

## Chapter 4

# Collective bargaining in a changing world of work

*This chapter presents a comprehensive and up-to-date review of collective bargaining systems across OECD and a selected group of emerging economies that are in the process of accession to the OECD. It provides comparable estimates of membership to trade unions and employer organisations as well as collective bargaining coverage by country, sector, and firms' and workers' characteristics. The rules and uses of extension devices which allow the reach of collective agreements to extend beyond signing firms and union members are described, as well as those governing the duration of collective agreements. The chapter assesses the degree of centralisation, the articulation between different bargaining levels and how derogations and opt-out clauses are used. The various modes and degrees of bargaining co-ordination are also discussed together with the level of contract enforcement and the quality of labour relations. In addition, the chapter describes the types of worker representation at firm level and compares the various bargaining systems along the key parameters identified.*

This chapter could not have been prepared without the tireless co-operation of the Labour and Employment Ministry staff in OECD and accession countries as well as of the staff of many national employer associations and unions in completing the policy questionnaires on collective bargaining that underpin the analysis. The chapter has also benefitted from helpful discussions and suggestions from the participants at two OECD expert meetings on collective bargaining. The views expressed in this chapter cannot be attributed to any of the people, organisations and governments that helped the Secretariat during the research and drafting process.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Key findings

In all OECD countries, workers and employers can associate to express their interests and concerns, as well as to bargain over the terms and conditions of employment. However, since the 1980s, this process of collective representation and negotiation has faced a series of major challenges resulting, in particular, from technological and organisational changes, globalisation, the decline of the manufacturing sector, new forms of work and population ageing, which have severely tested its efficacy. Policy reforms in several OECD countries have also affected the scope and functioning of collective bargaining systems.

Building on a rich set of survey and administrative data, covering the past three decades to 2015, this chapter sheds new light on collective bargaining systems currently in place in OECD and accession countries by providing an updated and comprehensive review of the main trends and features going beyond the usual indicators. In particular, the chapter shows that:

- About 80 million workers are members of trade unions in OECD countries, and about 155 million are covered by collective agreements concluded either at the national, regional, sectoral, occupational or firm level. On average, 17% of employees are members of trade unions, down from 30% in 1985, with slight increases in membership rates found only in Iceland, Belgium and Spain.
- Trade union density, the proportion of employees who are union members, varies considerably across OECD and accession countries, ranging from 4.5% in Estonia to 92% in Iceland. Union members tend to be predominantly male, middle-aged (between 25 and 54 years old), with medium or high skills and working in medium or large firms, and on a permanent contract.
- On average, 51% of workers in OECD countries for which data are available are employed in a firm that is member of an employer organisation and this share has been relatively stable over the last 15 years. In most countries, medium and large firms are better represented by employer organisations than small firms, while sectoral coverage varies significantly across countries.
- On average across OECD countries, the share of workers covered by a collective agreement has shrunk to 33% in 2015 from 45% in 1985. The decline was strongest in Central and Eastern European countries, with steep decreases also observed in Australia, New Zealand and the United Kingdom, and, more recently, in Greece. Coverage has been relatively stable in most continental European countries, except for Germany where it has decreased significantly since reunification in 1990.
- Overall, collective bargaining coverage is high and stable only in countries where multi-employer agreements (i.e. at sector or national level) are negotiated and where either the share of firms which are members of an employer association is high or where agreements are extended also to workers working in firms which are not members of a signatory employer association. In countries where collective agreements are signed

mainly at firm level, coverage tends to go hand-in-hand with trade union density. Workers in small firms are generally less likely to be covered as these firms often do not have the capacity to negotiate a firm-level agreement, or a union or another form of worker representation is absent at the workplace.

Using detailed information collected through new OECD policy questionnaires that were addressed to Labour Ministries and social partners, the chapter provides a detailed picture of collective bargaining systems by unpacking them into their different building blocks. In particular the chapter shows that:

- In two-thirds of OECD and accession countries, collective bargaining takes place predominantly at firm level. Sector-level agreements play a significant role only in continental European countries. However, this does not tell the whole story about the actual degree of centralisation or decentralisation as countries differ greatly in terms of the flexibility for firm-level agreements to modify the terms set out in higher level agreements. In some countries (particularly the Scandinavian countries), sectoral agreements define the broad framework but leave considerable scope for bargaining at the firm/establishment level. In other countries (such as Germany and Austria and more recently also Spain), sector-level agreements dominate but they leave room for firm-level agreements to apply less favourable terms for employees, either in a rather generalised way or only temporarily in case of a crisis. In a third group of countries (including Italy, Slovenia and despite the recent reform also Portugal), firm-level bargaining remains limited and in most cases strictly regulated by higher level agreements.
- Collective bargaining systems across OECD and accession countries also differ greatly in the degree of co-ordination between bargaining units – essentially the extent to which common (wage) targets are pursued and/or minor players follow what major players decide. Co-ordination is a key factor behind macro flexibility (i.e. the ability of the economy to adjust to macroeconomic shocks) and is strong, at least in certain sectors, in Austria, Denmark, Germany, the Netherlands, Norway and Sweden, but also in Japan.
- Firm-level representation of workers' interests takes several forms: local trade union representatives (which may or may not engage in firm-level collective bargaining), work councils, worker representatives or a combination of the three. At least for European countries, the proportion of workers covered by these different forms is not higher in countries where firm-level bargaining dominates; instead it tends to be relatively high in multi-level bargaining systems, with complementary effects between sector- and firm-level agreements.
- There is significant variation across countries in the overall quality of labour relations as assessed by senior executives and the trust in trade unions among the population at large. These factors are not found to be linked to any specific model of bargaining nor do they show any clear trend over the last 10-15 years. In most OECD and accession countries the number of work days lost due to strikes and lockouts has decreased markedly since the 1990s.
- There are no comparable and comprehensive indicators on the level of enforcement of collective agreements across countries. However, where estimates are available, compliance with negotiated wage floors is shown to be far from perfect.

## Introduction

About 80 million workers are members of trade unions in OECD countries, and about 155 million<sup>1</sup> are covered by collective agreements concluded either at the national, regional, sectoral, occupational or firm level. In all OECD and accession countries, workers and employers associate to express their interests and concerns and to negotiate the terms and conditions of employment. This process of collective representation, negotiation and decision making is a key labour market institution and, together with the “right to organise”, is a “fundamental principle and right at work” set by the ILO Convention No. 98 and a key pillar of social dialogue at national level.

Since the 1980s, collective bargaining systems have faced a combination of major challenges: technological and organisational changes, globalisation, the decline of the manufacturing sector, the expansion of flexible forms of work and population ageing. Additional pressures resulted from the global economic and financial crisis of 2008-09. In many OECD countries, these factors, combined with policy reforms, have led to a decentralisation of collective bargaining which, together with a long-standing decline in union membership rates and increasing individualisation of employment relationships, have severely tested the relevance and methods of functioning of collective bargaining systems. At the same time, new forms of social dialogue, collective organisation and bargaining are emerging to meet the challenges posed by new forms of work.

Even though these general patterns have been widely noted, there is a lack of detailed, comprehensive and comparable information on the evolving nature and scope of collective bargaining in OECD countries. For example, reliable and up-to-date information on the membership of unions and employer organisations and collective bargaining coverage across countries and sectors is limited. Moreover, standard cross-country analyses of collective bargaining and the summary indicators they typically rely on often do not provide as precise an indication of the actual functioning of collective bargaining as would be desirable. Most of the early empirical work on collective bargaining has been conducted at the macroeconomic level, with an almost exclusive focus on the predominant level of bargaining and the degree of co-ordination. For example, the policy assessment and recommendations of the original and reassessed OECD Jobs Strategy (1994 and 2006, respectively) largely focused on the degree of centralisation of wage bargaining and co-ordination among unions and employer association. The Jobs Strategy suggested that both centralisation and decentralisation could perform well, while a system dominated by sectoral bargaining lacking co-ordination may deliver worse results, as previously had been argued by Calmfors and Driffill (1988).

However, the evidence of recent decades demonstrates the need for a more nuanced picture of how institutional settings in collective bargaining affect labour market and economic outcomes. Indeed, it appears that different systems can achieve similar outcomes, while formally similar systems can lead to very different outcomes depending on the specific ways the system works in practice. This is the case, for instance, in Denmark, Germany, France, Portugal or Italy where wages are typically negotiated at the sectoral level, but the large differences in the rules and uses of extensions, derogations and opt-out clauses and co-ordination practices lead to significant differences in labour market outcomes, but also in the level of trust in the national collective bargaining system and its functioning.

Therefore, this chapter sheds new light on collective bargaining by providing an updated and comprehensive review of the main features of collective bargaining going

beyond the usual indicators, while also documenting recent trends. The analysis relies on the detailed information collected through the OECD policy questionnaires that were addressed to Labour Ministries, trade unions and employer organisations (see Box 4.1 for more information) and on a rich set of survey and administrative data. The more finely grained description of collective bargaining that emerges is intended to enable more satisfactory analyses of how collective bargaining affects labour market performance and, thereby, also to contribute to the development of the new OECD Jobs Strategy (see Chapter 1) and the “Global Deal”, an endeavour initiated by the Swedish Government, the OECD and the ILO with the objective to harness social dialogue as a vital tool to create more and better jobs and promote inclusive growth.

The chapter is organised as follows: Section 1 introduces the main functions and building blocks of collective bargaining systems in place in OECD and accession countries. Section 2 presents a detailed and up-to-date portrait of the actors and the scope of bargaining systems. In particular, it provides comparable estimates of trade union density, employer organisation density and collective bargaining coverage by country, but also by sector, firms’ and workers’ characteristics. The section also documents the application of agreements beyond the signatory parties through *erga omnes* clauses and administrative extensions and those regulating the duration of collective agreements. Section 3 discusses the degree of centralisation, the mechanisms linking different bargaining levels and the use of derogations and opt-out clauses. The different modes and degree of bargaining co-ordination found in OECD and accession countries are also explored together with the actual enforcement of agreements and the quality of labour relations. The section also describes the types of worker representation that are present at firm level. Section 4 provides a summary comparison of the different national collective bargaining systems in OECD and accession countries based on the key elements analysed in Sections 1-3. The intent is to provide a detailed portrait of the system as a whole, rather than just as the sum of its components. Finally, last section concludes by discussing the main challenges ahead for collective bargaining systems and priorities for future research.

## 1. The functions and the features of collective bargaining

### **The functions of collective bargaining**

Collective bargaining and, more generally workers’ voice (the collective expressions of workers’ interests with no proper bargaining prerogatives), aim at ensuring adequate conditions of employment (*protective function*), a fair share of the benefits of training, technology and productive growth (*inclusive function*) and social peace (*conflict management function*).<sup>2</sup> Collective bargaining is also a key tool of market control, i.e. reining wage competition between companies or, on the opposite, limiting the so-called “monopsony power” of firms which in some cases may profit from a lack of bargaining power of workers. While often considered mainly as a wage setting institution, collective bargaining also plays an important role for setting other conditions of employment such as job security, working-time regulation, quality of the working environment, provision and access to training, etc.

Collective bargaining entails both benefits and costs for employers, workers, and society as a whole. Collective bargaining and workers’ voice can make labour markets function more efficiently by correcting market failures (asymmetry of information and bargaining power between workers and employers, possibly reflecting monopsony and other labour market frictions) and reducing transactions costs involved in individual bargaining. For instance, it can ensure that workers’ requests for pay to increase with productivity are heard, prevent

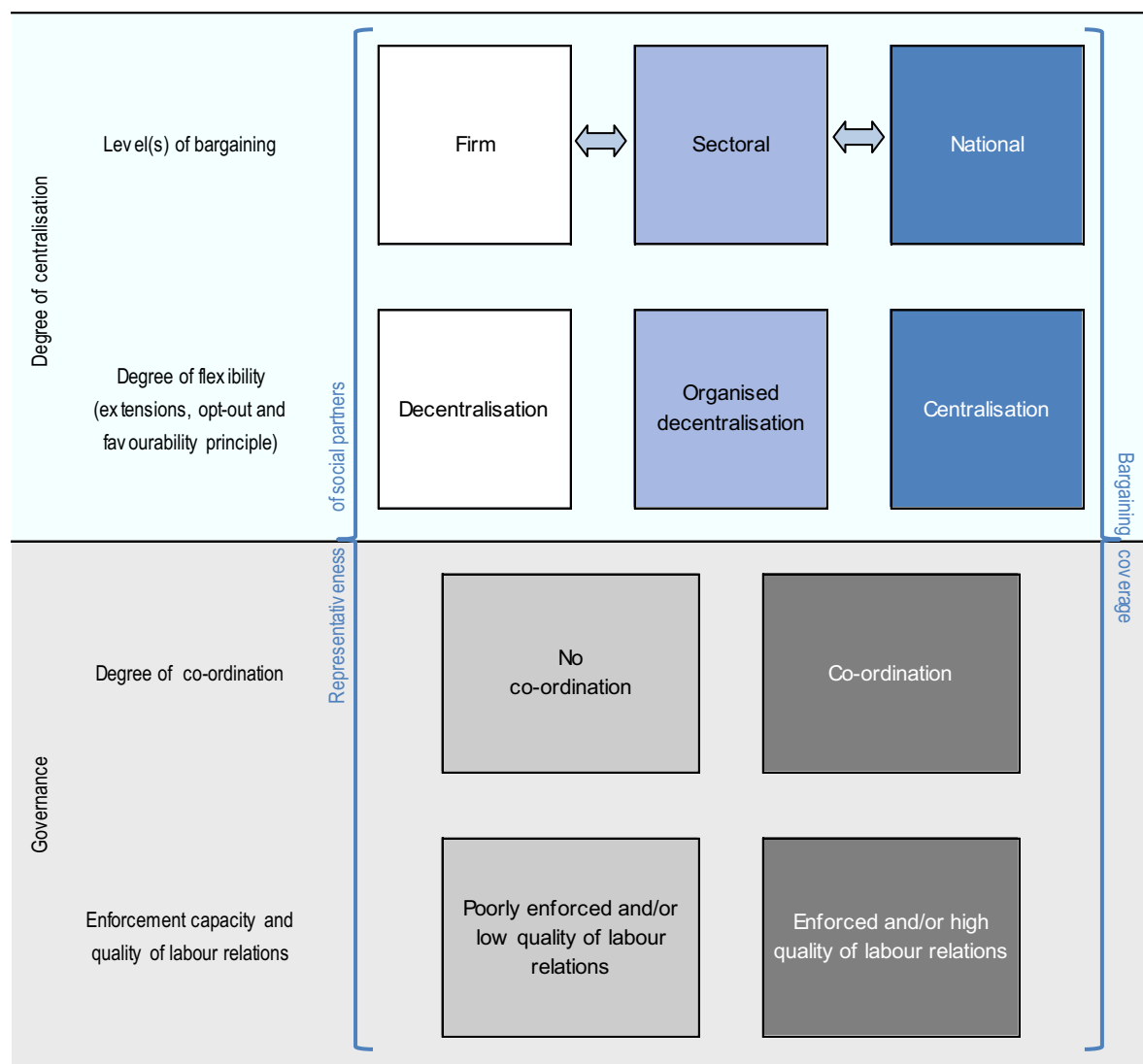
excessive turnover of staff, and limit the extent of costly procedures in case of grievances and complaints. Collective bargaining can also improve the quality of the employment relationship between workers and firms, leading to more efficient allocation of resources, greater motivation and ultimately productivity. Finally, unions and employer organisations can also provide important services to their members. At the same time, however, collective bargaining and workers' voice, especially when representation is weak, can also introduce market distortions ("rent seeking behaviour"), for instance by strengthening the power of *insiders* on both workers' and employers' side and excluding (or not considering enough) the *outsiders* (e.g. less-skilled, temporary or young workers or young/small firms). Moreover, while worker voice may help reduce turnover costs, excessive power to unions may lead to the so-called *hold-up* problem especially in most innovative or skill-intensive sectors where workers could extract excessive rents from their employers by threatening to leave after an irreversible investment has been made (for instance after a substantial training). Or on the opposite, companies may have fewer incentives to invest in innovation when unions are weak as they can increase profits by simply reducing wages.

Collective bargaining can have an impact on wage dispersion and income inequalities more in general (e.g. by affecting employment but also through its influence on management pay at firm level and the tax and benefit system at country level), unemployment levels and competitiveness as well as the way labour market responds to unexpected shocks. It can thus affect labour market performance along all the dimensions of the OECD Jobs Strategy (see Chapter 1) – in terms of both quantity and quality of outcomes, but also in terms of resilience, adaptability and inclusiveness of labour markets. Moreover, it can represent a useful tool for self-regulation between workers and employers and bring more stable labour relations and industrial peace. Finally, collective bargaining, and more in general social dialogue, systems can constitute an efficient tool to promote effective consultation and implementation of structural reforms. When collective bargaining is well organised and representative, it can help manage and reduce the extent of any trade-offs between different policy objectives. The overall effect of collective bargaining on overall economic performance largely depends on the specific features of the system of each country, how they interact with other key parameters of labour market institutions, such as employment protection or minimum wage legislation, but also on prevailing macroeconomic and labour market conditions and policies.

### **The building blocks of collective bargaining**

Characterising collective bargaining systems according to the (predominant) level at which collective agreements are negotiated (firm level, sector/branch level and the national/cross-sectoral level) and the degree of co-ordination within and between social partners as the sole variables of interest is not sufficient to reflect the granularity of the different systems, especially among those where bargaining predominantly takes place at sectoral level. Figure 4.1 sketches the main building blocks of collective bargaining to be taken into account for a comprehensive analysis and assessment of different national systems which are described and discussed in details in the rest of the chapter:

- First, the representativeness of trade unions and employer organisations, as well as the share of workers covered by collective agreements, are key (but not the only ones) indicators of the strength of social partners and the scope of the bargaining systems. The rules and the spread of administrative extensions beyond the signatory parties are also examined as being critical devices for assessing more accurately the reach of collective agreements.

Figure 4.1. **The main building blocks of collective bargaining**

- Second, while the predominant level of bargaining (e.g. mainly firm level, sector/branch level and the national/cross-sectoral level) defines where parties negotiate, it does not fully capture the actual degree of centralisation or decentralisation which hinges also on the rules governing the hierarchy between the different levels and the possibility for firms to derogate or to opt-out in case of economic difficulties from higher level agreements or from their own agreement. In particular, systems based on sector level and national/cross-sectoral level bargaining can be centralised when they leave no or little room to modify the terms of agreements to lower level agreements; or they can be decentralised but in an organised way when firm-level agreements have a significant role in determining the terms of employment but they are subject to specific conditions set either by law or social partners themselves.
- Third, the presence and degree of different forms of co-ordination within and between social partners is also very important for capturing whether more decentralised systems



produce totally independent and atomised negotiations or if they ensure some synchronisation of different bargaining units when setting their strategy and targets.

- Finally, the enforcement capacity and the quality of labour relations, in particular the level of trust between social partners, the degree of enforcement of the terms set in collective agreements and the ability of employer organisations and trade unions to control the behaviour of their constituency at lower levels can make the difference between formally similar systems.

#### Box 4.1. The OECD policy questionnaires on collective bargaining

The description of the functioning of collective bargaining systems in OECD and accession countries that is presented in this chapter mainly relies on information provided by the responses to the detailed policy questionnaires that were sent to Labour Ministries, employer organisations and trade unions in 2016. The information reported in the questionnaires (and hence in the chapter otherwise stated) represents the situation in December 2015. The focus is on collective bargaining practices in the private sector. In the case of institutional differences across sectors, the answers focus on what is applicable in the agreement that prevails for the manufacturing sector (in case of differences within the manufacturing sector, for the metal workers). Unless otherwise stated, the information in the chapter refers to the entire economy, even if the actual application and use of certain instruments may differ across sectors. The questionnaire addressed to Labour Ministries focused on: i) the architecture of collective bargaining (e.g. structure of bargaining, hierarchy between levels, wage co-ordination, use of extensions, derogations, duration of agreements, etc.); ii) labour relations at the firm level (e.g. presence and role of work councils and of other forms of employee representation bodies in the workplace, rules for unions activity at firm level); iii) the topics covered by collective bargaining (e.g. if and where wages, hiring and firing rules, occupational health and safety, working time are set by collective bargaining and if collective agreements also cover training and/or unemployment insurance); iv) collective bargaining and non-regular forms of work (if and how social partners and collective bargaining also cover flexible forms of work); and v) recent changes (if any) in collective bargaining. The questionnaires addressed to social partners were intended to complement the information provided by Labour Ministries and focused on: i) the actors of collective bargaining (e.g. functioning and membership of employer organisations and unions); ii) the topics of collective bargaining (same as for Labour Ministries); iii) the quality of labour relations; iv) collective bargaining and flexible forms of work (same as for Labour Ministries); and v) recent changes in collective bargaining. All OECD and accession countries have filled in the questionnaire. Canada has sent detailed answers for the federal level and the four biggest provinces (Alberta, British Columbia, Ontario and Québec). The information collected via the policy questionnaires has been complemented and cross-checked with existing data sources (in particular using data from ICTWSS, Eurofound, European Commission, ILO and various individual- and firm-level surveys and administrative data) and the relevant research literature.

## 2. The actors and the scope of collective bargaining

### **Trade unions density**

Trade (or labour) unions are voluntary organisations of workers which are present in all OECD and accession countries. Seventeen per cent of employees are members of a union on average across OECD countries. However, trade union density varies considerably across



OECD and accession countries, going from 4.5% in Estonia, to about 65% in Sweden, Denmark and Finland and 92% in Iceland. Trade union density has been declining steadily in most OECD and accession countries over the last three decades (Figure 4.2). Only Iceland, Belgium and Spain<sup>3</sup> have experienced a (very) small increase in trade union density since 1985 and Italy in the recent years. Technological and organisational changes, the decline of the manufacturing and public sectors, but also the increasing spread of flexible forms of contracts and policy reforms in several countries are among the main drivers behind this marked decline of trade union density in almost all OECD and accession countries (Ebbinghaus and Visser, 1999; Visser, 2003; Blanchflower and Bryson, 2009). In Central and Eastern European countries, trends have been quite dramatic, as reflected by the collapse of the union affiliation rate after the fall of central planning (stabilised at 10% over the recent years). In all other OECD countries trade union density has been declining, though at a significantly lower rate. Currently, the union membership rate is above 50% only in the countries where unemployment benefits are administered by union-affiliated institutions (sometimes called the “Ghent system”, as found in Denmark, Finland, Iceland, Sweden and partly Belgium<sup>4</sup>) and in Norway. However, even the Ghent system has been increasingly challenged and eroded by the development of private insurance funds offering unemployment insurance without requiring union membership (Bockerman and Uusitalo, 2006; and Høgedahl and Kongshøj, 2017) leading to a decrease in trade union density.

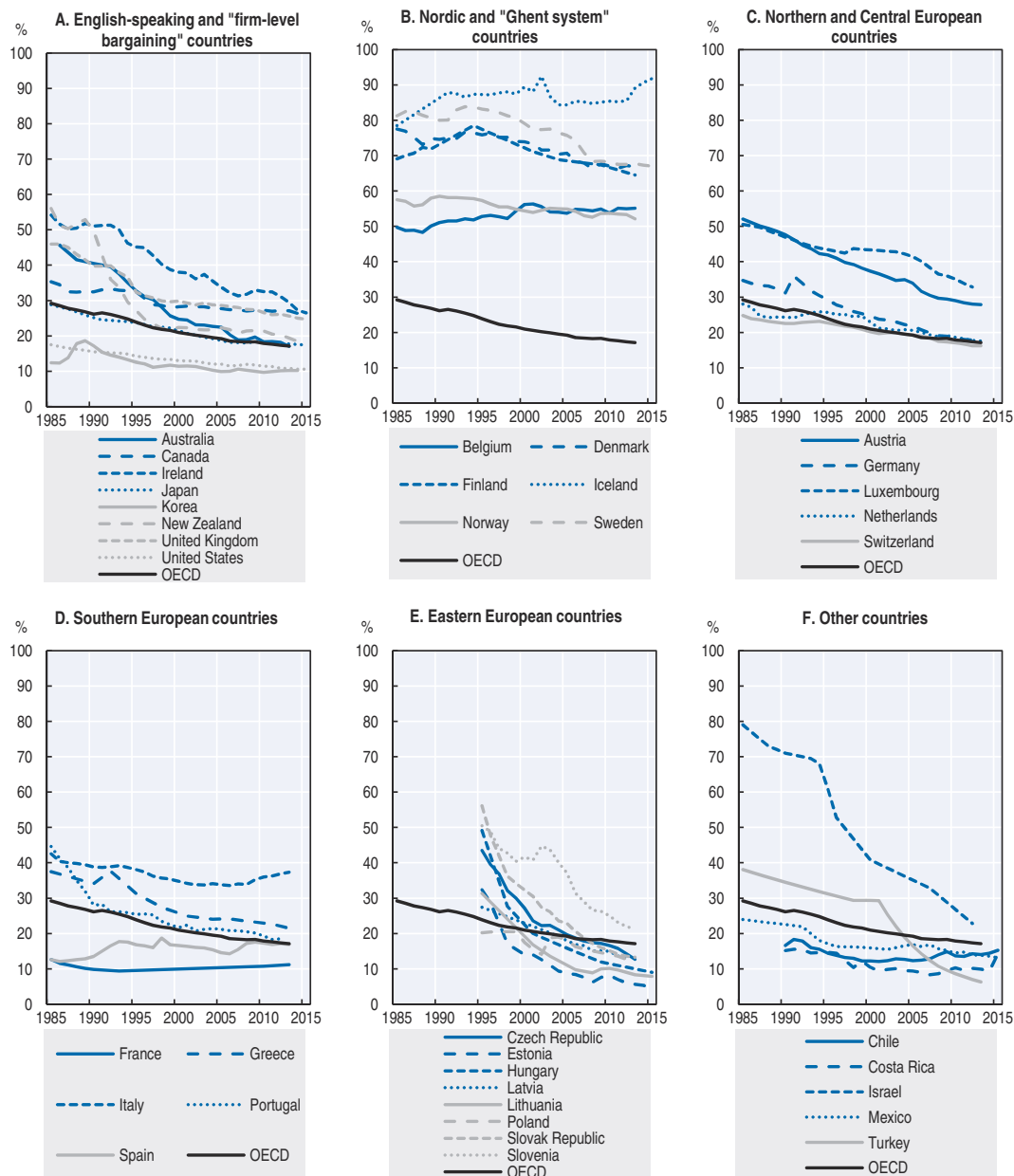
Trade union density varies considerably across workforce groups (Figure 4.3). On average across OECD countries, public administrations workers are those most likely to be unionised (Figure 4.3, Panel A) but only represent 13% of total union members (Figure 4.3, Panel B). Those working in the good-producing sector (mining, manufacturing, constructions and energy and electricity supply) and in social and personal services (including education and health) respectively represent 25% and 35% of total union members. There are however significant differences in terms of composition across countries: correcting for the various sectors’ weight in the economy, employees in the good-producing sector still represent a much higher proportion of union members in Germany and the Netherlands than in Portugal or the United Kingdom (see Annex 4.A1).

