

**Gerhard Bosch**

# **Collective bargaining in Europe**

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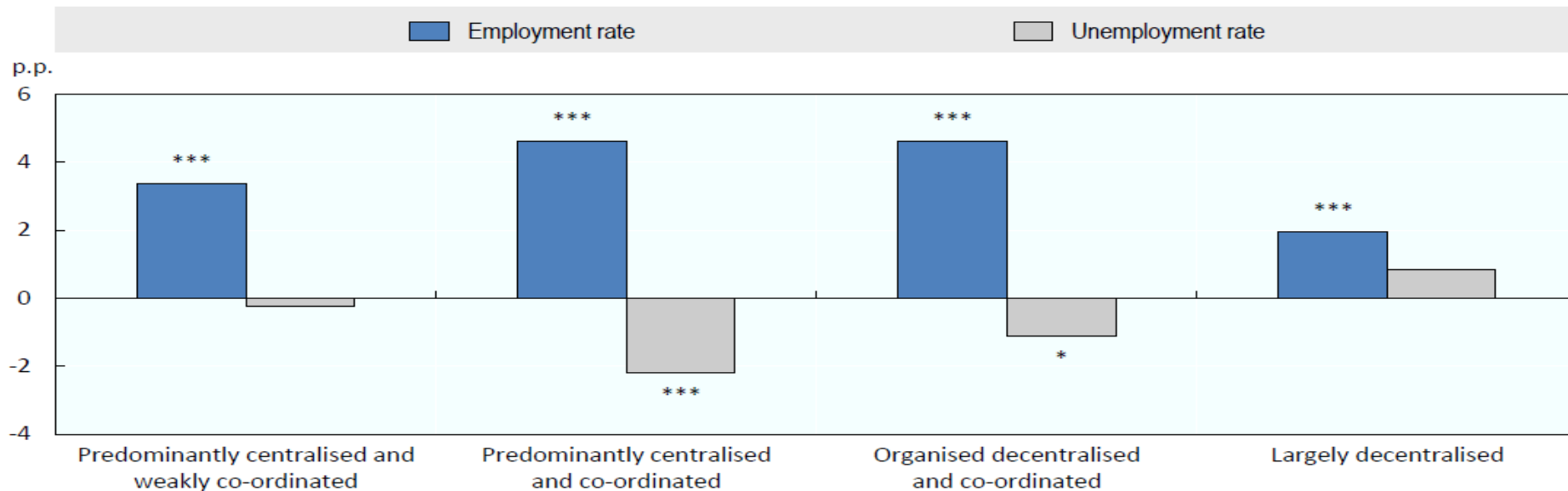
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## A shift of paradigm at least in research, not yet in politics! *OECD and IMF showed positive employment effects of coordinated CB*

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

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.

