Collective wage regulation in northern Europe under strain: Multiple drivers of change and differing responses

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Abstract
There has been much recent attention to the upheavals, often externally induced, in collective bargaining and labour market regulation in southern European countries. In this article, we introduce a set of studies of changes, typically employer-driven, in collective wage regulation in northern Europe. We discuss possible drivers of change: contagion from southern Europe, regime competition among the northern countries themselves and/or destabilizing effects of east–north integration, driven by free movement. These drivers interact with internal change dynamics spurring diverging actor responses and institutional outcomes. We outline the common research design, review salient features of wage regulation in six countries, and differences in institutions, production, markets and factor mobility in four sectors. We briefly review findings from the other articles.

Keywords: Collective bargaining, coordination, employers' organizations, European integration, wage floors

Introduction

There has, rightly, been considerable scholarly attention to the radical changes in industrial relations in southern European countries since the onset of the crisis (Koukiadaki et al., 2016; Molina, 2014), but scant investigation of what is happening in the northern countries. Have the transformations of collective bargaining and labour market regulation in the southern countries prompted changes in a similar direction in the less crisisaffected northern countries, contributing to strengthened regime competition and disorganization in European industrial relations as a whole? Are the consequences of economic integration with central and eastern Europe (CEE) a more potent source of pressure on established arrangements in the northern countries? Or do we find relative stability in the northern coordinated and liberal market economies?

The aim of this special issue is to analyse, in a comparative perspective, how core elements of national and sectoral systems of collective bargaining and labour market regulation in northern Europe have evolved since the turn of the century: immediately before, during and after the financial crisis and the preceding eastward enlargement of the EU. We focus on collective wage regulation arrangements and on three specific aspects. The first is the horizontal coordination of wage bargaining (the procedures governing the norm for wage increases); second, vertical articulation (the mechanisms linking bargaining at higher and lower levels); and third, the regulation of wage floors. Our analytical focus is on change in the configurations of actor interests (in particular, organized employers), in institutions and regulative responses. Has the main outcome been institutional stability, incremental change or regime transformation?

We refer to 'northern Europe' as a counterpoint to developments in the south. The category contains obvious internal diversity: we focus on the four Nordic states, Germany and the UK, comprising three different varieties of capitalism. We do not cover the stateled variant of coordinated market economy found in France, where Leonardi and Pedersini (2018) survey recent developments. Production structures, patterns of internationalization and industrial relations institutions among these northern countries differ markedly from those in most southern countries.

In the industrial relations literature, it is often suggested that the most important pressures on national institutional arrangements stem from economic internationalization and, in the European context, from unfettered trade competition and capital flows within the single market. The completion of the single market and the launch of Economic and Monetary Union in the 1990s intensified competition between economies with similar strengths in export markets, such as those in northern Europe which specialize in high value-added manufacturing. It has also intensified the division of labour within the single market as production and service provision chains have been reorganized across borders. Two subsequent developments have exacerbated the strains on established arrangements for wage regulation. First, eastern enlargement of the EU to countries where the institutional pillars of industrial relations were, and remain, noticeably weaker than in the western Member States (the EU-15) and EFTA countries (Meardi, 2012). Furthermore, the consequent significant flows of capital eastwards and labour and service provision westwards and northwards undermined the national closure which still, largely, underpinned industrial relations in the west (Dølvik and Visser, 2009).

Second, further strains have been invoked by the response to the financial crisis, notably the momentous changes to collective bargaining and labour market regulation in the (mainly) southern European countries receiving EU financial assistance (Molina, 2014; Schulten and Müller, 2013). It is less clear, however, how and through which mechanisms this second development might affect the economically better off, northern strongholds of coordinated bargaining. As none of the northern countries on which we focus has been subject to EU-imposed change, the impact of external European change will have to work indirectly. This could come through the 'country specific recommendations' issued as part of the EU new economic governance regime, which can be directed at wage regulation (Erne, 2015; Marginson and Welz, 2015), through bilateral political spillover effects or through changes in competitive pressures.

Against this backdrop, the aim of the articles in this special issue is to contribute to multilevel, comparative analyses of developments in wage regulation in six northern European countries. By linking cross-national comparisons of four different sectors – manufacturing, construction (also covering the Netherlands), industrial cleaning and temporary work agencies – with a comparison of cross-sectoral developments, our aim is to discern the trajectories of change in the countries and sectors and the main drivers, configurations of actors' interests (in particular employer organizations) and institutional factors shaping them. We distinguish between different forms of incremental change (Streeck and Thelen, 2005) and stability, and also pay attention to outcomes.

