

Bryson, Alex; Willman, Paul

**Working Paper**

## How Should We Think About Employers' Associations?

IZA Discussion Papers, No. 15467

**Provided in Cooperation with:**

IZA – Institute of Labor Economics

*Suggested Citation:* Bryson, Alex; Willman, Paul (2022) : How Should We Think About Employers' Associations?, IZA Discussion Papers, No. 15467, Institute of Labor Economics (IZA), Bonn

This Version is available at:

<https://hdl.handle.net/10419/265688>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

DISCUSSION PAPER SERIES

IZA DP No. 15467

**How Should We Think About Employers'  
Associations?**

Alex Bryson  
Paul Willman

JULY 2022

## DISCUSSION PAPER SERIES

IZA DP No. 15467

# How Should We Think About Employers' Associations?

**Alex Bryson**

*University College London and IZA*

**Paul Willman**

*London School of Economics*

JULY 2022

Any opinions expressed in this paper are those of the author(s) and not those of IZA. Research published in this series may include views on policy, but IZA takes no institutional policy positions. The IZA research network is committed to the IZA Guiding Principles of Research Integrity.

The IZA Institute of Labor Economics is an independent economic research institute that conducts research in labor economics and offers evidence-based policy advice on labor market issues. Supported by the Deutsche Post Foundation, IZA runs the world's largest network of economists, whose research aims to provide answers to the global labor market challenges of our time. Our key objective is to build bridges between academic research, policymakers and society.

IZA Discussion Papers often represent preliminary work and are circulated to encourage discussion. Citation of such a paper should account for its provisional character. A revised version may be available directly from the author.

## ABSTRACT

---

# How Should We Think About Employers' Associations?\*

We maintain that employer associations are a specific form of employer collusion that is overt, formal and labour market focused which encompasses but is by no means confined to collective bargaining. We consider the conditions under which this form of collusion might emerge, and how it might develop. Since the context is the decline of employers' associations in collective bargaining, we look at how collective bargaining involvement (and its disappearance) might relate to the growth or decline of other forms of collusion in areas such as product and financial markets, and political influence. Our central contention is that employers' associations continue to perform an important role in helping employers set the terms of trade, albeit one that has adapted to the demise of sectoral bargaining.

**JEL Classification:** J50, J52

**Keywords:** employers' associations, collusion, collective bargaining

**Corresponding author:**

Alex Bryson  
Professor of Quantitative Social Science  
UCL Social Research Institute  
University College London  
20 Bedford Way  
London WC1H 0AL  
United Kingdom  
E-mail: a.bryson@ucl.ac.uk

---

\* Bryson thanks the Norwegian Research Council (grant numbers 295914 and 301280) for funding and participants at the BJIR Workshop on 'The Presence, Role and Impact of Employers' Associations in Europe' for comments on an earlier version of the paper.

## 1. Introduction

The late eminent British sociologist Eric Batstone once remarked – referring to his research focus on establishment – level bargaining – that it was only an interesting object of study if something was actually going on. If we turn this insight on the study of employers’ associations, we might assume that, since there seems to be less collective bargaining involving employer’s associations, they are becoming less interesting. However, in this paper we identify a range of activities employers associations engage in to further business interests. These include but are no means confined to collective bargaining. We focus on employer associations as a specific form of employer collusion, and we ask how and why this form of collusion might emerge, and how it might develop. Since the context is a focus on the decline of employers’ associations in collective bargaining, we look at how collective bargaining involvement (and its reduction or disappearance) might relate to the growth or decline of other forms of collusion; for example, is collusive involvement in collective bargaining a cause of the development of other forms of collusion, or a consequence? After all collective bargaining is not the only labour market or industrial relations issue with which employers’ associations have been historically concerned – apprenticeship training is a notable addition.

The structure of the paper is as follows. Section 2 argues that employers’ associations are a specific form of collusion between employers which is overt, formal and labour market focused. We describe conditions under which they emerge, and how they differ from other forms of employer collusion. Section Three describes ways in which employers collude in the labour market, distinguishing between different regimes which imply very different roles for employer associations. Section Four briefly examines the role employer associations play in the political arena in pursuing employer interests. Section Five considers the role of employer associations as networks in which employers learn from one another. Section Six concludes.

