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Social partners' bargaining strategies in Germany and Spain after the introduction of the Euro: a morphogenetic perspective on corporate agency

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This article addresses how far wage imbalances in the Eurozone can be imputable to intentional agency by collective bargaining organisations. Using Archer's morphogenetic approach, we explain the agentic role of social partners in core (Germany) and periphery (Spain) cases, in relation with the respective collective bargaining regimes. We show that the capacity of macro- and meso-level organisations to effect wage-setting practices can be constrained inadvertently by contextual influences with morphostatic properties, generating constrained modes of corporate agency. Yet wage moderation is best understood as a form of agency itself, functioning 'by being' rather than 'doing', which over time can become more innovative. We contrast this finding with the less constrained capacity of more institutionalized corporate agents, such as transnational business corporations and central state agencies.

Keywords: agency, Eurozone, Germany, collective bargaining, morphogenetic cycle, Spain, wage coordination, wage dumping

Introduction

The relationship between structure and agency has been an underlying theme in industrial relations debates. In sociological theory, a key contribution to the understanding of this relationship has been the morphogenetic approach of Margaret Archer, which recognises "conditional and generative mechanisms operating between structure and agency" (1995: 16). Despite some morphogenetic analyses of workers' agency (e.g. Mrozowicki, 2014;

Mrozowicki and Van Hootegem, 2008), there has been little consideration of this theory in the study of the corporate agency of employers' associations and trade unions (together termed 'social partners').

Accounts of social partners' ability to effect change at best make assumptions about the capacity of actors to calculate (e.g. Johnston, 2016; Rhodes, 1998). As meso-level actors that negotiate wages at national and sectoral-level in most European countries, social partners represent a corporate agent that impact cultural and structural modelling (Archer, 2000: 265) by framing practical contexts of ordinary workers. However, as observed by Traxler et al. (2008), there is a need for more research which explores the efficacy of the bargaining coordination strategies of social partners and the extent to which they are driven by the macro conditions and transnational networks of social partners (see also Glassner and Pusch, 2013; Gollbach and Schulten, 2000). Knowledge of social partner agency thus adds context to studies of agency in firm-level settings.

The present study analyses the wage-setting practices of German and Spanish social partners after the introduction of the Euro. We found that in Germany, despite allegations that unions manipulated competitiveness, the ability of unions to achieve such a feat at the time was limited. In the same period, in Spain, attempts by social partners to achieve competitiveness through tripartite pacts encountered related restraints. To understand the agentic role of social partners in relation to structural constraints, we therefore ask: How did social partners in German and Spain exercise their agency in the context of Eurozone imbalances which were caused by different collective bargaining systems and lack of coordination?

Corporate agency and social partners

The agency of social actors vis-à-vis structure has long been debated by sociologists, spanning Weber's analysis of different forms of rationality, Durkheim's evaluation of social structures and more deterministic Marxist approaches. In the last few decades, the morphogenetic approach of Margaret Archer (1995, 2000, 2013) has been particularly influential. In opposition to structurationists such as Giddens and Bourdieu, considered to underplay links between agency and structure, Archer emphasizes the way in which structure and agency are linked by time. Structure pre-conditions action in either an enabling or a constraining way; structure then may be either transformed by action in a morphogenetic cycle or reinforced through morphostasis. The importance of time in Archer's work affords a study of social phenomena that is not confined to the present tense of the agency-structure relationship, but recognises that social phenomena through which actors seek to effect a change are products of structural conditions transformed or reinforced by past actors. Archer's articulation of the morphogenetic approach originates from her early work (1996), but a clear articulation of its phases can be found in her recent elaboration:

… at any given time, the social order is the result of the result of prior social relations conditioned in an antecedent structural (and cultural) context. Such relations between individuals and groups may be in conflict, coalition or consensus. When interaction leads to change the product of this interaction is 'morphogenesis', with 'morpho' indicating shape and 'genesis' signalling that the shaping results from social relations. Hence, 'morphogenesis' refers to 'those processes which tend to elaborate or change a system's given form, state or structure' (Buckley 1967, p. 58). Conversely, 'morphostasis' refers to those complex system-environmental exchanges that tend to preserve or maintain a given form, organization or state of the social order or part of it (2013: 145-6).