We next identify three potential intra-European drivers of change in wage regulation, and argue that regime competition among the northern countries and the destabilizing effects of economic integration between northern Europe and CEE are more substantial sources of pressure than those flowing from the structural reforms imposed in southern Europe. We then elaborate our approach to institutional change, which differentiates between forms and outcomes of change, and present our research design and methods. As well as corresponding to different varieties of capitalism, the six countries also reach across three of Visser's (2009) clusters of industrial relations. The rationale for the four chosen sectors relates to different institutional strength of wage regulation, differing impact of the recent crisis, and different modes of production and cross-border mobility flows of goods, capital, labour and services. We end with a brief overview of findings from the articles which follow.

Multiple drivers of change

For our analytical purpose, we identify below three, not necessarily mutually exclusive, intra-European dynamics of change.

Shifts in the economy and the labour market underlie a well-documented secular trend towards disorganization and deregulation in northern Europe (Andersen et al., 2014; Hassel, 2014; Marginson, 2015). These shifts include the growth of the private service sector and the declining GDP share of manufacturing, outsourcing and sub-contracting of previously integrated activities, shrinkage of the public sector alongside growing outsourcing, increasing use of temporary contracts and indirect forms of employment via agencies, and growth in self-employment, highlighted by the emergence of the platform economy. The overall effect has been to move economic activity away from where employer and trade union organization have been traditionally strongest and bargaining coverage most extensive. Likewise, the expanding forms of 'atypical' employment have been more challenging to organize and to regulate by collective agreement (Bryson et al., 2011).

In addition, wage regulation in northern Europe is affected by intensified competition on an international scale, shaped by the emergence of China as the world's second largest trading economy and initiatives towards more open trading arrangements between Europe and north America. Nonetheless, economic internationalization still exhibits a strong regional dimension. In each of the three main industrialized economic regions, intra-regional flows of trade and investment are denser than those between regions (Dicken, 2015), with the contrast between intra- and inter-regional flows being greatest for Europe. For this reason, while acknowledging the role and effects of the above two drivers, we focus on intra-European dynamics as sources of pressure for change in wage regulation.

South to north contagion

The first potential dynamic is south to north contagion, through reinforced cost competition within the single market from southern producers benefitting from lower labour costs and enhanced labour flexibilities as a result of crisis-induced changes. This mechanism is underpinned by the structural reforms focusing on the supply side of the labour market among the southern countries, involving deregulation and decentralization and/or marginalization of collective bargaining, imposed by the 'Troika' of European and international authorities and by national governments (Molina, 2014; Schulten and Müller, 2013). Should other EU countries pursue labour cost reductions and enhanced flexibilities through similar initiatives, competitive conditions would be tightened for all, causing a European-wide spiral of deregulation and disorganization.

The 2015 Finnish government proposals for radical structural reform, including restrictions on and decentralization of bargaining, were one instance of such 'contagion' but were eventually withdrawn. Such political spillover effects may be amplified by the 'cookbook' function of the EU new economic governance regime, offering not only ideas and discourses but sometimes also hard recommendations on how to boost competitiveness and growth through labour market reform (Brandl and Bechter, 2018). Among the northern countries, recommendations issued to Finland in 2016 included changes in wage regulation to increase the scope for local bargaining. Belgium and Luxembourg have also received recommendations, urging the abolition or reform of their automatic wage indexation mechanisms. Under this scenario, associational governance resting on collective bargaining between employers' associations and trade unions is decisively weakened in favour of market-based regulation (Crouch, 2015).

Such a scenario of south–north contagion may not, however, occur. The programme of structural reforms propounded by the Troika prioritizes actions to reduce the wage element of unit labour costs (Schulten and Müller, 2013) but largely neglects the productivity element. Productivity, however, is promoted by inhibiting competitive strategies based on low wages, hire-and-fire and numerical flexibility, thereby encouraging investment in skills and equipment and prompting functional flexibility. Insofar as coordinated bargaining continues to play an integral role in the productivity-based competitive strategies of northern economies, it remains an important 'beneficial constraint' (Streeck, 1992). Therefore, even in a scenario of international 'regime competition', there is no determinist logic whereby changes like those in southern Europe necessarily unleash a broader 'race to the bottom' (Hyman, 1994).

North–north regime competition

The starting point for this second dynamic is the division of labour within the integrated European economy. North–south divergence in production structures, reflected in patterns of trade and muted flows of foreign direct investment and labour between southern and northern European countries, suggest that a more direct impetus to industrial relations change in northern Europe is likely to stem from changes in other northern countries.

