

work in progress

**Wage Bargaining Institutions and EMU:
The Rise of Dualisation and Intra-Union Conflict**

by

Alison Johnston and Costanza Rodriguez d'Acri

Word Count (excluding Appendices): 8,599

Paper to be presented at the *European Institute Student Staff Seminar Series* on the 25th of November 2008. A first draft was presented at the “Cleavages in Europe’s Political Economy: Socio-Economic Preferences of Actors, sectors and Country Size Effects” conference which took place at the University of Udine in June 2008; where the feedback received from Sotiria Theodoropoulou and other participants was strongly appreciated. This paper is a first draft, and still requires the inclusion of interview evidence we are currently conducting. In the process of writing it we benefited greatly from discussions with Dr. Bob Hancke, Dr. Anke Hassel, Dr. Waltraud Schelkle, Dr. Christa Van Wijnbergen and e-mail exchanges with Prof. Franz Traxler and Dr. Bernd Brandl. Any mistakes are solely our own.

Decentralization and de-coordination of labour markets have been persistent themes in the debate concerning the political economy of European integration. The “monetarist” project of EMU coupled with increased product market integration and capital mobility via the Single Market, has called into question the sustainability of Europe’s centralized and coordinated wage bargaining systems. The study of this decentralization/de-coordination process itself has received wide attention from scholars, yet this attention, understandably, has concentrated on scenarios where policy makers and employers alike promoted these centrifugal de-coordinated developments, rather than unions themselves. In the context of EMU, several authors (Martin 1998; Sibert and Sutherland 2000; Calmfors 2001; Calmfors, Booth et al. 2001) have projected the decentralization of wage bargaining institutions via the introduction of labour market reforms introduced by policy makers who question these institutions’ usefulness, in an attempt to achieve greater nominal wage flexibility and lower wage inflationary pressures through their removal. Evidence is also abound disclosing employers’ incentives to dismantle highly centralized and coordinated wage bargaining models, particularly those employing highly skilled workers in the export sector (Iversen 1996; Thornqvist 1999; Swenson and Pontusson 2000; Thelen and Van Wijnbergen 2003) and those based in the US, British and Kiwi political economic contexts (Brown and Walsh 1991; Traxler 1995).

While the above literature exhaustively explains decentralising and de-coordination developments of the US, British, German and Swedish industrial relations systems prompted by employers and policy-makers, it fails to explain the puzzling scenario that is unravelling today in German and Austrian industrial relations with the lifting of the domestic monetary policy constraint due to the introduction of EMU. Germany and Austria have historically had very similarly coordinated bargaining structures: both traditionally operate under a pattern bargaining system where the metalworking sector – IG Metall for Germany and GMTN for Austria – set wage increases based on aggregate labour productivity and inflation, whilst the remaining sectors of the economy shadowed these wage-developments. Nonetheless both systems recently have appeared to be taking heterogeneous courses with respect to wage setting de-coordination and wage decoupling, and consequently, institutional preservation. While Austrian unions are stubbornly preserving their pattern bargaining system, under the metal-workers exposed sector’s lead, we find evidence that unions and workers in the sheltered sector are prompting systemic changes to Germany’s pattern bargaining wage negotiation system, some even exiting the system entirely. This finding is even more surprising in light of the previously mentioned literature, whereby pressures for decentralisation and de-coordination were understood to be originating solely from employers or policy-makers. Few would have predicted that trade unions, particularly sheltered sector trade unions, could prompt greater fragmentation. More so, this literature ignores a very important feature of the wage bargaining process by assuming that union preferences, incentives and actions are similar across sectors. This paper highlights the fact that a problem of willed coordination amongst unions is evermore present today for EMU’s corporatist states, as a direct monitoring device exerted by domestic, conservative central banks on wage developments no longer exists, implicitly enabling unions in different sectors to pursue their diverging interests independently (see

Johnston & Hancké, 2008). It also highlights how EMU's institutional design, specifically the shift of the central bank to the supranational level, can lead to the creation of fragmented interests amongst unions themselves, which undercuts countries' abilities to maintain a coordinated wage bargaining system along sectoral lines. If previous frameworks of wage coordination are not satisfactory to all parties involved, a fracture between unions at the bargaining table may develop. These developments are important in light of a very influential literature which argues that domestic central banks *de facto* enforce a hard limit on nominal wage demands (Hall and Franzese 2001; Blinder xxx; Cukierman xxx; xxx); we find instead that in Austria nominal inflationary pressures do not develop despite the shift to a supra-national central bank and that wage coordination-institutions can function as substitutes if legal rules and peak associations can guarantee their continued enforcement. Such coordination substitutes can result in *institutional resilience*, rather than *change*. This paper proposes to address these developments and provide an understanding for how and why divergence in the preservation of coordination institutions in both countries occurs.

Both Austria and Germany are two economies overwhelmingly recognised to have been historically setting wages through a pattern bargaining system and characterised with similar industry composition, with heavy emphasis on an apprentice system dove-tailing their manufacturing sectors (Hall and Soskice 2001). Yet exploring recent developments amongst sheltered sector unions, we find evidence that the pattern bargaining system is coming under severe scrutiny in Germany, but not in Austria. Austria's pattern bargaining system has remained stable since the inception of EMU, and has been unquestioned by the unions (and employer associations) which engage within it. Indeed, while the electrical and electronics industry withdrew from metalworking negotiations in 2000 in order to introduce a branch-specific payment system and enhance distribution, the annual aggregate wage increases for this sector are still set under the pattern bargaining framework (EIRO 2000, c). Almost ten years after EMU's inception, the system remains strongly intact in Austria with little evidence to suggest instances of wage decoupling or de-coordination. Moreover, union militancy in Austria during EMU remains low, emerging only due to pension and privatization issues, never to issues related to pay increases (EIRO 2000, a; EIRO 2000, c). In Germany, however, the system of pattern bargaining is slowly unraveling, with some fringe unions outside the DGB opting to set wage increases independently of what IG Metall does, and as a result, attracting members away from their DGB union counter-parts. First pilots (2001), then hospital doctors (2006) and, most recently, Germany's train drivers and rail workers have broken away from the pattern bargaining system, decoupling their own wages in order to negotiate each category's own pay deals, ending a dispute fought in legal courts since early 2004 (EIRO 2007; EIRO 2008). On top of these recent wage de-couplings, union militancy from unions within DGB (ver.di most notably), has increased tremendously due to growing dissatisfaction with low pay, resulting in strikes and possible further bargaining de-couplings looming on the horizon.

We question this puzzle: explicitly, why has the pattern bargaining system and the objective of wage solidarity remained intact under EMU in Austria, while it is coming under pressure in Germany? We suggest that *firstly and fore most, common to all EMU member states, EMU's removal of a hard, direct monetary constraint (national central banks) has eliminated an important direct constraint on wage inflationary pressures and has exposed clear cleavages in sheltered and exposed sector unions' incentives and behaviors, as the latter are subject to an international competitiveness constraint while the former are not. Nonetheless, countries with wage setting frameworks (such as pattern bargaining) which tie a country's sheltered sector to its exposed sector or impose some sort of a wage increase ceiling, are able to restrain wage developments in the sheltered sector. However, these wage setting frameworks are only as stable as the actors (union confederations¹) and legalities which uphold them as well as the results (employment growth) they produce. If sheltered sector unions do not benefit from low wage growth policies exerted upon them by the export sector, tensions will arise and possibility for exit will be sought. Such possibility for exit, however, depends on the power relations between wage-setting leaders and followers, a function of the strength of peak associations, as well as of legal rules permitting separate collective bargaining. This, we understand, is the likely cause of this striking divergence between German and Austrian industrial relations. In Germany, union confederations (DGB, DBB and fringe staff-associations) are more numerous and fragmented, and bargaining outside DGB, the main union federation, is legally feasible. This enables members of sheltered sector unions within these associations to switch allegiances. In Austria, only one confederation exists (ÖGB) and its monopoly power is further enforced by legal rules which prohibit member-unions from bargaining outside of it. Furthermore, the dominant position of its leading union, GMTN, is acknowledged by all union actors and ÖGB. Furthermore, strict rules make applying for separate bargaining licenses under the ÖGB umbrella very costly. We conclude that the differences in these power relations and legal rules plays an important role in preserving wage bargaining frameworks. Without strong and legally powerful peak associations to enforce coordination, EMU-induced cleavages can prompt further decentralization and de-coordination pressures from unions themselves.*

