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Strengthening and Re-Building Collective Bargaining

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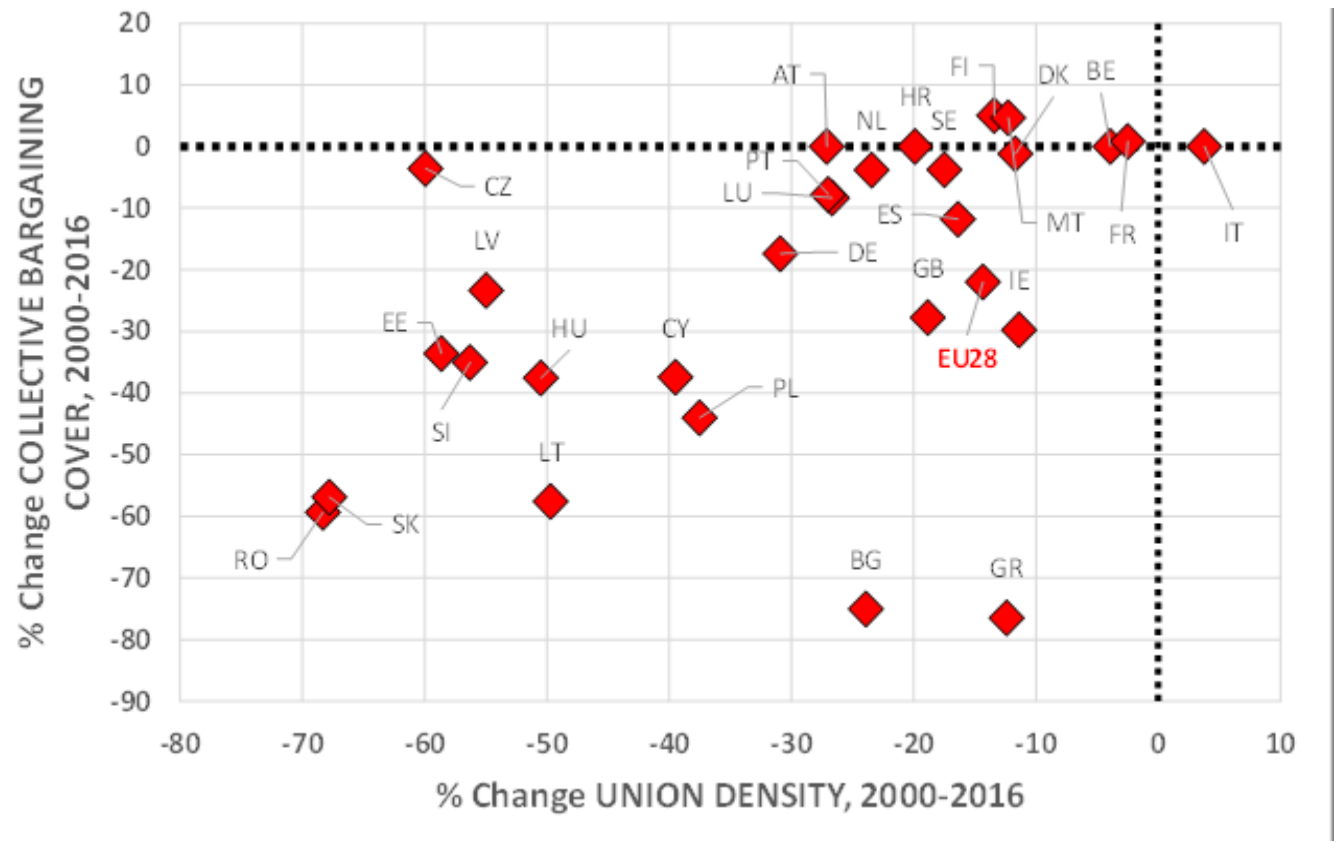
