Sectoral bargaining in comparative perspective

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Role of trade unions: to organize, mobilize, represent and wield the power of the working class—economically and politically—in order to raise living standards and improve working conditions.

How does the level of bargaining affect achievement of these objectives?

Recent evidence on three key elements:

- Extent of coverage
- Impact on key labor market outcomes
- Extent of union membership
What level of bargaining is most effective to achieve wide coverage of workers?
Bargaining level and bargaining coverage, 2013

What is the evidence of impact (outcomes) of different levels of bargaining on working class interests?
Bargaining levels and employment outcomes

Difference in percentage points compared to enterprise level only

Source: OECD Employment Outlook 2018 Chapter 3
Unemployment rate for youth, women, low-skilled

Difference in percentage points compared to enterprise level only

Source: OECD Employment Outlook 2018 Chapter 3
Wage dispersion/wage inequality

Source: OECD Employment Outlook 2018 Chapter 3
Most recent OECD findings - details

- Covers 35 OECD countries, takes into account changes to bargaining systems between 1980 and 2015

- Findings contradict earlier arguments (including by OECD) in favor of decentralization:
  - Decentralized systems produce worse results for overall employment, unemployment
  - “Insider v outsider” argument – higher level bargaining associated with better labor market outcomes for youth, women and low-skilled workers.

- Co-ordinated systems are also associated with a lower share of involuntary part-time workers than decentralized systems; the share of temporary employment does not vary across different bargaining systems.
How does the level of bargaining relate to/affect the extent of union membership?
Bargaining coverage and union density 2013

Different bargaining levels create differing incentives for workers, employers . . .

- **For workers** in systems with enterprise level bargaining, the higher union wage premium can be an incentive to organize, join unions. In sectoral bargaining systems, the use of extensions and erga omnes may weaken the incentives to join unions.

- **For employers** in systems with enterprise level bargaining, the higher union wage, benefits and conditions compared to non-union competitors is a strong incentive to actively oppose union organizing, resist union bargaining demands, undermine union power. Employer opposition tends to be weaker in sectoral bargaining systems because labor costs are at least partly taken out of competition.
Enterprise level bargaining: Bargaining strength comes from members (bottom up). But overall low levels of union membership in these systems weakens unions’ political power to achieve legislated improvements in wages and social protection and to defend organizing and bargaining rights. Employer opposition is stronger.

Sectoral bargaining systems: unions’ strength is at least partly dependent on the state (top down). Role in wider setting of terms of employment can lead to support beyond membership rates but unions may have difficulty recruiting, mobilizing members.
Data sources in Powerpoint presentation:


Related discussion:

