



## “Levels and Outcomes of Collective Bargaining”

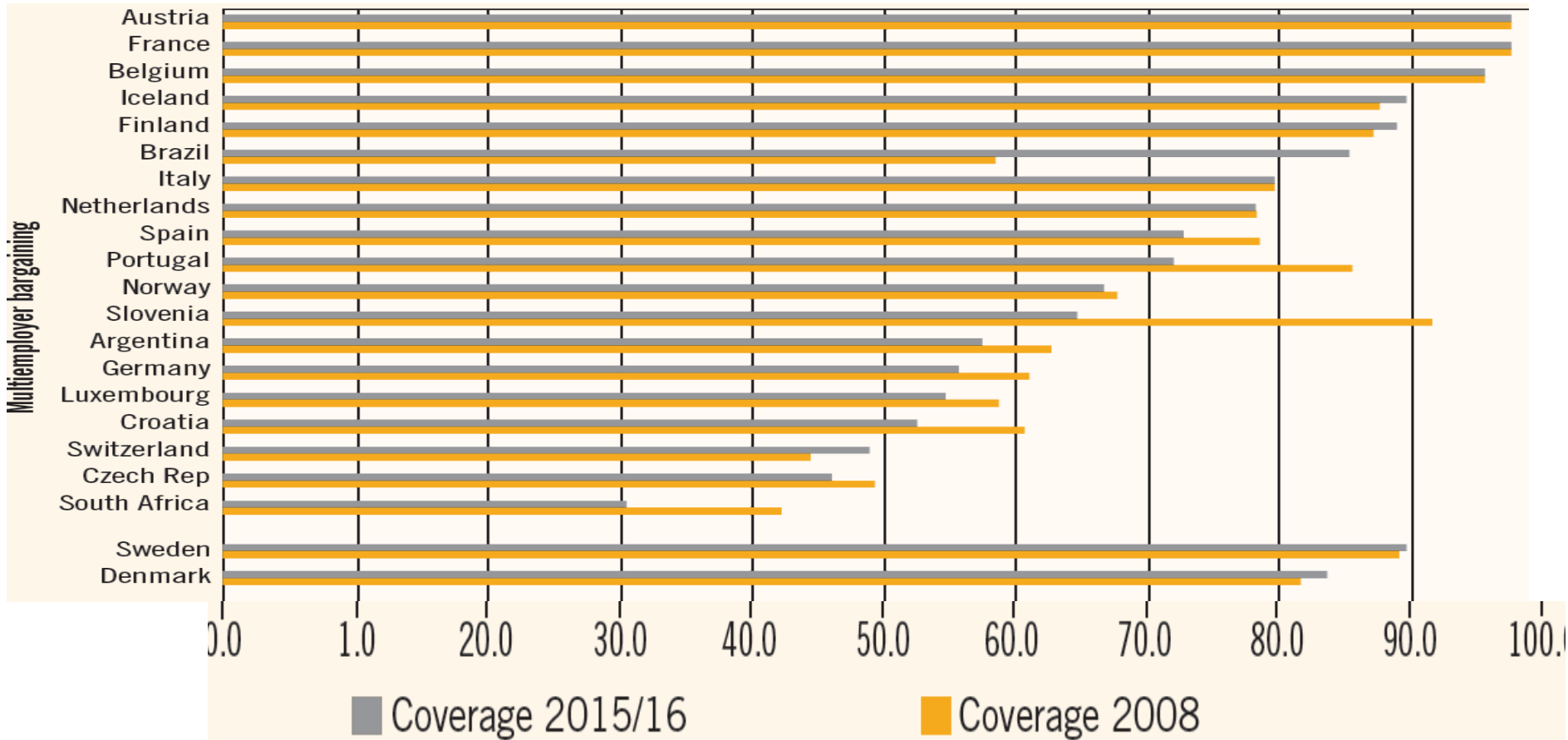
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# High differences in coverage by collective agreements (CA's) in the world