This paper will present this argument as such. Section I will present a brief literature review on wage setting institutions' resilience and erosion, given the pressures for their undoing from both external and internal factors. This section will place our puzzle within the current gaps of the literature. Section II will explain how EMU's institutional structure prompts a divergence between exposed and sheltered sector unions' wage preferences, and how Germany and Austria's pattern bargaining system facilitated wage restraint by sheltered sectors several years after EMU's inception. It also discusses how a poor economic performance can strengthen this preference-divergence. Section III will give an account of union structures in both economies, and discuss the implications of having a bargaining exit-option on unions' strategic interaction and coordination. Section IV discusses the wider implications of our argument by building a

¹ We use the terms "union confederation" and "peak-associations" interchangeably throughout this paper.

constructive criticism of the theoretical literature which has assumed away the political nature of wage coordination in the analysis of wage bargaining. Section V concludes.

Section I:

The Preservation of Wage Setting Institutions

The resilience, and more frequently, the collapse of wage setting institutions has been a highly studied topic in political economy and industrial relations. Earlier accounts in the political economy literature of this deterioration (Lange, Wallerstein & Golden, 1995; Lange & Scruggs, 2003) examined the declining share of union density across countries and developed predictions on the nearing end of corporatism. With globalization and increased migration flows, scholars questioned whether unions were capable of maintaining density rates high enough to protect their bargaining position, as the well-known outsiders – insiders divide problem quickly started to haunt the labour market (Lindbeck 1988). However, particularly with the revolutionary work of Calmfors-Driffill (1988), the analysis of the deterioration of corporatist institutions shifted away from the problem of union density, and towards that of bargaining centralization, which became one of the primary indicators used to assess collective bargaining institutions. While Soskice (1990) later affirmed that it was the level of coordination between bargaining actors - and not centralization - that determined the level of economic performance of an economy on the Calmfors-Driffill curve, a wealth of literature followed assessing the (declining) health of many European centralized labour markets. As mentioned above, most of this literature examining decentralization pressures did so from the perspective of employers (Brown and Walsh 1991; Traxler 1995; Iversen 1996; Thornqvist 1999; Swenson and Pontusson 2000) or policy makers (Martin 1998; Sibert and Sutherland 2000; Calmfors 2001; Calmfors, Booth et al. 2001), advocating that these actors were responsible for the sweeping wave of labour market decentralization witnessed across industrialized countries. A limited segment of the literature only examined the conditions under which decentralization pressures could arise from unions themselves (Ahlen 1989; Swenson and Pontusson 2000; Thelen and Van Wijnbergen 2003); these latter authors attributed break-downs in industrial relations to the altered incentives of highly-skilled export unions. In Sweden, their higher productivity and strategic position in export production lines allowed them to disengage with the previous collective bargaining system, and in Germany it lead to declining coverage in the industrial relations system through feedback effects of union militancy.

The above literature, while providing a robust understanding of decentralization in various industrialized economies, does little in providing one as to why sheltered sector unions would want to decouple their wages from the collective bargaining framework. Wage decoupling pertains more to pattern bargaining, and hence wage coordination, rather than centralization - although in the Austrian and the German case, centralization and coordination are inherently linked. Few scholars have analyzed the decomposition of

wage coordination institutions (Traxler, Blaschke and Kittel, 2001 as well as Kenworthy, 2001 describe wage coordination shifts over time since the 1970s, on a qualitative and quantitative scale, respectively), if such decomposition is occurring at all, as, unlike centralization or union density, wage coordination as an institution can be a highly informal process, based on understood norms rather than established rules. The most rigorous study of the pattern bargaining coordination method has been conducted by Franz Traxler and others, who has examined its agency and context, particularly in Austria (Traxler, Brandl, & Glassner, 2008; Traxler & Pernicka, 2007; Traxler, Brandl, Glassner, & Ludvig, 2008). The process of pattern bargaining, Traxler argues, is one built on an highly informal process – a gentleman’s agreement, rather than a legal formality – where power relations between the exposed (usually metalworking) sector unions and shadowing sector unions determine its establishment and operation. However, while Traxler et al’s work has been highly insightful in understanding how the pattern bargaining system was established and how it operates, it offers relatively little explanation for why shadowing unions in some countries (Germany) are able to lead to its unravelling, while shadowing unions in others (Austria) have strictly maintained its preservation.

The analysis of union fragmentation and sectoral union conflict is not new – it was of particular importance towards understanding the developments of the Swedish case in the early 1990s, where export sector unions – given their employers’ encouragement - developed strong incentives to break away from the highly centralized Swedish bargaining model in order to guarantee higher wage increases to their members. However, what is striking about the German case, is that it is not the export sector unions which are threatening to break away from the current system, but the sheltered sector unions which are prompting this unraveling by choosing to decouple their wage increases from the exposed sector. Highly skilled workers in domestic sectors with a narrow occupational definition (doctors, pilots and train drivers specifically) have already begun to decouple their pay agreements from the manufacturing sector (Crossland 2008), drawing support to Richard Hyman’s argument that “the more extensive and differentiated the interests encompassed within a unit of organisation, the less the likelihood of constituting a cohesive collective actor” (Hyman 1985/86). Such results may have important implications for a third debate on the preservation of wage setting institutions, looking not at the decomposition of union density or centralization, but at the decomposition of wage coordination.

Section II:

EMU, Wage Setting Institutions and Wage Restraint in Large and Small Economies

EMU introduced a significant governance shift upon wage setters. While OCA theory drew attention to mobile labour as an adjustment mechanism, one should not underestimate the formal governance structures which were placed upon wage-setters via the ERM set-up, and the effect which the elimination of these structures had on wage setters (particularly those in the sheltered sector) once under the new institutional

framework. During the run-up to EMU, wage-setters in both the exposed and the sheltered sectors were constrained by national central banks' commitment to fulfil the nominal Maastricht criteria, and by governments' commitment to the fiscal Maastricht criteria – this latter constraint particularly affected public sector unions. As a result, nominal wage restraint, defined as the change in nominal wage growth minus the change in labour productivity, substantially increased for all sectors in all EMU member-states between 1992 and 1999 (EU KLEMS Database). With Germany as the monetary anchor of the ERM and the *de-facto* target of the Maastricht inflation criteria, German monetary policy was imposed upon every EMU candidate country from 1992 onwards (for the core D-Mark bloc – Austria, the Benelux countries, and France – the credible, *de facto* adoption of German monetary policy had occurred much before this date). The Maastricht criteria imposed a strict governance structure upon wage setters in exposed and sheltered sectors between 1992 and 1998. The commitment to the nominal exchange rate peg to the D-Mark by independent central banks left little doubt among wage setters that monetary authorities would not accommodate inflationary wage settlements. Under a fixed exchange rate regime, higher wage increases would be met with contractionary monetary policy by national central banks if the fulfilment of the ERM's currency peg, and of Maastricht's inflation criteria later were threatened. Non-accommodating, domestic central banks, by “signalling” to wage setters their commitment to maintain the peg at all costs, highly constrained the wage increases demanded by wage across all sectors (Hall 1994; Hall and Jr. 1998; Iversen and Soskice 1998; Franzese 2001; Soskice and Iversen 2001; Hancké and Soskice 2003).

Examining cross-correlation coefficients on wage restraint cycles between countries and within countries for the 1991-1998 period, Johnston and Hancké (Johnston and Hancke` 2008) find a high degree of synchronization not only at an international level (particularly for the core D-Mark bloc countries) but also at a national level before the introduction of the Euro. Maastricht's unique institutional design, with German monetary policy at its centre and national central banks as the governance institutions which implemented German monetary policy upon EMU candidate countries, is perhaps the only institutional structure which facilitated this high degree of synchronization between wage setting actors in different sectors, forcing down wage growth substantially, particularly in sheltered sectors.

