



OECD Employment Outlook 2018

The role of collective bargaining systems
for good labour market performance

LIVE WEBINAR

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13:00-14:00 CEST (Paris time)

7:00-8:00 EDT (Washington DC)



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The role of collective bargaining systems
for good labour market performance

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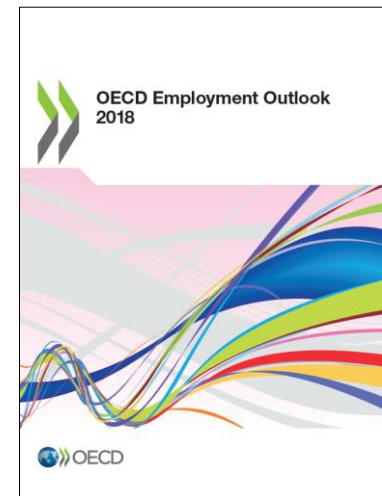
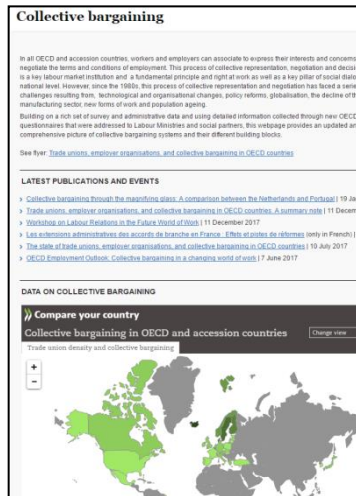
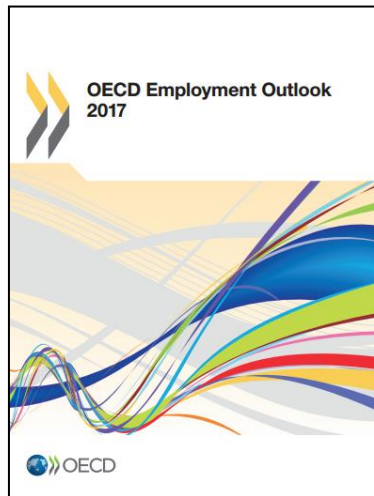
For more information:

<http://www.oecd.org/employment/collective-bargaining.htm>

Good labour relations can help meet the challenges of a changing world of work

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

Angel Gurría, Secretary General of the OECD



Main messages

Declining collective bargaining coverage and decentralisation

Yet, collective bargaining can bring many benefits

Balance between inclusiveness and flexibility important

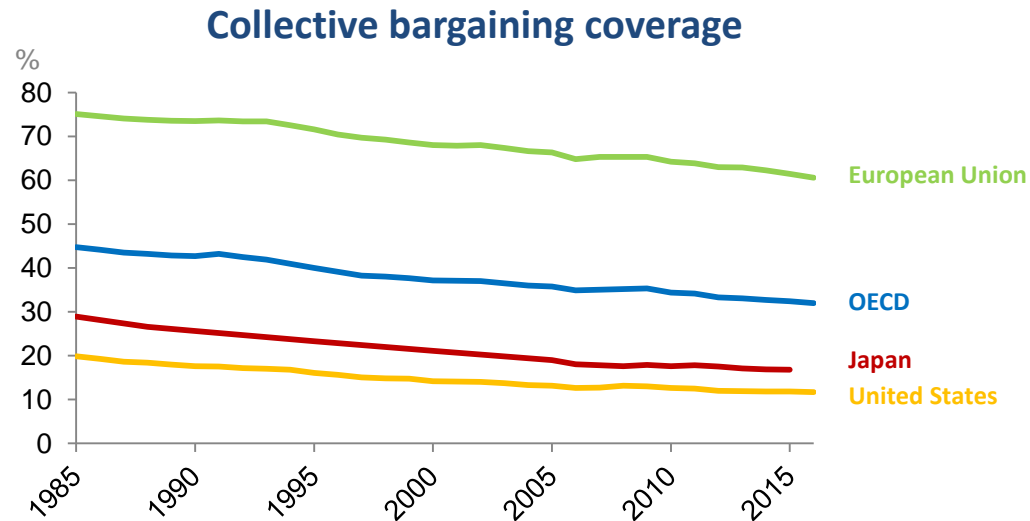
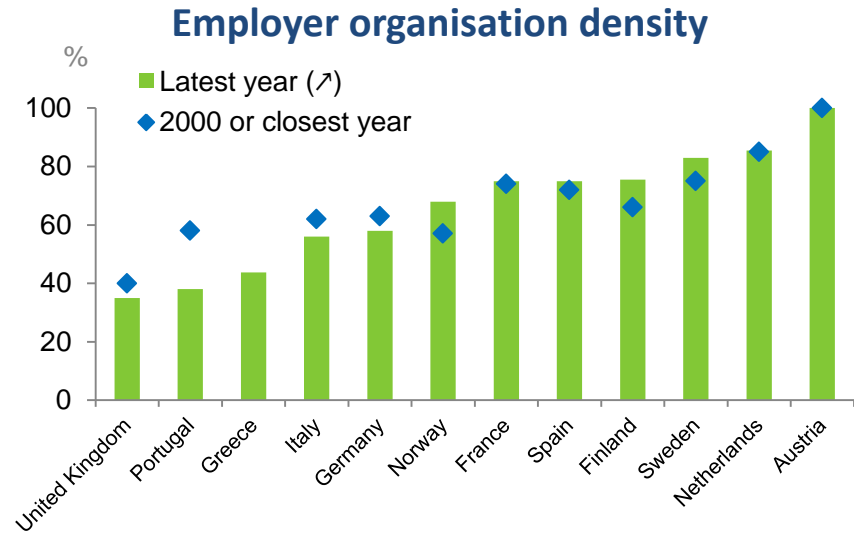
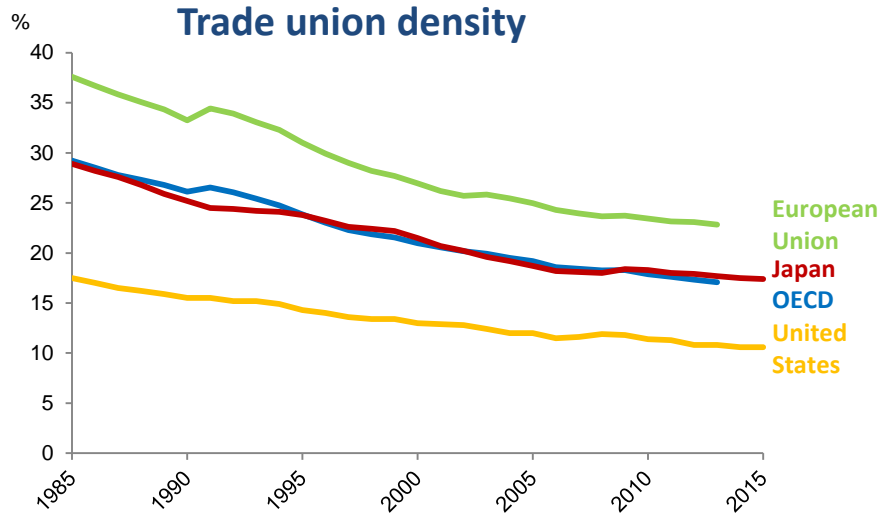
Components of a *good* collective bargaining system:

Some macroeconomic element of wage co-ordination

Some decentralisation so that firms can adjust wages

A system that covers a large share of workers and companies

Collective bargaining under threat?

