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ORGANISED DECENTRALISATION OF COLLECTIVE BARGAINING – CASE STUDIES OF GERMANY, NETHERLANDS AND DENMARK

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Abstract

This paper investigates different varieties of so called organised decentralisation of collective bargaining in Germany, the Netherlands and Denmark. Organised decentralisation occurs within the framework of sector agreements, which explicitly allow determination of terms and conditions at company level, and often set certain (minimum) level standards as well as procedure that have to be respected. German decentralisation is based on its dual-channel system and extensive use of opening clauses, which make workplace derogation from sector-level agreements possible. Dutch decentralisation is based on the dual-channel system and on framework agreements that allow company level bargaining as long as minimum stipulations are observed. Finally, Denmark combines a single-channel system with framework agreements setting minimum levels. Germany stands out as the least organised of the three. Opening and derogation clauses mean that terms and conditions in multi-employer agreements can be undercut. Vertical control over these derogations has suffered from the dual-channel representation in which works councils have a new role. The Netherlands exhibit some, very limited, elements of disorganisation and stable bargaining coverage. Decentralisation has mainly happened through framework agreements setting minimum levels or through the organised transfer of competencies to works councils. The Danish system leaves a lot of scope for local bargaining, the minimum levels are generally observed and bargaining coverage has not suffered. Based on these findings, we draw the conclusion that organised decentralisation requires articulation that preserves a regulatory function of multi-employer agreements. Preservation of multi-employer agreements in turn requires high bargaining coverage.

Résumé

Ce rapport examine différentes variétés de ce que l'on appelle la décentralisation organisée de la négociation collective en Allemagne, aux Pays-Bas et au Danemark. La décentralisation organisée intervient dans le cadre d'accords sectoriels, qui permettent explicitement la détermination des conditions et modalités au niveau de l'entreprise, et fixent souvent certaines normes de niveau (minimum) ainsi que les procédures à respecter. La décentralisation allemande repose sur son système à deux canaux et sur l'utilisation généralisée de clauses d'ouverture qui permettent la dérogation sur le lieu de travail par rapport aux accords sectoriels. La décentralisation néerlandaise repose sur le système dualiste et sur des accords-cadres qui autorisent la négociation au niveau de l'entreprise tant que des stipulations minimales sont respectées. Enfin, le Danemark combine un système monocanal avec des accords-cadres fixant des niveaux minimums. L'Allemagne se distingue comme la moins organisée des trois. Les clauses d'ouverture et de dérogation signifient que les termes et conditions des accords multi-employeurs peuvent être réduits. Le contrôle vertical de ces dérogations a souffert de la représentation à deux canaux dans laquelle les comités d'entreprise ont un nouveau rôle. Les Pays-Bas présentent des éléments de désorganisation très limités et une couverture de négociation stable. La décentralisation s'est principalement faite par le biais d'accords-cadres fixant des niveaux minimums ou par le transfert organisé de compétences aux comités d'entreprise. Le système danois laisse beaucoup de latitude pour la négociation locale, les niveaux minimaux sont généralement respectés et la couverture des négociations n'a pas souffert. Sur la base de ces constatations, nous tirons la conclusion que la décentralisation organisée nécessite une articulation qui préserve une fonction de régulation des accords multi-employeurs. La préservation des accords multi-employeurs exige à son tour une forte couverture des négociations.

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Organised Decentralisation of Collective Bargaining - Case Studies of Germany, Netherlands and Denmark

Executive Summary

Decentralisation of collective bargaining refers to the process by which the locus of collective bargaining between social partner's shifts from more aggregated levels (e.g. national or industry) to more disaggregated (e.g. company or workplace). This paper investigates different varieties of so called organised decentralisation of collective bargaining in three exemplary European countries: Germany, the Netherlands and Denmark. Organised decentralisation occurs within the framework of sector agreements, which explicitly allow for the regulation of certain elements of working conditions and work organisation at the company level, and often set certain (minimum) level standards as well as procedure that have to be respected. We review recent studies of the historical background, institutional framework and current practice of decentralised collective bargaining. German decentralisation is based on its dual-channel system and extensive use of opening clauses that make workplace derogation from sector-level agreements possible. Dutch decentralisation is based on the dual-channel system and on framework agreements that allow company level bargaining as long as minimum stipulations are observed. Finally, Denmark combines a single-channel system with framework agreements setting minimum levels.

Germany stands out as the least organised of the three. Opening and derogation clauses mean that terms and conditions in multi-employer agreements can be undercut and that the vertical control over these derogations is impaired by the dual-channel representation in which works councils have a new role. Only in recent years and in certain industries with strong unions, has coordination been somewhat restored and bargaining coverage shored-up. Since extension is not very effective, bargaining coverage has suffered from these conditions. It is very indicative of the problems of disorganised decentralisation in large parts of the economy that unions in Germany ended up endorsing a statutory minimum wage. The Netherlands exhibit some, very limited, elements of disorganisation. However, decentralisation has mainly happened through framework agreements setting minimum levels or through the organised transfer of competencies to works councils. In consequence, bargaining coverage has still not suffered from decentralisation in the Netherlands. Finally, the Danish system leaves a lot of scope for local bargaining, the minimum levels are generally observed and bargaining coverage has not suffered. In part, this stability is due to employers being content with the system and due to union density being high due to the Ghent-system of unemployment insurance.

Based on these findings, we draw the conclusion that organised decentralisation requires articulation that preserves a regulatory function of multi-employer agreements. Preservation of multi-employer agreements in turn requires high bargaining coverage above a certain (unknown) threshold. Coverage under the threshold means that a sufficiently large share of companies competes on terms and conditions of employment

and this will make bargaining unstable. Finally, the organisational strength and cohesion of trade unions and employer associations matter for the practice of decentralisation. A measure that preserves or strengthens organisational power of social partners contributes positively to the performance of organised decentralisation.

Introduction

This paper investigates organised decentralisation of collective bargaining in three exemplary cases, Germany, the Netherlands and Denmark. One of the key features of Western European employment relations is the high coverage of collective agreements and the important role of sectoral collective agreements (OECD 2017). With the exception of the UK, Ireland and Greece, coverage of collective bargaining is above 50% in all these countries and 80% or higher in quite a few of them (France, Belgium, Austria, Denmark, Sweden, Iceland, Italy and the Netherlands). Also, in most of these countries, coverage is stable, with the exception of Greece, Germany, Portugal and Spain, where substantial declines have taken place in recent years (ibid.). The high coverage of collective agreements is first of all the result of the predominance of sector collective agreements. Second, it is further increased in some of these countries by the practice of extension of collective agreements to parties not part of the agreement but operating in the same sector. A high coverage of collective bargaining through sector agreements and possibly extensions has played an important role in limiting competition between enterprises on basic working conditions and especially wages, leading to limited wage inequality. It has also resulted in reduced power differences between employers and workers, high levels of industrial peace, and in limited transaction costs.

At the same time, although there is a strong and persistent role for sector agreements in this group of countries, these same agreements have been under pressure for many years. Since the 1980s, employers have been arguing for more possibilities for decentralisation and tailor-made solutions at company level, citing competitive pressures and diversity of needs among companies. Since the 1990s, also the diversity of needs and interests of workers are forwarded as an argument for decentralisation. As a result, decentralisation has indeed taken place.

Decentralisation of collective bargaining can take two forms: organised and disorganised decentralisation (Traxler 1995). Organised decentralisation occurs within the framework of sector agreements, which explicitly allow for the regulation of certain elements of working conditions and work organisation at the company level, and set certain (minimum) level standards as well as procedure that have to be respected. Such centrally coordinated decentralisation (Ferner and Hyman 1998) then takes the shape of a controlled and coordinated devolution of functions from higher to lower bargaining levels. In principle this does not affect the coverage of sector agreements but it leaves it up to the company level to work out the details of a number of industrial relations issues.

In single-channel systems, where workplace representatives are elected and/or delegated by trade unions, the relationships between sector and local pay negotiators are generally strong and unions have substantial control over such decentralisation processes. In dual-channel systems, where employees are represented by works councils, the relationships between sector and local pay negotiators are often weaker and more fragile, reducing the control of unions over decentralisation (Nergaard et al. 2009). This control also depends on the extent to which union candidates are works council members.

When disorganised decentralisation takes place, the process is no longer controlled by sector agreements, which do see their coverage decline and are displaced by company level agreements that are not anymore related to the sector agreements. In the most extreme cases, the coverage of sector agreements declines and is not replaced by company agreements, resulting in a decline of overall bargaining coverage.

Where the UK is the main example of disorganised decentralisation, organised decentralisation has been the dominant form of decentralisation in northern, continental and southern Europe. Organised decentralisation can however take a variety of forms:

- *Standard agreements*, prescribing wages and working conditions and leaving no or little space to company agreements;
- *Minimum agreements*, setting minimum standards and leaving the definition of actual wages and working conditions up to company agreements, with the condition that they respect the minimum standards;
- *Corridor agreements,* defining minimum and maximum levels that have to be respected at company level;
- *Default agreements*, setting wages and working conditions that come into force only when local parties do not manage to agree on them. Company agreements can hence also set wages and working conditions below the default levels;
- *Figureless agreements,* containing no wage standard and leaving wage-setting entirely to the local level (company or workplace) and possibly on an individual basis;
- *Mixed agreements*, a mix of the types above.

