

Mieux comprendre l'évolution

d
e
s **salaires**
depuis la crise

Comparaisons internationales

Comparing wage bargaining arrangements: Is the French arrangement unique ?

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Wage Adjustment and Employment in Europe (Berson and others)

Our findings show wage rigidities via two channels:

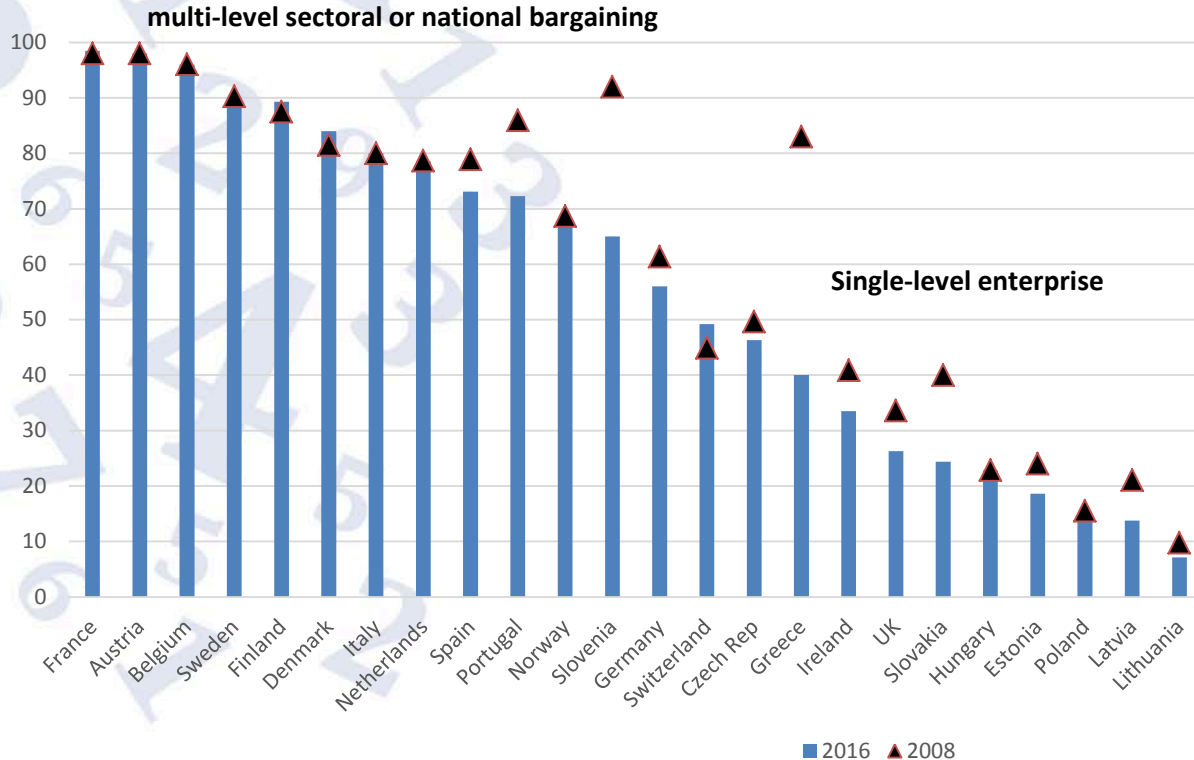
- (1) **collective agreements reduce probability of downward wage adjustment**
- (2) **wages adjust asymmetrically in response to demand changes:** probability of downward adjustment when demand falls is significantly smaller than probability of upward wage response when demand increases

“this result implies significantly more downward nominal wage rigidities for countries with larger shares of employees covered by collective pay agreements”; and a negative effect on employment “induced by collective pay agreements”

Policy conclusions:

1. Bad news for France (and other countries with high coverage levels).
2. Must reform policies discourage collective bargaining (end administrative extension)?
3. Authors mention possibility to introduce ‘exit’ clauses in agreements

Bargaining coverage rates 2008-2016



Declining coverage related to
 a) enterprise bargaining
 b) opt out from employers' org.

High bargaining coverage rates
 require sectoral agreements
 supported by administrative
 extension and/or voluntary
 'opt ins' based on union pressure

Is finding representative and can it be generalized across bargaining systems?