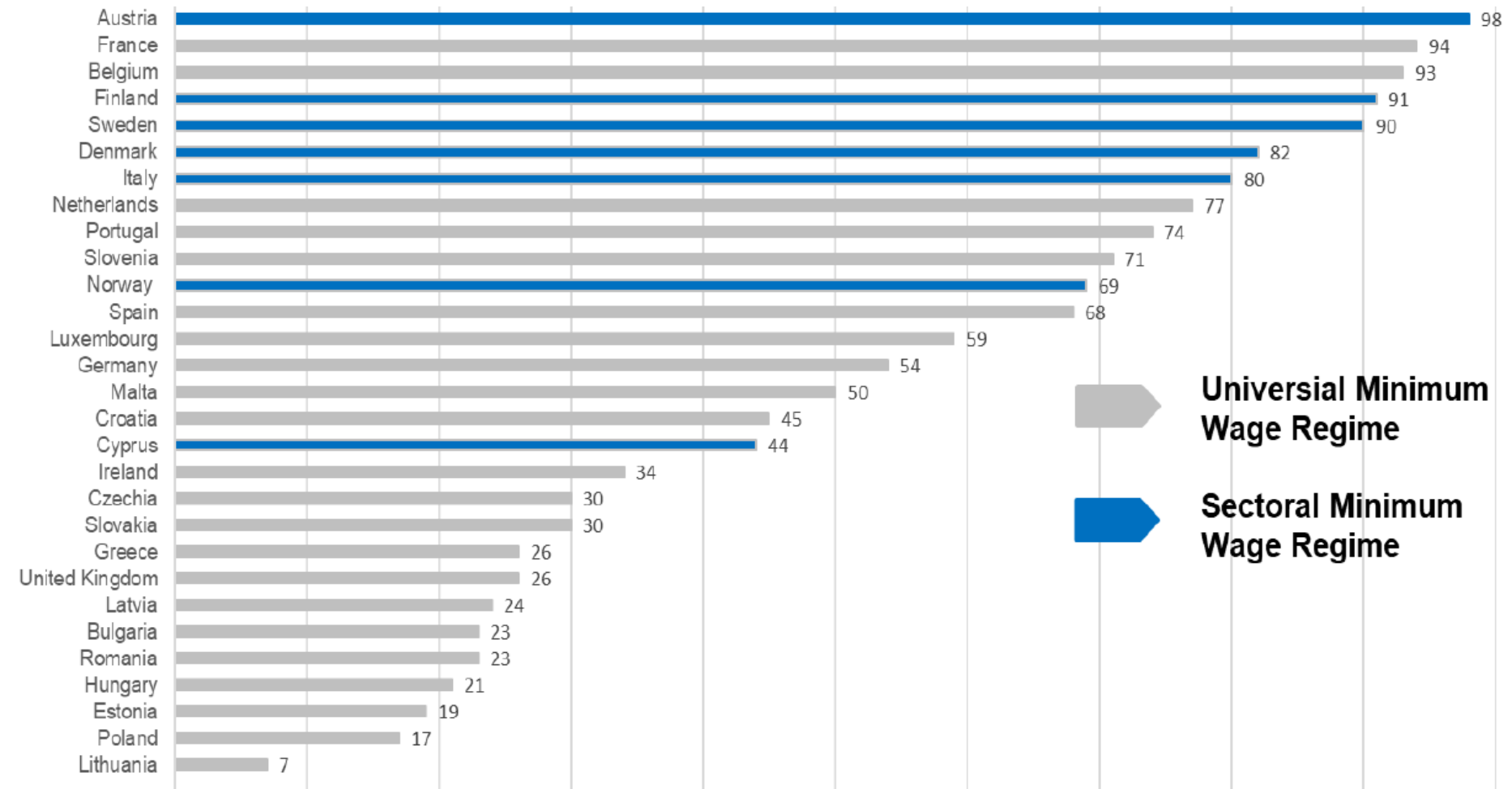
# Structure of presentation

1. Trade union density and coverage by collective agreements
2. Labor standards and collective bargaining
3. Interactions between MW's and CB
4. Impact of CB on the wage distribution
5. Content of innovative collective agreements – example Germany