The new EMU regime drastically changed this governance structure, however. Central bank power was transferred from the national to the international level, where the ECB had little ability, incentive or mandate to impose a hard monetary constraint upon national wage-setters, and even less ability, incentive or mandate to monitor wage developments in the sheltered sectors of member-states. The elimination of the German monetary anchor and inflation target, along with the disappearance of national central banks to enforce it, significantly diminished the high degree of synchronization of wage restraint cycles at both the national and international level. The breakdown in the ERM's governance structure set the stage for a divergence in wage restraint performance across countries. Wage-setters in the exposed sector still had the incentive to moderate wage growth, as their employers were subject to a harsh competitive constraint. If

exposed sector unions threatened high wage increases, employers would threaten employment cuts, in order to ensure profitability and market share. Wage-setters in the sheltered sector, however, were not subject to such a competitive constraint, as their employers were not subject to similar competitive pressures. Therefore, they were free, in the absence of a national central bank, to pursue much higher wage increases under EMU. Wage growth in sheltered sectors, however, did not explode in all countries after 1999. Some countries where bargaining frameworks (Austria and Germany) or legal rules (Belgium) tied wage growth in the sheltered sector to wage developments in the exposed sector were particularly effective at keeping sheltered sector wage growth under control. For the Austrian and German cases, the pattern bargaining system, where the exposed, metalworking sector led wage negotiations and acted as a target to all other sectors in the economy, was particularly effective at maintaining low wage growth in Austria's and Germany's personal services and public services sheltered sectors, as well as the increasingly, but still lowly exposed market services sectors (see Figures 1 and 2)².

Graphs 1 and 2, about here

What makes the pattern bargaining system so interesting, and ultimately the focus of our analysis, is that it is one of the more efficient wage coordination systems for ensuring wage competitiveness amidst increased product market integration. Traditionally, in Austria and Germany, the exposed (metalworking) sector imposed its wage increases, which are reflective of aggregate national labour productivity developments rather than solely reflective of the export sector's (higher) productivity changes, on all other sectors of the economy³. As a result, wage increases in the sheltered sector are kept in check, as they are tied to wage developments taking place in the sector with the most to lose from high wage inflation, price competitiveness-wise. Evidence at the pattern bargaining system's success at suppressing wage excess can also be noted by sectoral wage restraint levels. As evidence in Table 1 shows, it is not the manufacturing sector where Austria and Germany lead the EMU pack for highest levels of wage restraint, but the public and personal services sectors, sectors which, together, represent approximately 35% of the total labour force for both countries (EU KLEMS). The well recognized cases of Austrian and German pattern bargaining

² All sectoral data taken from EU KLEMS database. Manufacturing data is ISIC tabulation category D, Public Services is a composite measure of wage growth for public administration and defence, education, and health and social work (ISIC tabulation categories L, M, and N respectively), personal services is a composite of wage growth for hotels and restaurants and other community, social and personal services (ISIC tabulation categories H and O respectively), and market services is a composite of wage growth for transport and storage, post and telecom, financial intermediation, and real estate, renting and business activities (ISIC tabulation categories 60-63, 64, J and K respectively).

³ In Austria, public sector workers and their representatives are not entitled to the right to conduct collective bargaining nor to conclude collective agreements, unlike their German counterparts. However, there is a practice of *de facto* informal bargaining, in that regular, annual negotiations occur between the authorities and public sector trade unions. Pay negotiations are concluded along increases which are set in the metalworking sector [EIRO, b. (2000). "Austria: Bargaining in the Public Sector." from <http://www.eurofound.europa.eu/eiro/2000/05/feature/at0005221f.htm>.].

wage setting behaviour show that wage setting institutions geared towards wage moderation are compatible with integrated product markets and EMU, despite the removal of hard and domestic monetary constraints. The stability of this system, however, in a period of prolonged low economic growth – especially for Germany – and lacking the disciplinary role of a national central bank, is highly dependent on the power of its peak-associations to maintain the enforcement of this coordination mechanism.

Table 1, about here

While their policies of strict wage moderation did much to boost exports (Germany's export share grew by 50% in the 7 years after EMU, while Austria's grew 34%, both well above the EMU average of 15% increase in the export share, and both easily the highest increases in EMU), growth in private consumption suffered, in part due to depressed wages. Between 1999 and 2005, Germany had the lowest average, annual real GDP growth rate (1.1%), for not only EMU, but also for the OECD. Real private consumption growth in Germany was also the lowest in the OECD for this period, averaging 0.9% growth per year (OECD). Austria's performance was not significantly higher (average, annual real GDP growth for the 1999-2005 period was 2%, equal to the Euro-zone average, while real consumption growth was 1.7%, just under the Euro-zone average of 2%), yet the significant size of its export share (roughly 60% of GDP in 2006, compared to 45% for Germany), enabled its aggregate growth rate to be dominated by export gains, despite a less stellar private consumption performance (OECD/AMECO databases). Much literature has examined the theoretical impact of wage restraint on real economic growth and unemployment according to country size (Soskice, 2007; Iversen and Soskice, 2000; Coricelli, Cukierman, and Dalmazzo, 2006; Dullien, 2003), and while empirical testing of these theories has not been conducted on a significant scale, the Austrian and German experience suggest that wage moderation was much less effective in Germany, producing little results in aggregate employment generation.

The decoupling incentives are now established. Under EMU, with no national central bank presenting a threat to sheltered sector wage demands, sheltered sector workers and sheltered sector unions were at first tied to the competitiveness driven export sectors in Austria and Germany under the pattern bargaining system. In a climate of low growth and little employment gains to exchange for the exertion of high wage moderation and the lowest real wage growth in the OECD (more so for Germany than Austria), sheltered sector workers, and the unions to which they belonged, had every incentive to challenge the system and break away. Yet a divergence in outcome occurred for both countries. While sheltered sector unions in both countries had every incentive to decouple (and de-coordinate) their wages with little monetary threat in a poor economic climate, only sheltered sector unions in Germany were successful. What accounted for this difference in outcome? The next section will examine the Austrian and German pattern bargaining

systems and explain that despite their similar structure and tradition, institutional power at the top looked very different for both countries.

Section III:

Austrian and German pattern bargaining, similarities and differences? The exit option and its implications for strategic interaction between unions and union coordination.

Austrian and German collective bargaining negotiations has taken place at the sectoral level and wage developments have been highly coordinated throughout the economy, resting on a pattern-setting role played by both countries' metalworking sectors (EIRO 1999). Yet, in neither economy does a hard-law accord exist which embeds this coordination mechanism; in Austria, for example, neither the ÖGB itself nor its member unions have legally agreed on the pattern-setting role played by the metal industry (GMTN), nor has the WKO (Austria's employer organization) or its sub-units (Traxler and Pernicka 2007 : 220-221). Rather, in both economies this "gentlemen's agreement" has rested on two factors: (1) *the importance of the metalworking industry* on the country's overall economic performance and (2) *the extraordinary strength of its unions* (Traxler and Pernicka 2007 : ibidem). Starting in the early to mid-1980s, IG Metall for Germany and GMTN for Austria set annual wage increases based on aggregate labour productivity growth and inflation; the remaining sectors of the economy followed these wage-developments which *de facto* established an upper bound to pay increases. This cross-sectoral coordination has ensured high levels of wage moderation over the past decades in both countries; and limited high pay hikes in the highly unionised sheltered sectors of each economy, shielded from international competition. Yet, we question whether the balance of power between unions which underwrote this mode of coordination in the past has been altered by the mutated constraints EMU delivered. We are surprised to find that despite actors' incentives in both economies equally changed because of the elimination of domestic central banks, their resilience and ability to preserve the pattern bargaining system differs significantly. We discuss how different legal codes and levels of associational coherence play a role in prompting the fragmentation of union relations in Germany and not in Austria. We attempt to show how the pre-established power relation equilibria upon which the pattern bargaining system rested today differs substantially, that EMU's removal of national central banks which kept fragmentation at bay established the scene for de-couplings to happen, and that heterogeneous institutional structures produce very different exit options to actors.

