Ltd (Ufi 2002). Other local chamber services include representation, information and advice, export and import certification and documentation (Bratton et al. 2003). Member services operate on a local and national basis, with a wide range of discounted services available to members from external suppliers, providing commission income to the chambers and its network and accounting for a significant proportion of its income. These services include advice lines on employment and other matters, including provision of a free legal advice service, training, and information services, export certification services, and certification for companies to bid for government contracts (Financial Times 2004). Some of these are free at the point of use, while those which involve significant service provision to an individual company are charged separately. Its Coventry based office provides its members with substantial export and international trade advice, a service which enhances the distinctiveness of the organization’s niche. Beyond general business support schemes, some local Chambers participate in the delivery of government related schemes dedicated to the assistance of SMEs, such as the Small Business Gateway
Information Centre, and e-business clubs as part of the DTI’s ‘UK online for business’ programme. One further issue facing BCC concerns its attempts to find an effective outlet for its representation at the EU level, with its affiliation to EuroChambres subject to bouts of historic uncertainty and speculation. Nonetheless, BCC remains a member of EuroChambres.

The activities of IoD rest on the three ‘pillars’ comprising public policy work, member services, and that of a professional institute for its director members seeking to enhance standards of corporate governance. The organization has relations with government on an issue specific basis, apart from a quarterly meeting with the Director of the Regulatory Unit of the Cabinet Office. The organization has no preference for formalized or informal consultations with government. There is very limited co-ordination of UK policy positions with other business organizations, and none on employment related matters. What co-ordination there is arises on EU related matters through smallbusiness|europe, in which it is an active participant and which provides it with opportunities for informal exchanges with other organizations, though advance discussions are rare. From this basis, it sees little by way of rivalry between UK business-wide organizations. It has no formal structures of contact with trade associations, consumer or trade union organizations, and would not encourage any such mechanisms at UK government level. What contacts it has exist on a case by case basis. Its involvement with the British Standards Institute is on a similar basis. IoD sees no difficulty with contact with government, and no further support issues for associations required. It is institutionally involved with the Conservative Party Enterprise Forum, though does not appear to have such involvement with the business fora established by the other UK political parties. IoD is the only one of the five organizations which has no identifiable Brussels based outlet for EU interest representation, which appears to be partly related to its ideological positioning. It is, however, trying to develop international links and find a further outlet in Brussels (not via commercial lobby or law firm). This suggests that it does not see smallbusiness|europe as an alternative format of EU interest representation, but an additional channel based around some degree of co-ordination between the five organizations where this is possible. Its varied, individual membership means that it is well placed to resist member pressures in public policy issues where necessary. IoD does not undertake casework for its members. Member services vary between those which are paid for on a use basis, and those which are free up to a certain level of use, spanning advice, access to venues, access to an airport lounge network, and reduced rates on courses and conferences. A number of discounted services are provided by arrangement with suppliers for which the organization receives commission. An estimate is that 20 per cent of its work is addressed to employment related issues. What makes IoD clearly distinct from the four other associations is its special set of values and prestige (such as an address in London’s Pall Mall, and a centenary in 2003) which are immediately apparent when the organization is mentioned.
Resources

The CBI has 205 staff in its London office, and around 50 others distributed through its 12 regional offices. Its Scottish office is the best resourced of these, with four executive staff addressing devolved authority to the Scottish Parliament/Executive. Two policy advisors are dedicated to SME work in its headquarters, although SME work in CBI is also undertaken ‘horizontally’ by all staff across the organization. For companies there is a membership subscription fee tiered by firm size, and differentiated between manufacturing firms and commercial firms. Six tiers for industrial members reflect a wide diversity of firm size, with the extremes between firms with annual turnover up to £2.5 million and those with turnover over £1,000 million, and the minimum subscription is £519 plus VAT. For association members, 15 levels of subscription categories related to size and type of association10 embrace annual membership fees ranging from £996 to £136,680. Income from associations represent less than, but close to, 10 per cent of CBI total subscription income, with the remainder coming from companies. In 2002, CBI’s income was £19,838 million, and its expenditure was £19,402 million (CBI 2003b). £14,208 million of its income arose from membership subscriptions, with the remainder coming almost exclusively from commercial activities. Whilst it has no trend of financial difficulties, some ad hoc problems have been created by a property renting contract it entered into in which the rent it was paying for its Centre Point, London premises was significantly higher than the value of the property. To resolve this, it has had to secure advance membership contributions from its larger members so as to work itself out of its unfavourable contract (Boleat 2003). Due to falling share prices pushing up the cost of pension provisions CBI had to cut over 10 per cent of its staff in 2003 (Behrens and Traxler 2004).

FSB employs 140 staff spanning 18 regional offices which support the work of 230 branches. The staff base as a whole has recently grown from 80 in order to invest in this regional office infrastructure, which has resulted in some redundancies at its head office in the North West of England (Blackpool), and a recent increase in membership fees. It maintains a London based parliamentary liaison office, and three offices interfacing with devolved administrations in Wales, Northern Ireland, and Scotland where three parliamentary policy staff work from its Glasgow office. Despite the inevitable shift over time from ‘outsider’ to more of an ‘insider’ role with a greater emphasis upon professional staff, FSB remains a member dominated organization relying mostly on paid activists elected by its members (Jordan and Halpin 2003). There is no Chief Executive Officer, and a limited capacity for policy staff to bridge transitions between elected leaders. Jordan and Halpin find a unique ‘activist directed brand of insider strategy’ pursued by FSB, ‘with sporadic use of paid staff, a leadership based on member approval, and a policy process dominated by committees that are only minimally served by paid staff’, noting ‘an insider approach that still owes more to activists...
than is common in lobbying groups’ (Jordan and Halpin, 2003: 323). One FSB officer told these authors in interview that

Because we work with volunteers who lead this organization, we as staff have to follow their every whim. This is not a problem when we have a good activist but many, unfortunately, are not. Outside organizations know this and this also influences the reputation of the FSB with policy makers.

On the one hand, due to our structure, we are really in touch with the members, but also, due to the structure, it is really difficult to achieve anything.

(Jordan and Halpin 2003: 324)

Nonetheless, these authors do see a professionalization of recruitment and reliance upon selective economic incentives, creating a new membership cadre which is largely disinterested in policy activities, evident from a declining participation in membership and annual conferences. This niche blend of increasing professionalization and activism is evident from its self-presentation in its document ‘The FSB Successes and Achievements 1974–2000’ in which it claims that ‘The FSB has unrivalled access to the corridors of power when compared to any other business organizations in Britain. It has not only achieved this by building up a strong membership base whose voice has to be listened to but by the quality and professionalization of its lobbying’ (Jordan and Halpin 2003: 322). Membership dues account for most of the revenues, with 88.3 per cent. Sales of services to members and other commercial activities contribute 0.9 per cent and 7.3 per cent, respectively.

The organization of FPB is principally (94 per cent) funded by membership subscriptions, with the remainder from the sale of services to members (6 per cent). Occasionally, FPB receives revenues from involvement in government project schemes (including a survey for the Health and Safety Executive). The organization had 30 staff in 2003.

BCC embraces 2,500 staff in its networks and its national offices. Only a small percentage of aggregate network staff is allocated to BCC itself. In the late 1990s BCC was reported to have 68 staff (Teufelsbauer 1998). As a consequence of its institutional involvement in service activities, the BCC network is the only one of the UK’s five business-wide organizations to have a significant income from government contracts. An estimated one-third of BCC network income comes from sponsorship from public bodies to cover specific activities performed by Chambers (Institut des sciences du travail 2001). Over time, there has been an increasing reliance by Chambers upon statutory funding from government contracts (Fallon and Brown 2000), and it has recently called for a greater share of funding to be channelled into industry based, rather than college, training (Hammond 2002). BCC itself is reported as having an annual income of around £1.5 million (The Times
2004). As will be outlined in the section on restructuring, the BCC is the only one of the five associations to be visibly challenged by recent financial pressures.

In the case of IoD sale of services contributes significantly to the financial base of the organization, in that only 37 per cent of total income (£30.15 million) comes from membership subscriptions (IoD 2004), the lowest of comparable organizations included in this survey. It has the highest proportion of income from membership service provision of all the five UK business-wide associations. Membership subscriptions are £255 for one year, plus a once payable election fee of £200. Whilst membership is beneath a recent peak of 55,504, membership income has shown some growth, and in terms of total finances a 2002 operating deficit was turned into a surplus of £647,000 in 2003 (IoD 2004). This financial basis supports the work of 200 staff, although the structure of its finances and activities means that it has to be somewhat selective about the use of its time to address policy issues. The organization has eleven staff dedicated to policy issues, with a limited range of specialisms.

Organizational restructuring

Collaboration between UK business associations was the subject of two landmark speeches by the President of the Board of Trade, Michael Heseltine, in 1993 and 1995. For some, these speeches tacitly raised issues about UK social partnership, although in content they did not. His explicit theme was that UK business associations could sometimes be ineffective, needed a better resource base to keep track of EU and international developments and in promoting the international competitiveness of member companies, and should be playing a more active role in contributing to new government initiatives. He was critical of the constituency of UK associations on these criteria, and urged upon them change which explicitly stopped short of a ‘continental pattern’ of hierarchy, but which did involve greater collaboration of resource and effort. Nonetheless, some activists involved with business interest representation came to interpret his remarks as an attempt to stimulate a re-organization of the world of UK business associations into something resembling a ‘continental’ model of linked statutory chambers with compulsory membership. There is no evidence to support such an interpretation, and indeed Heseltine’s 1993 speech included the remark that

This doesn’t mean that industry should have a rigid structure of representation in this country, with the CBI as some kind of national federation heading a series of lesser federations below it. I am not persuaded that the Continental pattern would prove ideal, even if it could be successfully transplanted here.

(Boleat 2003: 21)
As Bennett (2000) notes, the objectives set out by Heseltine were threefold: (i) to develop their resources as a precondition for influencing government policies; (ii) to help improve the competitiveness of their member companies; and (iii) to enhance their ability to contribute to new government initiatives and help government serve industry better.

In his 1995 speech, Mr Heseltine did, however, return more forcibly to the theme of collaboration, expressing the view that consolidation through mergers would lead to more powerful and effective associations. This position was echoed by the small firms minister Richard Page. In his speech to a CBI Conference in 1996 he expressed his preference for a system of no more than 60 trade associations, each recognized as the lead organization for its industry (Bennett 2000). These speeches resulted in the DTI issuing a best practice guide for trade associations in 1996. DTI also provided funding support for associations to benchmark themselves, and financial support for the establishment of the Trade Association Forum (TAF). TAF is located within the offices of CBI, and has developed into a self-financing membership organization in the pursuit of best practice among trade associations. There were also drives to enhance the involvement of trade associations as part of a consolidated UK export effort through organizations such as British Trade International (BTI) and Trade Partners UK. The latter organization produced a best practice guide for supporting exports, including measures specific to SMEs, and which made specific recommendations for trade associations which also embraced SME oriented work. Whilst Heseltine’s speeches and initiatives have been a change agent for UK trade associations,12 they have done little to stimulate a widespread reorganization of the essentially pluralist system of UK trade associations, and the agenda has not been taken up by successor Labour governments (Boleat 2003).

Regardless of this, the issue of reorganization has repeatedly been raised by the associations themselves and the media. This debate has primarily involved BCC as a consequence of the fact that this organization has been most troubled by internal change drivers among the five organizations. Whilst the number of accredited chambers has remained constant for the past three years (British Chambers of Commerce 2001; Daily Telegraph 2002), there have been affiliation pressures at both local and federal levels and the consequent resource pressures they bring. In 2002, five UK Chambers were reported as being given subscription relief through a phased payment arrangement (Daily Telegraph 2002). In 2002, the large Bristol Chamber left the BCC network, taking with it £36,000 of annual subscriptions, and merged with neighbouring Chambers to re-brand itself ‘Bristol West’ (Financial Times 2004). Hence, BCC has needed to respond to a changing financial base. In 2002, the organization faced a reported annual deficit of £400,000 in its running costs, downsized by shedding one-third of its jobs, and dismissed its Director General (Financial Times 2004). As part of its restructuring, BCC moved its commercial operations to Coventry, and increased the proportion of income coming from additional services,
such as certification schemes (Financial Times 2004). By April 2004, the BCC Director General hailed a £100,000 surplus for the preceding twelve months. One local chamber head told the press that ‘We are starting to turn the corner. There is a new attitude. It is like the organization has been reborn’ (Financial Times 2004: 4). Whilst voting within BCC remains by the principle of ‘one chamber member one vote’, a new board structure for the BCC will strengthen decentralized forces in that each of the BCC’s regions will have a representative on the national board (Financial Times 2004). The Coventry location is also one shared by the new Learning and Skills Council, making BCC well placed to build a relationship with it on the basis of its traditional strengths in training and skills provision. In 2003 the two organizations teamed up to launch a national ‘Great Skills Debate’ to seek from employers what they wanted to see in the government’s skills strategy.

After its breakaway from BCC the Bristol Chamber considered (but did not finally take the action of) joining CBI (The Times 2004). BCC has itself twice held merger talks with CBI in the recent past, in 1995 and 1999 (The Times 2002). A recent article in The Times claimed that BCC was to merge with FPB, with the merged organizations carrying the name of the ‘Small Business Confederation’ (The Times 2004). The article reported BCC as completely denying suggestions of any merger plans, a position shared by FPB. While some journalism may not let accuracy get in the way of a good story, the prospect of future consolidation in the UK business-wide representative system is not an implausible one: Where merger discussions have arisen or been the subject of press speculation, they tend to have arisen between organizations which have complementary profiles (i.e. BCC and CBI; BCC and FPB, speculation denied by each party).

Conclusions

A ‘pluralist’ caricature often applied to UK interest representation may carry some degree of plausibility and be superficially appealing, but it tends to mask some complexities in the case of organized business. Certainly, it resembles some characteristics of free markets through its relative lack of structure, its relative independence from government, its relative lack of co-ordination, and its resistance to formal structured dialogue, and a preference sometimes heard that it should be thus.

Without doubt, there is an absence of institutional structures to link the five UK business-wide organizations, and there is little coordination between them, although their scope of representational activities overlaps to a considerable extent. This is evident in the case of SME interests. For instance, each of the five has separate access to the UK Minister with responsibility for small businesses. Each is substantially engaged with employment related issues, and they have very similar messages. The greatest level of coordination between them arises for engagement with the EU level,
where the smallbusinessl europe service is unique among the constituency of member states. The five clearly value the organization and their participation in it. While there are cultural and member constraints to the development of anything resembling institutionalized ties between the organizations or indeed to their involvement in social partnership, some of the organizations are quite comfortable with a range of institutionalized ties they have with government which come under other names. It is important to all parties that their involvement in anything at the UK level avoids use of the term ‘social partnership’ or which could justify an accusation of ‘quasi corporatism’ or ‘tripartism’.

However, some of the organizations are more relaxed about informalized arrangements which exist under another name, and, were formal arrangements to exist, a number would engage constructively with it. At a UK level, CBI would appear to be the organization which meets some of the criteria to be a potential leader of co-ordination, in that employment policy issues are important to its work, while having a low focus of competition among the other organizations. CBI, by its nature and position, cannot do other than have extensive relations with TUC and with DTI, and some of its relations with governmental type organizations are somewhat embedded. Where these involve the UK end of EU social dialogue, FPB seeks inclusion, and if the issues can be resolved to its satisfaction, some possibilities for collaborative action may arise. There is also a view that some de facto arrangements may already exist viz. the UK co-ordination of EU social partnership, and whilst EU arrangements are unlikely to be the catalyst for a formal UK social dialogue, they may well increase the scope of informal dialogue on employment related matters. Given the UK’s reputation among other member states for its EU outlook, it is somewhat ironic that the nearest thing to ‘social partnership’ for UK business-wide organizations at a UK level lies with the UK end of EU oriented initiatives.

While the overall picture is thus in line with the properties of pluralism, there are some important qualifications to be made with regard to both the pattern of interest intermediation and its interaction with public policy. As regards interest intermediation, competition between the associations is more limited than the ideal-typical model of pluralism implies. This can be traced to the evolution of niches in terms of distinctive combinations of membership strongholds and activities which differentiate the associations from each other. However, this differentiation tends to exacerbate the overall fragmentation of the associational system. Issue driven collaboration is evident, some common meeting platforms have recently emerged, and at the level of UK devolved administration more than a little collaboration is evident. While central government relations with outside interests are relatively unstructured and independent, there are relationships, visible and less visible, where there is a closer incorporation of business-wide interest associations into public policy. Among these associations can be found those which would, while following their members’ instructions to oppose ‘social
partnership’ in any formalized context, engage constructively with it should one emerge, particularly at secretariat level.

One can infer from this that even a strong state cannot completely avoid devolving public functions to organized interests. Conversely, business interest associations seem to be able to assume such functions even under extremely unfavourable conditions. This is all the more remarkable, since the mode of devolution comes close to a paradox: that is a market-driven incorporation of collective interests. This mode is consistent with the essentials of the new flexible model of Britain which exposes also the public sector to competition. However, this blend of market and associations is beset with two main difficulties. As outlined above, the effects of such incorporation on the associations involved are ambivalent and may erode their membership basis in the worst case. This is because the market model implies that the associations act as agents of public policy on a contractual basis. This means that they have to compete with other suppliers, something which conflicts with the principles of corporatist governance which normally vest the associations with a privileged, monopoly-like status, so as to relieve them of pressures from their members. The second problem is suboptimal supply with public goods. If state authority is parcelled out within a framework of competitive contract relations, then policies and programs become compartmentalized, suffering from a lack of coherence, as the case of business support arrangements in general and training in particular underscores (Crouch 1995a). These problems cannot easily be overcome, as one can learn from the unsuccessful Heseltine initiatives: Within this framework pluralist associational structures and the lack of coherence of devolved governance tend to reinforce each other.

