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Overview: Collective bargaining and workers' voice can be strong enablers of inclusive labour markets

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Collective bargaining and workers' voice are key labour rights and important labour markets institutions that matter for job quality. Collective bargaining, providing that it has a wide coverage and is well co-ordinated, fosters good labour market performance. Collective bargaining and workers' voice have however been under increasing pressure over the past decades, as trade union density and collective bargaining coverage declined, non-standard forms of work developed, and employment relationships became more individualised. Despite these challenges, collective bargaining and workers' voice still have a role to play in preventing inequalities in a changing world of work. To this end, collective bargaining systems need to be adapted to better balance flexibility and inclusiveness.

Collective bargaining and workers' voice are key labour rights, but also enablers of inclusive labour market. Yet, their capacity to deliver is being increasingly questioned by the general weakening of labour relations in many countries, the flourishing of new – often precarious – forms of employment and a tendency towards the individualisation of employment relationships. At the same time, the labour market is in a flux. The digital transformation, together with globalisation and demographic changes are re-shaping it, offering new job opportunities but also creating challenges for many workers to navigate these deep and rapid changes. In this context, how can collective bargaining and workers' voice contribute to promote better labour market outcomes, including for those in new forms of employment and business?

Since the 1980s, collective bargaining systems have been under increasing pressure. Trade union density (the share of workers who are union members) has declined across OECD countries losing more than half of its reach from 33% on average in 1975 to 16% in 2018. This long-standing decline is observed in a large majority of countries, although union density increased in two countries, Iceland and Belgium, and was relatively stable in Canada, Korea and Norway. Similarly, the share of workers covered by a collective agreement shrank to 32% on average in the OECD area in 2017 from 45% in 1985. The drivers of the decline in union density are numerous and vary between countries and over time. Contrary to a commonly held belief, the combined contributions of demographic changes and structural shifts, such as the shrinking of the manufacturing sector, are small and leave most of this declining trend unexplained. However, while there is no single storyline of union density decline across OECD countries, the weakening of social partners poses the common risk for all countries: that they find themselves without relevant and representative institutions to overcome collective action problems and strike a balance between the interests of workers and firms in the labour market.

The risk is all the more serious given that the conflicts and aspirations that collective bargaining and workers' voice were first developed to address may deepen in the future. Providing that institutions are well designed, collective bargaining systems can help employers and unions find mutually beneficial solutions and establish a level-playing field for all companies and workers. However, fruitful exchanges between social partners are not a given and collective bargaining systems need to strike a balance between inclusiveness and flexibility. Without underestimating the challenges ahead, this report argues that collective bargaining can and should be mobilised to address issues emerging in the changing world of work; in fact, these changes also offer social partners opportunities to revitalise collective representation and actions.

1.1. How do collective bargaining systems and workers' voice arrangements function in OECD countries?

In OECD countries, 82 million workers were members of trade unions in 2018 and about 160 million were covered by collective agreements concluded at national, regional, sectoral, occupational or firm level. Trade union *density* varies considerably between OECD countries, ranging from 4.7% in Estonia to 91% in Iceland in 2018. The latest data available show that, on average, 59% of workers in OECD countries were employed in a firm that was a member of an employer organisation and this share has been relatively stable over the past 15 years. Medium-sized and large firms are more likely to be represented by employers' organisations than small firms in most countries. Collective bargaining *coverage* is generally high and stable in countries with multi-employer bargaining (i.e. where agreements are signed at sectoral or national level), where the share of firms that are members of an employer association is high, or where mechanisms exist to extend coverage to employees beyond those working for firms that are members of a signatory employer association. In countries where collective agreements are signed mainly at firm level, coverage is lower and goes hand-in-hand with trade union density. Workers in small firms are less likely to be covered as these firms often do not have the capacity to negotiate a firm-level agreement, often because there is no worker representation in the workplace.

Beyond these general patterns, Chapter 2 of this report shows that it is essential to examine the complex machinery of national bargaining systems in detail and account for their diversity across countries. Notably, it considers four main building blocks of collective bargaining systems: i) the level of bargaining at which agreements are negotiated (e.g. firm, sector or national level); ii) the flexibility to derogate or opt-out from parts of higher-level agreements; iii) the degree of co-ordination between social partners; and iv) the capacity of social partners to enforce collective agreements and the quality of labour relations in OECD countries.

In two-thirds of OECD countries, collective bargaining takes place predominantly at firm level. Sectoral agreements play a significant role in continental European countries. Beyond the so-called “predominant” level of bargaining, countries differ in the degree of centralisation or decentralisation of their bargaining system, i.e. the scope for firm-level negotiations to modify the terms set out in higher-level agreements.