Only 7% of employees in small firms belong to a union on average across OECD countries, as union members tend to work in large and medium firms. Yet patterns differ across countries: employees in small firms represent a larger share of trade union members in Belgium and Sweden while unions in Japan have no affiliates at all in small firms. Women and men show little difference in terms of their likelihood to be union members when employed (Panel A) but since employment rates are higher for men than women, unions have on average a more masculine membership (Panel B). In 15 OECD countries women outnumber men among union members (see Annex 4.A1). Prime age workers constitute the core of trade union affiliates but as a share of the working population, older workers are those more likely to be union members. Youth only represent 7% of total union members in the OECD area, and are the age group least likely to unionise in all countries. Union members tend to be medium or high skilled (around 40% of total union members in each group). Finally, union members in all OECD have overwhelmingly a permanent contract, with only 9% of them having a temporary contract.

### **Employer and business organisations**

Employers, business and employer organisations are the other key actors of collective bargaining, but much less is known about their membership and representativeness across

Figure 4.2. Trends in union density

Percentage of employees,<sup>a</sup> 1985-2015

Note: OECD is the weighted average of the 35 OECD member countries.

a) For Costa Rica, figures do not include solidarity associations and refer to total employment. In Costa Rica, the law permits the formation of solidarity associations (the so-called *Solidaristas*) and allows worker unions and solidarity associations to co-exist within an enterprise. While *Solidaristas* are forbidden to engage in collective bargaining, there are some indications that they have contributed to weaken the role of trade unions in representing workers (OECD, 2017a). For Turkey, official statistics on trade union density published by the Ministry of Labour and Social Security refer to the number of workers covered by the social security institution and set it at 11.21% in 2015.

Source: J. Visser, ICTWSS Database Version 5.1. Amsterdam: Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam, September 2016 for Austria, Belgium, the Czech Republic, Denmark, France (completed by estimates from the DARES based on the *Enquête permanente sur les conditions de vie des ménages* [EPCV] for 2008 and 2010 and on the *Statistiques sur les ressources et les conditions de vie* [SRCV] for 2013), Germany, Greece, Israel, Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey; national administrative data for Chile, Costa Rica, Finland, Japan, Korea and New Zealand; and estimates based on national Labour Force Surveys for Australia, Canada, Estonia, Hungary, Iceland, Ireland, Mexico, the Netherlands, Sweden, the United Kingdom and the United States.

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Figure 4.3. Trade union density by group, 2013

OECD weighted averages, 2013



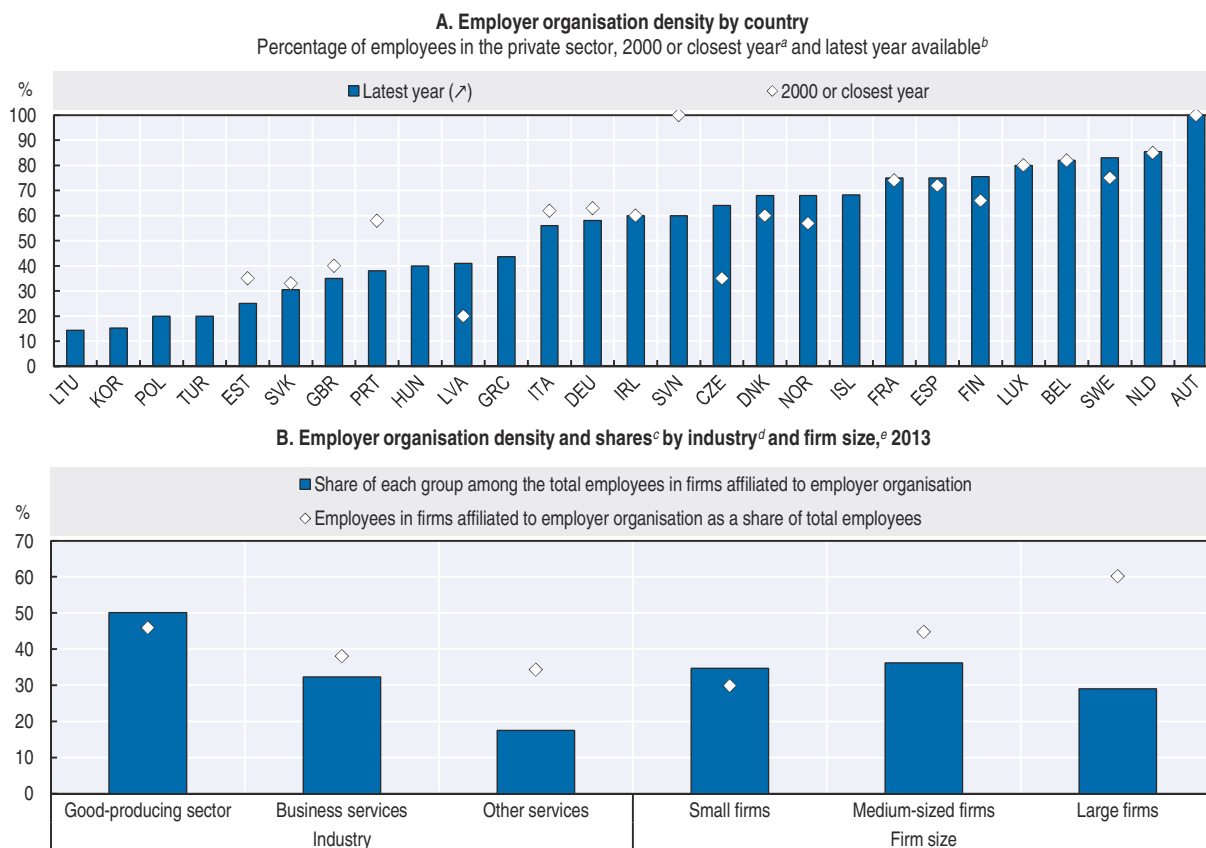
Note: Trade union density by group presented in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each individual group in total union membership and total number of employees. For further details on definition, country covered and data sources, see Annex Figures 4.A1.1 to 4.A1.7.

Source: Annex Figure 4.A1.1 to Figure 4.A1.7.

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OECD and accession countries. Representativeness, in particular, is very difficult to assess: official and up-to-date statistics on the number of workers covered, as distinct from the number of affiliated firms, are very limited and partial and often based only on self-reported data. Further difficulty in providing a precise assessment arises also from the possibility for firms to belong to several employer associations. Using available information, Figure 4.4 shows the share of employees in the private sector working in firms affiliated to an employer organisation. On average, employer organisation density in the 26 OECD countries for which data is available is 51%. Like trade union density, employer organisation density varies considerably across OECD and accession countries: it is very low in Central and Eastern European countries, Korea and Turkey, but up to about 80% in the Netherlands, Sweden, Belgium and Luxembourg (and at 100% in Austria due to compulsory affiliation for all firms). In most OECD countries outside Europe, employer associations represent the interests of business (i.e. lobby and voice) but do not bargain collective agreements, with most, if not all bargaining taking place at the firm level.

Differences across OECD countries in employer organisation density mirror partly those in trade union density even if not perfectly (the correlation between trade union density and employer organisation density is 0.55; see Annex 4.A1): in Austria, Finland, Sweden or Belgium both trade union and employer organisations display high rates, while in Central and Eastern European countries, Korea or Turkey both memberships rates are low. However, based on the number of employees covered, Denmark combines one of the highest unions' densities among OECD countries with an average employer organisation

Figure 4.4. **Employer organisation density**

- a) 2000 for Austria, Finland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Slovenia and Sweden; 2002 for Belgium, the Czech Republic, Denmark, Estonia, Latvia, Portugal, the Slovak Republic, Spain and the United Kingdom.
- b) 2005 for Turkey; 2008 in Greece, Hungary, Spain and the United Kingdom; 2009 for Korea; 2010 for Denmark; 2011 for Estonia, Germany, Ireland and Portugal; 2012 for Belgium, France, Italy, Lithuania and Luxembourg; 2013 for Iceland, Latvia, the Slovak Republic and Slovenia; 2014 for the Austria, the Czech Republic, Finland, the Netherlands and Sweden; and 2015 for the Netherlands.
- c) Statistics refer to establishments of the private sector with ten or more employees in all economic sectors except agriculture, activities of households as employers and activities of extraterritorial organisations. Unweighted average of 24 OECD countries (not including Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland and the United States).
- d) All sectors reported in Panel B refer to the private sector. Good-producing sector refers to manufacturing (including mining and utilities) and construction; business services refers to commerce and hospitality, transport and communication and financial services and real estate; other services refers to remaining social and personal services excepted activities of households as employers and activities of extraterritorial organisations.
- e) "Small firms" refers to firms with fewer than 50 employees; "Medium-sized firms" to firms with 50 to 249 employees; and "Large firms" to firms with 250 employees or more.

Source: **Panel A:** J. Visser, ICTWSS Database version 5.1. Amsterdam: Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam. September 2016, administrative data provided by national authorities for the Czech Republic, Finland, the Netherlands, Norway and Sweden and OECD estimates based on the third Eurofound European Company Survey (ECS 2013) for Iceland. **Panel B:** OECD estimates based on the third Eurofound European Company Survey (ECS 2013).

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density; and France has a high employer organisation density together with one of the lowest trade union densities among OECD countries.

In most countries, employer organisations tend to represent, in terms of employees, more firms in the good-producing sector than in the service sector. In most OECD countries, they generally are also more representative of medium and large firms.

Employer organisations density has been quite stable in the last decades. Most countries (at least for those for which time series are available) show a remarkable stability which sharply contrasts with the fall observed in trade union density. Brandl and Lehr (2016) argue

that employer associations have been able to adapt their organisational structure as well as their activities to the changing needs of business (for instance by offering negotiation training, legal representation, industrial information, health and safety advice, wage surveys and marketing). The only exceptions are found in Slovenia (since 2006 membership is voluntary) and Portugal where employer organisations declined rapidly between 2000 and 2013. On the other hand, affiliates increased in Latvia and the Czech Republic.

Membership rates and membership composition are obviously not the (only) elements to gauge the influence and legitimacy of unions and employer organisations. In fact, these rates are closely interlinked with the labour relations system itself and often reflect long historical patterns. However, they are still good proxies to measure the ability of unions and employers to represent a broad base of workers and firms or, in contrast, merely a narrow segment of them.

### **Collective bargaining coverage**

The share of employees covered by collective agreements (the collective bargaining coverage<sup>5</sup>) also declined significantly over the past 25 years. This indicator is key for comparing the relative strength of collective bargaining across countries since it captures the extent to which workers' employment conditions are actually influenced by collective negotiation. On average across OECD countries, it shrunk by a fourth, from 45% in 1985 to 33% in 2013 (Figure 4.5). With the exception of some of the countries which passed major labour market reforms during the last five years, the recent economic crisis did not represent a particular turning point and coverage continued to decline.

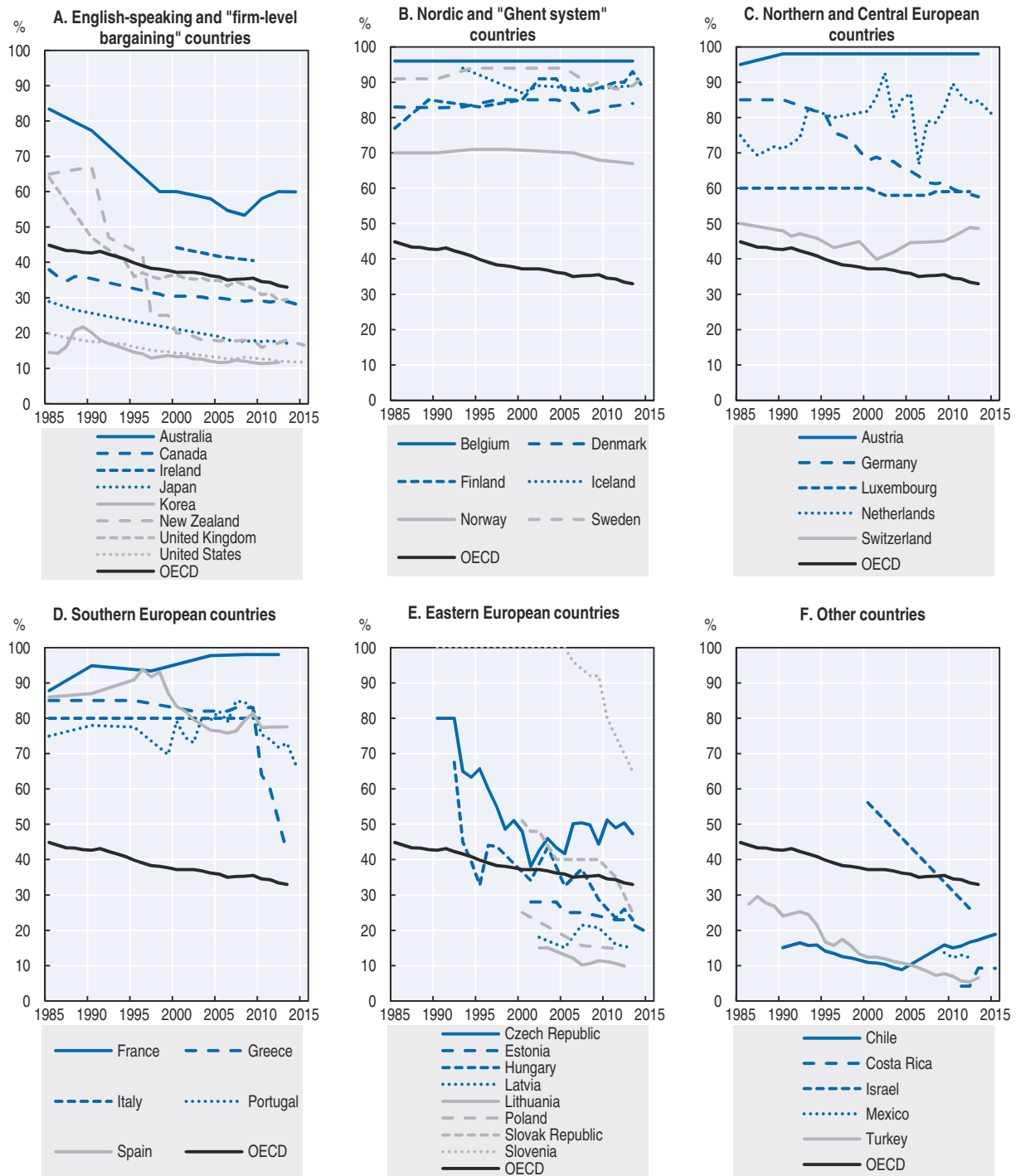
As with trade union density, the decline was the strongest in Central and Eastern European countries where the collapse of the old regimes led to abrupt changes in the role of trade unions and collective bargaining. Steep decreases were also observed in Australia, New Zealand and the United Kingdom where deep reforms took place in the 1980s. Coverage has been relatively stable in most of continental European countries except for Germany and, more recently, Greece. The drop in collective bargaining coverage in Portugal over the last few years is the subject to methodological controversies which are discussed in Box 4.2.

All in all, collective bargaining coverage is high and stable only in countries where multi-employer agreements (mainly sectoral or national) are negotiated (even in several of the Southern European countries where trade union density is quite low). A second key element which matters for bargaining coverage is the relative strength, and willingness to negotiate, of employer organisations since they negotiate and sign collective agreements which in most countries then apply to all workers of their affiliated firms.<sup>6</sup> Indeed in countries where employers' density is high, coverage is also relatively broad and vice versa (with a correlation of 0.90; see Annex 4.A1). The relationship with trade union density is weaker (correlation of 0.64) and collective bargaining coverage is significantly higher than trade union density as in most countries agreements also apply to non-union members (see below the detailed discussion on *erga omnes* clauses and administrative extensions).

On average across OECD and accession countries, collective bargaining coverage is slightly higher in the good-producing sectors (manufacturing, constructions and energy and electricity supply) than in business services or other sectors (Figure 4.6). However, firm size matters: 26% of workers are covered by a collective agreement in small firms while 34% are covered in large firms. In small firms, the probability of being covered by a collective agreement is much lower in the absence of a multi-employer agreement at sectoral or

Figure 4.5. **Trends in collective bargaining coverage rate**

Percentage of employees with the right to bargain, 1985-2015



Note: OECD is the weighted average of the 35 OECD member countries.

Source: J. Visser, ICTWSS Database version 5.1. Amsterdam: Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam. September 2016 completed with the OECD Policy Questionnaires and national administrative data for Costa Rica.

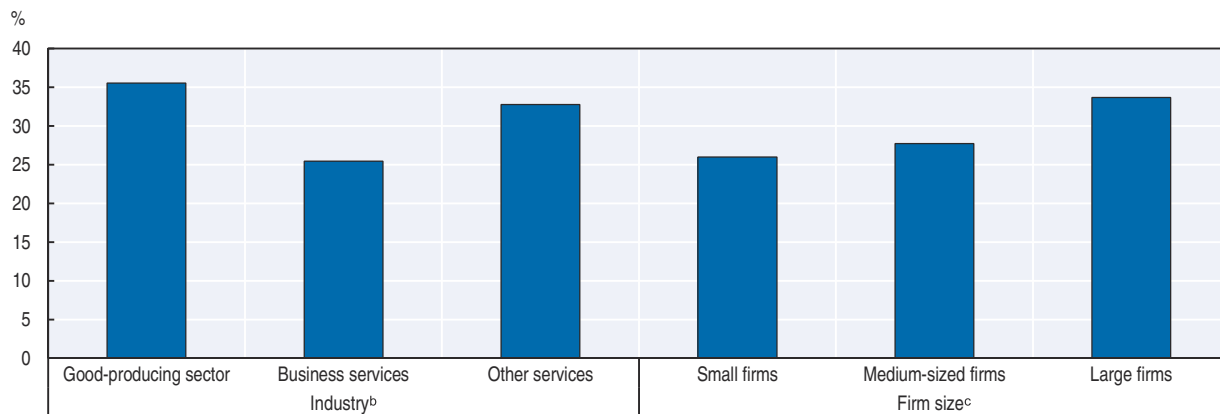
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national level as small firms are much less likely to negotiate and sign a firm-level agreement. Indeed, in Chile, Estonia or Turkey collective agreements cover a negligible share of small firms, contrary to what happens in Nordic or continental European countries.

Figure 4.6. **Collective bargaining coverage rate by industry and firm size**

Percentage of employees in the private sector, latest year available<sup>a</sup>




Note: Statistics refer to the private sector only and to all firms for Australia and Canada excepted firms with less than five employees for Chile, firms with less than ten employees for Belgium, Greece, Italy, Slovenia and Sweden, and firms with less than 11 employees for other countries. OECD weighted average of 30 OECD countries (not including Israel, Japan, Korea, Mexico and New Zealand) for statistics by industry and 29 OECD countries (not including countries previously listed and the United States) for statistics by firm size.

a) Statistics refer to 2013 for Belgium, Greece, Iceland, Ireland, Italy, Slovenia and Sweden; 2014 for Chile and all other European countries; 2015 for Canada and the United States; and 2016 for Australia.

b) Good-producing sector refers to manufacturing (including mining and utilities) and construction; business services refers to commerce and hospitality, transport and communication and financial services and real estate; other services refers to remaining social and personal services excepted activities of households as employers and activities of extraterritorial organisations.

c) "Small firms" refers to firms with fewer than 50 employees; "Medium-sized firms" to firms with 50 to 249 employees; and "Large firms" to firms with 250 employees or more.

Source: OECD calculations based on the Survey of Employee Earnings and Hours (EEH) for Australia, Labour Force Survey for Canada, administrative data for Chile, the Current Population Survey (CPS) for the United States, the third Eurofound European Company Survey (ECS 2013) for Belgium, Greece, Iceland, Ireland, Italy, Slovenia and Sweden, and the 2014 Structure of Earnings Survey (SES 2014) for all other European countries.

StatLink  <http://dx.doi.org/10.1787/888933478006>

#### Box 4.2. **Computing collective bargaining coverage: Stock or flows?**

In the wake of the Portuguese labour market reform that introduced in 2012 significant changes to the way collective bargaining works, making notably the rules for administrative extensions more rigid, there has been much debate on the extent of bargaining coverage decrease. Indeed, computing collective bargaining coverage is not straightforward, despite good and detailed data (*Quadros de Pessoal*, Personnel Records, a compulsory survey of all firms, conducted annually in October) as it requires a series of assumptions.

A ILO report (2014a) for instance argues that the 2012 reform led to a 80% decrease in coverage based on the drop of the number of sector- and firm-level agreements between 2008 and 2012 (from 300 down to 85) bringing the number of workers covered by these agreements from 1.9 million down to 300 000.

Addison et al. (2016) counter that these figures mix stocks and flows. In particular they point out that, while the flow of new agreements considerably slowed down after the reform, the stock of workers covered by collective agreements barely changed between 2008 and 2012 (at around 90%), as many workers remained covered by the former agreements. This stability has also been confirmed using more recent data for 2014 (OECD, 2017b).

**Box 4.2. Computing collective bargaining coverage: Stock or flows? (cont.)**

National estimates based on *Quadros de Pessoal* published by the Portuguese Labour Ministry in its recent Green Paper on Labour Relations (Ministério do Trabalho, Solidariedade e Segurança Social, 2016) show a decrease in the stock of workers covered from 85.4% in 2010 to 80.5% in 2014 and a large decrease in terms of flows of workers covered, from 54.1% in 2010 to 10% in 2014.

Data from the Institutional Characteristics of Trade Unions, Wage setting, State Intervention and Social Pacts (ICTWSS Database) are less dramatic than those of ILO report, but they also find a significant fall of coverage rate from 84.9% in 2007 to 72.2% in 2013. These estimates are based on the same numerator (i.e. stock of workers covered by collective agreements) as Addison et al. (2016) but use a different denominator (e.g. OECD employment data to include temporary, part-time and agricultural workers, yet excluding employees in the public sector whose terms of employment are not set by collective agreements).

However, Visser (2016a) argues that even the ICTWSS estimates should be taken with great caution given that many workers are actually covered by old agreements whose wage floors may not be binding anymore as they are probably below the minimum wage level (but non-wage conditions still apply). Fougère et al. (2016) report the same for France. Visser (2016a) refers to the analysis by Naumann (2017) on the use and application of extensions in collective bargaining which finds that, in 2013, at least half of valid collective agreements in Portugal have more than eight years and around 30% of employees covered by collective agreements have not had their contracts renewed since 2009. While similar computing problems are encountered in France for instance, in the Netherlands expired agreements are removed from the register and no longer counted (with one year delay).

In conclusion, providing clear-cut estimates of effective collective bargaining coverage is far from easy, in Portugal as in most of other countries. Using only flow data (new agreements) is not correct as it would lead to ignore workers who are still covered by old agreements. At the same time, using stock data is also problematic, as in some cases agreements may not be binding anymore, or only partially, leading to an overestimation of coverage. Changes in average duration of agreements and possible retroactivity of agreements further complicate the estimation. Furthermore, the choice of the denominator is also crucial in the computation, especially in light of the widespread use of non-standard forms of employment, not systematically well covered in standard surveys.

