Collective bargaining

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Introduction

The term ‘collective bargaining’ was first used in 1891 by Beatrice Webb, an economic theorist and one of the founders of the industrial relations field in the UK. She and her partner Sidney Webb described collective bargaining as a process through which workers come together and send representatives to negotiate over their terms and conditions of employment. It was seen as a collective alternative to individual bargaining - or ‘one of the methods used by trade unions to further their basic purpose “of maintaining or improving the conditions of their [members’] working lives’” (Webb and Webb 1920: 1, cited in Flanders 1968: 1-2).

The Webbs’ definition emphasizes the importance of collective action on the part of workers in establishing and negotiating formal agreements. Other scholars have defined collective bargaining more broadly as a process of negotiation, joint decision-making, or joint regulation between groups who represent both employer and employee interests; and which implies the ‘negotiation and continuous application of an agreed set of rules to govern the substantive and procedural terms of the employment relationship’ (Windmuller et al. 1987, cited in Traxler 1994: 168). It is distinct from consultation or joint problem-solving, in that it results in formal, bargained agreements or contracts to which both parties are obliged to adhere during an agreed upon period.

Collective bargaining can be viewed as the most developed form of representative or collective voice, as it is typically carried out within a framework of rules, procedures, and rights set out in national and international law. It can involve the different actors discussed in other chapters in this volume: the state, trade unions, works councils, employers, middle managers, and employees. However, the role played by each of these actors in the bargaining system varies considerably across countries, depending on the bargaining structure and rights accorded to them through law and practice.

Scholarship on collective bargaining has examined its impact on a range of outcomes for firms, workers, economies, and societies. Collective bargaining can involve partnership and can be complementary to direct forms of voice, such as individual or team-based worker involvement. This kind of integrative or 'mutual gains' bargaining can reduce shop-floor conflict, promoting trust, facilitating restructuring, and reducing employee turnover. At the national level, organized or coordinated collective bargaining models typical of northern and central Europe have been associated with reduced strike rates, high productivity, and wage moderation. Collective bargaining also plays an important role in shaping distributional outcomes within firms and societies. Collective agreements and collective bargaining institutions affect how productivity gains and risks are allocated between different stakeholder groups. For this reason, collective bargaining is often characterized by conflict. Employers and unions engage in 'zero-sum' or distributive bargaining on many issues and use strikes, pickets, and lock-outs as common means to demonstrate or exercise countervailing power.

The distinctiveness of collective bargaining lies in this role as an institution that involves formal negotiations between two organizations representing employer and worker interests, and holding different forms of political and economic power. As unions and bargaining institutions have come under pressure in the last twenty years, a debate has arisen over whether bargaining remains a viable form of voice - if it is perhaps being replaced by human resource management, direct participation, and government regulation through individual employment rights. How researchers interpret the causes of these changes and their implications for workers and society varies according to the emphasis they place on the integrative or distributive aspects of the bargaining system.

In this chapter, we first present an overview of different forms of collective bargaining, looking at how institutions and models differ across countries. This is the basis for a review of research examining the integrative or efficiency-enhancing role of collective bargaining - which typically emphasizes strategic choice and mutual gains, and studies focusing on the distributional consequences of these institutions - which place more emphasis on the role of power and conflict in shaping bargaining processes and outcomes. We argue that research focusing on performance outcomes provides a useful but incomplete set of tools to analyze the form and consequences of collective bargaining institutions. These institutions have historically played a central role in redistributing political and economic power within workplaces, industries, and societies. Attention to contemporary changes in labor power can help to explain why and how this distinctive form of employee voice has been weakened within different national contexts.

Collective Bargaining Forms and Structures

Collective bargaining institutions vary across countries as a result of differences in the legal framework, as well as the distinctive traditions and organizational structure of employers and labor unions. One important institutional difference is whether governments protect employees' right to join unions and to engage in industrial action, or instead intervene to obstruct collective bargaining. Although the right to collective bargaining is a core labor standard as defined by the International Labor Organization (ILO), workers continue to lack these basic rights in many countries (ILO 2008).1 The International Trade Union Confederation (2012) reports that in 2011 at least 76 workers were murdered worldwide as a direct result of union activities, while repressions of strike action and organizing activities resulted in a reported 3508 arrests and 15 860 dismissals.

In countries with developed industrial relations institutions, collective bargaining can take different forms. In 'single-employer bargaining', individual employers negotiate agreements at the company or workplace level with labor unions or other worker representatives with legal rights, such as works councils. In 'multi-employer bargaining', one or more unions or union confederations negotiate agreements with one or more employers' associations (Jackson 2005). These agreements can cover the workforce in a particular industry or occupation; or can cover a range of sectors at the national level - often with the involvement of government agencies through 'tripartite' arrangements.