Collective bargaining systems also differ greatly in the degree of co-ordination between bargaining units – essentially the extent to which common (wage) targets are pursued and/or minor players follow what major players decide. Co-ordination is strong, at least in certain sectors, in Austria, Denmark, Germany, the Netherlands, Norway, Sweden and Japan but tends to be weak (or absent) in other OECD countries.

The quality of labour relations as assessed by senior executives and the degree of trust in trade unions by people aged 15 or more vary across OECD countries. Managers consider labour relations most co-operative in Switzerland and least co-operative in Korea. At the same time, 40% of persons aged 15 or more declare that they trust trade unions across OECD countries, from 65% in Finland and Denmark to 25% in the United States, Slovenia and Mexico. Interestingly, there is no clear link between these findings and any specific bargaining model nor do they show any clear trend over the past 10-15 years. The number of workdays lost due to strikes and lockouts has decreased markedly since the 1990s in most OECD and accession countries.

Beyond collective bargaining, OECD countries also vary in terms of workers’ voice arrangements at workplace or company level. “Voice”, in this context, corresponds to the various institutionalised forms of communication between workers and managers to address collective problems. Voice also provides employees with an opportunity to solve issues emerging in the workplace through communication with management. Voice is often mediated through representative institutions, such as local trade union representatives, works councils or workers representatives, or it can materialise at the workplace through the organisation of direct exchanges between workers and managers (e.g. via regular town hall meetings and/or direct consultations). A key difference between “direct” and “representative” forms of voice is the legal protections and rights attached to the status of workers’ representatives, notably the protection against retaliation and firing, and information and consultation rights. Therefore, direct and representative forms of voice are not substitutes. In European countries, “mixed” forms of voice, combining both representation and direct dialogue are the most prevalent. The proportion of workers covered by mixed-voice systems is higher in well-coordinated multi-level bargaining systems.

1.2. What role does collective bargaining play in labour market performance?

Most of the early empirical work looking at the effect of collective bargaining on labour market and economic performance is based almost exclusively on summary-level indicators such as the predominant level of bargaining and the degree of wage co-ordination. However, these analyses do not capture the complexity and diversity of bargaining systems described in Chapter 2. For instance, while wages are typically negotiated at sectoral level in Denmark, Germany, France, Portugal or Italy, there are large differences across these countries in the use of extensions, derogations and opt-out clauses as well as in co-ordination practices that all contribute to significantly different labour market outcomes.

Using the best micro- and sector-level data available and a new categorisation of collective bargaining systems based on the analysis in Chapter 2, Chapter 3 analyses the link between bargaining systems and employment, wages and productivity. At the individual level, the chapter shows the presence of a wage premium for employees who are covered by firm-level bargaining compared with those not covered or those covered only by sectoral bargaining. By contrast, wage inequality is higher in countries with firm-level bargaining only or no collective bargaining, compared with countries where workers are covered by sectoral bargaining.

At country level, the chapter highlights the key role of wage co-ordination as a tool to help the social partners account for the business-cycle situation and the macroeconomic effects of wage agreements on competitiveness. Co-ordinated bargaining systems are linked with higher employment and lower unemployment (including for young people, women and low-skilled workers) than systems where bargaining happens only at firm level. Systems where bargaining takes place predominantly at sectoral level and where there is no co-ordination are somewhat in between. In countries where wage co-ordination is strong and stable, it tends to be supported by employers' associations, since it contributes to moderate wage growth, but also by trade unions, since it ensures high levels of employment.

Chapter 3 also shows that bargaining systems that leave little scope for firms to tailor the conditions set in higher-level agreements tend to be associated with lower productivity growth, if coverage of agreements is high. This result suggests that the lack of flexibility at firm level, which characterises centralised bargaining systems, may come at the expense of lower productivity growth. By contrast, strong wage co-ordination notably in the form of pattern bargaining (where the target for wage negotiation is set by one leading exposed sector, and followed by others) in systems that are not centralised does not have such adverse effect on productivity.

While many OECD countries have taken steps towards decentralisation in the past two decades, Chapter 3 shows that the best outcomes in terms of employment, productivity and wages seem to be reached when sectoral agreements set broad framework conditions but leave detailed provisions to firm-level negotiations. However, other forms of decentralisation that simply replace sectoral with firm-level bargaining, without co-ordination within and across sectors, tend to be associated with somewhat poorer labour market outcomes.