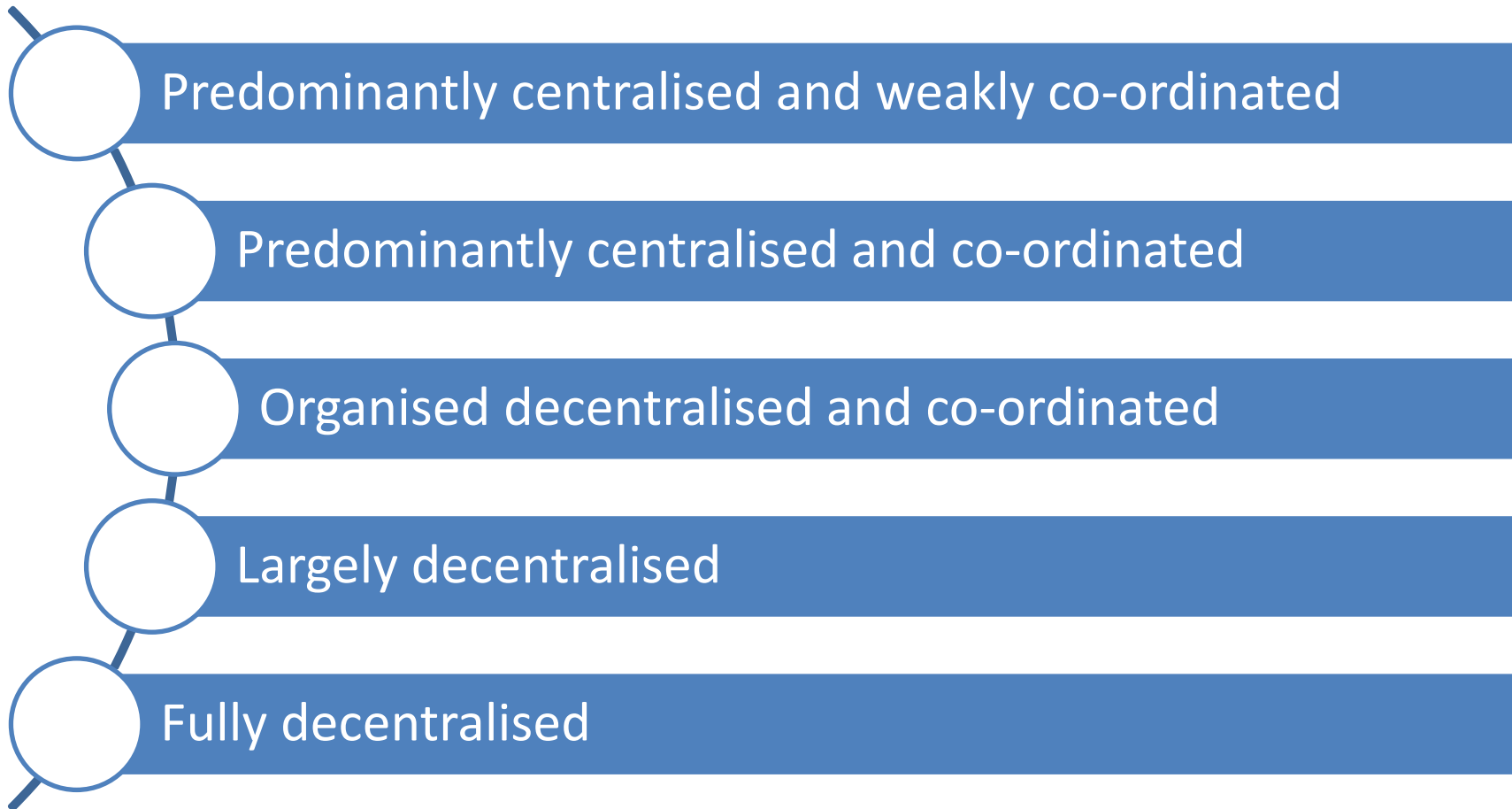


Collective bargaining and labour market performance



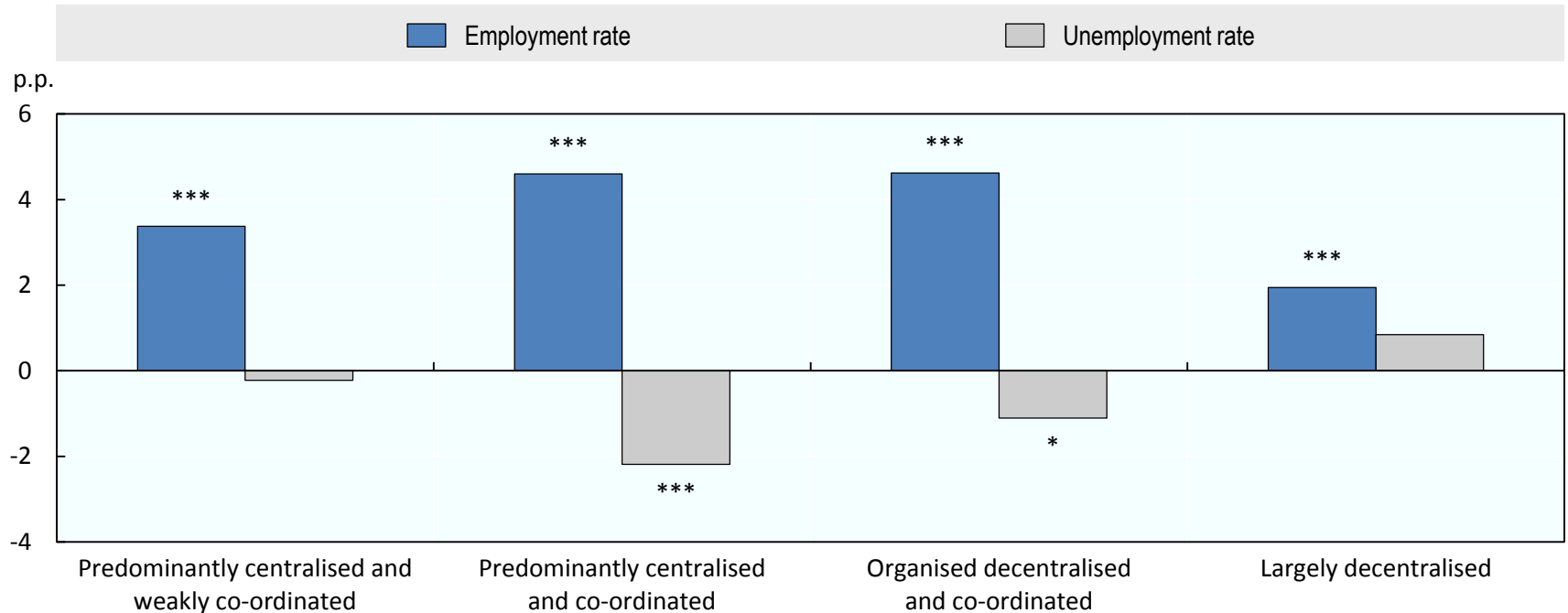
A taxonomy of collective bargaining systems

Five main types of collective bargaining systems:



Co-ordinated systems are linked with better employment outcomes

Difference in percentage points with respect to fully decentralised systems



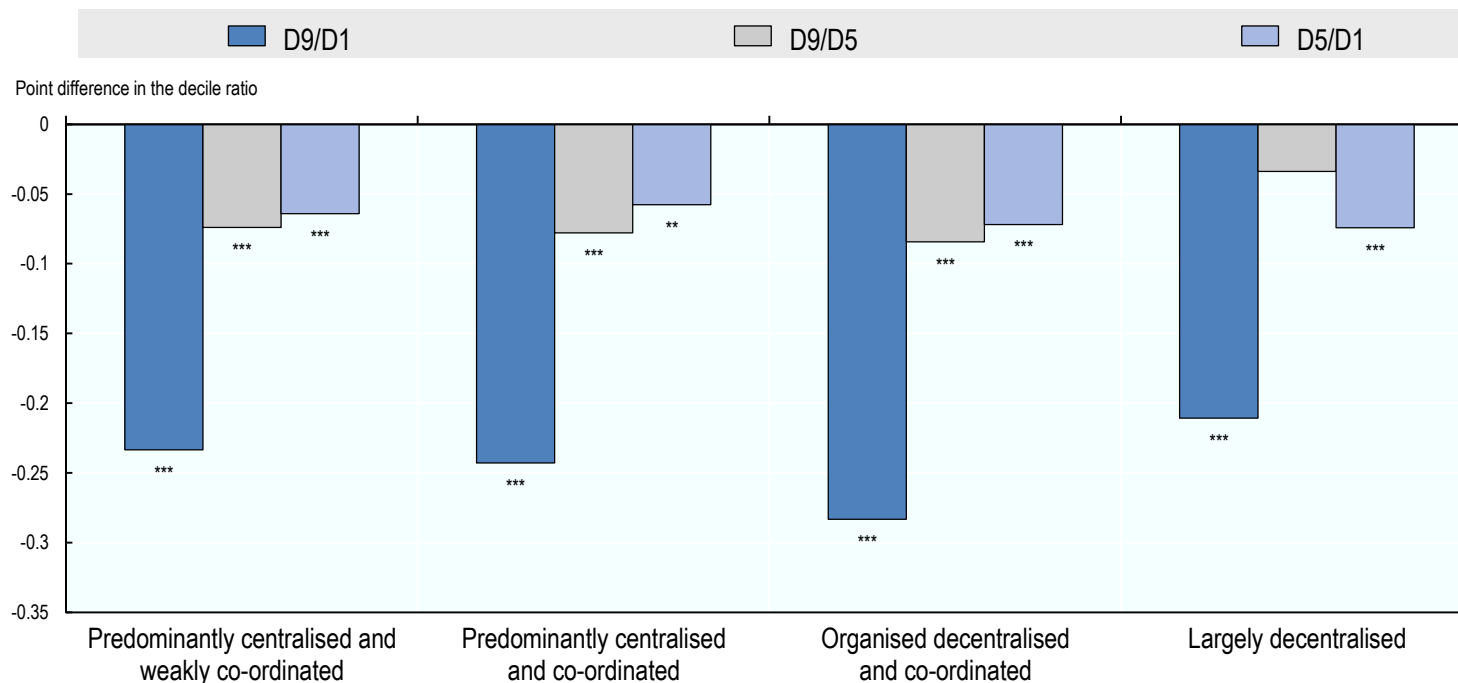
Note: ***, **, *: statistically significant at the 1, 5 and 10% levels, respectively. Results are based on OLS regressions including country and year dummies, collective bargaining coverage, log of average years of education, female employment share and institutional variables: (tax wedge, product market regulation, employment protection legislation (both temporary and permanent), ratio of minimum wage to median wage and gross unemployment benefit replacement rate). p.p.: percentage points.

