"Levels and Outcomes of Collective Bargaining"

Yongun Myanmar • 14.May 2019

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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

Low coverage by CA’s through single-employer bargaining

Dynamics of the predominant level of collective bargaining (CB)

Source: Data extracted from ICTWSS V5.1/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*
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

**Wage distribution in a liberal market economy with MW and in coordinated market economy with high coverage by collective agreements**

*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)

### Coverage by CA's 2015/2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Extended Collective Agreements</th>
<th>Collective Agreements</th>
<th>Minimum Wage</th>
<th>Minimum Wage for Skilled Work</th>
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### Minimum Wage: Kaitz-Index 2016

<table>
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<tr>
<th>Country</th>
<th>Direct Interaction</th>
<th>Distant Co-Existence</th>
<th>Isolated MW</th>
<th>Extensive MW</th>
<th>Autonomou s CB</th>
<th>Mixed Model</th>
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</table>
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)

![Difference in percentage points with respect to fully decentralised systems](image-url)
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