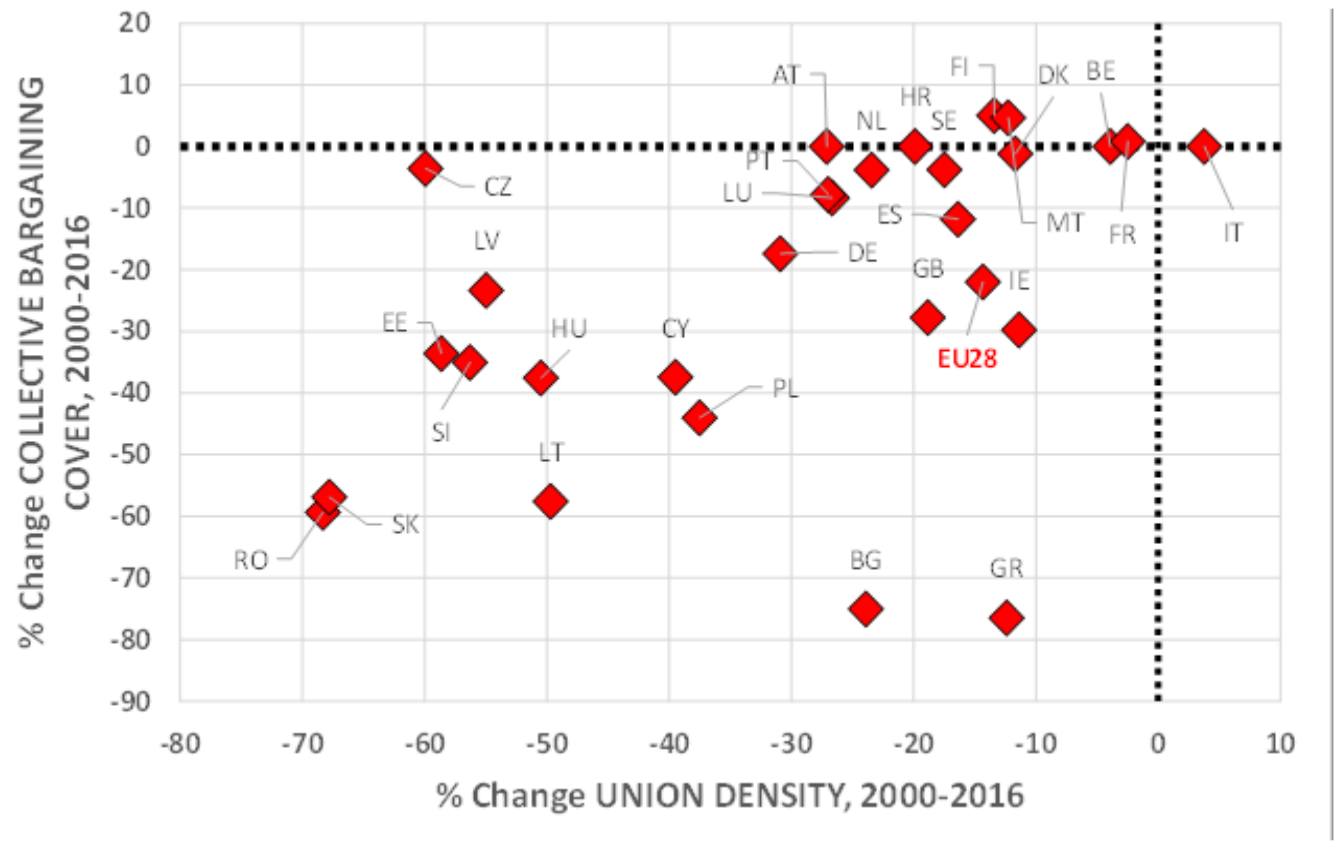
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## 1.1. Collective bargaining coverage (in %) and wage regimes in Europe 2016 - 2018



# 1.2 Substantial decline of CB in Europe 2000 -2016: Mainly due to a decline in multi-employer CB



Source: Vaughn-Whitehead: (2019), Reducing Inequalities in Europe

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## 2.1 High coverage by CA's based on different combinations of labor standards

Support of the state needed for institutional stability of CB in labor markets with fragmented firms, high shares of precarious workers and international competition

*„Shadow of the law“ over all wage setting systems - two kinds of standards (Sengenberger 1994):*

- *Protective standards:* state directly establishes employment conditions like MW's.
- *Participative standards:* enabling social partners to negotiate employment conditions autonomously through the Ghent system, consultation or codetermination rights and resources (time and money)



## 2.2 protective and participative labour standards in seven national wage setting systems

	Germany	Sweden	UK	France	Belgium	Greece	Spain
<b>Statutory standards</b>							
- protective	X	-	X	XXX	XXX	X	XXX
- participative	XX	XXX	-	X	XXX	-	X
<b>Trade union density (2013 – 2016)</b>	<b>18%</b>	<b>67%</b>	<b>25%</b>	<b>8%</b>	<b>54%</b>	<b>21%</b>	<b>14%</b>
<b>Rate of coverage by CA's (employees) (2013 – 2016)</b>	<b>56%</b>	<b>90%</b>	<b>26%</b>	<b>99%</b>	<b>96%</b>	<b>40%</b>	<b>73%</b>
<b>Share of low wage employees (&gt;2/3 of median wage) 2014</b>	<b>22.5%</b>	<b>2.6%</b>	<b>21.3%</b>	<b>8.8%</b>	<b>3,8%</b>	<b>n.a.</b>	<b>14.7</b>