**Extensions and *erga omnes* provisions**

In many OECD countries, the share of workers covered by collective agreements is significantly higher than the share of workers who are member of a trade union. At the same time, collective bargaining coverage patterns have been much more stable than trade union membership. This difference is sometimes somewhat improperly referred to as “excess bargaining coverage” and used as a proxy for administrative extensions of collective agreements, while it is actually the result of both *erga omnes* (literally in Latin, “towards everybody”) clauses and administrative extensions.

In principle, an agreement between unions and an employer or employer organisations applies only to the signatory parties (“double affiliation principle”). *Erga omnes* clauses extend the terms set in a collective agreement to all workers, not only to the members of signatories unions. *Erga omnes* clauses are usually embedded in the law. However in most countries where agreements are legally binding only for members of the signatory trade unions (Table 4.1), employers often voluntarily provide the same or similar conditions for

all employees within the company (sometimes because employers do not know who is a union member). *Erga omnes* clauses simplify the system (since the same terms apply to all workers), increase fairness, limit rivalries and help social peace and reduce transaction costs. However, *erga omnes* clauses may also represent a disincentive for workers to become members of a union (a typical free-rider problem).

Table 4.1. *Use of erga omnes clauses, <sup>a</sup> 2015*

		Sector-level agreements			
		Not applicable	<i>Erga omnes<sup>a</sup> (de jure or de facto)</i>		Double affiliation <sup>b</sup>
Firm-level agreements	All workers	Australia Canada (BC, ON and QC) Costa Rica Poland United Kingdom United States	Austria Belgium Canada (AB) Czech Republic Denmark Estonia Finland France Hungary Iceland Ireland	Israel Italy Latvia Lithuania Luxembourg Mexico Netherlands Norway Slovak Republic Slovenia Spain	Greece
	Only union members	Colombia New Zealand*			Germany Korea Japan Chile* Portugal* Sweden Switzerland* Turkey

\* Workers can opt in at firm level. In New Zealand, employers and unions can agree that collective terms and conditions may be passed on to other employees or unions, which would include non-union members.

Note: Note: AB: Alberta; BC: British Columbia; ON: Ontario; QC: Québec.

a) *Erga omnes*: agreements cover all workers, not only members of signatory unions. This is fixed either by the law (*de jure*) or is a standard practice (*de facto*).

b) Double affiliation: agreements cover only workers who are member of a signatory union working in a firm member of a signatory employer association.

Source: OECD Policy Questionnaires.

Extensions (or administrative extensions) go one step further and cover workers in all firms within an industrial sector, including also firms that have not signed the agreement or are not affiliated to an employer organisation which signed the agreement. Extensions are usually an “act of public policy based on an explicit legislation mandating the government, a public agency or in some cases a court to apply the collective agreement beyond its signatories” (Visser, 2017). Extensions, or their functional equivalent,<sup>7</sup> are present in two-thirds of OECD and accession countries. However, their specific functioning is extremely diverse: in some countries agreements are extended by default (e.g. in Iceland, Italy and Spain where agreements cover all firms), in some quasi automatic (e.g. in France), in others very rare (e.g. Japan or Central and Eastern European countries). In some countries they are subject to some criteria. In Germany, for instance, any extension decision has to pass a binding advice of the tripartite committee in the Labour Ministry (until 2015 there was also a threshold of 50% of workers covered by signing firms) and is *de facto* subject to a veto from employers. Table 4.2 summarises the frequency of extensions and the criteria used to grant them across OECD and accession countries. The figures in parenthesis refer to the additional coverage rate (as a percentage of employees) provided by extension measures.

**Table 4.2. Scope and coverage of extensions (or functional equivalent) mechanisms in place in OECD and accession countries, 2015**

	Subject to relatively binding criteria	Subject to relatively mild criteria	Not subject to any criteria
<b>Common</b>	Finland (16.0% in 2014) Netherlands (9.3% in 2015) Slovenia (9.0% in 2012) Switzerland (13.7% in 2014)	Belgium (14.0% in 2013) France (22.6% in 2013) Portugal (38.3% in 2011) <sup>a</sup>	Iceland* (24.0% in 2013) Italy* Spain* (6.6% in 2013)
<b>Uncommon</b>	Austria Czech Republic (5.7% in 2013) Germany (0.4% in 2008) Hungary (2.5% in 2012) Israel Japan Latvia Norway (4.0% in 2013) Slovak Republic (0% in 2013) Turkey	Estonia (1.0% in 2012)	Lithuania Luxembourg Mexico Poland

Note: Extension mechanisms do not exist in Australia, Canada (except in Québec where they are rare), Chile, Colombia, Costa Rica, Denmark, Greece, Ireland, Korea, New Zealand, Sweden, the United Kingdom and the United States. Figures in parenthesis refer to the additional coverage rate (as a percentage of employees) due to extension measures. For Belgium, France, Iceland, Ireland, Portugal, Slovenia and Spain, the figures refer to the difference between the coverage rate and the organisation rate of employers.

\* No formal administrative extensions but functional equivalent are in place. Compulsory membership to an employer association in Austria can also be considered a functional equivalent.

a) The estimated share of workers covered by extensions refers to a period before the series of reforms who tightened the criteria for extensions (see Box 4.3)

Source: OECD Policy Questionnaires and J. Visser, ICTWSS Database version 5.1. Amsterdam: Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam. September 2016 for additional coverage rate.

Extensions are often issued out of fairness considerations to ensure the same treatment and standards to all workers in the same sector, in particular for workers for foreign firms or service providers, and migrant and posted workers (Hayter and Visser, 2017). By doing so, extensions can level the playing field across firms and ensure a fair competition.<sup>8</sup> Extensions also reduce the transactions costs linked to lengthy and detailed negotiations over the terms of employment, especially for small firms that lack the resources (or do not have workers representation) to engage in firm-level bargaining in which case workers would never be covered by an agreement (Blanchard et al., 2014). In some cases, extensions are also issued in order to guarantee the stability of the collective bargaining system and the sustainability of some forms of “public goods” such as sectoral training and mobility schemes that are funded via collective agreements (De Ridder and Euwals, 2016; and Hayter and Visser, 2017). Finally, extensions also contribute to spread best practices in terms of personnel management, training, health and safety, technology usage, insurance, retirement packages, or performance-related incentives.

On the opposite, extensions can become a tool of unfair competition, for instance when extensions are used by “insider” firms to drive competitors out of the market (Haucap et al., 2001; Magruder, 2012; Martins, 2014). More in general, extensions may also have a negative impact when the terms set in the agreement do not account for the economic situation of a majority of firms in the sector: for instance, when the employer association is representative only of large and relatively more productive firms (and hence willing to pay higher wages), it may agree on wage floors and other components that are not sustainable for smaller and less productive firms. Finally, delayed extensions that require the payment of sizeable pay arrears can also severely affect the labour market during a period of liquidity constraints for firms (see Hijzen and Martins, 2016 for the case of Portugal).

In order to partly alleviate these concerns, extensions may be issued when the “collective agreement already covers a number of the employers and workers concerned which is, in the opinion of the competent authority, sufficiently representative”, as stated in the ILO Recommendation on collective agreements (No. 91). In several OECD countries administrative extensions are subject to threshold representativeness criteria (more details in the online annex at OECD, 2017c): collective agreements can only be extended if they are signed by *employer organisations* representing a minimal share of workers (most often the majority). A few countries also request that signing *unions* represent a majority of workers. However, while these criteria may be important, a more important concern is to ensure that signing employer organisations do not only represent a few selected firms. In most countries these thresholds are checked only at the moment of signing the agreement or issuing the extension. An exception is in Switzerland, where they must hold for the entire duration of the agreement; therefore if coverage drops below the 50% threshold, the extension must expire (Visser, 2017). Introducing representativeness criteria in countries where they do not exist is not straightforward. As the 2012 Portuguese reform shows, it is not easy to define criteria that are sufficiently strict to be meaningful, while easy to be fulfilled hence allowing an effective role for extensions. Hijzen et al. (2017) suggest opting for a gradual increase of the thresholds over time to ensure that non-representative extensions are eliminated and give time to employer associations to increase their membership levels, especially amongst smaller firms.

Having reliable and up-to-date statistics on trade unions’ and employer organisations’ membership is in all cases a necessary condition in order to have meaningful representativeness criteria. Portugal was able to swiftly introduce representativeness criteria thanks to the detailed information on firms’ membership of an employer organisation contained in the *Quadros de Pessoal*. However this is rather an exception across OECD and accession countries. Membership figures of both trade unions and employers, as well as other indicators such as, for instance, the votes obtained at social elections, can be used as an indicator of the relative bargaining power of social partners and influence government actions. Bargaining parties may thus have an incentive to inflate statistics in search of influence power, in particular since official, detailed and up-to-date statistics on unions, employer organisations and collective bargaining are not widespread. Therefore, enhancing the reliability and accessibility of such data would help inform and improve the policy debate on collective bargaining.

Representativeness criteria based on threshold may prove too rigid and unhelpful when the stability of the collective bargaining system or of common funds is at stake. Partly for these reasons, the threshold in Germany of 50% was dropped in 2015. Alternatively, a possibility to derogate from the representativeness criteria could be left open in certain circumstances. In Switzerland, for instance, when unions can prove to public authorities that in a specific sector it is particularly complicated to organise workers (for instance, because of a high presence of foreigners or because of security issues that restrain the possibility to reach and organise workers on their workplace) there is a possibility to derogate from the criterion requiring that signing unions represent a majority of workers.

OECD countries could also submit the extension of collective agreements to a test of public interest, by which extensions could be denied if the social and economic circumstances do not warrant extending the terms beyond the signatory parties or, on the opposite, issued to safeguard the public interest (for instance to stabilise the collective bargaining system or avoid free-riding in common funds such as for training). As argued in

OECD (2017b), while the exact definition can vary, it is important that the criteria of public interest are announced well in advance by the government so that social partners can take them into account during the negotiation. Hijzen et al. (2017) report that in the Netherlands, political actors frequently call upon public interest concerns to limit extensions, but do not use it so much in practice, being reluctant to interfere in the bargaining process.<sup>9</sup> In Norway, extensions are granted if it is proven that foreign workers work or could work under employment conditions that are worse than those set by national agreements for the trade or industry in question or what is common for the place and occupation. Public interest criteria could help introducing some degree of qualitative evaluation in the decision of granting or not an extension, above and beyond strictly threshold representativeness criteria, but may be more difficult to action and be more subject to partisan considerations. So far they are not used to any major extent in any of the OECD countries.

While representativeness criteria (and, if used, public interest clauses) aim to reflect as much as possible the situation of a wide set of firms, they cannot account for their full diversity. Few countries, therefore, also allow for exemptions from extensions. In the Netherlands clearly pre-defined criteria for exemptions are even a condition for extension. Moreover, firms can request an *ad hoc* exemption from the ministry if they can justify dispensation.<sup>10</sup> Hijzen et al. (2017) report that, between 2007 and 2015, 191 requests of *ad hoc* exemptions were presented by Dutch firms, but only 58 were accepted. In Switzerland, although there are no formal rules for exemptions, in one case in 2012 firms with an annual turnover lower than 1.2 million Swiss francs (around EUR 1.2 million) were exempted (Visser, 2017). Another option to better reflect the heterogeneity of firms and avoid the “one-size-fit-all” limit of extensions would be to encourage a differentiation within agreements as is done in the Dutch metal industry where, in practice, two agreements are signed, and extended, one for firms with 35 and more employees and one for firms with less than 35 employees.

Finally, existing statistics on collective bargaining coverage may underestimate the real extent of coverage, with or without extensions, due to “orientation”, e.g. the possibility for firms to follow the terms set by the collective agreement of their reference sector while not being formally bound to it or to formally “opt-in”, to reduce transaction costs and reduce the risks of conflicts. Opt-in is even sometimes suggested as a better alternative than allowing firms to “opt-out” from collective agreements. This option would hold if the main and sole rationale for issuing extensions would be a reduction of transaction costs; however several other reasons motivate in practice the use of extensions (such as levelling the playing field) and, therefore, opting-in cannot be considered a perfect functional equivalent. Moreover, even in countries where opt-in is relatively common, such as Germany, it does not appear to be a brake to declining coverage of collective agreements.

Based on establishment data,<sup>11</sup> Addison et al. (2016) show that half of the German establishments which are not covered by a sectoral agreement still orient themselves to it. This partly cushions the effects of a declining coverage of sector-level agreements: between 2000 and 2013, while coverage decreased by 10.7 percentage points, from 60% to 49.3% of establishments, orientation increased by 4.1 percentage points, from 16% of establishments to 20.1%. Orientation, however, is a weak policy tool as firms can withdraw from the terms set in the agreement at any time or just pick-and-choose the elements of the agreement they like (a formal opt-in is a stronger tool as firms cannot withdraw easily, but as a consequence it is also potentially less appealing for firms). Addison et al. (2016) find that wages in establishments not covered by sector-level agreements are indeed lower than those in



covered firms. Orienting establishments pay better than non-orienting (and therefore fully uncovered) ones, but still not as much as covered establishments. Hence, orientation (or opt-in) fills some of the gaps left by a decreasing coverage but far from completely.

### **Duration, ultra-activity and retroactivity**

The duration of collective agreements, their validity beyond termination date (the so-called “ultra-activity”) or before their entry into force in case of delays (the so-called “retroactivity”) also influence bargaining coverage as noted earlier. In some OECD countries, collective agreements do not expire until they get replaced by new ones. This ensures the continuity of the system and prevents voids when collective agreements expire. In countries where the law leaves large, or total, room to collective bargaining (for instance in countries with no statutory minimum wage), expiration without any replacement or ultra-activity effects would leave workers totally uncovered. Clearly, a long, and even indefinite, duration of agreements strengthens workers’ bargaining power by keeping them covered, even when employers are unwilling to negotiate new terms, and is ultimately contributing to increase stability and social peace. On the other hand, indefinite, or long, duration of agreements can make it more difficult for employers to renegotiate the terms of the agreement in times of crisis or deflation with potentially a negative effect on employment. Or they may lock workers in an outdated agreement (as pointed in the discussion on the estimation of the bargaining coverage in Portugal, Box 4.2), especially in times of higher inflation. Without co-ordinated and swift actions, indefinite duration of collective agreements may thus ultimately reduce the resilience of the labour market to unexpected shocks.

Table 4.3 shows where the maximum duration is specified in the law, fixed by social partners or not specified. Collective agreements of indefinite duration are typically negotiated in France, but they are also common in Belgium (and before the economic crisis of 2008, agreements had an indefinite duration or long ultra-activity in Greece and Spain as well). Countries which set a maximum duration by law, typically limit it to 36 months. Table 4.3 also shows that most OECD countries do not specify a maximum duration for the ultra-activity of an expired agreement, but leave it for negotiation between social partners. Among OECD countries, Luxembourg, New Zealand, the Slovak Republic, Slovenia and Spain (unless agreed otherwise) limit ultra-activity to 12 months, Portugal to 18 months. Limits to the duration of agreements beyond their termination date also exist in Greece. In addition, collective agreements can be terminated unilaterally by one of the signatory parties, in some countries such as Chile, Estonia, Poland or Switzerland. In most other countries, the union or the employer can ask for the termination of an agreement within a predefined notice period and the agreement has to be renegotiated while the terms of the former agreement remain valid. Across OECD and accession countries, collective agreements are renewed on average every 12-24 months, or three years in Australia,<sup>12</sup> Chile, and Sweden. Canada and Portugal are outstanding exceptions with an average duration exceeding 40 months (see online annex at OECD, 2017c).<sup>13</sup>

Finally, Table 4.3 also shows that collective agreements can be applied retrospectively, i.e. before their signature date, in order to ensure the continuation of rights and obligations in case of late renewal. Most OECD countries leave the decision on the payment of arrears to social partners. In some cases, retroactivity applies to all firms and workers, including those covered by administrative extensions (or their functional equivalent). For instance, this happens, to different extents, in Belgium, Italy and Spain. Including in the retroactivity of the agreement also firms subject to the extensions contributes to levelling the playing

Table 4.3. **The duration, ultra-activity and retroactivity of collective agreements, 2015**

	Limits to (or no) ultra-activity and no retroactivity	Unlimited ultra-activity and no retroactivity	Limits to ultra-activity and possibility of retroactivity	Unlimited ultra-activity and possibility of retroactivity
<b>Maximum duration fixed by the law</b>	Luxembourg New Zealand Portugal <sup>a</sup>	Chile <sup>a</sup> Japan Latvia Netherlands	Greece Korea	Australia <sup>a</sup>
<b>Maximum duration fixed by social partners</b>	Slovak Republic	Austria Costa Rica Czech Republic Estonia Iceland <sup>a</sup> Israel Mexico Sweden <sup>a</sup> Switzerland	Spain <sup>a</sup> Turkey United States	Colombia Denmark <sup>b</sup> Germany Italy Norway
<b>No rule</b>	France Slovenia <sup>b</sup>	Belgium Finland Hungary Ireland Lithuania Poland United Kingdom		Canada <sup>a</sup>

a) Average duration of collective agreements exceeds two years. For Australia, a collective agreement continues to apply until it is terminated or replaced.

b) Only for the manufacturing sector in Denmark and in the metal sector in Slovenia.

Source: OECD Policy Questionnaires.

field (and this is consistent with the spirit of sector-level bargaining and the logic behind extensions as argued by Hijzen et al., 2017). Retroactivity is unlikely to have a significant economic effect in normal times as far as extensions can be anticipated. However, it may become a major burden for firms in case of liquidity constraints, by constraining them to pay sizeable arrears in a relatively short period of time. Hijzen and Martins (2016) suggest that the negative effects on employment of extensions in Portugal before the 2012 reform was probably driven by the burden posed by the payment of arrears by cash-strapped firms.

### 3. Unpacking the complex machinery of collective bargaining

#### **Centralised and decentralised bargaining systems**

##### **Levels of bargaining and favourability principle**

The predominant level of bargaining as a proxy of the degree of centralisation occupied most of the attention of early studies on collective bargaining and macroeconomic performance. According to the corporatist view which dominated in the 1980s, performance would increase with centralisation, as centralised regimes would be able to internalise the potentially adverse effects of wage increases on unemployment and competitiveness (Cameron, 1984). The centralisation argument was however challenged by the “hump-shape” or “U-shape” thesis of Calmfors and Driffill (1988), which was very influential in the 1990s and early 2000s and argued that both centralisation and decentralisation could actually perform well in providing either aggregate flexibility or micro flexibility, since decentralisation would allow wages to adjust to productivity across firms. In any cases, sectoral bargaining was found to deliver the worst outcomes. Empirical studies have not provided much backing for this simplistic view, and showed that even seemingly similar

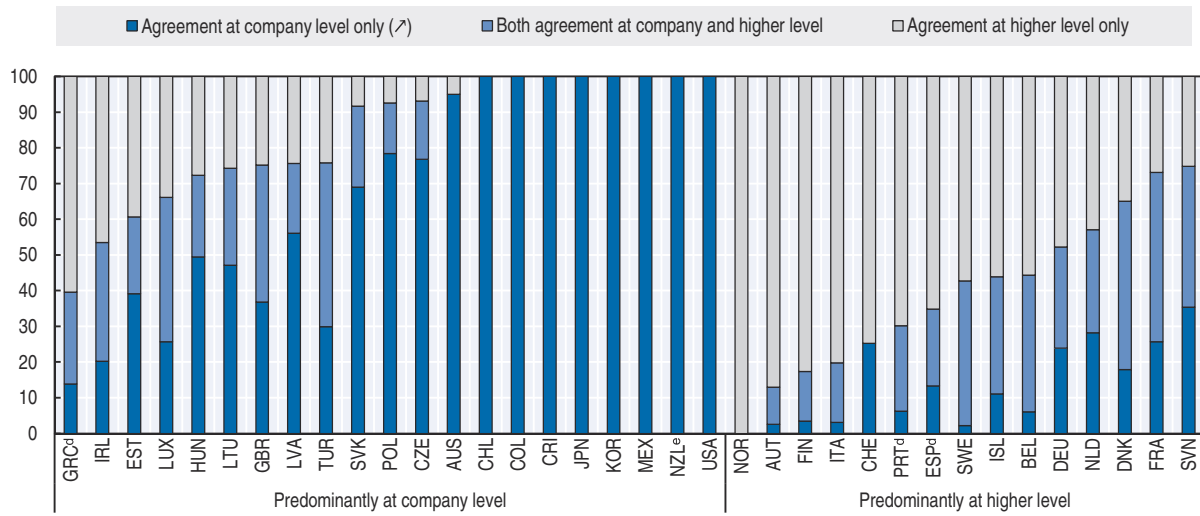
bargaining structures work differently while the degree of co-ordination seems a more important variable in explaining different labour market outcomes across countries (OECD, 2004 and 2012). This suggests that a comprehensive discussion of centralised versus decentralised systems needs to go beyond the bargaining level as the sole variable of interest, and instead address the full complexity of bargaining structures.

Since the late 1980s, several reforms promoted the decentralisation of collective bargaining in many OECD countries, i.e. gave more space to negotiations at the level of the company, the establishment or the workplace. Decentralisation typically occurred in two ways: either directly through a replacement of national/sectoral agreements by enterprise agreements, or through a process of articulation/devolution within the national/sectoral agreements (Visser, 2016a and 2016b) allowing firm-level agreements to negotiate wage and working conditions within a general framework negotiated at higher level. Traxler (1995) first coined these configurations as respectively “disorganised decentralisation” and “organised decentralisation”.

Organised decentralisation (or controlled form of decentralised collective bargaining) takes two main forms in European countries. In a first case, national or sectoral agreements define the broad framework but leave large scope for bargaining at the firm/establishment level (notably in Scandinavian countries or the Netherlands): sectors can either set *minimum* or *standard* terms of employment which employers can complement or deviate from at firm level; or allow workers and employers to choose “à la carte” and trade-off, if they want, wages against working conditions. A second form of organised decentralisation is the one where national or sector agreements allow and define the conditions for deviations at lower levels via the so-called opening or opt-out clauses (Germany is probably the most notable example). However in other countries, formal regulatory changes in the bargaining structure have not resulted in a real shift of power<sup>14</sup> to the firm level but rather in two-tier bargaining structures (Boeri, 2014): in this case higher level agreements still dominate, leaving to firm-level bargaining only the possibility to improve the standards set in national or sector level (“*in melius*”) agreements, firm-level agreements being subject to the “favourability principle” which states that a lower level agreement can only take precedence over a higher level agreement if it improves the terms of employment for workers.

Figure 4.7 provides a first suggestive overview of bargaining levels across OECD and accession countries. Sector or industry level bargaining continues to dominate in most continental Western European countries, while in Canada, Chile, Ireland, Japan, Korea, Mexico, Turkey, New Zealand, the United Kingdom, the United States, most Central and Eastern European countries, as well as the three OECD accession countries, bargaining predominantly takes place at firm or enterprise level. In Belgium, Finland and Norway, national unions and employer organisations engage predominantly in cross-sector bargaining at central level but, even if not always well reflected in the data, also at sector and company level. Finally, Israel, Luxembourg and the Slovak Republic are mixed cases with an almost equal combination of sector- and firm-level negotiations.<sup>15</sup>

While the predominant level of bargaining allows for a rapid characterisation of collective bargaining systems across OECD countries, it also risks conveying an overly simplistic picture. Figure 4.7 clearly shows that countries with the same predominant level of bargaining differ substantially in terms of their actual structure: even in countries where sectoral bargaining is the predominant level, firm level bargaining can have a very significant role and vice versa.

Figure 4.7. **Detailed bargaining level**Percentage of employees covered by a collective agreement<sup>a</sup> in the private sector<sup>b</sup> 2013 or latest year available<sup>c</sup>

Note: Countries are ordered by ascending order of the proportion of employees covered by agreement taking place at the company level and company and higher level for each predominant level of collective bargaining. Collective agreements are only at company level in Chile, Colombia, Costa Rica, Japan, Korea, Mexico and the United States.

- Statistics based on the Structure of Earnings Survey (Norway and Switzerland) refer to the type of pay agreement covering at least 50% of the employees. This could be explained why data reported for Norway do not reflect the two-tiered bargaining system based on a hierarchical system (i.e. basic agreement covering several industries/sectors sector agreement and company level agreement). Statistics based on the third European Company Survey (all other European countries) refer to employees in firms with at least ten employees.
- Data for Australia include employees of the public sector and relates to the federal enterprise agreement system only.
- 2014 for Norway and Switzerland; June 2014 for Chile; 2015 for Australia; and 2015-16 for New Zealand.
- Greece, Spain and Portugal undertook deep reforms of their collective bargaining systems around the year of observation of the data (see Box 4.3). The figures may therefore reflect a mix of the legacy of the previous system and the early effects of the new one.
- Ten percent of private sector collective agreements in 2016 were multi-employer collective agreements. While such agreements are not sectoral or industry collectives, they do represent agreements that are with more than one company.

Source: OECD calculations based on the third Eurofound European Company Survey (ECS 2013) for all European countries except Norway and Switzerland, the Structure of Earnings Survey 2014 (SES 2014) for Norway and Switzerland, the Workplace Agreements Database for Australia, administrative data from the Labour Department of the Ministry of Labour for Chile and Bargaining Trends and Employment Law Update 2015/2016 for New Zealand and OECD questionnaires for Colombia, Costa Rica, Japan, Korea, Mexico and the United States.