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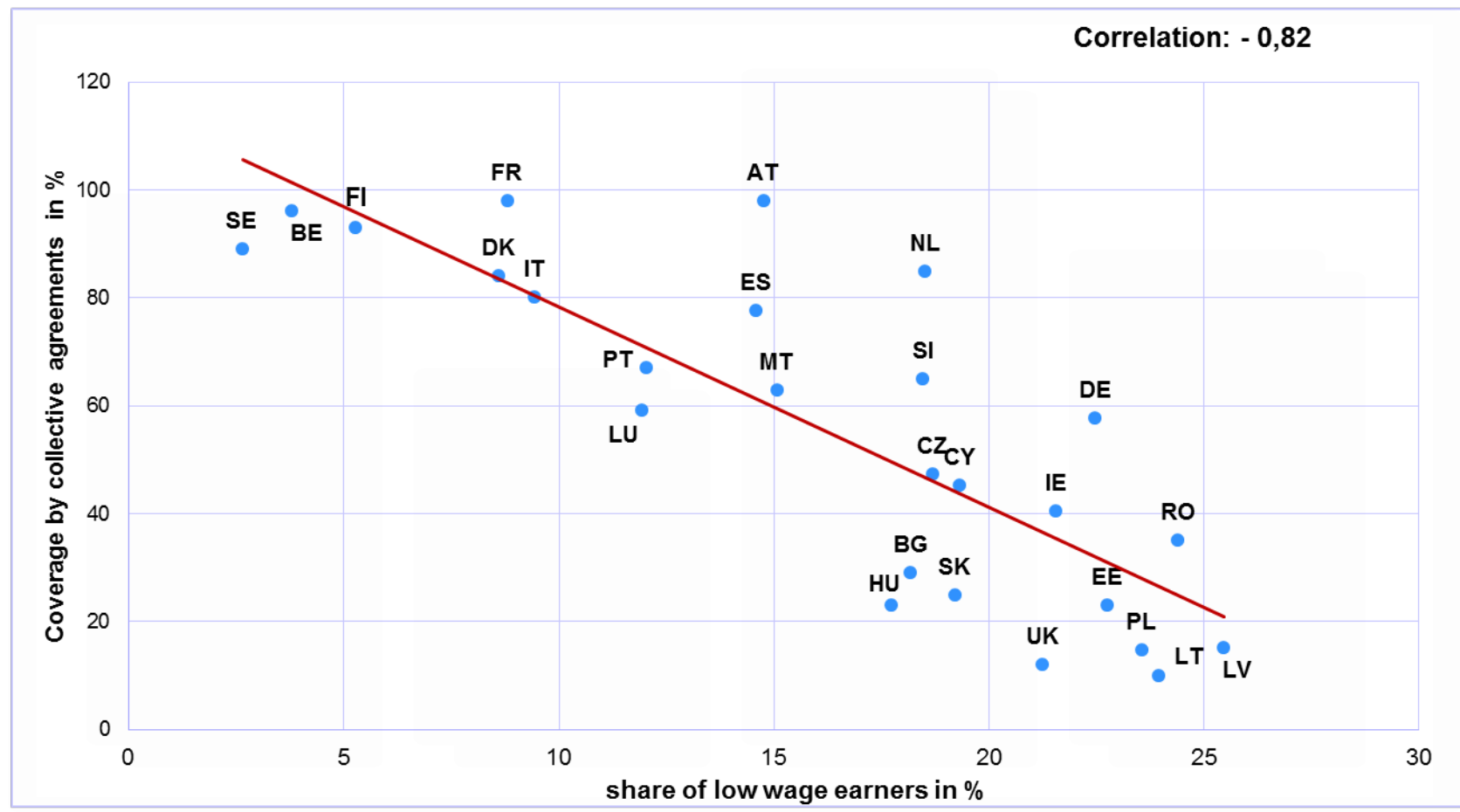
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Substantial decline of CB in Europe 2000 -2016: Mainly due to a decline in multi-employer CB