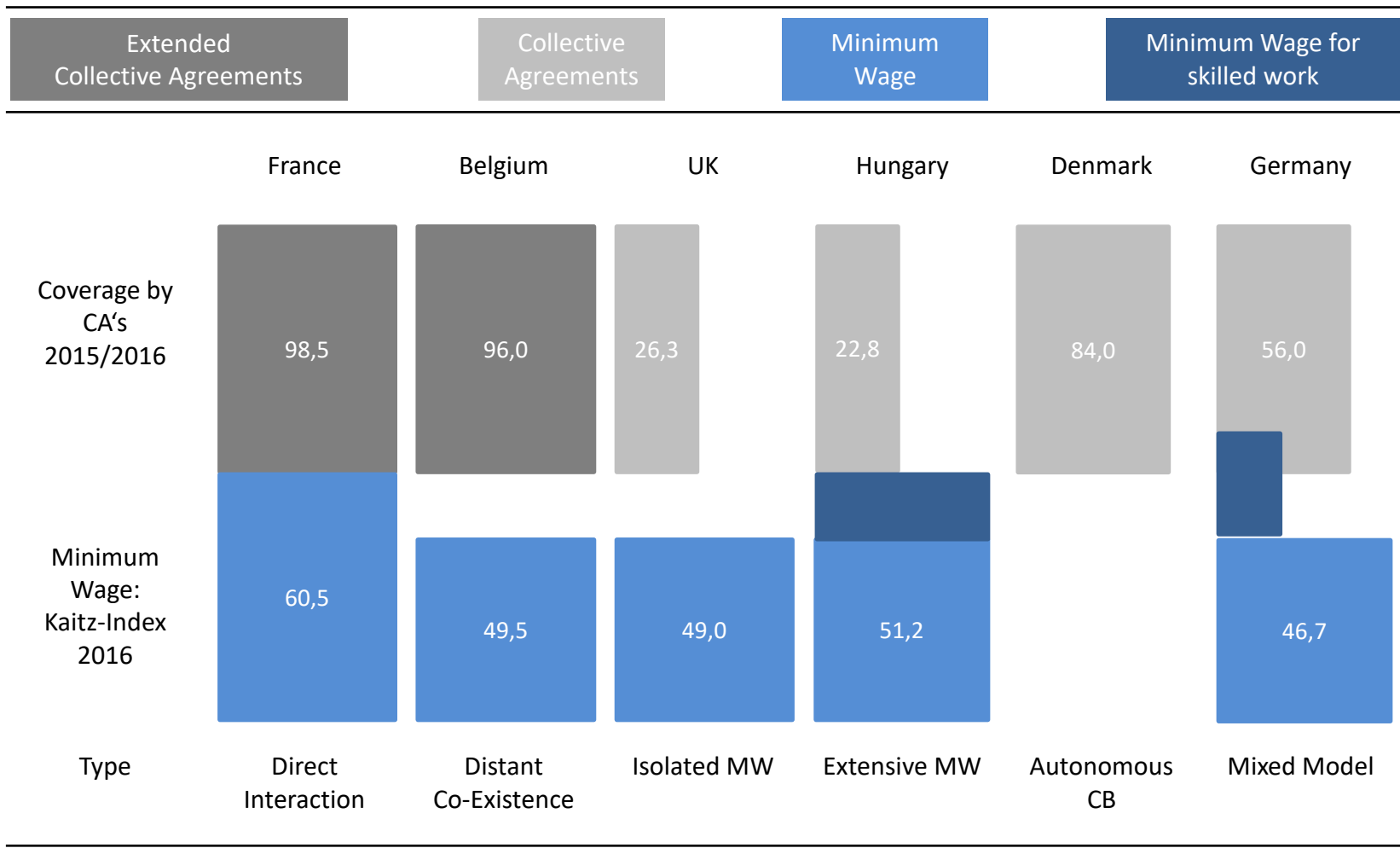
**Statutory standards: - none, X weak, XX moderate, XXX strong**