The different types imply different levels of decentralisation, with standard agreements being the least decentralised and figureless agreements the most. In practice few 'pure' agreements are likely to exist as even figureless and default agreements may include some common standards while standard agreements may include some opportunities for company-level agreements on specific issues.

In some cases, company-level actors can go below the standards set in sector agreements. Through *opening or derogation clauses* they can undercut the wages and working conditions set in the sector agreement in a company agreement, to the detriment of the company's workers. These mechanisms are mostly known as competition clauses, hardship clauses or opt-out clauses. Traditionally, such clauses allow companies in serious economic problems to undercut sectoral standards temporarily and under predefined conditions, as a means to overcome crisis situations, also called *hardship clauses*. Today, however, in particular in Germany, opening clauses can be used at company level also as a general competitive instrument, also called competition clauses, requiring only an agreement between management and workers (see below). These clauses all have their relevance where the favourability principle is in force, which means that, in principle, lower level agreements have to respect higher level agreements. In a number of countries, the favourability principle has however never been in force or is in recent years abolished or reversed like in Spain. In such cases, higher-level agreements do not automatically trump lower-level agreements, which contradicts the idea of organised decentralisation. Finally, some clauses allow companies to postpone or cancel parts of the sector level agreement, also called *opt-out clauses*. Opt-out clauses can be used to for a variety of labour cost-saving measures, for example to cancel planned agreed wage increases in the sector-level agreement for a defined period. These clauses can apply to certain types of company, often small to medium sized enterprises with limited financial resources and market power, or it can apply to any company in hardship. In the latter case, opt-out is a type of hardship agreement.

Finally, sector agreements can also allow for a different type of decentralisation where actual working conditions are not set by a company agreement but by individual workers.

Such *à-la-carte* or personal budget arrangements offer individuals the option to exchange, within predefined limits, wages, working time and free time. In some cases, company level agreement can agree to introduce this option for the workforce (mandated *à-la-carte*), while in others the sector level agreement gives this account regardless of company level agreement (un-mandated). The latter is then not decentralised bargaining proper but a form of organised decentralisation from the sector to the individual level.

A special type of opening clauses concerns *Kurzarbeit* or temporary unemployment agreements that in times of economic crisis can be used to put part of a company's workforce temporarily on unemployment benefits for their full or part of their working time. These measures are meant to preserve valuable personnel for a company in crisis. It differs from the 'normal' opening clauses in that generally the state has a key role in these measures, since in most countries it regulates the use of unemployment benefits. Generally, these types of schemes can only be accessed through a company-level agreement between the company and the respective union or works council.

In the following sections, we will provide a detailed overview of the types of organised decentralisation in three cases: Germany, Netherlands and Denmark. As we show, decentralisation has developed in distinct ways in all three countries and often within-country variation is as important as cross-national variation. The country studies are based on the authors own research and desk research of available data and secondary sources. Due to the national variants of decentralisation, the case studies prioritise the national context of decentralisation rather than one general framework of analysis. Nonetheless, we use the above mentioned categories when appropriate for our case studies.

Germany: Decentralisation through Derogation Clauses

The focus in the following is on decentralisation of bargaining in the private sector. Decentralisation in Germany has gone through various stages since the 1980s. Key in this development is the effect of reunification for the overall system which is based on the West German model of industrial relations. The Collective Agreements Act of 1949 defines the so-called dual system of representation in which trade unions negotiate collective agreements with employers while works councils (which are formally non-union bodies) regulate and monitor the implementation of collective agreements at the company level – besides having extensive rights on information and consultation. Formally, works councils are therefore not bargaining actors. However, as we show below, this formal division of labour has weakened in recent decades. Bargaining takes place at both sectoral and company level and it is possible for the Ministry of Labour under certain procedural requirements to extend sectoral agreements to companies not bound by these agreements. However, this is not a widespread practice.

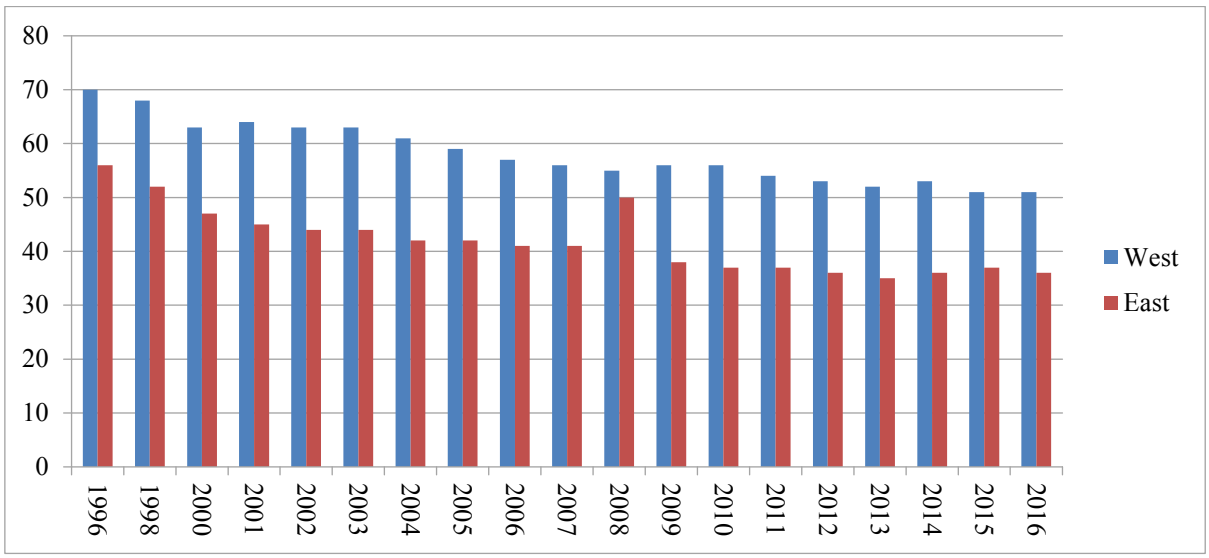
Collective bargaining is coordinated across industries through so-called pattern-bargaining by which the metalworking agreements in key regions set the pattern for other agreements to follow. In principle, this system should provide more or less uniform wage increases and changes to terms and conditions of employment across different industries. However, as recent scholarship has shown, decentralisation and declining bargaining coverage in most other industries than metalworking has eroded the institutional foundations for strong cross-industry coordination which in turn has led scholars to argue that the German labour market is suffering from idealisation (Addison et al. 2017; Baccaro and Benassi, 2017; Hassel, 2014). What is typically meant by idealisation is that differences in wages across sectors have widened since at least the 2000s with especially

low coverage services sector wages lagging behind those of high coverage manufacturing companies (Hassel, 2014). However, dualisation can also refer to within-industry differences between buyer companies and supplier companies (Goldschmidt and Schmieder, 2017 or within-company differences between core workers and peripheral workers, such as temporary of fixed-term workers (Benassi, 2016). Thus, even within covered sectors, dualisation can occur when companies differentiate between the permanent, core workforce and the peripheral workers on temporary contracts. Dualisation is thus multi-dimensional and is not exclusively between the covered and the uncovered sectors of the Germany labour market.

Decentralisation is in principle constrained by the "favourability principle" which stipulates that deviations at company level from the terms and conditions in sector collective agreements can only occur to the benefit of workers. However, in recent times deviations from collectively agreed terms and conditions that are not to the benefit of the worker can also occur via so-called derogation clauses. There are different types of articulation between sector-level agreements and company level agreements in Germany. Derogation clauses are a certain type of opening clause, that allow derogations from standards in sector-level agreements that nonetheless remain in place (Marginson and Sisson, 2004: 164). Often these clauses are also called "hardship clauses" because they contain requirements about economic hardship before the company can negotiate derogations. Moreover, so-called "opt-out" clauses exist in some agreements making it possible for companies to opt-out of certain provisions or negotiated wage increases, if they fulfil certain requirements. Some clauses apply only temporarily. We review these different types of articulation below.

The opening clauses are a main mechanism for the decentralisation of bargaining as they set out the procedural requirements for changing terms and conditions at the company level. Opening clauses are in principle a mechanism for organised decentralisation, but the use of these clauses can lead to disorganisation when the widespread use of derogation means that sector level agreements become less norm-setting than previously. Moreover, with more flexibility of wage-setting in general employers have become less willing to negotiate collective agreements with trade unions setting off a decline in collective bargaining coverage (see Figure 1). In part, this decline is due to non-binding memberships (*Ohne-Tarif*) in employer associations by which employers don´t have to be covered to be a member.