Although agency and structure are in constant interaction, they are not ontologically conflated and must be studied separately. To this end, Archer develops the concept of analytical dualism. Treating agency as a separate analytical entity affords it explanatory power in relation to social structures. This is an important source of theoretical added value to our analysis of social partners' agency because it allows for an elaboration of how meso-level actors can respond to macro-level complexity. In contrast, institutional theory, which has made great strides in progressing theoretical understanding of industrial relations (Morgan and Hauptmeier, 2014), has been criticised for "the failure to bring together insights from micro- and macro-level studies" and a "'downward' reading of action" that prioritises structure over agency and reduces actors to passive carriers of institutions (Delbridge and Edwards, 2013: 928). Instead, Archer shows us how actors are not passive beings but may care enough about their interests to 'see them through' (2000: 2-3) and act to redesign structures over time.

Particularly germane to the present analysis of social partners' agency is Archer's notion of 'corporate agents', a role structure emerging from a strategic organisation of individuals with leadership, power and a mission in pursuit of social change[1]. In Archer's words:

Only those who are aware of what they want, can articulate it to themselves and to others, and have organised in order to obtain it, can engage in concerted action to reshape or retain the structural and/or cultural features in question. These are termed 'Corporate Agents': they

[1] This is in contrast with the primary agencies of persons who are not organised and do not have power to pursue collective vested interests (Archer, 1995).

include self-conscious vested interest groups, promotive interest groups, social movements and defensive associations (2000: 265).

Corporate agents are regarded as representative of material and ideational collectives of persons with a desire to articulate shared interests, organize collective action and exert influence in decision making. The capacity to pursue such desired projects tends to be associated with a distribution of resources, such as wealth, expertise and sanction to act, that give corporate agents the collective bargaining power to negotiate power relations to elaborate morphogenesis of the socio-cultural context (Cuellar, 2010).

One resource which increases the negotiating strength of agency is access to state structures; this is associated with advantages conferred by proximity to elites (Scott, 1991; 2008). For example, O'Sullivan (2007) emphasized the role of executives in shaping the French financial system; this took place in the context of 'aggressive expansion' by French financial institutions, which involved opportunities for the emergent enactment of managerial agency. Engelen et al. (2008) nonetheless urged caution, arguing in a study of activist investors that 'political reactions are institutionally pre-structured'.

Yet, knowledge of social partner agency remains underdeveloped. Certain studies discuss agency in the context of trade union renewal (e.g. Mrozowicki et al., 2010). However, such works tend to concern one side of industry and specific campaigns. Studies of social partner reaction to European integration indicate ways in which agency is perceived. A tendency to over-privilege structural influences suggests that certain researchers are sceptical of the ability of social partners to plan responses to Europeanization (Scharpf, 1999; Streeck, 1996). Other scholars, often undertaking detailed analysis of wage-setting in the Eurozone, sometimes emphasize the propensity of social partners to act strategically. However, these researchers tend to underline the role of actors in selecting particular courses of action, often using language which suggests that the achievement of competitiveness in the Eurozone is a social partners' choice (Johnston, 2016; Rhodes, 1998). This risks moving towards the 'free agency' argument that privileges agency over structure.

In recent times, issues associated with social partner agency have been debated more widely. Occurrences of intentional wage moderation have been noticed (Bofinger, 2015); specifically, German unions were alleged to have engaged in conscious wage moderation vis-à-vis European rivals following the introduction of the Euro, thus instigating trade imbalances and eventual debt crisis. This view has mainly been advanced in political and union circles, including by the Italian CGIL union (Seeliger, 2019), yet researchers have given it credence. Bofinger (2015) asserts that moderation by German unions 'is an explicit attempt to devalue the real exchange rate internally.' Writing prior to the crisis, Erne (2008) contended that unions in seven EU member states, including Germany and Italy, consciously competed after the introduction of the Euro. The evidence of Höpner and Seeliger (2019) is nonetheless inconsistent with these arguments; an IG Metall official told these researchers that practical issues such as lack of information impeded such strategies.

Though the German case is contentious – a problem compounded by limited empirical examination of the phenomenon – there is less ambiguous evidence that this occurred in some contexts. Social pacts in Italy have explicitly referred to developments in other member states (Parsons and Pochet, 2008: 347), whilst a 1996 Belgian law limited wage rises vis-à-vis neighbouring countries (EurWORK, 2009). Consistent with the argument that the negotiating strength of corporate agency is enhanced by support from public authorities, there are grounds to think that state involvement facilitates such moderation. Evidence from France, in which the state assumes a primary role in wage setting (Hancké and Soskice, 2003), is nonetheless ambiguous. In a study of the extent to which French public authorities considered wage rises in competing countries after the introduction of the Euro, Prosser (2018) found little indication that this was the case.