**Source:** Bosch / Lehndorff (2017): Autonomous bargaining in the shadow of the law: from an enabling towards a disabling state? In: Grimshaw, Damian / Fagan, Colette / Hebson, Gail / Tavora, Isabel (eds.): Making work more equal. A new labour market segmentation approach. Manchester: Manchester University Press, pp. 35-51

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# 3. Interaction between CB and MW and in 6 EU countries – a typology



**Source:** Bosch, Gerhard, 2021: Industrial Relations and inequality in the EU. In: Fischer, Georg; Strauss, Robert (eds.): Europe's income, wealth, consumption, and inequality. New York NY: Oxford University Press, pp. 452–485

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## **4.1 High collective bargaining coverage most important instrument (*beside more equal distribution of working hours*) to reduce inequality of market incomes**

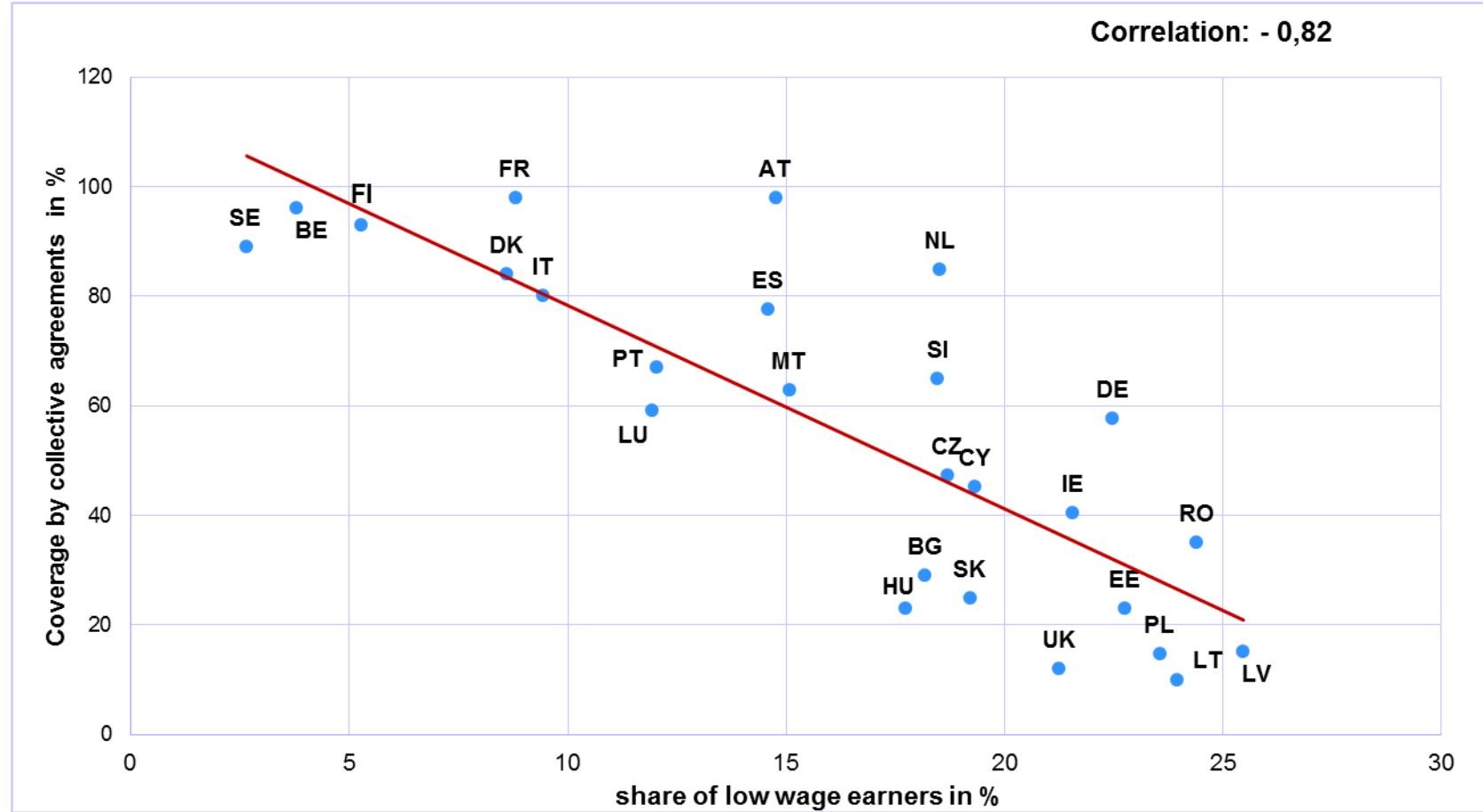
**MW's important but not the silver bullet to reduce inequality**

