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"Outcomes of Collective Bargaining"
High differences in coverage by collective agreements (CA’s) in the world

- Coverage depends on the level of agreements: is higher with multi-employer collective bargaining and lower with firm- or plant level bargaining, in between in mixed systems and zero where unions are forbidden.

- Coverage is high and stable in countries:
  - With high trade union density (Sweden, Denmark)
  - With high employer density (mandatory membership in chamber of commerce (Austria)
  - With regular extension of agreements (France, Belgium and Greece in the past)
  - With wage councils with arbitration (Uruguay)
High coverage by CA’s through multi-employer bargaining

<table>
<thead>
<tr>
<th>Country</th>
<th>Coverage 2015/16</th>
<th>Coverage 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>100.0</td>
<td>95.0</td>
</tr>
<tr>
<td>France</td>
<td>90.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>80.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Iceland</td>
<td>70.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Finland</td>
<td>60.0</td>
<td>55.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>50.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Italy</td>
<td>40.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>30.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Spain</td>
<td>20.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>10.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Norway</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Germany</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Croatia</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Czech Rep</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Low coverage by CA’s through single-employer bargaining

Dynamics of the predominant level of collective bargaining (CB)

Dynamics of the predominant level at which collective bargaining takes place

Germany
Switzerland
United States

Norway
Belgium
Sweden

Israel
United Kingdom
Chile

Source: Data extracted from ICTWSS V3.1/Own elaboration.
Controversial debate on the outcome of collective agreements among economists (I)

- **Neo-liberal view** – focus only on labour costs
  - a barrier to micro and macro-flexibility
  - no other economic functions (like regulation of training, working time, internal flexibility, co-determination ....)
  - no societal effects like balancing power relations in society, giving workers a voice in politics

- **Dominant view** of IMF, World Bank, EU Commission after 2009, World Economic Forum ......

- **Main recommendations**: *abolition of centralized or industry wide CB, of extension of agreements, of favorability principle, of after-effects as in Portugal, Spain, Roumania, Greece after 2009 or on Chile after 1973*

*Outcome is an empirical question*
World Economic Forum does not like industry wide CB in Germany and Sweden (ranking of 138 countries)

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>Germany</th>
<th>USA</th>
<th>Qatar</th>
<th>Greece</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>18</td>
<td>86</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>20</td>
<td>8</td>
<td>11</td>
<td>18</td>
<td>37</td>
</tr>
<tr>
<td><strong>Higher education and training</strong></td>
<td>15</td>
<td>16</td>
<td>8</td>
<td>30</td>
<td>45</td>
</tr>
<tr>
<td><strong>Cooperation in labor-employer relations</strong></td>
<td>5</td>
<td>25</td>
<td>30</td>
<td>13</td>
<td>106</td>
</tr>
<tr>
<td><strong>Flexibility of wage determination</strong></td>
<td>132</td>
<td>126</td>
<td>18</td>
<td>8</td>
<td>122</td>
</tr>
<tr>
<td><strong>Hiring and firing practices</strong></td>
<td>109</td>
<td>43</td>
<td>7</td>
<td>8</td>
<td>99</td>
</tr>
</tbody>
</table>

Controversial debate on the outcome of collective agreements among economists (II)

- Institutionalist view on centralized or industry-wide CB
  - Most important instrument to reduce inequality of market incomes up to the middle income classes
  - Important built-in-stabilizer in economic crisis (avoids breaking down of domestic demand)
  - Source of internal flexibility – beneficial substitute for unhealthy high levels of hiring and firing
  - Reduction of bureaucracy and transaction costs – self-regulation instead of state intervention
  - Levelled playing field for companies - Fair competition increases incentives to invest in skills
  - Positive wider societal effects: Trust and democracy
CA’s reduce inequality: Rate of coverage by CA’s and share of low-wage work in the EU (2014)

Source: Visser 2015, Eurostat, own calculations
CA’s create middle income groups through differentiated wage grids and effective minimum wages by industry

Source: Bosch, G (2017) “Intersection between minimum wages and collective bargaining to increase pay equity”
Wages curves in Chile (no or decentralized CA’s) and Germany (industry-wide CA’s)

Breakdown of internal demand after the abolition of industry-wide CB as built-in-stabilizer in Greece: Collapse of internal demand

Source: EU Commission, own compilation
Main results of most recent empirical studies on CA’s (I)

- **Reduction of inequality:** “... the erosion of labour market institutions in the advanced economies is associated with an increase of income inequality” (Jaumotte/ Buitron 2015: 27, World Bank).

- **Positive effects on employment:** “Co-ordinated systems are linked with higher employment and lower unemployment, also for young people, women and low-skilled workers than fully decentralised systems” (OECD 2018)

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**Difference in percentage points with respect to fully decentralised systems**

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment rate</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominantly centralised and weakly co-ordinated</td>
<td>$^***$</td>
<td>$^*$</td>
</tr>
<tr>
<td>Predominantly centralised</td>
<td>$^***$</td>
<td></td>
</tr>
<tr>
<td>Organised decentralised and co-ordinated</td>
<td>$^***$</td>
<td>$^*$</td>
</tr>
<tr>
<td>Largely decentralised</td>
<td>$^***$</td>
<td></td>
</tr>
</tbody>
</table>

*Note: $^***$, $^**$, $^*$: statistically significant at the 1, 5 and 10% levels, respectively. Results are based on OLS regressions including country and year dummies, collective bargaining coverage, log of average years of education, female employment share and institutional variables: (tax wedge, product market regulation, employment protection legislation (both temporary and permanent), ratio of minimum wage to median wage and gross unemployment benefit replacement rate). p.p.: percentage points. Source: OECD estimates. Details on sources and definitions can be found in Chapter 3 of the Employment Outlook 2018.*
Main results of most recent empirical studies on CA’s (II)

- The articulation between different levels of CB of the whole system is more important than a single institution for sustainability, flexibility and performance: uncontrolled decentralisation has negative effects – articulation between company and industry-wide CB positive effects (OECD 2018)

- Extension of scope and time horizon through co-ordinated CB: negotiations on internal flexibility (skills, working-time)

  “In some countries, trade unions and employer organisations engage in sector-level initiatives that aim to enhance labour market adaptability by facilitating job transitions and providing workers with the skills needed in a changing world of work” (OECD 2018)

- Negotiations on internal flexibility not automatic outcome of co-ordinated CB – depends on actors, on workplace participation and an innovation friendly environment
Best practice of CB: Innovative agreements (I)

- **Norway:** Industry Agreement 2016-18 y – Chapter on Competence: *Annual discussion with shop stewards on competence gaps in relation to needs, creation of opportunities for unskilled to get a trade certificate, updating the qualification of skilled workers.*
  
  **Outcome:** High productivity and employment rates of older and unskilled workers

- **Germany:** Many CA’s on the recruitment of apprentices on national, regional and company level.
  
  **Outcome:** lowest youth employment rate in the EU, recruitment of 540 000 apprentices even in the great recession 2009
Best practice of CB: Innovative agreements (II)

- **Germany:** Many CA’s on working flexibility:
  - adaption of hours to business cycle (compromises between employers and employees interests)
  - temporary reduction of working hours in an economic crisis to avoid dismissals ("Dismissing hours not employees")
  - improving health and safety (new more ergonomic shift systems)
  - Increasing calculability of hours (minimum duration of notice for variations of working hours)
  - Increasing working time options of employees: Recent CA’s of German Railways and in metal industry give employees options between money and 8 free days: more than 50% voted for free days / even 80% of shift workers
Percentage of fall in total labour input due to fall in working hours per employee, Germany, 2008–2009

Source: EUROSTAT.
Political Impact: Decreasing participation in elections low wage earners in Germany

Conclusions

- Recommendations to deregulate co-ordinated CB not based on facts
- Research shows positive outcome of co-ordinated CB on employment
- CA’s powerful instrument to reduce inequality of market incomes: No need to choose between employment and equality
- CA’s help developing internal flexibility – many innovative agreements
- Important: articulation between levels
- Creative actors needed: learning from good examples