Therefore, the main challenge for social partners and governments is to adjust collective bargaining systems to achieve better outcomes in terms of employment, job quality and inclusiveness, while leaving scope for firms to adapt agreements to their own situations. The exact nature of this challenge and the way it is addressed will differ from country to country and depend to an important extent on existing national collective bargaining traditions. Chapter 3 provides a thorough discussion of the options available as well as their strengths and weaknesses.

1.3. How can collective bargaining and workers' voice contribute to improve job quality?

The link between collective bargaining and wages has been widely investigated. By contrast, the relationship between workers' voice arrangements and the non-monetary aspects of job quality have not been thoroughly investigated, largely because of lack of comparable data on these aspects of job quality. This is an important issue, not only for workers and for unions, but also for employers since poor quality jobs may result in increased labour turnover, absenteeism, more health problems, and lower productivity.

Beyond negotiations on wages, social partners are involved in many other areas that matter for job quality. By providing support, guidance and access to up- and re-skilling for workers who lose their jobs in the event of restructuring and mass-layoffs, they can improve workers' labour market security (the risk of job loss and its economic cost for workers). Chapter 4 explores how collective bargaining systems and the

variety of existing workers' voice arrangements shape one key pillar of job quality, namely the quality of the working environment.

Data limitations prevent the empirical assessment of country-level relationships between the quality of the working environment and collective bargaining systems beyond a simple descriptive analysis. Measures of the quality of the working environment developed following the OECD *Job Quality Framework* are on average higher in countries with well-organised social partners and a large coverage of collective agreements – where the number of job resources available to workers (e.g. autonomy at work, training and working time flexibility), in particular, is higher.

Limitations apply to the empirical assessment of the effect of workers' voice arrangements on job quality at the firm level. The direction of causality between the two is hard to discern from a theoretical perspective. Indeed, if the presence of workers' voice arrangements can theoretically increase job quality, strained workers with poor working conditions might also self-select into unions. Unions themselves might self-select into firms where working conditions lag behind and can be improved through union action.

Bearing these caveats in mind, Chapter 4 shows that both direct and “mixed” forms of voice (where workers' representatives coexist with direct dialogue between workers and managers) are associated with a higher quality of the 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 of the working environment. Similar correlations are found when focusing on measures related to occupational safety and health, working time or management practices. These correlations cannot be taken as evidence of causal link between workers' voice arrangements and non-monetary job quality. The positive association between mixed voice and quality of the working environment 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, but are either mandated by law to have representative institutions, or facing strained workers seeking representation to express their discontents, while benefiting from the legal protections attached to representative voice.

The chapter also presents qualitative evidence on trade unions' and employers' involvement in five dimensions of the quality of the working environment: occupational safety and health, working time, training, work organisation and management practices, and the prevention of intimidation and discrimination. The implementation of high standards of safety and health provisions, as well as training or work organisation and management practices, remains more challenging in small and medium-sized enterprises. The chapter includes examples of how social partners and policy makers in OECD countries have tried extending best practices to all types of firms, which could inspire similar initiatives in other contexts.

1.4. How can collective bargaining systems be adapted to remain fit for purpose in a changing world of work?

In addition to the long-standing decline of trade union density mentioned above, the growing prevalence of various forms of non-standard employment (i.e. temporary, part-time and self-employment) in a number of countries poses a new challenge to collective bargaining, as non-standard workers (i.e. workers without a permanent contract) are less likely to be unionised than standard workers. This is the case even when controlling for composition effects (linked to gender, age, education, industry, occupation, firm size and part-time vs. full-time employment).

This under-representation partly reflects the practical difficulties of organising non-standard workers (who might be more fearful of retaliation when joining a union or have limited attachment to a particular workplace because of frequent job moves), as well as the fact that collective bargaining has historically developed around standard employees. It also results from legal obstacles to collective bargaining for some non-standard workers such as the self-employed. While labour law gives all salaried employees – whether in a standard or non-standard relationship – an undisputed legal right to collective bargaining, extending this to workers usually classified as self-employed may be seen as infringing competition law, and in particular anti-cartel legislation. Yet the share of self-employed (often own-account) workers who might thus be barred from accessing collective bargaining, has substantially increased in a number of OECD countries in recent years (OECD, 2018^[1]).

These practical and legal barriers to collective bargaining pose a serious problem since collective bargaining is a particularly useful tool to address the challenges arising from mega-trends that are transforming labour markets – digitalisation, globalisation and population ageing. Collective bargaining can indeed ensure that all workers and companies, including small and medium-sized enterprises, reap the benefits of technological innovation, organisational changes and globalisation, in a context of increased competition and fragmentation of production. It can help formulate solutions to emerging issues, such as the use of technological tools, or work-life balance. And it can complement public policies in enhancing labour market security and adaptability, particularly through social partners' role in the anticipation of skills needs or support to workers who lose their jobs.