- an important baseline for wages
- limits for increases (*living wages cannot replace CA's*)
- but “one size for all” - no guarantee for fair remuneration of skills, responsibility, hard working conditions .....

**Only Collective Agreements with differentiated pay scales can**

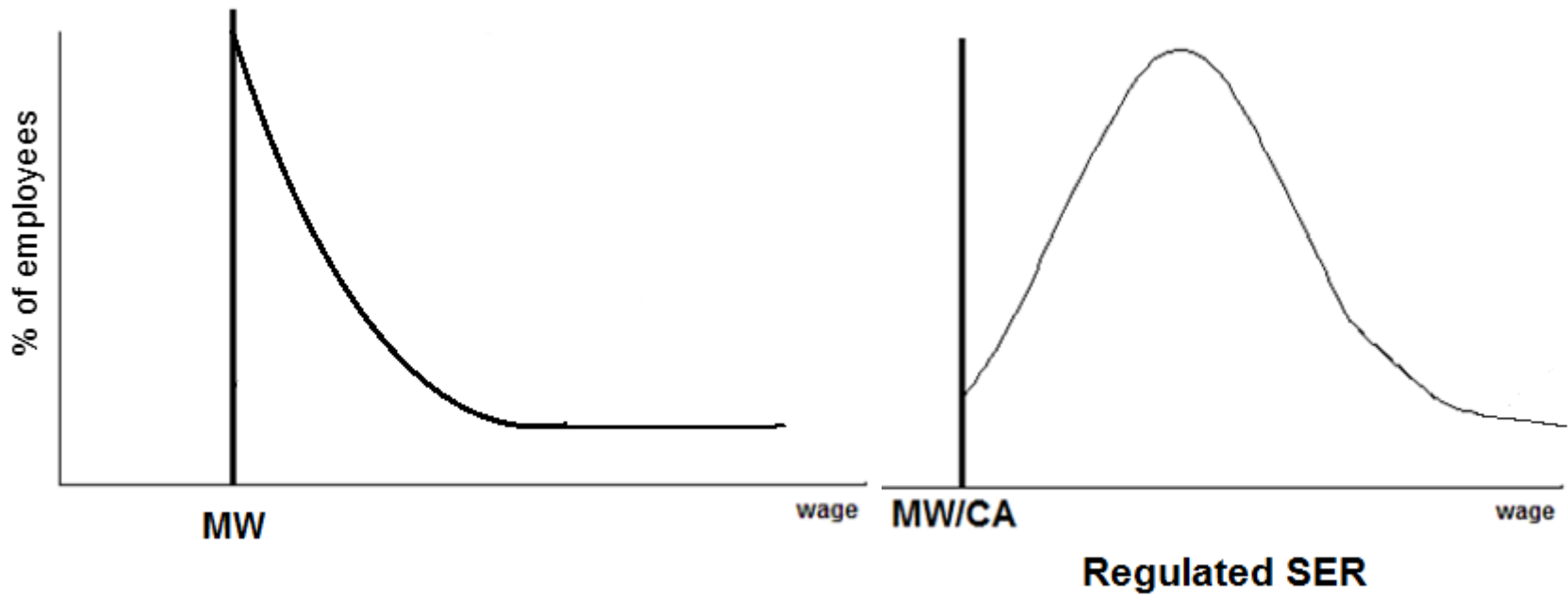
- guarantee fair remunerations
- create stable middle incomes classes

# 4.2 Strong correlation between coverage by CB and inequality: Rate of coverage by collective agreements and share of low-wage work in the EU (2014)