Notes

1 But subject to the application of Value Added Tax.
2 The Confederation of British Industry has since changed its name to ‘CBI’.
3 These include the Tourism Framework, Business Gateway, and Waste Minimisation
4 FSB and FPB share this policy position with the IoD, although the FPB’s membership of UEAPME results in a more enthusiastic EU embrace, and a pragmatic commitment to work within given structures. Some traces of a conflictual relationship between the respective organizations to which FPB and FSB are affiliated to at the EU level are evident from coverage in specialist press outlets (EU Reporter 2003). The ideological positioning of CBI and BCC are more relaxed again, partly arising from their relatively more ‘pro’ EU positions, although their wide constituencies and remit means that they cannot afford to be too distinctly identified with a particular political sheen.
5 The National Hairdressers’ Federation, which does provide employment services to members (such as model contracts of employment), but which is not engaged in collective bargaining with unions; much of wage costs in the sector is regulated by national minimum wage provisions.
6 In exceptional circumstances a Chamber can be admitted where it has a higher penetration than average of the local economic community (Institut des Sciences du Travail 2001).
7 IoD also has four overseas centres, five European branches, and three UK offshore branches.
8 Against union demands, the CBI succeeded in excluding small businesses (i.e. those with 20 or fewer employees) from this legislation.
9 These include the Learning and Skills Council, and Equality Commissions.
10 A formula does exist, but the complexity of this and the difficulties of categorizing individual associations into a distinctive type means that the subscription fees paid by any individual association tend to be governed more by historic, incremental, and subjective factors, resulting in a multikaleidoscope practice of subscriptions from associations.
11 The decentralized nature of the BCC network makes exact comparison on these criteria impossible.
12 Empirical evidence suggests that the government’s initiative enjoys broad support, whereas there is least support for development of associations directly to improve the competitiveness of their individual members (Bennett 2000).
Part III
Introduction

Adopting a cross-nationally comparative perspective, this chapter relates the above evidence from the country chapters to the theoretical propositions, as set out in Chapter 2. This is meant to complement the country studies also in methodological respects. The propositions will be transformed into testable hypotheses, and the concepts underlying them will be translated into quantitative measures. As far as possible, statistical methods will then be employed for testing the hypotheses. The main reason for adopting a quantitative design is that the number of countries under consideration is too large for a comparative in-depth study. Furthermore, qualitative designs do not enable analysis to expose the hypotheses to rigorous empirical testing. However, one has also to mention the problems of such quantitative design. In our case they mainly result from the fact that the number of countries is relatively small for the purpose of a statistical analysis. For a detailed discussion of these problems and possible solutions see Traxler et al. (2001).

We confine ourselves to discussing two problems which are especially relevant, when it comes to interpreting the model specifications and their results. First, the power of statistical tests decreases with the number of observed cases. Hence, the special problem of small data sets is that one runs a high risk of rejecting a hypothesis because of statistical insignificance, although the hypothesized association is actually significant in substantive terms. This means that the tests presented here are biased towards rejecting hypotheses, such that we can detect only the most important determinants of the dependent variable. To mitigate this problem, we proceed from a rather large probability value (i.e. $p \leq 0.10$) equal to or below which the null hypothesis is rejected as insignificant. Second, small data sets limit the number of explanatory variables that can be included. If the data allow for a multivariate analysis, only the most relevant independent variables can be included.

The specific problems of a small data set bring two methodological requirements at the forefront of empirical analysis. In comparison to a large sample size, they create a special need to gear the research design to
theoretical considerations. Furthermore, one has to pay special attention to the properties of the observed cases, when measuring them and deducing substantive conclusions from the statistical results. For this reason, the quantitative analyses will be supplemented by giving a qualitative overview of these properties from a cross-nationally comparative perspective.

The structure of this chapter follows the analytical framework presented in Chapter 2. Accordingly, it provides three main sections: associability and domain demarcation; associational activities; and the governance capacity of the associations.

**Associability and domain demarcation**

The key assumption of our theoretical reflections is that large companies are more associable than their smaller counterparts. Hence, they play the pivotal role in forming business associations. Moreover, they prefer building general associations (which also aim to organize SMEs) over special associations of ‘big business’. Most essentially, this preference is based on trust in their structural predominance over the smaller companies in such associations. This predominance also makes their general associations the principal (i.e. the most powerful) business representative vis-à-vis the authorities and unions. SMEs, for their part, will seek to set up their own, separate associations in response to large firm predominance in the general association. However, in doing so, they face more difficulties than their larger counterparts, due to more limited resources.

To empirically examine these propositions, one has to refer to two levels of analysis: the associational system and its single components, i.e. the associations as such. The analysis of the associations will be designed as a ‘paired’ comparison, focusing on the principal association and the largest SME organization of each country. This is for a pragmatic reason. In countries with numerous associations, it is almost impossible to collect detailed organizational data on each of them, in particular because the problems of data access are considerable. If there are relatively few associations, then this situation as such often leads to a paired comparison. This holds true for six countries of the EU-15, where no more than one SME association exists, aside from the principal association (Table 18.1).

These considerations lead us to the empirical findings on the system level of analysis. A few conceptual remarks may help interpret the data of Table 18.1. As outlined in Chapter 2, this analysis includes only cross-sectoral associations in the sense that their membership domain covers at least three one-digit activities according to NACE classification. Seen from the associations’ perspective, the basic choice is between leaving either the membership domain unspecified, or concentrating on a special group of business by linking eligibility of membership to certain criteria which characterize solely the target group. Associations which leave their domain unspecified will be called general associations. This category also
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Notes: The principal association of a country is underlined; Chambers are put in italics. * Informal membership demarcation. ** Mandatory membership. Several affiliates are mandatory Chambers. Associations put in brackets are borderline cases according to project definitions. They will not be included in the statistical tests. Percentages without borderline cases.
includes associations which concentrate on the business sector in the genuine sense, while excluding ‘atypical’ areas of business. This involves primarily agriculture which is not covered by the formal domain of WKÖ, MEDEF, Confindustria (CI) and UEL. Moreover, Confindustria concentrates on organizing firms which operate on the basis of ‘industrial organization’. This criterion somewhat orients the organization towards larger companies. However, leaving much room for interpretation, it does not constitute a clear-cut distinction between eligible and non-eligible companies. Therefore, Confindustria is classified as a general association. In contrast to the general associations, any association which has specified its domain is captured as a narrow association. This also includes associations which have specified eligibility for membership in terms of affiliation to a certain ‘macro-sector’ that embraces three or more one-digit NACE activities.

When demarcating their membership domain, associations may do this formally or informally. The formal demarcation is endorsed in the associations’ constitution. However, the actual domain may differ from it as a consequence of informal recruitment practices. Most frequently, such differences arise from a de facto specialization in certain subgroups of business within a broader formal membership domain. In some countries minor business groups are beyond the reach of the general association, because these groups have gathered in independent, branch-specific associations which are so narrow that they fail to meet our criterion of a cross-sectoral association. Conversely, one association has extended its actual membership to groups outside its domain: According to its constitution, MEDEF comprises companies employing more than 10 employees. However, this threshold is irrelevant in practice. In order to maintain comparability across associations and countries, we will consider here only the formal demarcation of membership, unless there is a marked difference between the formal and actual domain. Such difference applies to MKB, Företagarna (FR), TT, PT and SY.

Our theoretical reflections also require identifying the most powerful association. By definition, the principal association plays the key role in industrial relations and public policy. This implies that the unions and authorities regard this association as the most important interlocutor, as regards business interests. In comparison to the other (voluntary) associations, the principal association covers always the largest number of employees, but does not necessarily register the largest number of companies.

In the EU-15 the total population of cross-sectoral associations consists of 66 independent, country-wide organizations. As Table 18.1 reveals, the number of associations per country differs remarkably. This raises the question of what determines this number. In this respect, the theoretical chapter discusses several possible determinants: on the one hand, this includes economic factors such as the distribution of firms by size. On the other hand, institutional factors may be supportive (i.e. state sponsorship, low statutory barriers to recognition as a party to collective bargaining, statutory schemes
for extending collective agreements, and participation in public schemes to aid business) or detrimental (i.e. Chambers and special SME committees within the principal association) to the voluntary formation of associations. Furthermore, it is argued that the formation of SME associations is especially sensitive to these exogenous factors. The country chapters, however, suggest that public schemes and Chambers hardly contribute to explaining cross-national variations. This is because all countries run public schemes which incorporate the business associations some way or other. Likewise, one finds Chambers in any country of the EU-15. Most essentially to the problem here, they all have their strength in the provision of services,¹ which might crowd out the formation of other associations. To save a discriminatory effect of the Chamber system, we thus differentiate between voluntary and compulsory systems. The argument is that compulsory systems weaken the willingness to voluntarily associate more than voluntary systems do, since the former dispose of more resources and can thus offer more attractive services. In line with our problem in question, the empirical analysis is done separately for the entire system of voluntary business associations (VAS) and for the voluntary system of SME associations (VNAS) (Table 18.2, column 1 and column 2). It is only the size of the country which matters in that the number of associations significantly increases with the total number of companies (C). This positive effect means that a large group makes it easier for business to find a critical mass for collective action, in line with the discussion in Chapter 2. Other factors, such as extension schemes (EXTD) and statutory barriers to the capacity for collective bargaining (RA) do not have a significant effect. This applies also to the distinction between voluntary and compulsory Chamber systems (CHCD). One can infer from this that the profile of the activities covered by the compulsory Chambers differs rather from that of the other associations. In terms of sensitivity to exogenous conditions, the system of SME associations differs only gradually from the system as a whole, insofar as the model for SMEs shows a slightly higher explanatory power. However, one should note that the theoretical argument refers to the special sensitivity of SME association relative to the general and principal association.

This brings us to the essence of our theoretical discussion. Accordingly, one should find one single general association which should be the principal association at the same time; and this association should co-exist with one or more narrower associations. They should specialize in organizing interests which remain outside the mainstream of what large companies perceive as business interests. SME interests are presumed to be the most important cases outside this mainstream. The systems of seven countries (i.e. Belgium, Denmark, France, Germany, Italy, the Netherlands and Sweden) fully match this configuration. Ireland, Portugal, Spain and the UK appear to deviate from this configuration, because the general and at the same time principal associations co-exist with Chambers whose domain is also general. However, one must take account of the SME profile of these
Table 18.2 The determinants of associability

<table>
<thead>
<tr>
<th></th>
<th>1 AS</th>
<th>2 NAS</th>
<th>3 APDENC</th>
<th>4 ASDENC</th>
<th>5 APDENE</th>
<th>6 ASDENE</th>
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<tr>
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<td>1.16</td>
<td>0.22</td>
<td>3.67</td>
<td>3.89</td>
<td>-0.50</td>
</tr>
<tr>
<td></td>
<td>(1.18)</td>
<td>(0.79)</td>
<td>(12.37)</td>
<td>(17.25)</td>
<td>(30.68)</td>
<td></td>
</tr>
<tr>
<td><strong>C</strong></td>
<td>0.00**</td>
<td>0.00**</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHCD</strong></td>
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<td>0.03</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>(1.77)</td>
<td>(1.18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXTD</strong></td>
<td>-1.25</td>
<td>-1.05</td>
<td>34.89**</td>
<td>8.44</td>
<td>38.12**</td>
<td>284.25***</td>
</tr>
<tr>
<td></td>
<td>(1.72)</td>
<td>(1.15)</td>
<td>(14.33)</td>
<td>(39.66)</td>
<td>(15.67)</td>
<td>(30.68)</td>
</tr>
<tr>
<td><strong>RA</strong></td>
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<td>-0.64</td>
<td>0.16</td>
<td>0.14</td>
<td>0.49</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td>(1.55)</td>
<td>(1.03)</td>
<td>(0.22)</td>
<td>(0.44)</td>
<td>(0.27)</td>
<td>(0.12)</td>
</tr>
<tr>
<td><strong>UD</strong></td>
<td>-</td>
<td>-</td>
<td>0.16</td>
<td>0.14</td>
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<td>0.26</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.22)</td>
<td>(0.44)</td>
<td>(0.27)</td>
<td>(0.12)</td>
</tr>
<tr>
<td><strong>UD×EXTD</strong></td>
<td>-</td>
<td>-</td>
<td>-0.61*</td>
<td>0.11</td>
<td>-0.70**</td>
<td>-3.44***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.28)</td>
<td>(0.70)</td>
<td>(0.30)</td>
<td>(0.43)</td>
</tr>
<tr>
<td><strong>CL</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.78**</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1.32)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APSC</strong></td>
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<td>-0.21</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.97)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FISSD</strong></td>
<td>-</td>
<td>-</td>
<td>5.98</td>
<td>-</td>
<td>60.76***</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(8.02)</td>
<td></td>
<td>(7.48)</td>
<td></td>
</tr>
<tr>
<td><strong>R²</strong></td>
<td>0.35</td>
<td>0.51</td>
<td>0.44</td>
<td>-0.19</td>
<td>0.43</td>
<td>0.95</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>15</td>
<td>15</td>
<td>11</td>
<td>9</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td><strong>F–test</strong></td>
<td>0.08</td>
<td>0.02</td>
<td>0.07</td>
<td>0.64</td>
<td>0.07</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Notes
Entries are OLS coefficients; standard errors in parentheses. * p ≤ 0.10. ** p ≤ 0.05.
*** p ≤ 0.01. R² = adjusted coefficient of determination. For variable definitions, see Appendix.

Chambers, even though they are not SME associations in formal terms. They concentrate on services rather than on interest representation. Their activities are thus primarily geared to an important need of SMEs which also make up the majority of their members. This specific profile means that these cases do not really conflict with the point of the hypothesis. In consequence, there are four real outliers: (i) Luxembourg, because there is only one single association; (ii) Austria, since the narrower association is skewed towards large firms in practice; (iii) Finland, where the principal association is not general; and (iv) Greece whose principal association, SEV, focuses on a macro sector as well as on large firms. These cases deserve closer consideration. Luxembourg’s UEL is the general peak of eight, rather autonomous affiliates, including those related to SMEs. In Finland the configuration, as delineated in Table 18.1, changed in 2005, when TT and PT finished their merger to form a general principal association (i.e. EK).
Austria and Greece most clearly deviate from the hypothesized associational behaviour of large firms, since these have formed separate associations there instead of general ones. In the case of Austria this can be traced to the legal framework for associational action which has established the Chamber as the principal association whose structures assign a relatively strong position to SMEs. There is thus good reason for large companies to run their own association. This is IV whose formal membership domain embraces the companies relying on ‘industrial’ methods of production and organization, and which practise a business activity related to industry. With more than 350 employees per member firm on average, IV surpasses any other association studied here in the average size of member companies. The Greek SEV is the only organization that formally and actually concentrates on large firms. Its domain is limited to firms with more than 50 employees in manufacturing and related services. Recalling the standard definition of SMEs one has to note that even SEV includes the larger groups of SMEs. Regardless of this, SEV is understood as the voice of large firms in the Greek context. The upshot of these considerations is that there is a strong tendency of large firms to behave in line with the hypothesis. If we exclude the case of Austria where their behaviour is predetermined by statutory provisions, only two truly deviant cases (i.e. Greece and Luxembourg) remain.

Table 18.1 also informs about how the narrower associations demarcate their membership domains. There are three main clusters of criteria for specification:

- **Macro sectors:** the demarcation of domain follows the differentiation between manufacturing and the service sector. Since firm size in the manufacturing sector is usually above the average, representing this sector often combines with a special focus on the interests of large firms. The most evident example is Austria’s IV.

- **Ownership, corporate governance and commercial orientation:** this cluster mainly embraces cooperatives and non-profit organizations. There is also specialization in US multinationals (AMCHAM), family ownership (ASU) and directors (IoD). One may assume that demarcation by family ownership implies small firm size, and specialization in directors, large size. The opposite is actually true. ASU registers the highest score on the average number of employees per member firm (i.e. 261.5 employees) among all the German associations listed in Table 18.1. The majority of IoD members are companies with one to 200 employees.

- **Firm size:** membership definitions refer to firm size either explicitly or implicitly. The latter applies to domains targeting the craft sector which represents a certain category of SMEs. Another example of an implicit reference to SMEs is FPB which has specialized in members who have jointly the role of owners and managers of private businesses. Table 18.3 gives an overview of how the SME associations formally demarcate their domain from the group of ‘larger’ companies. The standard criterion is
a firm’s number of employees. Aside from this, the associations differ widely in their definition. Surprisingly few organizations (i.e. only CPPME and Confartigianato) follow the conventional threshold of fewer than 250 employees. Some demarcations set a clearly lower level, while four associations adopt a level (i.e. 499 employees) which is far higher than the standard. The majority of SME associations (i.e. 63.0 per cent) have refrained from any definition of what makes an SME. This probably reflects the fact that the SME associations have to operate in the shadow of the principal association and its proactive large members. As a consequence they must respond to the recruitment strategy of the principal association by concentrating on those business groups which apparently remain outside its focus. As the more detailed inquiry into the largest SME associations will show below, their primary target is the group of micro firms.

