NEGOTIATING TOGETHER AT WORK

EIGHT REASONS WHY COLLECTIVE BARGAINING (AND STRONG UNIONS) ARE GOOD FOR EMPLOYERS AND SOCIETY

A CAMPAIGN BY industriAll EUROPEAN TRADE UNION

NEGOTIATING TOGETHER AT WORK

Eight Reasons Why Collective Bargaining (and Strong Unions) Are Good for Employers and Society

1 Negotiating at sector or industry level makes bargaining professional and cost-effective. Instead of each individual business and each local trade union delegation undertaking its own negotiation every one or two years, bargaining can be done by skilled and experienced sector-level teams of negotiators. Individual companies do no longer need to spend time and effort on the process of bargaining but can leave this responsibility to the respective sector organisations, thus realising tangible savings. Especially small and medium sized companies benefit from sharing a common resource basis.

2 Collective bargaining builds social trust between business and workers. By organising bargaining at the sector level, potentially tense and conflictual discussions and negotiations are kept far away from the work floor, thus shielding professional relations from possible ideological fall-out.

Negotiating Post-Crisis in Spain

Many company managers in Spain experienced this the hard way in the recent euro crisis. Their attempts to replace the conditions of the sector agreement with a company agreement or even a unilateral management decision resulted in increased social strife as well as by the judiciary getting involved in the company's pay policy through court cases.

3 Sectoral agreements provide a way to set broadly acceptable standards on what can be considered a fair wage or a fair wage increase, something which can be hard at company level. Such a standard pacifies social relationships thus providing the social trust both management and labour need to work better together in making the workplace more productive and more innovative. Moreover, in many sector-level bargaining systems, this function is consolidated by explicitly including a social peace obligation whereby workers and trade unions commit to refrain from organising actions or strikes for the duration of the agreement.

4 Multi-employer bargaining is also very useful in addressing different types of market failure. Markets forces tend towards underinvestment in training and upskilling their workforce as employers have more of an incentive to poach trained workers from other firms rather than to invest in their own workforce.

5 Markets also do a bad job in managing structural change: displaced workers, who are fired from companies in distress, are most in need of financial resources to be able to transit to a new job but typically have least access to such finance.

Sectoral Training Funds in Belgium, France the Netherlands and Italy

Branch level agreements pool resources and redistribute risk. If each employer in the sector pays a certain percentage of the wage sum into a sectoral training fund, the coordination problem of individual employers ducking the reasonability to invest in the human capital base of their workforce is overcome. All employers pay into a training fund to which all workers of that particular sector have access.

Job Security Council in Sweden

These are based on sector-level agreements, again committing all firms of the sector to pay a percentage of each workers' wage into a social partner managed fund that goes into the company to offer assistance and training in their search for a new job from the moment workers are notified of redundancies and job restructuring. One of its results is that close to 90% of all displaced Swedish workers find a new job within a year with most of these jobs paying a comparable wage.

6

Unions and employers work together when dealing with governments. Aggregating the interests and power of both trade unions and employers also puts them in a better position when negotiating with governments on social-economic policy choices. One key example here concerns the importance of short-time work schemes in making the economy more resilient to shocks. By reducing the working week and having unemployment benefits finance (part of) the wage loss, the perverse cycle of weak demand, job cuts and hence even weaker demand is avoided. Such policies, however, require powerful social partners, in the form of sectoral trade unions and employer organisations to step up the pressure on policymakers to co-finance such schemes.