StatLink <http://dx.doi.org/10.1787/888933478011>

A critical element which defines the hierarchy between bargaining levels and the difference among systems is the existence of the so-called “favourability principle” which states that lower-level agreements can only improve the standards set in higher level agreements.<sup>16</sup> In most continental European countries (e.g. Austria, Belgium, Germany, Italy, etc.), the favourability principle has traditionally applied and in practice continues to be the rule (Table 4.4 and online annex at OECD, 2017c).<sup>17</sup> In the Scandinavian countries, Hungary, Korea, Latvia and the Netherlands, it is left to the negotiating parties which are then free to set lower standards if necessary. The 2012 reform in Spain, and to a lesser extent with a series of reforms starting in the 1980s in France, particularly in 2004 and 2008, the favourability principle has been inverted, i.e. giving precedence to firm-level agreements (in France, this is limited to specific topics as working time). In Greece, the favourability principle was abolished in 2012 following the adjustment programme that reversed the hierarchy of agreements. In all other countries with single-level bargaining, it does not apply (e.g. Australia,<sup>18</sup> Canada,<sup>19</sup> Chile, Colombia, Costa Rica, Japan and the United States).

Table 4.4. **Use of the favourability principle, 2015**

Favourability principle always applies	Application of the favourability principle is entirely a matter for the bargainers	Favourability principle does not apply
Austria	Denmark	Greece
Belgium	Finland	Spain
Czech Republic	France*	
Estonia	Hungary	
Germany	Korea	
Ireland	Latvia	
Israel	Netherlands	
Italy	Norway	
Mexico	Portugal	
Poland	Sweden	
Slovak Republic		
Slovenia		
Switzerland		

\* On wages, occupations, complementary social security and training funds the favourability principle always applies.

Note: Favourability principle is not relevant for the following countries: Australia, Canada, Chile, Colombia, Costa Rica, Iceland, Japan, Lithuania, Luxembourg, New Zealand, Turkey, the United Kingdom and the United States.

Source: OECD Policy Questionnaires.

### **Derogations and opt-out clauses**

A second key element which can differentiate countries with the same predominant level of agreement is the use of deviations practices. Controlled forms of derogations have been one of the main factors in the shift of collective bargaining away from centralisation towards an “organised decentralisation” in some European countries over the last two decades. Temporary opening clauses have become rather popular during the crisis (Eurofound, 2015; and Visser, 2016a), following the German practice which allowed firms, together with other tools such as short-time working schemes, to better adapt to the deep crisis of 2008-09 (Dustmann et al., 2014).

As shown in Table 4.5, in most European countries agreements at firm level can deviate from the terms set in the collective agreements. In a third of OECD countries, agreements can also deviate from the standards set in law, most often to make variations to working-time arrangements (when comparing countries, however, one should consider that in some countries there is hardly any law from which to deviate, for instance where most of labour regulations are fixed by collective agreements, while in other countries the labour code is very detailed). Deviations from higher level agreements can be distinguished in general opening clauses<sup>20</sup> and temporary opt-out clauses (also called hardship clauses, or inability-to-pay clauses). General opening clauses allow firm-level agreements to deviate from the minima or the standards set in higher level agreements (for instance to decrease collectively-agreed wage floors, increase working time or change work organisation). Temporary opt-out clauses allow the suspension (or renegotiation) of the terms of agreements (even firm-level agreements) in cases of economic difficulties. In most countries general opening clauses and temporary opt-out clauses are subject to the rules and procedures specified in higher level agreements by social partners themselves and to an agreement at firm level. Finally, in some cases (e.g. Spain) derogations can be obtained without union involvement if no agreement is reached with worker representatives by referring the matter to an external tripartite body.

Table 4.5. **Scope and actual use of derogations and opt-out, 2015**

	Derogations from the law		Derogations/opt-out from higher level agreements
<b>Common</b>	-		Austria Germany* Greece* Netherlands* Spain* Switzerland*
	<b>Limited</b>	Austria	
Belgium			Finland
Estonia			France*
Finland*			Hungary
Germany			Iceland
Hungary			Italy
Japan			Ireland*
Netherlands			Lithuania*
Norway			Poland*
Slovenia			Portugal*
Sweden			Slovenia*
<b>No derogations</b>	Australia	Latvia	Canada
	Canada	Lithuania	Chile
	Chile	Luxembourg	Czech Republic
	Colombia	Mexico	Denmark
	Costa Rica	New Zealand	Estonia
	Czech Republic	Poland	Israel
	Denmark	Portugal	Latvia
	France	Slovak Republic	Luxembourg
	Greece	Spain	Norway
	Iceland	Switzerland	Slovak Republic
	Ireland	Turkey	Sweden
	Israel	United Kingdom	Turkey
	Italy	United States	United Kingdom
	Korea		

\* Derogations possible in case of economic difficulties (referred in the text as opt-out). In Switzerland the information refers to the manufacturing sector.

Note: Derogations/opt-out from higher level agreements not applicable in Australia, Colombia, Costa Rica, Japan, Korea, Mexico, New Zealand and the United States.

Source: OECD Policy Questionnaires.

The use and relevance of permanent or temporary derogations from higher level agreements is closely linked to the presence of a clear and strict hierarchy between levels of negotiations (as noted in the discussion on the favourability principle) and the use of administrative extensions (see Section 1). Indeed, in countries where there is no favourability principle (or is up to negotiators) and no administrative extensions, such as in Northern European countries, there is no need of derogations since unions and firms are free to negotiate agreements that set lower standards than the sector-level agreement. In Denmark, for instance, nothing limits the possibility of temporarily lowering standards.

Opening clauses are among the main adjustment tools of collective bargaining systems where the hierarchy of agreements is subject to the favourability principle and extensions are used. Indeed, opening clauses – and particularly, temporary hardship clauses – are often referred to as “safety valve” (Visser, 2016a) to avoid the “one-size-fit-all” sector-level agreements, notably to adapt to local or specific permanent conditions, or to respond swiftly to an unexpected shock and keep high the support for wide-reaching collective bargaining systems.<sup>21</sup> However, if not regulated, they can result in a downward competition between firms and even undermine the regulatory capacity of collective agreements. Moreover, if derogations and opt-outs are used only, or mainly, by large firms which have the resources to



conclude firm-level agreements and/or to process the paperwork required to request the opt-out and which are often also the most productive, they risk losing their role of “safety valve”. Small firms, which may be those most in need of some derogations from the terms set by collective agreements they have not negotiated, most often are not able to make use of derogations and opt-out clauses because they lack the capacity and/or worker representation. In a possibly extreme, but not totally unlikely scenario, large firms may even use opt-outs as an anti-competitive tool by negotiating first relatively generous conditions in sector-level agreements and then opt-out to improve the terms in their favour, leaving competitors bear the brunt of the generous terms they have negotiated.

Opening clauses in higher level agreements were introduced in Germany as a temporary solution,<sup>22</sup> limited first to working time, then from 1995 extended to wages (Brändle et al., 2011). Initially only unions could agree to revise the terms of the agreement, but quickly collective agreements also allowed “Pacts for employment and competitiveness” (PECs) with the work councils (with or without formal involvement of a union). These have become increasingly widespread and began being used independently of the specific economic situation (Seifert and Massa-Wirth, 2005). Kohaut and Schnabel (2006), based on data from the IAB Establishment Panel, also report that, in 2005, 13% of establishments and 29% of employees in Germany were covered by a collective agreement with scope for an opening clause. Around half of the involved/concerned establishments (53% in the West, 50% in the East) had made use of such a clause, mostly to modify working-time arrangements, and only one third to change basic pay or annual bonuses. Data from the WSI Works Council Survey (Bispinck and Schulten, 2010) and from the IAB Establishment Panel (Addison, 2016) do not show yet any particular trend over the last ten years, except an uptake during the crisis.

As mentioned before, the 2012 Spanish labour market reform made it easier for firms to opt-out from higher level agreements and extended the possibility for employers to unilaterally modify wages, working hours and work schedules referring the matter, if disagreement persists, to arbitration by a public tripartite body. In the years until 2015, estimates of the Spanish Labour Ministry show that less than 5% of firms, mainly large ones, have opted-out. Data collected by the Wage Dynamics Network Survey and reported by Izquierdo and Jimeno (2015) show that in 2013, 3.7% of firms opted-out from a sector-level agreement and 1.9% from their own firm-level agreement. Opt-outs were mainly used by large firms opting out from a sector-level agreement (5.9% of firms with more than 200 employees) and even more from their own firm-level agreement (16.6% of firms with more than 200 employees). As SMEs constitute the bulk of the Spanish economy, the use of opt-outs in Spain remains therefore limited. Moreover, since the Spanish reform also facilitated internal flexibility, firms have other adjustment options beyond opting-out from collective agreements. The German experience, moreover, shows that it takes time before firms learn how to make full use of these instruments.

#### **Box 4.3. The reforms of collective bargaining during the crisis**

Spain, Portugal, Greece and, more recently, France passed encompassing labour market reforms during or following the crisis that also changed the way collective bargaining works. All reforms were aimed at strengthening firm-level bargaining and giving more flexibility to employers in case of economic shocks.

In Greece (see ILO, 2014b for more details), the collective bargaining has undergone a complete overhaul since 2010. The favourability principle was inverted giving priority to

**Box 4.3. The reforms of collective bargaining during the crisis (cont.)**

firm-level agreements which can now be signed by associations of persons in place of trade unions. Extensions of collective agreements to non-signatory firms have been scrapped and limits to the duration and the ultra-activity of collective agreements were introduced. Finally, the system of recourse to arbitration was changed. Many of the measures were introduced on a temporary basis and are currently the subject of renegotiation between Greece and international institutions.

In Spain (see OECD, 2014 for more details and a preliminary review), the 2012 reform inverted the favourability principle giving priority to firm-level agreements over those at the sector or regional level. The reform also made it easier for firms to opt-out from higher level agreements or firm-level agreements either upon an agreement with worker representatives or by unilaterally referring the matter to arbitration by a public tripartite body.

In Portugal (see OECD, 2017b for more details and a preliminary review), successive reforms between 2011 and 2015 initially froze extensions of collective agreements and then granted them only if the signing employer organisations met certain criteria. The duration and ultra-activity of collective agreements was reduced. Work councils in firms with at least 150 employees (down from 500) have been allowed to negotiate firm-level agreements upon a mandate from unions and a possibility was introduced for employers to temporarily suspend a collective agreement in case of crisis.

In France (see Ministère du Travail, 2016 for more details), the 2016 reform, in the wake of a series of reforms starting in the 1980s, further strengthened the role of firm-level agreements in defining working time, leave and rest period. It also increased the threshold to define which trade unions are representative and allowed to sign firm-level agreements and introduced the possibility of approving the agreements via an internal referendum. Opt-out clauses in case of economic difficulties, with the objective of safeguarding employment have also been introduced (but not on wages).

**Co-ordination, enforceability and the quality of labour relations****Co-ordination**

Co-ordination is the other key pillar of collective bargaining systems. Co-ordination refers to the “degree to which minor players deliberately follow what major players decide” (Kenworthy, 2001 and Visser, 2016a). Co-ordination can happen between bargaining units at different levels (for instance when sector- or firm-level agreements follow the guidelines fixed by peak-level organisations or by a social pact) or between units at the same level (for instance when some sectors or companies follow the standards set in another sector/company).

Many studies have found in different co-ordination practices a main factor behind wage developments and macro flexibility, namely the ability of the economy to adjust to macroeconomic shocks (Soskice, 1990; Nickell, 1997; OECD 1997, 2004 and 2012; Blanchard and Wolfers, 2000; Traxler and Brandl, 2012). While conceptually different, co-ordination and centralisation can be thought of as two different ways to reach the same objective, and strong co-ordination has been found to be a functional equivalent of centralisation in some cases (Soskice, 1990; Traxler, 1995; Teulings and Hartog, 1998). However co-ordination can also ensure that either organised, but also disorganised decentralisation does not result in totally independent and atomised negotiations and allow for a certain degree of synchronisation of different bargaining units when setting their strategy and targets. Co-ordination can play a

particularly important role at the macroeconomic level as a critical tool to strengthen the resilience of labour markets by increasing the responsiveness of real wages to changes in macroeconomic conditions (OECD, 2012; IMF 2016). But co-ordination can be a key instrument in pushing up wages when needed. Co-ordination is also important to ensure that the competitiveness of the export sector in a country is not endangered by what is negotiated in the non-tradable sector which does not suffer from international competition but is often a critical input for the tradable sector.

Wage co-ordination takes different forms across OECD countries. Table 4.6 presents the degree and mode of co-ordination among OECD and accession countries. It follows Kenworthy (2001) and Visser (2016a) by distinguishing between the *mode* of co-ordination (state-imposed, pattern bargaining, etc.) and the *degree* of co-ordination (whether pervasive and binding or not). Co-ordination is strongest when it is based on strict statutory controls (this is called *state-imposed* co-ordination, and it occurs via indexation rules, binding minimum wages and/or rules for maximum uprates). Currently only Belgium falls in this category: wages are indexed to increases in living costs but capped by a “wage norm” which takes into account (weighted) wage developments in France, Germany and the Netherlands on top of a statutory minimum wage negotiated between social partners. Finland is the country closest to Belgium since central agreements (still) play an important role in guiding what lower-level agreements can negotiate (*state-induced* co-ordination). In France, the relatively high minimum wage also severely restricts the room of manoeuvre of social partners and renders many wage floors irrelevant (Fougère et al., 2016). In Nordic countries, as well as in Austria, Germany and the Netherlands co-ordination takes the form of the so-called *pattern bargaining* where a sector sets the targets first (usually the manufacturing sector exposed to international trade) and others (or at least some of them) follow. Pattern bargaining also takes place in Japan where collective agreements are negotiated only at company level (see Box 4.4 for more details). Finally, co-ordination can also take the form of inter- or intra-associational guidelines where peak level organisations either set some norms or define an intra-associational objective that should be followed when bargaining at lower levels. This takes place more or less formally in several countries but it is usually binding only in countries where peak level trade unions or employer organisations are relatively

Table 4.6. **Forms of co-ordination across OECD countries, 2015**

		Mode of co-ordination		
		Pattern bargaining	State imposed/induced	Inter/Intra-associational
Degree of co-ordination	Strong	Austria Denmark Germany Japan Netherlands Norway Sweden	Belgium Finland	Austria Finland Japan Netherlands Norway Sweden Switzerland
	Limited		France	France Iceland Italy Portugal Slovenia Spain

Note: Forms of co-ordination are not relevant for the following countries: Australia, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Estonia, Greece, Hungary, Ireland, Israel, Korea, Latvia, Lithuania, Luxembourg, Mexico, New Zealand, Poland, the Slovak Republic, Turkey, the United Kingdom and the United States.

Source: OECD Policy Questionnaires.

strong and centralised (typically Nordic countries and to a significantly lower extent France and Italy). In most Central and Eastern European countries, OECD accession countries and other decentralised systems, bargaining systems are uncoordinated.

**Box 4.4. Wage co-ordination in a decentralised system:  
The Japanese *Shunto* or Spring Offensive**

Collective bargaining in Japan is highly decentralised: most of the bargaining takes place at the company level without national or sectoral agreements. Yet, a co-ordination mechanism for wage bargaining is launched every spring by the peak unions to supplement the limitations of bargaining power of firm-level unions. This co-ordination system, called *Shunto* (the trade unions' nation-wide Spring Offensive), is entirely left to the social partners.

Introduced in 1955 by one of the major national trade unions in a context of weak, fragmented and highly politicised unions, over time *Shunto* became the quintessential example of integration and synchronisation in wage bargaining in combining pragmatism, flexibility and efficiency. Annual negotiations for wage increases on a national scale are given a precise framework through separate internal co-ordination by both unions and employer organisations (Togaki, 1986; Shirai, 1987). The co-ordination mechanism takes place both within and across sectors. Typically, the negotiations with large companies start in winter, when Rengo, the national Japanese trade union confederation, sets the intra-associational guidelines with wage increase target to be further specified by each sectoral level trade union federations. Taking this minimum wage increase as a benchmark, firm-level unions negotiate over wages, bonuses and working conditions. Parallel efforts to co-ordinate the bargaining policy of employers are also made by employer organisations and the major enterprises, ensuring a large convergence with unions' requests.

The importance of information sharing for a co-operative relationship between unions and employers and efficient negotiation process was pointed out by Morishima (1991) as a critical ingredient of success of the *Shunto* system over time. For instance, following the 1973 oil crisis, the national trade union centre changed strategy drastically after heated management-labour discussions, and decided to self-restrain wage increases to prevent causing hyperinflation. A similar pragmatism was observed in 2001, after the ICT bubble crisis in Japan, as national-level social partners jointly declared that unions would restrain their requests to allow employers to preserve jobs. More recently, unions compromised on the wage increases with employers in exchange for employment protections (2% wage increases in 2016). Some observers have argued however that this wage moderation policy may have led to a weakening of unions' bargaining power during the Lost Decades (e.g. Visser, 2013). Moreover, Kato (2016) suggests that in recent decades wages started to fall behind productivity growth and *Shunto* has become less relevant, losing in part its efficacy in synchronising wage negotiations.

*Source:* This box was prepared in collaboration with Yoshie Shigiya.

***Enforcement of collective agreements and the quality of labour relations***

The ability of the employer organisations and trade unions to control the behaviour of their constituency at lower levels is key for ensuring that decisions taken at higher levels are actually reflected at lower levels and effectively implemented. Co-ordination and centralisation without compliance and enforcement are simply ineffective (Nickell and Layard, 1999; Traxler, 2003). The evidence discussed in Box 4.5 shows that, for countries where estimates are available, even compliance to the lowest levels of the negotiated wage floors is far from perfect.

#### Box 4.5. Compliance and enforcement of collective agreements

Primarily a legal issue, the actual level of enforcement of the standards set by collective agreements is critical to judge the effectiveness of the bargaining systems, notably in terms of fairness for workers and level-playing field for firms. However, available empirical evidence on compliance to labour market regulations is quite scarce and almost inexistent for collective bargaining. In fact, measuring the extent of non-compliance is very difficult to do in a practical way, given data limitations and measurement error. Garnero et al. (2015) provide a first estimate of non-compliance to wage floors fixed by collective agreements in seven European countries. They find that on average in 2007-09, the share of workers paid less than the negotiated wage floors was 13% in Italy, 8% in Germany, 4% in Austria and Belgium, and around 2% in Finland and Denmark.

More recent estimates on the incidence and depth of non-compliance to minimum wages fixed by collective agreements in Italy between 2008 and 2015 using a range of survey and administrative data are provided by Garnero (2017). He finds that non-compliance is indeed non-negligible: on average, using Labour Force Survey data, around 10% of workers in the country are paid one fifth less than the reference hourly wage floor (7% using data declared by employers themselves in the Structure of Earnings Survey which however excludes micro firms and the agriculture sector; and 2.7% using social security data which however are unlikely to report non-compliance as they are based on official company records and limited to monthly wages, therefore not considering extra unpaid time, and to full-time full-month employees only). Not surprisingly, all data sources show that non-compliance is particularly high in the south of Italy and in micro and small firms and it affects especially women and temporary workers. Moreover, all data sources show that wages in the bottom of the distribution in Italy appear to be largely unaffected by wage floor increases. The exact estimates vary according to the data used but all show that non-compliance significant and pervasive.

In addition to more effective labour inspections, Garnero (2017) suggests a series of relatively cost-free tools for improving compliance to negotiated wage floors, and to the terms of collective agreements more in general. In countries where the number of collective agreements is very high, a smaller number of collective agreements and minimum wages would make the system more transparent for both employers and workers. Where it is not the case, ensuring that agreements are signed by representative unions and employer organisations is key to avoid that complacent, poorly representative social partners or “yellow” unions (unions dominated or heavily influenced by an employer) undermine existing standards.

Making the text of collective agreements and a summary of its main elements publicly and easily available is an essential precondition to ensure that workers and employers are well informed about their rights and duties. In most countries it is difficult to get access to the text of collective agreements. Finally, awareness and “name and shame” campaigns have been proven quite effective in increasing compliance with the statutory minimum wage in Costa Rica (Gindling et al., 2014) and the United Kingdom (Benassi, 2011) and could be used as a relatively cost-effective tool also in the case of collective agreements.

There are no comparable indicators on the level of enforcement across countries. However, the capacity of enforcement of each system – sometimes also referred to as “governability” (see Traxler, 2003; and OECD, 2004)<sup>23</sup> – is likely to be related to the functioning of collective bargaining, historical developments and overall trust among social partners. The “enforceability” of agreements can also be fostered by regulating industrial actions with

“peace clauses” ruling that unions which have signed an agreement, and their members, cannot lawfully strike on issues regulated in the agreement). In some countries peace clauses are not or rarely used (for instance, Belgium and France, Mexico, Chile) on the grounds that a peace obligation would interfere with the right to strike. In other countries (e.g. Italy and Spain), peace clauses are common but given that the strike is an individual right, workers can always strike as the agreement is binding only for the collective signatory parties. Therefore, even a small group of workers is enough to limit the enforcement of the agreement undermining the governability of the system. In other countries (typically the Nordic countries) peace clauses are used and enforced thanks to the strong role of unions and relatively high level of trust between and in social partners.

Mediation and arbitration procedures can also play a significant role in smoothing conflicts and helping finding an agreement within the framework of collective bargaining and therefore contribute to strengthen the overall governability of the system. Mediation and arbitration procedures in sector-level and firm-level agreements are present in about half of OECD and accession countries and in around two-thirds of the cases a mediation procedure is compulsory. In other countries, for instance in Norway, mediation mechanisms exist outside the agreements. The Norwegian National Mediator mediates in conflicts of interests between employer and employee organisations, i.e. when the negotiations on renewal or establishment of an agreement have broken down. The purpose of mediation is to avoid work conflict which, in fact, cannot legally be started before mediation has been tried. The Labour Court of Norway is a special court for resolving labour disputes concerning the interpretation, validity and existence of collective agreements, cases of breach of collective agreements and the peace obligation and cases of claims for damages arising from such breaches and unlawful industrial action.

Table 4.7. **The enforcement of collective agreements, 2015**

		Sector-level agreements			
		Nothing or not applicable	Peace clause	Mediation	Both
Firm-level agreements	Nothing	Canada (AB) Korea Poland Slovak Republic		Austria* Slovenia	Denmark* Latvia*
	Peace clause	Japan	Iceland Luxembourg Norway		Estonia Greece* Lithuania* Netherlands Switzerland
	Mediation	Australia Chile Colombia* United Kingdom		Czech Republic France Hungary Mexico Portugal	
	Both	Canada (BC*, ON* and QC) Costa Rica New Zealand Turkey United States*		Ireland*	Australia Belgium* Finland Germany Israel* Italy* Spain* Sweden*

\* Compulsory mediation.

Note: AB: Alberta; BC: British Columbia; ON: Ontario; QC: Québec.

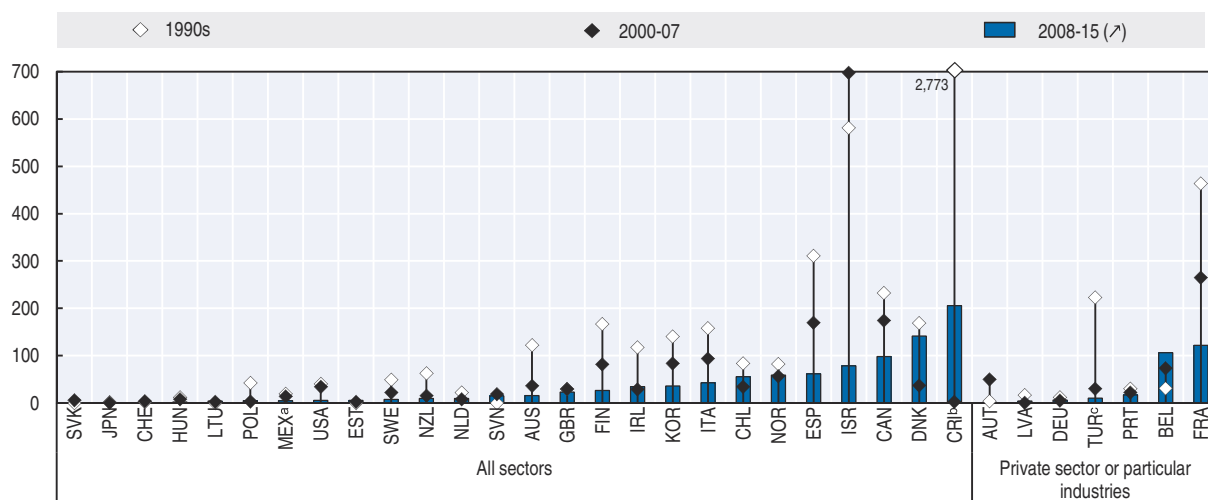
Source: OECD Policy Questionnaires.