Countries also differ in the degree of bargaining centralization. 'Centralized bargaining' implies that national or industry agreements are the dominant form for regulating terms and conditions of employment; while 'decentralized bargaining' implies that company or establishment-level agreements predominate.2 Bargaining often takes place at multiple levels. In many European countries, multi-employer collective bargaining between employers' associations and labor unions establishes minimum wage levels or overall wage increases at the industry or national level; but individual employers negotiate supplementary agreements with unions and/or works councils at the company and establishment levels. For example, in Sweden wage increases are agreed centrally, but are distributed at the local level based on company-level negotiations, allowing substantial pay individualization.

Countries with multi-level bargaining systems further differ in the degree of coordination between levels. Bargaining coordination can be defined as the extent to which 'minor players' (such as managers or union representatives at the company level) follow or adhere to agreements reached by 'major players' (such as peak associations) (Soskice 1990; Hall and Gingerich 2004). There are different ways to achieve coordination in wage bargaining: through direct means, as an explicit goal of peak business and labor associations or through state intervention; or through more informal means, such as pattern agreements led by bargaining agents at large firms or in leading industries. Countries with company or establishment-level bargaining, such as the USA and Canada, are typically viewed as* having uncoordinated systems. Informal coordination is common in countries with sectoral bargaining systems, such as Germany, in which peak associations are weaker and employer associations at the industry level negotiate agreements with industry-based unions. Coordination in this case relies on strong and relatively encompassing associations that are able to exert control over their members. Overt or direct coordination takes different forms. For example, in Belgium economy-wide agreements are negotiated between the main employer and union confederations at the national level, which then establish a framework for negotiations at industry and cross-industry levels. In other countries, such as Spain and Portugal, national accords between peak associations and the government have been important at different periods in standardizing wage increases and ensuring member organizations do not deviate from those agreements. In Japan, the main union confederations set minimum objectives for the annual spring bargaining round, and unions adjust their company-level demands based on negotiation outcomes in the biggest companies.

Most countries have experienced change over time in dominant collective bargaining levels, as well as in the degree of coordination between levels. In general, there has been a trend toward increased company or establishment-level bargaining, even where sectoral agreements remain dominant (Katz 1993; OECD 2012: 139-42). Sweden exemplifies this trend: it had a centralized and coordinated bargaining system, but following an employer offensive in the 1990s, it moved to sectoral and company bargaining with weaker coordination (Swenson and Pontusson 2000). At the same time, other countries have experienced a shift toward increased bargaining centralization and coordination. In Italy, union confederations became involved in tripartite negotiations in the 1990s through social pacts aimed at controlling wage inflation (Baccaro 2002).

These patterns are shaped in part by the history, traditions, and strategies of major actors. However, they are also strongly influenced by the legal framework within which collective bargaining takes place. Faws establish union recognition procedures, rights to strike, and rights to engage in secondary boycotts; as well as what actions constitute ‘unfair’ or illegal practices by employers, such as their rights to lock out striking workers or dismiss workers for participating in union activities. Even among the OECD and EU member states, 24 percent of countries are reported to have minor or major restrictions on collective bargaining rights in the market sector, while 44 percent have restrictions on the right to strike (Visser 2011). Labor laws and policies can make a substantial difference to union power and strategies. For example, sympathy strikes or secondary boycotts are typically illegal, but continue to be a viable tool of industrial action in Nordic countries - which unions have used to maintain bargaining coverage in industries characterized by a high degree of subcontracting, such as construction (Lillie and Greer 2007).

Participation rights, which define those areas in which workers have a right to negotiate collective agreements and participate in management decision-making, also vary across countries. One difference concerns the bargaining subjects on which employers are legally required to negotiate or come to agreement with worker representatives. In the USA, if a union has been certified as a bargaining partner, employers are required to bargain ‘in good faith’ over certain ‘mandatory’ subjects, defined as wages, hours, and other terms and conditions of employment. However, they are not required to discuss other subjects defined as ‘permissive’, including reorganization decisions or evaluation criteria. In Germany, works councils hold strong ‘co-determination rights’, which give them not only the right to negotiate but also effective veto power over a wider range of decisions concerning, for example, the design of variable pay or the use of monitoring (See Chapter 15 on works councils). Countries may also have different forms of board- level participation rights, which require large companies to include worker representatives in consultation or decision-making bodies, such as supervisory boards.