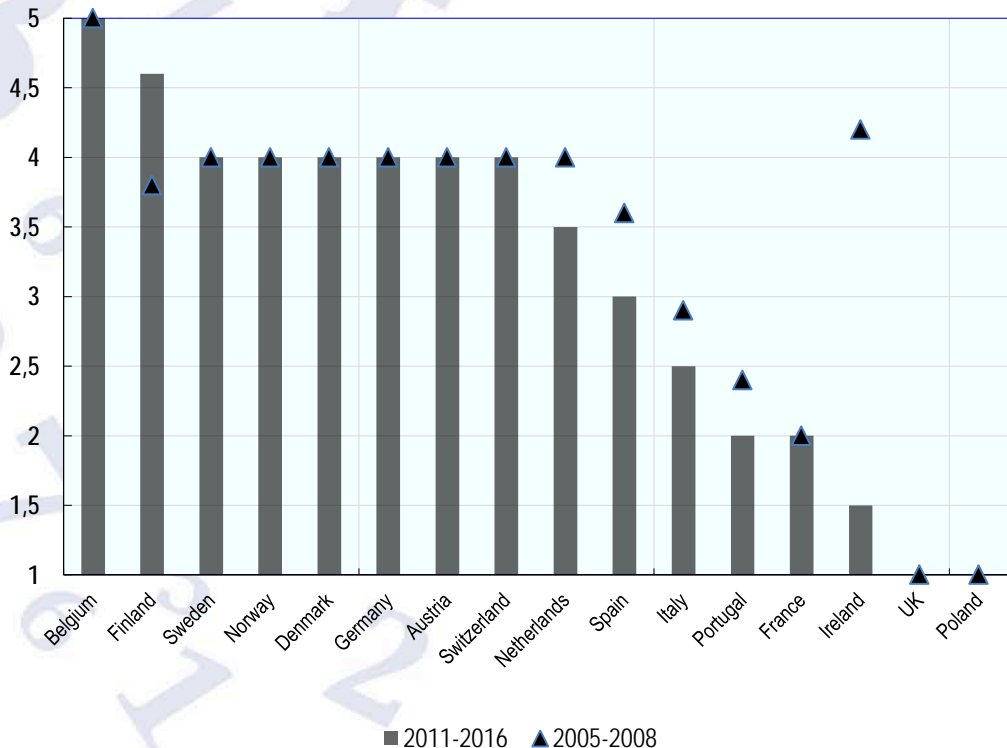
- ❑ Study is based on survey of 17,530 responses from firms (excluded are Finland, Sweden, Denmark and Ireland). Mean coverage rate is 53 percent (enterprise agreements:29%, other agreements 37% ; overlap??).
- ❑ Finding of the difference in wage behaviour of covered versus non-covered firms is driven by responses from countries where that distinction can be made (i.e. in countries with low coverage rate – UK, CEE, perhaps Germany).
- ❑ Are findings representative for countries without clear division between covered and non-covered firms? (Results of North American “union mark-up” studies, based on division between union and non-union firms, are not representative for Europe.
- ❑ There are large differences in collective bargaining arrangements across countries with relevance for nominal wage rigidity: indexation; presence and articulation of multi-level (sector and enterprise) bargaining; use of ‘opening’ clauses; wage bargaining coordination

Hijzen and Schwelnus: Wage Bargaining and Resilience

Coordinated / centralised bargaining arrangements can help to reduce the impact of an adverse aggregate shock on the unemployment rate in the short term by facilitating adjustments in wages and particularly working time

1. Initial adjustment on the employment margin is mitigated by promoting more adjustment on the intensive margin.
2. Typically, adjustment take form of reductions in working time with corresponding reductions in earnings and labour costs rather than reductions in hourly wages.
3. Coordination/centralisation may help to make such adjustments more acceptable to workers by ensuring that they are broad-based and hence are more equally shared.
4. Moreover, reductions in working time are likely to be less demoralising than cuts in hourly wages since they do not represent a devaluation of work