Figure 1. Sector-level coverage in Western and Eastern Germany 1996-2016



Source: Haipeter and Lehndorff, 2014: 48; Schulten and Bispinck, 2017: 5

In Germany, the historical co-existence of sector level and company level agreements as well as the dual-system of representation meant that collective bargaining was always quite flexible. However, decentralisation became more intense since the 1980s with clear ramifications for the norm-setting effect of sector level agreements. At first, opening clauses were applied in the 1960s and 1970s on work organisation and pay top-ups (Schulten and Bispinck: 2017: 8) and in the 1980s opening clauses on working time became common. For example, in 1984, IG Metall got a reduction of working time towards the aim of a 35-hour week in an exchange for employers' demands of an opening clause which allows the companies to extend working time up to 40 hours per week for a maximum of 18% of the company's workforce (EIRO, 1997). So called "working time corridors" were also agreed in the chemicals or the textile and clothing industry. Here, the sector level agreements only set the main parameters that all companies shall comply with, while making it possible to differentiate between workers within these upper and lower parameters (Marginson and Sisson, 2004). Often, the average weekly working time should stay the same over a certain reference period, typically a year. In the 1990s, during the economic crisis, "hardship clauses" were introduced, making it possible to make derogations from sector level agreements to save jobs. The procedural requirements were strict, for example risk of company bankruptcy. However, requirements were gradually loosened and became more and more about improving general competitiveness to save employment. Oftentimes, derogation clauses were used to strike "pacts of employment and competitiveness" between works councils and management, the latter sometimes using threats of relocation and closures to get what it wanted (Raess, 2006).

Thus, the formal division of responsibilities between trade unions – signatory party to collective agreements – and works councils became more and more blurred as the latter would make deals on terms and conditions – including wages – to safeguard jobs. This uncoordinated use of opening clauses between management and works councils together with political pressure to introduce more flexibility in collective agreements led social partners in metalworking to conclude the 2004 Pforzheim Agreement which formalised derogations. Already in the 1990s, the chemical industry had introduced formal

procedures for deviations, but the Pforzheim Agreement set the norm for subsequent agreements on deviations in many other industries. While the agreement is viewed to have contributed to shore up coordination of bargaining across companies in metalworking, the picture is more varied in other industries as shown below. Indeed, the decline in bargaining coverage did not end with the Pforzheim Agreement and the growing spread of low wage work in covered companies in Germany ultimately led to the adoption of a statutory minimum wage in 2015 (Amlinger et al. 2015; Mabbett, 2016).

Main features of the German bargaining system today

While the main formal institutional features of the dual-system of bargaining and co-determination remains, the German system in practice has clearly undergone a transformative change during the recent three decades. German decentralisation has both organised and disorganised dimensions. The organised decentralisation applies when sector-level agreements set the procedures by which company level bargaining takes place. The disorganised decentralisation applies when sector-level agreements – if existent – does not set the procedures by which company level bargaining takes place. In some companies, this disorganisation is due to unauthorised agreements between management and works councils or groups of workers whereby the local partners go beyond what the sector-level agreement allows. This issue should formally have been dealt with in the Pforzheim Agreement or alike agreements, although as we show below, control over derogations furthermore depends on trade union efforts. In other cases," disorganised decentralisation" is nowadays due to non-coverage and non-orientation toward the sectoral agreement.

Visser (2006) has argued that non-coverage is less of a problem for coordination as long as companies orient their HR-policies on terms and conditions towards the sector level agreement. According to Addison et al. (2016), the share of companies with firm agreements has increased from 7.8 % to 8.7 %, whereas the share with no agreement but oriented toward one, has increased from 16.2 % to 21.9 %. Thus, in all measures, the bargaining level is lower and the norm-setting role of the sectoral agreement is weaker. Overall, the share of companies that are neither covered by sectoral or company agreement, nor are orienting toward the sectoral agreement has increased from 16.0 % in 2000 to 20.1 % in 2013. Thus, non-coverage is on the rise making coordination problematic.

The importance of the typical bargaining system varies (Addison et al. 2016: 423-424). Table 1 below shows the coverage of different arrangements across selected sectors in 2013.

Table 1. Collective bargaining coverage by employment for different sectors (2013)

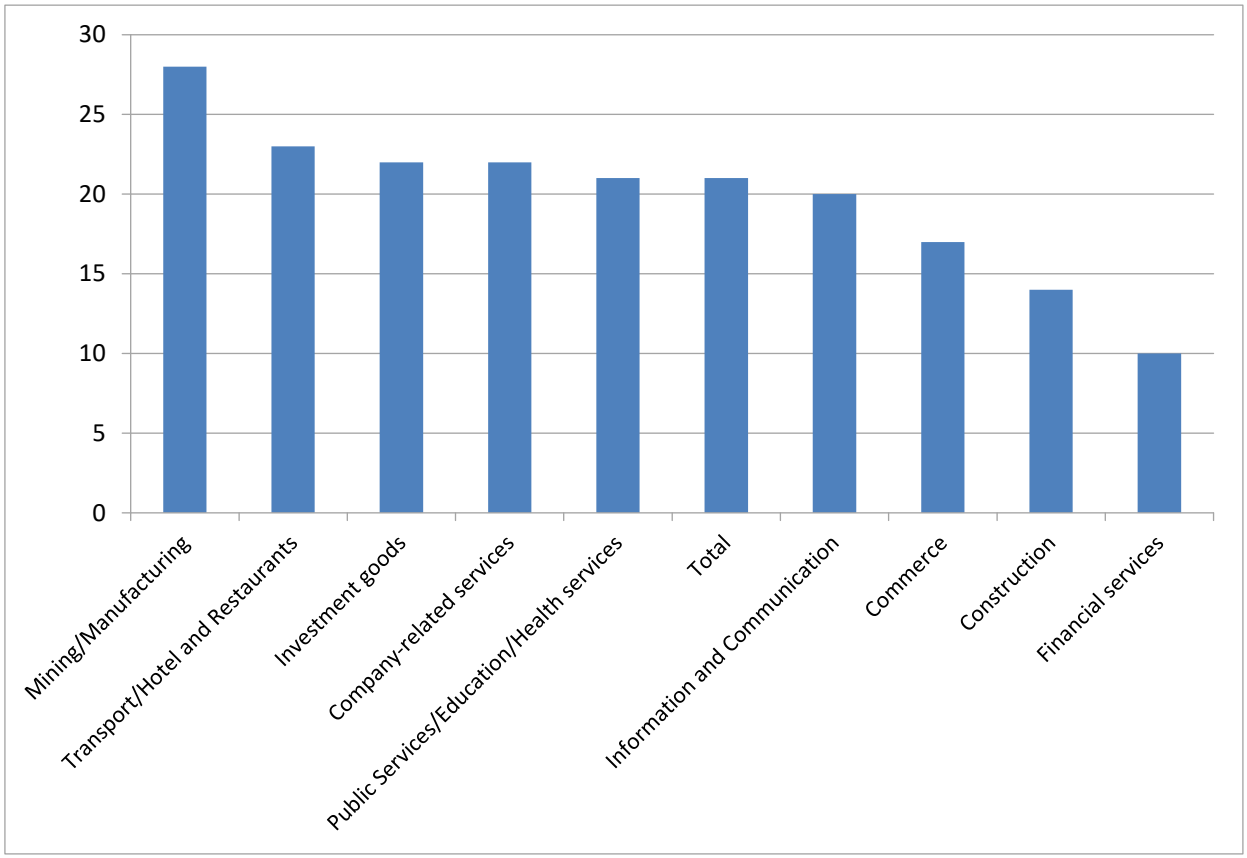
	Sectoral agreement between employer association and trade union	Firm agreement between firm and trade union	Not covered by agreement but oriented toward agreement	Neither covered by agreement nor oriented agreement
Manufacturing	50.6	12.1	22.0	15.2
Construction	65.1	3.1	20.6	11.2
Trade/Transport/Finance	42.6	6.5	27.6	23.3
Business Services	44.0	5.4	19.2	32.5
Other Services	42.6	10.7	24.7	22.1
All Germany	49.3	8.7	21.9	20.1

Source: Addison et al. 2016: 423-424

According to a recent survey of establishments with at least 20 employees and a works council from 2015 (Amlinger and Bispinck, 2016), 21 % of all establishments covered by a sector collective agreement had made use of an opening clause. Larger establishments had a higher propensity to use opening clauses as had establishments in bad economic conditions. Moreover, 13 % of the surveyed establishments reported that they practice a form of informal decentralisation without economic justification for the derogation even though this is stipulated in the sector-level agreement (reported in Schulten and Bispinck, 2017: 11). This informal decentralisation is in principle unauthorised and should be considered part of a disorganised decentralisation.

It is also important to note that works councils only exist for a fraction of German companies. According to Dribbusch et al. (2017), only 9 per cent of establishments eligible for a works council (five or more employees) had one. Moreover, the works council coverage is in decline. In 1996, 51 per cent of West German and 43 per cent of East German workers were covered by a works council. In 2015, this coverage had dropped to 42 per cent in West Germany and 33 per cent in East Germany (Ellguth and Kohaut, 2016). Larger establishments are much more likely to have a works council than smaller ones. Manufacturing has the highest use of opening clauses (28 % of all companies covered by collective agreement and with a works council), whereas financial services has the lowest (10 %).