Another area in which the legal framework differs across countries concerns the mandatory extension of collective agreements through public law. This can be important for ensuring broad application of bargaining agreements to more poorly organized firms or economic sectors. Table 14.1 lists those OECD countries that have widely available and regularly applied legal provisions for mandatory extension of agreements; those with provisions that are available but not widely used; and those where extension provisions are not available.

These legal provisions take different forms. In some countries, such as Germany, legal

Insert Table 14.1 Here

extension of agreements is dependent on the bargaining parties covering a certain percentage of the workforce in a particular industry or occupation, and typically requires both parties to request an extension. In other countries, such as France, the government directly intervenes to declare agreements generally binding to all firms in the relevant sector and/or region. In Austria, membership in employers' associations is mandatory, and all members are required to apply the relevant collective agreement. There are alternatives to legal extension by the state that can also ensure broad adherence to collective agreements. In Denmark, high union density and social pressure traditionally have ensured that a majority of firms follow agreements. Institutions providing for legal extension are strongly influenced by government policy, and can thus change rapidly. In Australia, a conservative government passed major labor law reform in 2005, eliminating a system of national arbitration that had allowed pay and conditions negotiated in unionized workplaces to be applied across the workforce. These reforms were only partially reversed in 2009 under a Labor government.

The different bargaining arrangements and legal frameworks discussed above have an impact on bargaining coverage (the proportion of the workforce covered by collective agreements) as well as on union density (the proportion of the workforce who are union members). Figures 14.1 and 14.2 illustrate the variation in both measures across OECD countries.

For the OECD as a whole, over 60 percent of the workforce is covered by collective agreements. Coverage is over 70 percent in most of Western Europe - with over 90 percent coverage in Austria, Belgium, Sweden, Finland, and France. Union density rates are significantly lower in most countries, and are not always correlated with bargaining coverage. A comparison of bargaining coverage and union density shows three patterns. One group of countries has high bargaining coverage and high union density. Most of these are Nordic (for example, Finland, Denmark, and Sweden). They typically rely on high union membership rates to secure high coverage and bargaining power, and have other institutions, such as union involvement in social insurance provision, that provide additional incentives for membership. A second group of countries has low union membership density and low bargaining coverage, including the Anglo-American countries, most of central and eastern Europe, Japan, and Mexico. In these countries, bargaining is relatively decentralized and there are no or weak legal provisions for extension of agreements. A third group of countries has high bargaining coverage and low union membership rates. This group includes, among others, Austria, Spain, and the Netherlands. France is the most extreme example, with 7.6 percent union density and 90 percent bargaining coverage. This pattern is most common where there are strong legal provisions for extension of agreements, but weaker or more fragmented union presence at company and establishment level.

Figures 14.1 and 14.2 also show that both bargaining coverage and trade union density have declined in most OECD countries over the past two decades. Between 1990 and 2011, coverage fell most dramatically in countries that experienced major changes to labor laws affecting recognition and extension procedures, including Australia and New Zealand, and to a lesser extent the UK and Portugal. However, it is also notable that coverage has remained stable or increased in many countries, including most of the Nordic countries, Belgium, Austria, Spain, and the Netherlands. In contrast, union density has decreased - although by varying degrees - in most OECD countries.

Insert Figure 14.1 Here

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These comparative statistics demonstrate the continued importance of collective bargaining institutions in determining wages and working conditions. They also provide further evidence of the large variation in the structure of and changes in these institutions. In the following sections, we review the literature on outcomes from these different institutional configurations, and discuss the implications for the future of collective bargaining.

Economic and Social Effects of Collective Bargaining

Neoclassical economic models are typically the starting point for debates concerning the economic and social effects of collective bargaining. According to these models, efficient or 'equilibrium' wage and employment levels are derived from variation in the supply of and demand for labor in perfect markets. Collective bargaining institutions are theorized to introduce inefficiencies into labor markets, as unions create 'cartels' and force firms to employ labor at above market rates. In the long run, firms with these institutions should only be able to compete when they are themselves in a monopoly position, allowing them to share their monopoly rents with unions. Alternatively, employers may seek to create their own cartel arrangements by joining employers' associations and bargaining at industry level to take wages out of competition. Where they are not able to exercise monopoly power, firms may seek to remain competitive through introducing labor-saving technology - although unions often resist these changes. All of these alternatives are viewed as efficiency-destroying, through driving up labor costs and restricting employment growth.