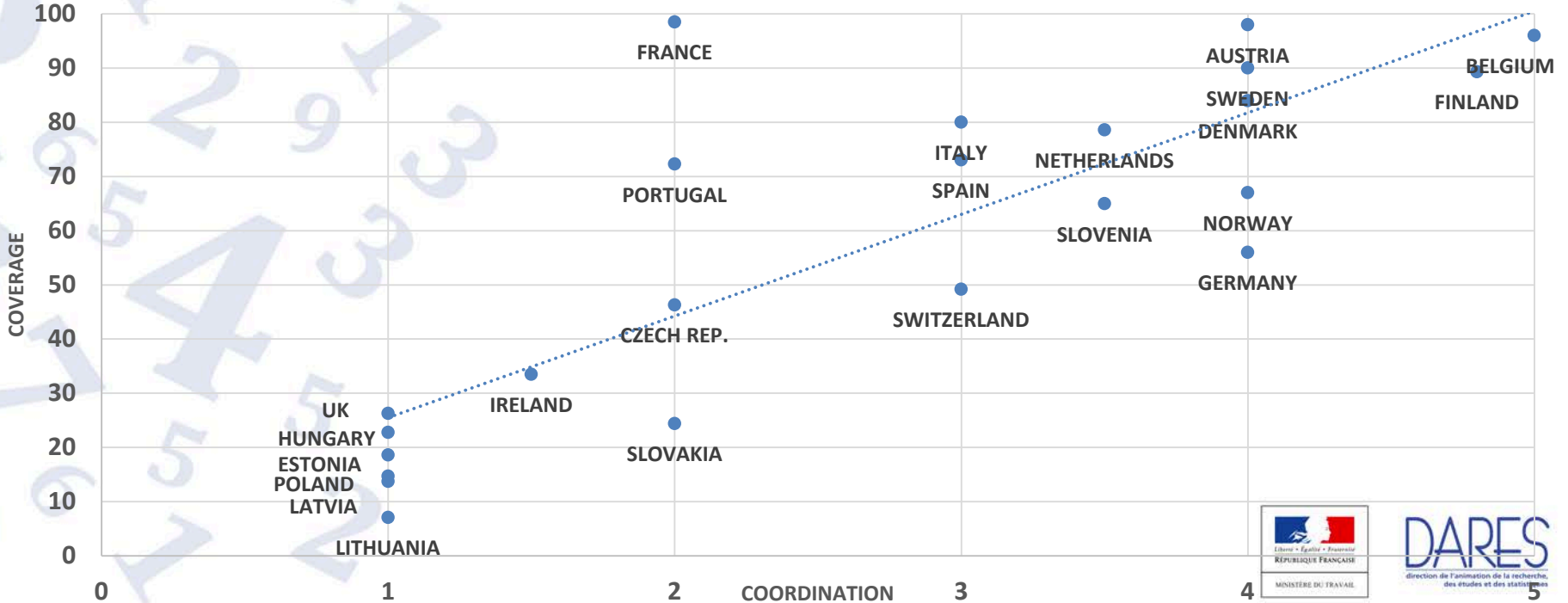
Coordination of wage bargaining, across sectors and enterprises, before and since the crisis



Erosion of coordination in some countries

5 = centralized bargaining or government imposition of maximum wage increase
 4 = wage guidelines based on centralized bargaining or dominant federation / regular pattern setting coupled with union concentration
 3 = negotiation guidelines based on centralized bargaining or government arbitration
 2 = mixed industry and firm-level bargaining, without pattern setting or elements of government coordination through MW setting or wage indexation
 1 = fragmented wage bargaining, confined largely to individual firms, without regular pattern setting or government guidance.

BARGAINING COVERAGE AND COORDINATION ACROSS UNITS AND LEVELS



Wage bargaining coordination

Strong and positive relation with bargaining coverage rate

Challenges:

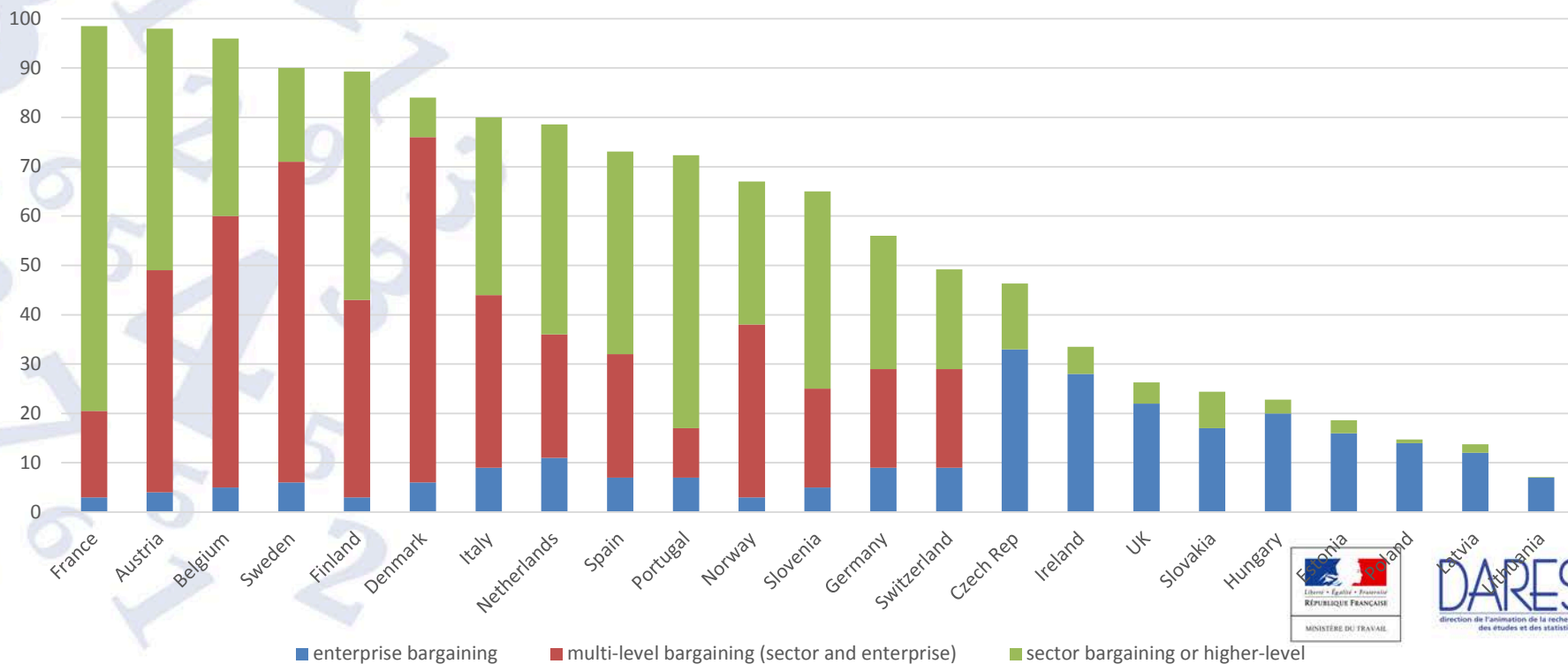
- ❑ Coordination faces an increasingly decentralized wage setting framework (large and small firms may need different packages)
- ❑ Leading role of particular sectors (decline of manufacturing; open vs domestic sector)
- ❑ Position of unions and employers federations. (membership decline; challenge to authority of federations; fragmentation and rise of aggressive 'occupational' unions)
- ❑ Weakness of "state-based" coordination (inevitably centralising?)

Gautier e.a.: Wage Rigidity and Collective Wage Agreements

Authors investigate effect of the French **two-tier bargaining** system in shaping wage dynamics. Findings:

1. Wage agreements contribute to wage growth by increasing **frequency of wage changes**; size of wage changes is only little modified by collective agreements.
2. Relatively high degree of **indexation** of base wages to past inflation; unemployment plays a relative limited role
3. Strong transmission effect of National Minimum Wage (and not just in vicinity of the minimum), direct and indirect, via change in base wage rates in **sectoral agreements**.
4. The **firm-level agreements** have larger effect on wage growth, but effect is not homogenous (unlike sector agreements); concentrated in large firms
5. Overall, **wage setting institutions are interrelated**, including a relatively strong spill-over effect of NMW, and considerable time before wages adjust to shocks.

Levels of bargaining: enterprise (single), enterprise (within sector), sector or higher



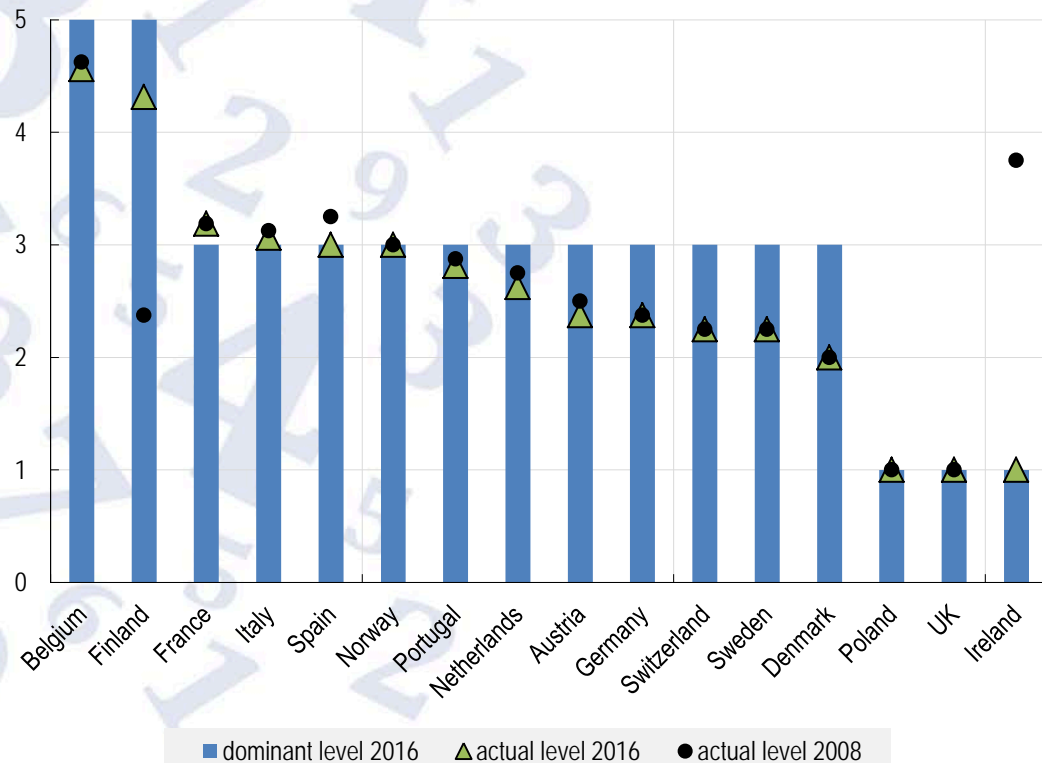
Special features of French collective bargaining