Source: OECD estimates. Details on sources and definitions can be found in Chapter 3 of the Employment Outlook 2018.

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

Collective bargaining is linked with lower wage inequality

Difference in percentage points with respect to fully decentralised systems



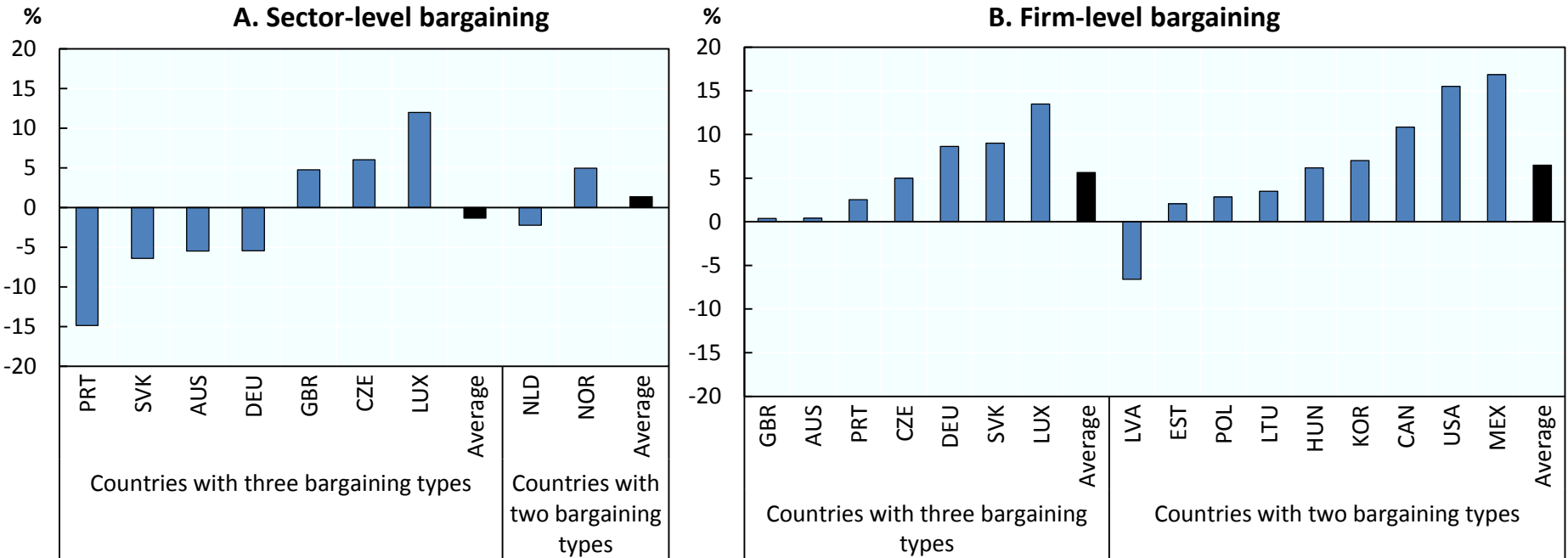
Note: ***, **, *: statistically significant at the 1, 5 and 10% levels, respectively. Results are based on OLS regressions including country and year dummies, collective bargaining coverage, log of average years of education, female employment share and institutional variables: tax wedge, product market regulation, employment protection legislation (both temporary and permanent), ratio of minimum wage to median wage and gross unemployment benefit replacement rate. Earnings inequality measures are based on gross earnings of full-time wage and salary workers. D1, D5 and D9 stand for the first, fifth and ninth decile of the wage distribution.