According to the insider-outsider framework, unions also exacerbate inequality through seeking to advance the immediate interests of 'labor market insiders' at the expense of 'outsider' groups such as women, young people, and immigrants, or workers in more poorly organized sectors and workplaces. Collective agreements are thus argued to secure a wage premium and job security for union members, while creating negative externalities in regard to lower levels of overall employment, unequal wage distribution, and higher job insecurity for non-members (Lindbeck and Snower 1986; Rueda 2007). Friedrich Hayek famously observed along these lines that British unions were 'the biggest obstacle to raising the living standards of the working class ... The chief cause of the unnecessarily big differences between the best and worst-paid workers... the prime source of unemployment... and the main reason for the decline of the British economy in general' (Hayek 1984: 52).4 Following from these arguments, neoclassical theorists often conclude that the state has the obligation to curb union power in order to promote society's welfare, both in terms of economic growth and equity. Their ideas influenced the labor market policies and labor law reforms of Ronald Reagan in the USA and Margaret Thatcher in the UK in the 1980s, and have become dominant in microeconomic models estimating the impact of collective bargaining institutions on wage and employment levels.

Neoclassical models of the labor market described above have been criticized on both theoretical and empirical grounds. Some of the most influential criticism derives from the institutional economists who founded the industrial relations discipline in the USA and UK, including Commons (1934) and the Webbs (1920). These scholars argued that labor markets were both imperfect and different from other factor markets, and thus to understand their operation it was necessary to analyze the wider legal, political, social, and economic relations in which they were embedded. On the economic side, unions were shown to have more ambiguous effects on efficient wage and employment levels. Labor markets were not fully competitive, due to the monopsony power of large firms, and the difficulty of specifying labor contracts and overseeing labor effort meant that assumptions of zero transaction costs and complete contracts could not be applied.

The institutional economists also outlined a broader series of arguments for the positive social or distributional role of collective bargaining. Underlying this was an ethical concern that labor should be treated differently from other factor inputs, as it was embodied in human beings and thus subject to 'uniquely human concerns and considerations' (Kaufman 2007: 11). Commons observes that in neoclassical theory, workers are treated 'as commodities to be bought and sold according to demand and supply' while in the institutional perspective 'they are treated as citizens with rights against others on account of their value to the nation as a whole' (cited in Kaufman 2007: 19). One substantial obstacle to the exercise of citizenship rights was employers' disproportionate power to unilaterally determine terms and conditions of employment. Legislation and collective bargaining were thus needed to correct not only market imperfections, but also to remedy the unequal balance of power in the employment relationship by redistributing and redefining property rights.

These two concerns of the early institutional economists - with labor unions' role in enhancing economic performance and improving equity in the distribution of power and resources in a society - have continued to be central in scholarship on outcomes from alternative collective bargaining arrangements. We review this literature below.

Collective Bargaining and Economic Performance

One stream of research on outcomes from collective bargaining has focused on its contribution to efficiency, productivity, and macroeconomic performance.

There are several ways in which firms can benefit from collective bargaining institutions. At the establishment, company, or industry level, collective bargaining can enhance social peace, helping to reduce conflict through providing a formal structure for labor-management cooperation. Strikes have been found to be less frequent in countries with high union density and a centralized and unified labor movement as unions can more effectively push their demands with employers and the government in the institutional arenas (Korpi and Shalev 1979; Lehmbruch 1984). Collective agreements can help to correct inefficiencies associated with information asymmetries, underinvestment in human capital, and arbitrary management. They can be a means for establishing transparent administrative rules and procedures, such as internal labor markets, which can encourage firm-specific investments in training and reduce employee turnover (Doeringer and Piore 1971; Osterman and Burton 2006). Collective bargaining also provides workers with the opportunity to exercise 'collective voice' in decisions concerning work organization or pay-setting (Freeman and Medoff 1984). This can reduce hiring and training costs associated with quits (Doellgast 2008) and provide worker input on changes in production that may stimulate increased efficiency (Addison et al. 2001; Huebler and Jirjahn 2003).

A large body of research has examined the role of collective bargaining institutions in facilitating productivity-enhancing work reorganization. One group of studies in the USA and UK has focused on union participation in implementing 'high involvement' or 'high performance' work systems (see Chapter 6). Case studies of firms such as Saturn (Rubinstein 2000) and Kaiser Permanente (Kochan, Eaton et al. 2009), as well as reviews of partnership initiatives (for example, Kochan and Osterman 1994; Appelbaum et al. 2000; Bamber et al. 2009), have shown that union involvement in work reorganization can help to enhance trust and lead to 'mutual gains' in terms of improved working conditions and increased productivity. However, these outcomes depend on the organizational strength and strategy of unions. Comparative studies have found that labor-management cooperation over restructuring is more widespread (Turner 1991) and more often associated with productivity improvements (Addison et al. 2000; Zwick 2004) in countries with high bargaining coverage and strong participation rights. One argument holds that because unions in these settings enjoy institutional security, they are more willing to cooperate with measures to introduce new technology or efficiency-enhancing work reorganization strategies (Katz and Sabel 1985). Managers are also more likely to cooperate with worker representatives where they have less opportunity and incentive to exit costly agreements (Doellgast 2012). These institutions thus put 'productive constraints' on firms through encouraging the adoption of measures that improve organizational performance while ensuring that gains from these improvements are more equitably shared with workers (Dore 1973; Streeck 1996).