Before proceeding further, we present a brief description of the organisational structure which leads to wage formation in both countries. We conclude by describing the recent collective bargaining developments which have taken place in Germany and discuss the role played by staff and employee associations, non-affiliated to the German peak-level union confederation, the DGB. In our view these developments draw support to our argument that *when the intra-union cleavages created by EMU are not addressed*

*(institutionally or politically), if given an **exit option** from the collective bargaining system, trade unions in the sheltered sector can bring havoc to pre-established collectively coordinated bargaining arrangements – in particular, when these no longer produce expected benefits to their members.*

Wage Formation in Austria and Germany

In both Austria and Germany, the majority of union members belong to a central peak organisation: all unions in Austria belong to the ÖGB, a monopoly peak-association, and 85-95% of union members in Germany belong to DGB, although this number has been declining. Neither of these union confederations directly conduct collective negotiations, as all bargaining takes place at the sectoral level (between sectoral unions within these federations). The Austrian system of collective bargaining occurs between unions in ÖGB and employers, represented by the employers association WKO bargaining outside these two organizations is **illegal** under Austrian labour law, and hence both organizations act as monopoly federations for unions and employers, respectively. As of 1983, the metal industry (now GMTN with its recent merger with the textiles and food processing industry unions) leads annual wage negotiations, whose wage growth acts as a target for wage increases in all other sectors which shadow their developments. This cross-sectoral coordination mode has tied wage developments in the exposed, highly trade-intensive sectors to those segments of the economy which have traditionally been highly unionised and not subject to international pressures. Because bargaining coverage in Austria is near 100%, this effectively means wage growth set by the manufacturing sector is imposed on all other sectors of the economy. In Germany, the system of collective bargaining is – by and large – still based on the collective bargaining law (Tarifvertragsgesetz) passed in 1949, which established that only employers' organisations and trade unions have the right to conclude collective agreements (Tarifverträge). Tarifautonomie holds that neither the state nor regional governments can intervene in such negotiations [(Hyman 2001, Ch. 6)]. However, unlike Austria, bargaining is not restricted to one union federation (the DGB) even though the majority of agreements are concluded within one, and access to bargaining licences are much easier to obtain within and outside of DGB, whereas they are nearly impossible to get in Austria.

As with Austria, there is no formal coordination law within the DGB framework: in theory each union pursues its own sectoral collective bargaining policy. Yet, in practise – by tradition, also established in the 1980s – the metal manufacturing industry union (IG Metall) sets the norm for wage increases in all other industrial branches. Agreements first take place in the Stuttgart region, and within less than a week agreements generally take place in all other bargaining regions and sectors (Swedish Metalworkers Union 1998 : 134). Germany's Constitution guarantees the "right to form associations to safeguard and improve working and economic conditions" [Art. 9(3)]: there are therefore very little barriers to the formation of trade unions, and Art.9 also protects the freedom of workers to join or not join them (Works Constitution Act). This freedom also applies to the right to collective bargaining: trade unions only have the right to

enter into collective agreements with either individual employers or employer associations. Because there is no minimum criteria established to define what a union is, there is in Germany an ongoing concern that newly-established, small unions will collectively bargain their own agreements with employers, and, if separate from the pattern bargaining system, negotiate higher wage increases that attract unionized workers from DGB itself (Legislationline, 25.09.2008).

While quantitative wage data suggest that the pattern bargaining systems have held up well until 2005 (see Figures 1 and 2), there is plenty of qualitative evidence from Germany that the system is not as stable now as it has been historically. Since 2001, three staff associations – now covering over 100,000 employees - have exited the wage coordination framework by winning prolonged strike disputes in favour of private wage agreements for their members. As Traxler (2007) argued, the mode of coordination sustaining a pattern bargaining wage setting system is supported by strength of the leading unions and historical tradition, yet this “gentleman’s agreement” is beginning to be overturned in Germany and not in Austria. We believe that this has occurred due to the emerging fragmentation and declining power of the main peak-association in Germany, DGB, which has been triggered by German unions’ ability to exit collectively negotiated agreements. In Austria, legal rules making bargaining outside of the ÖGB umbrella illegal, as well as ÖGB’s monopoly union confederation position make it very difficult, if not impossible, for sheltered sector unions to de-couple wages and leave the fold.

Staff Associations, Exit Options, and Union Coordination

Since the beginning of EMU, German sheltered sector unions have voiced strong complaints against an externally imposed policy of wage moderation. Led first by the pilots in 2001 (whose staff associational union covered around 4,000 members), followed by the doctors’ union, Marburger Bund, in 2006 (covering around 96,000 members at the time) and then, in 2007/08, by the German Engine Driver’s Union (GDL – covering approximately 20,000 workers), highly skilled unions who were unsatisfied with persistent low wage increases under the pattern bargaining system de-coupled their wages by negotiating separate pay agreements outside of DGB-negotiating framework (EIRO links below). Similar developments have not taken place in Austria, where most recent instances of industrial action have only challenged job classification schemes, privatization attempts by the state, and pension and early retirement policies (EIRO 2000).

The German wage bargaining system rested on a “gentleman’s agreement” which ascribed to IG Metall wage leadership amongst DGB affiliated unions. The respective employer associations would indirectly support this agreement by negotiating exclusively with DGB-affiliated unions. Recently though, strikes and court trials have advanced the positions of staff (employee) associations, which are non-affiliated to the DGB.

Figures 1 and 2, about here

In the past, employer's preference for DGB affiliated unions implied that these outside associations were empty shells, as they succumbed to the bargain struck by the former and as a consequence their existence had gone rather unnoticed by the literature until recent years. These associations used to be very small in terms of membership size, and their effective role in shaping the bargaining rounds was residual. Recently these power balances have changed, and staff associations have been able to negotiate single pay agreements. As a result, sheltered sector unions under the DGB umbrella (particularly those representing highly skilled workers) have begun to decouple themselves (and their members) from the DGB arena. Despite the fact that employers still maintain a preference in dealing with DGB-affiliated unions because of their moderate wage demands, a fierce season of strikes in the railway, airline and medical services sectors, as well as court battles, have forced employers to accept these fringe associations' wage demands. Moreover a vicious cycle has begun; as these staff associations are negotiating better employment and pay conditions for their members, workers shift out of the respective DGB-affiliated union (who is moderate in its demands) and flee to the non-DGB-affiliated staff association where wage increases are higher. The case of Marburger Bund provides a striking example of sheltered sector union fragmentation and exit power. After it separated from ver.di under the DGB umbrella in 2006 to negotiate separate pay increases, its member-base increased by 15,000 in only a matter of weeks (Vogel 2008, EIRO). The substantial increase in members for Deutsche Lokführer, is balanced by the loss borne by TRANSNET, the DGB-affiliated transport sector union. These disputes provide clear examples of sheltered sector dissent with the pattern bargaining coordination system in Germany. By virtue of the narrow definitional occupation of their members, and because of their ability to infer substantial costs to the economy at large, these fringe associations have moved to the forefront of the collective bargaining arena, and are now presenting a credible threat to the size of DGB's member-base.