Source: OECD estimates. Details on sources and definitions can be found in Chapter 3 of the OECD Employment Outlook.

Wage dispersion is greater in systems with no collective bargaining or where firms set wages independently (also when using individual-level data)

Wages are higher for workers covered by a firm-level agreement

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



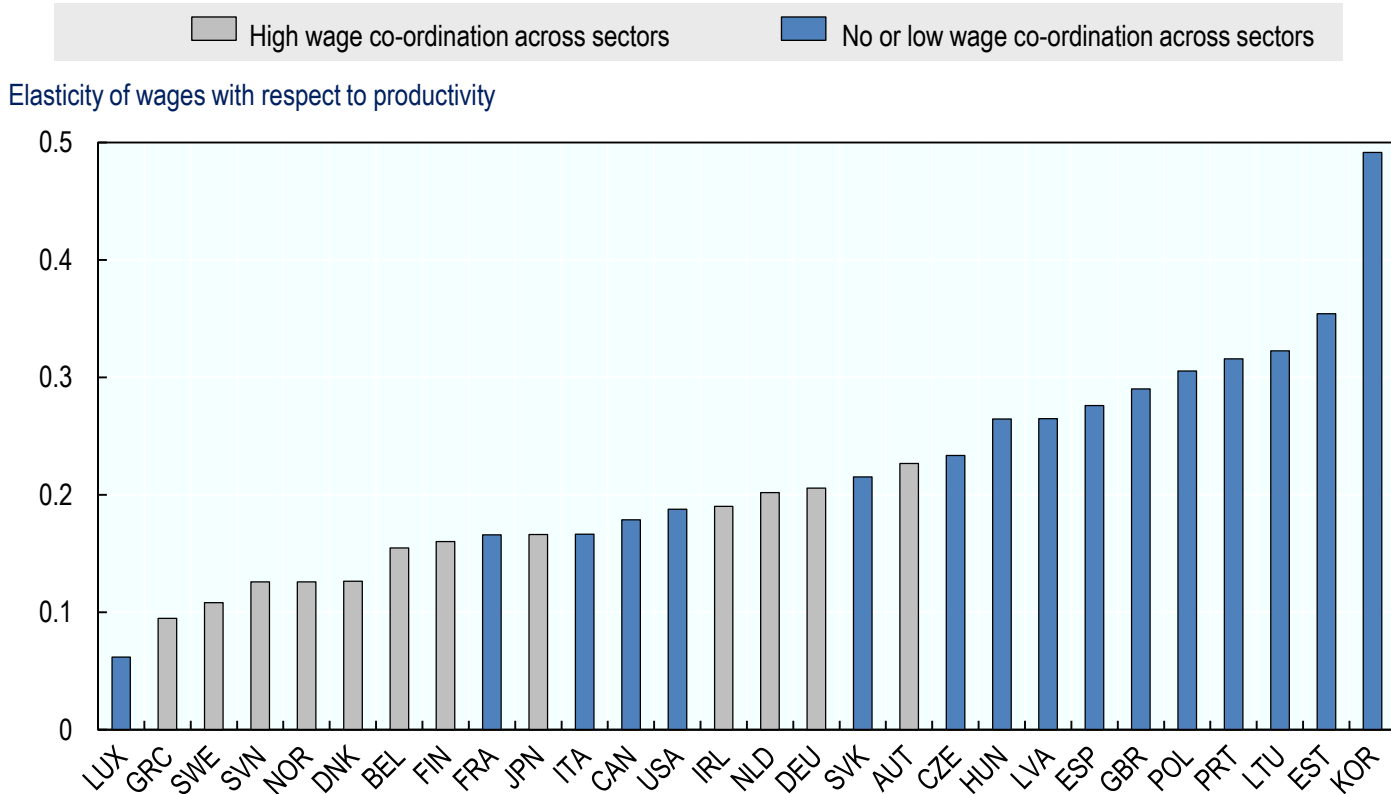
Note: Results are based on Juhn-Murphy-Pierce decompositions using workers without a collective agreement as the reference group and controlling for gender, age groups, educational attainment, industry, occupation, firm size, type of contract and job tenure. Data are from 2012-16, depending on the country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