1. National Minimum Wage (NMW), rule-based, annual adjustment
2. Legally defined hierarchy between three levels of wage setting: sectoral wage floors must be set above NMW and firm-level wages cannot be lower than sectoral wages (no 'optouts').
3. NMS is 'strongly integrated' with CB rather than 'distant' or 'isolated'
4. Duty to bargain annually at sector and firm level (no obligation to reach agreement)
5. Firm-level bargaining limited to large firms (+200)
6. No scope for individual choice or bargaining (within frameworks set by agreement)?

Variation in 'organized decentralisation': legal culture and employee representation

REPRESENTATION LEGAL CULTURE	STRONG UNION REPRESENTATION, diffused or only in large firms	WEAK OR DIVIDED UNION REPRESENTATION IN THE FIRM
<p>LABOUR STANDARDS (beyond minimum) ARE SET BY AGREEMENT; Parties are free with whom to bargain, Derogation is matter for bargaining parties</p>	<p>articulated two-tiered bargaining (diffused: Denmark, Sweden, Norway)</p>	<p>one-tiered bargaining: decentralisation through individualisation (Netherlands, Switzerland)</p>
<p>LABOUR STANDARDS ARE DETAILED IN LAW; Strict representation criteria for bargaining, Derogation conditions regulated by law.</p>	<p>two-tiered bargaining in large firms through opening clauses (Germany, Austria) or continued tension between central and local level (Italy, Spain, Belgium, Finland)</p>	<p>decentralisation is blocked (France, Portugal, Greece) or 'forced' by legal intervention (opening clauses and disarticulated bargaining)</p>

Decentralisation: Actual and dominant level of bargaining, 2008 and 2016



general trend towards decentralisation
(exception Finland; France?)

Actual bargaining level is defined by:

1. diffusion of 'additional' bargaining (and possibility of 'individual choice')
2. limits put on additional bargaining (hierarchy between agreements: exclusion of particular topics; individual bargaining and assessment)
3. Derogation and opening clause (how general in terms of topics and conditions; veto rights)

Question for Bosch: Is there a trade off between protective and participative standards?

	PROTECTIVE STANDARDS					PARTICIPATIVE STANDARDS				
	Statutory MW	State role in (M)W setting	Hierarchy Law	Automatic extension	Sum	Union-admin Unempl Funds	Codetermin. Works Council	Support for collective barg	Derogation from law	Sum
France	1	1	1	1	4	0	0	0	0	0
Belgium	1	1	1	1	4	1	1	0	0	2
Spain	1	1	0	1	3	0	1	0	0	1
Portugal	1	1	1	0	3	0	0	1	0	1
Finland	0	1	0	1	2	1	0	0	1	2
Italy	0	0	1	1	2	0	0	0	0	0
Germany	1	0	1	0	2	0	1	1	1	3
Austria	0	0	1	0	1	0	1	0	1	2
Netherlands	1	0	0	0	1	0	1	1	1	3
Ireland	1	0	0	0	1	0	0	0	0	0
UK	1	0	0	0	1	0	0	0	0	0
Sweden	0	0	0	0	0	1	1	1	0	3
Denmark	0	0	0	0	0	1	1	1	1	4
Norway	0	0	0	0	0	0	1	1	1	3
Switzerland	0	0	0	0	0	0	1	1	1	3