The question of whether social partners consciously competed after the introduction of the Euro allows for wider theorization of corporate agency within its enabling or constraining socio-cultural conditions. Aside from the polemic which this matter has attracted, the topic concerns the key area of wage negotiations. Given the importance of this issue to social partners and subsequent resources which are dedicated to it, underpinned by the threat of strike action, there is clear potential for the evaluation of agency from a morphogenetic perspective. Our definition of social partner agency is inspired by Archer (1995: 118), who speaks of agency in relation to 'being' rather than 'doing':

… agent's capacity 'to make a difference' *simply through their existence as members of collectivities with particular properties*, which no amount of activity on their part can make other than they are at any given time.

In other words, doing is the property of actors assuming roles within agencies. Agents may be inactive but their agency can still be consequential through their aggregate effects even if it is not consciously and deliberately exercised (such as trade unions' ability to strike). Following the Archerian conception of agency, and crucially to our present analysis, structural constraints might block any alternative courses of action. Yet contrary to the Giddensian conception, this does not mean that agency is dissolved.

In this paper, we explain the Archerian corporate agency of social partners in Germany and Spain. These countries were selected based on variation in two key independent variables:

competitive position within the Eurozone and collective bargaining system. This will allow assessment of social partner agency in discrepant conditions. The first of the countries, Germany, enjoys competitive advantage within the Eurozone and is characterized by a collective bargaining system based upon sectoral negotiations. After the launch of the Euro, many associated the predominance achieved by Germany with its collective bargaining system; it was argued that social partner discipline in the exposed sector and state-imposed limits on public sector wages (Johnston, 2016) led to the achievement of low unit labour costs (ULCs). To a degree which did not occur in other countries, there was also debate about the role of actor volition; certain authorities argued that trade unions engaged in unfair bargaining practices (Bofinger, 2015; Erne, 2008). Analysis of the German case thus allows assessment of the potential of social partners to plan competitiveness using sectoral bargaining institutions associated with high competitiveness.

The second of the countries, Spain, occupies a disadvantaged position within the Eurozone and is characterized by a collective bargaining system in which inter-sectoral social partners conclude agreements which set guidelines for lower level negotiators. After the launch of the Euro, Spain incrementally lost competitiveness and entered crisis. This was associated with a collective bargaining model which is fragmented at sector and firm levels. It is argued that although inter-sectoral pacts aimed at moderation, such efforts were undermined by lower-level indiscipline (Johnston, 2016). Although certain authorities emphasize attempts by social partners to moderate wages (Johnston, 2016), Spanish unions were not subject to the allegations endured by German counterparts. This was partly related to the failure of Spain to achieve competitiveness. Analysis of the case of Spain nonetheless allows assessment of the extent to which a planned response to EMU is feasible in a disadvantaged economic context, in which bargaining takes place at inter-sectoral level and there are issues with lower-level compliance.

We focus on developments in 1999-2010. This spans the introduction of the Euro and the outbreak of debt crisis and is the time in which wage moderation is retrospectively debated. Given the proximity of the period and limited subsequent change to negotiating conventions, more recent examples of practice are also included. Our research question is operationalized with a twofold approach. Firstly, we assess the extent to which social partner bargaining strategies were motivated by awareness of developments in other European countries (see table 1). This goal is best pursued using a qualitative methodology. Analysis is based on data from relevant documentation and semi-structured research interviews. Awareness may be recognized by repeated allusion to developments in other European countries; this includes statements which justify wage moderation/increases with reference to other countries. Though lack of such mentions does not necessarily equate to the absence of cognizant strategies, European pressures potentially exerting a tacit influence over negotiators, it is implausible that such rationales would take root in entire organizations without evidence in studied sources.

Table 1: What constitutes awareness of developments in other European countries?

High level of awareness	Consistent mention of developments in other European countries in relevant documentation. Explicit acknowledgement of social partner interviewees that wages were set with reference to developments in other member states.
Medium level of awareness	Occasional mention of developments in other European countries in relevant

	documentation. Acknowledgement of social partner interviewees that wages were sometimes set with reference to developments in other member states.
Low level of awareness	Little mention of developments in other European countries in relevant documentation. Denial of social partner interviewees that wages were set with reference to developments in other member states.

The second element of our approach involves assessment of the extent to which social partners at higher-levels were able to influence developments at lower-levels. Given that the ability of social partners to plan is contingent upon the capacity to control and sanction outcomes at sector and firm levels, this is crucial. Documentation and research interviews will yield information about this subject, though the insights of extant studies (e.g. Johnson, 2016) are also invaluable.

Analysed documentation included key collective agreements and social partner reports; using a series of keywords and closely examining relevant content, texts were searched for references to European and international influences on social partner behaviour. Semi-structured research interviews were conducted between November 2016 and November 2018. Appendix one provides further details of interviews. Though the total of twelve interviews is small compared to certain studies, interviewees were elites who were closely involved in relevant negotiations. This meant that interviews provided deep insight into examined processes.