The pilots' union (VC) signed in June 2001 a separate agreement with the German airlines, reached via an arbitration committee covering 4,200 pilots at Lufthansa Passenger Airline, Condor, Condor Belin and Lufthansa Cargo. VC was established as an association of pilots and aircraft mechanics in 1969, but it mandated bargaining responsibility to DAG and concentrated its activity on political lobbying in favour of better training for its pilots. In 1999 it decided to negotiate on its own, and based its new bargaining strategy on the use of international sectoral wage comparison, rather than domestic points of reference (as used to do DAG on its behalf). The pilots' union had shown, on the basis of international wage comparisons, that the wage moderation bargained by ver.di (following the limit set by IG Metall in the DGB) was inappropriate for pilots, and thus detached themselves from collective bargaining. Similarly, since the 1950s, MB (the doctors' union) had formed a bargaining alliance with DAG (Deutsche Angestelltengewerkschaft), which was continued with ver.di's creation in 2001. However in September

2005, first and then again in May 2006, MB decided to opt out of the alliance as it felt that better terms and conditions should be achieved via separate negotiations (Dribbush 2006, EIRO). The agreement reached covered 22,000 medical doctors at university hospitals, and negotiated new pay scales for East and West, with opening clauses which enabled employers to bargain at a regional level so as to derogate from the agreed pay rates, if employment were to be at risk. MB claims that since the decoupling it has gained 20,000 new members, and represents 105,000 out of a total of 146,000 doctors in employment. Finally, in July 2007 train drivers concluded a bitter dispute over pay rises and exited the collective bargaining framework. Despite, TRANSNET and the GDBA (DGB- and DBB-affiliated unions respectively)⁴ had secured an agreement with DB covering 134,000 workers, GDL secured an independent one covering about 20,000 engine drivers at DB in the Spring of 2008 (Vogel 2008, EIRO). GDL signed a more advantageous separate collective agreement for engine drivers only, not only at DB but also at its subsidiaries. This action was severely criticised by all unions as it abandoned the legal principle stipulating that different wage agreements should not co-exist at one and the same company (Tarifeinheit). These changes are linked to the dynamic developments and far-reaching restructurings that the DGB itself has undergone (Keller 2005 : 209). In Germany a major union merger project commenced in 2000 and came to an end in the spring of 2001. The result of it consisted in the birth of the United Services Union, ver.di which combines five previously independent unions: the German Postal Union; Commerce, Banking and Insurance Union; Media Industry Union; Public Services and Transport Union (all previously members of the DGB); and, finally, the German White Collar Workers' union (previously unaffiliated to the DGB). It organises approximately over 1000 occupational groups and had in 2004 close to 2.5 million members. It is a multi-industry union with high internal organisational diversity, which crosses the boundaries between public and private sector workers' representation; over 55% of its members are white collar workers, and half of its members are women (Keller 2005 : 214). Ver.di has been criticised for an inability to control and speak consistently to all workers represented, and it is alleged to be highly fragmented internally and disorganised (Keller 2005; Annesley 2006; Addison, Schnabel et al. 2007). Additionally, ver.di's creation has distorted the balance of power within the DGB itself, as its autonomous action in a number of policy fields (energy, media, etc.) seems to suggest.

In Austria, however, pattern bargaining remains largely unchanged despite the fact that unions which shadow GMTN could theoretically pursue higher wage settlements. Yet, according to official sources from the Austrian Chamber of Labour, currently no trade union within the ÖGB has had the intention or incentive to break away from this pattern, and none has secured higher pay increases than GMTN. Despite this method of coordination is largely informal, an intricate web of power-relations between GMTN and the other unions covered under the ÖGB umbrella, as well as very costly bargaining conditions ensure strict adherence by unions to the system, and hence the preservation of this institution.

⁴ Transnet and GDBA are united in a formal collective bargaining association (Tarifgemeinschaft) based on mutual agreement between the two unions (Vogel 2008, EIRO).

Compared to its counterpart, IG Metall, GTMN has a relatively smaller membership share of union members, approximately 15% of union membership share in 2004, and does not have the highest membership share in Austria – this title belongs to GPA, the private sector and white-collar employees union, which has a 20% member share (Traxler et al, 2008)⁵. However, GMTN's strong position lies not only with its high membership share, but the key importance of the industry it represents. According to Traxler et al (2008), “the metal industry, namely its engineering branch, is Austria's *key* industry, which contributes by far the highest share to the country's gross production”. Yet power relationships are not enough to ensure mimicking unions' compliance with the pattern bargaining system – Austrian labour law and strict regulations over collective bargaining play an equally important role. Unlike Germany, which has very little barriers to the formation of trade unions, thanks to Article 9 of its Constitution, in Austria potential “fringe” unions cannot obtain separate bargaining licences so easily. Moreover, under Austrian labour law, the public sector is legally excluded from the right to bargain (although agreements regarding their pay increases are still made via the pattern bargaining system), and even more importantly, ÖGB and its member unions have a collective monopoly, as no union outside these are legally authorized to collectively bargain (Traxler & Pernicka, 2007). Thus, if a pilots', doctors' or train drivers' union sought to obtain a separate bargaining licence or establish collective agreements outside the ÖGB, in parallel to what happened in Germany, the former would be much more difficult in Austria, and the latter would be legally impossible. Austria's strict bargaining rules coupled with the well maintained power position of GMTN relative to other unions, a position supported by ÖGB itself, demonstrates that the combination of intra-union dynamics and institutional rules are important factors which can mean the difference between institutional resilience or change (see Figure 3). [forthcoming: we are currently awaiting for further interview material concerning the employer dimension of Austrian industrial relations].

The combination of these intra- and dynamics as well as legal rules are important factors to understand why this de-coupling is taking place in Germany but not in Austria. Under EMU, sheltered sectors in both economies have the incentive to push for higher wage increases, with the disappearance of a non-accommodating, national central bank. If these unions are subject to a coordination mechanism which forces low wage growth upon them, like the manufacturing sector, for a prolonged period of time, under a weak economic climate, then these incentives to de-couple are even more pronounced. However, there is a very clear distinction between incentive and ability, and though these unions may want to abandon the pattern bargaining system, exit options must be made available in order for them to do so. In Germany, these exit options are available. *Due to DGB's declining power, fragmentation of union confederations and the ability for trade unions to bargain with employers outside of the DGB, sheltered sector unions in Germany are able to de-coordinate from exposed sector unions. While this exit option is theoretically available in Austria – sheltered sector unions can set whatever wage increase they prefer – a dominant*

⁵ GMTN's membership share increased in 2006 with the merger of GMT and ANG, likely to 17.3% of total membership share, based on 2004 estimations (Traxler et al, 2008).

power position by GMTN, supported by the peak association, as well as strict bargaining rules and laws governing what is permissible in collective bargaining make the costs of exit much higher to Austrian sheltered sector unions.

Section IV:

Union Confederations, Monetary Regimes and Wage Coordination: What do the Austrian and German cases tell us?

The developments which are currently taking place in Austria and Germany provide a convenient microcosm for examining heterogeneity in the exercise of preserving wage coordination institutions under different monetary regimes, as well as an opportunity to discuss what constraints are important in preventing institutional change. Political economy literature examining wage bargaining and the economic/political outcomes it produces (Calmfors and Driffil 1988; Soskice 1990; Katzenstein 1985; Hall and Soskice 2001) has systematically assumed away the potential problem of union coordination; it has consistently treated unions, as well as employers, as uniform actors, which speak with one voice. The rebellion of a number of German sheltered, high skill, service sector trade unions allows us to question whether this has been a correct assumption, and whether wage coordination is truly as exogenously given as the literature makes it out to be. Countries with a pattern bargaining wage setting system have been assumed by the literature to produce the same expected performance over (Traxler xxx); yet this paper demonstrates that the devil lies in the details, as different legal and institutional subtleties have proven to be crucial in constraining the potential unravelling of the system in Austria, and not in Germany. Thus, wage institutions facing similar pressures, can undergo heterogeneous patterns of change because of underestimated institutional subtleties which had previously gone unnoticed.

The analysis of wage bargaining institutions in political economy and economics has centred around the question of which institutional set-up best delivered wage moderation, and – as if it automatically followed – better economic performance. Katzenstein (1985) focused on the role played by “corporatist” peak level associations in macro-economic steering -- although his analysis was a “big picture” representation of the relative successful economies of small, highly open, corporatist states. Calmfors and Driffil (1988) discovered a dichotomy between centralised and decentralised bargaining systems, and found that a hump shaped relation between them and economic performance (the misery index) exists – extremes in centralization perform best, and intermediate bargaining delivers poor outcomes. Soskice (1990) improved this analysis by arguing that informal coordination between actors, not centralization, was the key driver of economic performance, and that the hump-shape should be transformed according to the degrees of wage coordination rather than centralization.. Yet, these analyses explain union positions and payoffs at the bargaining table as exogenously given and cohesive. An important link missed by these theories is the

notion that the levels of wage bargaining coordination and centralization themselves are the outcomes of political negotiations and alliances, which can also break down. Thus, wage bargaining coordination and centralization are not exogenous as the Calmfors-Driffill and Hall and Soskice literatures suppose, but rather are endogenously constructed, and more so in the absence of a hard monetary constraint. Throughout the 1980s and 1990s, the political economy of wage bargaining has treated incentives and constraints of union actors as constants, and is therefore problematic when analysing current wage bargaining developments in the context of EMU's radically different monetary regime.