The mounting imbalances in trade and financial flows between the southern and northern parts of the European economy contributed to the Euro crisis and have been reinforced by the economic and political responses to it. More than three-quarters of the goods exported by EU-28 countries go to other EU or EFTA countries (Eurostat, 2017), and a similar picture pertains to imports; also advanced, high value-added goods tend to be produced in northern Europe and less advanced and labour-intensive goods in southern countries and, increasingly, in CEE (Scholten and Scholten, 2014). Accordingly, intra-European trade, FDI flows and competition in high value-added goods are largely concentrated among northern countries. As a corollary, the configuration of unit labour costs in the market segment in which most northern producers compete differs from the segments in which most southern and CEE producers operate. The former involves a combination of high productivity and high wages; the latter display differing combinations of lower productivity and lower wages (Dølvik and Marginson, 2018).

A main impetus to change in wage regulation in northern countries is, therefore, likely to stem from competitive pressures coming from, and regulatory changes in, other northern countries. If, for instance, a significant northern peer cuts labour costs through changes to wage regulation, as in Germany from the mid-1990s to the 2000s, this could trigger responses in other northern countries. Consequent adjustments will not, however, necessarily mirror those in other parts of Europe; they might involve the renewal of wellcoordinated bargaining arrangements. Under this scenario, associational governance would persist subject to some re-fashioning.

East–north integration as a destabilizing factor

The third dynamic involves institutional regime competition transmitted through the flows of capital from northern Europe to CEE, and labour and services in the reverse direction. Pressures are felt externally (on working conditions and wage levels through relocation of capital, actual and threatened) and internally (from incoming migrant or posted workforces employed on inferior wages and conditions).

Trade between CEE and the northern countries has grown fast since the fall of the Iron Curtain. Moreover, the eastward flow of investment in production facilities has been complemented by rising flows of intermediate goods, as well as labour and services, in the opposite direction. Taking the largest of the CEE economies, Poland, trade with northern countries has increased three to five times, according to country, since accession to the EU in 2004. Capital flows through FDI and relocation of production from the northern countries have been a central element in Poland's growth strategy and have tied the Polish economy closer to northern markets. Northern businesses, typically locating production of parts with limited skill requirements and low value added, have gained competitiveness by benefitting from cheaper, more flexible labour (Meardi and Trappmann, 2013). Poland has also become a major source of migrant labour for northern countries (Meardi, 2012), and hundreds of thousands workers have been posted by Polish firms subcontracted to northern businesses (Pacolet and Wispelaere, 2016).

The impact of east–north integration on wage regulation of the free flow of production factors takes different forms in different sectors: while the threat of relocation and cross-border outsourcing, triggering concession bargaining at site level, is most salient in manufacturing, shifts in competition caused by cross-border mobility of labour and services and consequent destabilization of established wage regulation arrangements are typically felt harder in sectors, including construction and services such as cleaning and hospitality, where production is more territorially bounded. In the latter, through outsourcing to low-wage subcontractors offering services in northern markets, and hiring of migrant labour on terms below collectively agreed standards, employers can alter the terms of competition in domestic markets. This can have direct knock-on effects in the other northern countries. A conspicuous example is the large-scale use of CEE workers in the German meat industry, which has triggered relocation of Danish production to Germany and declining employment in Danish slaughterhouses (Refslund, 2016).

In general, labour mobility, especially through service provision, is likely to have more direct and stronger effects on wage regulation than mobility of capital, as competition over jobs and earnings occurs directly within the domestic labour markets (Dølvik et al., 2014). Creating incentives for employers to circumvent collective agreements, these dynamics, fuelled by EU rules offering legal opportunities to hire posted labour on cheaper and more flexible conditions than locals, have spurred conflict, controversy and (as the articles in this issue highlight) diverse responses among the organized actors. Differing outcomes are foreseeable. One is disorganization and de facto deregulation of bargaining. Another, given that the sectors involved tend to be less strongly organized and with less bargaining coverage, is state intervention either by administrative measures or by giving statutory underpinning to collective regulation.

Summing up, the sweeping changes in wage regulation in southern Europe will not necessarily unleash a corresponding wave of deregulation and disorganization in the northern countries. Given the division of labour between different European regions, south to north contagion is unlikely to be prominent. Potentially more forceful intraEuropean sources of change are regime competition among the northern countries themselves and the destabilizing effects of growing east–north integration. These differing drivers of change also interact. For example, concession bargaining in one northern country to counter threats of eastwards relocation of production creates competitive pressures on other northern economies. Likewise, widespread resort to posted workers from CEE on minimal terms and conditions in a specific sector in one country brings cost pressures onto the same sector in other northern countries.