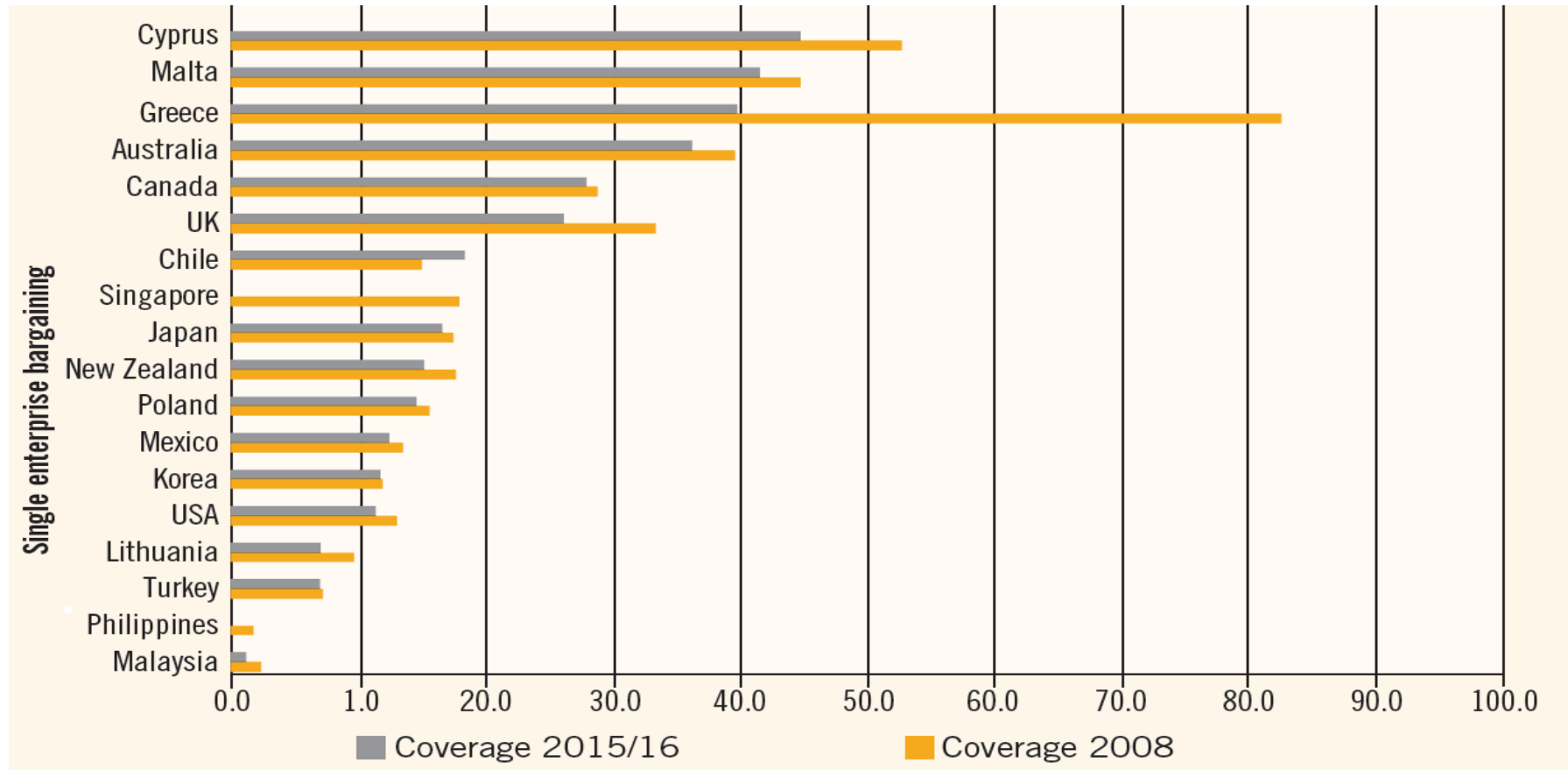
- **Coverage depends on the level of agreements:** is higher with multi-employer collective bargaining and lower with firm- or plant level bargaining, in between in mixed systems and zero where unions are forbidden
- **Coverage is high and stable in countries:**
  - With high trade union density (Sweden, 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



Source: Hayter/Visser 2018 Collective Agreements: Extending Labour Protection, ILO Geneva