Firm size is the criterion most frequently used for demarcating membership domains, something which underscores the relevance of this criterion as a divide in business interests. Twenty-seven business associations (i.e. 40.9 per cent) of the total number of cross-sectoral national business associations

| Table 18.3 The formal definition of SMEs by the SME associations², 2003 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| **Country** | **Number of employees** | | | | |
| | < 15 | ≤150 | < 250 | ≤250 | < 500 | Unspecified |
| DK | | | | | | HVR |
| FIN | | | | | | SY |
| F | | | | | | CGPME |
| UPA | | | | | | APCMC |
| GER | | | | | | AWM, |
| | | | | | | BVMW, |
| | | | | | | BDS-DGV |
| GR | | | | | | GSEVEE |
| IRL | | | | | | ISME |
| I | | | | | | CAR |
| | | | | | | CCO, CASA, |
| | | | | | | CL, CNA, CE, |
| | | | | | | CCOO, CAP, |
| | | | | | | AGCI |
| NL | | | | | | MKB |
| P | | | | | | CPPME |
| S | | | | | | CPPME |
| UK | | | | | | FR, FF, SINF |
| FSB | | | | | | FPB |
| Total | 1 | 2 | 2 | 1 | 4 | 17 |
| % | 3.70 | 7.41 | 7.41 | 3.70 | 14.82 | 62.96 |

Note
a Categories H, I, B×H, C×H, H×I according to Table 18.1.
listed in Table 18.1 have specified their domain by reference to firm size, sometimes in combination with other criteria. Furthermore, only one of them (i.e. SEV) does not focus on SMEs. Separate SME associations are absent only in Austria, Belgium, Luxembourg and Spain. However, Table 18.1 rather downplays their real relevance in the case of Spain and Belgium. In Spain the cross-sectoral national association for SMEs, CEPYME, has become part of CEOE since 1980. Aside from this, there also exist important independent SME associations at sub-national (i.e. regional) level. The membership domains of the Belgian SME associations (i.e. UCM and UNIZO) are also sub-national. Regardless of this, they are important actors at national level, as they participate in the cross-sectoral national social dialogue. In terms of the number of members UCM comes close to FEB/VBO, while UNIZO clearly surpasses the country’s principal association. Hence, Table 18.1 lists them in brackets. It is only the principal associations of Austria and Luxembourg which have managed to incorporate the representation of SMEs so effectively that no notable independent SME association exists at national or sub-national level.

Like SMEs, cooperatives and non-profit organizations have important interests outside the mainstream business interests, as dominated by large firm interests. On aggregate, these interest groups account for 50 per cent of the total number of associations listed in Table 18.1. Even more importantly for our problem in question, they represent 74 per cent of the total population of voluntary narrow associations. This confirms the proposition that the interests, which are outside the mainstream, as defined by large firm interests, are primarily compelled to find separate channels of articulation.

We turn now from the level of the associational system to the level of the associations. This enables us to examine the following propositions on firm size and associability, in accordance with Chapter 2:

(i) Large firms are more willing and able to associate than their smaller counterparts.
(ii) Therefore, SME associations face more problems of associability.
(iii) The principal associations pursue an inclusive recruitment strategy, aimed at integrating also the smaller companies.
(iv) Large firms prevail in the principal associations.
(v) Associability is generally contingent on exogenous conditions, although they affect the SME associations more than the principal associations.

Before testing these assumptions, one has again to clarify several conceptual questions. They mainly refer to associability which means membership strength, if the level of analysis is the association. Measuring the membership strength of a business association creates a tricky problem, because its members themselves are collective entities whose economic weight varies with their size. Taking a company’s economic weight into consideration is all the more important to this study, since it enables analysis
Franz Traxler, Bernd Brandl and Susanne Pernicka
to differentiate between small and large firms. Possible criteria which are related to a company’s economic weight include turnover, the wage sum, the number of employees etc. In the industrial relations literature the number of employees is used as the standard indicator of the economic weight of the members of an employer association (e.g. Traxler et al. 2001).
However, this is not necessarily the indicator most appropriate to other types of business associations, since the relevance of the various criteria for firm size as well as the range of potential members depends on the function of an association. In this respect, employer organizations clearly contrast with trade associations. Measuring the membership strength of an employer association in terms of employees makes sense, since the focal area of its operation is the labour market. In the case of trade associations which are specialized in representing their members’ product market interests, other criteria like turnover may be more important. Moreover, the membership domain of the associations qualitatively varies with their function. While it is only employers who will join an employer association, the domain of trade associations and mixed associations embraces also businesses without employees. These considerations suggest the use of distinct measures for one and the same sample of associations. This, however, raises problems of comparability. Finding a common denominator is the better alternative. This is employment rather than any other criterion. The reason for this is that the authorities and the public usually weigh an association’s relevance according to its ‘representativeness’ which is understood as the size of employment covered by the association. In the case of the trade associations and mixed associations, this means employment in the broad sense (i.e. dependent employment plus own account self-employment). The corresponding criterion for employer associations is employment in the narrow sense (i.e. dependent employment) for the reason outlined above. Hence, we proceed from two criteria of membership strength: the companies affiliated to the association and the scale of employment covered (i.e. the number of member companies plus the number of their employees).4
In relative terms, this implies estimating two kinds of density ratios: density in terms of companies (i.e. the percentage of companies affiliated to an association within its domain) and in terms of employment (i.e. the percentage of employment organized by the association within its domain).5
To estimate density, we refer to the formal domain, unless an association has actually specialized in SMEs, whereas its formal domain is unspecified. Furthermore, if a domain de facto extends beyond this domain to a notable extent (as is the case of MEDEF) the reference is the actual domain. The figures on the absolute number of member companies, the number of employees covered and the density ratios are documented in Table 18.4. The figures on member companies and employment covered are from the country chapters, if not indicated otherwise. However, these figures differ from these sources in the case of DA, HVR, MEDEF, CGPME and BDA.6
Finally, the densities in Table 18.4 differ from those in the country chapters
<table>
<thead>
<tr>
<th>Association</th>
<th>Member firms*</th>
<th>Employees covered*</th>
<th>Density in terms of firms</th>
<th>Density in terms of employment**</th>
<th>Peak-level staff</th>
<th>Aggregate staff</th>
<th>Staff per 1,000 member firms</th>
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</thead>
<tbody>
<tr>
<td>A: WKÖ+</td>
<td>200.1</td>
<td>2222.6</td>
<td>100.0</td>
<td>100.0</td>
<td>1120</td>
<td>4615</td>
<td>5.574 22.967</td>
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<td>B: FEB/VBO [UNIZO]</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>30.0</td>
<td>1000.01</td>
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<td>80</td>
<td>1000</td>
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<td>40.7</td>
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<td>611</td>
<td>29.464 109,107</td>
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<td>450.0</td>
<td>39.8^3</td>
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<td>100</td>
<td>200</td>
<td>1.136 2.273</td>
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<td>F: MEDEF</td>
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<td>13000.0^*</td>
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<td>72.6</td>
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<td>11000.0</td>
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<td>n.a.</td>
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<td>n.a.</td>
<td>57.0</td>
<td>115</td>
<td>3000</td>
<td>n.a.  n.a.</td>
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<td>100.0</td>
<td>100.0</td>
<td>115</td>
<td>13000</td>
<td>0.135 15.294</td>
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<td>n.a.</td>
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<td>44</td>
<td>n.a.</td>
<td>n.a.  n.a.</td>
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<td>7.2</td>
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<td>n.a.</td>
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<td>18</td>
<td>5.000 5.000</td>
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<tr>
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<td>220</td>
<td>4600</td>
<td>1.942 40.598</td>
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<td>450.0</td>
<td>11.6^3</td>
<td>6.2^3</td>
<td>90</td>
<td>n.a.</td>
<td>0.173 n.a.</td>
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* continued
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<th>Country</th>
<th>Member firms*</th>
<th>Employees covered*</th>
<th>Density in terms of firms</th>
<th>Density in terms of employment**</th>
<th>Peak-level staff</th>
<th>Aggregate staff</th>
<th>Staff per 1,000 member firms</th>
</tr>
</thead>
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<td>LUX: UEL++</td>
<td>22.5</td>
<td>224.0</td>
<td>93.8</td>
<td>95.1</td>
<td>5</td>
<td>170</td>
<td>0.222</td>
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<td>115.0</td>
<td>4000.0</td>
<td>20.1</td>
<td>59.2</td>
<td>160</td>
<td>n.a.</td>
<td>1.391</td>
</tr>
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<td>MKB</td>
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<td>1000.0a</td>
<td>30.73</td>
<td>35.1</td>
<td>85</td>
<td>85</td>
<td>0.486</td>
</tr>
<tr>
<td>P: CIP</td>
<td>45.0a</td>
<td>850.0a</td>
<td>6.8</td>
<td>29.6</td>
<td>22</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>CPPME</td>
<td>n.a.</td>
<td>n.a.</td>
<td>7.0-8.0</td>
<td>n.a.</td>
<td>3</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>SP: CEOE+++</td>
<td>1300.0</td>
<td>5000.0b</td>
<td>48.7</td>
<td>52.3</td>
<td>110</td>
<td>n.a.</td>
<td>0.085</td>
</tr>
<tr>
<td>S: SN</td>
<td>56.9</td>
<td>1487.0</td>
<td>11.7</td>
<td>47.8</td>
<td>329</td>
<td>1304</td>
<td>5.779</td>
</tr>
<tr>
<td>FR</td>
<td>80.0</td>
<td>450.0</td>
<td>16.53</td>
<td>24.23</td>
<td>100</td>
<td>n.a.</td>
<td>1.250</td>
</tr>
<tr>
<td>UK: CBI</td>
<td>250.0c</td>
<td>10000.0</td>
<td>6.2</td>
<td>41.4</td>
<td>255</td>
<td>n.a.</td>
<td>1.020</td>
</tr>
<tr>
<td>FSB</td>
<td>185.0</td>
<td>1250.0</td>
<td>5.0</td>
<td>9.5</td>
<td>140</td>
<td>140</td>
<td>0.757</td>
</tr>
</tbody>
</table>


Notes
* 1,000s. ** Density defined as member companies plus employees covered as a percentage of total employment in the membership domain (BDA, GSEVEE, SEV: employees only). 1 2005. 2 Adjusted for part-time jobs. 3 SMEs < 250 employees. 4 SMEs < 50 employees. + Obligatory membership. + + Part of the affiliates is based on obligatory membership. +++ CEPYME excluded. n.a. = not available.
also for conceptual reasons: Confindustria’s domain which formally focuses on firms characterized by ‘industrial organization’ is operationalized here as covering all firms except those of the craft sector.

It is important to note that the density rates on employment in Table 18.4 differ generally from those in the country chapters, since the former refer to employment in the broad sense, whereas the latter, to employment in the narrow sense. For the above reasons, the design to test the above propositions (i)–(v) will be a paired comparison of the principal association and the largest SME association. Only the voluntary associations will be included.

(i) Membership figures broken down by firm size are available only for a few associations. Hence, they cannot be employed for examining the hypothesis that the propensity to associate increases with firm size. Instead, we compare the density of companies with that of employment within each of the two types of associations. A significantly higher density of employment, as compared to density of companies, corroborates the hypothesis. This holds true for both the principal association (APDENC/APDENE) and the SME association (ASDENC/ASDENE) (Table 18.5). The difference between the two densities is more accentuated in the case of the principal association, something which indicates that the membership structure of the principal associations is more skewed towards large firms than is the case of the SME association.

(ii) The second proposition that SME associations have more difficulties with recruiting members can be tested by comparing the principal associations with the SME associations with regard to the two densities (Table 18.5). The proposition must be rejected, because the two types of associations do not significantly differ in their density of companies (APDENC/ASDENC). However, the principal associations show a significantly higher density of employment (APDENE/ASDENE). This again underscores the fact that large companies are their stronghold.

(iii) The few available figures on membership broken down by firm size provide anecdotal evidence for the inclusive recruitment strategy of the principal associations, which makes SMEs prevail numerically. As these figures suggest, the vast majority of members record no more than 50 employees. In the case of Confindustria, MEDEF, EK and SN, their share in total membership is around 83 per cent, 70 per cent, 83 per cent and 93 per cent, respectively. Further analysis can resort only to the centre of the distribution, i.e. the average size of the member firms in terms of employees. Table 18.6 shows that the average size of the members of the principal associations remains within the confines of what is usually classified as SMEs. At the same time, the average size of the potential members is usually smaller than that of the actual members. This corresponds with the findings from proposition (ii) which also document a strong presence of large firms in the principal associations. Overall, their membership proves to be inclusive across SMEs and large companies, although the share of the group of larger companies...
Table 18.5 Associational properties: a statistical comparison of the principal association and the largest SME association

<table>
<thead>
<tr>
<th></th>
<th>APDENC/APDENE</th>
<th>ASDENC/ASDENE</th>
<th>APDENC/ASDENC</th>
<th>APDENE/ASDENE</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>11</td>
<td>12</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Means</td>
<td>14.32/43.4</td>
<td>15.67/19.33</td>
<td>15.03/18.23</td>
<td>42.78/23.19</td>
</tr>
<tr>
<td>t-value</td>
<td>–9.07***</td>
<td>–2.08*</td>
<td>–0.44</td>
<td>3.09***</td>
</tr>
<tr>
<td>PRLS PRPS</td>
<td>++</td>
<td>+</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>PRLU + PRC + Prsu</td>
<td>22</td>
<td>22</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>SRLS SRPS</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>N</td>
<td>15</td>
<td>11</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Means</td>
<td>0.97/0.53</td>
<td>0.96/0.33</td>
<td>0.96/0.33</td>
<td>0.79/0.27</td>
</tr>
<tr>
<td>t-value</td>
<td>5.05***</td>
<td>5.41***</td>
<td>5.6***</td>
<td>3.75***</td>
</tr>
<tr>
<td>PRLS + PRLU</td>
<td>/SRLS + SRLU</td>
<td>/</td>
<td>PRC + PRPS + PRPS</td>
<td>/SRC + SRCU + SRPS</td>
</tr>
<tr>
<td>SRLS + SRPS</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>PRLU + PRLU</td>
<td>/SRLS + SRLU</td>
<td>/</td>
<td>PRC + PRPS + PRPS</td>
<td>/SRC + SRCU + SRPS</td>
</tr>
<tr>
<td>N</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Means</td>
<td>1.91/1.36</td>
<td>0.42/0.52</td>
<td>5.09/4.82</td>
<td>8.82/1.33</td>
</tr>
<tr>
<td>t-value</td>
<td>2.63**</td>
<td>–1.15</td>
<td>0.71</td>
<td>1.97*</td>
</tr>
</tbody>
</table>

Notes

* t-tests for paired samples. * p ≤ 0.10. ** p ≤ 0.05. *** p ≤ 0.01. For variable definitions, see Appendix.
Table 18.6 The principal association and the largest SME association: organizational properties

<table>
<thead>
<tr>
<th>Country</th>
<th>Association</th>
<th>Average number of employees</th>
<th>Type of membership</th>
<th>Voting rights (peak-level)</th>
<th>SME-specific subunits (APSC)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Potential members(^a)</td>
<td>Members(^b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>WKÖ</td>
<td>11.1</td>
<td>11.1</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>B</td>
<td>FEB/VBO</td>
<td>6.2</td>
<td>33.3</td>
<td>Indirect</td>
<td>Unweighted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>DK</td>
<td>DA</td>
<td>8.1</td>
<td>26.8</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
<td></td>
<td>HVR</td>
<td>2.8</td>
<td>7.0</td>
<td>Mixed</td>
<td>Weighted</td>
</tr>
<tr>
<td>FIN</td>
<td>TT</td>
<td>6.6</td>
<td>92.9</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
<td></td>
<td>SY</td>
<td>N.A.</td>
<td>5.1</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
<td>F</td>
<td>MEDEF</td>
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<td>17.3</td>
<td>Indirect</td>
<td>Weighted</td>
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<tr>
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<td>CGPME</td>
<td>N.A.</td>
<td>7.3</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
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<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
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<tr>
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<td>N.A.</td>
<td>Indirect</td>
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<tr>
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<td>ZDH</td>
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<td>6.6</td>
<td>Indirect</td>
<td>Unweighted</td>
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<tr>
<td>GR</td>
<td>SEV</td>
<td>N.A.</td>
<td>N.A.</td>
<td>Mixed</td>
<td>Unweighted</td>
</tr>
<tr>
<td></td>
<td>GSEVEE</td>
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<td>N.A.</td>
<td>Indirect</td>
<td>Unweighted</td>
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<tr>
<td>IRL</td>
<td>IBEC</td>
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<td>90.0</td>
<td>Mixed</td>
<td>Unweighted</td>
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<tr>
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<td>ISME</td>
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<td>Unweighted</td>
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<tr>
<td>I</td>
<td>Confindustria</td>
<td>3.8</td>
<td>37.8</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
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<td>CAR</td>
<td>2.8</td>
<td>0.9</td>
<td>Indirect</td>
<td>Unweighted</td>
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<tr>
<td>LUX</td>
<td>UEL</td>
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<td>10.0</td>
<td>Indirect</td>
<td>Unweighted</td>
</tr>
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<td></td>
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<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>NL</td>
<td>VNO-NCW</td>
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<td>34.8</td>
<td>Mixed</td>
<td>Weighted</td>
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<tr>
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<td>MKB</td>
<td>N.A.</td>
<td>7.7(^d)</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
<td>P</td>
<td>CIP</td>
<td>4.0(^d)</td>
<td>18.9(^d)</td>
<td>Mixed</td>
<td>Weighted</td>
</tr>
<tr>
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<td>CPPME</td>
<td>N.A.</td>
<td>N.A.</td>
<td>Mixed</td>
<td>Weighted</td>
</tr>
<tr>
<td>SP</td>
<td>CEOE</td>
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<td>3.9</td>
<td>Mixed</td>
<td>Weighted</td>
</tr>
<tr>
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<td></td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>S</td>
<td>SN</td>
<td>5.5(^c)</td>
<td>26.1(^c)</td>
<td>Indirect</td>
<td>Weighted</td>
</tr>
<tr>
<td></td>
<td>FR</td>
<td>N.A.</td>
<td>5.6</td>
<td>Mixed</td>
<td>Unweighted</td>
</tr>
<tr>
<td>UK</td>
<td>CBI</td>
<td>4.8</td>
<td>40.0</td>
<td>Mixed</td>
<td>Unweighted</td>
</tr>
<tr>
<td></td>
<td>FSB</td>
<td>N.A.</td>
<td>6.8</td>
<td>Direct</td>
<td>Unweighted</td>
</tr>
</tbody>
</table>

Notes
\(^a\) According to membership domain. OECD statistics (i.e. National Accounts II) were used for estimating the number of employees covered by the domain, except for CAR whose source is national. \(^b\) Computed on the basis of the figures in Table 18.4, unless specific years of reference are indicated. \(^c\) 1997. \(^d\) 1998/9. n.a. = not available.
in total membership is disproportionately high. Table 18.6 also gives information about the average size of the members of the SME association. With the exception of ISME, the ‘average’ member is the micro firm in all the other SME associations. In practice, these associations thus concentrate on organizing the smallest companies within the group of SMEs. There are two reasons for this. First, the principal associations have succeeded in their inclusive recruitment strategy, such that the SME associations have to look for a niche. Second, the associational divide between micro firms and the other firms marks a watershed in terms of interests. Economic as well as institutional factors make the interests of the micro firms distinct. For instance, the possibilities of transnational mobility increase progressively with firm size. As a consequence of their stronger embeddedness, very small firms must be more concerned about the development and prosperity of the region in which they are located. At the same time, compliance costs caused by regulations usually tend to be disproportionately high in the case of this category of companies. The notable exception to this rule is industrial relations where one finds the inverse relationship between compliance costs and firm size. This is because labour law often exempts the very small companies from certain regulations. For instance, the establishment of employee workplace representatives is usually made subject to a certain minimum size of the company. If one includes safety delegates in these forms of employee representation, then the cut-off is in between five and 15 employees in the majority of the EU-15, and thus affects the micro companies. Likewise, studies of unionization in the UK and the Netherlands suggest that workplaces with fewer than 10 employees and those with more than 10 employees most strongly contrast in terms of union presence (Visser 1991). One can infer from this that the associational and political meaning of what firm size characterizes an SME does not coincide with standard statistical classifications: Micro firms diverge from any other group of companies more than SMEs as a whole differ from larger companies.