## 2. Employers’ Associations as Employer Collusion

Let us begin with general remarks about the necessary conditions for employer collusion. First the perceived benefits of collusion on a given issue or set of issues must exceed the perceived costs, so that there is an incentive to take on the collective action costs of any form

of collusion. Second, there must be an identifiable set of firms qualifying for collusive opportunities and, as corollary, firms who do not so qualify, that is, there needs to be some identifiable industry boundary. The second necessary condition is that, within this industry boundary, the collusive organisation needs to be able to enforce a ‘special condition’ – namely sanctions - which include simple exclusion from collusive benefits, on those firms which try to free ride. Both of these necessary conditions are the centre of Olsen’s (1971) approach to collective action problems.

Thus the two sub-disciplines that have examined employer collusion in depth – industrial economics and business strategy – treat the *industry* as an important unit of analysis. They have done so with the same intellectual tools but very different objectives. The dominant structure – conduct - performance model in industrial economics (Bain, 1956) was designed with broadly anti-trust intentions to ensure that industries remained competitive. Porter’s (1980, 2008) later application of these ideas in business strategy was applied to assist incumbent firms to maximise rents by ensuring as little price competition as possible. In both cases, the focus was on inter-firm collusion within definable industry parameters as a mechanism to raise barriers to entry and, at least in the Porter approach, raising barriers to entry was seen as a viable means to protect revenue streams for all firms in a given industry; his argument is that industries vary in their long-term profitability and these profits may be protected through a collusive strategy by incumbents, focusing on supplier power, customer power, the prospects of substitute products and the threat of disruptive new entrants.

There are different types of collusion. Many forms of firm collusion, within or between industries, are prohibited or constrained by competition laws or regulations in many countries in Europe; a good example would be overt price fixing. Employers’ associations are a discrete form of collusion allowed or indeed encouraged in many European countries. They are discrete in the following three senses; they are *overt*, *formal*, and *labour market focused*. We look at each in turn.

Employers may collude *overtly* or *covertly*, or with a mix of the two. Covert collusion is more likely where the interest to collude exists, but overt collusion is illegal or faces a regulatory barrier. A most obvious example would be airline fares. Collusion on price fixing is often illegal, particularly in USA, the largest fare market, but freely available information and sophisticate load and price modelling systems allow price co-ordination. A second

example, involving a USA-European comparison, might be helpful. In Germany, carmakers have historically been involved in sectoral bargaining, but in USA the historic ‘Big Three’ could not, for regulatory reasons; for much of the post war period of the twentieth century, there is, by general academic consensus, a view that they co-ordinated wage rates and contract length covertly, perhaps by using the union, the United Auto Workers, as a willing participant. For example, they took turns in which firm renegotiated the contract with the union first. This arrangement – to revisit the earlier point – broke down when the industry barriers protecting the three oligopolistic incumbents disappeared.

Employers’ associations in industrial relations are forms of *overt* co-operation which, unlike operations on price, may be not only permitted but formally endorsed by governments as means of promoting social or economic objectives not to do with firm competitiveness. That, alone, is not unique, but it is distinctive. It is a form of collusion only possible where such endorsement exists and where the collusion cost benefit analysis comes out positive for member firms. It is characteristically manifest in the form of a permanent organisation with identifiable membership. Of course, it is likely to involve, on top of the overt collusion objectives, covert collusion as the permanent organisation is also in practice a network. Covert co-operation may be the basis for ‘best practice’ diffusion (Dobbin et al. 1993), as we discuss below.

This leads logically to the second point, that employers’ associations are not episodic collaborations but *formal* and ostensibly permanent organisations; they do not simply, typically, assemble annually just for bargaining purposes but enjoy independent identity as organisational entities to which firms outsource specific activities, such as collective bargaining, just as they outsource in many cases other human resource issues such as payroll. It would be remarkable if such permanent organisations were single issue phenomena. They provide opportunities for channelling other activities. Indeed, they may originate as such. Mission drift is likely to be endemic. For example, they may originate in a concern to resist foreign competition in return for which they concede to pursue social objectives related to the labour market.

The third distinctive feature is that employers’ associations are *labour market focused*. In the industrial relations literature, there are arguably two central labour market issues. The first involves collusion to take labour market costs out of competition and the argument is often

that this is more likely where labour costs are a high proportion of total costs (in which case may come close to price fixing). The second involves collusion to control or augment the supply of skills central to firm competition. However, this labour market focus sits within a range of collusive opportunities, in at least three other markets; all three are relevant because they are likely to have an impact on the probability of labour market collusion. As noted above, collusive action in these markets may be cumulative.