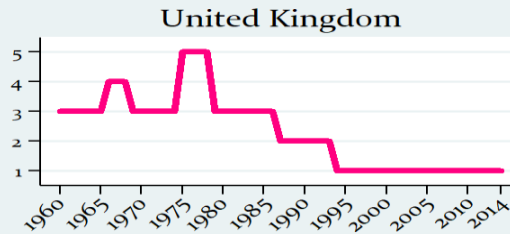
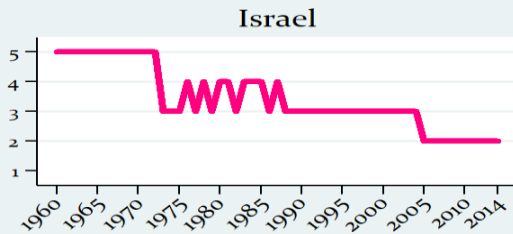
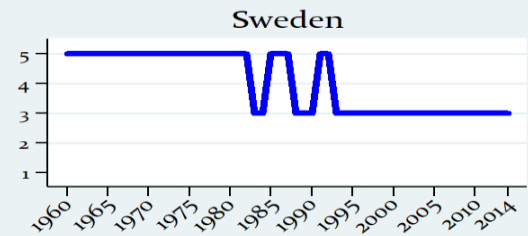
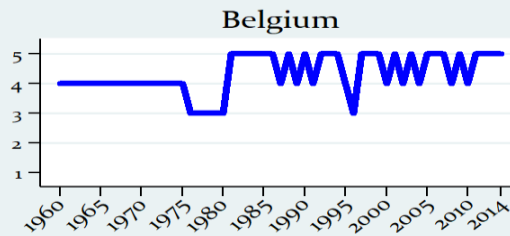
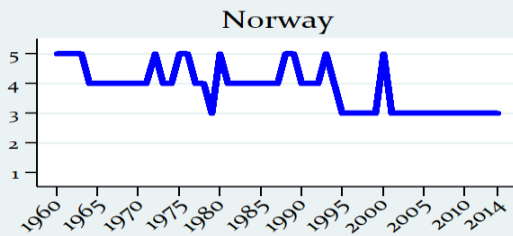
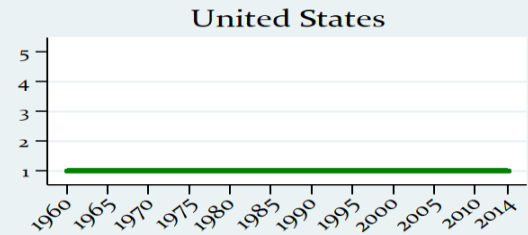
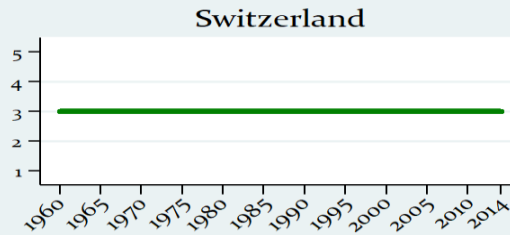
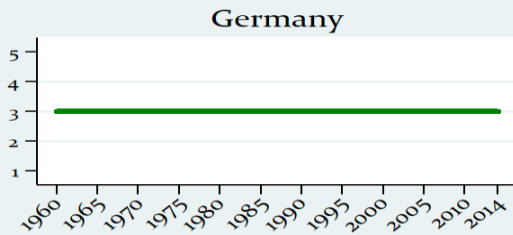
# Low coverage by CA's through single-employer bargaining



Source: Hayter/Visser 2018 Collective Agreements: Extending Labour Protection, ILO Geneva

# Dynamics of the predominant level of collective bargaining (CB)

## Dynamics of the predominant level at which collective bargaining takes place



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 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*