(iv) This proposition understands the prevalence of large firms in terms of power and influence. In this sense, large firms are expected to predominate in the principal associations, even though SMEs numerically prevail, as shown above. Intra-associational power configurations are a delicate issue, all the more since business associations and their members are especially anxious to conceal internal conflicts. Therefore a detailed study of what member groups carried the day in controversial matters faces manifold difficulties and extends beyond a comparison of 15 countries. Instead of such a policy-oriented design, we adopt an approach that focuses on the formal organizational structures. Three intra-associational properties can be taken as signs of a dominance of larger members. First, voting rights may be weighted according to criteria of size (e.g. the amount of dues paid). At peak level, the principal association and the SME association do not differ in the allocation of voting rights in nine of the 11 comparable cases (Table 18.6). Such differences exist only in Germany and Sweden, with weighted voting
in the principal association, and unweighted voting in the SME association. This lack of systematic difference may be traced to the fact that the principal association as well as the SME association especially attract the (relatively) large companies within their domain. Second, the existence of SME-specific bodies and affiliates specialized in SMEs indicates that the standard decision-making procedures lend little weight to SME interests. Only three of the 15 principal associations lack such SME-specific structures. Among the three associations, SEV is a special case, since it does not claim to represent the smaller companies. This leaves two real outliers (i.e. France and Portugal). Hence, SME-specific structures are the standard arrangement in the principal associations. Third, a confederation may admit companies as direct members. Such a rule on eligibility results in a ‘mixed’ membership structure in that companies and associations are directly affiliated to the peak. Eligibility of the companies for direct membership in the peak organization is designed to attract big business. As regards associations which are free to define their unit of membership, one should expect a mixed membership structure to exist only in the case of the principal associations. This does not match reality. Leaving aside the SME associations of Ireland and the UK which are not a confederation, one finds a mixed membership structure of the voluntary SME associations in three of the remaining eight countries (i.e. Denmark, Portugal and Sweden). However, in the case of HVR and CPPME direct company membership is an organizational residual rather than a means of attracting large firms. This is because confederal membership is possible only when there is no appropriate lower-level association which a company might join. In comparison to this, mixed membership is more widespread among the voluntary principal associations. Six of the 14 confederations of this type accept direct membership of companies. In all these cases direct firm membership does appeal to the very large firms. Obtaining the privileged status of a direct affiliate to the confederation, these firms play a key role in associational affairs. This includes their financial contributions. In two of the three confederations with a mixed membership structure, for which data on the composition of revenues are documented, the company members account for far more than half of total revenues (i.e. 88 per cent regarding IBEC and around 65 per cent in the case of CBI). As these companies are a clear minority within total membership, this arrangement implies that they more or less subsidize the member associations. What was called the ‘two-step recruitment strategy’ in Chapter 2 becomes visible in these cases: The very large companies form the core of the association and ‘buy’ representativeness through sponsoring other members. Overall, the findings on the three intra-associational properties confirm large firm dominance. This predominance, however, is most evident from the structure of the associational systems as such. If the group of large companies did not prevail in the principal associations, then SMEs would not be forced to form and maintain their separate associations. In 11 of the 15 countries, the principal association does co-exist with SME associations. Austria, Belgium, Luxembourg and
Spain do not fit in this pattern (Table 18.1). Regardless of this, they do not challenge the proposition for reasons already outlined above: the statutory structure of the Austrian WKÖ favours SMEs. Belgium and Spain record strong regional SME associations. Luxembourg’s UEL gathers several SME organizations which enjoy a high degree of autonomy, like the other member associations.

(v) Consistent with this research design, the list of the exogenous factors which are supposed to affect associability refers to country-specific properties. We discuss their impact separately for the principal associations and the SME associations. As far as density of companies is concerned, column 3 in Table 18.2 documents the results for the principal associations (APDENC). The key explanatory variable is the use of statutory provisions for extending multi-employer collective agreements to employers who are not affiliated to the signatory business association (EXTD). Density is significantly higher in countries where frequent or pervasive use of these provisions is made. There is also a significant interaction with union density (EXTDxUD). This supports the hypothesis that extension schemes induce employers to associate. The negative coefficient of this interactive term indicates that company density shows a negative association with union density, if extension practices are widespread. This means that extension schemes dominate any positive effect of union density in that they primarily prompt non-union companies to join the signatory business association. In contrast to the principal associations, none of our independent variables has a significant impact on company density of the SME associations (ASDENC, column 4). For heuristic reasons, we document here a model which is specified in a way analogous to employment density of the SME associations (i.e. column 6). Columns 5 and 6 show the findings on employment density of the principal associations (APDENE) and the SME associations (ASDENE), respectively. As regards the principal associations, extension and its interaction with union density have a significant effect analogous to that in the case of company density. With $p = 0.11$, union density as such slightly fails to reach conventional significance levels. There is another significant effect, resulting from the economic structure: employment density of the principal associations tends to significantly increase with the number of large companies (CL). On the one hand, this finding demonstrates that a growing number of potential key members promote collective action; on the other hand, it underscores the special relevance of large companies for the principal associations. The results for the SME associations resemble those for the principal associations, as far as the effects of extension, union density, and their interaction are concerned. There is a difference between the two categories of associations in two respects. Large companies do not matter in the case of the SME associations, whereas their employment density significantly depends on whether they enjoy state-based revenues (FISSD). As the country studies have shown, the associations may receive three kinds of such state support: public subsidies, given without special purpose; compensation for participation
in corporatist boards of governance; and income from legally-based levies imposed on the companies for devolved public functions. As column 6 reveals, employment density is significantly lower in countries without any such support, as compared to the other countries. The reason for this is that associations which are backed by legally-based financial support can set lower rates of subscriptions. The fact that the analogous predictor for the principal associations is insignificant suggests that the propensity to join them is less sensitive to dues than in the case of the SME associations. This difference echoes the difference between their members in company size. A comparison of the results of columns 3–6 yields several remarkable findings. First, the results for three of the four models concur in the pre-eminent impact of factors related to collective bargaining (i.e. EXTD, UD). This is notable because collective bargaining is neither the only field of associational activity; nor is it generally of utmost importance (Table 18.7). Aside from BDA, all the other principal associations are mixed. Bargaining as a determinant of density even more diverges from its importance as an activity in the case of the SME associations. Half of them have no or a negligible role in the bargaining process. This divergence brings us to the deviant case of column 4: while this model completely fails to explain company density of the SME associations, the explanatory power of column 6 referring to their employment density is very high. Recalling that differences between company density and employment density indicate effects of company size, we can infer from this that the SME associations cover two distinct groups of members which differ in their associational behaviour. One group is sensitive to bargaining institutions in a way similar to the members of the principal associations. This is the group of the larger members whose role of an employer is essential to them. The interesting finding is that they appear to join the SME associations even when these associations are not involved in bargaining. Our country studies document two reasons for this. On the one hand, the group of larger SMEs may understand their separate association as a lobby devised to change the bargaining system which they perceive as dominated by the principal association and its large members. On the other hand, they or their lower-level SME associations may entertain dual membership in the principal association and the peak SME association. The second group of members embraces the very small firms which account for the bulk of membership in the SME associations. This group presumably includes a great number of businesses which do not have any employee at all. It is plausible that they are rather distanced from bargaining matters, such that predictors related to bargaining cannot explain their behaviour. Moreover, there is good reason to believe that their propensity to associate is influenced by factors which cannot be captured by a study like this one. This includes the perceived attractiveness of services and regional affiliations. As the country studies show, SME associations are especially oriented towards regional conditions, in accordance with the regional orientation of their potential membership. In conclusion, our findings strongly corroborate
### Table 18.7 The cross-sectoral national business associations by type of interest representation (EU-15), 2003

<table>
<thead>
<tr>
<th>Countries</th>
<th>General associations</th>
<th>SME associations</th>
<th>Macro-sector associations</th>
<th>Other associations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mixed with CB*</td>
<td>Mixed without CB</td>
<td>Mixed with CB*</td>
<td>Mixed without CB*</td>
</tr>
<tr>
<td></td>
<td>EO TA</td>
<td>EO TA</td>
<td>EO TA</td>
<td>EO TA</td>
</tr>
<tr>
<td>A</td>
<td>WKÖ</td>
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</tr>
<tr>
<td>B</td>
<td>FEB/</td>
<td>[UCM,</td>
<td></td>
<td>CNM</td>
</tr>
<tr>
<td></td>
<td>VBO</td>
<td>UNIZO]</td>
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<tr>
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<tr>
<td>F</td>
<td>MEDFF</td>
<td>CGPME, UPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GER</td>
<td>BDA</td>
<td>ZDH, AWM, BVMW, BDS-DGV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GR</td>
<td>KEEE</td>
<td>GSEV EE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRL</td>
<td>IBEC</td>
<td>ISME*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>CI</td>
<td>CAR, CCO, AGCI, CASA, CE, CNA, CI, CAP, CCOO</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: CB = Corporate Business, SME = Small and Medium Enterprises, TA = Trade Association.
<table>
<thead>
<tr>
<th>Countries</th>
<th>General associations</th>
<th>SME associations</th>
<th>Macro-sector associations</th>
<th>Other associations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mixed with CB*</td>
<td>Mixed without CB</td>
<td>Mixed with CB*</td>
<td>Mixed without CB *</td>
</tr>
<tr>
<td></td>
<td>EO TA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUX</td>
<td>UFI</td>
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<td></td>
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</tr>
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<td>VNO-NCW</td>
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<td>MKB</td>
<td></td>
</tr>
<tr>
<td>P</td>
<td>CIP</td>
<td>AIP, AEP</td>
<td>CPPME</td>
<td>CCP</td>
</tr>
<tr>
<td>SP</td>
<td>CEOE</td>
<td>CSCE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>SN</td>
<td>SINF</td>
<td>FF</td>
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<td>KFO, AA, Idea</td>
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<td>UK</td>
<td>CBI</td>
<td>BCC</td>
<td>FSB, FPB, IoD</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11 2 1 6 15+ [2]</td>
<td>10 0 3</td>
<td>5 1 0 3 2 4 3 0</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>16.67 3.03 1.52 9.09</td>
<td>22.73 15.15 0.00 4.55</td>
<td>7.58 1.52 0.00 4.55</td>
<td>3.03 6.06 4.55 0.00</td>
</tr>
</tbody>
</table>

Notes:
The principal association of a country is underlined; Chambers are put in italics. 1 Categories H, I, B×H, C×H, H×I according to Table 18.1. 2 Categories B and C according to Table 18.1. 3 Categories D, E, F, G and J according to Table 18.1. 4 Very limited indirect involvement in collective bargaining. 5 Not participating in macroconcertation. * This category includes only those associations playing a substantial role in CB either directly or indirectly (i.e. via their member associations). CB = collective bargaining. EO = employer organization. TA = trade association. Percentages without UCM and UNIZO.
proposition (v) only with regard to employment density. The level of employment density is significantly contingent on external conditions. The fact that the model for the SME associations explains more of the observed variance than that for the principal associations indicates that the former are more sensitive to such conditions than the latter. The findings on company density are consistent with the proposition only in the case of the principal associations. The lack of support regarding the SME associations does not necessarily mean that their company density does not depend on external conditions. It is more plausible that the likelihood of (micro) companies to join an SME association is influenced by external factors other than those which could be covered by this study.

Activities

Interest representation

As outlined in Chapter 2, one has to distinguish between two main functions of business associations: representing interests and providing services. It is interest representation which makes business associations distinct from the businesses themselves, in particular from those of the business services sector, which may offer the same products as the associations do. As a consequence of the relevance of interest representation as the constituent property of business associations, we classify their function according to their representational activities, differentiating between three main types of associations: (pure) employer associations represent only the labour market interests of their members; (pure) trade associations concentrate on business interests other than those originating in the labour market (i.e. product market interests); and mixed associations seek to advance both the labour market interests and the product market interests of their members.

Table 18.7 groups all associations covered by this study according to their type of representational activity and demarcation of membership domain. In the case of confederations this classification refers to any activity performed by either the peak itself or its lower-level affiliates. Classifying an association according to whether labour market interests and/or product market interests are represented does not inform about how important these interests are to the association. In the case of mixed associations the importance of these interests usually varies not only across the associations themselves, but also across their distinct hierarchical levels, if they are processed under the umbrella of a peak association. Their importance may also vary in comparison to service activities. These variations in importance imply that the associations sometimes differ in their functional profile gradually rather than categorically. This is most evident in the field of collective bargaining, where an association’s activities become most visible. An association is classified as being involved in collective bargaining only when this involvement is substantial in two respects: collective bargaining
must take place on a reiterated basis and on behalf of the majority of member companies. This involvement may be either direct or indirect through the bargaining activities of lower-level member associations.

Proceeding from these conceptual clarifications, one finds that there are far more mixed associations than employer organizations and trade associations. More than 77 per cent of the total population of associations belong to the group of mixed associations. With almost 17 per cent, pure trade associations rank second in terms of frequency, whereas pure employer associations are rather rare, accounting for 6 per cent of all associations. One may wonder whether this division of labour reflects the special profile of cross-sectoral associations. This seems not to be the case, if we draw from earlier results for a comparative analysis of sector-related business associations. Of the total number of associations operating in any combination of sectors and countries investigated by the OBI project,20 76 per cent were mixed associations, 18 per cent were trade associations, and 6 per cent were employer associations (Traxler 1993). Regardless of differences in their encompassment of membership domain and their hierarchical position within the associational system, business associations appear to have the same priorities when it comes to demarcating their ‘interest space’. There is a clear tendency to combine the representation of labour market interests and product market interests, something which enables an association to offer its potential members a broad portfolio of representational activities and to increase its weight as a partner of important interlocutors. The main problem of this strategy is that it results in a high degree of intra-associational heterogeneity. In particular, this holds true for product market interests which are more divisive than the labour market interests for the reasons outlined in Chapter 2. The divisive character of product market interests challenges cross-sectoral associations more than their narrower counterparts. The convergence of both cross-sectoral and sectoral associations towards mixed functions can be traced to differences in how they cope with this challenge. Anecdotal evidence from the country chapters reveals that cross-sectoral associations tend to take up interests only when they are not controversial among their members. In the case of the confederations this means that they leave the representation of many product market interests to their member associations, without any claim to aggregate and unify these interests. Denmark’s principal association, DA, presents the most striking example of such low profile in matters of product market interests. Whilst DA itself comes close to an employer association, its affiliates – most prominently its largest member DI – pursue their members’ special interests in product markets. Hence, the practical implications of mixed functions may vary with domain encompassment and hierarchical status.