- **Product Market Collusion.** The most overt form, and the most frequently sanctioned, is price fixing. As we have noted, this is in many oligopolistic industries likely to be possible only covertly, through monitoring and networks rather than formal organisation. However, it is only one possible form. A widely used mechanism for raising barriers to entry relates to product or service standardisation, particularly through the use of safety or regulatory standards established by industry bodies to which new market entrants find it costly to comply. One such, widely used in transport industries, is to establish lengthy training periods to ensure key staff are safety compliant. Occupational and professional qualifications such as licensing as requirements to work are an extreme case. Another is the establishment of minimum staffing levels for categories of staff (for example cabin crew on aeroplanes) that raise costs to new entrants but do not discriminate between incumbents. A third is the collective development of overcapacity to produce. This overcapacity allows incumbent firms to respond rapidly to invasion by new entrants by raising output and pursuing elimination pricing, perhaps pursuing further economies of scale. Put bluntly, concessions in collective bargaining through labour market focused collusion institutions such as employer associations may in fact be a reflection of a broader product market strategy to limit competition. Unions will generally welcome safety improvements, enhanced training and minimum agreed staffing levels as trade-offs in wage bargaining, assisting employer attempts at wage cost control. All three of the mechanisms outlined here are well documented in the business strategy literature.
- **Financial Market Collusion.** Firms in a given industry have a common interest in presenting the industry to capital markets as an attractive investment opportunity. Cutthroat, race to the bottom competition is likely to raise the cost of capital to all firms and lower the long- term profitability of the industry, since investors will price in the risk of firm failure. There is thus a clear collusive opportunity in presenting the



industry as attractive to investors, in terms of long-term capital growth. In many industries, firms collude to create capital market reputation. This is in one sense a form of lobbying, in this case of investment analysts, but it involves different mechanisms, from motor and fashion shows to technology ‘fairs’. These are not generally conducted through a labour market focused institution, but their implications for such institutions are clear. Investment analysts form their buy or sell recommendations on the basis of a number of indicators that relate to industrial relations. Industry strike or turnover rates may be relevant. In service businesses, customer satisfaction and retention are important, often rooted in labour market issues. Where firms collectively feel the reputation of the industry needs to be ‘built up’ they may look to labour market institutions such as trade unions to deliver the relevant performance measures.

- Collusion in the market for Political influence. The political science literature on lobbying is very different from the industrial relations literature on employers’ associations, but if we categorise both as instances of employer collusion, we can see both the links and the extent to which the latter needs to deliver the requirements of the former. In many European countries, industry lobbying at both national and EU level to promote the perceived interests of the industry is a source of considerable effort. It occurs in industries such as aerospace and defence, which are at EU and national level respectively almost monopolistic, and at the other extreme in food and beverage industries which may be local at either level, but the purposes of lobbying and their implications for labour market institutions have some consistency. In Airbus, it is important for both employer and employees that airlines buy (or more accurately, lease) their own airplanes, not Boeing. But this is a firm level example; in practice, the component manufacturers collude to lobby at industry level. Producers of champagne seek to localise production of vintages that can use that appellation. In both cases, producers seek government regulation which can protect rents which in turn can be shared, if necessary, through labour market institutions. In the UK recently, industry associations in industries such as fishing, food production and road haulage have engaged with governments about the consequences of Brexit for profitability, wage levels and employment levels. Generally, unions have assisted.

The core proposition here is that it is important to see collusion in the labour market, particularly formal and overt collusion in the form of an employers’ association, in the

context of what we will call here the ‘collusion climate’ of an industry, embracing labour, product, financial and political market considerations. There are clear links between all four but, empirically, they may be part of the same overall strategic story. It is probable that there is considerable variance in the ways in which these narratives develop. Industries differ. Countries differ. Collusion is self-reinforcing. The interaction patterns between modes and mechanisms of collusion is an empirical question for and country and industry.

A couple of purely hypothetical examples may illustrate.

- In industry A, employers are faced with a skill shortage which supports considerable employee power. They collude to deal with collective organisation by employees, bargaining at industry level over pay and subsequently broader terms and conditions, including training. They are faced with increasing competition from overseas producers with lower labour costs and decide to lobby government for protection. Their arguments include the need to protect domestic, indeed regional, employment levels. They pursue a strategy of differentiation by both quality and price which places a high premium on labour skills. The union supports employers in these measures while vigorously negotiating on pay.
- In industry B, employers generate large rents that cause public concern. They combine to lobby government arguing that they provide an essential service that supports the national interest. They face little internal competition but increasing competition globally. The national interest argument requires they avoid any situation that might interrupt supply. They collude to seek oligopolistic market structure. They also argue that they generate large numbers of full-time employees. The union supports these arguments while vigorously negotiating on pay.