Figure 4.8 shows the trends in industrial disputes (strikes and lock-outs) across OECD and accession countries. Data should be interpreted however with caution as the number of strikes is likely to be affected by how they are regulated at national level and may thus not reflect the actual level of strife on the workplace. Furthermore, existing statistics are plagued by considerable differences in definitions and measurement which severely limit the comparability of the data (see note under Figure 4.8 and, for further details, see online annex at OECD, 2017c). Notwithstanding these caveats, Figure 4.8 shows that industrial disputes as well as the degree of variation across countries have gone down considerably since the 1990s (a notable exception is only Belgium where days lost because of strikes have steadily increased since the 1990s).

Figure 4.8. **Trends in industrial disputes**


Annual averages of work days lost per 1 000 salaried employees



Note: International comparability of data on strikes is affected by differences in definitions and measurement. Many countries exclude from their official records small work stoppages, and use different thresholds relating to the number of workers involved and/or the number of days lost. Strikes statistics in some countries may also exclude stoppages in particular industries, such as the public sector (as in Austria, Belgium, France, Germany, Latvia, Portugal and Turkey) or of a particular type, such as political and unauthorised strikes (as in Chile, Costa Rica, Estonia, Hungary, Israel, Korea, Latvia, Lithuania, Mexico, Turkey, the United Kingdom and the United States). Conversely, some countries may include workers indirectly involved (i.e. those who are unable to work because others at their workplace are on strike) as in Costa Rica, Denmark, Estonia, Finland, France, Hungary, Ireland, Lithuania, the Netherlands, New Zealand, Poland, the Slovak Republic, Switzerland, Turkey, the United Kingdom and the United States or work stoppages caused by the shortage of materials supplied by firms involved in strike. In general, forms of industrial action that do not involve full-work stoppages, such as “go-slows”, silent and other protests on the workplace are not included. For further details, see online annex at OECD (2017c).

- The statistics concern strikes at establishments and enterprises covered by federal jurisdiction. As a result, strikes at enterprises under local jurisdiction are not included.
- Average in 2008-14 is mainly driven by a strike in 2014 taking place in the Ministry of Education and involving 75 000 workers during 29 days. The annual average set at 33 days lost per 1 000 employees otherwise.
- The following branches of economic activity or sectors are excluded: life or property saving, funeral and mortuary, production, refining and distribution of city water, electricity, natural gas and petroleum as well as petrochemical works, production of which starts from naphtha or natural gas; banking services; in workplaces operated directly by the Ministry of National Defence, General Command of Gendarmerie and Coast Guard Command, firefighting and urban public transportation services carried out by public institutions and in hospitals.

Source: ILOSTAT and national statistical offices for working days not worked and OECD Annual Labour Force Statistics Database and national statistical offices for total number of employees.

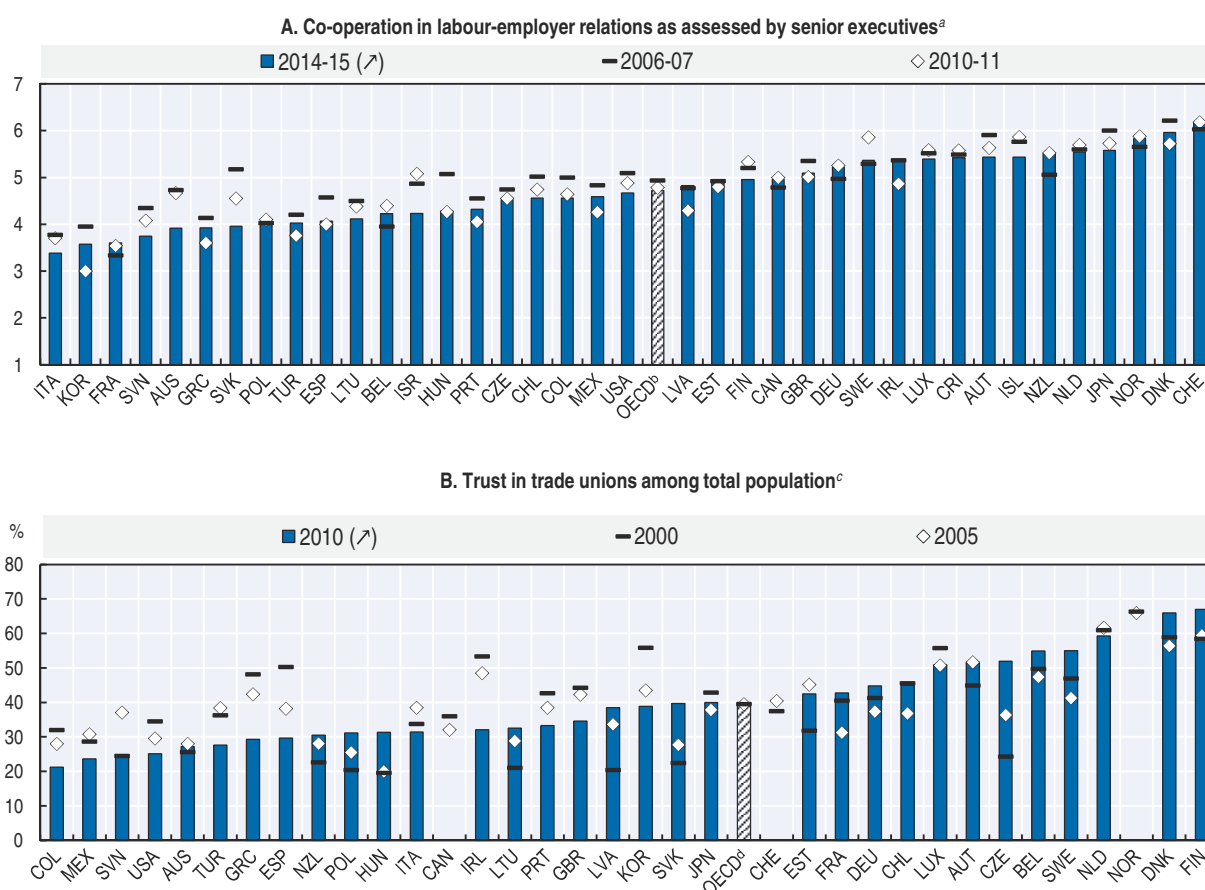
StatLink  <http://dx.doi.org/10.1787/888933478025>

Since Blanchard and Philippon (2006) tried to establish a link between conflictual labour relations and high unemployment, there has been an increasing focus on the quality of labour relations and trust among social partners. Blanchard et al. (2014) argued that “trust

appears to be just as important in bringing macro flexibility as the structure of collective bargaining” as the effectiveness of co-ordination, in particular, is likely to be closely linked to relatively peaceful and co-operative industrial relations. IMF (2016) shows that unemployment rose less following the global financial crisis in those countries where trust was high.

Panel A in Figure 4.9 shows the degree of co-operation in labour relations as assessed by senior business executives in a survey published by the World Economic Forum. Among OECD and accession countries, managers consider labour relations most co-operative in Switzerland and least co-operative in Italy. The degree of perceived co-operation appears to have been largely unaffected by the crisis: if anything, labour relations have slightly deteriorated in countries where they were already relatively poorer.

Figure 4.9. **Quality of labour relations**



- Average weighted national score based on a scale from 1 (“generally confrontational”) to 7 (“generally co-operative”) to the following question: “In your country, how would you characterise labour-employer relations?”.
- Unweighted average of the 35 OECD countries shown.
- Percentage of persons (aged 15 or over) tending to trust trade unions for the European countries excepted Norway and Switzerland and percentage of persons (aged 15 or more) who are greatly or quit a lot confident in trade unions for all other countries, Norway and Switzerland.
- Unweighted average of 31 OECD countries (not including Hungary, Iceland and Japan and also Canada, Norway and Switzerland for which data are not available in 2010).

Source: **Panel A:** The Global Competitiveness Index Historical Dataset © 2005-2014 World Economic Forum. **Panel B:** Eurobarometer for all European countries (not including Norway and Switzerland) and World Values Survey ([www.worldvaluessurvey.org/WVOnline.jsp](http://www.worldvaluessurvey.org/WVOnline.jsp)) for all other countries.

StatLink <http://dx.doi.org/10.1787/888933478032>

The trust that citizens have in unions also varies considerably across countries (data on trust in employer organisations are not available) and is correlated with the national level of trust in institutions more generally. In 2010 on average, 40% of respondents across OECD and accession countries declare that they trust trade unions, but the share of people trusting unions varies from 65% in Finland and Denmark to 25% in the United States, Slovenia and Mexico. Between 2000 and 2010 trust in unions has increased markedly in Central and Eastern European countries where it was initially very low while it has decreased quite significantly in countries that have been deeply hit by the crisis, Greece, Ireland and Spain.

The quality of labour relations as assessed by senior executives and the degree of trust in trade unions by the general population are positively, yet not perfectly, correlated. In some countries such as Belgium executives report a low quality of labour relations, but 55% of people trust unions (a similar gap is found also in France and Korea, ranked among the lowest by executives and close to, or even above in the case of France, the OECD average by people). The opposite case is found in Mexico, where executives consider labour relations to be close to the OECD average, while only 25% people declare that they trust unions.

The quality of labour relations and trust in unions, in line with the findings by Blanchard and Philippon (2006), are found to be negatively correlated with the unemployment rate and with earnings inequality: on average across OECD countries, higher trust goes hand in hand (but the direction of the causality is not clear) with lower unemployment and lower earnings inequality<sup>24</sup> (see online annex at OECD, 2017c).

The level of co-operation and trust is the result of decades of history and is deeply rooted into broader societal and cultural factors. The evidence on the issue is very limited (see Addison, 2016 for a summary), but some of the features of collective bargaining systems themselves can help promoting more co-operative relations. Fragmented and poorly representative social partners are likely to be less inclusive and increase the level of strife. Therefore promoting co-operation between social partners (or at least not incentivising excessive competition) could have a positive effect on the quality of labour relations. More in general co-operation in a range of areas, involvement in committees, reforms, and institutions at higher levels, together with employee involvement and co-operation at the firm level can help building trust and a common understanding of challenges, solutions, and positions. Moreover, objective criteria, in particular with respect to opt out and extension requests, the availability of accurate information on the representativeness of social partners (see Section 1) and the presence of an independent body to mediate and settle disagreements, can also contribute to improve labour relations. Hijzen et al. (2017) also suggest that incentives for regular renegotiation might enhance trust (unless they force the conclusion of an agreement when there is no shared willingness to reach it). Mechanisms that ensure the actual enforcement of the terms of collective agreements (see Box 4.5) are also likely to strengthen the accountability of social partners and therefore reciprocal trust. Finally, institutional stability usually helps social partners by creating shared and mutual expectations (Brandl and Ibsen, 2016). Repeated piecemeal reforms are likely to increase adaptation costs and shorten the outlook over which social partners plan their negotiation strategies. Generally, ensuring the autonomy of social partners is likely to enhance trust between them.

### **Workers' voice and representation at firm level**

As outlined before, collective bargaining takes place in many forms and can occur between trade unions and an individual firm (single-employer bargaining) or between

union federations and employer associations (multi-employer bargaining). These levels are however not mutually exclusive, and different topics can be handled at different levels. Investigating in depth which specific issues may have shifted from one level to another in different OECD countries is beyond the scope of this analysis. Instead this section focuses on the presence and the role of the various forms of workers' voice (i.e. the collective expressions of workers' interests) and representation at firm or establishment level<sup>25</sup> as key pillars of single-employer bargaining.

Worker representation differs considerably across OECD and accession countries both in terms of the nature and prerogatives of the representing entities and the share of workers they represent. Several bodies may indeed co-exist at the workplace level: local trade union representatives (either appointed by the trade union or elected by the employees); work councils which are usually a legally established body elected or appointed by all employees in the firm irrespective of their membership of a trade union,<sup>26</sup> or worker representatives, elected or appointed among the employees (either union members or independent). Moreover, in several OECD countries, occupational health and safety bodies/councils are present on the workplace, in charge of the implementation and control of safety and health conditions. Eurofound (2011), Van Gyes (2016) and Forth et al. (2017) provide a comprehensive picture of employee representation at firm level.

In most OECD and accession countries more than one form of worker representation can be found, often depending on the firm's size. France is an extreme case, as firms with more than 50 employees combine a work council (*comité d'entreprise*), union representatives (*délégué syndical* and/or *représentant de la section syndicale*), worker representatives (*délégué du personnel*) and a relatively powerful health and safety committee (see Askenazy and Breda, 2017 for more details). In other countries only one of these structures is present (Table 4.8). This is the case in Austria, Germany, Luxembourg, the Netherlands and Switzerland, where work councils are the sole eligible employee representative structure; this does not however prevent unions from playing any role, and even have a large influence or reserved seats in the work councils. In Canada, the United States, Sweden or Turkey trade unions are the sole representative body.

Figure 4.10 displays the share of employees covered by the different forms of worker representation as reported in the European Company Survey. The results show that on average, at least for European countries, the coverage of firm-level representation is not particularly higher in countries where firm-level bargaining dominates; instead it tends to be relatively high in multi-employer bargaining systems, with complementary effects between the two levels (notably in the Nordic countries, Germany or the Netherlands). On the other hand, the coverage of employees' representation is low in countries where firm-level bargaining is very limited, like in Greece or Portugal even after the recent reforms. Box 4.6 delves into the role of employees' expression and representation on the workplace and their impact on the "voice or exit" behaviour of workers.

Finally, in some OECD countries workers can also be represented on company boards. As such, board level worker representation is not collective bargaining, but it nevertheless can contribute to increase workers' voice, strengthen their bargaining power and potentially enhance co-operative attitudes by allowing workers to engage in the strategic choices of the company.<sup>27</sup> Among OECD countries (for more details see online annex at OECD, 2017c), Austria, Denmark, Finland, France, Germany, Hungary, Luxembourg, Netherlands, Norway, Poland, the Slovak Republic, Slovenia, and Sweden have such provisions, allowing worker

Table 4.8. **Worker representation at the workplace, 2015**

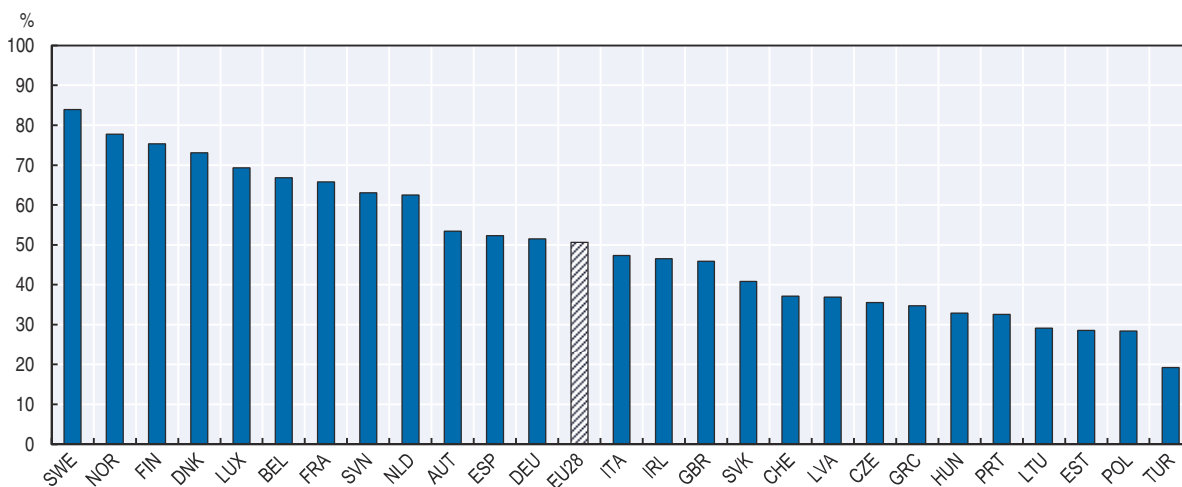
	Country	
Work council	Austria Germany Luxembourg Netherlands	
Union or union representatives	Australia Canada Chile Colombia Costa Rica Iceland Israel	Japan Mexico New Zealand Sweden Turkey United States
Both but work council predominant	Hungary Italy Slovak Republic Spain United Kingdom	
Both but union predominant	Belgium Czech Republic Denmark Estonia Finland France Greece Ireland Korea	Latvia Lithuania Norway Poland Portugal Slovenia Switzerland*

\* In the manufacturing sector.

Note: Non-union worker representatives can be present in Australia, Costa Rica, Finland, France, Greece, Japan, Korean and Latvia.

Source: OECD Policy Questionnaires and Eurofound (2011).

Figure 4.10. **Employee representation coverage in Europe**  
Percentage of employees, 2015



Source: OECD calculations based on the Sixth European Working Conditions Survey 2015 (EWCS 2015).

StatLink <http://dx.doi.org/10.1787/888933478040>

representatives to sit on the boards of private companies in firms above a certain size.<sup>28</sup> In Chile, Greece, Ireland, Israel, Poland, Portugal and Spain worker representatives can sit on the boards only of state-owned enterprises.

### Box 4.6. Voice or exit? The role of employees' expression and representation on the workplace

Workers, when not satisfied with their working conditions, have essentially two main options: exit (i.e. quit their job); or, voice their concerns (Hirschman, 1970). Freeman and Medoff (1984) brought some evidence that unions, by giving employees the opportunity to express their concerns and improve their situation, contribute to reduce voluntary quits, ultimately reducing labour turnover - even if the process of reaching resolutions may be conflictual and disruptive. This may thus benefit not only workers, but also firms, as lower turnover and longer tenure can reduce hiring and training costs and increase productivity.

Amossé and Forth (2016) have recently tested the “exit-voice” dichotomy using comparable establishment surveys for France (REPONSE) and Great Britain (WERS). They assess if Britain is an “exit” country and France a “voice” one, given their respective historical differences in the degree of regulation and influence of the unions (while trade union density is lower in France, union representatives at the workplace level are much more prevalent). They also test if the presence of a union representative at the workplace or arrangements for direct voice reduce quits and contribute to an increase in collective disputes.

The results by Amossé and Forth (2016) in Table 4.9 show that, as expected, voluntary quits are on average more frequent in Britain than in France. In both countries the presence of a union representative at the workplace is associated with a lower quit rate, as already found by Bryson and Forth (2009) and Bryson et al. (2013) for Britain. The effect is robust also when controlling for other factors.

Table 4.9. Association between on-site union representation and direct voice and quits and collective disputes in 2011

	Average		Net effect of union representative		Net effect of direct voice arrangements <sup>a</sup>	
	in Britain	in France	in Britain	in France	in Britain	in France
Quits (% of employees employed 1 year before) <sup>b</sup>	9.7	3.4	-2.3**	-1.0***	+2.2**	+0.1
Collective disputes (% of workplaces) <sup>c</sup>	1.8	20.5	+4.8*	+18.3***	-0.1	+1.7

\*, \*\*, \*\*\*: statistically significant at the 5 and 1% levels, respectively.

a) Direct voice arrangements include: regular departmental meetings, employee attitude survey, and the use of suggestion schemes.

b) Quits are based on workplaces with 50 or more employees.

c) Collective disputes are based on workplaces with 11 employees or more. In France disputes refer to the last three years; and to the last year in Britain.

Source: Excerpt from Table 3.5 in Amossé and Forth (2016) based on the establishment surveys WERS and REPONSE.

StatLink  <http://dx.doi.org/10.1787/888933478256>

This result suggests that unions or worker representatives on site reduce exit by offering stronger collective voice. On the contrary, direct voice arrangements (regular departmental meetings, employee attitude surveys, suggestion schemes) have no statistically significant association with the quit rate in France, while they are positively correlated with quits in Britain. Whilst Freeman and Medoff (1984) suggested that voice may reduce exits, they also recognised that the articulation of voice (typically in the form of complaints) would be likely to lead to a degree of overt conflict in the workplace, whilst issues were being discussed and resolved.

**Box 4.6. Voice or exit? The role of employees' expression and representation on the workplace (cont.)**

The establishment data from WERS and REPOSE indicate that disputes at the workplace are much more common in France and that union presence is strongly and positively associated with a more frequent occurrence of collective disputes in both countries (this is also confirmed by managers' subjective rating of the social climate at the workplace as reported in the establishment surveys). Overall, the recent analysis by Amossé and Forth (2016) confirms that, at least in the case of France and Great Britain, the presence of a union representative effectively contributes to reduce turnover as suggested by Hirschman, Freeman and Medoff, but also increases collective disputes.

#### 4. How do national collective bargaining systems compare?

The previous sections have described in detail the scope of the different national bargaining systems, their specific elements and adjustment devices, so as to capture as much as possible their granularity, complexity and diversity across OECD and accession countries. However, national collective bargaining systems should not be considered as just a sum of different elements but as a system with complex interactions between the different components. In this context it is useful to “zoom-out” so as to obtain an overarching view of each bargaining system.

Table 4.10 provides a summary of all the key features identified in Figure 4.1, a sort of dashboard of the different national collective bargaining systems. It clearly shows that collective bargaining coverage is high (above 50%) only in countries which have at least some forms of sector-level bargaining. In these countries high coverage either results from high employer organisation density or from a widespread use of administrative extensions. However, Table 4.10 emphasises that there is no single model of sector-level bargaining. Indeed, countries under this broad group differ greatly in terms of the degree of co-ordination and the room left to lower-level agreements to change the terms of employment. In particular:

- In Belgium and Finland, two rather centralised and co-ordinated countries, sectoral agreements play an important role, while leaving some room for lower-level agreements to change the standards set in higher level agreements. The specific feature of these two systems is the strong form of state imposed (or induced) co-ordination.
- In rather centralised and uncoordinated countries such as France, Iceland, Italy, Portugal and Slovenia, sectoral agreements play a strong role, extensions are used extensively and there is rather limited room for lower level agreements to derogate from higher level ones. Moreover, in these countries co-ordination tend to be generally weak.
- Spain and Switzerland are in many respects similar to the previous group but in Spain the recent reform has made it easier for lower-level agreements to derogate from higher level agreements while in Switzerland co-ordination still plays a non-minor role.
- Austria, Denmark, Germany, the Netherlands, Norway and Sweden have an organised decentralised and co-ordinated bargaining system: in these countries sector level agreements, even in the case of extensions, leave significant room for lower-level agreements to set the terms of employment by leaving up to bargaining parties the design of the hierarchy of agreements (Denmark, the Netherlands, Norway and Sweden) or by allowing for the possibility to opt-out (Germany and Austria). In these countries



Table 4.10. **Dashboard of collective bargaining systems, 2015**

Countries ordered by predominant level of collective bargaining, degree of centralisation, co-ordination, trade union density in the private sector, collective bargaining coverage, employer organisation density and quality of labour relations


	Predominant level	Degree of centralisation/ decentralisation	Co-ordination	Trade union density in the private sector	Employer's organisation density	Collective bargaining coverage rate	Quality of labour relations
Costa Rica	Company	Decentralised	No	Less than 5%	..	5-10%	..
Colombia	Company	Decentralised	No	Less than 5%	..	5-10%	Low
Turkey	Company	Decentralised	No	Less than 5%	20-30%	5-10%	Low
Estonia	Company	Decentralised	No	Less than 5%	20-30%	10-20%	High
Lithuania	Company	Decentralised	No	5-10%	10-20%	5-10%	Medium
Mexico	Company	Decentralised	No	5-10%	..	10-20%	Low
United States	Company	Decentralised	No	5-10%	..	10-20%	Medium
Korea	Company	Decentralised	No	5-10%	10-20%	10-20%	Low
Poland	Company	Decentralised	No	5-10%	20-30%	10-20%	Low
Latvia	Company	Decentralised	No	5-10%	40-50%	10-20%	Medium
Hungary	Company	Decentralised	No	5-10%	40-50%	20-30%	Medium
Chile	Company	Decentralised	No	10-20%	..	10-20%	Medium
New Zealand	Company	Decentralised	No	10-20%	..	10-20%	Medium
Canada	Company	Decentralised	No	10-20%	..	20-30%	Medium
United Kingdom	Company	Decentralised	No	10-20%	30-40%	20-30%	Medium
Czech Republic	Company	Decentralised	No	10-20%	60-70%	40-50%	High
Ireland	Company	Decentralised	No	20-30%	50-60%	40-50%	Medium
Japan	Company	Decentralised	High	10-20%	..	10-20%	High
Israel	Company/Sectoral	Decentralised	No	10-20%	..	20-30%	Low
Slovak Republic	Company/Sectoral	Decentralised	No	10-20%	30-40%	20-30%	Medium
Greece	Company/Sectoral	Decentralised	No	10-20%	40-50%	40-50%	Low
Australia <sup>a</sup>	Company/Sectoral	Decentralised	No	10-20%	..	50-60%	Low
Luxembourg	Company/Sectoral	Decentralised	No	20-30%	80-90%	50-60%	High
Spain	Sectoral	Organised decentralised	Low	10-20%	70-80%	70-80%	Low
Switzerland	Sectoral	Organised decentralised	High	10-20%	..	40-50%	High
Germany	Sectoral	Organised decentralised	High	10-20%	50-60%	50-60%	High
Netherlands	Sectoral	Organised decentralised	High	10-20%	80-90%	80-90%	High
Austria	Sectoral	Organised decentralised	High	20-30%	90% or more	90% or more	High
Norway	Sectoral	Organised decentralised	High	30-40%	60-70%	60-70%	High
Denmark	Sectoral	Organised decentralised	High	60-70%	60-70%	80-90%	High
Sweden	Sectoral	Organised decentralised	High	60-70%	80-90%	90% or more	High
Slovenia	Sectoral	Centralised	No	10-20%	60-70%	60-70%	Low
Iceland	Sectoral	Centralised	No	80-90%	60-70%	80-90%	High
France	Sectoral	Centralised	Low	5-10%	70-80%	90% or more	Medium
Portugal	Sectoral	Centralised	Low	10-20%	30-40%	60-70%	Medium
Italy	Sectoral	Centralised	Low	20-30%	50-60%	80-90%	Low
Finland	Sectoral/National	Centralised	High	50-60%	70-80%	80-90%	High
Belgium	Sectoral/National	Centralised	High	50-60%	80-90%	90% or more	Medium

..: not available.