Multi-employer bargaining has also been found to benefit firms through improving predictability and overcoming market failures. Sectoral agreements can take wages out of competition, reducing incentives for poaching. Studies have found a lower union wage premium in those countries with more centralized bargaining systems (Blau and Kahn 1999). Alternatively, a high-wage policy by unions at the national level may be used to encourage firms to invest in productivity improvements or to trigger a shift of labor to higher productivity firms and sectors. This was an explicit goal, for example, of the solidaristic wage policies pursued by Scandinavian unions in the 1980s, following the Rehn-Meidner model (Meidner and Rehn 1953). Industry-level bargaining systems can also encourage collective solutions to problems such as underinvestment in occupational skills and support inter-firm cooperation in R&D (Iversen and Soskice 2001; Amable 2003: 87). The resulting higher levels of skills in an economy and the improved capacity of firms to use these skills are believed to promote industrial upgrading and innovation.

Centralized or tripartite bargaining arrangements have been widely studied to assess the distinctive advantages they provide for firms and national economies. Neo- corporatist theories argued that tripartite bargaining encouraged the division of productivity gains between the social partners and promoted wage restraint (Schmitter and Lehmbruch 1979). More recently, the literature on 'social pacts' has examined the conditions under which unions overcome past conflicts to negotiate tripartite agreements aimed at supporting economic competitiveness and controlling inflation through wage moderation (Regini 2000; Rhodes 2001; Molina and Rhodes 2002). Research has shown that these pacts tend to emerge in situations of economic crisis or stress, weak governments, and intermediately centralized unions (Avdagic et al. 2011).

A comparison of responses to the 2008 financial crisis provides a contemporary example of how corporatist forms of collective bargaining continue to help employers and economies adjust to economic shocks (Glassner and Galgoczi 2009). In Germany, short-time working policies allowed companies to reduce working hours during the economic downturn without having to lay off employees - thus assuring retention of skilled labor. These policies were supported by unions and backed by direct subsidies at the national level, but were also negotiated as part of concessionary packages by unions and works councils at the sector and workplace levels (Dribbusch 2009). Another example is the success of the Danish economy in the 2000s, which has been attributed to a strong tradition of labor cooperation and to 'flexicurity' policies that combined reduced employment protections with a high level of unemployment insurance and government investment in retraining (Madsen 2002).

A number of quantitative studies have analyzed the relationship between bargaining structure and macroeconomic performance. Some scholars have examined the degree of bargaining centralization, testing the neo-corporatist thesis that more centralized systems are better able to control inflation and weather economic shocks. Calmfors and Driffill (1988) showed that macroeconomic performance was strongest in countries with either highly centralized systems characterized by national bargaining, such as the Nordic countries, where encompassing unions were more likely to support wage moderation, or highly decentralized systems, such as the USA, where unions had little power over wage structures. Others argued that the degree of bargaining coordination was a better measure for predicting wage moderation, as it accounts for the ability of central actors to control local pay-setting (Soskice

1990; Kenworthy 2003). Recent studies demonstrate that the performance of different bargaining structures is dependent on a range of factors, including monetary policy and central bank independence (Cukierman and Lippi 1999; Coricelli et al. 2006), productivity differentials between exposed and sheltered sectors (Traxler and Brandi 2011), the extent of economic stability or change (Aidt and Tzannatos 2008), and internal governance processes in trade union confederations (Baccaro and Simoni 2010).

This large body of theory and research has demonstrated that collective bargaining can contribute to improving the productivity of individual firms or workplaces, and encourage economic competitiveness at the industry or national level. However, these studies also necessarily highlight the inefficiencies associated with collective bargaining institutions that lack certain structural or strategic characteristics. While in some countries these institutions promote wage moderation, in others they contribute to wage inflation. While unions may form 'productivity coalitions' with management and contribute to joint problem solving, they can also obstruct restructuring measures aimed at reducing labor costs and generate additional costs associated with industrial action.

In addition, while there is a large body of evidence establishing the positive macro-economic effects of certain configurations of collective bargaining institutions, studies seeking to establish the impact of collective bargaining on organizational performance report mixed findings. For example, a recent series of cross-national studies looking at multiple industries and multinational firms found significant national differences in the labor practices of establishments, but report only modest productivity effects of those differences (Freeman and

Shaw 2009). This suggests that while collective bargaining can play a productivity-enhancing or market-correcting role, a focus on these outcomes provides only a partial explanation for the form that these institutions take and justification for policies supporting labor's organizing and bargaining rights.