Thelen and Kume (Thelen and Kume 2005) are amongst the few that question the assumption of exogenously set actor bargaining positions [as well as (Thelen and Van Wijnbergen 2003)]; their qualitative analysis of German, Swedish and Japanese industrial relations shows how the ability of employers to coordinate, and act unanimously, results from a politically negotiated equilibrium, which over time can falter, inevitably affecting the existence of those institutions within which they act. SAF's elimination of its bargaining unit (19xx) was a clear sign of Swedish export manufacturers' unwillingness to reinforce the status quo (Thelen and Kume 200x, xx). Our hypothesis draws a comparable conclusion with respect to the problem of union coordination. German sheltered sector unions no longer benefited from a *pro quo*, which legitimised the *quid* (wage moderation and industrial solidarity) (Pizzorno 1968), and thus decided to de-coordinate, signing single pay agreements. Macro-economic steering via wage moderation in an economy where sectoral fragmentation is high, and the monetary constraint is distanced, implies that the benefits from restraint, and high costs of exit must be visible and widespread for cross-sectoral wage demands to remain moderate. As the Austrian case suggests, exit options can be significantly limited if legal rules to clearly define the boundaries of negotiation and indirectly rule out the possibility of unions to act independently of confederal control. German unions affiliated to the DGB failed to keep fringe associations satisfied with the nominal pay increases negotiated, and additionally staunchly distanced them by publicly criticising their behaviour (Rippert 2007). Failure to negotiate an accord, combined with the possibility of exiting the framework, resulted in three sheltered sector unions defecting on the collective wage agreement, with vocal dissent from ver.di unions and possible de-coupling on the horizon.. The important lesson which the present Austrian and German experience teaches us is, the ability to exit collectively negotiated agreements threatens the durability of an institutional set-up as well as the macro-steering capacity of institutional actors, lending evidence to Hyman's (1985/86) claim, "throughout the history of modern working-class organisation, there can be seen a constant counterpoint between the goals of rank-and-file autonomy and self-activity, as against disciplined and cohesive mass action".

Conclusion

This paper has highlighted the emerging question of what constitutes credible constraints to the sustainability of wage coordination frameworks and contributes to an un-developed literature which addresses the problem of union coordination. We find that the combination of intra-union dynamics and institutional labour and bargaining rules are important factors allowing us to understand the sustainability of wage coordination along sectoral lines in Austria as opposed to Germany. Under EMU, sheltered sectors in both economies have the incentive to push for higher wage increases, with the disappearance of a non-accommodating, national central bank. If these unions in these sectors are subject to a coordination mechanism which forces low wage growth upon them, like the manufacturing sector, for a prolonged period of time, with no substantial employment growth benefits, then incentives to de-couple are even more pronounced. However, there is a very clear distinction between incentive and ability, and though sheltered sector unions may want to abandon the pattern bargaining system, exit options must be made available in order for them to do so. In Germany, these exit options are available. Due to DGB's declining power, fragmentation of union confederations and the ability for trade unions to bargain outside of the DGB, sheltered sector unions in Germany are able to de-coordinate from exposed sector unions. This exit option is much more costly in Austria. In Austria, ÖGB is the only union confederation, which has dominate power over its member unions. Its member unions cannot bargain outside it, as Austrian labour law prohibits such action, and it is very difficult for unions to obtain separate bargaining licences within it. Therefore, due the legal embeddedness of power relations between ÖGB and its member unions and GMTN and its shadowing unions within ÖGB's organizational structure, Austrian sheltered sector unions remain coordinated to the exposed sector union.

The presence and sustainability of wage coordination institutions are highly influenced by legal details and power dynamics that affect the likelihood of institutional resilience and change. These institutional constraints affect the pay-offs and incentives of actors, thus affecting their decision to exit a pre-existing bargaining equilibrium or not. Austria and Germany are interesting case studies: both underwent the removal of a hard monetary constraint which led to a divergence in sheltered and exposed unions' bargaining strategies, yet the pattern bargaining system which typified these economies is being questioned in Germany and not in Austria. However, the lessons learned from the Austrian and German experience are important beyond the realm of their industrial relations systems and pattern bargaining. Legal constraints and intra-union power dynamics, which determine the legal entitlement of a union to exit a collective agreement or not, have an important influence on the resilience of wage coordination institutions, by affecting the union's willingness to renegotiate the politically negotiated equilibrium underlying wage coordination. The political economy literature which examines the forces leading to bargaining decentralization and de-coordination has tended to neglect the possibility of intra-union rifts in the past;

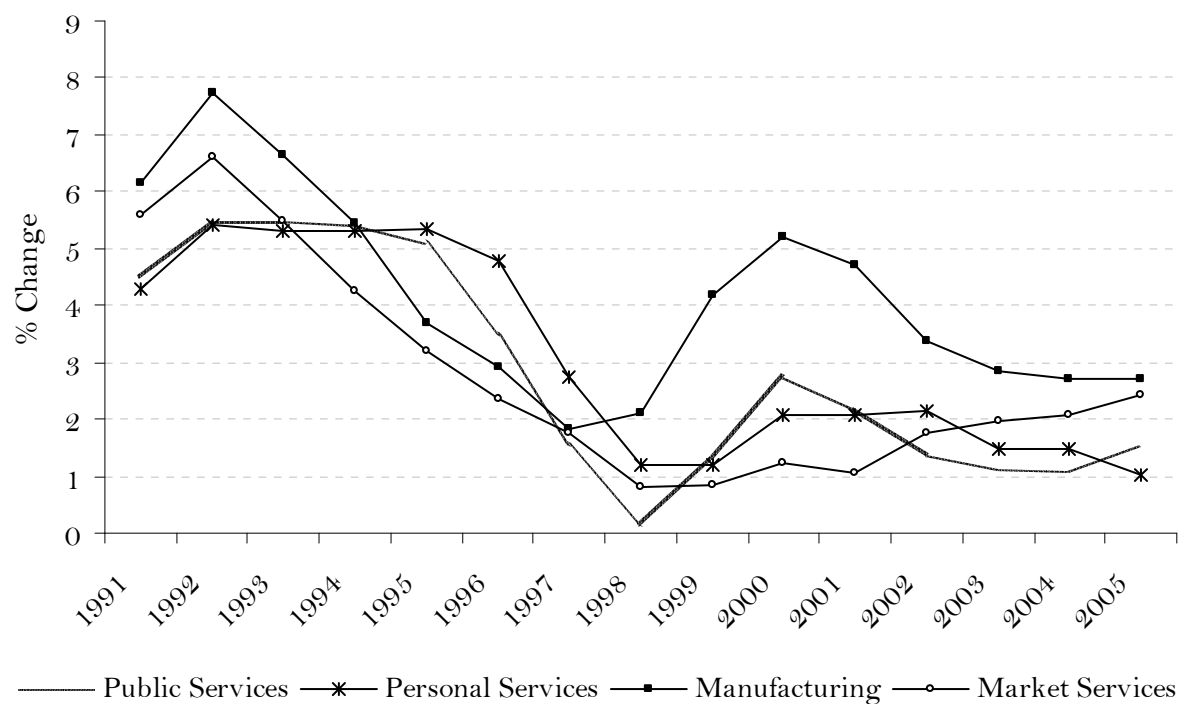
with the possible exception of those examining the UK experience (Hyman 2001). Yet regarding the future resilience of wage coordination, it may not be external economic forces which threaten it but rather the unity of the coordinating actors themselves. If preference sets and constraints of coordinating actors are allowed to diverge, and exit strategies are present and permissible, the unravelling of wage coordination networks may not be the result of globalization, but rather intra-union fragmentation, dissent, and conflict.