Note: Statistics on trade union density in the private sector are based on figures shown in the Annex Figure 4.A1.5, those on collective bargaining coverage on figures shown in Figure 4.5 and those on employer organisation density on figures shown in Panel A of Figure 4.4. Quality of labour relations is based on a ranking of the average national scores as shown in Figure 4.9 (only based on scores reported in Panel A of Figure 4.9 for Iceland and Israel).

a) In Australia the classification company/sector refers to the use of Modern Awards which are industry-wide regulations providing a fair and relevant minimum safety net of terms and conditions. A proper sector-level bargaining does not exist in Australia.

Source: OECD elaboration based on the OECD Policy Questionnaires, ICTWSS data and national sources (for further details see Figure 4.4, Figure 4.5, Figure 4.9 and Annex Figure 4.A1.6).

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co-ordination is relatively strong (at least in certain sectors), and usually takes the form of pattern bargaining.

In countries where bargaining takes place predominantly at company level, collective bargaining coverage is typically below 20% (the Czech Republic and Ireland are the only exceptions). In these countries coverage tends to go hand in hand with trade union membership since having a trade union or worker representation at the workplace is a necessary condition to be able to negotiate a collective agreement. Higher level agreements (or similar regulation mechanisms such as “Modern Awards” in Australia or “Sectoral Employment Orders” in Ireland) can set some general minimum wage and work organisation standards and thus limit coverage erosion to some extent. Finally, among countries with dominant firm-level bargaining Japan stands out due to the significant and unique degree of co-ordination (*Shunto*).

Finally, in all countries where co-ordination is strong, trust is medium/high. Trust is indeed a key precondition for co-ordination to be effective. By contrast, the quality of labour relations is not systematically related to level of collective bargaining, with very high quality labour relations observed among both decentralised and centralised systems.

## Conclusions

This chapter has documented the granularity, diversity and complexity of the different national collective bargaining systems. The analysis confirms the need to go beyond standard macroeconomic indicators of collective bargaining and account for the various components and practices of bargaining systems. To enable this comprehensive approach to inform the reassessment and updating of the OECD Jobs Strategy, a deeper understanding of the role that collective bargaining can play in promoting better labour market performance is required. For example, new research is required to assess the extent to which collective bargaining can promote job quality while sustaining high level of employment; how collective bargaining can promote labour market inclusion and reduce inequalities; and how collective bargaining can enhance labour market adjustments and resilience.

Looking ahead, the biggest challenge for collective bargaining will be to remain relevant in a rapidly changing world of work. The declining trend in collective bargaining coverage since 1985 (and the steeper decline in union membership) represents a major test of its continuing effectiveness, especially if these trends continue in the future. The last decades have shown that in many cases the alternative to collective bargaining is not individual bargaining but either state regulation or no bargaining at all, as only few employees can effectively negotiate their terms of employment with their employer. The potential consequences of the loss of relevance of collective bargaining, for instance in terms of higher inequalities, higher transaction costs and increased atomisation, have yet to be fully assessed.

Maintaining the effectiveness of collective bargaining means more than ensuring high coverage. It also requires adapting it to the changing challenges and finding the right balance between inclusiveness and flexibility. Full centralisation for instance can ensure high coverage and inclusiveness without however much flexibility. At the opposite extreme, full decentralisation can leave substantial flexibility to employers and unions in individual firms, but can result in low coverage and thus has clear limits in terms of inclusiveness. The chapter suggests that the articulation between sectoral and firm-level bargaining, the content of collective agreements at sectoral level, the use of extensions and of “escape valves”, such as opening clauses and exemptions from extensions, are some of the key tools to focus on to ensure the right balance between flexibility and inclusiveness.

An important open question is what role governments can and should play in shaping the evolution of collective bargaining systems. Past experience shows that even apparently well-crafted reforms of collective bargaining may be partially or totally ineffective, if they fail to change on-the-ground practices and the overall bargaining culture. Alternatively, they may lead to major and often unintended shifts in bargaining behaviour (e.g. a total blockage of collective bargaining), even if the initial intention was only to change specific elements of the system.

One of the preconditions for an inclusive and flexible labour market is a high level of self-regulation, and hence state regulations need to leave space for bargaining, and local representation. Without worker representatives, even the most willing employer cannot sign an agreement. At the same time, a high degree of organisation among employers is equally important as small firms are often unable to negotiate and sign firm-level agreements due to time and capacity constraints. Furthermore, addressing the increasing individualisation of the employment relationship also in the context of the digital transformation and development of the digital platforms, may also require adjusting other rules and practices, such as competition regulations which, in some countries, prevent independent workers from bargaining collectively (as in a recent case that opposed unions and employers in the arts-information-media sector in the Netherlands). Some innovative solutions are already emerging. These include non-standard workers setting up new unions or associations (such as the Freelancers Union in the United States or platform workers groups emerging in Europe) and “traditional” unions (such as the German IG Metall with the FairCrowdWork or the German independent service union ver.di, among many) trying to improve the coverage of non-standard forms of work. Another new development is the use of social media to help workers to organise and effectively express individual and collective grievances. In some cases, even without any (or only limited) pressure from unions or workers, companies extend the terms set in collective agreements for standard workers to non-standard workers and/or engage voluntarily in collective bargaining to: i) gain recognition from social partners and improve labour relations; and ii) co-define the regulation of the sector and therefore limit state intervention. Little is known, however, about the prevalence and effectiveness to date of these and other emergent approaches.

As outlined in the chapter, co-ordination mechanisms across sectors and firms are also key elements for ensuring inclusiveness and flexibility. Yet, to the extent co-ordination largely relies on traditions, unwritten practices and personal relationships where trust is fundamental, it is difficult to clearly define specific policy measures to effectively promote it. This is an important topic for future study.

Future work should also focus more on understanding the increasing heterogeneity of collective bargaining systems within countries. The functioning, and the relevance, of collective bargaining can vary significantly within the same country across sectors but so far the extent, drivers and effects of this divergence have not been studied in details.

Finally, while future research should look further into the details of how collective bargaining works, it should also assess the collective bargaining systems as a whole and not simply as the sum of their components. Taking such an overarching view is particularly important when assessing different policy reforms, because of key interactions, trade-offs and complementarities between components of the bargaining system, as well as with other key labour market institutions.

## Notes

1. Estimate based on collective bargaining coverage rate and total number of employees from OECD ALFS.
2. This is adapted from Visser (2016a).
3. The recent increase in trade union density in Spain during the early phase of the crisis is due to a composition effect: the destruction of jobs in 2008-10 was mainly in temporary employment, with low representation in union members. In fact, the number of members of unions declined faster than employment during the crisis.
4. Belgium has a quasi-Ghent system since the government also plays a role in administering unemployment insurance.
5. Collective bargaining coverage is usually computed as the number of employees covered by the collective agreement, divided by the total number of wage and salary-earners.
6. In Germany, in order to prevent membership losses the German employer associations have created a special form of membership whereby companies are not bound by collective agreements (so called OT (*Ohne Tarifbindung*)-Mitgliedschaft), see Schulten and Bispinck (2014).
7. Functional equivalent to extensions are legal provisions that make agreements valid for all firms and workers (such as in Iceland, Italy and Spain) but, in a way, also compulsory membership to an employer association as in Austria.
8. The increasing fuzziness around the definition of “employer”, “employee” and “place of work” is a challenge for the capacity of extensions to be an effective tool to guarantee fairness and a level-playing field.
9. Visser (2017) reports that it was used only once in 2004 but the government had to back down under pressure.
10. The exemption is subject to have concluded a firm-level agreement with a union.
11. The IAB Establishment Panel data allow identifying firms engaging in multi- or single-employer collective bargaining and firms simply orienting themselves to a sectoral agreement.
12. In Australia a collective agreement continues to apply until it is terminated or replaced.
13. But this may be driven by some outliers, i.e. few agreements not renewed since many years.
14. As a result of unions’ opposition to full decentralisation and employer associations (dominated by large firms) resistance to more competition in wage setting. And also because of lack of capacity and worker representation to negotiate firm-level agreements.
15. Occupational and regional (state, provincial) bargaining level play more minor role and are a variant of sector bargaining: regional level is relevant in Austria, Germany, Spain and France, but adds little to decentralisation in these countries, since bargained wage rates tend to be harmonised across regions in the same sector. There has been also recently a move towards integration of blue-and white collar agreements (Visser, 2013).
16. The hierarchy between standards principle states that: i) legislation and regulations take precedence over collective agreements; ii) national, cross-sector agreements take precedence over sector agreements, and sector over firm-level agreements.
17. In the case of Italy there is a tension between the rules set by social partners autonomously, which define a hierarchical relationship between bargaining levels, and jurisprudence, according to which a firm-level agreement can always depart from sector-level agreements.
18. Australia’s enterprise level agreement arrangements are underpinned by a safety net of minimum employment entitlements and condition.
19. Except for Quebec where it always applies and is established in Labour Law.
20. The term “opening clause” comes from the German term *Öffnungsklausel* where, since the 1990s they have been increasingly used.
21. In the Netherlands, for instance, derogations are used with the stated aim of not undermining the currently favourable support for the extensions of sector agreements
22. And are still, under the German Law, only allowed when the bargaining partners explicitly make provisions for them.

23. Traxler (2003) developed the “contingency thesis of collective bargaining” which states that the performance of a collective bargaining system critically hinges on the ability to enforce the terms of agreements.
24. Gould and Hijzen (2016) provide evidence for the United States and European Union countries that increasing inequality undermines trust.
25. The section refers to “firm level” but bargaining can also happen at establishment or workplace level. No specific distinction is made in this section.
26. Moreover, in the European Union, European Works Councils can be established, upon the initiative of the employer or the employees, in multinationals operating in more than two countries of the European Economic Area if they employ at least 1 000 employees in the EEA and at least 150 employees in two member states.
27. An extensive review of the literature by Conchon (2011) of the impact of board-level employee representation on company performance (mainly based on studies in Germany) shows that there is no clear correlation (nor causal evidence) between the presence of board-level employee representatives and better or worse company performance.
28. For instance in Germany, in firms with more than 500 employees, more than 300 employees in Austria, more than 35 employees in Denmark, more than 30 employees in Norway and more than 25 employees in Sweden.

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## Glossary

The purpose of this glossary is to provide a common understanding of the concepts as they are used in the chapter. Definitions in this glossary should not be taken as validated/legal ones in any specific country, indeed these concepts may differ across countries and industrial relations contexts.

- **Collective bargaining:** according to Article 2, ILO Convention No. 154, collective bargaining extends to all negotiations which take place between an employer, a group of employers or one or more employer organisations, on the one hand, and one or more worker organisations, on the other, for:
  - a) determining working conditions and terms of employment; and/or
  - b) regulating relations between employers and workers; and/or
  - c) regulating relations between employers or their organisations and a worker organisation or worker organisations.

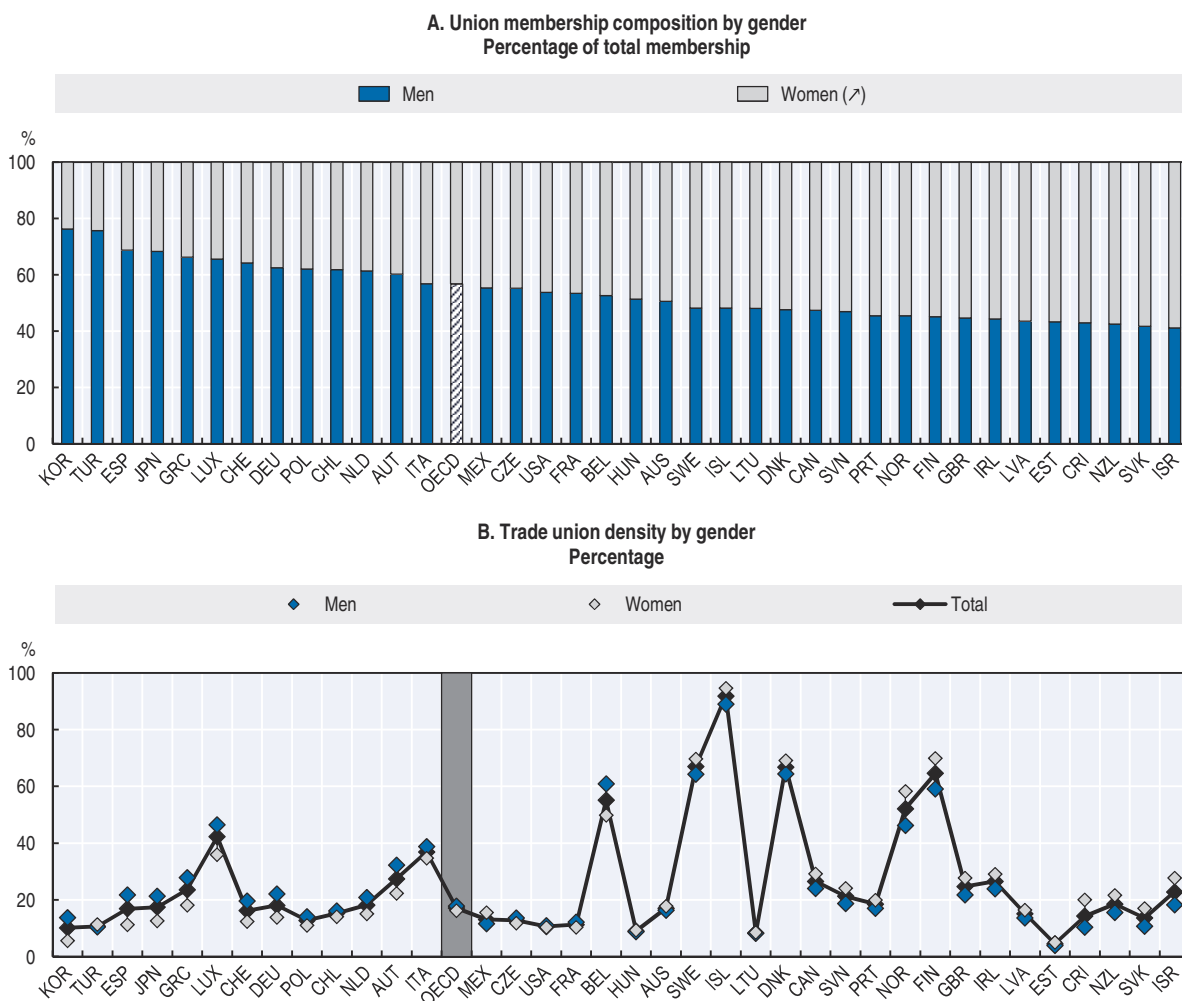
Collective bargaining normally results in a written document (*collective agreement*) that is mutually binding for a stipulated time.

- **Cross-sectoral (or national) agreement:** collective bargaining agreement signed by peak-level social partner organisations, covering the entire economy, the entire private sector or several sectors.
- **Derogations from the law and/or from higher level agreements:** opening or derogation clauses which allow to set lower standards, i.e. less favourable conditions for workers, in a generalised way and not specifically related to economic difficulties (in this latter case see “opt-out”).
- **Erga omnes:** literally in Latin, “towards everybody”. In labour law it refers to the extension of agreements for all workers, not only for members of signatories unions. For cases where agreements are extended to workers in non-signatories firms, please, refer to “extension”.
- **Extension or administrative extension:** extending the terms of collective agreements at sectoral level also to workers in firms which have not signed the agreement or are not affiliated to an employer organisation which signed the agreement. This also includes automatic extensions which therefore do not need a formal legal act but rely on standard administrative practice or jurisprudence (for instance, relating to the setting of minimum wages, working hours or social insurance contributions and entitlements).
- **Firm-level agreement:** company-level collective agreements between an employer and a trade union or between an employer and an employee body, elected and/or mandated by the company’s staff.
- **Favourability principle:** the most favourable conditions to employees apply in case of diverging standards in different agreements covering the same workers.

- **Opt-out clause:** temporary “inability to pay” clauses which allow the suspension or renegotiation of (part of) the agreement in cases of economic hardship.
- **Peace clause:** clause which states that unions which have signed the agreement, and their members, cannot lawfully strike on issues regulated in the agreement.
- **Retroactivity:** extension of the provisions of a newly signed agreement to a period before its actual signature or extension (usually to the period between the expiration of the previous agreement and the entry into force of the new one). Usually it implies the payment of arrears corresponding to the increase in negotiated wages.
- **Sectoral agreement:** collective bargaining agreement signed by trade unions and employer organisations which represent workers and employers of a specific sector (e.g. metal sector, chemical sector, etc.).
- **Social pact:** a peak-level deal (for instance at national level) over a comprehensive public policy package negotiated between governments, trade unions and/or employer’s organisations.
- **Social partners:** representatives of employers and workers, usually employer organisations and trade unions.
- **Ultra-activity or after-life:** validity of the agreement beyond its termination date.
- **Wage co-ordination:** co-ordination between and/or within trade unions and/or employer organisations (sometimes with some role of the government) to set formal or informal objectives on wage increases or wage freezes/cuts. Wage co-ordination can take different forms, i.e. “pattern bargaining”, where first a sector or a region starts and the others follow; formal or informal inter- or intra-associational guidelines to follow when negotiating; or wage increases or cuts agreed with a social pact or national agreement.
- **Work council:** official firm-level body which represents workers (often directly elected by employees and different from unions or union branches at firm level).

## ANNEX 4.A1

### *Further material*

Figure 4.A1.1. Trade union membership by gender, 2015 or latest year available<sup>a</sup>

Note: Trade union density by gender reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each gender in total union membership and total number of employees. OECD average is the weighted average of the 35 OECD countries shown. Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

a) 2004 for Luxembourg, 2008 for Greece, Latvia and Turkey, 2011 for Germany and the Netherlands, 2012 for Israel, Italy, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Lithuania, Norway, Slovenia, Spain and Switzerland, and 2014 for Korea and New Zealand.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Israel, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey, Labour Force Survey for Canada, administrative data published by the *Unidad de Análisis Estadístico, Dirección del Trabajo* for Chile, the *Encuesta Nacional de Hogares (ENAH)* provided by the *Instituto Nacional de Estadística y Censos (INEC)* for Costa Rica, *Statistiques sur les ressources et conditions de vie (dispositif SRCV)* for France, the German Socio-Economic Panel (SOEP) for Germany, the *Encuesta Nacional de Ocupación y Empleo (ENOE)* for Mexico, national results based on the Employee Earnings, Benefits and Trade Union Membership for Australia, Labour Force Survey (provided by Statistics Estonia) for Estonia, the 2013 edition of "Organization of wage and salary earners, the rate of organisation, the member structure of trade unions" published by the Ministry of Economic Affairs and Employment for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Labour Force Survey (data provided by Statistics Iceland) for Iceland, the module on union membership of the Quarterly National Household Survey (QNHS) for Ireland, the Basic Survey on Labor Unions for Japan, administrative data published by the Ministry of Employment and Labor (MoEL) for Korea, Labour Force Survey for the Netherlands, administrative data from the Unions and Union Membership in New Zealand (data gratefully provided by the Centre for Labour, Employment and Work, School of Management, Victoria University of Wellington) for New Zealand, Labour Force Survey (estimates gratefully provided by *Forskningssstiftelsen Fafo*) for Norway, Labour Force Survey (data provided by Statistics Sweden) for Sweden, Labour Force Survey (estimates from the Department for Business, Innovation & Skills) for the United Kingdom and the Current Population Survey (CPS) for the United States.


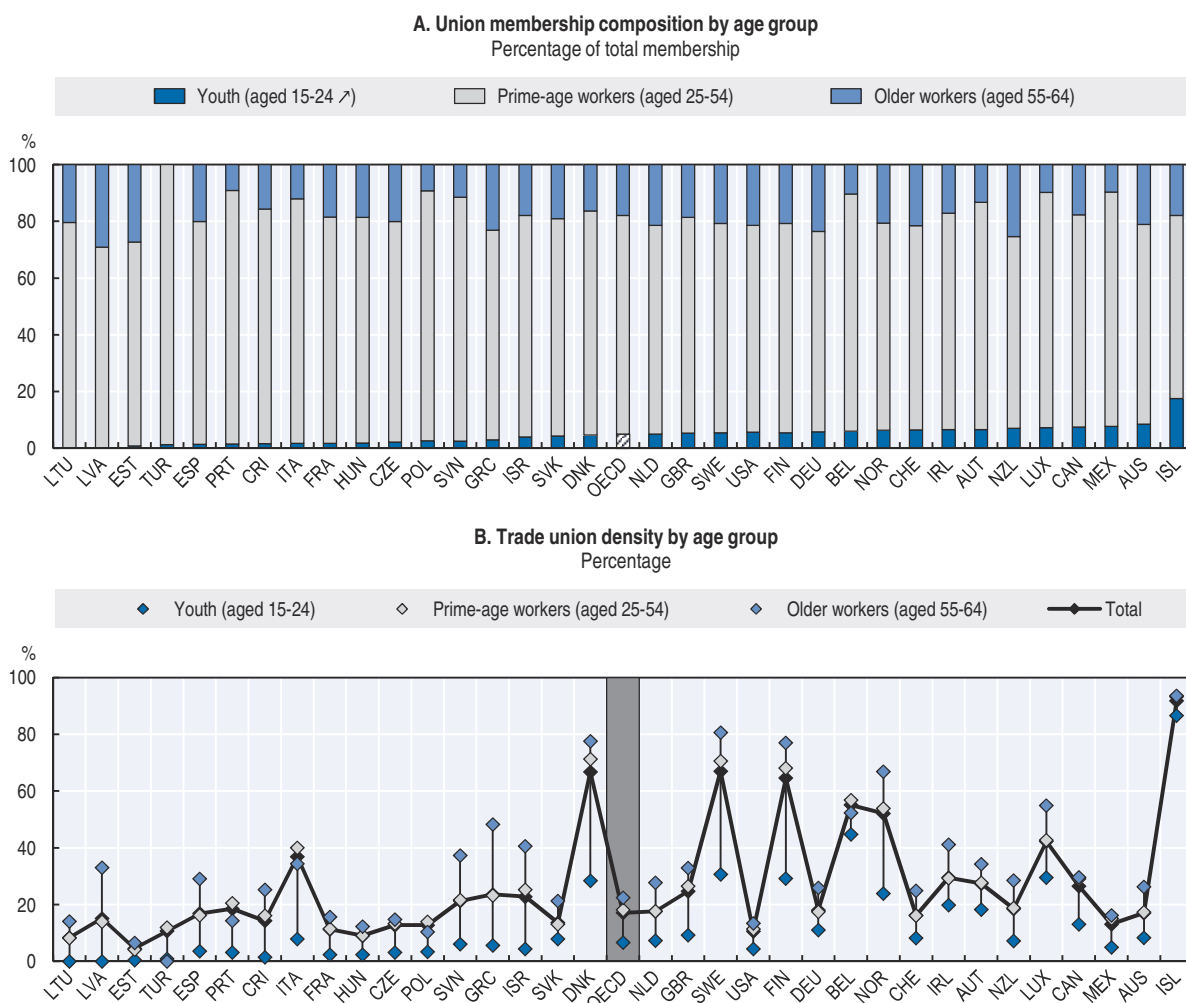
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Figure 4.A1.2. Trade union membership by age group, 2015 or latest year available<sup>a</sup>

Note: Trade union density by age group reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each age group in total union membership and total number of employees. OECD average is the weighted average of the 32 OECD countries shown (not including Chile, Japan and Korea). Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

a) 2004 for Luxembourg, 2008 for Greece, Latvia and Turkey, 2011 for Germany and the Netherlands, 2012 for Israel, Italy, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Lithuania, Norway, Slovenia, Spain and Switzerland and 2014 for New Zealand.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey, Labour Force Survey for Canada, *Encuesta Nacional de Hogares (ENAH)* provided by the *Instituto Nacional de Estadística y Censos (INEC)* for Costa Rica, *Statistiques sur les ressources et conditions de vie (dispositif SRCV)* for France, German Socio-Economic Panel (SOEP) for Germany, *Encuesta Nacional de Ocupación y Empleo (ENOE)* for Mexico, national results based on the Employee Earnings, Benefits and Trade Union Membership for Australia, Labour Force Survey (provided by Statistics Estonia) for Estonia, Labour Force Survey (provided by Statistics Finland) for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Labour Force Survey (data provided by Statistics Iceland) for Iceland, Labour Force Survey for the Netherlands, administrative data from the Unions and Union Membership in New Zealand (data gratefully provided by the Centre for Labour, Employment and Work, School of Management, Victoria University of Wellington) for New Zealand, Labour Force Survey (estimates gratefully provided by *Forskningssstiftelsen Fafo*) for Norway, Labour Force Survey (data provided by Statistics Sweden) for Sweden, Labour Force Survey (estimates from the Department for Business, Innovation & Skills) for the United Kingdom and the Current Population Survey (CPS) for the United States.