Forms and outcomes of change

Debates on institutional change have distinguished between ruptures in existing arrangements (punctuated equilibria), such as the crisis-induced, externally imposed reforms in southern Europe and incremental path adaptation (Crouch, 2005). Streeck and Thelen (2005: 19) identify five different possible types of incremental but potentially transformative change (displacement, layering, drift, conversion and exhaustion).

Building on this, our approach is twofold. First, we identify different degrees or forms of institutional change, differentiating between stability, minor changes in existing institutions (adaptation or recalibration), more far-reaching changes (reconfiguration) and introduction of new institutions. However, the outcomes of institutional change cannot be read off from the changes themselves. We therefore identify differing outcomes ranging from stability, through incremental change to transformation. If institutions remain unchanged but lose their regulatory grip or are put to different purposes (drift or conversion), then outcomes will change. Moreover, the cumulative effect of drift and conversion could lead to transformed outcomes. The same form of institutional change may also generate different outcomes. For example reconfiguration can stabilize institutional functioning in the face of external pressure, or can mitigate but not arrest their impact, or it can fail to stem their effects leading to exhaustion. Similarly, introducing new institutions could result in layering, affecting but not replacing existing ones, in displacement or in rupture. Table 1 maps the different possibilities.

In addition, the different types of change can operate on different horizontal and vertical planes. For example, drift (and growing scope for market regulation) could potentially be addressed horizontally by measures to increase bargaining coverage across the wage range (such as general extension provisions). But it could also be addressed vertically, by measures limited to minimum standards (such as extension of the minimum terms of collective agreements or a statutory minimum wage). The scope of market regulation would here remain greater and that of collective bargaining and/or statutory regulation less.

Table 1. Forms and outcomes of institutional change

Forms of institutional change	Outcomes of institutional change		
	Stability	Incremental change	Transformation
No formal change in institutions	Existing institutions can cope with external changes and retain their functions	Drift: institutions unchanged but lose their regulatory capacity because of external changes Conversion: institutions unchanged but are reinterpreted and used for different purposes	May result from accumulated drift May result from dynamics unleashed from accumulated drift
Adaption/recalibration	Minor institutional changes stabilize outcomes	Drift: institutions lose their regulatory capacity despite recalibration Conversion: institutions are used for different purposes despite recalibration	May result from accumulated drift May result from dynamics unleashed from accumulated drift
Reconfiguration	Far-reaching institutional changes largely stabilize outcomes	Renewed drift: far-reaching institutional changes mitigate but do not arrest effects of external changes	Exhaustion: far-reaching institutional changes fail to stem the effects of external change
Introduction of new institutions	Layering: new institutions stabilize or complement existing ones	Layering: new institutions gradually replace existing ones Displacement: new institutions gradually take over the functions of existing institutions	Rupture: new institutions replace the existing ones and take over their function

There are also different possible agents of institutional change. Employers and trade unions may act in concert through negotiation, resulting in the maintenance or strengthening of associational governance. Alternatively, employers may act unilaterally, undermining association in favour of market-led governance. The state may or may not act in combination with employers and trade unions, more evidently so under tripartite arrangements but it may also involve them in implementing statutory regulations, such as a minimum wage.

Finally, the type of changes to wage regulation arising from the pressures created by the three intra-European drivers may differ. Considering the different forms of change identified in Table 1, recalibration or adaptation involving minor institutional changes is, we suggest, more likely as a response to north–north regime competition than to east– north destabilization. The latter seems more likely to result in other kinds of change. These are 'no change', reflected in drift as existing regulation atrophies; conversion as existing institutions are re-purposed; or introduction of new institutions either to augment collective regulation, involving layering, or to extend statutory regulation, which could involve displacement of previous collective regulation. Insofar as south–north contagion comes into play, the resultant change could also feature the introduction of new institutions to displace existing ones.

Research design and methods

We apply a comparative, multilevel design, spanning developments in wage regulation in six countries (Denmark, Finland, Germany, Norway, Sweden and the UK) and four sectors (construction, also covering the Netherlands; industrial cleaning; temporary work agencies; and manufacturing, metalworking for Germany, where bargaining arrangements differ within manufacturing). The countries selected allow comparison within industrial relations clusters (Visser, 2009) – among the four Nordic countries – as well as of differing degrees of difference between clusters. The choice of sectors aligns more with the logic of difference than of similarity, as elaborated below.

This twofold approach enables comparisons of the mechanisms determining movements in wage growth norms, articulation between levels and the setting of wage floors at cross-sectoral level, and also comparisons of sectoral developments in the same three aspects across and within countries. The multilevel perspective includes taking the impact of salient EU regulations into account in the comparisons of national and sectoral developments. The comparative analysis involves some variable geometry: not all countries are included in each of the articles. We first consider the countries, then the sectors and then outline the research methods.

Varieties of political economy and industrial relations

The six countries span differing political economies and industrial relations systems, and larger and smaller, export-oriented economies. Their position in respect of European economic and monetary integration differs, with implications for the centrality of wage regulation to economic adjustment (more so under a common currency and interest rate, less so where exchange rates float and interest rates are nationally determined). Germany and Finland are members of the Eurozone, Denmark pegs its currency to the euro and interest rates to those set by the ECB, while Norway, Sweden and the UK have flexible exchange rates and pursue their own interest rate policies. The difference in size, spanning four smaller (DK, FI, NO, SE) and two larger (DE, UK) economies as in original Streeck (2009), has implications for the structure and complexity of wage regulation. Moreover, as the biggest economy within the European single market, Germany is considered by some to play a pattern-setting role in bargaining (Traxler and Brandl, 2009). These northern countries were generally less affected by the crisis than elsewhere in the EEA, although there was variation among them. Germany, Sweden and Norway were among the least affected countries; the UK, Denmark and, eventually, Finland experienced deep slumps, but without being dragged into public debt crises.

The countries correspond to three different varieties of capitalism: the Nordic and German variants of coordinated market economy, in which competitive advantage is seen to be rooted in institutionalized systems of coordination (Hall and Soskice, 2001), and the British liberal market economy, in which competitive advantage is seen to derive from the rapid adjustment that market-based coordination allows. As between the two coordinated variants, the Nordic states belong to the cluster of 'small, open economies' which, to cope with the volatilities of world markets, developed 'democratic corporatist' governance structures from the interwar period. Organized interests were pivotal in creating encompassing labour market and social protection systems, which buffered external disruptive effects (Katzenstein, 1985). (West) Germany was from the outset marked by a much larger domestic market, providing less favourable conditions for centralized associational governance. Yet of the world's large economies, through its 'organized capitalism' built on 'social partnership', it most evidenced the traits of 'democratic corporatism' (Katzenstein, 1985). While unification in 1990 amplified the structural differences between the federalized German and unitary Nordic states, Germany's steadily increasing export reliance and associated competitiveness-oriented growth strategy have nonetheless resembled those of a 'small, open economy', with one important exception (Carlin et al., 2017): Germany has, contrary to the centrally coordinated Nordic economies, persistently restrained domestic demand and wage growth through rigorous fiscal and monetary policies.

There is debate over the trajectory of change among these economies, and hence the continuing distinctiveness of their different variants of capitalism. One perspective, exemplified by Baccaro and Howell (2017) and Streeck (2009), is that despite the superficial persistence of distinctive national institutional arrangements, the changing functioning of industrial relations systems (including wage regulation) amounts to a neoliberal transformation of their coordinated institutions. Not only has the direction of travel been the same as in the liberal market economies but industrial relations outcomes have become more similar. According to Baccaro and Howell, both Germany and Sweden have seen the retreat and decentralization of coordinated wage-setting institutions and rising inequality. Elaborating a contrasting perspective, Thelen (2014) demonstrates that while Sweden, and also Denmark, has indeed moved in a liberalizing direction involving, among other things, reconfiguring the institutions underpinning coordination of bargaining, they also retain widespread coverage, social solidarity and relatively low levels of wage inequality. In Germany, there has been less change in the institutions securing coordinated bargaining, but their coverage has shrunk. The resulting dualization has been marked by higher, and growing, levels of inequality. Hassel (2014) contends that such dualization is integrally linked to the maintenance of the institutions of coordination for a (shrinking) core workforce, as it rests on the outsourcing of a range of activities to liberalized service sectors. Thelen's analysis carries implications for the liberal market economies also. Further liberalization through deregulation in the UK, unlike in the USA, has not been accompanied by significant, additional erosion of social solidarity.

In most of these countries, industrial relations literature has since the early 1990s described a long trend towards organized decentralization of bargaining (Dølvik and Martin, 2017; Marginson and Sisson, 2006). This involves devolution of determination of actual pay and conditions under multi-employer bargaining (MEB) towards company or site-level negotiations within centrally coordinated frameworks. The exception is the UK, where MEB was progressively abandoned by employers during the 1980s and 1990s under a process of disorganized decentralization to company level. The resulting decline in collective agreement coverage has left ample room for individualization of terms and conditions. The UK thereby offers a counterpoint to the organized variants found in the five other countries. While these exhibit some broad similarities, there are also differences among the Nordic countries as well as between them and Germany in their wage regulation arrangements.