Six interviews were undertaken in Germany. Owing to the contested role of trade unions, interviews with unions were prioritized. Due to the importance of the metal sector – the industry is exposed to global competition and acts as a domestic pattern-setter – two interviews were conducted in this industry; these were with the trade union IG Metall and employers' association Gesamtmetall. There were also interviews with two unions in key non-exposed sectors: the services union Ver.di and the construction union IG Bau. Interviews were also conducted with inter-sectoral social partners: the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) employers' association and Deutscher Gewerkschaftsbund (DGB) trade union confederation. Though these organizations are not involved in collective bargaining, they have an overview of relevant developments.

Six interviews were undertaken in Spain. Interviews were conducted with representatives from the four social partner organizations which participate in inter-sectoral negotiations: the employers' associations Confederación Española de Organizaciones Empresariales (CEOE) and Confederación Española de la Pequeña y Mediana Empresa (CEPYME) and trade unions Comisiones Obreras (CCOO) and Unión General de Trabajadores (UGT). Owing to the need to procure more specific information about sectoral developments, further interviewees were held with another UGT official and a researcher at Fundación 1º de Mayo: a research institute of CCOO. Interviews were transcribed and coded according to themes such as 'evidence of conscious moderation' and 'structural causes of moderation'.

Germany: accidental neo-mercantilism?

Controversies regarding the participation of German unions in wage restraint are highly germane to debates concerning social partner corporate agency. In years following the outbreak of crisis, German unions faced the charge that they had consciously suppressed wages vis-à-vis rivals in the Eurozone. According to Bofinger, wage moderation on the part of German unions ‘is an explicit attempt to devalue the real exchange rate internally’. Certain actions undertaken by German unions are cited in support of this argument. The willingness of IG Metall head Klaus Zwickel to accept a stagnation of real wages in the 1990s, when proposing Bündnis für Arbeit (Pact for Work), is therefore recalled (Wolf, 2000, cited in Bofinger, 2015). A January 2000 declaration by unions and employers which stated that productivity growth should lead to agreements which increase employment rather than real wages is also mentioned. This was the time of the Pforzheim agreement, during which restraint was encouraged by the government and social partners. In research interviews with metal sector social partners, it emerged that economic conditions in other countries, including ones in the Eurozone, were considered during wage negotiations. Though an official from the inter-sectoral employers’ association BDA was unaware of specific agreements, it was asserted that such a practice might exist and was more likely in export orientated sectors and/or border regions.

Notwithstanding this evidence, there are good reasons for thinking that such plans were precluded by limits on social actors’ agency. Even if certain individuals and organizations may have attempted to undercut rivals at particular times, the systematic, long-term planning required to effect such an endeavour appears to have been absent. A first reason for scepticism concerns logistical difficulties associated with organization. Though the German socioeconomic system is famed for its ability to secure long-term outcomes, this propensity is promoted by structural features rather than the volition of actors. The ability of German firms to plan for the long-term is therefore not achieved through the ingenuity of firms, but rather by established modes of corporate governance and business financing.

There are not equivalent structures which encourage moderation vis-à-vis European rivals. A series of factors, reflecting the historic evolution of the German model of industrial relations, rather impede the exercise of agency in this sphere. Collective agreements are short in duration. They typically range from one to two years in length. Thousands of such agreements are also concluded and lower-level negotiators possess substantial levels of autonomy. In such circumstances, the organization of wage moderation which took stock of developments in other European countries would have required particularly elaborate planning. Had this planning been executed, it is inconceivable that significant evidence of it would have emerged. The fact that more evidence does not exist – there is little corroboration beyond that which is presented above – is therefore positive proof for the non-existence of such a scheme.

When asked about the allegations, German unions denied them outright. A DGB interviewee said,

‘German unions have often been accused, by the left in Europe in particular, of engaging in deliberate and conscious wage dumping; this is nonsense… [Awareness of development in other European countries and the need to achieve German competitiveness in the Eurozone were built into the objectives of DGB] to no extent at all. It was just not on the agenda. Nobody had realised that EMU would lead to different consequences as a result of the different behaviour of economic agents.’

Such denials are also reported by Höpner and Seeliger (2019). Though an IG Metall official acknowledged that the union was aware of negotiations in other countries, comparisons were often made to justify wage increases, ‘We look at other countries, but more to explain to employers that there is no threat to competitiveness… The German automobile sector is the biggest, and we have always had greater productivity increases than other sectors. So the German industry is more of a threat for others than the other way round. But we look because we are confronted by the employers. They say there’s a threat and that we’re losing competitiveness.’