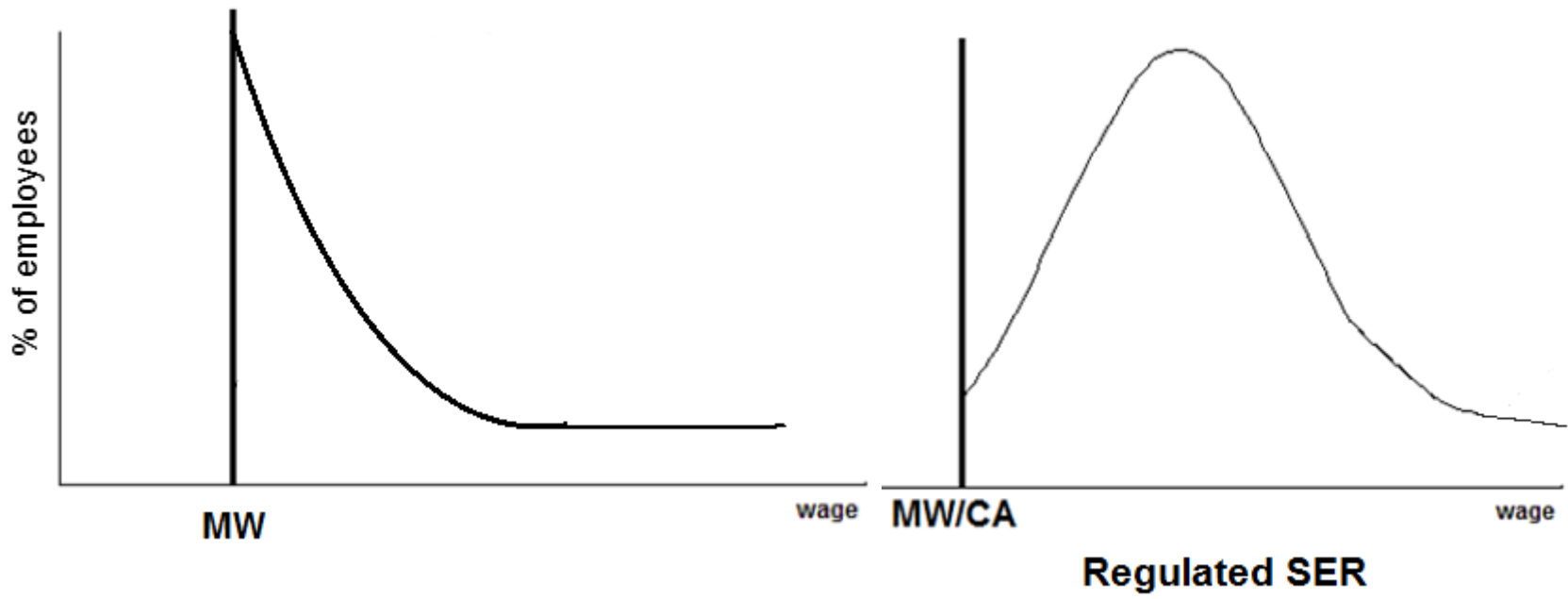
Source: Vaughn-Whitehead: (2019), *Reducing Inequalities in Europe*