We briefly outline the main institutional features of wage regulation in the six countries, commencing with the structure and coverage of bargaining. MEB structures prevail in the Nordic countries and Germany, while single-employer bargaining or unilateral management decision predominates in the UK. The distinction is reflected in the coverage of collective bargaining: a majority of the workforce is covered in the first five countries as compared to under one-third in the UK (see Table 2, which also shows employer organization and trade union densities). There is variation among the countries where MEB prevails, with coverage ranging from under 60 percent in

Germany and Norway through to almost 90 percent in Finland and Sweden. Coverage exhibits differing trajectories too. Between 1995 and 2015, it has remained stable in Denmark, even increased in Finland, declined a little in Sweden and Norway, and rather more in Germany and the UK.

Table 2. Private sector collective agreement coverage, employer organization rate and trade union density, 1995–2015.

	Bargaining coverage (private sector) %			Employer organization rate (private sector) %			Trade union density (economy-wide) %		
	1995	2004	2015	1995	2004	2015	1995	2004	2015
Denmark	77	77	74	58	60	68	76	72	67
Finland	80	87	89	63	67	70	80	72	69
Germany	78	64	58	63	60	58	29	22	17
Norway	60	59	54	52	60	58	57	55	52
Sweden	90	90	85	86	85	82	34	28	22
UK	23	20	17	n.a.	40	35	34	28	22

Source: Visser (2016a). Some figures are from the year closest to 1995, 2004 and 2015.

MEB in the five countries is largely anchored at sector level, although the cross-sectoral level has remained important in Norway and (until 2016) Finland. Different mechanisms for coordination of wage bargaining across sectors are identified in the literature (Traxler et al., 2001). Pattern bargaining is the principal coordinating mechanism in Denmark, Germany, Norway and Sweden, and from 2017 in Finland. The internationally exposed, strongly organized metalworking sector (among both employers and trade unions) (DE, NO) or manufacturing more generally (DK, SE, FI) assumes the role of pattern-setter. In Finland, peak-level coordination in the form of tripartite incomes policy agreements played a central role until 2016. Peak-level coordination occurs in Norway also, as the confederations negotiate the biannual wage adjustment rounds.

All five countries have effective procedural mechanisms for articulation between levels (Traxler et al., 2001; Visser, 2016b). These mechanisms differ between countries. In the multi-tiered Scandinavian systems, employers and trade unions have a long tradition of workplace bargaining. Strict hierarchical principles underpin articulation between levels and mean that derogations to the detriment of workers are generally not accepted unless explicitly allowed in the higher level agreement. Most private sector agreements specify minimum wage rates, the basic increase therein and major conditions, while the setting of actual pay, including local increments and other conditions, is increasingly delegated to company-level negotiations. The scope for local determination of actual pay and working time has gone furthest in Denmark and remains the most constrained in Finland. In Germany, sector agreements are also underpinned by a formal hierarchy principle. They have opened up scope for company negotiations between works councils and management through hypothecated delegation, which has resulted in the proliferation of opening clauses, including a sub-set, which allow for derogation from sectoral provisions. The broad difference in mechanisms between the four Nordic countries and Germany is linked to the distinction between single-channel, trade union-based representation arrangements in the former and dual-channel (trade union and works council) arrangements in the latter (Nergaard et al., 2009).

Moving to wage floors, four main approaches, not necessarily mutually exclusive, have been deployed across the six countries. First, reliance on high or quasi-universal coverage of bargaining buttressed by high levels of employer organization. This approach has long-held sway among the Nordic countries and until the 2000s in Germany also. Second, use of legal extension mechanisms to generalize standard or minimum rates and terms in collective agreements across a sector. Such mechanisms are present in Finland, where they have been routinely utilized, and Germany and Norway, where (largely) dormant provisions have recently been activated. Third, use of clauses in public sector procurement contracts requiring conformity with collective agreements, long used in Germany, and made mandatory after EU eastern enlargement in Norway and more recently in Sweden and the state sector in Denmark. In the UK, a private sector variant has developed in recent years, involving unions and community organizations pressurizing large client organizations into ensuring that a 'living wage' is paid by contractors. Fourth is a statutory minimum wage, introduced in the UK in 1999 and in Germany in 2015.

Sectoral economic and industrial relations variations

Sectoral context in terms of the nature and structure of markets, production systems, workforce characteristics and interest organization on the part of employers and workers exercises a crucial influence on the regulation of industrial relations, including wage regulation (Arrowsmith, 2010; Bechter et al., 2012). Given the priority accorded to intraEuropean drivers of change in our analysis, the choice of sectors reflects different positioning according to four kinds of cross-border economic flows: first, trade in goods, which reflects the long-established distinction between sectors which are exposed to international competition and those which are sheltered; second, cross-border flows of capital, associated with efficiency-seeking foreign direct investment, relocation of production and offshoring; third, cross-border flows of labour, or migration; and fourth, freedom to provide services across borders including sub-contracting involving posting of workers. Trade in goods is more likely to invoke north–north regime competition, and possibly south–north contagion, while the other three flows are more likely to be sources of east–north destabilization. Labour migration and posting from southern Europe could also act as a source of destabilization, but in practice flows into northern Europe are modest compared to those from CEE (Pacolet and Wispelaere, 2016). A salient difference between capital mobility and labour migration and posting is that the effects of the latter occur within national labour markets.

Table 3. Different types of cross-border flows by sector.

Sector	Manufacturing/ metalworking	Construction	Industrial cleaning	Temporary agency work
Trade	High	Medium/low	Low	Low
Capital	High	Medium	Medium/low	Medium/low
Labour migration	Medium/low	High	High	Medium
Provision of services	Low	High	Low	Medium/low

Table 3 indicates the relative importance of these different types of cross-border economic flow in the four sectors. The categorization of flows into 'high', 'medium' and 'low' draws on industry-specific literature accessed when compiling the sector studies.

Manufacturing/metalworking is the pattern-setter in bargaining in most northern countries. This role derives from the combination of a high ratio of exports in production, and consequent exposure to international competition, and strong organization among both employers and trade unions. The sector is further marked by high/medium levels of skills and capital intensity, and substantial cross-border flows of efficiency-seeking capital. Construction is more territorially bounded and subject to internationalization through cross-border competition for contracts or tenders. Traditionally well-organized, construction has tended to set the pace in wage bargaining in home-market-oriented sectors and is more labour-intensive than manufacturing. Given cyclical swings and the prevalence of one-off projects, the demand for workforce flexibility and mobile migrant and posted labour is high. Industrial cleaning is much less capital-intensive, skill-reliant or exposed to market internationalization and capital mobility. A low-wage sector, it is marked by considerable reliance on migrant labour and low rates of organization and collective agreement coverage. The temporary agency industry is not bound to any specific pattern of production and skills but is associated with outsourcing of employer functions and triangular employment relationships. The degree of organization varies between countries but is lower than in manufacturing and construction. Market competition tends to be domestic rather than international in scope. Mobile labour, comprising workers posted by international agencies as well as migrant labour hired by local agencies, is important. The sector also stands as a secular driver of change that is closely connected with shifts in work organization and staffing strategies in the other three sectors.

Methods

In order to investigate these issues, data were drawn from published and grey sources and augmented with a programme of field interviews at cross-sectoral and sectoral levels. Semi-structured interviews were undertaken with the dominant national employer organizations at peak and sectoral levels, and with their main union counterparts. The aim was to review the most important changes in wage regulation since 2000. A historical outline was chosen as it favours a free-flowing narrative by the respondent in a less directive way than a standardized questionnaire. To explore the factors and deliberations shaping the actors' responses, we asked them to assess the key challenges faced, how these affected their interests and their main options and means for resolving them.

Conclusion: differing sources of pressure and differing responses

In conclusion, we highlight some key findings from the five further articles in this special issue. These concern the relative prominence of the various drivers of change, the principal challenges to wage regulation arrangements, the responses of the actors and the types of institutional change resulting. The picture differs not only across sectors but also across countries within a given sector and at the cross-sector level, underlining the strengths of our multi-sectoral, multi-country research design.

In construction (Arnholtz et al., 2018), the most prominent intra-European driver of change is east–north destabilization, associated with large-scale inflows of labour (both migrants and posted workers) from CEE. While limited scope for exporting means that direct pressures from north–north regime competition are muted, use of cheap foreign labour is often prompted by demands from sectors exposed to such competition. The principal challenge for wage regulation concerns the re-regulation of wage floors. The coverage of collective agreements, and their purchase on terms and conditions above minimum rates and standards, has been eroded as migrant and posted workers have been engaged on less favourable terms and conditions, reflected in institutional drift. Moreover, the availability of migrant and posted labour has attenuated wage pressures, and associated strains on vertical articulation, previously associated with booms in activity. Responses differ across the five countries studied. Already in the 1990s, Germany had introduced minimum terms extension arrangements applicable to posted workers in construction. In Norway, construction was among the sectors where the hitherto dormant provision for extension of minimum terms was activated. Both are instances of layering. In Denmark, adaptation has characterized the response, consisting of minor collective agreement changes and strengthened enforcement. Drift is ongoing in the UK and has accelerated in the Netherlands, as the share of selfemployed rises fast in both cases.