Particularly significantly, respondents from outside of the German trade union movement echoed the comments of union respondents. An official from the metalworking employers’ association Gesamtmetall asserted,

‘I have the feeling there was no masterplan. Year by year we decided what to do. When we decided about this we had some figures, productivity from the point of view of employers. The most important points we discussed and the trade unions spoke about the inflation rate, productivity plus the inflation rate were added together, plus some redistribution… It was no masterplan but it was the result of a high productivity, higher than we have nowadays… and maybe a kind of moderate wage rises. Both together led to this falling and declining unit labour cost.’

Representatives from Ver.di added that local and regional industrial relations contexts felt remote from the European-level. Arguments about raising wages to increase domestic demand, to correct imbalances within the Eurozone, even featured in the strategies of unions in sheltered sectors,

‘It’s clear that wages in Germany are too low and that the increase of wages in the past was too low. Our argument is that, because of the low increase of wages, demand is too low. So because of the weak domestic demand the export surplus is so high… If higher wages were achieved it would lead to an increase in domestic demand, which would lead to a rise in imports, which would lead to a fall in the export surplus. So this is our main argument for higher wages; not to lower exports but to raise imports.'

Disavowals of German unions may be unsurprising, yet the challenges of keeping organizational secrets make them more plausible. Had such strategies been planned on an organizational level, it is likely that more evidence of them would have appeared; this is particularly the case given subsequent controversy. Documentary data are also supportive. A Gesamtmetall analysis of metal and electro sector collective agreements concluded between 1990-2017 makes no mention of European developments in forty pages, while references are similarly scarce in reports by Hans-Böckler Foundation (WSI, 2000), IG Metall (2004) and chemical sector social partners. It is possible that the goal of competition may have become internalized by actors, such an instinct being scarcely discouraged by EMU, yet this is methodologically impossible to establish. Even if this had been the case, problems associated with coordination would have remained; accomplishment of a tacit objective is particularly unfeasible.

The explicit exercise of certain agency by doing should not be denied. Aside from isolated examples of conscious moderation, the reflationary strategy articulated by Ver.di officials is indicative of volition. Some might also argue that the non-use of a general strategy of wage restraint was itself a choice, though there is little evidence of this. Notwithstanding these caveats, the existence of institutions which frustrated the capacity of social partners to engage in conscious moderation was more salient. Owing to the historical development of the German system of industrial relations, which privileged shorter-term, local strategies and provided actors with very limited information about European developments, significant action failed to materialize.

Though German industrial relations institutions constrained the exercise of social partner agency, such structures promoted non-intentional moderation, incrementally providing Germany with advantage in the Eurozone. The difficult economic conditions which confronted Germany in the 1990s and early 2000s were a relevant factor. In this time GDP growth was sluggish and unemployment high; this was the result of difficulties responding to globalization and the challenge of reunification. There were few pressures for wage rises in such circumstances; unions preferred to conclude agreements which safeguarded employment (Horn, 2016).

Constraints associated with the German industrial relations system also exerted downward pressure on wage increases. As a result of processes associated with globalization, trade union density and collective bargaining coverage declined in decades prior to the crisis. In these years, owing to the prevalence of opt-outs from collective agreements and measures such as the Hartz reforms, firms became able to set wages more flexibly (Garz, 2013). In the German case, the existence of institutions which guaranteed moderation in the non-exposed sector was also crucial. Johnston (2016) draws attention to state refusal to liberalize public sector bargaining, arguing that this ‘allowed public employers to retain important veto powers in wage determination for civil servants, enabling them to limit public sector wage increases under EMU… [and uphold] Germany’s export-centric pattern bargaining system’ (p. 112). In other contexts, notably those in Southern Europe, the absence of such institutions would have grave consequences.

Spain: inadvertently towards the abyss?

European developments have long influenced Spanish collective bargaining. Following the agreement of EMU convergence criteria in the early 1990s, reforms were made to the Spanish labour market which made pay setting more flexible and were complemented by pacts between employers and unions (Johnston, 2016: 147). Social partners continued to attempt to moderate wages after the introduction of the Euro. A series of inter-sectoral agreements, concluded throughout the 2000s, aimed to guarantee Spanish competitiveness (Johnston, 2016; EurWORK, 2005). Trade unions consented to such a strategy, though prioritized investment and quality employment over the cutting of wages and temporary employment.

Certain scholars of these pacts emphasize actor cognizance. Though such studies do not directly concern social partner agency, in contrast to literature on the German case, it tends to be assumed that social partners were conscious of the need to achieve moderation within the Eurozone; Johnston asserts that Spanish unions ‘aligned with employers and government in their support for wage moderation, not only for the sake of fulfilling the Maastricht criteria, but also to enhance Spanish price competitiveness under monetary union’ (p. 139). González Begega and Luque Balbona (2014) write in a similar vein, asserting that ‘EMU pushed social partners toward consensus and provided an explanatory framework to accommodate other causes’ (p. 88).

Care must nonetheless be taken when assessing the extent to which this represented a conscious strategy to achieve competitiveness vis-à-vis other Eurozone countries. The general goal of Spanish competitiveness preoccupied unions, employers and state, yet this was formulated in somewhat vague terms; reference to more general European and international challenges, rather than ones specifically related to the need to achieve competitiveness within the Eurozone, tend to appear in declarations. In contrast to the Italian case, in which social pacts explicitly referred to developments in other member states (Parsons and Pochet, 2008: 347), Spanish tripartism exhibits little awareness of external competition. A 2003 intersectoral agreement makes brief reference to the need to keep inflation at levels similar to other European countries (BOE, 2003: 7541), yet the remainder of a detailed document says nothing that is more specific and discusses challenges related to competitiveness in very general terms.

A key tripartite declaration of 2004, concerning competitiveness, stable employment and social cohesion, also makes no precise references to challenges related to European economic governance in eight pages of text (Gobierno de España et al., 2004). Analysis of other documents yields similar results. Though one cannot affirm the non-existence of conscious competition – this may have been feasible in less complex firm-level contexts – there is little evidence to suggest that such strategies were widespread. As with the case of Germany, it is reasonable to attribute such lack of exhaustive planning to difficulties associated with long-term calculation. It is easy to suppose in hindsight that the specific goal of competitiveness within the single currency exercised key influence on the minds of social partners, yet in the distinct context of the pre-crisis years this was merely one consideration amongst others.

Data from interviews confirm this interpretation. On the one hand, there was acknowledgement that social partners were aware of developments in other countries. A UGT official reported that examples of good practice inspired policies in areas such as equality and welfare, whilst it was recognized that wage negotiators were aware of developments in other contexts. A CCOO interviewee referred to the latest intersectoral agreement which, on its first page, took stock of the European and international environment. Notwithstanding awareness of wider developments, interviewees were unanimous on one point; social partners did not consider wages in other European countries when negotiating agreements. The response of a CCOO official was concise, ‘The answer is brief. Intersectoral agreements do not take into account or make reference to working conditions in other countries.’

As in Germany, the non-existence of conscious moderation reflected institutional influences. Though a tradition of inter-sectoral agreements which advance economic development exists in Spain, which is not true of Germany, limited information on European developments is available to inter-sectoral social partners. Interviewees also identified a series of specific constraints. A UGT official underlined differences between the Spanish model of industrial relations and certain northern European systems, whilst a respondent from Fundación 1º de Mayo, a research institute of CCOO, asserted that the practice was inhibited by economic structures,

‘[I think that European benchmarks tend to be used] in countries where there are links between productive models - social partners might try and include such indicators because they have a common structure. For example, German sectors are very connected to Finland or Belgium. So it would make sense for Finnish social partners to include such indicators - their productive structure is really connected.’

In the Spanish case, a serious structural constraint is the capacity of inter-sectoral social partners to influence developments at lower levels. Social partners at sectoral level enjoy pronounced autonomy. Not only is bargaining devolved to provincial level, but no sector establishes a strong pattern for negotiations elsewhere; this latter characteristic contrasts with Germany, in which the metal sector acts as a pattern setter, though is common in other southern European countries, in which bargaining is similarly disorganized. A UGT official emphasized limits associated with inter-sectoral agreements,

'Although federations, across sectors, have the ability to sign agreements with their own particular conditions, and specific to their trade or sector, the conditions agreed in inter-sectoral agreements are non-obligatory recommendations... In short, they serve as a guide for future negotiations.'

Such inability to influence pay-setting at lower levels represents a major constraint on the ability of social partners to formulate coherent strategies. Even if inter-sectoral social partners had desired to plan competitiveness within EMU, they lacked institutional means to enforce such a strategy. Interviewees were aware of this; a respondent from CEPYME noted that, in addition to factors identified by other respondents, the recommendatory nature of inter-sectoral level agreements meant that they were ill-suited to the enforcement of wage rates benchmarked against European standards.

Agreements concluded during the 2000s moreover failed to stem the growth of unit labour costs (ULCs); as the decade progressed, the price of Spanish labour appreciated relative to northern European countries such as Germany. This exposed Spain to economic crisis and deregulation (Rocha, 2018) and was associated with the problem of lower-level bargaining fragmentation. In the private sector, Johnson emphasizes the provincial character of wage bargaining, drawing attention to a 1998 metalworking agreement which, although concluded at national level, stipulated that wage bargaining would remain devolved (2016: 139).