Appendix 1: Graphs, Tables and Figures

Graph 1:

Wage Growth in Austria by Sector, 1991-2005

Nominal Wage Growth by Sector: 3 Year Moving Average

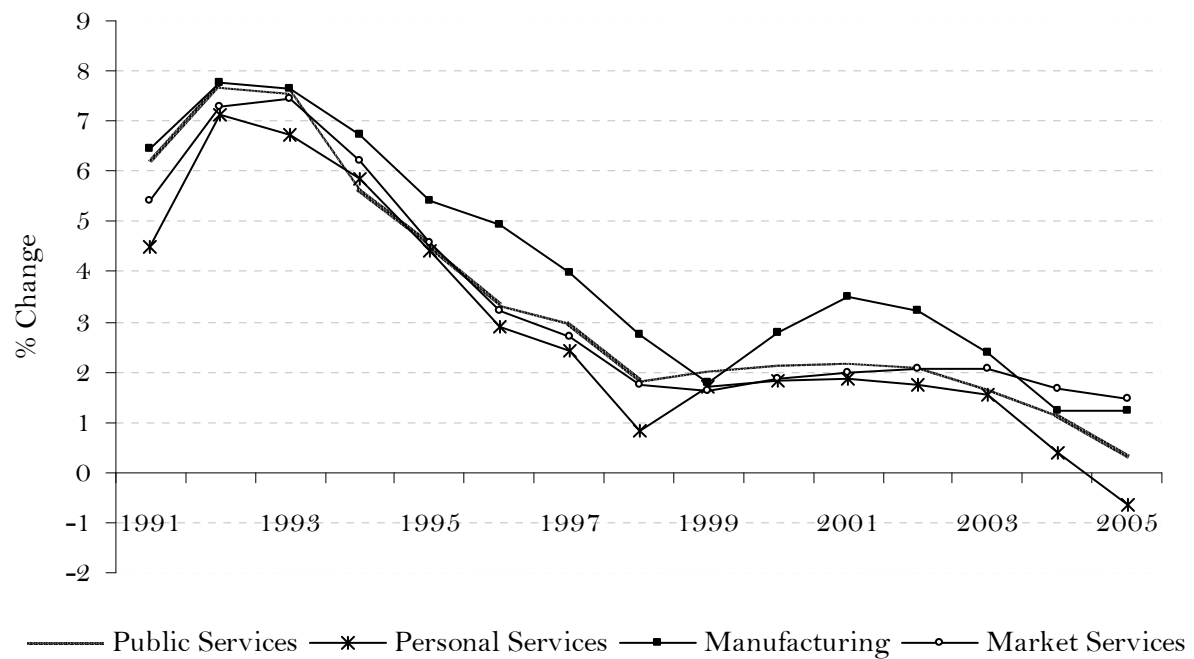


Source: EU KLEMS Database 2008

Graph 2:

Wage Growth in Germany by Sector, 1991-2005

Nominal Wage Growth by Sector: 3 Year Moving Average



Source: EU KLEMS Database 2008

Table 1:***Average Levels of Nominal Wage Restraint Under EMU (1999-2005) by Sector****Average Differentials in Nominal Wage Growth and Labour Productivity Growth in Parenthesis*

Wage Restraint in the Manufacturing Sector	Wage Restraint in the Non-Market Services Sector	Wage Restraint in the Personal Services Sector	Wage Restraint in the Market Services Sector
1. Ireland (-5.68)	1. Germany (-0.08)	1. Germany (1.70)	1. Italy (0.60)
2. Austria (-1.39)	2. Austria (1.37)	2. Austria (1.71)	2. Belgium (0.61)
3. France (-0.33)	3. France (2.42)	3. France (2.42)	3. Portugal (0.79)
4. Germany (-0.26)	4. Belgium (2.90)	4. Netherlands (2.60)	4. Germany (1.39)
5. Finland (0.15)	5. Italy (3.28)	5. Spain (3.01)	5. Austria (1.68)
6. Belgium (0.23)	6. Finland (3.47)	6. Finland (3.07)	6. France (1.74)
7. Netherlands (0.71)	7. Spain (3.62)	7. Ireland (3.36)	7. Ireland (1.82)
8. Portugal (2.35)	8. Netherlands (3.87)	8. Belgium (3.49)	8. Netherlands (2.23)
9. Spain (2.46)	9. Portugal (5.62)	9. Italy (3.57)	9. Finland (2.38)
10. Italy (3.14)	10. Ireland (6.36)	10. Portugal (5.12)	10. Spain (2.52)

Source: EU KLEMS Database 2008

Figure 1:
Hierarchical Organizational Structure of Austrian Unions

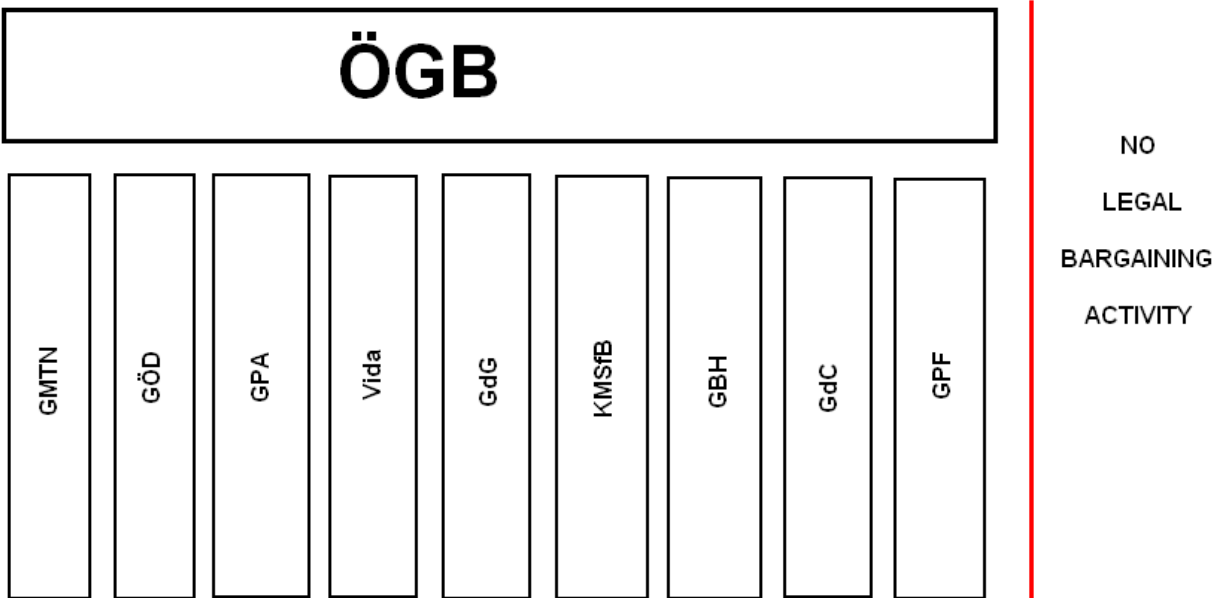
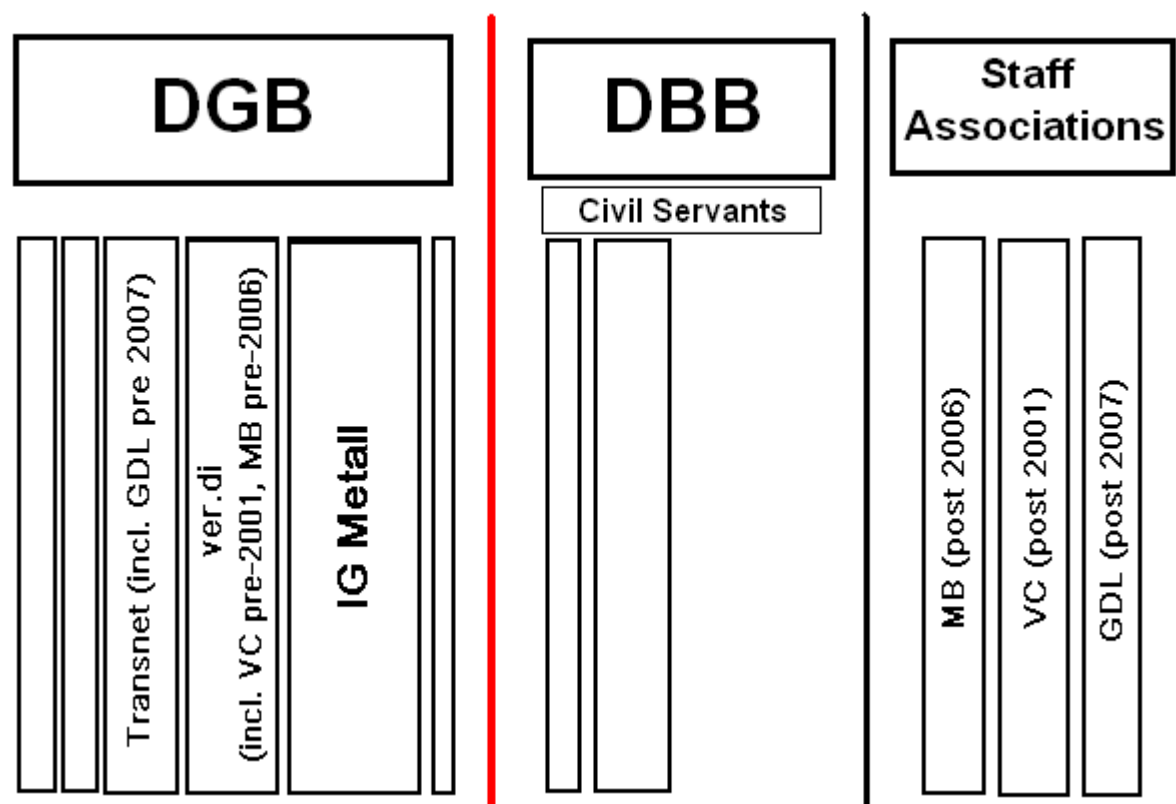