Collective Bargaining, Power, and Inequality

Collective bargaining institutions have also been widely studied for their distributional effects. These include the distribution of economic gains from productivity improvements, the distribution of risks resulting from fluctuations in the business cycle, and the broader distribution of economic and political power within workplaces or in society. Researchers focusing on distributional outcomes typically start from the premise that collective bargaining involves correcting a basic power imbalance in the employment relationship through legal intervention and collective action, with the goal of improving workers' access to enhanced industrial or workplace democracy.

Of central concern in this literature are the ways in which institutions channel or subvert conflict within organizations and societies. One source of conflict concerns the degree of worker control over pay and working conditions. Labor market segmentation theorists argue that the structure of internal labor markets is the result of a struggle between employers and unions over the control of work - for example, over technologies and skill demarcations (Rubery 1978; Grimshaw and Rubery 1998), and often serves as a successful strategy by employers to control or marginalize union control on the shop-floor (Stone 1974). Thus, while performance may be improved under cooperative workplace initiatives, this is argued to be at the expense of worker power, associated with reduced job security, work intensification, and increased 'capture' of gains from productivity improvements by management and owners (Parker and Slaughter 1988; Kelly 2004).

Comparative research suggests that unions' success in advancing worker interests in improved pay and working conditions depends on bargaining rights and structures. In most liberal or Anglo-American countries, collective bargaining is associated with a union wage premium and stronger job security for union members (Shaw et al. 1998; Cully et al. 1999) but has been found to have little effect on practices that affect direct worker control over working pace and methods, such as teamwork, discretion, and monitoring (Wood 1996; Doellgast et al. 2009).

Worker representatives have been found to have more influence over pay structures and work design in countries with stronger participation rights and more encompassing bargaining institutions. In northern and central Europe, where these institutions are strongest, unions have most successfully promoted models of work organization that incorporate high levels of worker control and discretion. The 'quality of working life' movements in the 1970s and 1980s are the best-known examples of these initiatives (Gustavsen et al. 1996). Comparative studies have found that Nordic countries have particularly high levels of worker control, with better opportunities for participation (Gallie, 2003), higher influence over work tasks (Gallie, 2009), higher worker autonomy (Esser and Olsen, 2012), more 'learning-oriented' forms of work organization (Gustavsen, 2007), and a stronger use of negotiated or cooperative approaches to restructuring (Brandt et al., 2008) compared to other European countries. This has been attributed in part to union strength at the workplace and industry levels (Sorensen and Weinkopf 2009).

Collective bargaining institutions may also influence which groups of workers have access to jobs with good pay and working conditions - including patterns of wage or income inequality, and availability of permanent and secure (non-contingent) employment. Research has shown that centralized bargaining institutions with broad coverage (Traxler and Brandi 2011), high union density (Rueda and Pontusson 2000), and high minimum wage levels (Koeniger et al. 2006) are the factors most strongly associated with lower levels of pay dispersion. These institutions have also been found to positively affect the gender wage gap (Arulampalam et al. 2007), to reduce labor market segmentation or 'dualization', and to encourage the adoption of welfare policies serving the interests of marginal workforce groups (Thelen 2009; Bosch et al. 2010).

Again, the Nordic countries most clearly typify this ideal of coordinated and inclusive bargaining. They also share a tradition of 'solidaristic bargaining', which relied on groups with stronger labor market power accepting reductions in wage demands, encouraging redistribution from more strongly organized segments of the economy or workforce to weaker segments (Erixon 2008: 51). This has resulted in relatively homogeneous wages and working conditions between standard and contingent workers, high replacement ratios (Aiginger 2008; Thelen 2009), and a high 'labor share', measured as the share of labor compensation, in terms of wages and benefits, in the national income (ILO 2010: 26). These institutions provide unions with a framework that allows them to bargain and enforce agreements for a broad workforce domain, making it more difficult for employers to exit agreements or to employ workers on sub-standard terms through, for example, subcontracting and non-standard work arrangement (Doellgast et al. 2009; Bosch et al. 2010).

The findings of these studies suggest that collective or representative voice through collective bargaining can improve worker outcomes across different dimensions: pay, job security, and control or discretion, as well as patterns of pay inequality and the distribution of risk. However, these relationships differ across countries and can change over time. In the next section, we examine how different research traditions have interpreted recent changes in bargaining institutions and outcomes associated with these changes.