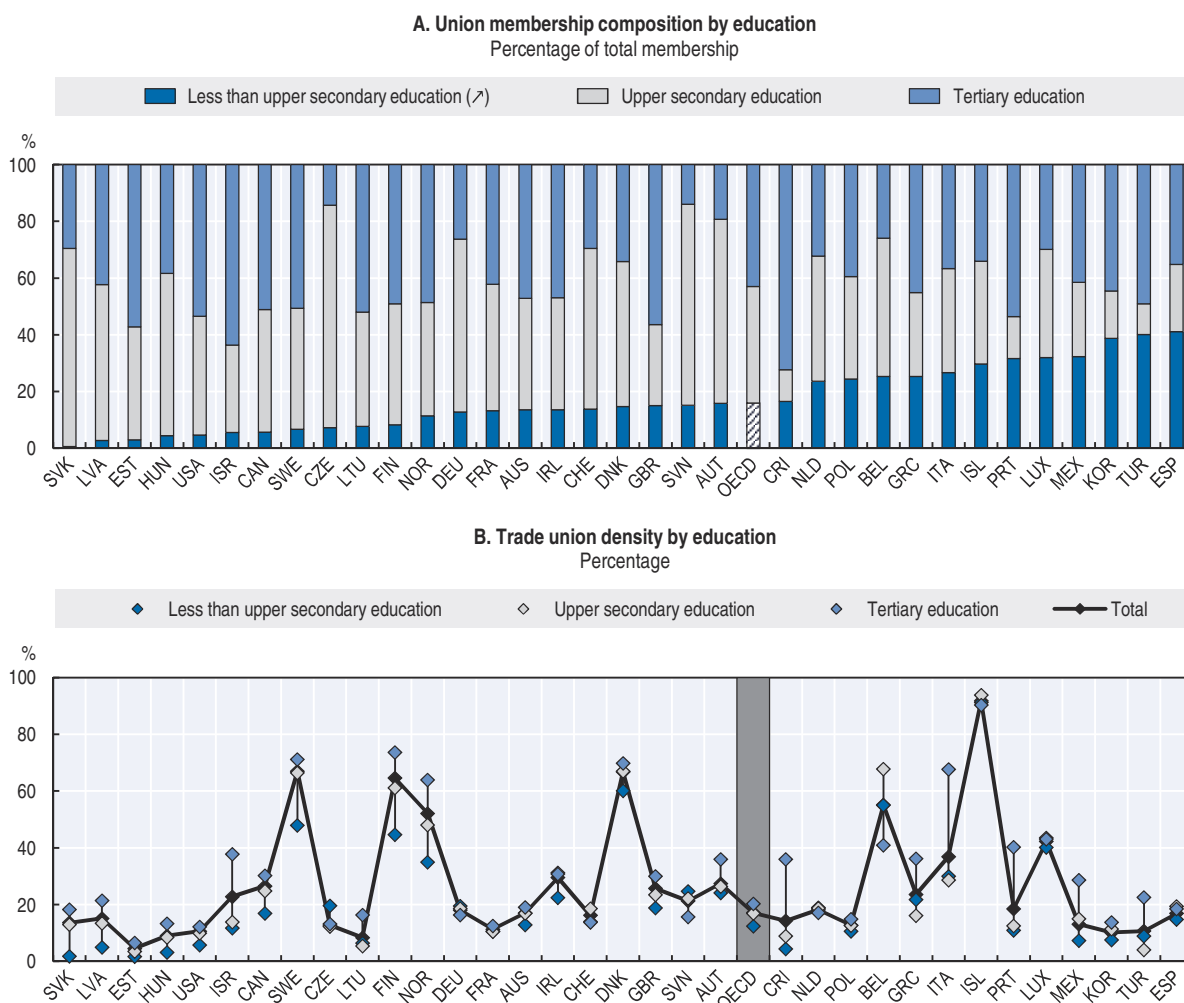
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Figure 4.A1.3. Trade union membership by education level, 2015 or latest available year<sup>a</sup>

Note: Trade union density by education reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each education level in total union membership and total number of employees. OECD average is the weighted average of the 32 OECD countries shown (not including Chile, Japan and New Zealand). Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

a) 2004 for Luxembourg, 2008 for Greece, Latvia and Turkey, 2011 for Germany and the Netherlands, 2012 for Israel, Italy, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Lithuania, Norway, Slovenia, Spain, Switzerland and the United Kingdom and 2014 for Korea and New Zealand.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland, Turkey and the United Kingdom, Household, Income and Labour Dynamics in Australia (HILDA) Survey for Australia, Labour Force Survey for Canada, Encuesta Nacional de Hogares (ENAH) provided by the Instituto Nacional de Estadística y Censos (INEC) for Costa Rica, Statistiques sur les ressources et conditions de vie (dispositif SRCV) for France, German Socio-Economic Panel (SOEP) for Germany, results from the August Supplement of the Economically Active Population Survey (EAPS) published by the Korean Labor Institute (KLI) for Korea, Encuesta Nacional de Ocupación y Empleo (ENOE) for Mexico, national results based on the Employee Earnings, Benefits and Trade Union Membership for Australia, Labour Force Survey (provided by Statistics Estonia) for Estonia, Labour Force Survey (provided by Statistics Finland) for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Labour Force Survey (data provided by Statistics Iceland) for Iceland, Labour Force Survey for the Netherlands, Labour Force Survey (estimates gratefully provided by Forskningsstiftelsen Fafo) for Norway, Labour force Survey (data provided by Statistics Sweden) for Sweden and the Current Population Survey (CPS) for the United States.


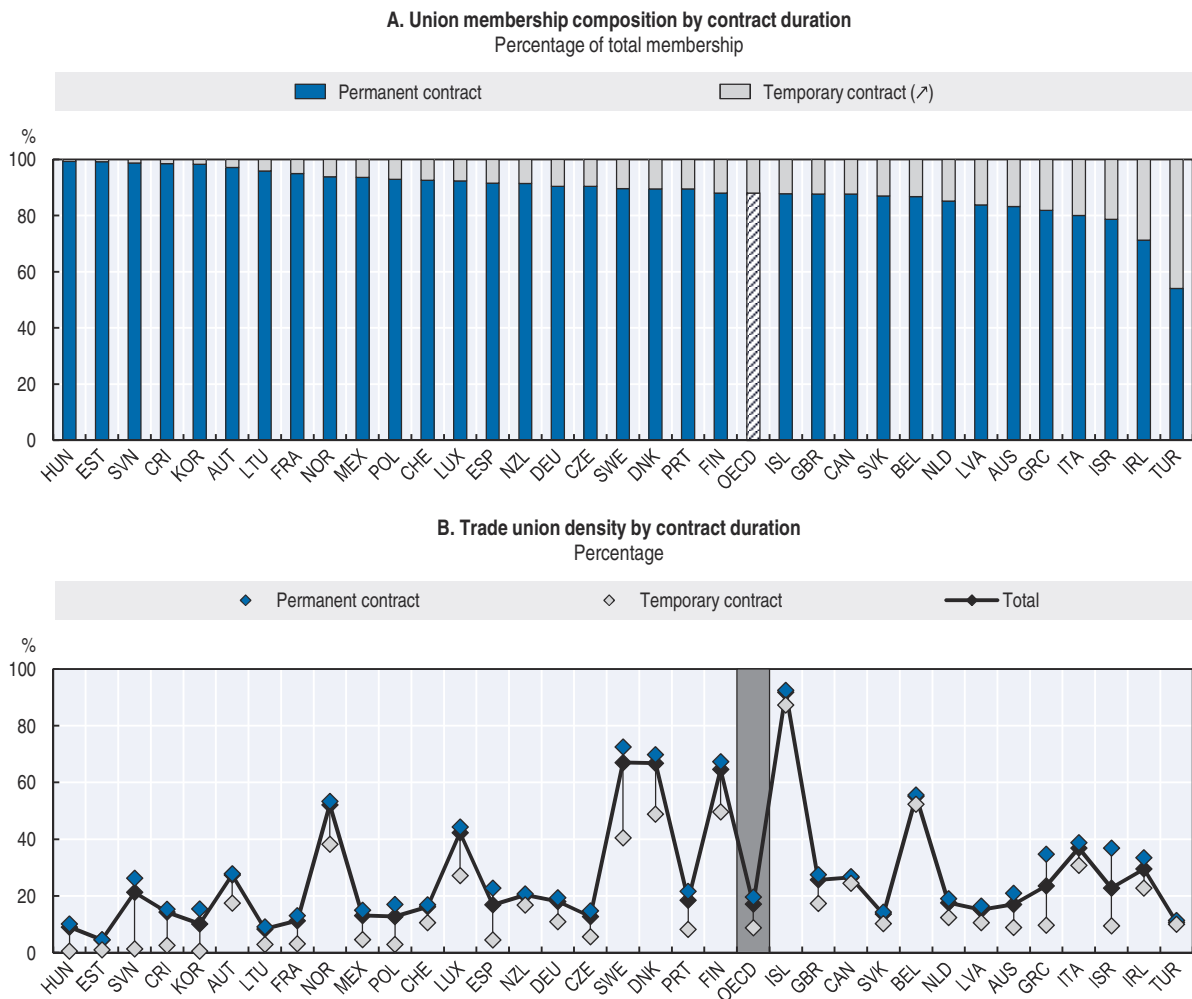
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Figure 4.A1.4. Trade union membership by contract duration, 2015 or latest available year<sup>a</sup>

Note: Trade union density by contract duration reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each type of contract by duration in total union membership and total number of employees. OECD average is the weighted average of the 32 OECD countries shown (not including Chile, Japan and the United States). Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

a) 2004 for Luxembourg, 2008 for Greece, Latvia and Turkey, 2011 for Germany, 2012 for Israel, Italy, New Zealand, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Lithuania, the Netherlands, Norway, Slovenia, Spain, Switzerland and the United Kingdom and 2014 for Korea.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland, Turkey and the United Kingdom, Household, Income and Labour Dynamics in Australia (HILDA) Survey for Australia, Labour Force Survey for Canada, Encuesta Nacional de Hogares (ENAH) provided by the Instituto Nacional de Estadística y Censos (INEC) for Costa Rica, Statistiques sur les ressources et conditions de vie (dispositif SRCV) for France, German Socio-Economic Panel (SOEP) for Germany, Encuesta Nacional de Ocupación y Empleo (ENOE) for Mexico, national results based on the Labour Force Survey (provided by Statistics Estonia) for Estonia, Labour Force Survey (provided by Statistics Finland) for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Labour Force Survey (data provided by Statistics Iceland) for Iceland, results from the August Supplement of the Economically Active Population Survey (EAPS) published by the Korean Labour Institute (KLI) for Korea, results from the Survey of Working Life (SoWL) for New Zealand, Labour Force Survey (estimates gratefully provided by *Forskningsstiftelsen Fafo*) for Norway and Labour force Survey (data provided by Statistics Sweden) for Sweden.


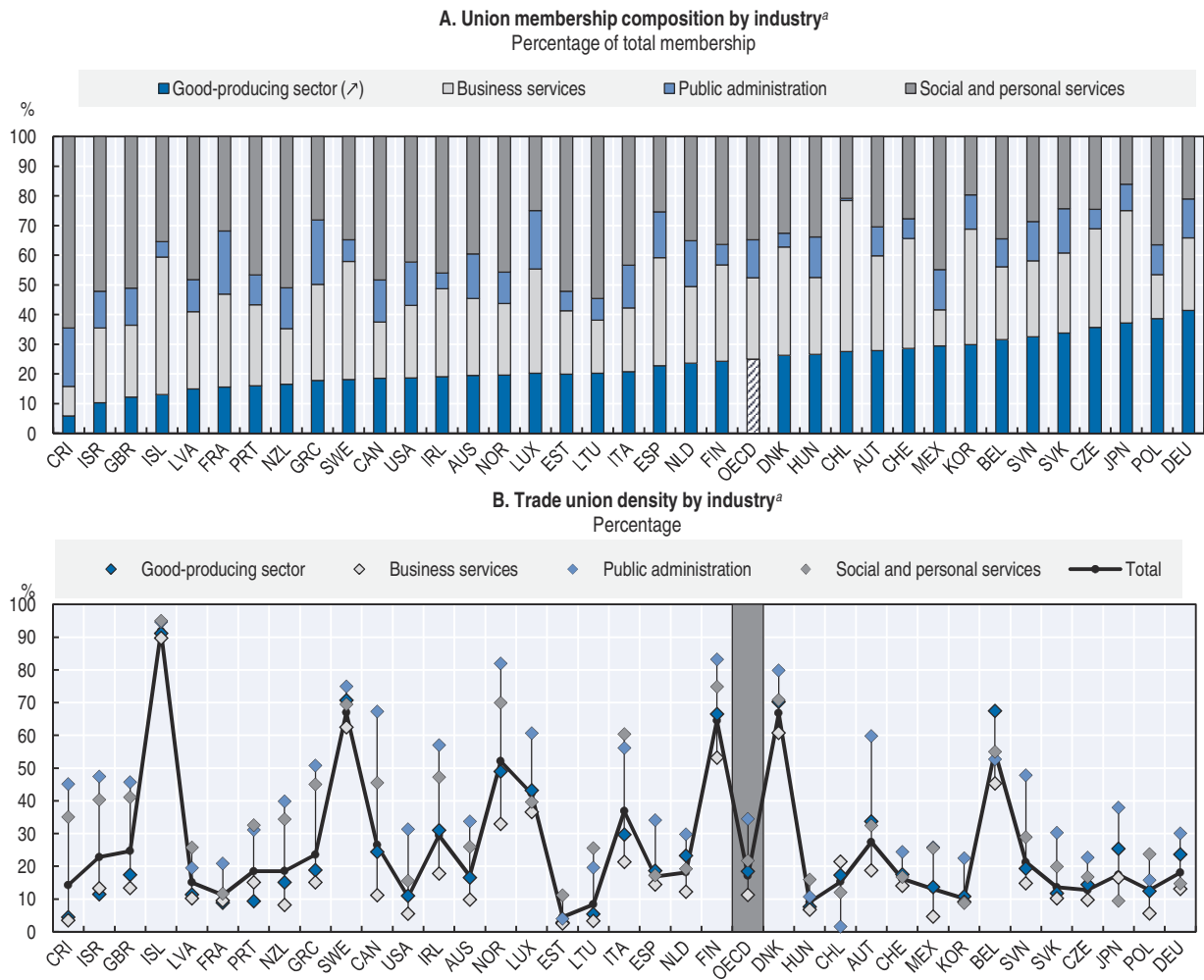
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Figure 4.A1.5. Trade union membership by industry, 2015 or latest available year<sup>a</sup>

Note: Trade union density by industry reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each industry in total union membership and total number of employees. OECD average is the weighted average of the 34 OECD countries shown (not including Turkey). Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

a) 2004 for Luxembourg, 2008 for Greece and Latvia, 2011 for Germany and the Netherlands, 2012 for Israel, Italy, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Lithuania, Norway, Slovenia, Spain and Switzerland and 2014 for Korea and New Zealand.

b) “Good-producing sector” refers to manufacturing (including mining and utilities) and construction; “Business services” refers to commerce and hospitality, transport and communication and financial services and real estate; and “Other services” refers to remaining social and personal services excepted activities of households as employers and activities of extraterritorial organisations.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Spain and Switzerland, Labour Force Survey for Canada, administrative data published by the Unidad de Análisis Estadístico, Dirección del Trabajo for Chile, *Encuesta Nacional de Hogares (ENAH)* provided by the Instituto Nacional de Estadística y Censos (INEC) for Costa Rica, *Statistiques sur les ressources et conditions de vie* (dispositif SRCV) for France, German Socio-Economic Panel (SOEP) for Germany, *Encuesta Nacional de Ocupación y Empleo (ENOE)* for Mexico, national results based on the Employee Earnings, Benefits and Trade Union Membership for Australia, Labour Force Survey (provided by Statistics Estonia) for Estonia, Labour Force Survey (provided by Statistics Finland) for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Labour Force Survey (data provided by Statistics Iceland) for Iceland, the Basic Survey on Labor Unions for Japan, results from the August Supplement of the Economically Active Population Survey (EAPS) published by the Korean Labour Institute (KLI) for Korea, Labour Force Survey for the Netherlands, administrative data from the Unions and Union Membership in New Zealand (data gratefully provided by the Centre for Labour, Employment and Work, School of Management, Victoria University of Wellington) for New Zealand, Labour Force Survey (estimates gratefully provided by *Forskingsstiftelsen Fafo*) for Norway, Labour force Survey (data provided by Statistics Sweden) for Sweden, Labour Force Survey (estimates from the Department for Business, Innovation & Skills) for the United Kingdom and the Current Population Survey (CPS) for the United States.


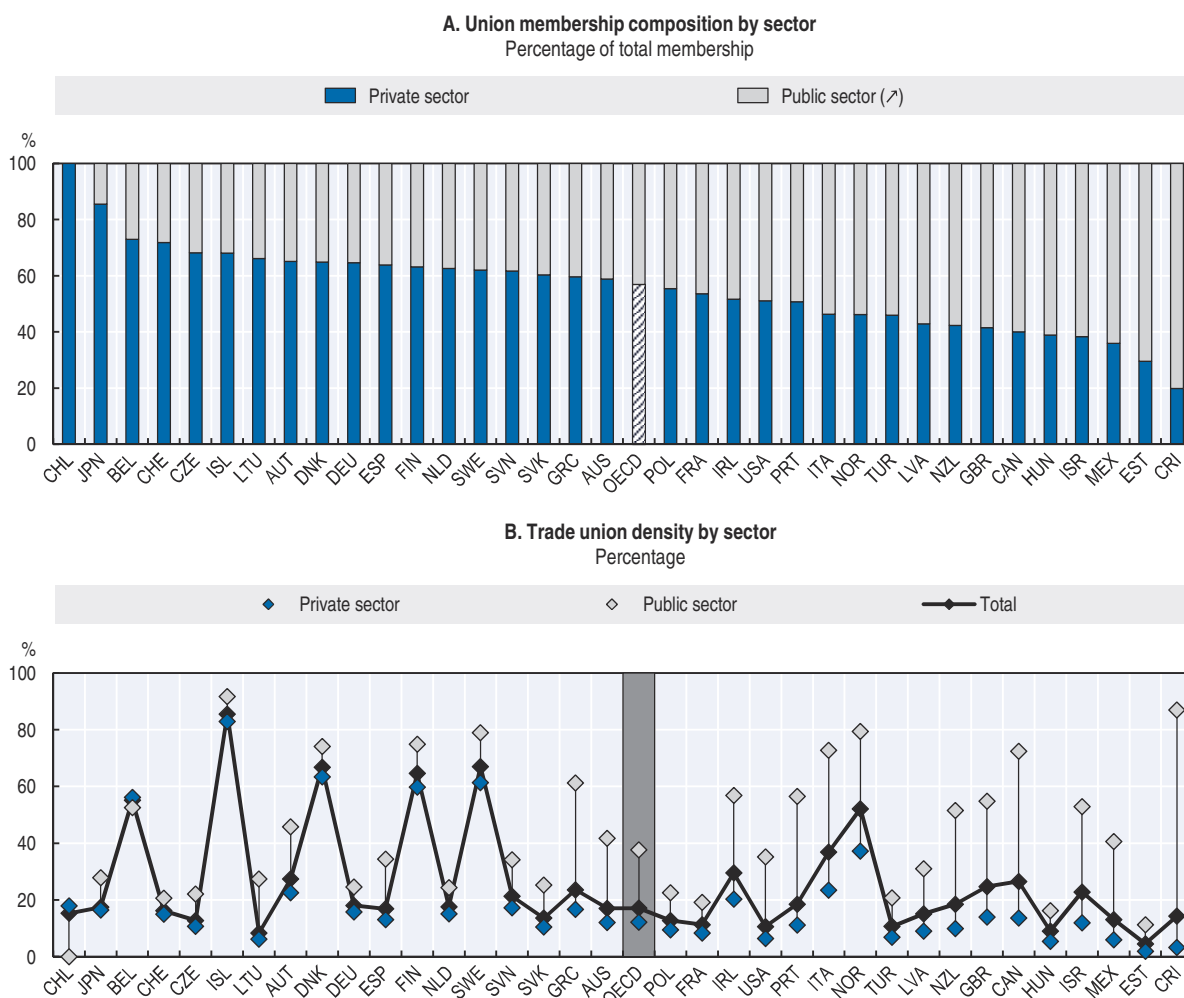
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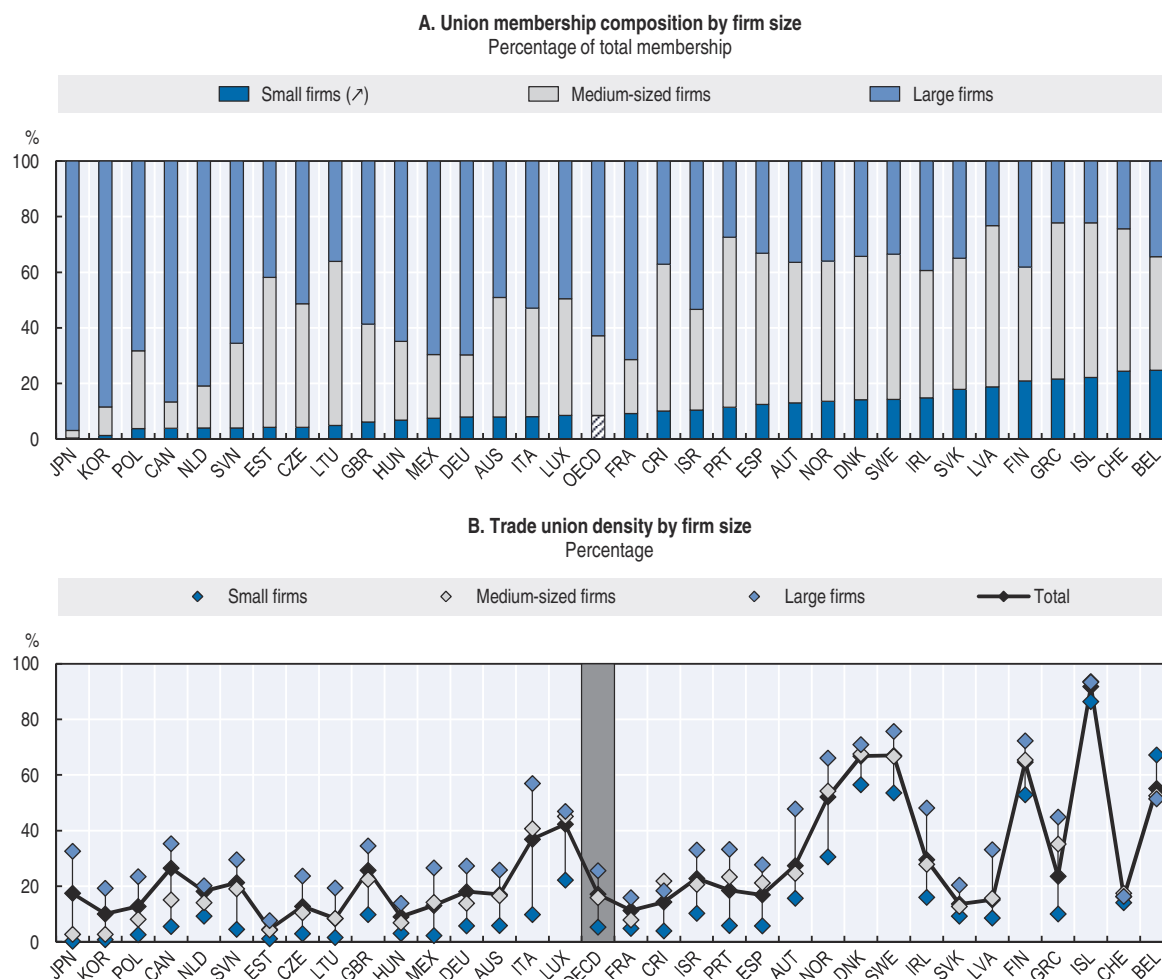
Figure 4.A1.6. Trade union membership by sector, 2015 or latest available year<sup>a</sup>

Note: Trade union density by sector (public and private) reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each sector in total union membership and total number of employees. OECD average is the weighted average of the 33 OECD countries shown (not including Korea and Luxembourg). Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

a) 2008 for Greece, Latvia and Turkey, 2011 for Germany, 2012 for Iceland, Israel, Italy, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Lithuania, the Netherlands, Norway, Slovenia, Spain and Switzerland and 2014 for New Zealand.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey, Labour Force Survey for Canada, administrative data published by the *Unidad de Análisis Estadístico, Dirección del Trabajo* for Chile, *Statistiques sur les ressources et conditions de vie* (dispositif SRCV) for France, German Socio-Economic Panel (SOEP) for Germany, *Encuesta Nacional de Ocupación y Empleo* (ENOE) for Mexico, national results based on the Employee Earnings, Benefits and Trade Union Membership for Australia, administrative data from the Ministry of Labor and Social Security for Costa Rica, Labour Force Survey (provided by Statistics Estonia) for Estonia, the 2013 edition of "Organisation of wage and salary earners, the rate of organisation, the member structure of trade unions" published by the Ministry of Economic Affairs and Employment for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Basic Survey on Labor Unions for Japan, Labour Force Survey for the Netherlands, administrative data from the Unions and Union Membership in New Zealand (data gratefully provided by the Centre for Labour, Employment and Work, School of Management, Victoria University of Wellington) for New Zealand, Labour Force Survey (estimates gratefully provided by *Forskningstiftelsen Fafo*) for Norway, Labour force Survey (data provided by Statistics Sweden) for Sweden, Labour Force Survey (estimates from the Department for Business, Innovation & Skills) for the United Kingdom and the Current Population Survey (CPS) for the United States.