The purpose of these two hypothetical examples is to support the argument that the involvement of employers’ associations in collective bargaining might be the tip of the iceberg. It may represent the solution of a collective bargaining problem, opening up organisational opportunities for action that involves both employees and employer interests, ranging across the range of markets discussed above. Or, it may be a consequence of an attempt to resolve a strategic issue that requires the solution or at least control of a labour market issue. The former example is a specific iteration of the ‘Mintzberg’ view of business

strategy, in which specific forms of organisation are the consequence of what might crudely be described as a 'learning curve' utilising existing resources (Mintzberg, 1978). The latter is an example of the 'Porter' view already cited in which organisational forms emerge as a consequence of top-down decision making and strategic planning.

The examples are hypothetical, but we would argue that they have close empirical correlates. Industry A is a reduction of Goodman et al's (1981) description of the development of industry bargaining in the UK footwear industry. The history of this industry is very long. Most firms are small, and increasingly they have focused on quality not price differentiation. The employers' organisation historically developed price lists for suppliers of leather suppliers for components of a shoe, such as for a sole, heel etc to combine in the face of supplier power and list of prices for employees based on the assembly costs of different components. These price lists were the subject of negotiations between firms and employees. The employers' association may be seen as a good example of a collusive approach to suppliers of both materials and labour.

Industry B is a reduction of Morris's (1986) description of bargaining in UK retail banking. Historically, the industry was oligarchically dominated by four players; Lloyds, Midland, Barclays and Natwest banks, all the outcome of a series of defensive mergers. Agreements between the banks included labour market concerns, such as one not to hire each others' staff, but another was to implement the same pay increases. But here were also common lobbying arrangements with government. The labour market arrangements were co-ordinated by an industry association which for regulatory reasons allowed the identical bargaining outcomes to be signed as company agreements. This arrangement dissolved in the later 1980's as deregulation allowed substantial entry of new entrants to the market.

### 3. Employer Collusion in the Labour Market

Adam Smith viewed employer collective action to fix wages as "the natural state of things" in an industrialised capitalist system. He argued employers:

*"are always and everywhere in a sort of tacit, but constant uniform combination, not to raise the wages of labour above their actual rate....[We] seldom hear of*

*this combination, because it is usual and, one may say, the natural state of things, which nobody ever hears of” (Smith, 1776: Book 1, Chapter 8: p. 28)*

The extent to which these combinations are formal and overt does, however, vary across place and time. Analysts identify a number of country-level typologies by which they categorise wage setting along dimensions such as centralization and co-ordination, but for our purposes it is instructive to distinguish between three scenarios:

(a) circumstances in which private sector collective bargaining has always been uncommon. The exemplar here is the United States;

(b) continued widespread collective bargaining across large parts of Continental Europe, including countries like France and Austria where collective bargaining covers over 90% of all employees;

(c) countries characterised by the demise of sectoral bargaining in recent decades, notably Germany and the UK.

We discuss each in turn.

### 3.1: Informal and Covert Employer Collusion in the Absence of Collective Bargaining

Recently labour economists in the United States have pointed to the widespread use of no-poaching and non-compete agreements, often as part of franchising arrangements as a means of reducing employees’ information about their labour market options and to reduce labour mobility across firms so as to suppress wages (Card, 2022; Krueger and Ashenfelter, 2022). No compete agreements prohibit employees from moving to competitor firms for a specified period (Balasubramanian et al., 2022). Card (2022) argues these agreements are quite widespread, even for low-waged workers, although some states have legislated to prohibit such agreements for low-wage employees (Goldstein and Oberlander, 2021). Krueger and Ashenfelter (2022) cite an example of a covenant in the McDonald’s franchise agreement which states:

*“franchisees shall not employ or seek to employ any person who is at the time in employment by McDonald’s, or any of its subsidiaries....or otherwise induce, directly or indirectly, such a person to leave such employment”.*

They note that the Washington State Attorney General is seeking to outlaw such agreements.

Ashenfelter et al. (2022) document ‘no poaching’ and ‘no solicitation’ agreements at the other end of the labour market, namely software and animation engineers in Silicon Valley. The agreements are intended to avoid bidding wars through no ‘cold calling’, notifying one another regarding applications for employment, and prohibiting protracted bidding. They note that the practices began at Pixar and Lucasfilm but have subsequently spread to Google, Microsoft and Oracle. However, their legality has been challenged. A legal challenge led to a \$585m settlement and Google upwardly adjusting all employee pay by 10 in November 2020. Nevertheless, the case “suggest(s) that the suppression of between-firm competition was successful – a validation of the idea that at least some labour markets are vulnerable to wage fixing” (Card, 2022: 1084).