Though German collective bargaining is also provincial, there were key differences in the Spanish public sector. Competence in public sector pay setting was devolved to regional governments in the late 1990s/early 2000s; this encouraged agreements which overshot targets agreed at higher levels (Johnston, 2016: 139) and contrasted with more disciplined public sectors in Northern Europe.

How do social partners as corporate agents exercise their agency?

This study has sought to add to the industrial relations debate of how social partners' collective bargaining strategies are influenced by structural constraints vis-à-vis their vested interests (Glassner and Pusch, 2013; Gollbach and Schulten, 2000; Traxler et al., 2008). To this aim, we examined how social partners in Germany and Spain engaged in wage moderation after the introduction of the Euro. We found moderate evidence of actors' explicit actions when confronted with structural constraints, such as corporate governance and business financing systems in Germany and devolution and disorganisation of bargaining in Spain. Yet, we pointed to latent processes that involved deliberate consideration of exogenous factors, including the economic conditions in other countries, pressures from employers and strength of certain industries, indicating potential for actions. Therefore, rather than diluting the understanding of agency to a carrier of institutional constraints, we suggest that social partners' involvement in wage moderation can be viewed as a form of agency by being rather than doing (Archer, 1995) that involves a review of positions, interests and available strategies vis-à-vis existing structural constraints with a possibility to redesign structures over time. As Royo (2007) argued, such actions can lead to institutional evolution over time, which undermines the limited utility of institutional theory.

Crucially, in our analysis, the Eurocrisis emerged as a point beyond which disruptive change can occur (see Streeck and Thelen, 2005). We found that after this point social partners' action was not, necessarily, in the direction of European coordination because of structural constraints at the time. This does not mean that coordination as a form of implicit agency could not emerge in the future. Wage trends indeed reversed in the countries after 2012, with moderation in Spain and expansion in Germany, showing that successful coordination rests on the agency vis-à-vis structure relationship *at a given time,* confirming Archerian temporal prospects for better coordination.

At the time, however, there were two specific structural constraints: (i) restricted cognition of the external environment and (ii) inability to control lower-bargaining levels. The first problem, restricted cognition of the external environment, was more considerable than is commonly emphasized (Johnston, 2016; Rhodes, 1998). In this study, it is demonstrated by the minor extent to which European preoccupations were voiced by interviewees and appear in relevant documents. It is admittedly possible that European pressures might have exercised a tacit influence over negotiators, leading to bargaining practices which aimed at retrenchment (see Bulfone and Afonso, 2020). Rather than being a by-product of structure, this retrenchment is an example of Archerian conditioned action that shows how corporate agents are unable to change practices in certain times (Delbridge and Edwards, 2013). Though this may have happened in isolated cases, the fact that large organizations took part in such negotiations implies that, had these influences been comprehensive, it is highly probable that there would be more evidence.

The second difficulty was the inability to control lower-bargaining levels. In Germany, the capacity of actors to plan competitiveness was constrained by the complexity of sectoral negotiations, whilst in Spain social partners had difficulty controlling developments in private and public sectors. Yet just because this type of coordination was not expressed at the time, the potential for it did not dissolve. This is an important finding from the morphogenetic perspective, because literature often underplays the lower-level processes upon which successful actor decisions are contingent.

Outcomes admittedly differed in the two countries. Germany attained lower ULCs than Spain and, after the onset of the economic crisis, differences in fortunes were marked. The key difference was collective bargaining structures. In Germany, the coherence of private sector bargaining and centralization of public sector pay setting ensured that moderation was achieved. In Spain, private sector fragmentation and public sector decentralization led to an inverse outcome. These institutions reflected the past decisions of actors. Following the logic of historical institutionalism (Thelen, 1999) and Archerian morphogenesis, they constrained the choices of subsequent generations. Yet, the latter approach views pre-conditioned structures as subject to a potential redesign by new actions.

Choices made by actors who were more institutionalised than social partners were undoubtedly significant in certain instances. The decision of German public authorities to retain control of public sector pay setting was crucial to the achievement of competitiveness. A different decision by Spanish public authorities, allowing decentralization of pay setting to regional level, had an opposite effect. It is nonetheless problematic to assert that such decisions were taken with competitiveness within the Eurozone in mind; at this time, pay decentralization was associated with economic efficiency. In Germany, there appear to have been cases of unions engaging in conscious moderation (e.g. Bofinger, 2015), even if these are difficult to prove. Though instances of such conduct did not emerge in Spain, it is likely that certain actors engaged in this behaviour; this would have been feasible in less complex firm-level contexts.