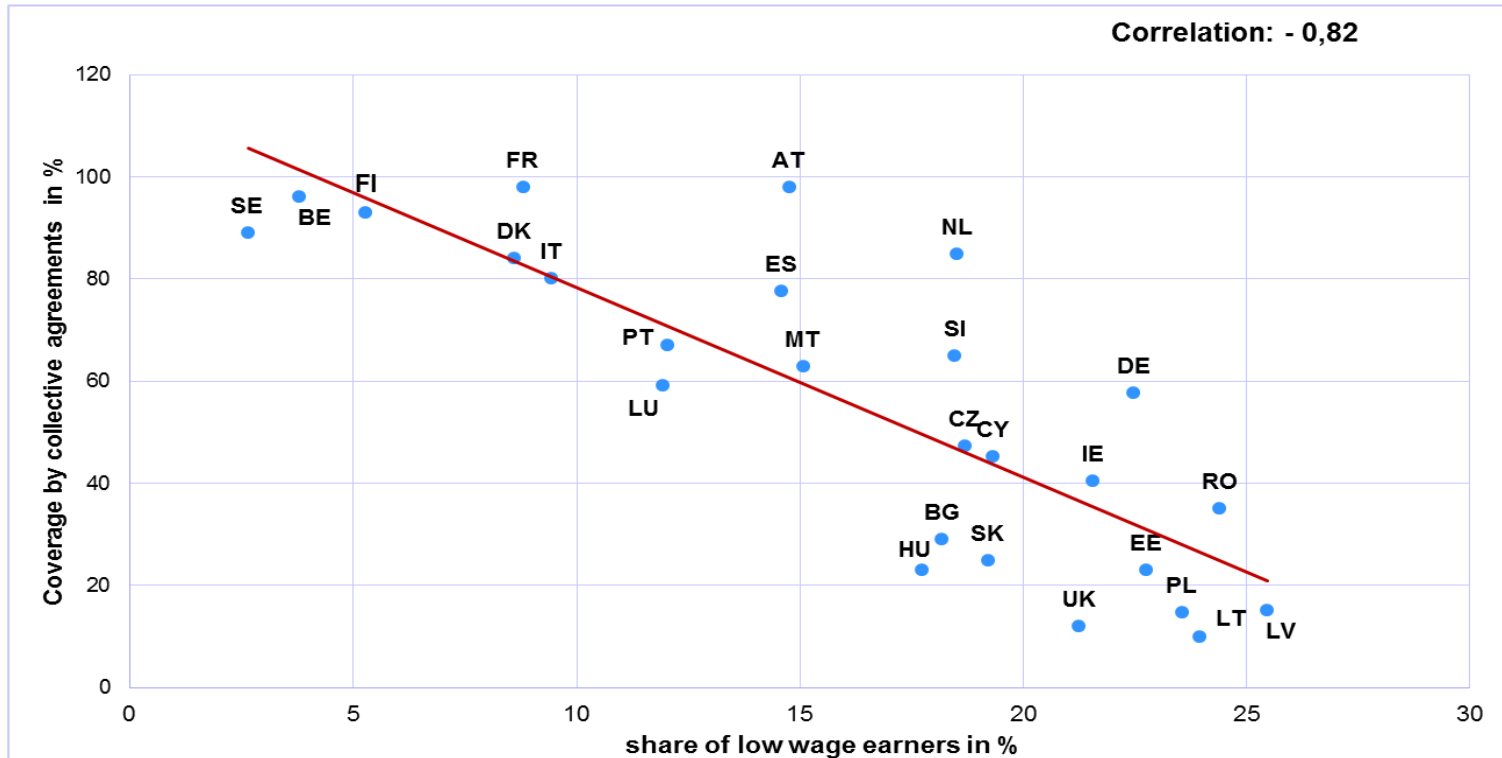
**Outcome is an empirical question**

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

## ■ Institutional 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)

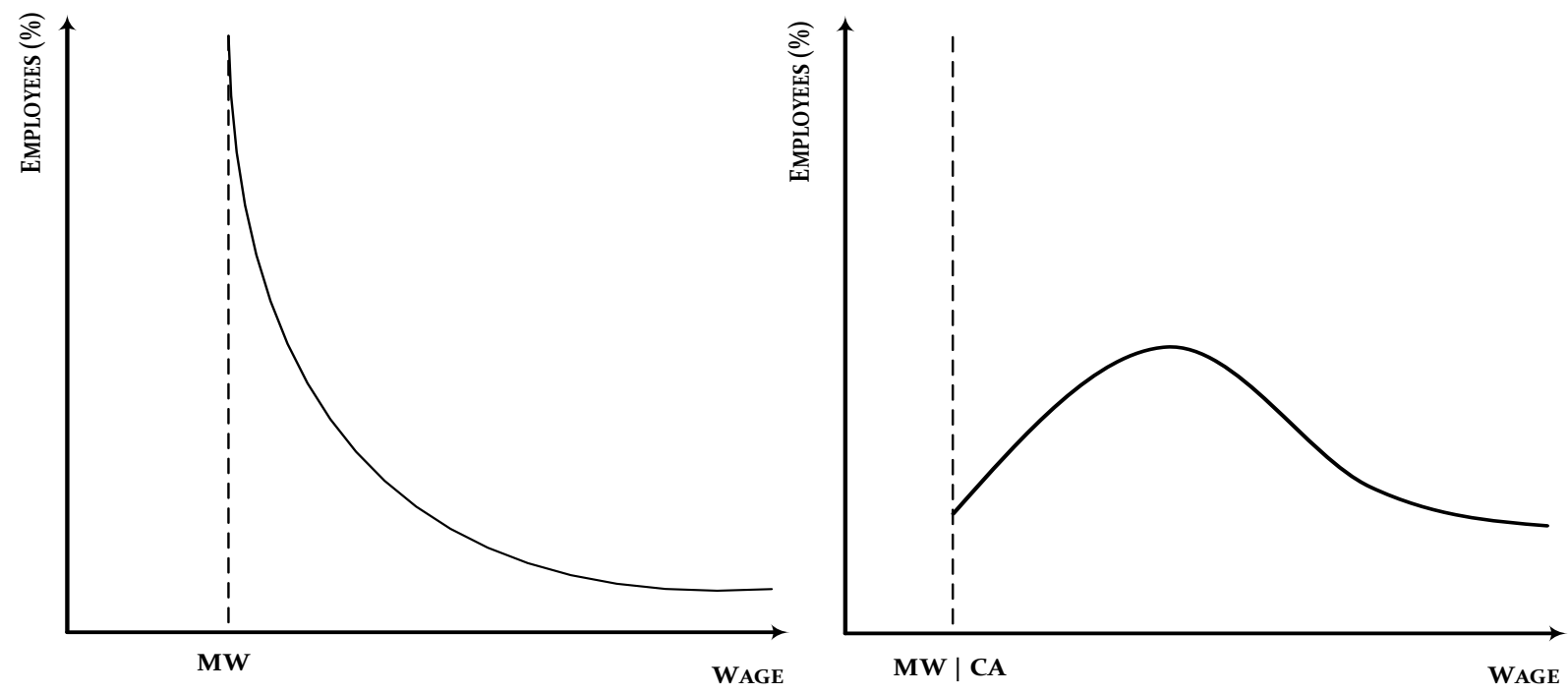


Source: Visser 2015, Eurostat, own calculations



# 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



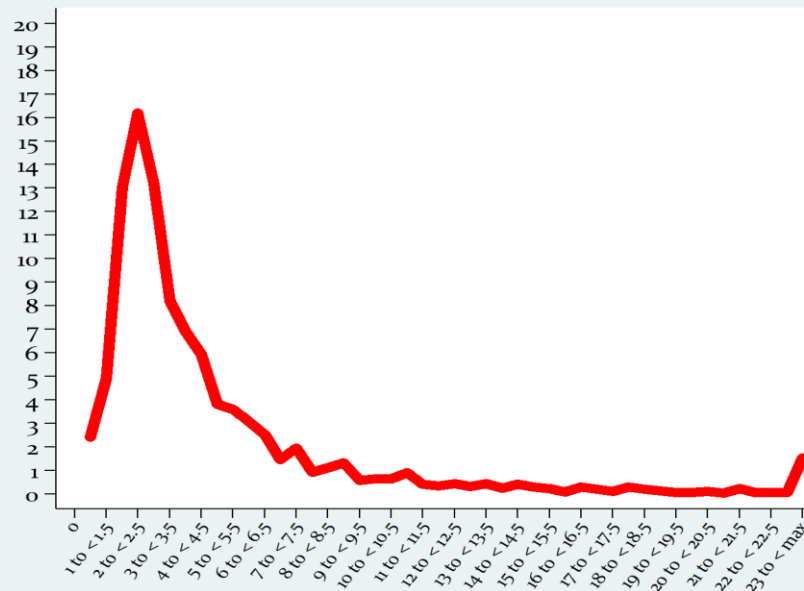