Explaining Changes in Collective Bargaining and its Effects

As discussed above, union density and collective bargaining coverage have declined in most countries. Collective bargaining has become increasingly decentralized, with more bargaining taking place at the workplace and firm levels, and is increasingly ‘disorganized’, with less coordination between labor and employer representatives at different levels. These trends have been accompanied by a growth in inequality, expansion of low wage and insecure employment, and declining labor share within many advanced economies - particularly in continental or ‘social’ Europe. In OECD countries, the median labor share dropped from 66.1 percent at the beginning of the 1990s to 61.7 percent in the late 2000s, while the income of the top 1 percent of earners increased by 20 percent over the same period (OECD 2012: 110).

Moreover, the concentration of capital income increased by 9 percent between 1995 and 2005. Those workforce groups who are in a weaker position in the labor market have been the most affected by these trends, such as low-skilled, women, migrant, and atypical workers (Appelbaum et al. 2010; Kalina and Weinkopf 2012).

Theorists focusing on the role of collective bargaining institutions in enhancing productivity and efficiency have broadly interpreted the shrinking coverage of these institutions as the consequence of their declining economic returns - at least in certain segments of national economies. According to the 'varieties of capitalism' framework, firms in countries characterized by non-market forms of coordination between business, labor, and the state derived distinctive 'comparative institutional advantages' in global markets - allowing them to successfully compete in industries and market segments requiring high skill levels and long-term investment strategies (Hall and Soskice 2001; Hancke et al. 2007).5 The coordinated economies of continental Europe thus experienced the (relative) resilience of strong unions and multi-employer arrangements in the 1980s and 1990s because these institutions complemented the business strategies of leading firms, while unions declined in 'liberal market economies' because collective bargaining conflicted with employer interests in labor market flexibility (Thelen 2001).

Recent literature in this area has argued that strong collective bargaining institutions continue to support economic competitiveness in coordinated market economies, but their value is increasingly limited to core economic sectors, where a cross-class coalition between management and labor supports them. Meanwhile, deregulation has been allowed to occur in more peripheral sectors and workplaces, where employers stand to benefit more from low costs and labor market flexibility (Hopner 2007; Palier and Thelen 2010).

An alternative approach to explaining national differences in collective bargaining institutions is derived from power resource theory. These theorists argue that structures and outcomes of labor market institutions are explained by variation in the power of labor relative to employers, mediated through the state (Korpi 1983; Esping-Andersen and Korpi 1984). Differences in unions' access to 'power resources' - including their organizational strength, level of coordination, and participation rights - influence their ability to promote worker interests in redistribution and control over their work.

This suggests that coordinated forms of collective bargaining are not primarily established and maintained by employers seeking to resolve their own coordination problems, but instead are the product of the conflict between societal attempts to regulate the market through collective institutions and employer attempts to pursue individual economic advantage through undermining or escaping those institutions (Streeck 2009: 4). Market internationalization and liberalization have allowed employers to exit collective agreements, while the increased threat of exit has made it more difficult for unions to negotiate strong agreements or resist concessions (Bosch et al. 2010). Cross-country differences in patterns of inequality and dualism are the result of the resilience of institutions like collective bargaining, which redistribute risk and bargaining power in some national contexts, as well as the strategies of civil society actors, unions, and policymakers to establish and maintain these institutions in the face of business pressure (Emmenegger et al. 2012). This suggests that unions are not necessarily complicit in the growth of peripheral jobs: they may also seek to represent new groups of workers, developing and using different ‘power resources’ as their traditional sources of bargaining power decline.

The difference between these two approaches can be illustrated by comparing alternative explanations for recent changes in German industrial relations. Germany has experienced a large decline in bargaining coverage, dropping from 72 percent in 1990 to 59 percent in 2011. The proportion of workers in low-wage work also grew over the same period, from 14.4 percent in 1995 to 23.1 percent in 2010 - levels close to thoseTn the USA and UK (see Bosch et al. 2010: 36). This expanding group is made up of a disproportionate number of women and non-standard workers (Kalina and Weinkopf 2012).

Scholars adopting the varieties of capitalism perspective have argued that these trendy are the result of a growing gap between the interests of different employer groups. Coordinated bargaining continues to support the competitive strategies of large manufacturing firms in Germany, and so has been relatively stable in these companies. According to this view, employer exit from collective agreements and wage concessions is occurring primarily in small firms and service sector industries - and the expansion of these kinds of activities helps to explain declining bargaining coverage and growing inequality (Palier and Thelen 2010; Hassel 2011).