The economic rationale for the clauses in both cases is clear, as Card (2022: 1084) notes:

*“the popularity of no-poaching and non-compete agreements seems to confirm basic insights from a Burdett-Mortensen job ladder model. Since the quit rate in such models depends in part on the rate at which workers obtain offers at other employers, limits on poaching or firm-to-firm mobility will reduce quits and increase monopsonistic power”*

These are examples of what we term covert, informal collusion on the part of employers to limit worker mobility and information, and thus their wage prospects. Employer associations appear to play little or no role in these processes.

### 3.2: Continued and widespread collective bargaining

In *The Wealth of Nations* Smith (1776: 27) laid out the economic rationale for employers and workers to come together to bargain with one another over wages, seeing this as a *predisposition* by both parties to engage in formal arrangements which determined wages:

*“What are the common wages of labour depends everywhere upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour”.*

The implicit assumption is that employers (and workers) combine to maximise their bargaining power - something they can do through information sharing and the coordination of their bargaining efforts to avoid outbidding or undercutting one another – and, as per our earlier discussion, the benefits of doing so outweigh the costs. Whereas firm or workplace bargaining may accomplish these goals, sectoral or national bargaining can bring additional benefits if, for example, it helps take wages in a sector out of competition, such that firms compete on other criteria in the knowledge that a wage floor has been set across competitor firms. The conditions conducive to such arrangements, noted earlier, can change as we shall see in the next sub-section. Nevertheless, they obtain in large parts of Continental Europe such that widespread employer association involvement in national and sectoral collective bargaining is common (OECD, 2017).

A number of countries, especially in Northern Europe, appear to favour the pattern bargaining offered by such arrangements as a valuable means of co-ordinating wage setting across their economy in a way that can facilitate adjustments to macro-shocks, maintain good quality labour relations, and provide a basis for Social Dialogue which is conducive to inclusive social and economic policy. In many cases, employer associations work in conjunction with organized labour to lobby government in support of policies that are conducive to supporting sectoral and national bargaining, as in the case of Norwegian employer representations to government in support of tax subsidies to individual union membership (Barth et al., 2022). It is a system credited with delivering high productivity through a wage compression system which, though creative job destruction, ensures the efficient allocation of productive resources (Barth et al., 2015).

### 3.3: The Demise of Sectoral Collective Bargaining in the UK and Germany

For much of the post-War period industrial relations in Germany has been characterised by sectoral bargaining – a patchwork of hundreds of industry agreements at regional level across the country. Under the system, employers could choose sectoral bargaining, firm-level bargaining or no collective bargaining. They could not combine sectoral and firm-level bargaining. Most chose sectoral bargaining. At present, around one-half of workers are covered by sectoral agreements, another quarter are employed in firms that shadow sectoral agreements, and one-in-ten are covered by firm level agreements (Addison et al., 2017). But the system is in steep decline. It remains unclear as to why but Schnabel et al. (2006: 173) cite globalisation and other competitive pressures when arguing:

*“the transaction-cost advantage of centralized arrangements decreases in favour of informational and flexibility advantages of decentralized regulation”.*

A similar demise occurred in the UK a few decades earlier, but analyses of micro-workplace level data provided few insights into why sectoral bargaining declined in both countries, and why it occurred first in the UK (Addison et al., 2013).

The demise in sectoral bargaining in Germany is particularly surprising in a number of ways. First, the decline in sectoral bargaining is driven by employers exiting sectoral bargaining - not a reduction in entry rates driven among new employers, as was the case in the UK. Thus, employers engage in quite substantial transaction costs as they jettison one system for another (Addison et al., 2013). Second, they have opportunities whilst members of sectoral bargaining arrangements, to trigger derogations permitting departures from collectively agreed rates for financial and other reasons. These ‘opening clauses’ and ‘pacts for employment’ offered flexibility within the system, yet these have done little to stem the exit rate from sectoral bargaining. Third, they are leaving for a non-union regime, one without collective bargaining, rather than opting for firm-level collective bargaining which would have been a half-way house. Fourth, on leaving, employers are required to shadow collectively bargained rates for a few years, precluding them from immediately downwardly adjusting their pay rates. The implication is that the advantages of co-ordinated collective bargaining previously available under sectoral agreements, and discussed by Traxler and Brandl (2009) and others, are no longer perceived to be large enough to offset the costs.