Source: Bosch, G (2017) "Intersection between minimum wages and collective bargaining to increase pay equity"

# Wages curves in Chile (no or decentralized CA's) and Germany (industry-wide CA's)

## WAGES CURVES - DISTRIBUTION OF HOURLY PAY

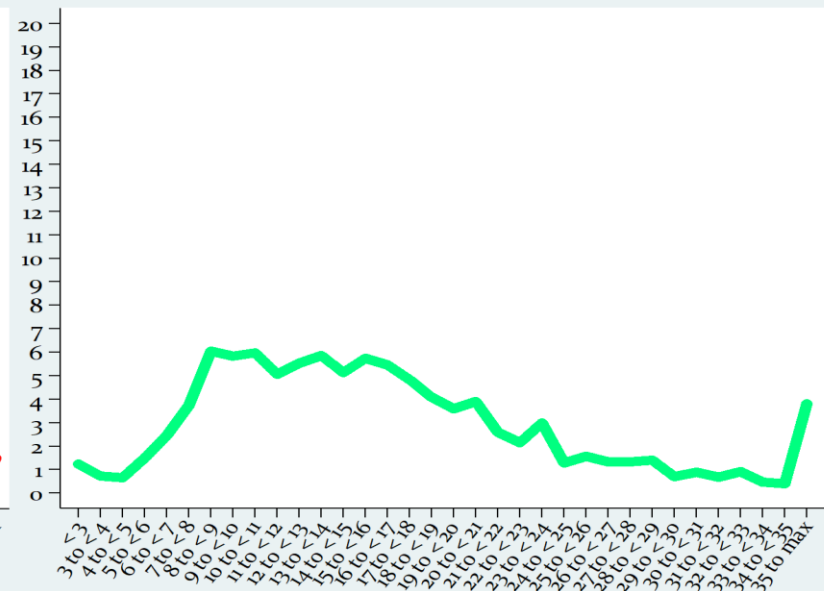
Share of employees (in %)