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Figure 4.A1.7. Trade union membership by firm size,<sup>a</sup> 2015 or latest available year<sup>b</sup>

Note: Trade union density by firm size reported in this figure has been adjusted for the overall trade union density shown in Figure 4.2 by using the share of each size of firms in total union membership and total number of employees. OECD average is the weighted average of the 31 OECD countries shown (not including Chile, New Zealand, Turkey and the United States). Estimates based on the European Social Survey (due to size of the sample or of subcategories in certain countries) may be imprecise and are only reproduced to illustrate common patterns across OECD and accession countries.

- a) "Small firms", "Medium-sized firms" and "large firms" refers, respectively, to firms with fewer than ten employees, 10 to 99 employees and 100 or more employees, except for Canada (respectively, to fewer than 20 employees, 20 to 99 employees and 100 or more employees), France and Hungary (respectively, to fewer than 11 employees, 11 to 49 employees and 50 or more employees), Finland (respectively, to fewer than 10 employees, 10 to 49 employees and 50 or more employees), Germany (respectively, to fewer than 20 employees, 20 to 199 employees and 200 or more employees), Japan (respectively, to fewer than 30 employees, 30 to 99 employees and 100 or more employees) and Mexico (respectively, to fewer than 11 employees, 11 to 50 employees and 51 or more employees). Statistics refers to the size of the local unit for Australia, Finland, Hungary, Iceland, Mexico and Sweden.
- b) 2004 for Luxembourg, 2008 for Greece and Latvia, 2011 for Germany and the Netherlands, 2012 for Israel, Italy, Korea, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Lithuania, Norway, Slovenia, Spain, Switzerland and the United Kingdom.

Source: OECD estimates based on the European Social Survey (ESS) for Austria, Belgium, the Czech Republic, Denmark, Greece, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and the United Kingdom, Household, Income and Labour Dynamics in Australia (HILDA) Survey for Australia, Labour Force Survey for Canada, *Encuesta Nacional de Hogares (ENAH)* provided by the *Instituto Nacional de Estadística y Censos (INEC)* for Costa Rica, *Statistiques sur les ressources et conditions de vie (dispositif SRCV)* for France, German Socio-Economic Panel (SOEP) for Germany, the Korea Labor & Income Panel Study (KLIPS) for Korea, *Encuesta Nacional de Ocupación y Empleo (ENOE)* for Mexico, national results based on the Labour Force Survey (provided by Statistics Estonia) for Estonia, Labour Force Survey (provided by Statistics Finland) for Finland, supplements of the Labour Force Survey (provided by the Hungarian Central Statistical Office) for Hungary, Labour Force Survey (data provided by Statistics Iceland) for Iceland, Basic Survey on Labor Unions for Japan, Labour Force Survey for the Netherlands, Labour Force Survey (estimates gratefully provided by *Forskningsstiftelsen Fafo*) for Norway and Labour force Survey (data provided by Statistics Sweden) for Sweden.


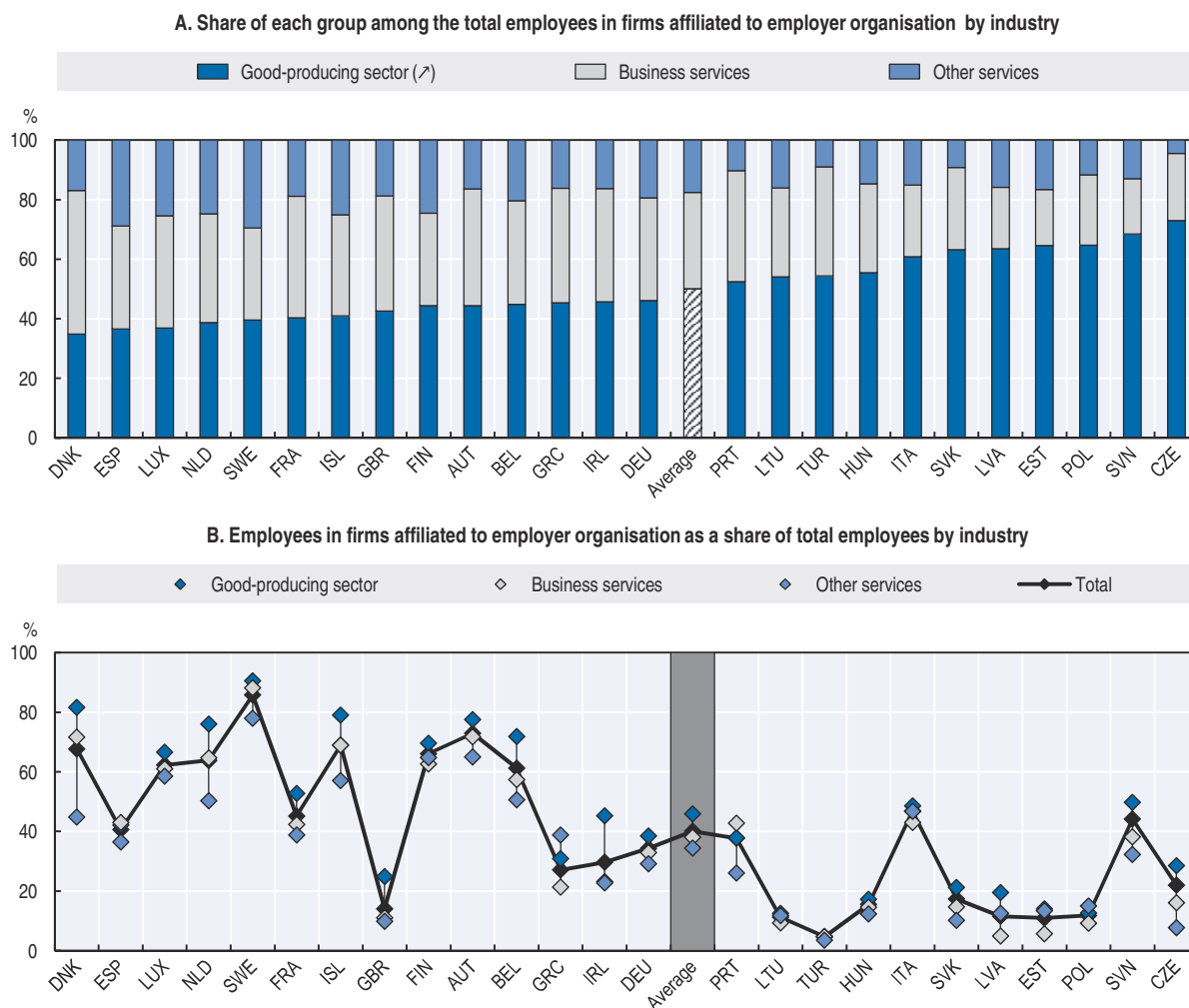
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Figure 4.A1.8. **Employer organisation membership by industry,<sup>a</sup> 2013**

Note: Statistics refer to all establishments of the private sector with ten or more employees in all economic sectors except agriculture, activities of households as employers and activities of extraterritorial organisations. Unweighted average of 24 OECD countries (not including Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland and the United States).

a) Good-producing sector refers to manufacturing (including mining and utilities) and construction; business services refers to commerce and hospitality, transport and communication and financial services and real estate; other services refers to remaining social and personal services excepted activities of households as employers and activities of extraterritorial organisations. .

Source: OECD calculations based on the third Eurofound European Company Survey (ECS 2013).


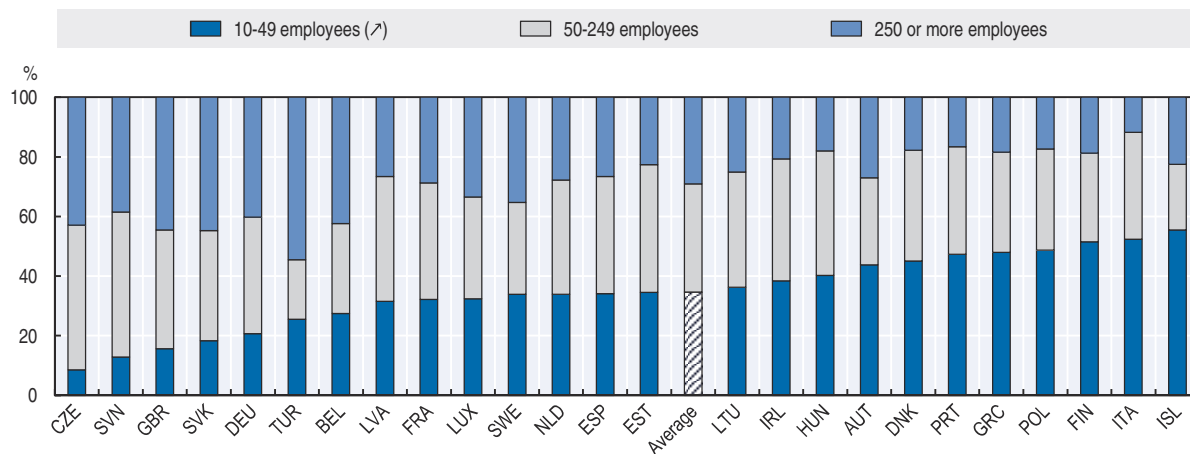
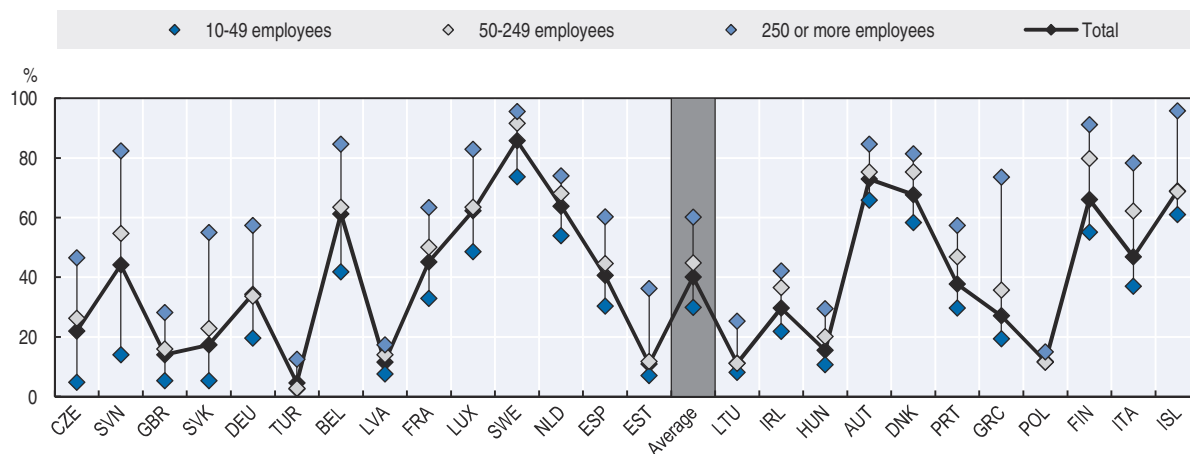
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Figure 4.A1.9. **Employer organisation membership by firm size, 2013**

A. Share of each group among the total employees in firms affiliated to employer organisation by firm size



B. Employees in firms affiliated to employer organisation as a share of total employees by firm size



Note: Statistics refer to all establishments of the private sector with ten or more employees in all economic sectors except agriculture, activities of households as employers and activities of extraterritorial organisations. Average is the unweighted average of the 24 OECD countries shown (not including Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland and the United States).

Source: OECD calculations based on the third Eurofound European Company Survey (ECS 2013).


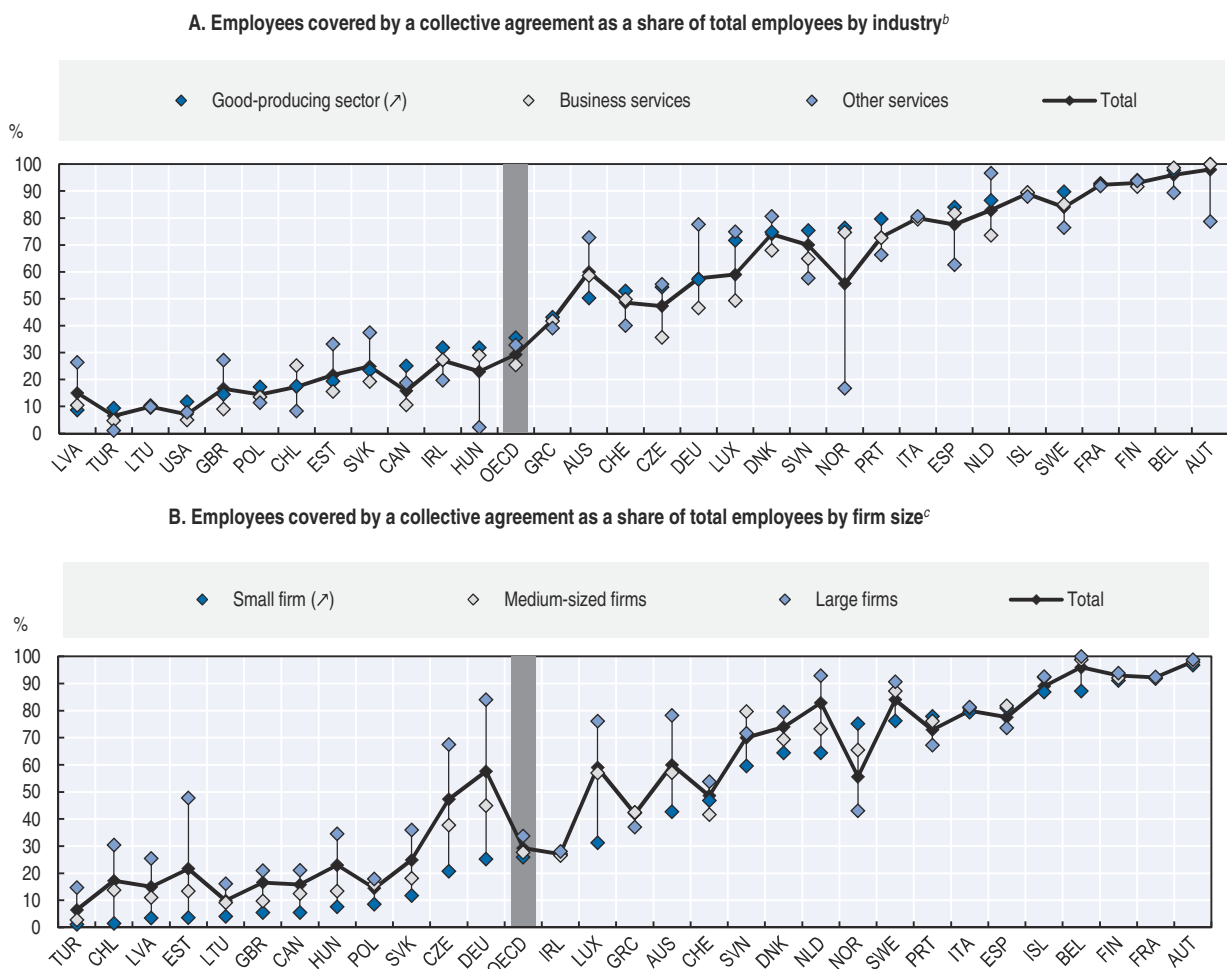
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Figure 4.A1.10. **Collective agreement coverage by industry and firm size, latest year available<sup>a</sup>**

Note: Statistics refer to the private sector only and to all firms for Australia and Canada excepted firms with less than 5 employees for Chile, firms with less than 10 employees for Belgium, Greece, Italy, Slovenia and Sweden, and firms with less than 11 employees for other countries. OECD is the weighted average of the 30 OECD countries shown (not including Israel, Japan, Korea, Mexico and New Zealand) in Panel A and of the 29 OECD countries shown (not including countries previously listed and the United States) in Panel B.

- a) Statistics based on 2013 data for Belgium, Greece, Iceland, Ireland, Italy, Slovenia and Sweden; 2014 for Chile and all other European countries; 2015 for Canada and the United States; and 2016 for Australia.
- b) Good-producing sector includes mining, manufacturing and utilities; business services includes trade, transport, communication, accommodation and food services, business and real estate services; and other services refers to remaining social and personal services excepted activities of households as employers and activities of extraterritorial organisations.
- c) "Small firms" refers to firms with fewer than 50 employees for Australia, 1 to 9 employees for Canada, 10 to 49 employees for Belgium, Greece, Iceland, Ireland, Italy, Slovenia and Sweden, and 11 to 49 employees for all other countries. "Medium-sized firms" refers to firms with 50 to 99 employees for Australia, 10 to 99 employees for Canada, 50 to 199 employees for Chile, and 50 to 249 employees for all other countries. "Large firms" refers to firms with 100 employees or more for Australia and Canada, 200 employees or more for Chile, and 250 employees or more for all other countries.

Source: OECD calculations based on the Survey of Employee Earnings and Hours (EEH) for Australia, Labour Force Survey for Canada, administrative data for Chile, the third Eurofound European Company Survey (ECS 2013) for Belgium, Greece, Iceland, Ireland, Italy, Slovenia and Sweden, and the 2014 Structure of Earnings Survey (SES 2014) for all other European countries, and the Current Population Survey (CPS) for the United States


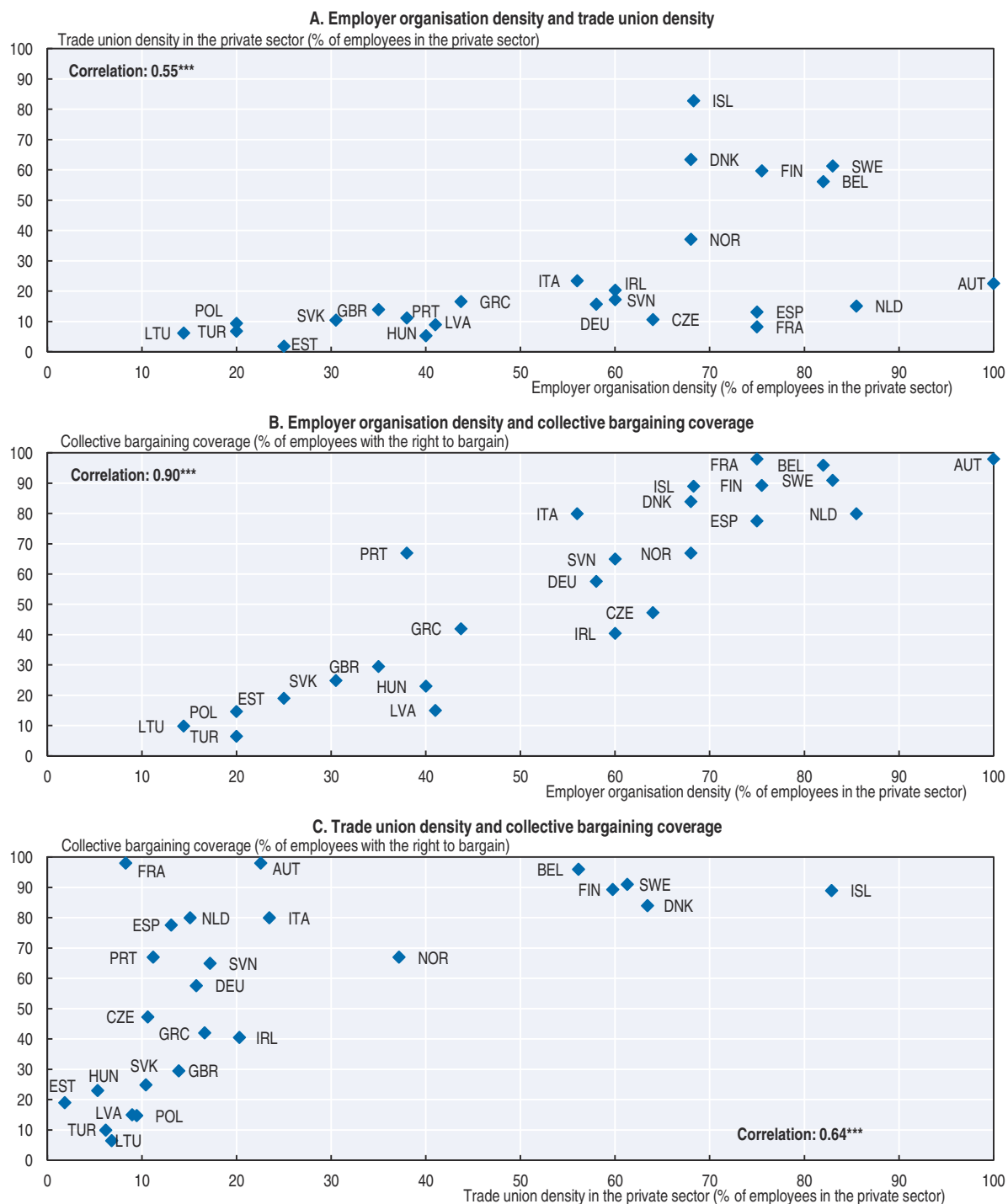
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Figure 4.A1.11. **Correlation between employer organisation density and trade union density and collective bargaining coverage rate**



\*\*\* statistically significant at the 1% level.

Source: See Figure 4.3 (employer organisation density), Figures 4.5 (collective bargaining coverage) and Annex Figure 4.A1.6 (trade union density in the private sector).


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Table 4.A1.1. **Correlation between quality and labour relations and labour market outcomes**

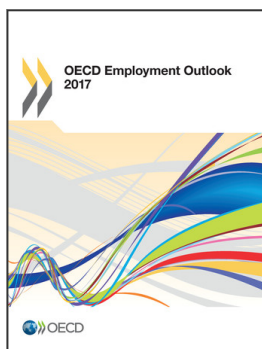
<b>A. Correlation coefficients between trust in trade unions and labour market outcomes</b>		
	Sample	Correlation
Unemployment rate	All years	-35% ***
	Year 2000 or closest	-45% ***
	Year 2005 or closest	-36% **
	Year 2010 or latest	-24%
Youth unemployment rate	All years	-31% ***
	Year 2000 or closest	-40% **
	Year 2005 or closest	-34% **
	Year 2010 or latest	-22%
Earnings inequality D9/D1	2010 or latest	-46% ***
	All years	-32% ***
Earnings inequality D9/D5	2014 or latest	-41% **
	All years	-25% **
Earnings inequality D5/D1	2014 or latest	-25%
	All years	-30% ***
<b>B. Correlation coefficients between cooperation in labour-employer relations and labour market outcomes</b>		
	Sample	Correlation
Unemployment rate	All years	-46% ***
	Year 2007	-49% ***
	Year 2011	-46% ***
	Year 2015	-45% ***
Youth unemployment rate	All years	-52% ***
	Year 2007	-58% ***
	Year 2011	-51% ***
Earnings inequality D9/D1	Year 2015	-52% ***
	2014 or latest	-25%
	All years	-31% ***
Earnings inequality D9/D5	2014 or latest	-31% *
	All years	-38% ***
Earnings inequality D5/D1	2014 or latest	-5%
	All years	-10%

\*\*\*, \*\*, \* statistically significant at 1%, 5% and 10% levels respectively.

Note: Note: "Trust in trade unions" (Panel A) refers to the percentage of persons (aged 15 or over) tending to trust trade unions for the European countries excepted Norway and Switzerland and the percentage of persons (aged 15 or more) who are greatly or quit a lot confident in trade unions for all other countries, Norway and Switzerland. Co-operation in labour-employer relations" refers to the average national score based on a scale from 1 ("generally confrontational") to 7 ("generally co-operative") to the following question: "In your country, how would you characterise labour-employer relations?"

Source: Eurobarometer and World Value Survey, [www.worldvaluesurvey.org/WVSONline.jsp](http://www.worldvaluesurvey.org/WVSONline.jsp) (Panel A) and The Global Competitiveness Index Historical Dataset © 2005-2014 World Economic Forum (Panel B) and the OECD Employment Database, [www.oecd.org/employment/database](http://www.oecd.org/employment/database) for employment and earnings inequality measures.

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