Though structures such as external complexity and collective action difficulties constrained the power of social partners to undertake activities, in contexts where these conditions relented, such as less complex private sector environments, actor agency appeared to facilitate stronger negotiating power. Yet, the execution of these strategies is likely to remain problematic; such plans rely on consistent information, the formulation of long-term goals by actors with discrete aims and lower-level compliance. As the cases of Germany and Spain demonstrate, these are difficult to achieve, but not entirely impossible over time. More forgiving structural conditions may afford certain national social partners an enhanced capacity to actively plan in the pursuit of competitiveness.

A key finding is that macro and meso-context social partners should be perceived as corporate agents regardless of how much they can ‘do’ desired projects at the time (Archer, 2000). This insight is important because actor agency at these levels has received little previous attention and, if read off structures in a downward fashion, it could have been diluted. Outcomes in these settings are nonetheless crucial; they frame possibilities open to lower level actors. Scholars of agency in occupational contexts are scarcely unaware of external constraints, yet this study indicates the temporally contextual character of morphostatic limitations at higher levels influencing (in)action in lower-level contexts.

Macro and meso-context social partners contrast with corporate agents with stronger negotiating power, such as MNCs and central state agencies, in three ways. First, there is the complexity of the external environment in which social partners function. In the studied case, actors operated in a European system in which multiple competitors concluded numerous agreements concerned with diverse aspects of the employment relationship. In these conditions, the formulation of coherent strategy was highly onerous, particularly since the institutions available to social partners provided scant information about European developments.

Second, the domestic bargaining regimes in which social partners are embedded involve issues with coordination and the control of lower-bargaining levels. Though other actors encounter difficulties managing lower levels – coordination of MNC subsidiaries can be onerous – the challenges faced by social partners were especially acute. Certain affiliates have substantial autonomy, leading to temporal situations where inter-sectoral social partners are unable to control lower-level outcomes.

Third, social partners have limited access to state support and resources. As literature on elites recognizes, such advantages enhance actor agency (Scott, 1991; 2008). Though social partners in studied cases had some recourse to state structures, particularly in Spain in which there is a tradition of tripartite pacts, this was sporadic at best and is elevated in few European contexts. Greater state support would scarcely have resolved the two other problems yet would likely have ameliorated matters. The example of Belgium, in which the state limited wage rises vis-à-vis neighbouring countries by law, is notable. State support may not be a panacea, yet it alleviates problems faced by social partners.

In terms of study limitations, social partners are just one industrial relations actor. Theorization of the case of social partners nonetheless contributes to literature on corporate agency, indicating particular conditions in which strategic agentic action is constrained. According to Archer, talking of strategic action in the context of corporate agency implies that corporate agents are ‘active’ rather than intrinsically passive, with any apparent passivity seen as deliberate in bringing about desired social outcomes (2000: 266). Here, we add to the explanation of corporate agency, at least for macro and meso-level social partners, stressing the crucial role of morphostatic influences on passivity in wage setting practices.

Restrictions on how the studied case represents the totality of social partner undertakings should nonetheless be acknowledged. Social partners engage in activities besides wage bargaining; comparisons with neighbouring countries is also a specific form of bargaining. Further research on the conditions for agentic 'doing' versus 'being' would be welcome.

Following the crisis, German unions were blamed for intentional moderation. Our results show weaknesses of this argument, suggesting that critics should be sensitive to contemporary challenges. Future wage coordination appears unlikely. Even if the last decade has seen wide-ranging Europeanization of economic governance, this has not affected wage negotiations (Prosser, 2016); the trends in our cases are therefore set to endure.

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Appendix 1: List of semi-structured research interviewees

Organisation	Form and nationality of organisation	Date interview conducted	Interview format
BDA	German employers' association	November 2018	Telephone
DGB	German trade union	February 2017	Face-to-face
Gesamtmetall	German employers' association	February 2017	Face-to-face
IG Bau	German trade union	February 2017	Face-to-face
IG Metall	German trade union	February 2017	Face-to-face
Ver.di	German trade union	February 2017	Face-to-face
CCOO	Spanish trade union	November 2016	Face-to-face
CEOE	Spanish employers' association	November 2016	Face-to-face
CEPYME	Spanish employers' association	December 2018	Telephone
Fundación 1º de Mayo	Research institute of CCOO	June 2018	Face-to-face
UGT (official 1)	Spanish trade union	November 2016	Face-to-face
UGT (official 2)	Spanish trade union	June 2018	Face-to-face