Therefore, collective bargaining systems can help smooth the transition to an increasingly complex labour market. But making the most of collective bargaining in the future world of work will require some governmental intervention, notably to lift the legal barriers to collective bargaining. As the incidence of false self-employment is rising (OECD, 2019^[2]), enforcing the correct classification of workers is of particular importance to ensure that workers benefit from the protection and rights to which they are entitled. A significant number of workers may still fall in a “grey zone” between the usual definitions of employee and self-employed, where genuine ambiguity exists about their employment status. For those workers, who share vulnerabilities with salaried employees, and for some self-employed workers in unbalanced power relationships, it may be necessary to adapt existing regulations in order to extend collective bargaining rights to them. In fact, several OECD countries have already sought to grant collective bargaining rights to some of these workers through specific adjustments to labour law or explicit exemptions to laws prohibiting cartels.

Beyond government actions, there are many examples showing that social partners can – and actually do – adjust, develop new strategies and reshape existing institutions, to adapt to changing labour markets. For instance, some unions have reacted to the rising prevalence of non-standard forms of employment by adapting their own structures, changing their legal status to allow self-employed workers to join, or setting up dedicated branches for non-standard workers. They have diversified their strategies, e.g. by engaging in corporate campaigns for recognition in certain companies or the legal battle against workers' misclassification. And collective bargaining has actually taken root in some sectors with a high prevalence of non-standard work, such as the cultural and creative industries.

New vehicles for representing workers' interests have developed in some OECD countries, such as Worker Centers or the Freelancers Union in the United States, or workers' co-operatives in some European countries. Yet while these forms of workers' organisations can improve links and communications between non-standard workers, they cannot replace unions. In particular, they do not have the legal mandate to bargain collectively on behalf of their members or the ability to deliver on negotiated agreements. Therefore, they can complement unions rather than be a substitute to them, and co-operation between traditional and new forms of workers' organisation is now emerging in some contexts.

Employers' organisations are also being tested by changes in the world of work. They have an interest in ensuring a level-playing field for their members in the face of new competitors, such as digital platforms,

which often circumvent existing labour regulations by claiming that they are matchmakers rather than employers. Yet a few innovative collective agreements have also recently been signed between unions and companies – including digital platforms – in European OECD countries, although they remain very limited. Platforms have also taken some initiatives to allow workers to express their concerns, to pre-empt the introduction of new legislation on the way they operate.

Chapter 5 highlights several policy directions that can help policy makers to support the efforts of social partners to expand their membership and to ensure that collective bargaining can be fully mobilised to face the challenges emerging in the future world of work. These notably include enforcing the correct classification of workers and reviewing labour market and competition policies to allow access to collective bargaining for some self-employed workers.

1.5. Making the most of collective bargaining and workers' voice to address old and new challenges: The road ahead

Despite undeniable difficulties, this report argues that, if well designed and implemented, collective bargaining and workers' voice remain important instruments to deal with both old and new challenges in the labour market. The need for co-ordination and negotiation mechanisms between employers and workers has, if anything, increased in the changing world of work.

The past few decades have shown that in many cases, 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. Whether considering issues of wage distribution, job quality, workplace adaptation to the use of new technologies, or support for workers who lose their jobs following shifts in industries, collective bargaining and workers' voice arrangements remain unique tools enabling governments and social partners to find tailored and fair solutions. To make the most of this tool, state regulations need to leave space for collective bargaining, and local representative structures and promote (or not at least not discourage) self-organisation by workers and employers. The latter is a precondition for an inclusive and flexible labour market.

However, to maintain the effectiveness of collective bargaining, national systems need to be adapted to the new challenges and the right balance has to be found between inclusiveness and flexibility for stakeholders to adapt rules and regulations to their specific conditions. An important question is what role governments can and should play in shaping the evolution of collective bargaining systems. Experience shows that even apparently well-crafted reforms of collective bargaining may be partially or totally ineffective if they fail to change practices on the ground and the overall bargaining culture. Or, they may sometimes lead to major and often unintended shifts in bargaining behaviour (e.g. a total blockage of collective bargaining), even if the initial intention was only to change specific elements of the system. The issue of how to design and implement collective bargaining reforms in particular contexts and to ensure that workers, unions and employers adhere to the reforms, thus guaranteeing their effectiveness, should be a major focus for future work. This report aims to lay the groundwork for this task.

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