Pressures from north–north competition feature prominently in manufacturing (Mueller et al., 2018) given the salience of exports and exposure to international competition. Restructuring and (threatened) relocation of production eastwards have, however, raised the prospect of east–north destabilization. This has prompted the spread of concession bargaining, above all in Germany. The main challenges for wage regulation have been to secure the sector's continued wage leadership role, in order to ensure settlements consistent with maintaining competitiveness, while introducing flexibility to allow individual companies to address particular competitive contingencies. The first has been met by reinforced wage restraint so as to minimize drift, involving reconfiguration of arrangements for coordinated bargaining in Finland and their recalibration in Sweden, but no formal changes in Denmark or Norway. In Germany, minimal wage growth in domestic sectors has lessened manufacturing employers' interest in horizontal coordination. In the cross-border context, the turn towards competitiveness-oriented wage setting has accentuated the pattern-setting role of German metalworking. On the second, the well-established two-tier bargaining arrangements in Scandinavian manufacturing provide instances of stability, with local actors finding ample room to develop negotiated flexibility. Promoting company-level negotiation is a major rationale behind the reconfigured Finnish arrangements. In Germany, the 2004 Pforzheim agreement formalized a two-tier bargaining framework in an attempt to stem drift arising from unauthorized local negotiation involving works councils.

Outsourcing has fuelled rapid market expansion in industrial cleaning (Trygstad et al., 2018). In the early 2000s, the sector already displayed sizeable areas of disorganization, reflected in dualization of the job market and relatively low bargaining coverage. This was exacerbated as eastern EU enlargement brought new, low-cost competition arising from inflows of directly employed and self-employed migrant labour invoking east– north destabilization. The main challenge concerning wage regulation is the establishment and regulation of wage floors. The pattern of responses bears some resemblance to that in construction. In Germany and Norway, institutional layering has occurred, though with the wage floor set at very different levels. In the former, the minimum terms in the sector agreement were lowered and extended across the sector, while in the latter the standard rate was extended. In Denmark, adaptation and also drift are to the fore, with union enforcement of agreements being stepped up although these cover less than half the workforce. In the UK, drift prevails. Only pockets of the sector are covered by collective agreements, although unions and community organizations have mobilized to place pressure on large client organizations to commit voluntarily to pay a 'living wage' above the statutory minimum.

Pressures from both north–north regime competition and east–west destabilization feature in the agency industry (Alsos and Evans, 2018). The former arise from the influence of hiring sectors, focused on cost competitiveness, in the sector's evolving regulatory arrangements. The second comes from the consequences of significant inflows of labour from CEE. The principal challenge for wage regulation again concerns the establishment and regulation of wage floors. This is complicated by the interests and involvement of employers (and unions) in user sectors. Implementation of the 2008 EU Directive gave further impetus to institutionalization. Responses differ across countries. In Germany and Sweden, where collective agreements for the industry were negotiated in the early 2000s, subsequent changes have been incremental involving layering (extension of minimum terms) in the former and adaptation in the latter. In contrast, in Norway, the two developments were the prompt for agency workers to become partially protected by collective agreements, but through entitlement to basic terms in the agreement covering the user company. This effectively prevented institutionalization of wage regulation in the industry itself. In the UK, the Directive prompted tripartite dialogue on statutory regulation, but the central principle of equal treatment has been subverted by widespread (mis)use of one of the available derogations, thereby encouraging renewed drift.

At cross-sector level (Dølvik and Marginson, 2018), pressures from both north– north regime competition and east–north destabilization feature prominently. The former tend to bear on arrangements for wage bargaining coordination and, in the context of encouraging more pay flexibility at company level, those for articulation between levels. The impact of the latter is more apparent on the regulation of wage floors. Reworking coordination and promoting devolved wage bargaining have been the subject of reconfiguration in Finland. Coordination and articulation have also been the main focus of recent adaptations in Sweden. In Germany and Norway, changes to the regulation of wage floors have been to the fore. The former has seen legal reform enabling extension of collectively agreed minimum wages in several sectors, followed by introduction of a statutory minimum wage. Both entail layering, although the latter may also spur displacement. Activation of the previously dormant mechanism for extension of minimum wages in Norway also involves layering. There have been few changes to either arrangements for coordination and articulation or for setting wage floors in Denmark; measures to strengthen enforcement of the provisions of collective agreements, involving adaptation, have been aimed at reinforcing wage floors. Yet, with modest bargaining coverage in many private services and increased supply of migrant labour, the scope for drift has increased.

Overall, the response to the pressures on collective wage regulation flowing from the destabilizing effects of eastern enlargement and intensified competition among northern countries within the single European market, under adverse crisis and post-crisis conditions, have varied both between sectors and across countries. Across the six countries and four sectors, we observe a mix of stability, different types of incremental change, more discrete change involving reconfiguration, but not transformation.

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