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

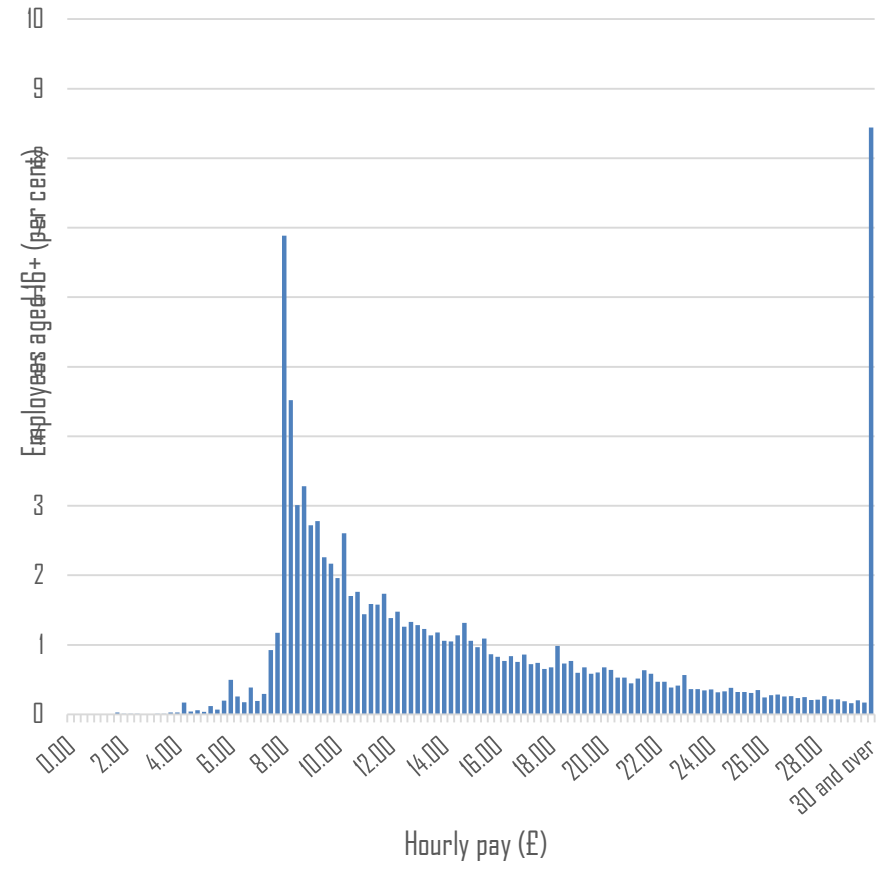
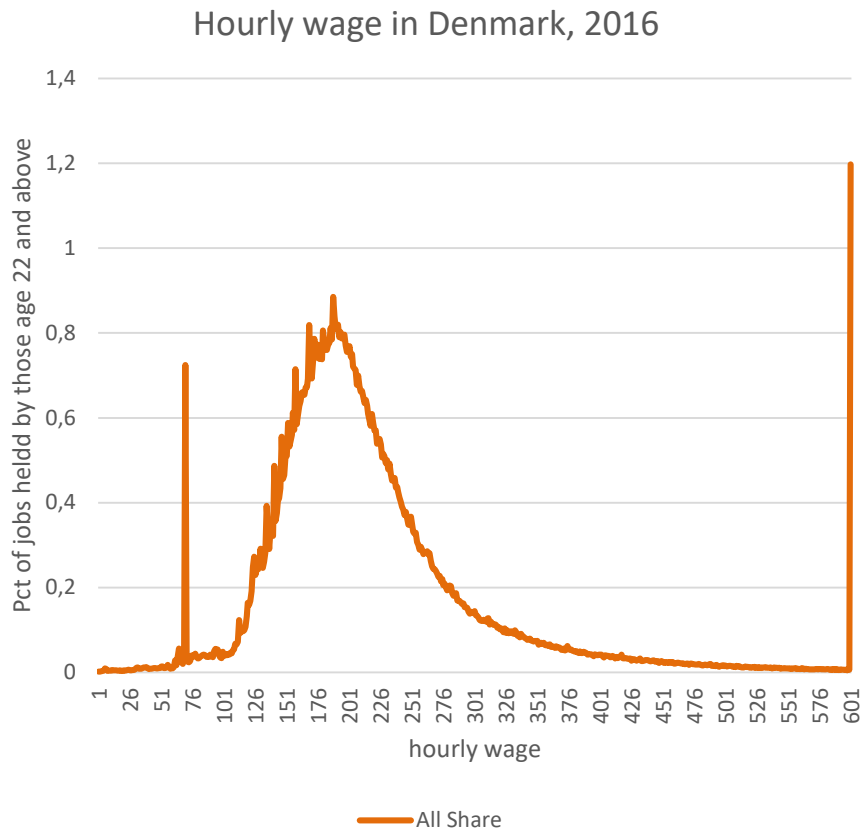


Source: Visser 2015, Eurostat, own calculations

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



Two real cases: DK 2016 and UK 2018



Source: Low Pay Commission 2019;