Given the very large number of mixed associations, the question of whether collective bargaining is an important task divides the associations more than does the differentiation of mixed associations, employer associations and trade associations. Fifty-six per cent of the total population
Franz Traxler, Bernd Brandl and Susanne Pernicka

(of which 50 per cent and 6 per cent are mixed associations and employer organizations, respectively) have a substantial role in collective bargaining in the way as defined above. As Chapter 2 elaborated in greater detail, there are several reasons for the relatively large number of associations without a substantial bargaining role. The most general one is that collective bargaining means interest representation *vis-à-vis* the labour market counterparts, something which requires business associations to perform the demanding task of imposing binding decisions upon their members. This is a difficult undertaking all the more since employers will prefer individual exchange relations with labour over collective ones on grounds of their superior power position in the labour market. Therefore, the willingness of business associations to enter into collective bargaining will depend on union strength. Furthermore, bargaining activities are also contingent on the extension of collective agreements. A notable practice of extending collective agreements tends to inflate the number of associations engaged in bargaining. This is because the all-encompassing coverage of extension practices places negative externalities upon the members of all those business associations which themselves do not bargain. Hence, it is rational for them to enter into collective bargaining so as to actively participate in the bargaining process, the outcome of which will bind their members in any case. Aside from this, the principal associations will be compelled to assume a proactive role in the bargaining process due to the specific conditions of their core members, large companies. They are usually more open to union demands not only as a result of higher unionization, but also on grounds of less labour-intensive production, as compared to the smaller companies. Therefore they will be the primary target of the unions. Conversely, many conditions affect the SME associations in a way that makes bargaining matters recede into the background: in comparison to the principal associations, they are often less resourceful, and their members are less concerned with industrial relations and face less union presence in the workplace. Following the categorization of associations according to Table 18.7, one expects the other associations to play also a minor role in bargaining. The general associations, which are not principal at the same time, are Chambers that do not bargain. The group of macro-sector associations includes several trade associations and Chambers. The domain of most of the remaining ‘other’ associations are distinct in terms of type of ownership. They will hardly have a clear bargaining profile, since their bargaining activities are likely to vary with the specific type of ownership. The incidence of bargaining activities thus depends also on the type of business association. Put more specifically, the principal associations are assumed to stand out in terms of their relevance as a party to collective bargaining.

To test these hypotheses, we employ a logistic regression analysis. The dependent variable refers to whether an association listed in Table 18.7 either has a substantial role in bargaining or lacks such a role. The findings support the above reasoning (Table 18.8, column 1): numerous large
Cross-national findings

Table 18.8 The determinants of bargaining and organizational reforms

<table>
<thead>
<tr>
<th></th>
<th>Bargaining (BAR)</th>
<th>Reforms (OR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Constant</td>
<td>−5.26 (1.87)</td>
<td>−1.79 (2.69)</td>
</tr>
<tr>
<td>CL</td>
<td>0.01** (0.00)</td>
<td>0.01 (0.01)</td>
</tr>
<tr>
<td>EXTD</td>
<td>2.65* (1.09)</td>
<td>1.41* (0.86)</td>
</tr>
<tr>
<td>UD</td>
<td>0.06* (0.02)</td>
<td>−0.01 (0.40)</td>
</tr>
<tr>
<td>Principal associationsa</td>
<td>3.84** (1.42)</td>
<td>−−</td>
</tr>
<tr>
<td>Macro-sector associationsa</td>
<td>−0.30 (0.99)</td>
<td>−−</td>
</tr>
<tr>
<td>General associationsa, b</td>
<td>−21.46 (13793.46)</td>
<td>−−</td>
</tr>
<tr>
<td>Other associationsa</td>
<td>0.30 (0.96)</td>
<td>−−</td>
</tr>
<tr>
<td>STF</td>
<td>−−</td>
<td>0.00 (0.00)</td>
</tr>
<tr>
<td>FISSD</td>
<td>−−</td>
<td>−−</td>
</tr>
<tr>
<td>Principal associationsc</td>
<td>−−</td>
<td>−−</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>54.14</td>
<td>16.37</td>
</tr>
<tr>
<td>Cox and Snell R²</td>
<td>0.42</td>
<td>0.35</td>
</tr>
<tr>
<td>Nagelkerkes R²</td>
<td>0.57</td>
<td>0.51</td>
</tr>
<tr>
<td>N</td>
<td>66</td>
<td>22</td>
</tr>
<tr>
<td>Significance of the model</td>
<td>0.00</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Notes

a Reference category is the group of SME associations. b Without principal associations. c Reference category is the largest SME association. For the classification of associations, see Table 18.7. Entries are logistic regression coefficients; standard errors in parentheses.

* p ≤ 0.05. ** p ≤ 0.01. For variable definitions, see Appendix.

companies (CL), a high level of unionization (UD), and the extension of collective agreements (EXTD) all significantly increase the probability that an association has a substantial role in collective bargaining. As regards the impact of the type of association, the SME associations are taken as reference group for technical reasons. They differ significantly from the principal associations in their lower probability of playing a substantial
bargaining role, whereas no such differences exist in comparison to the other types of business associations. This underlines the predominance of the principal associations in representing employer interests. CBI is the only principal association lacking substantial involvement in collective bargaining. This combines with single-employer settlements prevailing in collective bargaining and with a comparatively limited incorporation of CBI and other associations in public policy. In contrast to this, the prevalence of multi-employer bargaining, a substantial bargaining role of the principal business association and their rather encompassing participation in public policy characterize the other EU-15 countries. It is not an exaggeration to say that the substantial bargaining role which is embedded in a system of multi-employer bargaining is the key to participation in other policy fields which in formal terms fall within the purview of state responsibilities. This is because the state cannot ignore associations which notably affect macroeconomic aggregates through their bargaining role. In other words, the extent to which a cross-sectoral association can participate in public policy strongly correlates with their role in the bargaining process (Traxler 2004). The outcome of these interdependencies is usually labelled as ‘corporatist’ patterns of public policy. In several countries such as Belgium, France, Greece, Portugal and Spain, these interdependencies are even formalized: associations which are recognized as ‘representative’ bargaining parties enjoy privileged access to public policy. Such a corporatist setting implies that the negative externalities of being not a party to collective bargaining increase in that they arise not only from the collective agreements themselves, but also from any other economic and social policy covered by corporatist governance. Associations and their members which are excluded from this governance are compelled to take the decisions made by the participants in the process. In consequence, corporatist arrangements set an incentive for business associations to enter into collective bargaining, even when this is not their primary area of interest: access to other, more relevant policy fields presupposes a role in collective bargaining. It is, however, not easy to gain access to corporatist institutions. Macrocopradist arrangements are often closed shops. This can be traced to the fact that the ‘insiders’ have little interest in extending the number of participants. Both the government and the unions tend to prefer a low number of business representatives as their interlocutors. The principal associations which always represent business within macrocopradist institutions are even more determined to keep other business associations out, since they are mainly seen as rivals for representational influence, organizational privileges and possibly public funds which are accessible only to the participants in macro concertation. Due to their relatively large number and their structural domain overlap with the principal association, this problem of recognition especially concerns the SME associations. There are seven countries (i.e. Denmark, Finland, Greece, Ireland, Italy, the Netherlands and Portugal) where statutory or voluntary forms of institutionalized macro concertation as well as SME associations
exist. These associations do not participate in concertation policies in four of these countries (i.e. Denmark, Finland, Ireland and Portugal). In Finland, Ireland and Portugal their requests for joining the concertation process were vetoed by the participating business associations.

These considerations bring us to the systematic comparison of the principal associations and the largest SME associations. We will employ this comparison for testing the following assumptions, as put forward in Chapter 2:

(i) Both types of associations represent their members’ interests vis-à-vis the authorities rather than vis-à-vis their market counterparts (i.e. the employees, suppliers and customers of their members). This is because the latter case of interest representation is more demanding, since it usually requires the associations to negotiate with the market counterparts, arrive at a compromise and make their members comply with this compromise. When it comes to representing interests to the authorities, an association can confine itself to lobbying without any commitment.

(ii) Both types of associations represent product market interests vis-à-vis their members’ customers and suppliers less frequently than any other interests vis-à-vis other interlocutors. The reason for this is that representing such interests in relation to suppliers and customers is not only demanding because of the need to assure member compliance. These compliance problems magnify in the case of product market interests, as they are more divisive than labour market interests.

(iii) In comparison to the largest SME association, the principal association is far more engaged in labour market interests. This follows from the differences between large and small firms in their industrial relations conditions, as outlined above.

(iv) The principal association and the SME association do not differ in their involvement in product market interests. Firm size does not make a difference in the need to advance these interests collectively. At the same time, product market interests vary with firm size, such that the smaller companies cannot free ride by leaving their representation to the principal association.

Although the first two propositions address differences between types of interest representation instead of differences between the principal association and its SME counterpart, the empirical analysis of any of the above propositions will focus on these two categories of associations, since comparable data on the representational activities of all the associations covered by this study are not available. Table 18.9 gives an overview of the representational activities of the principal associations and the largest SME associations. Most of these associations are confederations. In this case, there is often a clear division of labour, leading to distinct functional profiles.
Table 18.9 Representational activities

<table>
<thead>
<tr>
<th>Country</th>
<th>Association</th>
<th>Labour market interests vis-à-vis:</th>
<th>Product market interests vis-à-vis:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>The unions</td>
<td>The state</td>
</tr>
<tr>
<td>A</td>
<td>WKÖ</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>B</td>
<td>FEB/VBO</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>[UNIZO]</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>DK</td>
<td>DA</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>HVR</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>FIN</td>
<td>TT</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>SY</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>F</td>
<td>MEDEF</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>CGPME</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>GER</td>
<td>BDA</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>ZDH</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>GR</td>
<td>SEV</td>
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<td>IRL</td>
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</tr>
<tr>
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<td>CI</td>
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</tr>
<tr>
<td></td>
<td>FSB</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

of the peak organization and its lower-level affiliates. Table 18.9 includes any kind of activity performed either by the associations themselves or by their affiliates. This information provides the data basis for the empirical analysis which compares the differences in the average scores on the representational activities between the focused types of interest representation/types of business associations. The findings are documented in Table 18.5. They corroborate each of the four propositions. For each of the two types of
associations, the hypothesized differences are statistically significant in the case of both proposition (i)

\[
\left( \frac{\text{PRLS + PRPS}}{2}, \frac{\text{SRLS + SRPS}}{3} \right)
\]

and proposition (ii)

\[
\left( \frac{\text{PRLU + PRLS + PRPS}}{3}, \frac{\text{PRLU + PRLS + PRPS}}{3} \right).
\]

Likewise, the two types of associations significantly differ in their involvement in labour market interests

\[
\left( \frac{\text{PRLS + PRLU}}{2}, \frac{\text{SRLS + SRLU}}{2} \right),
\]

while they do not differ in their engagement in product market interests

\[
\left( \frac{\text{PRC + PRSU + PRPS}}{3}, \frac{\text{SRC + SRSU + SRPS}}{3} \right).
\]

In addition, it is worth mentioning that labour market interests and product market interests do not significantly differ in how frequently they are taken up by the associations. Since labour market interests are less heterogeneous than product market interests, one might presume that associations process the former rather than the latter. In particular, interest heterogeneity creates serious problems for the cross-sectoral associations studied here, since they have internalized the enormous diversity of sector-related interests. However, their complex organizational structure enables them to cope with these problems. All the principal associations and almost all SME associations are confederations that have a multiplicity of different, hierarchically ordered units under their umbrella. One-third of these confederations embrace more than 100 affiliates. Even in cases of a relatively small number of direct affiliates the confederation covers a span of three or even more hierarchical levels. This confederal pyramid of associations performs two tasks which both relate to the imperative of maintaining internal integration. First, the pyramid serves as a mechanism to accommodate and unify the manifold interests in a step-wise decision-making process that starts at the primary level and ends at the peak of the pyramid. This function of interest unification is essential to the reputation of cross-sectoral associations, since speaking on behalf of either business in general or SMEs as a whole is precisely what their interlocutors expect them to do. However, the confederations are anxious not to overstrain the aggregation of interests, and thus proceed with the utmost caution, as the country studies show: they usually refrain from unifying their member interests in questions on which it is impossible to reach a peak-level consensus among the distinct member
groups. If a consensus cannot be found, it is custom to give the lower-level affiliates a free hand, enabling them to pursue their particularistic interests in that controversial matter. Although the pyramid-like structure does not produce unequivocal positions in such matters, they nevertheless contribute to the confederation’s integration: its second integrative task is to work as a safety value insofar as the numerous narrow member associations are ready to advance the interests of their members separately from and independently of the conflicting interests of other member groups.

Since Table 18.9 registers any kind of interests covered by the respective association regardless of the hierarchical level on which they are processed, no statistically significant difference between labour market interests and product market interests can be found. In the case of cross-sectoral associations the two types of interests differ in the level on which they are processed rather than in whether they are taken up at all. Anecdotal evidence from the country studies suggests that an internal politics of *laissez faire* is primarily practised in the case of product market interests as a result of their higher degree of heterogeneity. The peak organizations tend to address them only occasionally, depending on whether a consensus can be reached. There are even two principal confederations (i.e. BDA and DA) which do not represent any kind of product market interests, leaving them completely to lower levels. In comparison to this, one finds more involvement of the peaks in labour market issues. As far as associations are engaged in bargaining matters, there is a clear tendency to unify the interests across the distinct member groups: with the exception of CBI, all principal peak organizations either bargain themselves or try to coordinate the bargaining activities of their affiliates. A higher risk of adopting non-consensual positions seems to be the side-effect of this generalized practice of unifying labour market interests. The country studies document only two examples of peak-level decisions which were taken against open resistance from certain member groups. Both examples involved labour market interests and, more specifically, collective bargaining: the decision of BDA to veto the extension of a collective agreement for the construction industry, and the withdrawal of SAF from centralized collective bargaining. In both cases, these decisions were enforced by the confederation’s most powerful member group, i.e. the affiliate of the metal-working industry. The explanation for this observation is that a generalized practice of unifying employer interests creates rather strong pressures to arrive at common positions even in a situation when interests prove controversial. This is to avoid the risk that the unions play off the distinct employer groups against each other.

**Services**

Services are usually provided by the primary associations which directly organize the firms. Confederations are less involved in these activities, since they often lack direct relationships with the member firms under their
umbrella. Therefore, this study refers to services which are provided by the cross-sectoral associations either directly or indirectly (i.e. via member associations). There are two possibilities of assessing the relative importance of services. The first one adopts an *intra*-associational perspective and examines the importance of services, as compared to representational activities performed by one and the same association. This can be done by estimating the amount of resources allocated to either of these two main tasks. Second, the importance of services can be analysed also *across* the associations by comparing the range of service activities offered by them.

The *intra*-associational importance of services must be differentiated from their inter-associational importance. This is because investment in services may be subordinate to interest representation within one certain association A. Regardless of this, association A may offer more services than another association B, even when the latter spends more of its resources on services than on interest representation.\(^{24}\) This ensues from big differences in available resources: compared to B, A disposes of so much more resources that it can afford more service activities in absolute terms, while the share of services in its total expenditures is still smaller than that spent on interest representation.

We will again concentrate on the principal association and the largest SME association, when examining the following four assumptions:

(i) In terms of their *intra*-associational relevance, services are more important to the SME associations, as compared to their principal counterparts. This difference reflects the fact that small companies need services more than large firms.

(ii) As regards the *inter*-associational perspective, the two types of associations do not differ in their scope of service activities. This follows from the general relevance of SMEs as a member group and the relevance of services as a means of attracting this group. In the case of SME associations this relevance is evident. Likewise, the principal associations seek to recruit SMEs, so as to increase their representativeness.

(iii) As an implication of their relevance as a selective incentive for membership, services are usually not payable.

(iv) Generally, the scope of an association’s services will follow the scope of its representational activities. The main reason for this is that associations face competition from businesses in the field of services. Since the associations have to bear the costs of both interest representation and services in contrast to service businesses, they can hope to be competitive only when gearing the scope of their services closely to their scope of representational activities.\(^{25}\)

Table 18.10 summarizes the service profile of the two types of associations. There is no association which does not offer services to its members. Although we do not have systematic data on the demand for these services, there is
### Table 18.10 Service activities: the principal associations and the largest SME associations in comparison

<table>
<thead>
<tr>
<th>Scope of service activities</th>
<th>Form of provision</th>
<th>Focused task</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial relations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A: WKÖ</td>
<td>Yes</td>
<td>F</td>
</tr>
<tr>
<td>B: FEB/VBO [UNIZO]</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td><strong>Economic policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DK: DA</td>
<td>No</td>
<td>IR</td>
</tr>
<tr>
<td>HVR</td>
<td>No</td>
<td>IR</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIN: TT</td>
<td>Yes</td>
<td>E</td>
</tr>
<tr>
<td>SY</td>
<td>Yes</td>
<td>E</td>
</tr>
<tr>
<td>F: MEDEF</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>CGPME</td>
<td>No</td>
<td>F</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GER: BDA</td>
<td>No</td>
<td>F</td>
</tr>
<tr>
<td>ZDH</td>
<td>No</td>
<td>F</td>
</tr>
<tr>
<td><strong>Vocational training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GR: SEV</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>GSEVEE</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td><strong>Further training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRL: IBEC</td>
<td>Yes</td>
<td>E</td>
</tr>
<tr>
<td>ISME</td>
<td>Yes</td>
<td>F</td>
</tr>
<tr>
<td><strong>Standardization of products and product quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I: CI</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>CAR</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>LUX: UEL</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td><strong>Focused task</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope of service activities</td>
<td>Form of provision</td>
<td>Focused task</td>
</tr>
<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td>NL:</td>
<td></td>
<td></td>
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<tr>
<td>VNO-NCW</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>MKB</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>P: CIP</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>CPPME</td>
<td>No</td>
<td>IR</td>
</tr>
<tr>
<td>SP: CEOE</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S: SN</td>
<td>Yes</td>
<td>E</td>
</tr>
<tr>
<td>FR</td>
<td>No</td>
<td>E</td>
</tr>
<tr>
<td>UK: CBI</td>
<td>Yes</td>
<td>IR</td>
</tr>
<tr>
<td>FSB</td>
<td>Yes</td>
<td>S</td>
</tr>
</tbody>
</table>

Notes
F = completely or mainly free of charge. P = mainly payable. IR = interest representation. S = services. E = interest representation and services are equally important.
qualitative evidence from the country studies that it is primarily the smaller members which make use of the associations’ service programs. This is the key premise on which our four propositions are based.