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

Within countries, there is a **wage premium for workers who are covered by firm-level bargaining** compared with those not covered or those covered only by sector-level bargaining

Wages and productivity are less tightly linked where bargaining is stronger

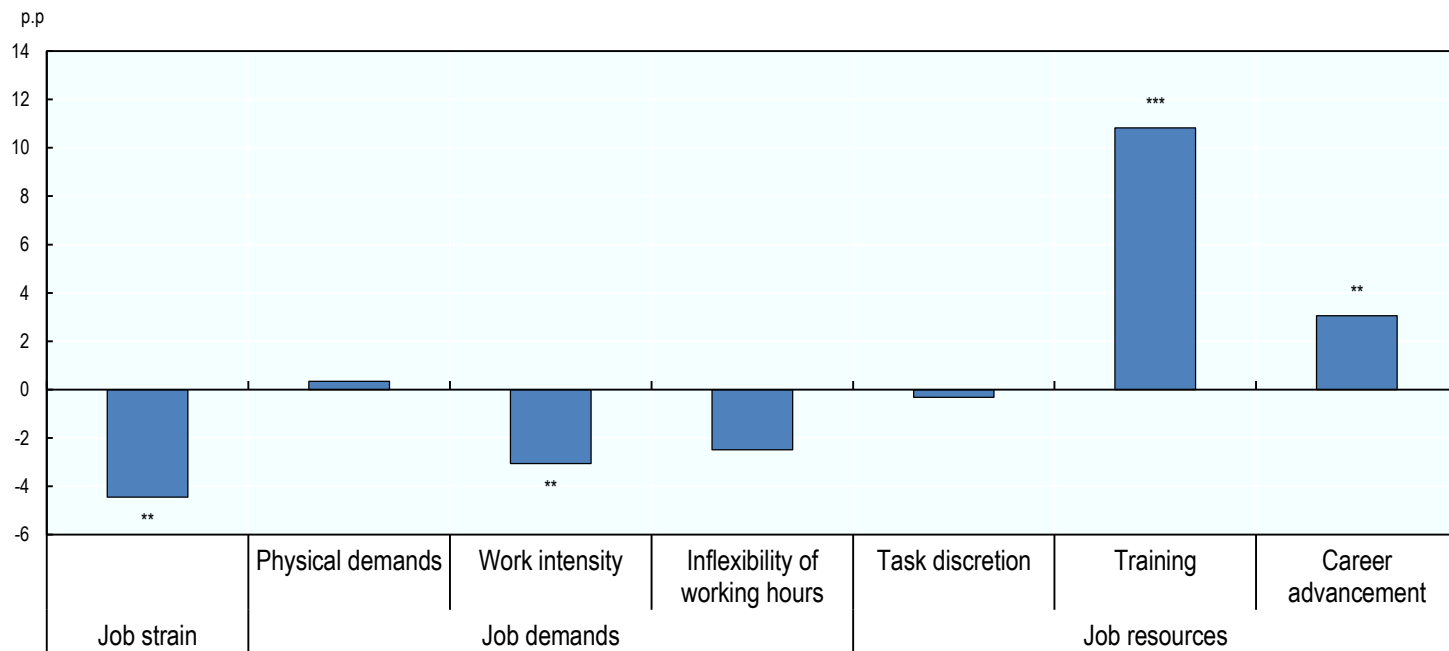
The extent to which high-productivity sectors pay higher wages than low-productivity sectors



In countries **where collective bargaining is more important, wages tend to be less responsive** to productivity differences.

Employee representation predicts less job strain

Difference in job strain (or its sub-components) compared with the absence of employee workplace representation



Note: ***, **, *: statistically significant at the 1, 5 and 10% level, respectively. Results are based on Ordinary Least Squares (OLS) regressions. They control for age, education, gender, type of contract, occupation, job tenure, establishment size, industry and country dummies. p.p.: percentage points.

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

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

Promoting inclusive and flexible collective bargaining

Maintaining high coverage...

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

... while leaving some margins of flexibility:

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

Looking forward: which role in the future of work?



Skills



Social protection



Activation



Labour relations

THANK YOU!



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