

# Executive summary

## **Collective bargaining systems are key and complex labour market institutions**

In all OECD countries, workers and employers associate to express their interests and concerns, as well as to bargain over the terms and conditions of employment. However, over the last decades, the share of workers who are trade union members and the reach of collective agreements even beyond union membership have significantly declined. Despite these trends, collective bargaining, together with workers' voice, continues to play a key role in the labour market in many OECD countries. Collective bargaining systems are generally based on a complex set of rules and practices, partly written in national laws and partly based on longstanding traditions. In order to understand their functioning and role, it is necessary to look at their different building blocks, and their interactions. These include: The actual level of bargaining (i.e. the level at which bargaining takes place, firm vs. sectoral level, and the margins firms have to derogate or to opt out from higher-level agreements); the degree of co-ordination across sectors and bargaining units; the effective enforcement of collective agreements, and the overall quality of labour relations.

## **Co-ordination in wage bargaining is a key ingredient for good labour market performance**

Wage co-ordination across sectors and bargaining units is a particularly important dimension of collective bargaining. Bargaining systems characterised by a high degree of wage co-ordination across bargaining units are associated with higher employment and lower unemployment for all workers, compared to fully decentralised systems. This is because co-ordination helps the social partners to account for the business-cycle situation and the macroeconomic effects of wage agreements on competitiveness. The actual level of centralisation is another crucial dimension: Organised decentralised and co-ordinated systems (i.e. systems where sector-level agreements set broad framework conditions but leave detailed provisions to firm-level negotiations and where co-ordination is rather strong) tend to deliver good employment performance and higher productivity. By contrast, the lack of flexibility at firm level, which characterises centralised bargaining systems, may come at the expenses of lower productivity growth. At the individual level, there is a wage premium for employees who are covered by firm-level bargaining compared with those not covered or those covered only by sectoral bargaining while wage dispersion is on average smallest among workers who are covered by sector-level bargaining compared with systems based on firm-level bargaining only.

## **Collective bargaining systems and workers' voice arrangements also matter for job quality**

This publication also explores the link between collective bargaining systems, workers' voice arrangements, and the non-monetary aspects of job quality. In particular, it analyses social partners'

engagement in occupational safety and health, working time, training and re-skilling policies, management practices, and the prevention of workplace intimidation and discrimination. The quality of the working environment is higher on average in countries with well-organised social partners and a large coverage of collective agreements. At firm level, both “direct” and “mixed” forms of voice (where workers’ representatives coexist with direct dialogue between workers and managers) are associated with a higher quality working environment (compared with the absence of voice). By contrast, the presence of workers’ representatives in firms where there are no parallel means of direct exchange between workers and managers is not associated with a better quality working environment. These correlations are not evidence of a causal relationship. They might reflect the fact that employers and managers who create channels of direct dialogue with their employees are also more likely to engage in improving the quality of the working environment. By contrast, the presence of solely representative arrangements for voice could be characteristic of poor social dialogue contexts, where employers are unwilling to engage in direct exchanges with workers.

### **Collective bargaining and workers’ voice play an important role in preventing inequalities in a changing world of work, but they need to adapt**

As innovation, globalisation and population ageing transform the world of work, collective bargaining, when it is based on mutual trust between social partners, can provide a means to reach balanced and tailored solutions to issues of common concerns. It can ensure that all workers and companies benefit from the current transformations. It can help formulate solutions to emerging issues (e.g. the use of technological tools, or work-life balance), and complement public policies in skills needs anticipation, or support to displaced workers. However, collective bargaining faces old challenges (such as declining collective bargaining coverage and falling union density) as well as new ones, such as the increasing prevalence of workers in non-standard employment (i.e. temporary part-time and self-employment) who might not have access to collective bargaining. In this context, governments might need to intervene to keep bargaining systems fit for purpose. Fighting misclassification is of particular importance. However, a significant number of workers may still fall in a “grey zone” between the definitions of employee and self-employed, where genuine ambiguity exists about their employment status. Regulations might need to be adapted to extend collective bargaining rights to those workers, who share vulnerabilities with salaried employees, and to some self-employed workers in unbalanced power relationships.

### **Making the most of collective bargaining and workers’ voice to address old and new labour market challenges**

This publication argues that, despite undeniable difficulties, collective bargaining and workers’ voice remain important and flexible instruments that should be mobilised to help workers and companies face the transition and ensure an inclusive and prosperous future of work. The need for co-ordination and negotiation mechanisms between employers and workers is heightened in the changing world of work. Whether considering key issues such as wage inequality, job quality, workplace adaptation to the use of new technologies, or support for workers displaced by shifts in industries, collective bargaining and workers’ voice can complement public policies to produce tailored and balanced solutions. The alternatives to collective bargaining are often either state regulation or no bargaining at all, since individual bargaining is not always a realistic option as many employees are not in a situation to effectively negotiate their terms of employment with their employer. *Negotiating Our Way Up* provides a resource for policy makers, trade unions and employers’ organisations interested in understanding how collective bargaining and workers’ voice can be used to complement public regulation in shaping evolving labour markets.



**From:**

## **Negotiating Our Way Up**

Collective Bargaining in a Changing World of Work

**Access the complete publication at:**

<https://doi.org/10.1787/1fd2da34-en>

### **Please cite this chapter as:**

OECD (2019), "Executive summary", in *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/c0bde291-en>

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