To examine proposition (i), we proceed from an association’s focused task (Table 18.10). This measure refers to the estimated amount of resources allotted to representational activities, as compared to the resources spent on the provision of services. There are three possible situations: interest representation has priority over services or vice versa; alternatively, these two main tasks may be perceived as equally important. The majority of the comparable pairs of principal associations and SME associations prioritize interest representation. This is plausible, as our unit of analysis is interest associations in contrast to service companies. Nevertheless, one should expect that the intra-associational relevance of services is higher for the SME associations than for the principal associations. The data underline this difference in orientations. In comparison to the 73 per cent of the comparable principal associations prioritizing interest representation, the proportion of SME associations which share this orientation is markedly smaller (i.e. 55 per cent). While none of the principal associations gives priority to services, 18 per cent of the SME associations do so.

As regards proposition (ii), we compare the associations’ scope of service activities in terms of the number of the seven categories of services covered (Table 18.10). With 5.09 services categories covered on average, the principal associations offer a broader scope of services (PSS) than the SME associations which record an average of 4.82 (SSS). However, this difference between PSS and SSS is so small that it remains statistically insignificant (Table 18.5), in accordance with our proposition.

The data also corroborate proposition (iii). With one exception, the associations offer their services to the members mainly free of charge (Table 18.10). It should be noted that this documents only the prevailing pattern. Certain services are payable in many associations. This holds true primarily for non-standard services which must be tailored to the special needs of a certain member.

Proposition (iv) implies that a certain representational activity covered by an association is mirrored by the corresponding service activity. Conversely, a certain service should not be provided, if an association does not perform the contiguous representational activity. We draw here from our data on the associations’ representational activities (Table 18.9) and from our list on their service activities (Table 18.10). Although the representational activities and the service activities are categorized according to the same areas of activity and interlocutors, their classification is not identical. Services and representational activities can be related to each other in four cases. There are two clearly interrelated pairs of services and interest representation, addressing customers and suppliers. Furthermore, services dealing with economic policy programs have their counterpart in representing product market interests to the state. Finally, two representational activities relate to
Cross-national findings

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one single service activity in two cases: Representing labour market interests to the state and to the unions both refer to services dealing with industrial relations. None of the remaining service activities is unequivocally linked to one certain kind of interest representation. Hence, they will be excluded from this analysis. Focusing on the four interrelated cases of services and interest representation, we regard a (positive) correspondence as given, if the existence of one of the relevant representational activities coincides with the existence of the contiguous service activity. Otherwise, we register a negative correspondence. This design enables us to employ a simple binomial model for examining the proposition. The null hypothesis is that a correspondence between services and interest representation is as probable as their non-correspondence. With $p = 0.00$ (Z-approximation, $N = 104$), we can reject the null hypothesis and thus conclude that an association’s scope of services significantly corresponds with its scope of interest representation.\(^{26}\)

The considerable variation in how services are produced makes their high correspondence with interest representation more remarkable than the proposition and the related reasoning in Chapter 2 suggest. As a review of the country chapter reveals, there are four approaches to services which differ in the kind of provider. First, the association’s staff is the standard provider of services. Second, the association establishes a framework such as regular meetings, local for exchange of information, and business networks that induce the members to supply themselves with services. One can infer from the country studies that this approach is adopted primarily by SME associations that face resource scarcity or pursue a low-subscription strategy. Third, formally independent centres which are (co-)owned by the association offer their services to the members. For instance, this approach has strongly gained in importance in the Netherlands. Fourth, services are provided by arrangement with independent and external suppliers which cooperate with the association on the basis of commission. This is widespread practice of the UK associations. The provision of services by the staff ties these activities most closely to an association’s scope of interest representation, since it is rational to involve the staff members only in those services which parallel their representational activities. This makes services really a by-product of interest representation. In contrast to this, an association can choose its service portfolio independently of its representational activities, if it adopts either of the two approaches that outsource the production of services. Therefore, there might have been a lower degree of correspondence than that actually found. The explanation for the observed high degree of correspondence is that only the provision of services as a by-product promises to sustain cost competitiveness in relation to service businesses. If services are outsourced to dependent or independent businesses, the association has to internalize the cost of their production in addition to the given cost of interest representation. Regardless of how services are produced, there is always the pressure to offer the bulk of services free of charge for the above reasons. Under these circumstances, outsourcing can merely be a supplementary
undertaking, focusing on sophisticated and thus payable services. Therefore, its primary purpose is not to recruit members but to raise money by sale of services in addition to the revenues from member dues.

Overall, the above findings concur with our key assumption, referring to the interplay of firm size and associational action. As shown in the section on associability, the principal associations are dominated by large firms. In contrast to their smaller counterparts, large firms see associations as a vehicle for advancing their interests, whereas their function as providers of services is far less important. This preference is reflected by the fact that the principal associations give interest representation priority over services more consistently than the SME associations do. Regardless of this, the principal associations are engaged in service activities as much as the SME associations are. This indicates that the principal associations seek to integrate as many SMEs as possible for reasons of representativeness. Hence, the internal integration of the principal associations rests on a special trade-off: Large firms dominate the politics of interest representation, while the provision of services is geared to the needs of SMEs. Like the SME associations, the principal associations offer their members most of their services free of charge. Since large firms are the most important contributors to the associations’ revenues, and SMEs most frequently use the associations’ services, this tends to result in an intra-associational re-distribution insofar as large member firms mainly pay the services which are primarily used by SMEs.

Activities and resources

When trying to explain the observed activities of the associations, the above sections on interest representation and services have resorted to interests as the explanatory variable. Put more specifically, the argument has been that two kinds of interest differentiation condition an association’s activities: differences in the companies’ interests as such, which are rooted in differences in firm size; and differences in the organizability and generalizability of business interests which mainly echo the distinction between labour market interests and product market interests. The strong empirical support for the propositions that are derived from this argument underlines the fact that these interest differentials are indeed a key determinant of associational action. Interests, however, are certainly not the only determinant. For reasons of data characteristics, namely the small number of cases and restricted data availability, we cannot embark on an analysis aimed at detecting as many relevant determinants as possible. Instead, we focus on another key determinant: that is, resources. Resources work as the mediating link between interests and associational action, as cross-national comparisons of business associations and labour unions show (Traxler 1993, 1995b). An association’s capacity for taking up interests and transforming them into corresponding activities depends on its resource endowment. At worst, an association, when being plagued by resource scarcity, may be compelled to
neglect even vital interests of its members. Resource availability is all the more important to a study of the impact of firm size on business associations, since differences in resources directly correlate with differences in firm size.

The above findings suggest that these differences between the companies themselves translate into differences between the principal associations and the SME associations. This is because large firms band together in the principal associations. As a consequence, they are likely to be far better resourced than the SME associations. To examine this proposition, we take the size of the associations’ staff as the indicator of their resource endowment. Table 18.4 documents the number of staff members (i.e. the associational employees in contrast to elected representatives) working on behalf of the principal association and the largest SME association. Since most of the associations are confederations, one has to differentiate between the (peak-level) staff working for the confederation and staff on aggregate which refers to the confederation and all the lower-level associations under its umbrella. Most data on aggregate staff are estimates, since the confederations usually lack files on the staff of their affiliates. In many cases, it is even impossible to estimate this figure on grounds of the large number of affiliates. To control for differences in staff size caused by differences in country size, our comparison of the two types of associations proceeds from relative staff size, measured as the number of staff per 1,000 member firms. Table 18.4 documents this measure with regard to both the peak-level and aggregate level.

As a first inspection of the data shows, WKÖ stands out in terms of the absolute number of peak-level staff. ZDH records the largest aggregate staff. At the other extreme, one finds CPPME and UEL with less than 10 staff members at peak level, and ISME with less than 20 on aggregate. In relative terms, the peaks of TT and IBEC are staffed best. On aggregate, this list is headed by IBEC and Confindustria. They contrast with the peak-level staff of CGPME and CEOE, and the aggregate staff of MKB and FSB, which register the relatively smallest number of employees.

There are eight pairs of associations available for the quantitative comparison of the relative size of peak-level staff. With p = 0.09, the statistical analysis confirms our proposition that the principal associations (PSTF) are significantly better staffed than the SME associations (SSTF) (Table 18.5). On average, the relative staff size of the former is almost seven times larger than that of the latter. It is impossible to test the proposition with regard to the relative size of aggregate staff, because data are available only for one pair of associations. However, the two types of associations are likely to diverge in the relative size of staff even more on aggregate than at peak level. This is for two reasons. First, peak-level staff represents only a rather small proportion of aggregate staff, and there will be no marked difference between the peak level and the levels below in the special relevance of large firms for financing business associations. Second, several SME associations are primary organizations, whereas all principal associations are confederations. According to our definitions, aggregate
staff is larger than peak-level staff only in the case of the confederations. Finland, the only country for which paired data on staff are complete, illustrates how differences in staff grow with the level of aggregation. Compared to SY, TT is better staffed by factor 26 at peak level, and by factor 48 on aggregate.

Although data characteristics do not allow for a detailed analysis of the impact of the differences in resources on associational action, one can conclude that their general consequence is that the SME associations are far more restrained in their scope of activities than the principal associations. One can infer from the above findings that these constraints are critical at least in two areas of activities: services and bargaining.

In response to the special needs of their constituency, the SME associations usually regard services as more important than the principal associations do. Regardless of this, the former do not offer more services than the latter. This can be traced to the differences in resource endowment. Resource superiority empowers the principal associations to keep pace with the SME associations in this area, although services are not their primary concern.

For the reasons outlined in Chapter 2, collective bargaining requires more resources than the other fields of interest representation. Hence, the differences in resources may also contribute to the fact that the SME associations are significantly less involved in bargaining than the principal associations. This proposition requires closer consideration, since the above analysis has found that several conditions make SMEs and their associations significantly less interested in bargaining than is the case of large companies and the principal associations. If this lack of interest is strong enough, then resource availability is irrelevant, because there is no reason to spend resources on bargaining activities. We employ a logistic regression for testing the effect of resource endowment on bargaining in a way analogous to the analysis documented in Table 18.8, column 1. Compared to this analysis, we include here only the principal associations and the largest SME associations, since data on relative staff size are available only for these two types of associations. While we add relative staff size (STF) as an explanatory variable, we leave out several other explanatory variables due to the small number of cases. The results of this analysis are documented in Table 18.8, column 2. In contrast to extension practices, relative staff size fails to reach conventional levels of statistical significance. Therefore we cannot accept the proposition that the SME associations are less engaged in collective bargaining than the principal associations as a result of the more limited resources of the former compared to the latter.

**Governance**

Governance capacity is demanded of associations when they act as agents of public policy. In these circumstances, they have to ‘govern’ their members by imposing binding decisions on them for the purpose of public functions
that transcend the immediate interests of the members. This requires associations to transform these interests into ‘generalized’ goals and to make their members comply with these goals. As Schmitter and Streeck (1981) pointed out, the associations’ structural capacity for governance depends on their degree of ‘organizational development’ which contains two components: the ability to internalize as many interests as possible and to transform them into generalized goals relates to organized complexity (i.e. structural differentiation and coordination of activities). The ability to bind the members is based on organizational autonomy from member dues and short-term member interests. Our empirical analysis will address organized complexity first, and then shift to organizational autonomy.

In the case of organized complexity, the analytical focus will be on hierarchical coordination, since the main task of such encompassing units as country-wide, cross-sectoral business organizations is to coordinate the various interests articulated by a given, more or less differentiated associational system below peak level. However, to understand the possibilities of and limits to hierarchical coordination of the manifold business groups, an overview of the structural differentiation of the system will be given. There are two propositions on organized complexity which follow from the theoretical debate in Chapter 2:

(i) Any attempt at increasing organized complexity (i.e. the scope of hierarchical coordination) encounters structural impediments, when it comes to synchronizing interests that differ with firm size. This is because the only business group which is powerful enough to effectively launch such attempts is also a distinct party in matters relating to firm size: that is, large companies. This argument implies a second proposition on organized complexity.

(ii) Large companies and the principal associations dominated by them play the pivotal role in extending the scope of hierarchical coordination, since they wish to extend the span of control to other business groups for reasons of representativeness and coalition-building conducive to their special interests. In the context of a given, consolidated associational system, they can do so in two ways: enlarging their domain and initiating mergers. Mergers are more important for two reasons. First, there are very limited possibilities of enlargement, as the domain of the principal associations is usually general. Second, enlargement hardly increases the capacity for inter-associational coordination, since it does not reduce the number of independent associations, while fuelling rivalries with those associations whose domain is affected by enlargement. In comparison to this, the main obstacle to mergers is that the principal associations will normally fail to integrate SME associations for the above reasons.31

In inter-associational respects, organized complexity is most developed, if there is one single, all encompassing peak organization which has all
the narrower associations under its umbrella, and which unifies their interests, such that the peak is able to speak as the unequivocal voice of business. Alternatively, a high degree of organized complexity can be achieved, if separate independent associations synchronize their activities through institutionalized linkages. In none of the EU-15 countries an all-encompassing peak organization of business is established. This holds true even for Luxembourg, where no cross-sectoral peak organization other than UEL exists (Table 18.1). Aside from UEL, there is at least one important independent association which represents agriculture. Likewise, independent associations, whose domain is narrower than what is captured here as country-wide, cross-sectoral coverage, add to the pluralism given at cross-sectoral level in the other countries. This includes influential territorial associations in Spain and Belgium, and sector-specific associations in any of the EU-15 countries. Agriculture and the financial sector are most susceptible to the rise of powerful, separate associations. Agriculture relies on such associations in all countries. This separatism applies even to the area of labour market interests which are more generalizable than product market interests. It is only in Germany and Sweden, where the employer interests of agriculture are under the umbrella of the principal association, whereas product market interests are organized separately also in these countries. Separate associations dealing with the employer interests of the banking sector do not exist only in four countries (i.e. Belgium, Ireland, Luxembourg, and the Netherlands) (IST n.d.). As regards interests of cross-sectoral relevance, SMEs are most frequently organized in separate associations, as shown above (Table 18.1).

Institutionalized linkages which might overcome the coordination problems caused by separate association are rather rare. In particular, linkages of all-encompassing coverage hardly exist. Exceptions are such arrangements as the German Gemeinschaftsausschuss der Deutschen Gewerblichen Wirtschaft which gathers all relevant business associations aside from agriculture. However, this is not a mechanism to arrive at decisions but merely a forum for debates. Furthermore, one finds institutionalized links between parallel voluntary associations and mandatory Chambers in several countries: in Austria, France, Greece, Luxembourg and Spain voluntary associations are represented on boards of their Chamber counterparts, since they have either statutory delegation rights or seats as a result of the outcome of the Chamber elections. The two types of associations are also linked to each other through institutionalized sponsorship. In Greece GSEVVE and ESEE get a certain share from the Chamber subscription. In the Netherlands the associations participating in SER are financed through a levy collected by the Dutch Chambers. Regardless of this, tensions are not absent. For instance, VNO-NCW increasingly offers services which are usually provided by the Dutch Chambers. Such tensions most strongly exacerbated in Spain in the mid-1990s, when CEOE demanded the abolition of mandatory Chamber subscriptions, called upon their members not to pay them, and claimed the Chambers’ property. However, SMEs are the most contested terrain of
recruiting members and claiming competences of interest representation, as the country studies of this volume show. Inter-associational rivalries between the principal associations and the SME associations are thus endemic. For instance, important SME associations (i.e. Confapi and ISME) were formed as breakaways from the principal associations in Italy and Ireland. While the case, dating back to 1947, has become history meanwhile in Italy, the secession still overshadows the relationship between ISME and IBEC, fuelling open conflicts over access to macro corporatist institutions. A similar conflict characterizes the relationship between the principal association and its SME counterpart in Finland. In France MEDEF has embarked on a strategy of enticing away lower-level affiliates of CGPME. Hence, rivalries between these two types of associations are most accentuated in these three countries. The case of France and Finland also demonstrates that interlocking affiliations of lower-level associations or the companies themselves to both peak organizations – which are reported for many countries – do not necessarily calm these rivalries. They are most essentially mitigated by de facto specialization. In all countries the associations have developed rather complementary profiles that enable them to contain the tensions caused by formally overlapping domains of membership and tasks. In the case of the smaller associations this implies pursuing a niche strategy.

While de facto specialization assures co-existence and amounts to structural differentiation, it does not provide for mechanisms needed to arrive at a high level of inter-associational coordination. For the above reasons, the division of association along firm size sets the most thoroughgoing limit to all-encompassing coordination. This brings us to our first proposition on organized complexity. In line with this proposition, the associational systems lack the structural capacity to coordinate interests that differ with firm size, since they embrace neither an all-encompassing umbrella organization nor functionally equivalent institutions of inter-associational coordination. The exception to this rule is Luxembourg whose very small size allows for unitary structures. In all the other countries these interests are advanced separately. The standard pattern is that SMEs escape from more encompassing structures. It is only Austria which differs from this pattern in that large companies have their separate channel of interest representation as a result of the statutory provisions privileging the Chamber as the principal association.

The second proposition on organized complexity requires examining whether domain enlargements and mergers at peak level have occurred and how they have involved the distinct types of associations. Table 18.11 documents both forms of domain changes. Over the last decades associations enlarged their domain to a notable extent in four countries. They are all associations (i.e. SEV, Confindustria, CIP and BDI) originally specialized in manufacturing which then extended their domain to services which are related to manufacturing. Only one of them (i.e. BDI) does not belong to the group of principal associations. As regards mergers, one-third of the countries (i.e. Austria, France, Germany, Portugal and the UK) have not seen
Table 18.11 Domain change: enlargement and mergers*

<table>
<thead>
<tr>
<th>Type in terms of involved associations</th>
<th>Enlargement</th>
<th>Merger</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Numerical concentration</td>
<td>Numerical and functional concentration</td>
</tr>
<tr>
<td>Type B: Principal association and SME associations</td>
<td>SP (1980)</td>
<td></td>
</tr>
<tr>
<td>Type C: Combination of A and B</td>
<td>LUX (2000)</td>
<td></td>
</tr>
<tr>
<td>Type D: SME associations</td>
<td>NL (1977, 1995), S (1992)</td>
<td></td>
</tr>
</tbody>
</table>

Notes
* Since the late 1960s, involving country-wide cross-sectoral associations, as defined in this volume. Year of domain change put in parentheses.

such undertakings involving country-wide cross-sectoral associations since the late 1960s. In principle, mergers may result in either a simple numerical concentration of the associational system (i.e. a reduction of the number of independent associations) or in numerical and functional concentration. In the latter case, associations specialized in product market interests and labour market interests participate in the merger, such that its outcome is a mixed association. As the detailed description in the country chapters reveals, enhancing interest representation, economizing on resources, and avoiding duplication of membership and dues payment are the main reasons for mergers. Consistent with our assumption, the principal associations were involved in the vast majority of cases. The frequency of their involvement is statistically significant, with \( p = 0.08 \), if we proceed from the null hypothesis that their involvement and their non-involvement is equally probable. In addition to their larger number, the merger activities of the principal associations are also distinct in that around one quarter of them entailed a numerical as well as functional concentration. In contrast to this, none of the mergers without their participation brought about a functional concentration. All cases of both numerical and functional concentration ensued from mergers between the leading pure employer confederation, whose domain was cross-sectoral, and its leading pure trade association counterpart, which represented the industry. These mergers did not mean a notable surplus of representativeness in terms of firm size covered, because large firms formed the core group of
both associations and often held dual membership in them. Nevertheless, they enhanced representativeness as a result of the economic weight of the members of the new association and their increased political relevance as a mixed organization. This consequence is all the more important, since the mergers of the principal associations with business organizations other than SME associations significantly outnumber their mergers with the latter, with \( p = 0.04,33 \) As a closer examination shows, the principal associations managed to combine with SME associations only in two rather special cases (i.e. Luxembourg and Spain). In Luxembourg this happened in the course of the transformation of the coordination council of business, which covered almost all business groups, into a formalized umbrella organization. In Spain CEOE succeeded in integrating CEPYME during the post-Francoist period, when the associational system was still in a state of flux. Overall, these findings support our proposition that the principal associations are the prime movers of mergers, albeit without notable ability to integrate SME associations. Compared to this limited ability, the principal associations may be more able to induce member associations of SME confederations to defect to their own organization. While we have no systematic information on this issue, such cases of major importance happened in Denmark and France, as one can learn from the country studies. Even when such defections happen rather frequently, they do not question our proposition. This is because the associations below peak level are demarcated by sector rather than by firm size as such. It is primarily the peak organization itself which can develop a profile as an SME representative, since interests related to firm size tend to be cross-sectoral. The case of Denmark is instructive in this respect. The defection of its major affiliate representing the construction sector compelled HR to sharpen its profile as the voice of SMEs.

The degree of organizational autonomy from the members increases with an association’s capacity to raise resources other than member support and to pursue strategic (i.e. generalized and long-term) goals, even when they conflict with the immediate interests of the members (Schmitter and Streeck 1981). As already has been pointed out in Chapter 2, as associations become more autonomous, the more they can diversify their resource supply, and the more they enjoy organizational privileges which are provided by the state and empower them to bind directly their constituency. It is hard to measure organizational autonomy. On the one hand, resource endowment is a subject on which data are not easily accessible. On the other hand, an association’s capacity to make its members comply with decisions may vary with issues and over time. This empirical analysis centres on three measures. The composition of revenues indicates the degree of resource diversification. Separate attention will be devoted to state sponsorship, since this is an especially delicate issue in the case of business associations for ideological reasons. As an indicator of the capacity to directly control member behaviour, we refer to whether the direction of organizational change has strengthened or weakened this capacity. Based on the above theoretical and empirical
considerations, three propositions on organizational autonomy can be put forward:

(i) As a consequence of the need to provide services free of charge as an incentive for membership, there is little leeway for resource diversification by selling services to members and non-members. Generally, the associations are highly dependent on member dues.

(ii) Due to the key role of large members in the principal associations, these associations are less able to govern their members, as compared to other associations. Therefore organizational restructuring, aimed at retrenchment in response to increased inter-firm competition, occurs in the principal associations more frequently than in the SME associations. While competitive pressures compel companies of any size to curb costs, large companies have an especially strong interest in austerity programs as a consequence of the internal redistribution typical of the principal associations: large companies have to finance the services needed to attract SMEs. Moreover, large companies have more power to enforce austerity programs that relieve them from dues burdens and, concomitantly, reduce the resources available to their associations.

(iii) For the above reasons, the extent to which business associations can gain organizational autonomy crucially hinges on financial and organizational support from the state.

Table 18.12 informs about the composition of revenues of the principal associations and the largest SME associations. In accordance with proposition (i), the lion’s share of revenues comes from member dues in all cases, with the exception of SN. Its main income stems from interest on its assets, namely the Insurance Fund which is devised to finance industrial action. Revenues from sales of services usually rank second in terms of their importance as a source of income, although they amount to no more than approximately 10 per cent of the associations’ total income. State-based revenues seem to be almost irrelevant. MEDEF which reports a comparatively high share of such income is an exception to this finding. This corresponds with the encompassing system of state-backed resource supply in France. Against this background, the almost complete irrelevance of this source of income in most of the other cases is surprising, since many country studies do inform about practices of state-backed resource supply. Notably, data on the composition of revenues are lacking just in some of those countries (e.g. Spain), where such practices are elaborated. As an insider stated, more than 50 per cent of the revenues of CEOE are provided by the state. In the case of confederations, state sponsorship may be more important to the member associations than to their peak, in particular when obligatory levies are imposed by sectoral collective agreements (e.g. the Netherlands and Belgium). Furthermore, business associations rather hesitate to disclose their dependence on state revenues, as the country chapters have shown. Overall, there is thus good
Table 18.12 Composition of revenues: the principal associations and the largest SME associations in comparison

<table>
<thead>
<tr>
<th></th>
<th>Membership dues</th>
<th>Voluntary subsidies from members</th>
<th>Sales of services</th>
<th>Obligatory levies</th>
<th>Revenues from the state*</th>
<th>Other</th>
<th>State-based revenues (FISSD)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Firms</td>
<td>Associations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A: WKÖ</td>
<td>85.7</td>
<td>0.0</td>
<td>0.0</td>
<td>4.2</td>
<td>0.0</td>
<td>2.5</td>
<td>7.6</td>
</tr>
<tr>
<td></td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>B: FEB/VBO</td>
<td>0.0</td>
<td>90.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>10.0</td>
</tr>
<tr>
<td></td>
<td>70.0</td>
<td>7.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>23.0</td>
</tr>
<tr>
<td>DK: DA***</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>HVR</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>FIN: TTSY</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>SY</td>
<td>0.0</td>
<td>88.0</td>
<td>0.0</td>
<td>12.0</td>
<td>0.0</td>
<td>**</td>
<td>0.0</td>
</tr>
<tr>
<td>F: MEDEF</td>
<td>0.0</td>
<td>65.9</td>
<td>0.0</td>
<td>7.7</td>
<td>n.a.</td>
<td>26.5</td>
<td>0.0</td>
</tr>
<tr>
<td>CGPME</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>GER: BDA</td>
<td>0.0</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>ZDH</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>GR: SEV</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>GSEVEE</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>IRL: IBEC</td>
<td>88.0</td>
<td>&lt; 1.0</td>
<td>0.0</td>
<td>11.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>ISME</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>I: CI</td>
<td>0.0</td>
<td>84.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>16.0</td>
</tr>
<tr>
<td>CAR</td>
<td>~ 100.0</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>LUX: UEL</td>
<td>0.0</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
</tbody>
</table>

*continued*
Table 18.12 continued

<table>
<thead>
<tr>
<th></th>
<th>Membership dues</th>
<th>Voluntary subsidies from members</th>
<th>Sales of services</th>
<th>Obligatory levies</th>
<th>Revenues from the state*</th>
<th>Other</th>
<th>State-based revenues (FISSD)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Firms</td>
<td>Associations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VNO-NCW</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1</td>
</tr>
<tr>
<td>MKB</td>
<td>0.0</td>
<td>75.0</td>
<td>0.0</td>
<td>3.0</td>
<td>0.0</td>
<td>0.0</td>
<td>22.0</td>
</tr>
<tr>
<td>P: CIP</td>
<td>15.0</td>
<td>77.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>8.0</td>
</tr>
<tr>
<td>CPPME</td>
<td>30.0</td>
<td>35.0</td>
<td>25.0</td>
<td>5.0</td>
<td>0.0</td>
<td>5.0</td>
<td>0.0</td>
</tr>
<tr>
<td>SP: CEOE</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1</td>
</tr>
<tr>
<td>S: SN</td>
<td>0.0</td>
<td>25.0</td>
<td>0.0</td>
<td>10.0</td>
<td>0.0</td>
<td>0.0</td>
<td>65.0</td>
</tr>
<tr>
<td>UK: CBI</td>
<td>64.6</td>
<td>6.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>**</td>
<td>28.4</td>
</tr>
<tr>
<td>FSB</td>
<td>88.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.9</td>
<td>0.0</td>
<td>0.0</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Notes
* Including contracts with government. ** Existing and of minor importance. *** Revenues from firm members and member associations. **** Mainly revenues from member associations. n.a. = not available. For variable definitions, see Appendix.
reason to assume that Table 18.12 rather under-estimates the actual relevance of this source of income.

As far as member dues are concerned, one has to differentiate between dues from company members and dues from member associations, in line with how an association defines the unit of membership. Many confederations accept direct membership of firms, aside from membership of associations (Table 18.6). Since direct membership in the principal associations is designed to attract the very large firms, available figures on their relative contribution underscore their role as the primary paymasters: for instance, their dues account for more than half of the total revenues of CBI and IBEC.

Disproportionately high contributions of large companies make associations especially dependent on the interests and demands of this member group and thus constitute a structural limit to organizational autonomy. Decisions on the size of an association’s dues and staff can be taken as the two key indicators of the power relations between an association and its members. An association’s autonomy increases with growing staff, because the staff is committed to the association itself and makes the association more independent of the voluntary support from member activists. Since increases in dues are far from being popular among members, they indicate the ability to overcome immediate member interests. Table 18.13 documents all cases of organizational reforms which brought about substantial changes in dues or staff, as evident from the country studies. Only two of the 14 cases resulted in an increase in staff and dues. This involved IBEC and FSB. In the case of IBEC this has to do with the atypically strong expansion of the Irish economy. FSB is still understaffed from a comparative perspective, such that the growth of its staff can be traced to process of catching up. All the other cases, regardless of whether based on internal reforms or mergers, led to cuts in staff, usually accompanied by dues reductions. The scale of cutbacks was considerable. The associations, which were involved in them and for which related figures are available, recorded an average decrease of staff and dues by 31.6 per cent and 65.5 per cent, respectively. DA saw the most thoroughgoing cutbacks of both staff and dues, forced through by its largest affiliate, DI, which covers around half of DA’s total membership. It is worth noting that even WKÖ, as a mandatory Chamber, could not resist the pressures of its larger members to reduce dues and staff markedly.

Retrenchment as the prevailing trend has certainly been propelled by several factors. However, the fact that the trend originates in the late 1980s and early 1990s suggests that progress of European integration is important to understand the restructuring of the associations. European integration had two main effects on them. Politically, it required assigning more resources to representational activities at the European level. Economically, European integration exposed the companies to intensified competition which forced them to reduce costs, including costs of membership, such that the associations themselves had to economize on resources. As a first inspection of the cases also shows, they involve the principal associations
more frequently than the other associations which account only for around 36 per cent of them. Available information from the country studies confirms that the group of large companies and/or the largest member associations of industry – which positively correlate with firm size – were the driving force behind the cutbacks. Sometimes, reforms were skewed towards the interests of large firms also in qualitative respects. For instance, dues rose degressively in relation to the amount of dues paid in the case of Confindustria. The 1989 reform of DA made an end to the over-representation of the smaller companies in the annual meeting. Reflecting the pre-eminent impact of large firms on organizational reforms, the quantitative analysis confirms proposition (ii). The principal associations embarked on reforms leading to substantial changes in staff and dues according to Table 18.13 more frequently than their largest SME counterparts (Table 18.8, column 3). The same holds true for reforms aimed at retrenchment (Table 18.8, column 4).  

It is an implication of proposition (iii) that state-based revenues can relieve the associations from retrenchment pressures most effectively. Such revenues help to keep dues low, and especially enable the principal association to contain

Table 18.13 Organizational reforms (OR)\(^{a}\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Association</th>
<th>Major changes in staff and dues(^{b})</th>
<th>Type of reform</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Staff</td>
<td>Dues</td>
</tr>
<tr>
<td>DK</td>
<td>DA</td>
<td>–68.3</td>
<td>–89.6</td>
</tr>
<tr>
<td>FIN</td>
<td>TT/EK</td>
<td>Cuts</td>
<td>Cuts</td>
</tr>
<tr>
<td>GER</td>
<td>BDA BDI</td>
<td>–30.0</td>
<td>–30.0</td>
</tr>
<tr>
<td>IRL</td>
<td>IBEC</td>
<td>Increase</td>
<td>+12.4</td>
</tr>
</tbody>
</table>

Notes
\(^{a}\) Involving country-wide cross-sectoral associations, as defined in this volume; principal associations are marked in italics. \(^{b}\) Percentages.
the internal re-distribution of financial resources to the disadvantage of large firms. Hence, one should expect that associations receiving such revenues are less forced to adopt retrenchment measures than associations lacking this support. Table 18.12 also contains a ranking of the associations according to whether they benefit from state-based revenues. To test proposition (iii), we again focus on the principal associations and the largest SME associations, using the relevance of state-based revenues (FISSD) as the predictors for whether an association underwent organizational reform in general and austerity reform in particular.\(^{38}\) The results for two model specifications are summarized in Table 18.8. The first model, column 5, examines whether reforms are generally less frequent in a situation of availability of state-based revenues. The second model, column 6, focuses on whether these revenues have an impact on austerity reforms. The results for the two models concur: state-based revenues significantly dampen reform activities; and the principal associations show a significantly higher propensity to embark on such activities, as compared to their SME counterparts. In conclusion, our findings support the above propositions: On the one hand, they confirm the very high dependence of the principal associations from their large members which structurally restrains their organizational autonomy. On the other hand, they underscore the utmost importance of state sponsorship, when it comes to strengthening the organizational autonomy of business associations.

Put more specifically, state support must be tailored to the respective issue of public governance, as governance tasks vary with policy fields. As an implication, one should not overestimate state-based revenues, as compared to other means of state sponsorship. The very special way in which they relieve the associations from member support makes them a means of formulating long-term, generalized goals rather than implementing them. Therefore issue-related state support means vesting the associations with the power to bind their constituency in the corresponding policy field. As the country chapters show, the principal associations as well as the largest SME associations are involved in the formulation and implementation of public policies in all EU-15 countries. While examining the effectiveness of these activities is beyond this study, a review of the country chapters suggests that effective state support includes an institutional component and a policy element. In institutional respects, statutory provisions must grant the right to make binding decisions. For instance, the UK is the only EU-15 country, where statutory provisions conducive to the role of business associations as agents of collective bargaining are lacking. Hence, the UK is unique in that its business associations tend to be absent in this policy field. However, statutory provisions carry little weight, if they are not reinforced by corresponding behaviour. Although manifold legal institutions are supportive to organized interests and their cooperation on behalf of public tasks in France, this cooperation is rather underdeveloped. One reason for this is that the privileged relations of the authorities with the very large firms impair the position of the associations as the voice of business.
The above findings on organized complexity and organizational autonomy show that business interest associations face structural limits to their governance capacity which can be surmounted only by state support. Support from the state is all the more important, since the key actors of organized business, i.e. the principal associations, are subject to structural restraints of their organizational autonomy even more than other associations.

Conclusions and prospects

As an interest group, business stands out in terms of its enormous heterogeneity of resources. This heterogeneity crystallizes in differences in firm size, ranging from own account self-employment to multinationals with hundred thousands of employees. Since these differences correlate with differences in production system, market power and the capacity for strategic action, they give rise to profound diversity of interests. Associational action has responded to this diversity in two ways. On the one hand, one can observe an inclusive strategy, aimed at gathering firms of any size under one single organizational umbrella. Since it is usually the group of large firms which has initiated this strategy and which thus prevails in the principal associations of this inclusive and general type, their intra-associational stability rests on a special *quid pro quo*: large firms dominate the politics of the association. In exchange for this predominance, they mainly finance associational services needed primarily by the smaller members. On the other hand, one finds associations which have specialized in organizing SMEs, aside from other special associations devised to advance those interests which are outside what large firm dominance in the principal association turns into the mainstream of business interests.

These two ways of associational action do not affect the basic associational behaviour of the companies, insofar as their propensity to associate generally increases with firm size. However, if companies do associate, then firm size determines their affiliations in a way which deviates from its conventional definition: the conventional statistical definition of SMEs markedly differs from what constitutes a ‘small’ company in terms of associational behaviour and corresponding interests. As the above analysis of the composition of memberships has shown, it is primarily the micro firms which band together in special associations of SMEs. Above all, this reflects a division in cost of compliance with labour standards. In contrast to their larger counterparts, micro firms are often exempted from certain statutory labour regulations; and they are usually not unionized. This fosters a tendency of the SME associations to not engage in collective bargaining, unless inclusive collective agreements impose negative externalities upon their members.