Links between MW's and CA's important

MW's important but not the silver bullet

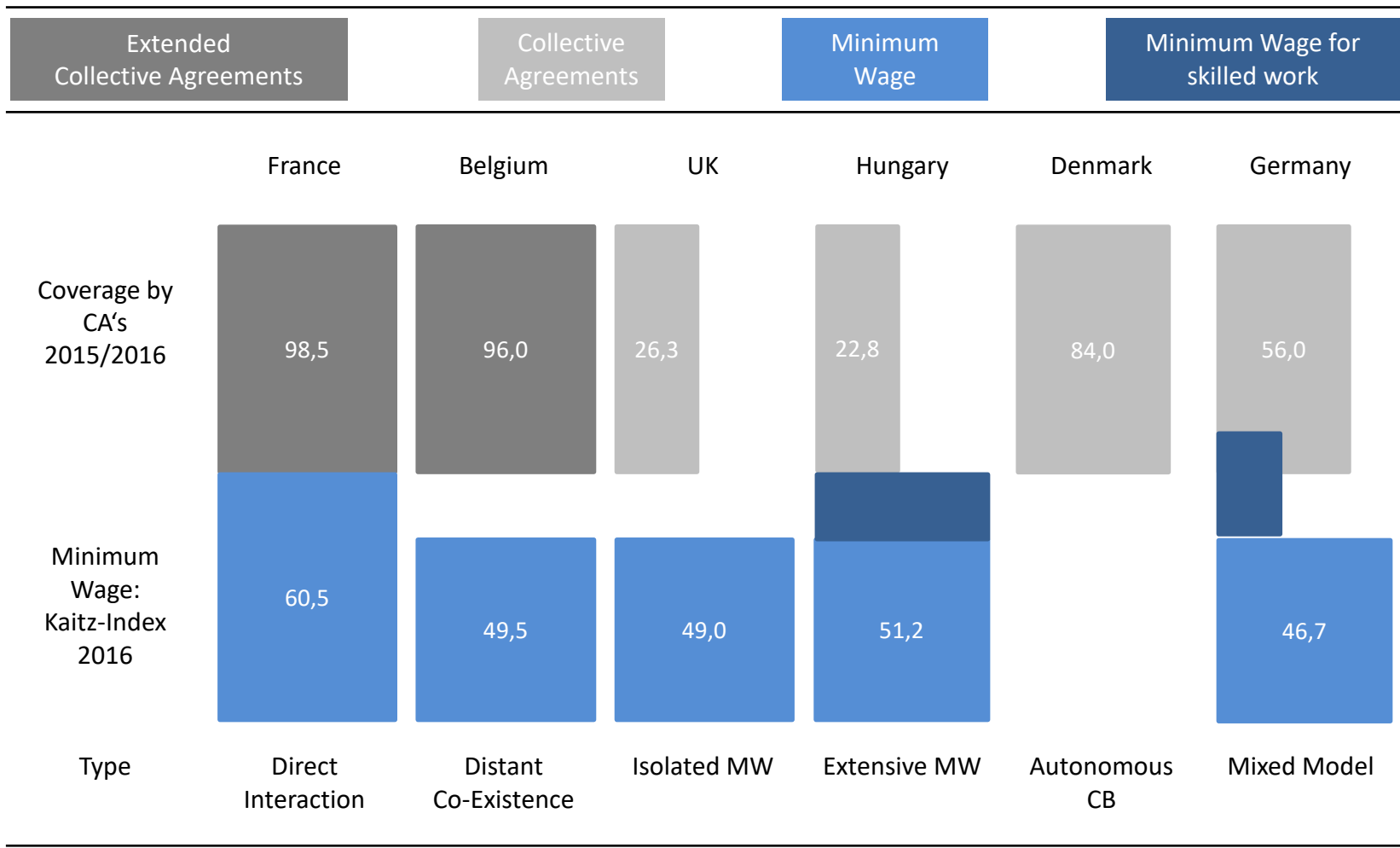
- an important baseline for wages
- limits for increases (*living wages cannot replace CA's*)
- but “one size for all” - no guarantee for fair remuneration of skills, responsibility, hard working conditions