Figure 2:
Hierarchical Organizational Structure of German Unions



Bibliography

- Addison, J., C. Schnabel, et al. (2007). "The (Parlous) State of German Unions." Journal of Labour Research **XXXVIII**(1): 3-18.
- Ahlen, K. (1989). "Swedish Collective Bargaining Under Pressure: Inter-union Rivalry and Incomes Policies " British Journal of Industrial Relations **27** (3): 330-346.
- Annesley, C. (2006). "Ver.di and Trade Union Revitalisation in Germany." Industrial Relations Journal **37**(2): 164-179.
- Brown, W. and J. Walsh (1991). "Pay Determination in Britain in the 1980s: The Anatomy of Decentralization." Oxford Review of Economic Policy **7**(1): 44-59.
- Calmfors, L. (2001). "Wages and Wage Bargaining Institutions in the EMU - A Survey of the Issues." Empirica **28**: 325-351.
- Calmfors, L., A. Booth, et al. (2001). The Future of Collective Bargaining in Europe. The Role of Unions in the Twenty-First Century. T. Boeri. Oxford, Oxford University Press: 1-134.
- Crossland, D. (2008). German Rail Deal Could Spell Trouble for Economy. Spiegel. Hanover. **14 January 2008**.
- EIRO. (1999). "Verdi overture - five unions agree to form Unified Service Sector Union." from <http://www.eurofound.europa.eu/eiro/1999/11/feature/de9911225f.htm>.
- EIRO (2007). Doctors' strike ends in new collective agreement, <http://www.eurofound.europa.eu/eiro/2006/07/articles/de0607019i.htm>.
- EIRO (2008). Collective agreement finally reached for German engine drivers, <http://www.eurofound.europa.eu/eiro/2008/04/articles/de0804049i.htm>.
- EIRO, a. (2000). "Austria: Structures and patterns in collective bargaining reviewed." from <http://www.eurofound.europa.eu/eiro/1999/12/feature/at9912207f.htm>.
- EIRO, b. (2000). "Austria: Bargaining in the Public Sector." from <http://www.eurofound.europa.eu/eiro/2000/05/feature/at0005221f.htm>.
- EIRO, c. (2000). "Austria: Collective Bargaining Round Starts." from <http://www.eurofound.europa.eu/eiro/2000/10/inbrief/at0010232n.htm>.
- Franzese, R. J. (2001). Institutional and Sectoral Interactions in Monetary Policy and Wage/Price-Bargaining. Varieties of Capitalism: The institutional foundations of competitiveness. H. a. D. S. (eds.). Oxford, Oxford University Press 104-144.
- Hall, P. A. (1994). "Central Bank Independence and Coordinated Wage Bargaining: The Interaction in Germany and Europe." German Politics and Society **31**(1-23).

- Hall, P. A. and F. R. Jr. (1998). "Mixed Signals: Central Bank Independence, Coordinated Wage Bargaining, and European Monetary Union." International Organization **52** (3): 505-535.
- Hall, P. A. and D. W. Soskice (2001). Varieties of capitalism : the institutional foundations of comparative advantage. Oxford, Oxford University Press.
- Hancké, B. and D. Soskice (2003). "Wage-Setting and Inflation Targets in EMU." Oxford Review of Economic Policy **19**(1): 149-60.
- Hyman, R. (2001). Understanding European Trade Unionism, In Between Market, Class & Society. London.
- Iversen, T. (1996). "Power, Flexibility, and the Breakdown of Centralized Wage Bargaining: Denmark and Sweden in Comparative Perspective." Comparative Politics **28**(4): 399-436.
- Iversen, T. and D. Soskice (1998). "Multiple Wage Bargaining Systems in the Single European Currency Area " Oxford Review of Economic Policy **14**(3): 110-124.
- Johnston, A. and B. Hancke` (2008). "Wage Inflation and Labour Unions in EMU." working paper.
- Keller, B. (2005). "Union Formation through Merger: The Case of ver.di in Germany." British Journal of Industrial Relations **43**(2): 209-232.
- Lindbeck, A. (1988). The insider-outsider theory of employment and unemployment. Cambridge, Mass., MIT Press.
- Martin, A. (1998). EMU and Wage Bargaining: The Americanization of the European Labour Market? Canadian International Labour Network. Canada.
- Rippert, U. (2007). Germany: Court lifts strike ban against train drivers, World Socialist Web Site
- Sibert, A. and A. Sutherland (2000). "Monetary Union and Labour Market Reform." Journal of International Economics **51**(2): 421-35.
- Soskice, D. and T. Iversen (2001). "The Non-Neutrality of Monetary Policy with Large Price or Wage Setters " Quarterly Journal of Economics **115**(1).
- Swedish Metalworkers Union (1998). Wage Formation in Austria, Belgium, Denmark, Finland, Germany, Great Britain, New Zealand, and Norway. Stockholm.
- Swenson, P. and J. Pontusson (2000). The Swedish Employer Offensive against Centralized Bargaining Unions, Employers, and Central Banks. T. Iversen, J. Pontusson and D. Soskice. Cambridge, Cambridge University Press: 77-106.
- Swenson, P. and J. Pontusson (2000). The Swedish Employer Offensive against Centralized Bargaining. Unions, Employers, and Central Banks. T. Iversen, J. Pontusson and D. Soskice. Cambridge University Press: 77-106.

- Thelen, K. and I. Kume (2005). "Coordination as a Political Problem in Coordinated Market Economies." Governance **19**(1).
- Thelen, K. and C. Van Wijnbergen (2003). "The Paradox of Globalization: Labor Relations in Germany and Beyond." Comparative Political Studies **36**(8): 859-880.
- Thornqvist, C. (1999). "The Decentralization of Industrial Relations: The Swedish Case in Comparative Perspective." European Journal of Industrial Relations **5**(1): 71-87.
- Traxler, F. (1995). Farewell to Labour Market Associations? Organized versus Disorganized Decentralization as a Map for Industrial Relation. Organized Industrial Relation in Europe: What Future? C. Crouch and F. Traxler. Aldershot, Avebury.
- Traxler, F. and S. Pernicka (2007). "The State of Unions: Austria." Journal of Labour Research **XXVIII**(2): 207-232.