COLLECTIVE BARGAINING IN A CHANGING WORLD OF WORK

Key results from the OECD Employment Outlook

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The OECD project on Collective Bargaining

**Why?** Fundamental labour right and key LM institution

80 million members of unions, 155 covered by a collective agreement

**What?** Assess the role of CB and workers’ voice to deliver good labour market outcomes

**How?** Policy questionnaires and new empirical analysis

Reassessment of the OECD Jobs Strategy

- More & better jobs
- Inclusive labour market
- Resilient and adaptable labour market
In the past, focus mostly on the **level of bargaining** (e.g. Cameron, 1984, Calmfors and Driffl, 1993).

Proved to be too simplistic: **degree of coordination** more important variable (OECD, 2004 and 2012).

- OECD Jobs Strategy suggested that both centralisation and decentralisation could perform well, while a system dominated by sectoral bargaining lacking coordination may deliver worse results.

**Variety of sector-level** bargaining systems: only very recently studies have started to account for these differences.

→ All in all formally similar systems can yield different outcomes and different systems can yield similar outcomes.

Hence, need to go at a **micro-level** to account for the **granularity** of the systems.
The functions of collective bargaining

What is collective bargaining for?

*Protective function, inclusive function, conflict management, market control.*

**Pros**
- Correct market failures
- Reduce transaction costs
- Reduce inequalities
- Voice/Loyalty (and not exit)
- Social climate & better reforms

**Cons**
- Distortions (« rent-seeking behaviour)
- Crowd-out outsiders/low-skilled
- Unfair competition
- « Hold up »
- Disruptions
The building blocks of collective bargaining

- **Degree of coordination**
  - No coordination
  - Coordination

- **Degree of flexibility**
  - (extensions, opt-out and favourability principle)

- **Level(s) of bargaining**
  - Firm
  - Sectoral
  - National

- **Representativeness of social partners**
  - Decentralisation
  - Organised decentralisation
  - Centralisation

- **Governance**
  - Enforcement capacity and quality of labour relations
  - Poorly enforced and/or low quality of labour relations
  - Enforced and/or high quality of labour relations
THE ACTORS AND THE SCOPE OF COLLECTIVE BARGAINING
Trade union membership halved since 1985, but very different trends across countries

A. English-speaking and "firm-level bargaining* countries

B. Nordic and "Ghent system* countries

C. Northern and central European countries

D. Southern European countries

E. Eastern European countries

F. Other countries

Note: OECD is the weighted average of the 35 OECD Member countries.

Membership to employers’ organisations on average quite stable since 2000

Employers’ organisation density by country
Percentage of employees in the private sector, 2000 or closest year and latest year available
The share of workers covered by a collective agreement shrunk by almost a third since 1985

A. English-speaking and "firm-level bargaining" countries

B. Nordic and "Ghent system" countries

C. Northern and central European countries

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F. Other countries

Note: OECD is the weighted average of the 35 OECD Member countries.

Coverage high and stable only with multi-employer agreements:

- With sector-level agreements, linked to employers’ density or extensions (≠ erga omnes). Some role of orientation.

- With firm level agreements linked to trade union density.
UNPACKING THE COMPLEX MACHINERY OF COLLECTIVE BARGAINING
Where does bargaining happen?

- Predominantly at company level
- Both agreement at company and higher level
- Agreement at higher level only

Predominantly at company level

Predominantly at higher level
Shifts in the locus of bargaining

In some countries, there has been a tendency towards decentralisation in two ways:

- **Replacement of national/sectoral agreements by firm-level agreements** (*disorganised decentralisation*)
- **Articulation/devolution within the national/sectoral agreements** (*organised decentralisation*). Three forms:
  1. Sectoral agreements define the broad framework but leave large scope for bargaining at the firm/establishment level.
  2. Sector agreements allow deviations at lower-levels via the so-called opening or opt-out clauses.
  3. Higher level agreements still dominate, firm-level bargaining only “*in melius*”.

*Hence, granularity of sector-level bargaining*
## Different modes and degree of coordination

Coordination key to avoid atomisation and increase macro flexibility

<table>
<thead>
<tr>
<th>Degree of coordination</th>
<th>Mode of coordination</th>
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<tbody>
<tr>
<td></td>
<td>Pattern bargaining</td>
<td>State imposed/induced</td>
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<td>Strong</td>
<td>Austria</td>
<td>Belgium</td>
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Enforcement key:

- No comparable and comprehensive indicators
- But existing evidence on wage floors shows not perfect: e.g. in Italy, 10% of workers paid 20% less.

Policy tools: more effective **inspections**, but also **transparency, awareness** campaigns, “**name and shame**”.
Quality of labour relations

A. Co-operation in labour-employer relations as assessed by senior executives

B. Trust in trade unions among total population

%
Trust is key but often the results of historical developments. How can it be improved?

- **Cooperation** between social partners (or at least no incentives for excessive competition)
- **Objective criteria**, in particular with respect to opt-out and extension requests
- Availability of **accurate information** on the representativeness of social partners and state of the economy
- Independent **body to mediate** and settle disagreements
- Incentives for **regular renegotiation** (w/o forcing)
- **Enforcement** of the terms of agreements
- **Institutional stability**
- ...and **time!**
Different forms of employee representation on the workplace

Percentage of employees covered by different forms of workers’ representation, 2015

% of workers covered not higher where firm-level bargaining dominates: rather where articulation of levels

Dialogue and bargaining in SMEs weak
### Dashboard of collective bargaining systems, 2015

Countries ordered by predominant level of collective bargaining, degree of centralisation, co-ordination, trade union density in the private sector, collective bargaining coverage, employer organisation density and quality of labour relations

<table>
<thead>
<tr>
<th>Country</th>
<th>Predominant level</th>
<th>Degree of centralisation/decentralisation</th>
<th>Co-ordination</th>
<th>Trade union density in the private sector</th>
<th>Employer's organisation density</th>
<th>Collective bargaining coverage rate</th>
<th>Quality of labour relations</th>
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</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>Company</td>
<td>Decentralised</td>
<td>No</td>
<td>Less than 5%</td>
<td>..</td>
<td>5-10%</td>
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Conclusions of the institutional analysis

• Data and evidence still limited.
• Granularity of the system:
  – e.g. decentralisation takes several forms.
  – or, go beyond black/white on extensions:
    • Representativeness criteria
    • Public interest
    • Exemptions
    • Differentiation of agreements
• Hence, not one way to Rome:
  – Apparently similar systems (at least using standard indicators) \(\rightarrow\) different performance;
  – Different systems \(\rightarrow\) similar performance.
• Collective bargaining is a system, not just the sum of fungible elements.
Looking forward

• No easy balance between government intervention and self-regulation.
• Main issue for collective bargaining: remain relevant.
• Not just coverage, but right balance between flexibility and inclusiveness.
• Alternative to collective bargaining is not necessarily individual bargaining but State regulation or monopsony.
• CB & future of work is not just about representing freelancers/gig workers but accompany and shape the transition.
OECD DATABASE ON COLLECTIVE BARGAINING
OECD database on collective bargaining (forthcoming)

Thank you

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