One possible reason for the demise of sectoral bargaining, floated by Willman et al. (2020) in the context of the UK, is the possibility that the credibility of trade unions as partners in wage setting was undermined by declining union density. In aggregating members' preferences (as one would expect under a median voter model) they were delivering the preferences of an increasingly unrepresentative sub-sample of all workers, making it harder for employers to depend upon signals from unions. But another – as yet untested in the literature – is that employers are returning to competition through wage setting, rather than leaving wages out of competition. This might occur, for example, where more productive firms remain within the sectoral bargaining system, and thus gain prominence in employer associations aggregating employer wage setting preferences. In these circumstances, sectoral bargaining may deliver wage increases which the smaller, less productive firms may be unable to afford, whereupon they may leave the covered sector. A third proposition is that employer organizations are more embedded in Ghent countries, France and Scandinavian countries, in a way that helps facilitate sectoral bargaining in those countries, whereas this embeddedness is less apparent in the UK and Germany.

#### 4. Employer Associations and Collusion in the Market for Political Influence

Broadly speaking there are three scenarios social scientists have in mind when they think of the conditions under which wages are determined. The first is the scenario in which wages are set at the intersection of the demand and supply of labour in the market-place, such that employers are wage-takers rather than wage setters. Although neo-classical economists consider this to be a reasonable approximation to wage setting in large parts of the economy it is a scenario that has come under increasing scrutiny, particularly in economics, with the growing recognition that employers have wage setting power in a many circumstances due to labour market frictions (Card, 2022).

The second scenario is collective bargaining with trade unions. This marks a major departure from market-based wage setting but, as noted above, it is in decline in many countries. The third scenario is that in which the State plays either a direct role – as in the case of setting statutory minimum wages – or an indirect role, such as in the case of public sector workers where the State as employer devises means by which wages will be set. The State's role as regulator has come to the fore, in part due to the demise of



collective bargaining, but also because the labour market has not delivered wage growth at the bottom end of the distribution in recent years, leaving this job to those setting statutory minimum wages.

Employer associations often play a key role in the setting of statutory minima, lobbying government directly on issues such as what might constitute a reasonable increase in the minimum wage or the coverage of statutory minima. In countries such as the UK employers submit evidence to the body advising government on uprating the minima (in the case of the UK, the Low Pay Commission). They also lobby government when it is proposing changes to legislation, oftentimes supporting minima that government is intent on de-recognising. For example, when Margaret Thatcher's government issued a white paper proposing the abolition of works councils which set minimum wages for 2.5 million workers across 26 industries in the late 1980s, the majority of employer associations supported their retention. Most represented small and medium-sized firms who favoured their retention to help them navigate wage setting in the absence of clear knowledge or information regarding what constituted a 'going rate' (Bryson, 1989). In essence, small employers were contracting out the job of human resource management to the State because they were unable to meet the fixed costs of wage setting apparatus in-house. In the event employers lost that battle: wages councils were abolished in 1993. However, it was only six years later when employers faced the UK's first national statutory national minimum wage, providing certainty again as to what the wage floor would be for low-paid workers in Britain.

More broadly, employer associations perform a key role representing the interests of their employer members to government when government regulations affect the operation of labour markets. A good example, covered in two earlier special issues of the *British Journal of Industrial Relations* (Bryson and Kleiner, 2019), are the sub-national rules governing occupational licensing in the United States and in Europe. Employer associations often make representations to government supporting or extending the licensing requirements governing the rights to practice across a wide range of occupations. In doing so they are representing incumbent firms by raising the costs of entry to new employers, thus benefiting incumbents who may accrue rents accordingly. They often oppose inclusion of sunset clauses for the same reason.

## 5. Employer Associations As Networks

In optimising their production, distribution and sales systems firms can learn from one another. Learning from each other about the potential benefits of a new technology is central to the epidemic approach to technology adoption (Geroski, 2000). One such technology is human resource management (HRM). The work of Bloom and Van Reenen (2007) indicates broadly linear returns to the intensive use of cutting edge management practices in terms of productivity, a finding that holds across a range of countries and industries, suggesting universality in their application. This raises a thorny issue: why are these practices not diffused more widely within and across firms? It is possible that there is more heterogeneity in returns to investments in HRM than we think, implying the net returns are not so obvious in some firms. Alternatively, managers may lack knowledge as to which practices are appropriate in their case, and how to implement them. Another possibility is that managers do know the practices they should be implementing, but they face barriers to doing so, such as union hold up problems, poor quality management, or a lack of skilled labour needed to complement the new HRM investments.