Only Collective Agreements with differentiated pay scales can

- guarantee fair remunerations
- create stable middle incomes classes

Positive interactions between MW's and CA's crucial

Links between MW and in 6 EU countries

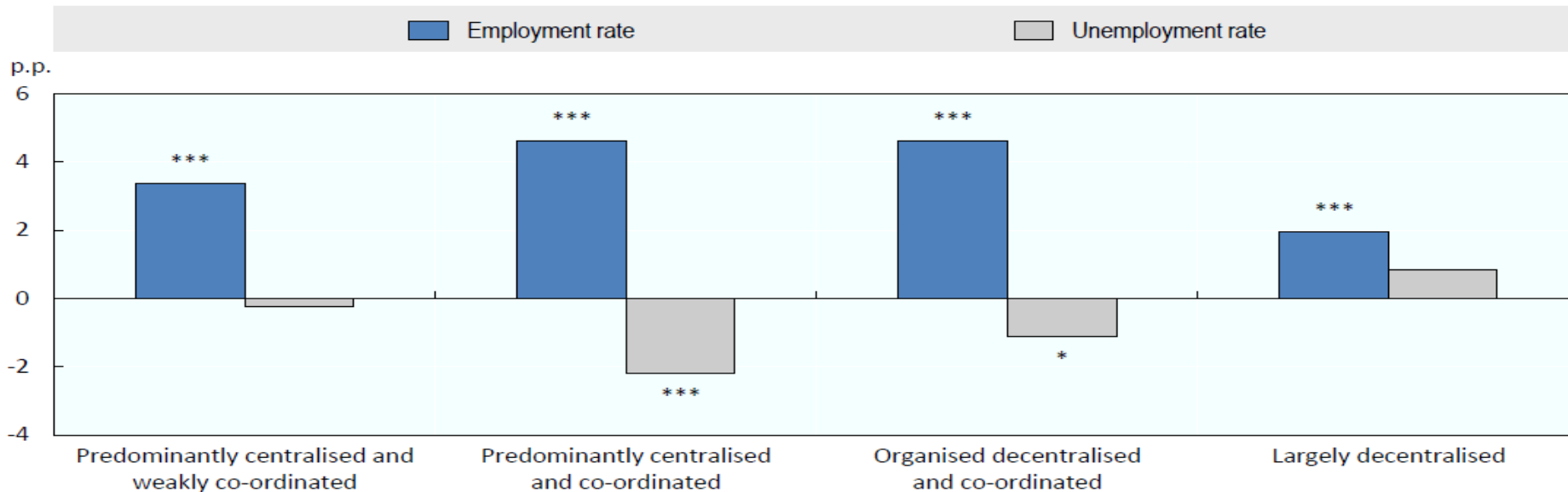


A shift of paradigm at least in research, not yet in politics!

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.

Reasons for positive employment effects of high coverage by CAs

- **Wages taken out of competition: supports high-road business models - business models based on wage cutting not an option**
- **Reduction of bureaucracy and transaction costs – self-regulation instead of state intervention**
- **Extension of the scope of CAs: negotiations on skill developments, work organization and innovation**
- **Development of internal flexibility: functional flexibility by higher investments in skills / numerical flexibility by w-time-flexibility**

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 and high shares of precarious workers

„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).

Statutory protective and participative labour standards in seven national wage setting systems

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

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

Source: EuroStat. OECD, own compilation

Instruments to strengthen the coverage by CA's (I)

1. Improving *participative* standards

- Creation or strengthening employee representation (works councils or trade union delegates), improving their resources and codetermination rights
- Board representation with information and codetermination rights / nomination of human resource director
- Union administration of social insurances (unemployment assurances = Gent system or pension systems)
- Chambers with mandatory membership for employers and employees
- Disposable laws: Derogation only possible by CA's

Instruments to strengthen the coverage by CA's (II)

2. Improving *protective standards*

- **Minimum wages: Higher levels (60% Kaitz index), MW II for skilled worker's**
- **Extension of CA's: today mostly too strict conditionality (like 50% coverage) might prevent extension, criteria of „public interest“ needed for low wage industries**
- **Arbitration: Sectoral committees with equal representation of social partners and an arbitrator negotiate an CA which is extended (example Uruguay increase of coverage by CA's from 15 to 95%) (UK Manifesto for labour law)**
- **Prevailing wage laws in public procurement: broad literature with diff-in-diff calculations on positive effects in US construction industry**

Conclusions

- Declining coverage by CA's = increase of income inequality
- Demanding only higher MW's = acceptance of inequality
- Stable middle income classes only with high coverage by CA's
- Precarisation of employment and fragmentation of companies make organizing and rebuilding of multi-employer CB more difficult than in the past
- Stronger state intervention needed

Strengthening of multi-employer CA's = top priority in the fight against inequality of market incomes