OECD Employment Outlook 2018
The role of collective bargaining systems for good labour market performance

LIVE WEBINAR
4 July 2018
13:00-14:00 CEST (Paris time)
7:00-8:00 EDT (Washington DC)
The role of collective bargaining systems for good labour market performance

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For more information:
Good labour relations can help meet the challenges of a changing world of work

“Improved social dialogue can lead to “win-win-win” situations in which more inclusive labour markets and workplaces translate into better socio-economic outcomes and greater well-being for workers, better performance for businesses and restored trust in governments”

Angel Gurría, Secretary General of the OECD
Main messages

<table>
<thead>
<tr>
<th>Message</th>
<th>Description</th>
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<tbody>
<tr>
<td>Declining collective bargaining coverage and decentralisation</td>
<td>Yet, collective bargaining can bring many benefits</td>
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<td>Balance between inclusiveness and flexibility important</td>
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Components of a *good* collective bargaining system:

<table>
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<tr>
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<th>Description</th>
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<tr>
<td>Some macroeconomic element of wage co-ordination</td>
<td>Some decentralisation so that firms can adjust wages</td>
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<td></td>
<td>A system that covers a large share of workers and companies</td>
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Collective bargaining under threat?

**Trade union density**

**Employer organisation density**

- *Latest year (↗)*
- *2000 or closest year*

**Collective bargaining coverage**

- *European Union*
- *OECD*
- *Japan*
- *United States*
Collective bargaining and labour market performance

Inclusive growth and well-being

- Quality of the working environment
- Wages (levels and distribution)
- Employment
- Productivity
- Resilience & adaptability

Negotiated wages

- Level (sector vs. firm)
- Flexibility (opt-outs, favourability principle)

Non-wage working conditions

Coverage (unions, employers and extensions)

Co-ordination

Collective bargaining
A taxonomy of collective bargaining systems

Five main types of collective bargaining systems:

1. Predominantly centralised and weakly co-ordinated
2. Predominantly centralised and co-ordinated
3. Organised decentralised and co-ordinated
4. Largely decentralised
5. Fully decentralised
Co-ordinated systems are linked with better employment outcomes

Difference in percentage points with respect to fully decentralised systems

<table>
<thead>
<tr>
<th>Co-ordinated systems</th>
<th>Employment rate</th>
<th>Unemployment rate</th>
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<tbody>
<tr>
<td>Predominantly centralised and weakly co-ordinated</td>
<td>***</td>
<td>-4</td>
</tr>
<tr>
<td>Predominantly centralised and co-ordinated</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Organised decentralised and co-ordinated</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Largely decentralised</td>
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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.

Co-ordinated systems are linked with higher employment and lower unemployment, also for young people, women and low-skilled workers than fully decentralised systems.
Collective bargaining is linked with lower wage inequality

Wage dispersion is greater in systems with no collective bargaining or where firms set wages independently (also when using individual-level data)
Wages are higher for workers covered by a firm-level agreement

Composition-adjusted difference in average earnings relative to no collective bargaining, 2014

Note: Results are based on Juhn-Murphy-Pierce decompositions using workers without a collective agreement as the reference group and controlling for gender, age groups, educational attainment, industry, occupation, firm size, type of contract and job tenure. Data are from 2012-16, depending on the country (2006 for Germany). “Sector-level bargaining” for Australia refers to the use of Modern Awards (see Box 3.5) in Chapter 3 of the Employment Outlook 2018. A proper sector-level bargaining does not exist in Australia.

Source: OECD calculations based on sources described in Chapter 3 of the Employment Outlook 2018.

Within countries, there is a wage premium for workers who are covered by firm-level bargaining compared with those not covered or those covered only by sector-level bargaining.
Wages and productivity are less tightly linked where bargaining is stronger.

The extent to which high-productivity sectors pay higher wages than low-productivity sectors

Elasticity of wages with respect to productivity

In countries where collective bargaining is more important, wages tend to be less responsive to productivity differences.
Employee representation predicts less job strain

The quality of the working environment, as measured by the OECD/G20 Job Quality Framework, tends to be higher in firms with a recognised form of employee workplace representation (for example a local trade union or works council).
Promoting inclusive and flexible collective bargaining

Maintaining high coverage...

- High coverage is best achieved through broad-based social partners
- Explore new ways to support social dialogue in small firms and for non-standard forms of employment
- Extensions, if well-designed to avoid undermining the economic prospects of vulnerable firms and workers, can enhance inclusiveness

... while leaving some margins of flexibility:

- Organised decentralisation leaves some flexibility to firms through the use of framework agreements to be tailored at the firm level or opt-outs
- Wage co-ordination at the central level helps negotiators internalise the macroeconomic effects of collective agreements
- Social partners can contribute to managing job transitions and strengthening the adaptability of the labour market
Looking forward: which role in the future of work?

- Skills
- Social protection
- Activation

Labour relations
THANK YOU!

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