However, there is empirical evidence to suggest that information asymmetries are part of the problem of uneven adoption, and that employer associations are part of the solution. As information networks they can help solve the information problems facing employers when investing in HRM. If one thinks of HRM as having an experiential component, and firms can signal the quality of a technology to one another through their adoption (Bikhchandani et al., 1992), information sharing among members of employer associations can offer improved information on the net returns to those investments. The information can identify heterogeneity in returns, and thus what might work for which employer and when. And the information may help identify the complementary practices required to achieve the right 'bundle' of management practices required to improve firm performance.

There are two other ways in which employer associations may encourage the adoption of productivity-enhancing management practices. First, if HRM is a network good, increasing the adoption rate has the advantage of increasing returns to adoption. Second, employer associations can lobby government for policy changes that might

lower the costs of adoption, for example through tax breaks, such as those available in some countries for the adoption of all-employee share ownership plans (ESOPs).

There is emerging evidence from both the UK and France that employer associations do indeed operate as information networks propagating information about the value of adopting productivity enhancing management practices. For the UK, Bryson et al. (2007) showed that the adoption of what they termed ‘high-commitment human resource management practices’ was an increasing function of the number of employer association affiliations the workplace had. The finding held conditioning on other potential confounders. Marsden and Belfield (2010) found similar evidence that local employer networks in France helped propagate the use of performance pay schemes through joint learning about the operation and development of incentive pay schemes.

Extending this small literature, Forth et al. (2019) undertake a comparative study for Britain and France and show that in both countries membership of employer networks including employer associations lead to knowledge sharing and are linked to increased HRM take-up. The authors maintain that more extensive networks in France explain, in part, the greater dispersion of HRM practices beyond the capital when compared to the UK.

This strand of the literature on the role of employer associations points to a somewhat distinct role for employer associations, one that is not easily contained within the concept of ‘collusion’. Instead, employer associations operate as networks for information provision which can inform firm behaviours as they make choices about how to organize themselves. It is a role that they have always undertaken, but it is one that is only now receiving attention in the literature. They are not the only networks that are important in this regard. Others exist within multi-site firms, across the public sector, and consultancies can also offer information relevant to practice adoption (Giorcelli, 2021). Nevertheless, the literature suggests they are one of a number of networks capable of facilitating the spread of experience goods such as HRM practices.

## 6. Conclusion

In this paper we argue that that employer associations are a specific form of employer collusion that is overt, formal and labour market focused which encompasses but is by no means confined to collective bargaining. It is often assumed that this role is primarily about keeping labour costs down in the face of organized labour. This is still a potentially important role particularly where organized labour remains strong. But it is not the only – or indeed, in many countries – the main role they perform today.

Sectoral collective bargaining is a key role played by employer associations when organized labour is strong. In some countries, this is no longer the case, while in others it was never the case, yet employer associations remain important economic actors. Where sectoral bargaining has ceased to be a key activity – in part due to the demise of organized labour – employers associations have diverted their efforts elsewhere.

We consider the conditions under which this form of collusion might emerge, and how it might develop. We look at how collective bargaining involvement (and its disappearance) might relate to the growth or decline of other forms of collusion in areas such as product and financial markets, and political influence.

Our central contention is that employers' associations continue to perform an important role in helping employers set the terms of trade, albeit one that has adapted to the demise of sectoral bargaining. Collective bargaining involvement by such organisations is simply one labour market indicator of the more general set of labour, product, financial and political market activities in which they engage. So, the significance of the temporary or permanent disappearance or reduction of collective bargaining involvement by such organisations, though significant in its own terms, may be best understood as part of the more general collusion pattern. To assume that the disappearance of collective bargaining involvement at any point in time is of wider significance for the future of employer associations is to deduce the general from the particular. Put another way, it is quite possibly sampling on the dependent variable.

