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BUSINESS ASSOCIATIONS

There are two kinds of business associations. Employer associations represent business interests in the labour market whereas trade associations represent firms as producers. In some countries and sectors, labour market-related 'social' and product market-related 'economic' interests are represented by the same organizations. Business associations exist at national, sectoral and local, and increasingly also at supranational, level. Some are federations that organize and coordinate lower-level associations; others are direct membership associations; and some are both, organizing associations as well as (large) firms.

Business associations emerged in reaction to trade unionism on the one hand and increasing state interventionism on the other. Most of them date back to the late nineteenth century. Initially they tried to suppress **trade unions** and took sides in contemporary conflicts between sectors and countries over free trade and protectionism. Like trusts and cartels they also engaged in price-fixing and limiting market access. In the two world wars they became deeply involved in the management of the war economy.

After 1945, especially in the neo-corporatist countries of the European continent, employer associations turned into 'social partners' of increasingly firmly established trade unions with whom they engaged in joint regulation of the labour market (Windmuller and Gladstone 1984). Likewise, trade associations came to accept a wide range of quasi-public responsibilities, from the enforcement of quality, safety and environmental standards to the delivery of public policies, for example in support of small firms. This holds in particular for associations with obligatory membership, such as chambers of commerce and industry. Whereas in countries with corporatist traditions (see **corporatism**) economic governance came to rely heavily on business associations, turning these into 'private interest governments' (Streeck and Schmitter 1985), in liberal political systems business associations became confined to lobbying the bureaucracy and the legislature. Similarly, in more voluntaristic **industrial relations** systems, where unions are weak and collective bargaining is decentralized, employer associations remained ephemeral or never came to exist.

Business associations face problems of **collective action** different from those of trade unions. That there are far fewer firms than employees would seem to give business a natural advantage over labour. Still, organizational density rates of business associations differ widely between countries and sectors. Firms tend to be well resourced and often prefer to pursue their interests individually. They also tend to be rational actors willing to free ride on the collective goods procured by associations. Business associations have therefore early on emphasized 'outside inducements' to membership, especially services that can be withheld from non-members. Often, however, these fail to neutralize the disorganizing effect of market relations among potential members. Competition for workers in tight labour markets, but in particular competition in product markets and price pressure in supplier relations between small and large firms, often causes conflict and mutual suspicion.

Encompassing organization of business is therefore difficult, which moved the coordination of business interests to relations between rather than within associations. The number of business associations exceeds the number of trade unions by far. One study of the 1980s investigating fifty-six sectors in nine countries found on average more than sixteen business associations to one trade union (Streeck 1991). As firms are involved in more product than labour markets, trade associations tend to be even more fragmented than employer associations.

Business associations are often divided, not just by sector and region, but also by firm size. Big firms find it easier to defend their economic interests on their own. But they also often seek protection against trade union demands in employer associations that include small firms. Size differences between firms are taken into account by business associations linking membership dues to employment or turnover, and voting rights to dues paid. Equal voting rights are found mainly in business associations with obligatory membership, such as the Austrian *Wirtschaftskammer*. Outside Austria, obligatory membership in business associations is largely confined to the small business sector.

Business associations are changing under current processes of internationalization, liberalization of market economies, and the rebuilding of the post-war nation-state. Supranational political arenas offer less supportive opportunity structures to them than most traditional nation-states (Greenwood 1997). As large firms turn multinational, they outgrow national politics and associations. In supranational settings they tend to rely on their superior resources and pursue their interests independently. Alternatively they enter into loose alliances with other large firms, like American-style 'business roundtables'.

Within national systems, widespread decentralization of collective bargaining constrains employer associations to find a new role, e.g. in delivering external support to firms negotiating terms of employment directly with their workforces. In economic policy, governments increasingly allow large firms to bypass associations while the latter find it harder to aggregate more specific individual interests into collective positions. Public subsidies to industry are being cut back, the battle over free trade is largely decided, and government intervention in the economy is being transferred to depoliticized regulatory agencies, limiting the space for collective political exchange between business and the state.

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