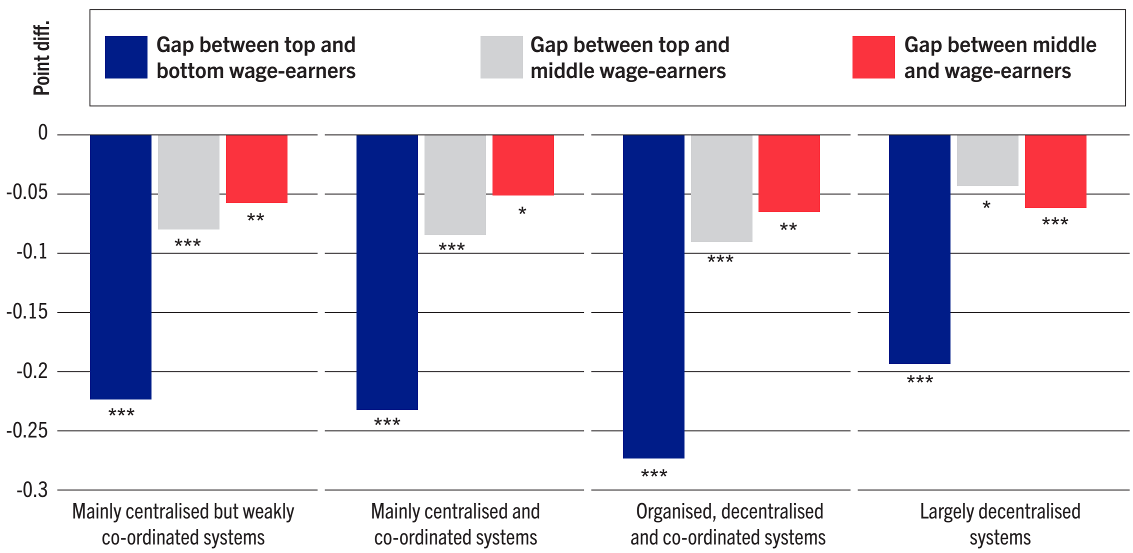
7

Sector-level bargaining prevents the growth of inequality. Unequal economies experience shorter and weaker growth spurts as the forces of aggregate demand that are supposed to be driving the recovery leak away into disproportionate savings by top income households. High inequalities also undermine investment in human capital thus also harming longer growth performance. Moreover, prosperity that is not widely shared fuels popular resentment and erodes confidence in institutions, even in democracy itself. This in turn may lead to significant economic turmoil and instability, all of which is to the detriment of business.

This graph illustrates the power of multi-employer collective bargaining models to improve equality. Wages for top earners get compressed relative to wages at the bottom and in the middle in centralised (multi-employer or sectoral) bargaining models when compared to fully decentralised bargaining. The graph shows the reduction in percentage points between wage earners when compared to completely decentralised systems, clearly demonstrating the positive impact of more co-ordinated and centralised bargaining in fighting high inequality.

Sectoral collective bargaining reduces wage inequality compared to decentralised negotiations

Difference in percentage points of more or less centralised and co-ordinated bargaining systems with respect to fully decentralised systems

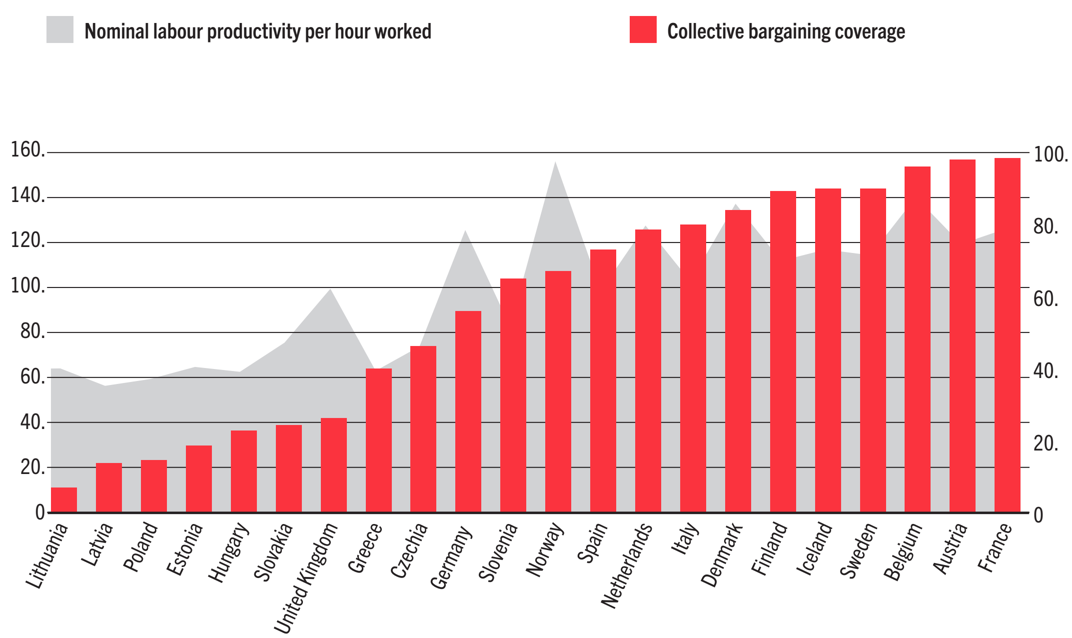


8

By installing a level-playing field for competition in the form of sector-level wages and working conditions, branch-level bargaining constitutes a key instrument to fight excessive inequality. First of all, it removes the 'outside' option for business: Employers can no longer resort to the argument that paying the wage trade unions are bargaining for is not possible as competitors from the sector will undercut their business. This tends to strengthen the bargaining position of workers and helps to counter the ongoing trend of a declining labour share. In addition, branch-level agreements will compress inequalities within the group of workers themselves as implementing sectoral pay scale boils down to 'equal wage for equal work' and this irrespective of the specific company that employs the worker. This also works as a powerful incentive to organise the workplace in a better and more productive way: management of companies lagging behind are thus strongly incentivised to catch up in productivity performance.

Whilst a country's productivity is a complicated measurement, there is clearly a trend towards higher overall productivity where collective bargaining coverage is better. Other factors are undoubtedly at play, but this graph shows that when trade unions are involved in the economy, and particularly in setting wages, the productivity outcome is better. This is even clearer when we compare comparable economies side by side: the UK has long struggled with its productivity and has one of the lowest coverage rates of the core countries. Slovenia and Czechia come out top amongst the new member states in both collective bargaining coverage and productivity.

Nominal labour productivity per hour worked (% of EU average) vs. collective bargaining coverage (% of workforce)



TOGETHER AT WORK

A CAMPAIGN BY

industriAll
EUROPEAN TRADE UNION

news.industriall-europe.eu