Figure 2. Use opening-clauses in various sectors, 2015 (percentage of all companies covered by collective agreements)



Source: WSI Works Council Survey 2015 (Amlinger and Bispinck, 2016, cited from Schulten and Bispinck, 2017: 11)

Types of articulation

The standard process for introducing opening clauses into sectoral agreements involves an agreement between the signatory trade union and employer association to introduce the opening clause. Thus, the existence of the opening clause is contingent upon an initial agreement between the signatory social partners in the industry/region. There is some leeway in designing the clause in terms of what substantive issues it includes (wages, working time, employment guarantees, etc.) and under what conditions and according to which procedures the derogation can be made. According to Schulten and Bispinck (2017: 12) it is common that company level parties – management and works council – make a joint application to the signatory parties at sectoral level and that it is the latter parties that make the final decision to approve the derogation. It is, however, also possible to derogate the final decision-making competence to the company level parties.

The clauses are mainly procedural in nature, meaning that they define the rules and conditions under which the derogation can be made. In contrast to the Danish system, in which there are minimum substantive standards under which company level parties cannot go, the German decentralisation precisely allows derogation from standards. It is common to have so-called "general opening clauses" which set a general procedural

framework for derogations. This framework includes (Schulten and Bispinck, 2017: 13; Haipeter and Lehndorff, 2014: 55).

- Requirement on companies to disclose the financial status of the company to justify derogation;
- Time for parties at company and industry level to scrutinise the company financial status and measures taken;
- Requirement to set a time limit for the derogation to make sure terms and conditions will return to the agreed standards in the sectoral agreement;
- Requirement that derogations on terms and conditions of employment are exchanged for safeguarding of jobs and/or plans for new investments to make the company more viable.

According to a recent WSI study (Amlinger and Bispinck, 2016), the most typical topics in the derogation agreements are working time (14 % of all companies covered by a collective agreement), wages (10 %), allowances (10 %), annual bonuses (10 %) and apprenticeship pay (3 %). Thus, these are topics on which unions have conceded derogations from sector-level standards.

The practice of derogation varies considerably across sectors. The chemical and metalworking sectors are at the forefront of using formalised derogations as a way to adjust to fierce international competition (Baccaro and Benassi, 2017). The most common concessions by workers are working time and remuneration as shown above. According to a study of derogations in metalworking from 2006 (Haipeter, 2009), management in return concedes employment protection (79 % of all derogation agreements, NB not all covered companies), protection of locations (31 %), investment (34 %), and co-determination/union rights over derogations and/or restructuring processes (40 %). Thus, clearly the exchange between management and workers is about labor concessions to avoid lay-offs.

Few studies exist on actual outcomes of derogation agreements. Haipeter (2011) examined 12 companies and found that works councils would use their rights to information and consultation to make sure that agreements on employment protection and investment were upheld by management. In only five out of 12 cases did management not live up to its commitments and in most cases, the shortcomings were minor. However, in some companies, investment budgets were reduced ex post, quotas for temporary workers were exceeded or reductions in management salaries promised in the agreements were not implemented. In a few of these cases, works councils decided to reject management demands for new derogations. Only in one case did the works council demand that the union renegotiate the agreement with the company which did not happen due to company insolvency.

During the crisis, short time work (*Kurzarbeit*) whereby workers work less hours – up to 50 percent of normal hours – but get a wage subsidy from the government to compensate for lost income was used extensively to adjust working hours to the production needed- In 2009 715,000 workers in metalworking were on some form of short time work according to Gesamtmetall. According to IG Metall (2015: 126), nearly half of all covered companies in metalworking have a derogation agreement or an additional company agreement. Recently, it has become common in sector level bargaining to agree on opt-out clauses that make it possible to defer pay increases or lump-sum payments otherwise

agreed in sector level agreements. These kinds of deferments/postponement clauses were agreed in five of the latest eight bargaining rounds (Schulten and Bispinck, 2017: 29).

Recently, unions have instated their own procedural requirements due to the realisation that derogations were agreed between local parties without any compensation for workers (Haipeter and Lehndorff, 2014: 56). According to Haipeter and Lehndorff (2014) and Schulten and Bispinck (2017) such internal union procedures have helped to shore up coordination on terms and condition and avoid some of the adverse consequences of unauthorised derogations for workers and has also been beneficial for union revitalisation and increased coverage (for a less optimistic view see Baccaro and Benassi (2017)). However, the evidence also suggests that coordination through internal procedures is only strong in some sectors, most notably metalworking, where unions are strong locally. The procedures are as follows: First, applications for derogation together with information about the company should be sent to the regional union branch for scrutiny and decision about whether or not to engage in derogation. Second, the regional union branch can delegate power to negotiate derogation to the local union branch. Third, firm-level collective bargaining committees (not works councils) with union members on site should partake in the negotiations of derogation. Fourth, the outcome of negotiations at firm level is communicated to the federal level union executive which has the power to authorise the agreement and take responsibility for it. Finally, since 2016, IG Metall has also tried to involve uncovered companies in their bargaining strategy in attempts to boost coverage (Schulten and Bispinck, 2017: 31).

The retail sector differs considerably from metalworking in regards to decentralisation. Firstly, the norm-setting role of the sector level agreement has been weakened due to the decrease in bargaining coverage, down from around 50 % of employees in 2010 to 39 % in 2016 (IAB Establishment Panel reported in Schulten and Bispinck, 2017: 37). An additional 34 % of employees are working in uncovered companies that nonetheless orient toward a sectoral agreement (Ibid.: 38). The retail social partners have concluded agreements on derogations similar to the Pforzheim Agreement which allows for temporary derogations on condition of companies opening their books to justify derogations. Also, the agreement is procedural in nature and there is no specification of substantive derogation. In retail, there are clauses specifically for small and medium sized enterprises (SMEs) which are allowed to reduce basic pay below the standard in the sector level agreement. For example, the Federal State of Brandenburg retail agreement allows reduction in basic payments by 4 per cent in companies of up to 25 employees, by 6 per cent in companies of up to 15 employees and by 8 per cent in companies of up to 5 employees (Schulten and Bispinck, 2017: 39). This is a way to help these smaller companies in fierce competitive situations. Also, working time extensions are allowed making it possible for employers to avoid overtime payments.

Decentralisation in retail is more ´disorganised´ because unions and works councils are much less prevalent in retail and because employers have opted for non-binding membership or simply non-membership to a larger extent. In the past, these representational weaknesses were countered by an extension mechanism, but this practice has ended since the early 2000s (Schulten and Bispinck, 2017). The double absence of extension and strong local representation to curtail employer demands, means that the norm-setting function of retail sector agreements is clearly weakened. As we show below in the Danish case study, it is possible to have a strong norm-setting function without extension, if local representation of workers, e.g. through strong shop stewards, is strong.

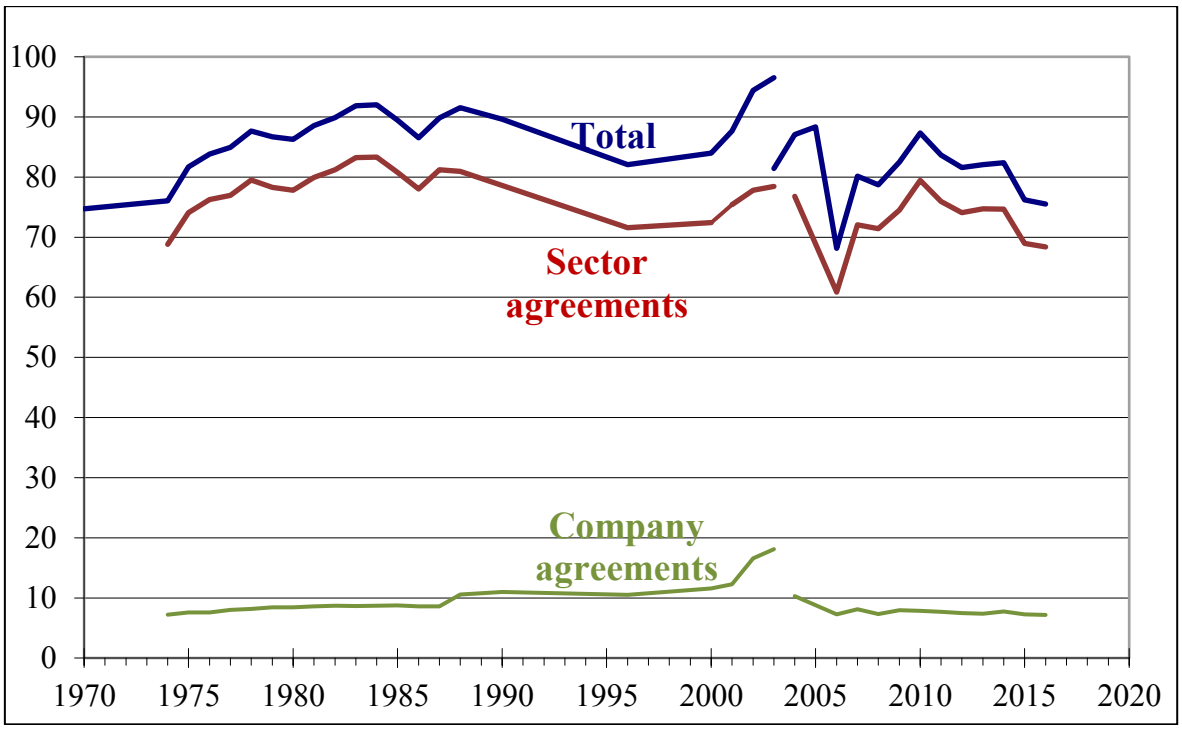
These pressures on organised decentralisation in the private sector are not mirrored entirely in the public sector of Germany. Nonetheless, public sector wage-setting has changed significantly in recent decades. It is important to distinguish between civil servants (*Beamte*) and public employees (Keller, 2013). The former is subject to public law relationships and unilateral regulation of terms and conditions by government at various levels, whereas the latter are subject to private law relationships and collective bargaining. Decentralisation has gone furthest for the latter group, which especially in liberalised parts of the public sector, such as utilities and parts of health care. In public administration, *Beamte* is the norm and terms and conditions follow the unilateral regulation model. Decentralisation for civil servants has come in the form of lower-level governments (in *Länders* or municipalities) getting more discretion in setting terms and conditions – especially around retrenchment. Collective agreements for public employees usually also applied to civil servants.