CHILE



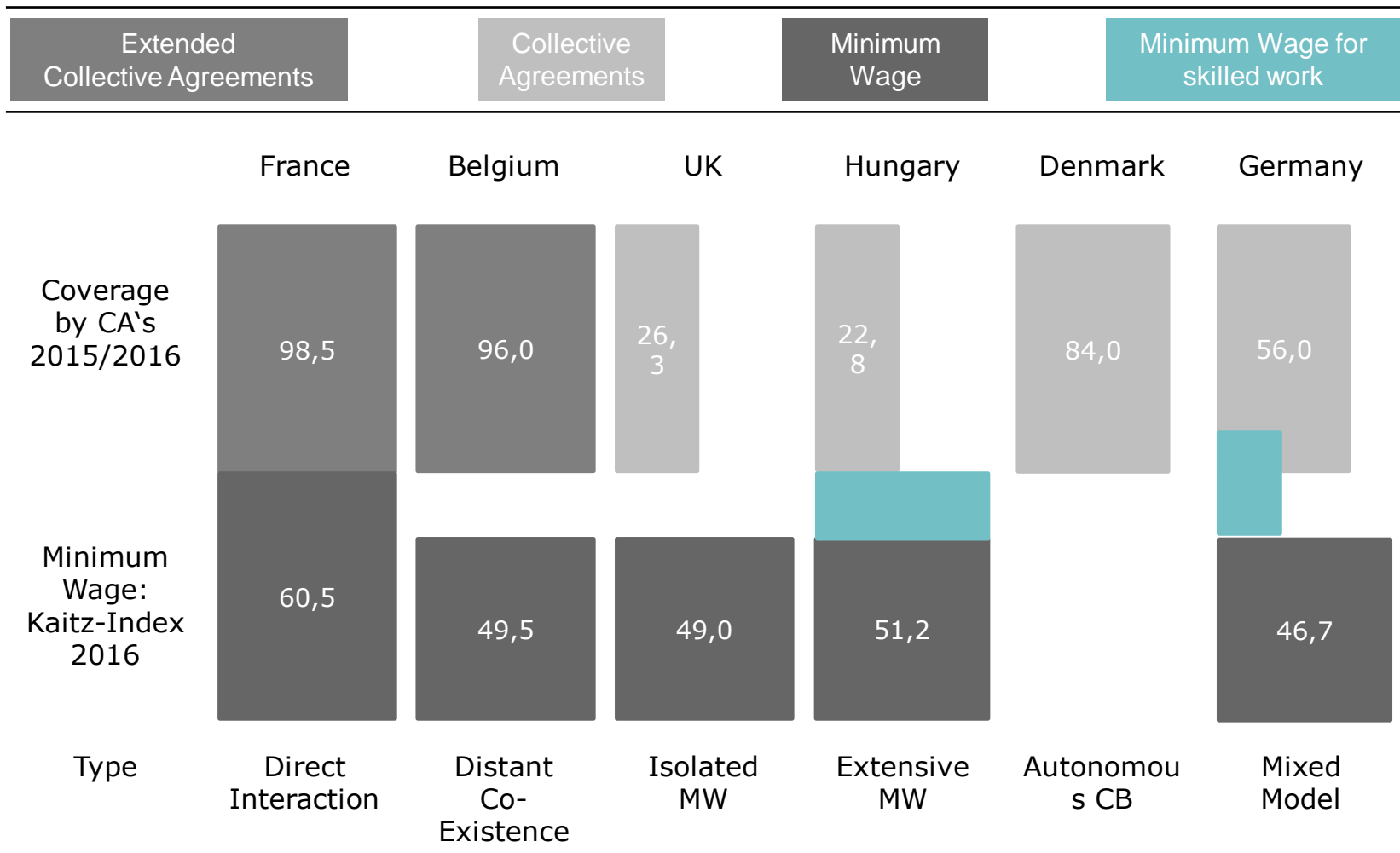
Hourly pay, in euros of 2016

GERMANY



Hourly pay, in euros of 2016

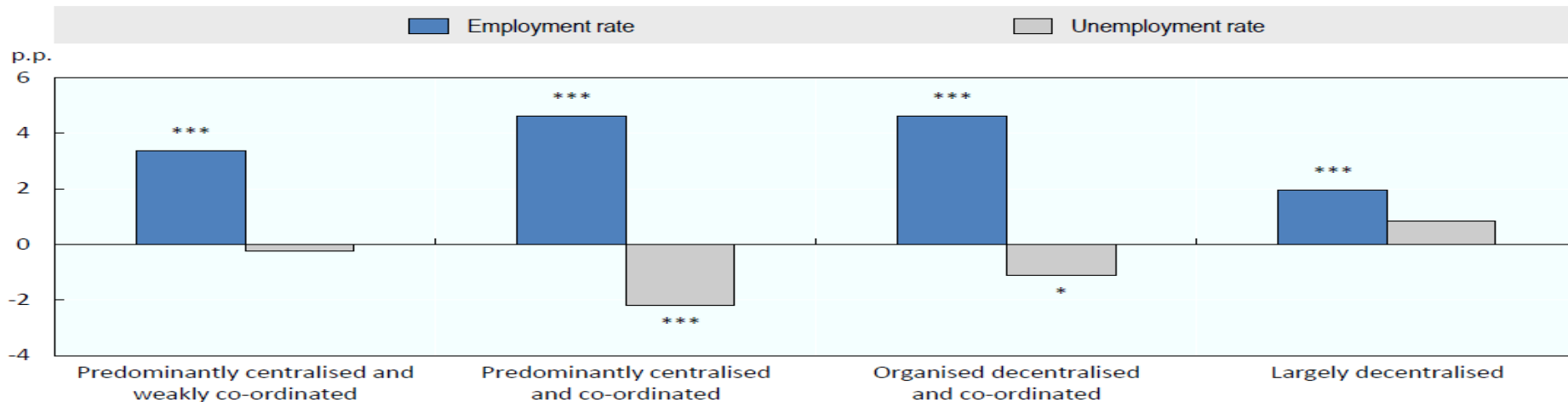
Source: German Socio-Economic Panel (SOEP) 2016, Chilean Income Survey (ESI) 2016. Hourly pay distribution, in euro 2016. Own elaboration