## References

- Addison, J. T., Bryson, A., Teixeira, P., Pahnke, A. and Bellmann, L. (2013) “The Extent of Collective Bargaining and Workplace Representation: Transitions between States and their Determinants: A Comparative Analysis of Germany and Britain”, *Scottish Journal of Political Economy*, 60, 2: 182-209
- Addison, J. T., Teixeira, P., Pahnke, A. and Bellmann, L. (2017) “The demise of a model? The state of collective bargaining and worker representation in Germany”, *Economic and Industrial Democracy*, 38 (2): 193-234
- Ashenfelter, O., Card, D., Farber, H. and Ransom, M. R. (2022) “Monopsony in the Labor Market: New Empirical Results and New Public Policies”, *Journal of Human Resources*, 57, Supplement 2022, S1-S10
- Bain, J.S. (1956); *Barriers to new competition*, Harvard University Press
- Balasubramanian, N., Chang, J. W., Sakakibara, M., Sivadasan, J. and Starr, E. (2022) “Locked In? The Enforceability of Covenants Not to Compete and Careers of High-Tech Workers”, *Journal of Human Resources*, 57, Supplement 2022, S349-S394
- Barth, E., Bryson, A. and Dale-Olsen, H. (2022) “Turning Non-members into Members: Do Public Subsidies to Union Membership Matter?”, mimeo
- Barth, E., Moene, K. O. and Willumsen, F. (2015) “The Scandinavian Model – An Interpretation”, *Journal of Public Economics*, 127: 17-29
- Bikhchandani, S., Hirshleifer, D. and Welch, I. (1992), “A theory of fads, fashion, custom, and cultural change as informational cascades”, *Journal of Political Economy*, 100: 992–1026
- Bloom, N. and Van Reenen, J. (2007) “Measuring and explaining management practices across firms and countries”, *The Quarterly Journal of Economics*, CXXII, 4: 1351-1408

Bryson, A. (1989) *Undervalued, Underpaid and Undercut: The Future of Wages Councils*, Low Pay Unit, London

Bryson, A. and Kleiner, M. M. (2019) "Re-examining Advances in Occupational Licensing Research: Issues and Policy Implications", *British Journal of Industrial Relations*, 57, 4: 721-731

Bryson, A. Gomez, R., Kretschmer, T. and Willman, P. (2007) 'The Diffusion of Workplace Voice and High-Commitment Human Resource Management Practices in Britain, 1984-1998', *Industrial and Corporate Change*, 16, 3: 395-426

Card, D. (2022) "Who Set *Your* Wage?", *American Economic Review*, 112(4): 1075-1090

Dobbin, F., Sutton, J. R., Meyer, J. W., and Scott, W. R. (1993); 'Equal Opportunity Law and the Construction of Internal Labor Markets', *American Journal of Sociology*, Vol. 99, No. 2, pp396-427

Forth, J., Askenazy, P. and Bryson, A. (2019) Human Resource Management Diffusion and Productivity Imbalances, *BEIS Research Paper Number 2019/010*, London

Geroski, P. (2000) "Models of technology diffusion", *Research Policy*, 29, 603-625.

Giorcelli, M.(2021) "The origin and development of firm management", *Oxford Review of Economic Policy*, 37, 2: 259-275

Goldstein, M.S., and Oberlander, N. S. (2021) "What Does the Future Hold for Restrictive Covenant Agreements in the U.S.?" *Reuters Legal News*, October 1. <https://www.reuters.com/legal/legalindustry/what-does-future-hold-restrictive-covenant-agreements-us-2021-10-01/>.

Goodman, J. Armstrong, E., Davis, J., Wagner, A, (1977) *Rule Making and Industrial Peace*, London, Croom Helm

Krueger, A. B. and Ashenfelter, O. (2022) "Theory and Evidence on Collusion in the Franchise Sector", *Journal of Human Resources*, 57, Supplement 2022, S324-S348

Marsden, D., and Belfield, R. (2010) “Institutions and the management of human resources: incentive pay systems in France and Great Britain”, *British Journal of Industrial Relations*, 48, 2: 235-283.

Mintzberg, H. (1978) “Patterns in Strategy Formation”, *Management Science*, 24: 934-948

Morris, T. (1986) “Innovations in Banking: Business Strategies and Employee Relations”, London, Croom Helm

Olson, M. (1971); *The Logic of Collective Action*, Harvard University Press.

Organisation for Economic Co-operation and Development (2017) “Collective Bargaining in a Changing World”, Chapter 4, *OECD Economic Outlook*, 125-173

Porter, M.E. (1980); *Competitive Strategy; Techniques for Analysing Industries and Firms*, New York, Macmillan

Porter, M.E. (2008); The Five Competitive Forces that Shape Strategy, *Harvard Business Review*, January, pp78–93

Smith, A. (1776) *An Inquiry into the Causes and Nature of The Wealth of Nations*, London and Edinburgh

Traxler, F. and Brandl, B. (2009) *The Economic Effects of Collective Bargaining Coverage: A Cross-national Analysis*, ILO: Geneva

Willman, P., Bryson, A., Gomez, R. and Kretschmer, T. (2020) "Employee voice and the transaction cost economics project", Chapter 4 in A. Wilkinson, J. Donaghey, T. Dundon, R. Freeman (eds.) *Handbook of Research on Employee Voice*, pp. 54-67, Edward Elgar, Cheltenham