In the public health sector, decentralisation for public employees has not followed the Pforzheim Agreement-template and instead the public service union *ver.di* relies on an internal procedure to review and approve individual cases of derogation (Haipeter and Lehndorff, 2014: 60). However, these efforts are frustrated on the one hand by the existence of non-profit and private health care providers that are not bound by collective agreements, and on the other hand by so-called reorganisation or emergency collective bargaining agreements whereby derogations are applied due to financial concerns and despite union resistance. Finally, outsourcing of hospital auxiliary services provides an opportunity to transfer staff onto different collective agreements that are often inferior on terms and conditions (Greer et al. 2011).

The Netherlands: Decentralisation to the company and individual level

Collective bargaining coverage in the Netherlands is high and has hovered between 75% and 95% in the past 45 years (Figure 2). Today, coverage is similar to that in the early 1970s, even though it has declined somewhat in recent years. Most of this coverage is generated by sector agreements, many of which are extended by the Ministry of Labour to cover also the employers in the same sector not part to the agreement. Also, all employees in a company falling under an (extended) agreement are covered, irrespective of trade union membership. Sector-level bargaining has consistently been the dominant bargaining level since the 1970s and the coverage of company-level agreements remains around 10%. Company bargaining takes place mainly in large companies or in companies with a mixed or hard-to-categorise sector profile. Companies belonging to a sector with an extended sector agreement require dispensation from the agreement to be able to negotiate company agreements. Collective agreements can provide dispensation for specific companies or can include a dispensation clause based on which companies can request dispensation from one or more stipulations in the extended agreement (Houtkoop et al. 2016). Dispensation can also be requested during the extension process. The limited incidence of company agreements is also related to the fact that worker representation at the national and sector level is done by trade unions, but at the company level mainly by works councils that, in principle (see below) mainly have information and consultation rights and no formal collective bargaining capacity. Trade unions have only a limited presence at the company level and many company collective agreements are negotiated by sector unions. Works councils are obligatory in companies with 50 or more employees. They have members from union lists and independent members.

Figure 3. Percentage employees covered by collective agreements, 1970-2016



Source: de Beer and Keune (2017), originally based on Schilstra and Smit (2005: 57); SZW and DCA (1989); SZW; CBS (Statline).

Main features of Dutch bargaining system today

The stability of sector level agreements does not mean, however, that collective bargaining has not decentralised but rather that decentralisation is decisively organised, i.e. taking place within the confines of sectoral agreements that determine the character and extent of decentralisation. In line with the neo-corporatist traditions of the Dutch polder model and the practice of concluding social pacts (Keune 2016), in the 1993 pact titled A New Course, concluded in the bi-partite deliberation body the Labour Foundation, unions and employers' organisations agreed that collective agreements should offer more possibilities for tailor-made solutions for sectors, enterprises and workers. It argued that all would benefit from more differentiation and choice within collectively agreed regulations, better adjusted to their needs and preferences. It also argued that this could strengthen economic and employment growth. Specifically, for wages it argued for wage developments in accordance with the competitive position of sectors and companies, departing from the idea of one central wage increase agreed upon by the social partners. However, in the past 25 years, the wage increases negotiated in sector agreements have been very similar across the economy, with differences between sectors being small (Verhoeff 2016). This means that wage bargaining continues to have an important element of central coordination, mainly through the unions' maximum wage demand, and only to a limited extent reflects differences in economic growth and competitiveness between sectors.

Types of articulation

Other arrangements do provide for possibilities for decentralised standard setting however. One concerns the overall character of sector collective agreements. Four types can be distinguished depending on how they are characterised in the agreement (van den Ameele and Schaeps 2014, see also the introduction): 1) a standard agreement which sets absolute standards which have to be followed at company level; 2) minimum agreements, which allow deviations to the benefit of workers at the company level; 3) agreements containing both standard and minimum stipulations; and 4) agreements that contain no explicit general characterisation. In 2014, 48% of sector agreements were minimum agreements and another 6% combine minimum and standard stipulations (Table 2). These leave substantial space to the company level to determine actual standards. Only 12% of agreements were standard agreements (type 1 above), whereas in 34% no specific characterisation was included. Also of the latter two groups of agreements (46% of the total), in two-thirds of the agreements some possibilities for local deviations exist however. These concern working time (in 63% of the agreements with some deviation possibilities), wages (43%),1 holidays (41%) and other issues (51%) (van den Ameele and Schaeps 2014).

Table 2. Sector collective agreements by type of agreement, 2014.

Defined character of agreement	% agreements
Standard agreement	12
Minimum agreement	48
Mixed standard and minimum agreement	6
No explicit characterisation	**34**
Total	**100**

Source: van den Ameele and Schaeps 2014

Today, the vast majority of sector agreements thus includes (ample or only some) possibilities for standard setting at company level. One of the results of this development is that the works council (or in its absence another type of personnel representative) has been taking up a new role. Since 2014, almost all sector collective agreements one way or the other assign a role to the works council in agreeing with management on issues like working time, working schedules, holidays and holiday bonuses, and in some cases also with the level and increases of wages (Jansen en Zaal 2017). Works councils are then indirectly becoming part of collective bargaining about employment conditions in ways that were not foreseen by and are not regulated properly in Dutch labour legislation (ibid.). In some cases, in line with the idea of organised decentralisation, the collective agreement clearly determines what the boundaries are within which solutions can be agreed between the works council and management; in others the collective agreement provides an open delegation clause (ibid.). The latter in principle makes it possible that

[1] Some decentralisation of wage has occurred however through the increased use of variable pay. According to the Eurofound Company Survey, in 2013, in 39% of companies in the Netherlands some form of results-related variable pay is available to at least some of the employees. The total number of employees with result-related variable pay is however likely to be small (REF).

solutions are agreed to the detriment of workers, although no data is available to evaluate if this is indeed the case.

A final type of decentralisation is constituted by the availability of individual choice options in collective agreements. Since the early 1990s, more and more collective agreements started to incorporate *à-la-carte* regulations, allowing individual employees to make certain choices in their employment conditions (Harteveld et al. 2013). In 1999, this development got an institutional push by a recommendation by the Labour Foundation to increase the choices for employees concerning their employment conditions.

The *à-la-carte* regulations were introduced to increase individual choice, in recognition of the diverse and changing preferences of employees, their capacity to make their own decisions on employment conditions and in response to changes in public policy (tax regulations, social security, etc.). From the perspective of companies, these regulations allow for a flexible HRM policy, an instrument to increase employee satisfaction and may help to reduce large reserves of holidays that employees may build up (Harteveld et al. 2013). The *à-la-carte* regulations offer employees generally four options: exchange money for free time (using e.g. holiday allowances or bonuses); exchange free time for money, e.g. by 'selling' available holiday days (without going below the legal minimum of holidays) for cash or for a bicycle; exchange money for money, e.g. by exchanging holiday allowances or profit bonuses for pension payments, a tax-free bike or computer; or exchanging free time for free time, e.g. by saving holiday days for long-term leave (Harteveld et al. 2013).

Data on the extent to which collective agreements include *à-la-carte* regulations are scarce but according to van Lier en Zielschot (2015), in 2014, some 53% of collective agreements contained such regulation. This percentage was similar to that in 2010. However, individualisation has proceeded further since, apart from the traditional *à-la-carte* regulations, a modern version termed Personal Choice Budget (PCB) is introduced in an increasing number of agreements. The PCB offer more options to the individual employees. It provides the individual with an individual budget which comprises all the elements that could be exchanged in the *à-la-carte* system (holiday allowances, bonuses, holidays, etc.) that are all expressed in money terms and that can be used to sell or buy free time, get travel compensation, finance education or training, etc.