# 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



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

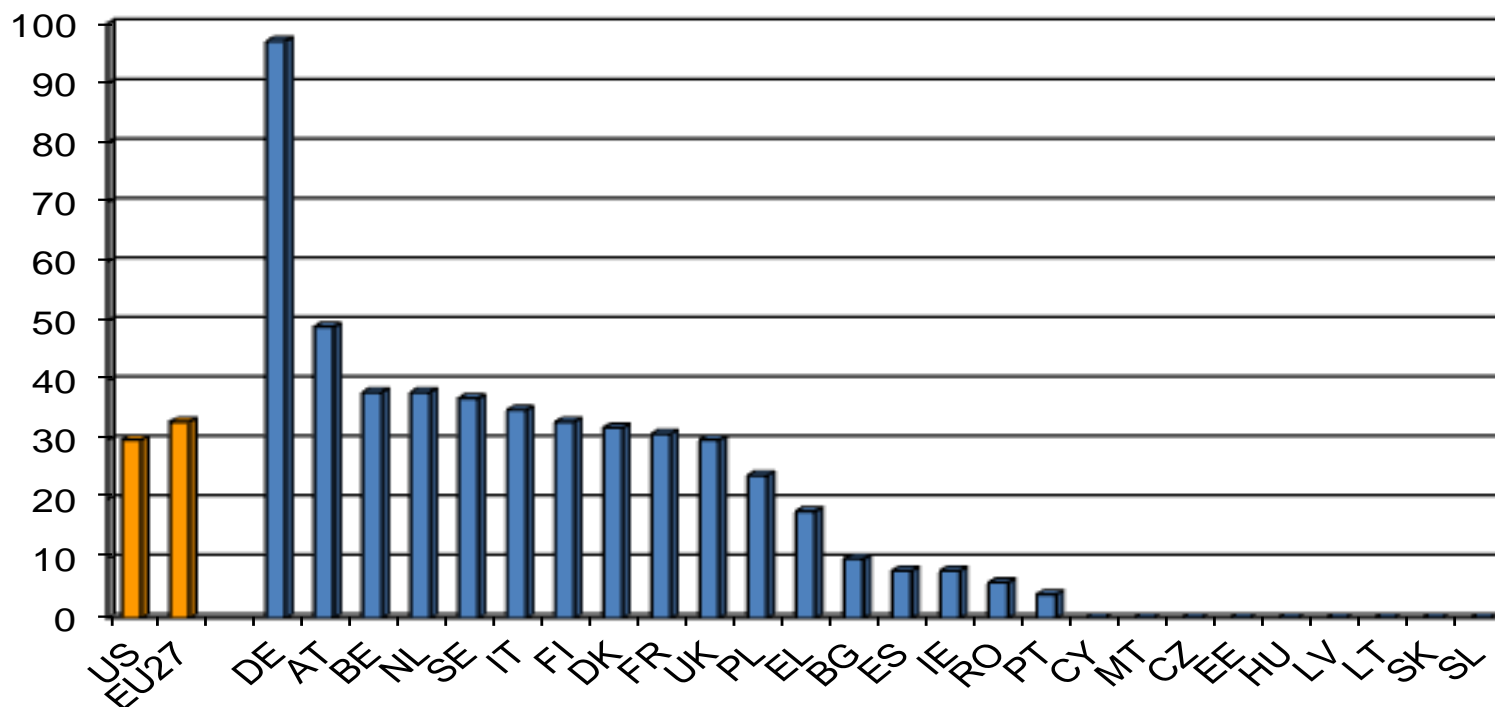
- **Germany**: Many CA's on the recruitment of apprentices on national, regional and company level.