This divide between ‘small’ and larger companies in terms of interests and their organization thus translates into a corresponding watershed in terms of associational activities. Collective bargaining tasks are mainly or exclusively performed by the principal association and/or its affiliates. As
regards the cross-sectoral associations of business studied in this volume, differences in their involvement in collective bargaining accentuate their functional profile more than the conventional differentiation between employer associations, trade associations and mixed associations. The vast majority of the associations are mixed, representing the product market interests as well as the labour market interests of their members. As a result of their divisive character, representing product market interests is often left to narrower affiliates or subunits, unless the distinct member groups can arrive at a consensus on a certain issue. There is also a divide in interlocutors and target groups. Dealing with the market counterparts of the members normally requires assuming the thorny task of committing one’s own members. Hence, the standard pattern of associational action is set by mixed associations which represent their members’ interests to the state.

However, when targeting the state, the political relevance and influence of an association depends on its role in collective bargaining far more than on its representativeness in terms of the sheer number of members. The principal association counts fewer members than the largest SME association in six of the nine countries for which comparable data are available (Table 18.4). It is the larger number of employees covered and, concomitantly, the stronger involvement in collective bargaining that makes an association the principal interest organization of business. This also implies the predominance of multi-employer bargaining over single-employer bargaining, because only multi-employer bargaining can generate externalities on the state to an extent that induces governments to seek continued cooperation with the bargainers of the two sides of industry. Hence, the viability of tripartite corporatism and the input of business associations into the political process are bound to the fate of multi-employer bargaining. With the notable exception of the UK, where corporatist governance has declined but still exists in certain policy fields, multi-employer bargaining has maintained its predominance in the EU-15 countries. Consistent with this, organized business has not opted out of corporatist governance, even though deregulation, economic internationalization, rising unemployment and declining union power have diminished its dependence on both the state and the unions. Moreover, business associations which are excluded from participation in corporatist governance struggle for accession in several countries such as Finland, Ireland, Portugal and Spain. Corporatist policy making and multi-employer bargaining continue to attract business associations for two interrelated reasons. On the one hand, there is one mechanism which simultaneously backs business associability and multi-employer bargaining: that is, statutory provisions for extending the validity of multi-employer agreements to unaffiliated employers. On the other hand, economic integration in Europe has increased the mutual externalities and interdependencies within and across the distinct countries. In such circumstances, cooperation makes the interdependent actors generally better off than opportunist, competitive behaviour. Multi-employer bargaining paves the way for such cooperation,
since it works as the cornerstone of policy concertation, as outlined above. Therefore, most of the EU-15 countries relied on concerted efforts to cope with the challenge of economic integration, caused by accession to the EC, the single market or EMU (Fajertag and Pochet 1997, 2000; Traxler et al. 2001). As the chapters on Greece, Portugal and Spain underscore, these concertation efforts have been important vehicles for the consolidation of the business associations in these countries.

Regardless of this, current developments are a far cry from irresistibly boosting corporatism and organized business. Several trends put a great strain on business associations, in particular on the principal ones and their role in corporatist governance.

- The continued weakening of the unions, as manifested in declining membership and density rates (Visser 2004), tends to qualify the benefits which business associations can offer to their members.
- A similar challenge arises from the tendency to decentralize bargaining to the level of the company and the establishment. With the exception of the UK, bargaining decentralization has taken an organized route in the EU-15, insofar as multi-employer agreements have usually set the framework for negotiations between management and employee workplace representatives so far (Traxler et al. 2001). However, decentralization tendencies may become so overwhelming that multi-employer bargaining loses control over the process and fades away.
- Intensified market competition has forced the companies to curb costs. The companies have passed these pressures on to their associations by enforcing organizational reforms aimed at cutting back budget and staff.
- The growing number of micro firms creates a recruitment problem, since it is especially difficult for the principal associations to organize this business group. At the same time, integrating the SME associations – which cover the largest number of these businesses – into public policy making remains an unresolved question in several countries.

These challenges tend to reinforce each other. For instance, the risks of disorganized bargaining decentralization increase with the weakening of the unions. The decline of the unions may also encourage large member companies to prune the resources of their associations. Such cutbacks make it harder for the principal associations to sustain their internal *quid pro quo*, while even more resources for services would be needed on grounds of the growing number of small companies. All these challenges relate to the fundamental conflict between the short-term interests of (large) members on the one hand, and the long-term goals of the associations and their self-interest as an organization on the other. Originating in Michels’ (2001/1915) ‘Iron Law of Oligarchy’, widespread reasoning on interest organizations and their members presumes a predominance of associational goals and interests
over member demands, which is argued to arise from the pre-eminent impact of the associations’ staff with its interest in the survival and growth of the organization. The opposite holds true for business associations which lack the means of effectively governing their members: our findings on the direction of organizational reforms suggest that an association’s resources (including staff) are merely borrowed from their member companies which are powerful enough to revoke them, if this suits to their immediate interests. Consistent with this, the associability and governance capacity of business associations has significantly rested on state support. As a consequence of the growing challenges to their associability and governance capacity, this kind of support will become even more important in the future than it was in the past.

Notes

1 They do differ in their representational activities. Table 18.1 lists only those which are relevant in this respect.

2 There are a few associations which combine this criterion with another quantitative one. For instance, ISME describes its domain as comprising SMEs with up to 150 employees and a turnover of up to €10 million.

3 In the case of UPA, the definition is pre-determined by law, since a maximum of 15 employees is laid down as a constituent property of a craft firm.

4 Since membership figures broken down by firm size are available only for a few associations, we take the number of member companies as a proxy for the scale of self-employment under the umbrella of the association.

5 The data set of the EIM (www.eim.nl) and Observatory (2003) are used for estimating the number of potential member companies, with the exception of the UK for which national figures were used. The scale of potential employment is estimated on the basis of data either from EIM and Observatory (2003) or from OECD, National Accounts II (i.e. total employment minus public employment).

6 DA and HVR report the number of employees in terms of full-time equivalents. To maintain comparability across the associations, we adjust these figures for part-time employment, assuming that its share in the employees covered corresponds with its share in the economy, as documented in OECD (2004). The figures provided by MEDEF, CGPME and BDA appear to be strongly inflated. The figures from MEDEF and CGPME tend to exceed the total number of employees working in their domain. As regards MEDEF, IST (1999) documents 13 million employees covered. This is more reliable than the reported 15 million employees. No comparable figures are available for CGPME. However, competitive reports on membership strength by minor confederations are likely to be oriented towards the principal confederation. Assuming thus a constant membership differential between MEDEF and CGPME yields an estimate of around 11 million employees covered (in comparison to 13 million reported). BDA figures are inflated for the reasons outlined in Chapter 8. To estimate the number of employees covered by BDA, we take the number of employees covered by multi-employer agreement within BDA’s domain, adjusted for the number of employees covered only via extension order, and for the estimated number of employees working in non-conforming member companies (i.e. OT). The data basis for collective bargaining coverage and extension coverage is the IAB panel and Kirsch (2003), respectively. There are two assumptions underlying the
Franz Traxler, Bernd Brandl and Susanne Pernicka

adjustment for extension and OT. First, net extension coverage is about half of gross extension coverage, since multi-employer bargaining coverage of the BDA area was 56 per cent of the employees in 2003. At the same time, it is rather the weaker employer associations which extend an agreement for their sector (Haucap et al. 1999). Data on employees working in OT members are available only for Gesamtmetall (see Chapter 8). What is known, however, is that OT is most widespread in the metal industry and some rather small sectors, whereas it is rarely established in other sectors. Against this background, the aggregate number of employees covered by OT members is assumed to be in between the percentage of OT employees for Gesamtmetall in 2005 (i.e. 10.5 per cent) and half of this percentage. This yields an estimated density of in between 59 per cent and 56 per cent.

7 In Table 18.4 the main exception to this rule is BDA, because it is an employer organization. Since all associations, for which density of employees is documented by the country chapters, are mixed associations, one may refer also to employees covered as an indicator. However, it measures their membership strength only with regard to their function as an employer organization.

8 This reduces the number of cases, because WKÖ and UEL will be excluded from the group of the principal associations, and ZDH, from the group of SME associations.

9 Four associations record an average size of members which is equal to the size of the potential members. This follows from mandatory membership in the case of three of them (i.e. WKÖ, UEL and ZDH).

10 This interplay of the recruitment strategies explains also the exceptional case of ISME. The relatively large size of its member firms echoes the average size of members of its principal counterpart, IBEC, which is also very large by comparative standards.

11 This applies to statutory provisions for employee representation in Austria, Denmark, Finland, France, Germany, Italy, Luxembourg, Spain, and Sweden.

12 These data refer to the most important peak-level decision-making body. Its voting rules may differ from those of the lower-level member associations. Due to the large number of member associations and frequent variations in their rules, related data are not accessible.

13 Within the unions, special departments and subunits for women are the counterparts of these structures.

14 This does not apply to the mandatory associations.

15 In the case of CEOE, direct firm membership is not formally but de facto established, as several large firms are directly represented on the General Council and the Executive Board.

16 Depending on circumstances, large firms may also significantly contribute to the confederal budget via voluntary subsidies. For instance, ten large members each paid voluntarily €60 000 to CEOE’s budget in 2001.

17 If there is no SME association, then this country is excluded from the analysis of the SME associations, instead of coding zero for density. In other words, the focus here is on the capacity of the existing associations to attract members. This rationale is in line with the organization-centred design of this part of the analysis.

18 For a ranking of FISSD, see Table 18.12.

19 The few available figures support this assumption: around 45 per cent of the members of Företagarna and UNIZO are self-employed persons.

20 The countries covered were Austria, Canada, Italy, the Netherlands, Spain, Sweden, Switzerland, Germany, and the UK. The sectors included were manufacture of industrial chemicals, manufacture of pharmaceuticals, dairy...
Cross-national findings

processing, meat processing, canning and serving of fruits and vegetables, manufacture of machine tools, and construction. The data refer to 1980.

According to Chapter 2, an association’s resource endowment also conditions its capacity for bargaining. For reasons of data availability, this assumption cannot be considered here. For an analysis of the impact of resources on bargaining, which covers the principal associations and the SME associations only, see the section on activities and resources.

Each activity performed by an association counts as one. Otherwise, the score is zero.

There are only two SME associations (i.e. FSB and ISME) which have only firms as members.

This situation is reported for MEDEF and CGPME in France.

Non-payable services as such do not improve the competitiveness of the associations, since these services, together with interest representation, must usually be financed by the membership dues.

Since the proposition applies to both types of associations, this test covers the principal associations as well as the SME associations. In 78 per cent of the 104 observed pairs there is a correspondence between interest representation and services. Separate examination of the principal associations and their SME counterparts yields similar results, with \( p = 0.00 \) (\( N = 60; \) 80 per cent correspondence), and \( p = 0.00 \) (\( N = 44; \) 75 per cent), respectively. In principle, the statistical analysis tests only the likelihood of a correspondence, without giving any clue to explaining the underlying causality. However, there is good reason to assume that interest representation determines services in the case of associations whose constituent function is interest representation.

Externalizing the costs of services (as well as the costs of other activities) helps contain this re-distributional effect. In practice, this opportunity depends on either state provisions empowering the association to charge outsiders or the willingness of the state to co-finance associational activities.

Data on staff are more accessible than data on the associations’ budget.

Identical data for the peak-level staff and the aggregate staff indicate that this association is a primary organization.

According to survey data, in 1996 the peak organizations accounted for nine per cent of aggregate staff of all registered business associations in Portugal.

One may argue that the structural barriers to the integration of SME associations make any effort of the principal association to merge useless. However, there are other reasons for mergers (e.g. cost reduction) in addition to representativeness; and there are also other means of enhancing representativeness (e.g. the fusion of the tasks of employer organizations and trade associations), aside from maximizing the sheer number of members.

The same holds true for rivalries involving associations other than those specialized in SMEs. For example, strongly differing opinions on collective bargaining dragged BDI and BDA into fierce conflict, although they are intertwined through common affiliations mainly at Land level.

Again, the underlying null hypothesis is that the mergers of the principal associations with SME organizations, and their mergers with other associations are equally probable.

Likewise, the member associations may receive higher incomes from interest than their peak, if dispute funds are decentralized (e.g. Germany).

Regardless of this, their overall effect on organizational autonomy is ambiguous, since increases in dues magnify an association’s dependence from member support. Hence, the scale of staff is the better indicator of organizational autonomy.
In the case of Confindustria, cuts in staff combined with increases in dues, indicating severe financial problems.

For this analysis, IBEC and FSB were left out, since their reforms entailed an increase in the number of staff. The analyses documented in columns 3 and 4 both focus on the principal association and the largest SME association per country.

Due to data characteristics, it is impossible to estimate a multivariate model of organizational reforms which includes both the type of associations and state sponsorship as predictors.

France and Sweden saw business associations opting out. However, this has not been sustained and thoroughgoing. MEDEF and CGPME temporarily pulled out of the social security funds; SAF’s withdrawal from corporatist boards was primarily formalistic and symbolic (see Chapter 16).

In the area of the EU-15 the number of micro firms grew strongest (i.e. by 6.1 per cent) over the period from 1990 to 2001, whereas large companies (defined in line with conventional classification) dwindled by 3.1 per cent (http://www.eim.nl/Observatory_7_and_8/en/stats/2001/var1/4e15.html).
Appendix

Variable definitions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APDENC</td>
<td>Density of the principal association in terms of companies</td>
</tr>
<tr>
<td>APDENE</td>
<td>Density of the principal association in terms of employment (employees in case of BDA and SEV)</td>
</tr>
<tr>
<td>APSC</td>
<td>Existence of SME-specific bodies (including SME-specific affiliates) in the principal associations: 0 = no, 1 = yes</td>
</tr>
<tr>
<td>ASDENC</td>
<td>Density of the largest SME association* in terms of companies</td>
</tr>
<tr>
<td>ASDENE</td>
<td>Density of the largest SME association* in terms of employment (in terms of employees in the case of GSVEE)</td>
</tr>
<tr>
<td>BAR</td>
<td>Substantial (i.e. reiterated) role in collective bargaining performed either directly (i.e. by the association itself) or indirectly (i.e. via member associations): 0 = no; 1 = yes. Scores according to Table 18.7</td>
</tr>
<tr>
<td>C</td>
<td>Total number of companies</td>
</tr>
<tr>
<td>CHCD</td>
<td>Compulsory Chambers: 0 = non-existing, 1 = existing</td>
</tr>
<tr>
<td>CL</td>
<td>Number of large companies</td>
</tr>
<tr>
<td>EXTD</td>
<td>Practice of extending multi-employer agreements to unaffiliated employers: 0 = non-existing or negligible, 1 = notable. Scores according to IST (2001) and Traxler et al. (2001)</td>
</tr>
<tr>
<td>FISSD</td>
<td>State-based revenues (including public subsidies, compensation for participation in public governance and legally-based levies). 0 = negligible; 1 = notable. Scores according to Table 18.12</td>
</tr>
<tr>
<td>OR</td>
<td>Organizational reforms, leading to marked changes in either staff or dues. 0 = no, 1 = yes. Scores according to Table 18.13</td>
</tr>
<tr>
<td>PRC</td>
<td>Representation of product market interests vis-à-vis customers (principal association): 0 = no, 1 = yes</td>
</tr>
<tr>
<td>PRLS</td>
<td>Representation of labour market interests vis-à-vis the state (principal association): 0 = no, 1 = yes</td>
</tr>
<tr>
<td>PRLU</td>
<td>Representation of labour market interests vis-à-vis the unions (principal association): 0 = no, 1 = yes</td>
</tr>
</tbody>
</table>
Appendix

PRPS Representation of product market interests \textit{vis-à-vis} the state (principal association): 0 = no, 1 = yes

PRSU Representation of product market interests \textit{vis-à-vis} suppliers (principal association): 0 = no, 1 = yes

PSS Scope of services of the principal associations: aggregate index of the service activities listed in Table 18.10. Each activity counts as one

PSTF Peak-level staff per 1,000 member firms (principal association)

RA Legally restricted admission to collective bargaining: 0 = no (i.e. DK, GER, I, LUX, NL, P, S and UK), 1 = yes (i.e. A, B, FIN, F, GR, IRL, and SP)

SRC Representation of product market interests \textit{vis-à-vis} customers (largest SME association\(^*\)): 0 = no, 1 = yes

SRLS Representation of labour market interests \textit{vis-à-vis} the state (largest SME association\(^*\)): 0 = no, 1 = yes

SRLU Representation of labour market interests \textit{vis-à-vis} the unions (largest SME association\(^*\)): 0 = no, 1 = yes

SRPS Representation of product market interests \textit{vis-à-vis} the state (largest SME association\(^*\)): 0 = no, 1 = yes

SRSU Representation of product market interests \textit{vis-à-vis} suppliers (largest SME association\(^*\)): 0 = no, 1 = yes

SSS Scope of services of the largest SME association\(^*\): aggregate index constructed in a way analogous to PSS.

SSTF Peak-level staff per 1,000 member firms (largest SME association\(^*\))

STF Peak-level staff per 1,000 member firms (largest SME association\(^*\))

UD Net union density (2003); LUX = 2001; GR = 1999, Source: Data set of the Institute of Industrial Sociology, University of Vienna; LUX and GR: Visser (2004)

VAS Number of voluntary associations per associational system

VNAS Number of voluntary associations of SMEs per associational system

* Confartigianato for Italy.


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