There are different forms of PCBs (van Lier en Zielschot 2015). The most complete one is the personal employment conditions budget, which gives the individual all the above-mentioned options. A second version is the personal budget for additional leave, which allows the individual to take extra leave or to save free time for later when it better fits the life phase. The third version is the sustainable employability budget, in which a budget is made available for education, training, coaching etc. The latter type is the most common PCB, present in about 20% of (sector and company) collective agreements, while the former two each are present in some 10% of agreements (ibid.).

As to the content of the PCBs, more detailed information on the sustainable employability budgets shows that their value is of between €150 and €1,000 per year, with an average of €683 and that in some cases it concerns an amount for a certain period (e.g. €5,000 for five years) but that mostly it concerns a yearly amount that can be accumulated during 3-

5 years.[2] Often the individual needs the agreement of the respective supervisor but increasingly decisions on the use of this budget can be taken autonomously. Anecdotal information suggests that only a small minority of employees makes use of these options.

Denmark: Centralised Decentralisation and Individualisation

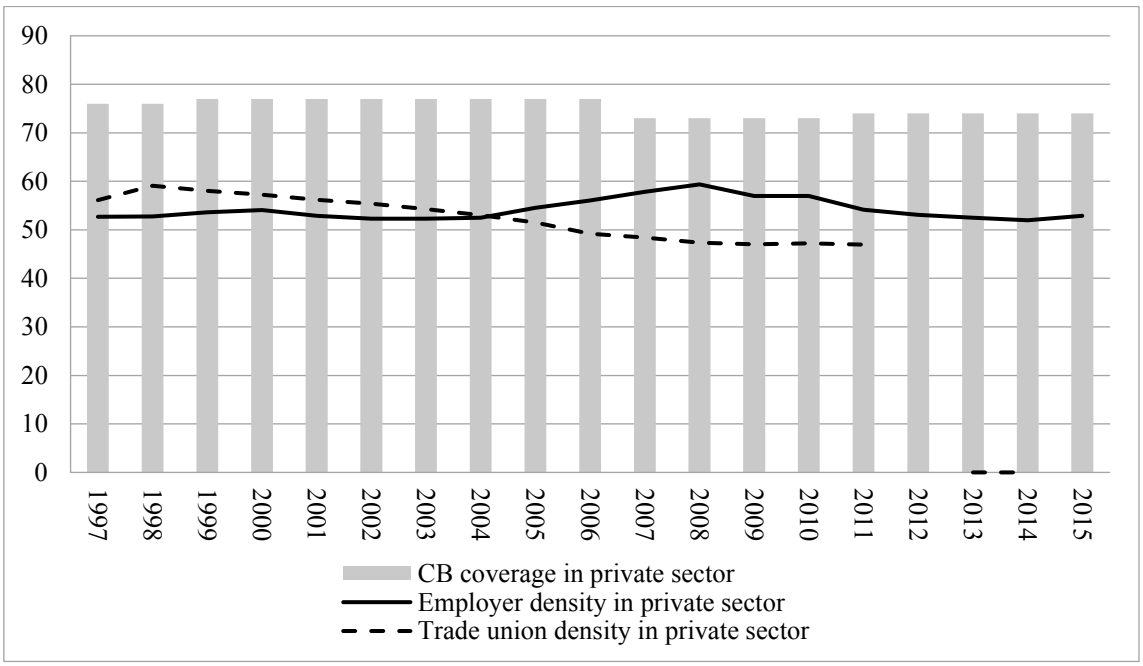
The focus in the following is on private sector decentralisation (see short note on public sector decentralisation at the bottom of section). Decentralisation started in the early 1980s in Denmark and in the first instance meant that peak level confederations no longer bargained terms and conditions in collective agreements. Instead, industry-level and company level bargaining became the two main levels at which terms and conditions of employment are bargained in a single-channel system. The Danish variant of organised decentralisation has been termed "centralised decentralisation" because of three specific characteristics linked to the single-channel system which articulates the links between levels of bargaining (Due et al. 1994): 1) peak level confederations retain a coordinating role to make sure that all industries reach agreements; 2) industry-level agreements retain an important role in setting a framework for company-level bargaining; 3) local bargaining at the workplace mimics higher-level bargaining by using "voluntarist, good-faith bargaining" between management and shop-stewards of the agreement-bearing union.

The articulation between sector and company level bargaining is both procedural and substantive. Procedurally, there are rules for how and when company level bargaining can deviate from industry-level provisions. Substantively, frameworks include minimum rules that are guaranteed for workers. Moreover, some elements in industry-level agreements apply to all workers. These elements include occupational pension, parental leave and rights to paid time off for education and training. Actual wages and working time, however, are mainly negotiated at the company level. Unlike Germany, bargaining coverage and density of social partners have remained relatively stable during the recent two decades, albeit with some decline in trade unionism (see Figure 3). Approximately 70 percent of the labour force is member of a union. However, behind this overall figure, so called yellow unions who typically do not bargaining collective agreements have gained ground and now represent approximately 11 percent of the labour force (Ibsen et al. 2015). Notwithstanding this development, the high coverage, high density and high degrees of coordination between bargaining levels means that the bargaining system, while highly decentralised, has not eroded in Denmark.

A big contributing factor to the resilience of the system is the organisational strength that trade unions derive from the Ghent-system of union-run unemployment insurance. The Ghent-system solves the free-rider problem of unionization by providing a selective incentive – unemployment insurance for the individual – when union and unemployment fund membership are viewed as one (Kjellberg and Ibsen, 2016). The Ghent-system for decades made high union density relatively resilient to both economic cycles and structural changes in the labour markets. In contrast to non-Ghent countries, union density in the past even tended to increase during recessions and decline in times of tight labour markets (Due and Madsen, 2007).

[2] Source: tailor-made information from the collective agreements database of employers' organisation AWVN.

Figure 4. Coverage and Density in Denmark 1997-2015



Source: DA (2017) and Toubøl et al. 2015

In Denmark, the wage system for skilled metalworkers was always highly flexible, allowing wage setting for "able workers" since 1902 (Navrbjerg et al. 2001). Even during the heyday of peak-level bargaining between confederations of employers (*Dansk Arbejdsgiverforening*) and unions (LO), wage negotiations for skilled metalworkers continued to differ from those of unskilled workers. Whereas the latter bargained under a system of centralised pay rates with increases set centrally (the so-called normal wage system, "*normalløn*"), skilled workers applied an alternative, minimum wage system ("*minimalløn*" and later "*mindstebetaling*") in which the centrally determined rate was topped up through locally negotiated increases and piece-rate agreements.

After the breakdown of peak confederation-level bargaining in 1981, the normal wage system was gradually displaced by the minimum wage system long preferred—and practiced—by Denmark's skilled workers' unions. Skilled workers' unions have historically had a preference for more decentralised wage-setting because they could get wage premia for their members based on skills (Ibsen and Thelen, 2017). The first formal shift in wage structures came in 1991, when a large share of unskilled manufacturing workers who had previously been under the "*normalløn*" was transferred for the first time to "*mindstebetaling*". Today, in the private sector, around 85 % of workers in companies with collective agreement coverage have some form of company level bargaining over wages (DA, 2017). Companies that continue to have "*normalløn*" systems are primarily found in transports, cleaning and meat processing. All other industries have the flexible wage systems.

Main features of Danish bargaining system today

Renewal of collective agreements at the industry level works as follows. Parties representing employers (DI) and workers (CO-industri) in the exporting manufacturing

companies negotiate a pattern-setting agreement which is based on a negotiation agreement between the confederations LO and DA. The negotiation agreement stipulates a synchronized bargaining process by which all industry-level agreements expire at the same time. The first stages of bargaining pertain to the federate level. First, DI and CO-industri settle on the pattern-setting agreement which contain the labour cost norm based on minimum wage increases and improvements on non-wage issues like pension, education rights. This labour cost norm thus constitutes the annual increases that workers will get on average and employers will have to pay more due to the agreement. Thus, the percentage increase per year in the agreement period constitutes the norm. Concomitantly, the other bargaining areas negotiate on anything but cost-driving provisions to get as ready as possible while waiting for the cost norm. In theory, if all bargaining sectors settle and stay within the norm, the union ballot can take place without mediation – but this has not happened in recent times.

Second, if some of the parties outside manufacturing do not agree, they are compelled to engage in mediation. Mediators will propose settlements that conform to the cost norm of manufacturing, and according to mediators, it is not uncommon to have the manufacturing agreement at hand when designing provisions. Should the mediator fail to bring the concerned parties into agreement, the bargaining area is transferred to concatenation, i.e. linking agreement areas together into one decision. Crucially, areas who didn't come to an agreement even with mediation are given increases on provisions in accordance with the cost norm.