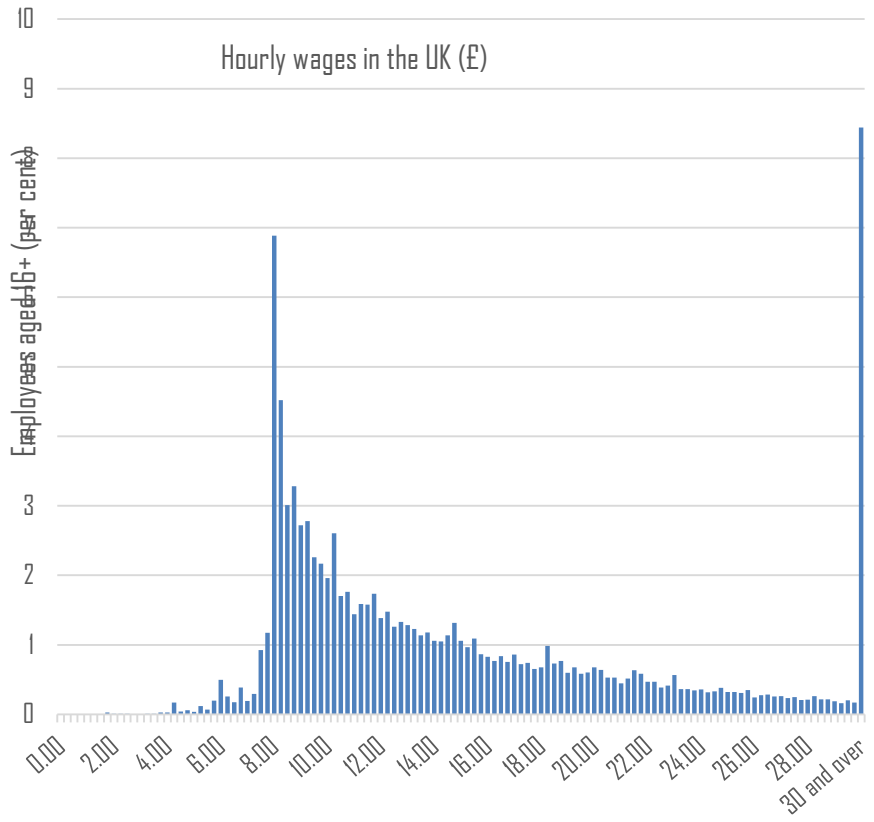


Source: Visser 2015, Eurostat, own calculations

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



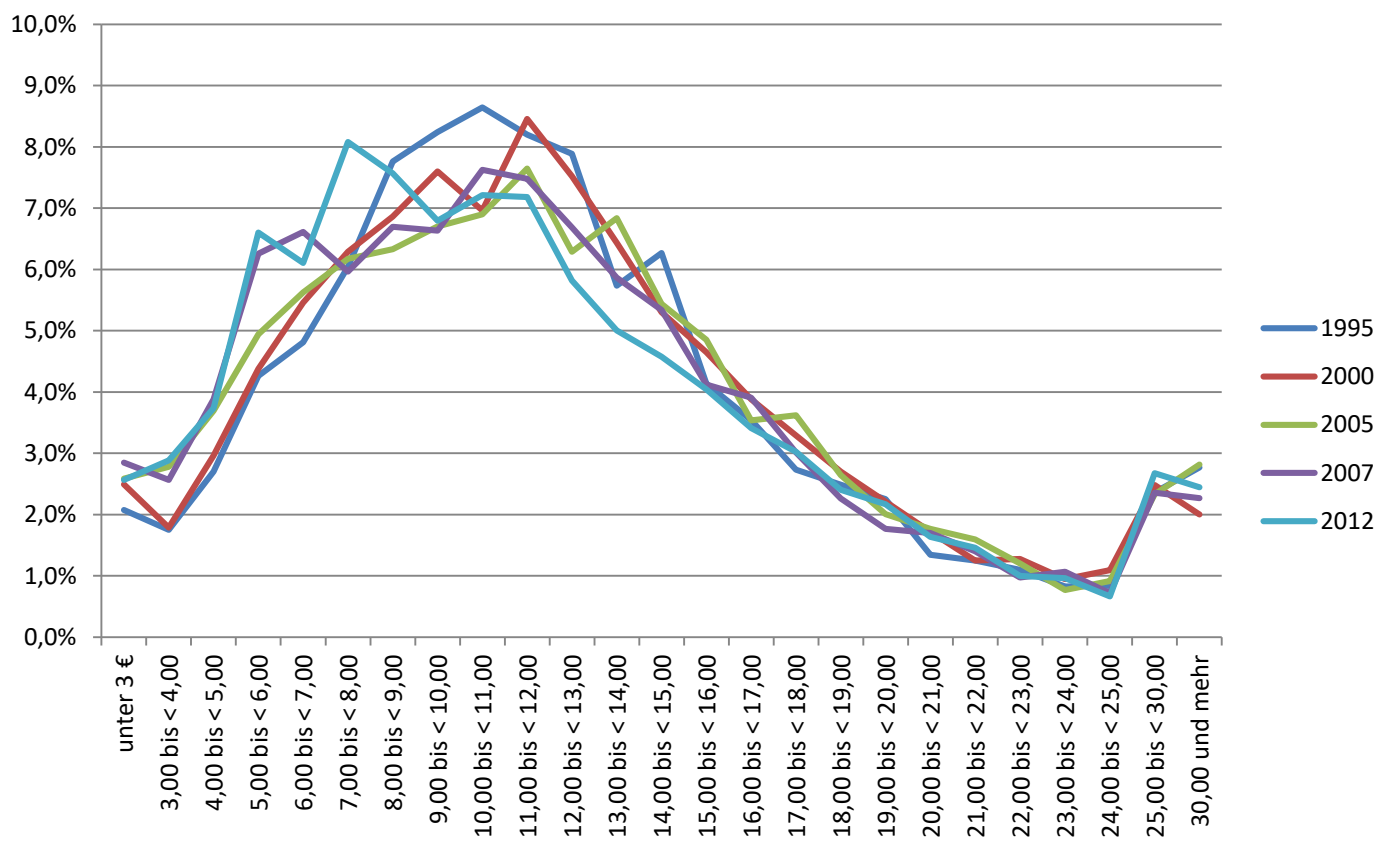
# 4.4 Two real cases: DK 2016 and UK 2018



Source: Low Pay Commission 2019



# 4.5 of low wages: Distribution of hourly pay, Germany, adjusted for inflation (base = 1995)



Source: SOEP 2012, own calculations

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## 5.1 Working time flexibility

- Flexible distribution of working hours over the year or the product cycle
- Temporary reduction of standard working hrs in a crisis:  
Examples:
  - Banking from 39 to 31 hrs/week
  - Metall industry Baden-Württemberg 35 to 30 hrs
- **Brand new: Working time options for employees: Money or time?**
  - German Railways: 5,2% wage increase or 2 hrs reduction of weekly working hrs or 12 days off
  - Metall industry: Yearly bonus of 27,5% of monthly pay or 8 days off per year for employees in shift work, with children under 8 years or with care obligations

## 5.2 Modernization of classification systems

### Example Metall industry:

**Before 2002:** Four job classifications: for (1) blue-collar workers, (2) masters, (3) technical employees (4) commercial employees

**Replaced by a joint classification system based on 5 criteria:** 1) Required skills, (2) Prior work experience, (3) Scope for decisions, (4) Cooperation, (5) Management

- Encouragement of work in teams and flat hierarchies
- Blue-collar workers can move up the wage scale easier than in the past because the whole wage scale is open for them.

Implementation over six years, no wage cuts for „losers“

**Similar reforms on other industries where social partners are strong, but not in industries with low coverage by CA's like in retail or transport**

## Conclusions

- **High diversity of collective bargaining systems in Europe**
- **Declining coverage by collective agreements and of trade union density in many countries – but no convergence**
- **Role of the state crucial: can strengthen collective bargaining by protective and participative standards**
- **High coverage by collective agreements reduces inequality and stabilizes the middle income groups**
- **Innovative collective agreement can help to modernize industries at a large scale if the coverage is high**