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**

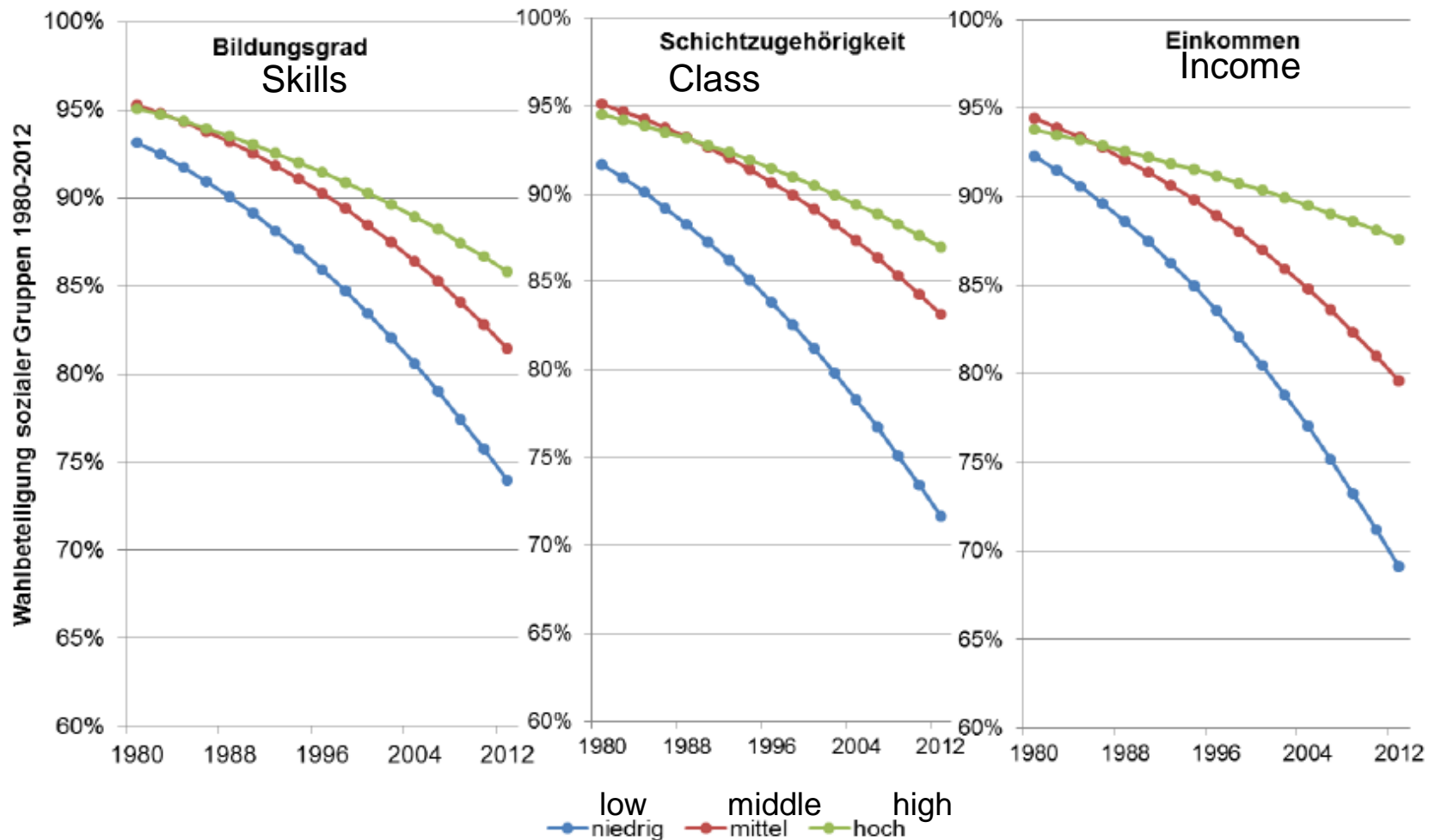
## Percentage of fall in total labour input due to fall in working hours per employee, Germany, 2008–2009



Source: EUROSTAT .



# Political Impact: Decreasing participation in elections low wage earners in Germany



Source: Bundesregierung, Armuts- und Reichtumsbericht 2017.

# 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**