Third, once the linked agreements are publicised, the parties engage in their respective decision-making procedures. Rejecting the linked agreements is hard. Employers in DA decide in an executive committee where DI holds 50 per cent of the vote, making defection from the norm extremely difficult. Unions hold a nation-wide ballot with their members. Rejection of a proposal requires a majority. However, if less than 40 per cent of eligible voters participate, then at least 25 per cent of eligible voters are required to vote 'no' in order to reject the proposal. If rejected, encompassing industrial action commences.

Once industry-level agreements have been settled, bargaining at the company level between shop stewards and management over local agreements (*lokalaftaler*). HR-directors or personnel managers usually bargain on behalf of employers. In smaller companies, the owner of director might bargain directly. On the employee-side, usually shop stewards bargain on behalf of employees. Shop stewards are employees elected by colleagues, who are members of the agreement-bearing union. Procedures for electing shop stewards are stipulated in the industry-level agreement and vary across agreements. In the pattern-setting manufacturing agreement, electability requires employment at the workplace for at least nine months out of the previous two years. Moreover, for appointing a show steward, the workplace has to be of a certain size, usually at least five employees.

Local bargaining normally occurs once per year and there is no right to industrial action in relation to local bargaining. The bargaining unit for local bargaining varies. Some companies choose to have company-wide agreements, whereas others have specific workplace agreements. Often there will also be specific local agreements for groups of workers based on occupational lines.

According to the most recent survey on shop stewards from 2010, 52 % of workplaces have a shop steward in Denmark (Larsen et al. 2010: 23). However, this share conceals great variation across sectors and industries. The shop steward coverage is 91 % in the

public sectors, and only 33 % in the private sector. In the private sector, coverage varies from only 10 % in Design and IT to 49 % in manufacturing. Large companies have higher shop steward coverage than small companies (ibid.: 245). If no shop steward is elected, officials from the local union branch can step in to negotiate. It is also possible for employees to sign local agreements if no shop steward has been elected and no local union official is present. However, unions will be very wary of such practices as they undermine the control unions have over local bargaining. Often, shop stewards representing different categories of workers will form union clubs in their company to form alliances across occupational lines. The clubs can appoint a chief negotiator who represents more than one category of worker.

Trade unions and employer associations collect and share information about local bargaining to their local branches and to local bargaining parties. Hereby, they try to coordinate local bargaining to ensure that local agreements are somewhat aligned. However, there is no central approval procedure of local agreements and variations in results do exist.

Types of articulation

It is important to underline that local agreements can also supplement or deviate from multi-employer agreements on non-wage issues such as management/employee consultation and participation (*samarbejde*), working time, distant-work and education/training. Local agreements can be terminated by one party with two months' notice. In case of disagreement between local parties, mediation and conciliation applies. In case mediation and conciliation do not lead to an agreement, the agreement-bearing trade union and employer association step in. Otherwise, local agreements have the same legal standing as multi-employer collective agreements.

Local bargaining on working time is very prevalent. Around 60 % of local agreements were about working time, including agreements about overtime/time-off in lieu and about flexitime (Larsen et al. 2010: 209). Thus, the length, placement and distribution of working time is determined locally and deviations from the standard 37-hour week are very normal and accepted by trade unions (Ilsøe. 2009).

Turning to wages, here are three forms of articulation between the multi-employer agreement and local bargaining. First, so called figureless agreements contain no wage standard in the multi-employer agreement and wage-setting is thus set entirely at local level (company or workplace) and often on an individual basis. Figureless agreements often apply to salaried workers[3] who are covered by one of the few pieces of employment law, the Salaried Workers Act (*Funktionærloven*). This law gives certain rights to workers, most notably longer notice periods than blue-collar workers. Otherwise, figureless agreements contain the same entitlements as other collective agreements, regarding occupational pension, sick pay, vacation, education and training, etc. The figureless agreement system has grown in importance and today applies to around 20 % of workers with a collective agreement (up from 4 percent in 1989). Figureless agreements traditionally applied to white-collar workers (*funktionærer*) but in recent decades more and more blue-collar workers that occupy jobs similar to salaried workers (*funktionærlignende ansættelse*), in terms of specific entrusted tasks or responsibilities,

[3] Salaried workers for example enjoy longer notice periods and are payed on a monthly basis (rather than hourly).

will also have figureless agreements. Often these workers will negotiate their own wage with management, however, shop stewards can be involved in negotiating criteria for individual wage-setting or assist employees in their individual negotiation. As noted above, trade unions will support local wage-settlements by collecting and sharing information about wage developments. In the case of figureless agreements, such information sharing is particular important. By targeting both shop stewards and individual union members, unions try to make sure that they are aware of what workers in similar jobs are getting when they negotiate wages. Similar information-sharing is done by employer associations to their members.

Second, so called minimum wage agreements (*minimalløn*) contain a minimum base wage rate in the industry-level agreement and gives the possibility of adding wage supplements (*tillæg*) that can apply to groups of workers or individual. Supplements are often based on extraordinary performance, functions or qualifications warranting extra pay. Actual take-home pay (base wage + supplements) cannot be below the base wage rate. Third, so called minimum pay agreements (*mindstebetaling*) contain a minimum rate in the industry-level agreement. There is no differentiation between basic wage and supplements. Actual take-home pay cannot be below the minimum rate.

Together, these two forms of articulation account for 65 % of the workforce covered by collective agreements. Both minimum wage and minimum pay are pro-cyclical and workers will use the local wage bargaining to get additional increases based on local labour market conditions and bargaining results in similar companies. Typically, shop stewards will agree to systems and norms for awarding groups of workers or individual workers based on the particular production or service delivery process in the company. Employer associations and trade unions will often have templates for these company level wage systems which local bargaining parties can use (Stamhus, 2007). According to a recent study (Dahl et al. 2013), wage dispersion has increased with decentralisation and return to skills is higher under the more decentralised wage-setting systems. To give an example of the gap between actual pay and minimum wage/pay, consider the pattern-setting manufacturing agreement. The collectively agreed minimum wage in 2016 was DKK 113.65, whereas the average hourly wage in manufacturing was DKK 202.87 (according Dansk Metal – Danish Metalworkers´ Union).

Nowadays, the difference between minimum wage and minimum pay is *de facto* disappearing. However, there is a slight difference in how increases in industry level rates translate into increases in actual take-home pay which has an effect on how local wage bargaining can be used as a buffer in companies that are performing poorly. Negotiated adjustment of the minimum base wage in sector level agreements automatically adjusts the actual take-home wage of workers. Thus, unions can rest assured that workers will get at least the increase in the basic wage. Conversely, management would have to adjust wage supplements downwards to assure that adjustments in the multi-employer agreement do not translate into adjustment of the take-home wage. In contrast, negotiated adjustments to the minimum pay in in sector level agreements do not automatically adjust the actual take-home pay, unless local wage bargaining increases actual take-home pay in local agreements. As such, wage developments in minimum wage agreements are slightly more centralised than in minimum pay agreements. In practice, however, local wage bargaining will often reflect the percentage increase in the minimum pay. Thus, the industry-level increases in either minimum wage or minimum pay work as a reference point for local wage bargains.

Similar to agreements in the Netherlands, Danish collective agreements since 2007 include an "*à la carte*-account" (*fritvalgs lønkonto*) which reserves funds from which individual workers can choose between extra wage, extra pension contributions, time off for senior workers, or extra paid time off. The "*à la carte*-account" applies to all workers regardless of wage-system and each worker has an individual fund based on their salary and the money is paid into the account each month of employment. As of March 2019, 4 percent of the individual's wage will be paid into this account which contributes to further individualisation of terms and conditions, albeit in a centralised way. While the account is individual the percentage of the wage going into the account is determined in multi-employer bargaining. Therefore, each worker is assured the same relative increases in contributions. From a worker-perspective, this design means that increases are not dependent upon individual bargaining power. From a management-perspective, the design means that labour cost increases have to some degree been re-centralised to the industry-level. However, it could also be argued that the account can be used to dampen local wage bargaining demands because employers feel that the room for wage increases has been limited by the increased costs from the "*à la-carte* account". The account is projected to increase in scope (options workers can choose from) and funding level in future bargaining rounds as a way to accommodate the different needs of workers at different stages of their lives (Andersen and Ibsen, 2017).

Finally, collective bargaining in the public sector has decentralised much less than the private sector (Ibsen et al. 2011). Multi-employer agreements for employees in the state, regions and municipalities contain standard wage scales on top of which wage supplements to individual workers can be negotiated between shop stewards and managements based on performance, skills and functions. However, the size of supplements is significantly circumscribed by wage pools negotiated in multi-employer bargaining. Thus, only a fraction of the general wage increase is dedicated to workplace level bargaining, making wage supplements modest vis-à-vis general increases. Only for top-level managers in the public sector is wage determination individualized.

Conclusion

The aim of this paper was to give an overview of three varieties of organised decentralisation of collective bargaining. Germany, the Netherlands and Denmark have all decentralised bargaining to the workplace level, but articulation between levels of bargaining and the practice of workplace bargaining differ significantly. Below, we have summarised the type of articulation across the three countries. We distinguish between framework agreements with maximum/minimum levels or corridors, opening/derogation clauses, and *à-la-carte* option. The latter gives individuals the option of choosing the mix of terms and conditions. Company level agreement can agree to introduce the *à-la-carte* option for the workforce (mandated *à-la-carte*), while in others the sector level agreement gives this account regardless of company level agreement (un-mandated).

Table 3. Types of organised decentralisation in Denmark, Germany and the Netherlands

Type of articulation		Germany	Netherlands	Denmark
Sector vs. Company	*Framework*		Minimum, Corridor and Mixed Agreements	Minimum and Mixed Agreements
	Opening/Derogation	Mix of Competition, Hardship and Opt-out Clauses		
Sector vs. Individual	*À-la-Carte*		Un-mandated	Un-mandated

Source: Authors' elaboration.

Decentralisation of the dual-channel system in Germany has gone through various stages since the 1980s and there are considerable differences across industries. Fuelled by reunification and intense cross-national competition in key German export sectors, decentralisation has taken the form of opening and derogation clauses by which workplace agreements can deviate from the sector level. At first, deviations were unauthorized by signatory parties to collective agreements, but during the 1990s and with the 2004 Pforzheim agreement, opening and derogation became formalized. New to the German model, these clauses break with the favourability principle and it is thus possible to negotiate agreements to the disadvantage of workers. Also new is the role of works councils in negotiating agreements that involve terms and conditions of employment. Derogations in local bargaining through competition, hardship or opt-outs have meant a weakening of the sector-level agreement as companies undercut the terms and conditions set in multi-employer agreements. However, trade unions have sought to shore-up coordination of terms and conditions by stricter monitoring of workplace bargaining and internal review processes. The efficacy of these efforts depends on union resources and procedures for vertical coordination between local and regional union branches and national union offices. These conditions are present in sectors like chemicals and metalworking, but absent in private services like retail, hotels and restaurants. And even in the former sectors, unions are having a hard time keeping track of company level agreements. The knock-on effect has been dwindling bargaining coverage as employers remain outside or opt-out of multi-employer agreements because these agreements

impede cost competitiveness. Today, multi-employer agreements cover just under half of employees in Germany and the renewed framework for extending agreements beyond member companies has not been effective in shoring up coverage – at least not yet.

Dutch decentralisation of the dual-channel system is primarily based on framework agreements that allow company level bargaining as long as minimum stipulations in the sector-level agreement are observed. Like in Germany, the dual-channel system has been transformed by giving a new role to works councils in negotiations with management over issues such as working time, working schedules, holidays and holiday bonuses, and in some cases also with the level and increases of wages. Similar to Denmark, the peak level confederations have had a role in determining articulation between the levels of bargaining. Unlike in Germany, with the new role for works councils in a dual-channel system, unions do not run the risk of producing uncoordinated agreements at the workplace level, since the degrees of freedom for the works council agreements are clearly defined in the sector agreements. Also similar to Denmark, un-mandated *à-la-carte* option exist in multi-employer agreements giving employees a choice between holiday allowances, bonuses, above-legal holidays that are all expressed in money terms and that can be used to sell or buy free time, get travel compensation, finance education or training. Funding for these individual choices stem from multi-employer agreements and are not subject to company level agreements. Employers manage to negotiate many advantages from the combination of coordinated bargaining over multi-employer agreements together with the possibility for flexibility at the workplace level. On one hand, they get a tool for horizontal coordination on wage moderation across the economy. On the other hand, they get a tool for workplace level differentiation across worker groups. Together with extension mechanisms perhaps this combination of wage moderation and flexibility is why bargaining coverage is still very robust in the Netherlands. Multi-employer bargaining is very stable and covers just under 70 percent of employees.

Danish decentralisation in the single-channel system is – like the Dutch – based on framework agreements that set minimum standards. However, unlike Germany and the Netherlands there are no extension mechanisms and the Danish social partners rely on strong social partners to shore up horizontal and vertical coordination of bargaining. The single-channel system helps in this regard as shop stewards and managers report their bargaining activity to trade unions and employer associations, respectively. In turn, trade unions and employer associations collect and disseminate data on local bargaining to make sure that local negotiators are equipped when going into workplace negotiations. Moreover, the Ghent-system of unemployment insurance run by trade unions contributes to a stable, albeit slowly declining, union density at a comparatively high level. Thus, unions are in a good position to elect shop stewards and high workplace union density helps shop stewards when negotiating with management. Danish multi-employer agreements, like the Dutch, include un-mandated *à-la-carte* options giving each worker funds that they can use for extra wage, extra pension contributions, time off for senior workers, or extra paid time off. Employers and trade unions alike are content with the current system. The crisis-agreements showed that wages in Denmark can be quickly readjusted using a combination of horizontal coordination of labor costs in multi-employer bargaining and wage freezes or concessions in company level bargaining as long as minimum standards are not violated. Thus, employers benefit from a bargaining model that gives them wage moderation, flexibility and industrial peace at the same time. Stable bargaining relations, also means that employers commit to multi-employer agreements which cover over 70 percent of employees, despite the absence of extension

mechanism. This stability is also due to unions demanding collective bargaining with companies still not members of employer associations. These demands are most effective when union members engage in industrial action and secondary actions.

The variety of decentralisation has ramifications for the regulation of terms and conditions of employment and for the stability of the bargaining model per se. First, there is a close link between the regulatory function of multi-employer agreements and bargaining coverage. If the multi-employer agreement ceases to have the regulatory function of "taking terms and conditions out of competition", companies are more likely to opt-out of bargaining entirely. Thus, while the workplace is becoming more and more active in setting the actual terms and conditions of employment, it is necessary to maintain multi-employer agreements in order to shore-up bargaining coverage (cf. Visser, 2016). Whether multi-employer agreements set the procedural or substantive confines for workplace bargaining, they need to have a norm-setting role for lower level agreements. If not, workplace bargaining will respond to local bargaining power alone and in a context of declining union density bargaining coverage will most likely suffer. Second, there is a close link between coordinating efforts by the social partners at industry and national level and the practice of collective bargaining at the workplace level. Thus, while decentralisation may be clearly articulated formally, the actual practice of workplace bargaining needs to be closely monitored by social partners at the industry and/or national level. The ability to monitor workplace bargaining vertically and horizontally is a crucial prerequisite for organised decentralisation and one that suffers greatly from decline in bargaining coverage and union density.

It is clear that employers in all three countries have been able to push through an agenda of increased flexibility through more or less organised decentralisation processes. Germany stands out as the most disorganised of the three. Opening and derogation clauses meant that terms and conditions in multi-employer agreements could be undercut and that the vertical control over these derogations was impaired by the dual-channel representation in which works councils took over a new role. Only in recent years and in certain industries with strong unions, has coordination been somewhat restored and bargaining coverage shored-up. Since extension is not very effective, bargaining coverage has suffered from these conditions. It is very indicative of the problems of disorganised decentralisation in large parts of the economy that unions in Germany ended up endorsing a statutory minimum wage. The Netherlands exhibit some, very limited, elements of disorganisation. However, decentralisation has mainly happened through framework agreements setting minimum levels or through the organised transfer of competencies to works councils. In consequence, bargaining coverage has still not suffered from decentralisation in the Netherlands. Finally, Denmark combines a single-channel system with framework agreements setting minimum levels. This system leaves a lot of scope for local bargaining, the minimum levels are generally observed and bargaining coverage has not suffered. In part, this stability is due to employers being content with the system but also that union density is still relatively high due to the Ghent-system of unemployment insurance.

Based on these findings, we draw the conclusion that organised decentralisation requires articulation that preserves a regulatory function of multi-employer agreements. Preservation of multi-employer agreements in turn requires high bargaining coverage above a certain (unknown) threshold. Coverage under the threshold means that a sufficiently large share of companies competes on terms and conditions of employment and this will make bargaining unstable. Finally, the organisational strength and cohesion of trade unions and employer associations matter for the practice of decentralisation.

Table 4. Types of decentralisation in Denmark, Germany and the Netherlands

	Opening/Derogation Clauses	Framework Agreements
Single-channel		Denmark
Dual-channel	Germany	Netherlands

Source: Authors' elaboration

It would seem that the future viability of organised decentralisation rests upon strengthening multi-employer agreements and strengthening organisations so they can manage workplace bargaining. The German statutory minimum wage was accompanied by legislation trying to strengthen extension mechanism but the scant evidence so far suggest that the new provisions have not increased coverage. Perhaps the only real way to reverse the trends in Germany is to rebuild organisational strength. In Denmark, the bargaining system is stable and organisations are still strong both locally and nationally. However, organisations in private services are suffering from declining densities and it might be a matter of time before coverage in these industries start to dwindle. If this happens, trade unions might revisit their opposition to extension mechanisms. Finally, in the Netherlands, the system is also relatively strong but because of the strong difference in power between unions and employers, trade unions struggle to negotiate good agreements for workers. Like in Germany, the only way to remedy this weakness is to rebuild organisational strength.

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