In contrast, scholars adopting a power resources perspective have argued that a substantial, structural shift in bargaining power provides a more compelling explanation for the magnitude of recent changes in bargaining structures and outcomes in Germany. Research evidence suggests that large German employers have not on the whole cooperated with unions, but instead have demanded concessions from their own workforce while directly pursuing strategies that have increased inequality across their production chain. These strategies include shifting work to lower-cost, non-union subcontractors and hiring temporary workers at lower wages (Greer 2008a; Holst et al. 2009). They have been able to do this because unions' traditional sources of institutionalized bargaining power have progressively weakened. Changing government policies have allowed companies to pay temporary workers lower wages, and employers' associations and lead employers within those associations have been unable or unwilling to extend agreements to smaller firms. German unions have organized campaigns aimed at mobilizing members in poorly organized industries and workplaces, but have had limited success in reversing these trends (Doellgast and Greer 2007; Greer 2008b; Turner 2009).

The above comparison further illustrates the limitations of analyses that seek to explain the existence of and contemporary changes in collective bargaining institutions based on their performance effects. Recent trends of 'institutional erosion' have been strongly shaped by a power shift in favor of management as a result of market internationalization and government-led deregulation. Declining bargaining power, in turn, reduces unions' capacity to pursue distributive goals within national economies. This suggests that policies aimed at reducing economic and social inequality require governments, unions, and civil society to develop innovative strategies that seek to redress the growing imbalance in bargaining power.

Conclusions and Further Research

This chapter has reviewed the different forms that collective bargaining takes, national differences in these institutions, and their effects on organizational, economic, and societal outcomes. A key area of disagreement in the literature was shown to be how scholars conceptualize cross-national variation in collective bargaining and outcomes associated with these institutions. Researchers focusing on the performance effects of collective bargaining emphasize the advantages to firms and economies of cooperation between management and labor, and seek to explain the conditions under which cooperation is supported or enhanced. Those focusing on the distributional consequences of collective bargaining place more emphasis on diverging interests and on the role of power in the employment relationship. They view the bargaining power of labor unions as a key factor explaining differences in these institutions across countries, as well as their labor market effects.

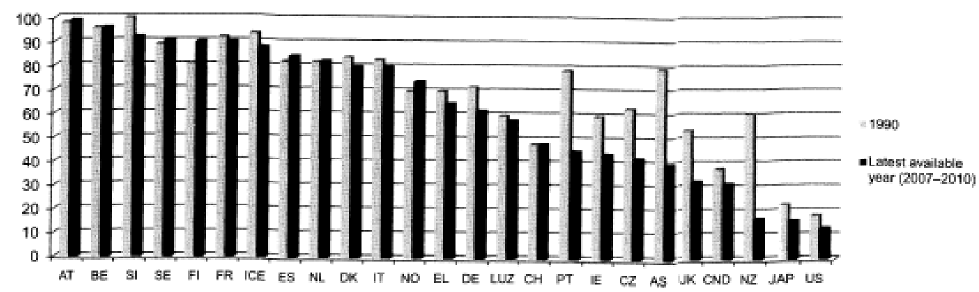
Research on the economic consequences of collective bargaining has shown that strong unions, high bargaining coverage, and organized or ‘coordinated’ bargaining institutions are often resources for employers and their associations, rather than simply obstacles to implementing efficient or rational strategic choices. More generally, collective bargaining can help to resolve class conflict or channel it in more socially efficient and productive ways. However, analyses sensitive to distributional outcomes have provided distinctive insights into contemporary changes in collective bargaining institutions and their labor market effects. These scholars have shown that the declining power of labor relative to business interests has contributed to the erosion of coordinated collective bargaining in many countries and reduced the capacity of unions to pursue distributional goals. They also suggest that these trends are not inevitable, but influenced by policy and politics: governments, unions, and other groups in civil society can develop new strategies aimed at redressing power imbalances and extending these institutions to poorly represented industry segments and employee groups.

Future research on structures of and outcomes from collective bargaining should seek to integrate these perspectives. One broad research question concerns how collective voice institutions can be maintained or strengthened under conditions in which companies are able to restructure production across national borders and make wide use of subcontractors and atypical contracts. Studies should combine comparisons of legal and institutional bargaining structures with analyses of strategies that allow workers to negotiate and enforce agreements. As production structures and workforce composition change, the form and the content of workers' collective responses are transforming as well. Actors are developing new policies and strategies aimed at rebuilding bargaining power in production networks within and across national borders. These measures involve standard-setting and policymaking by international organizations and governments, but also consumer boycotts and worker mobilization through unions and other civil society actors. These innovative strategies often operate outside traditional collective bargaining institutions. More research is required to understand their impact on the balance of power within organizations and societies.

Table 14.1 Legal provision for mandatory extension in OECD countries

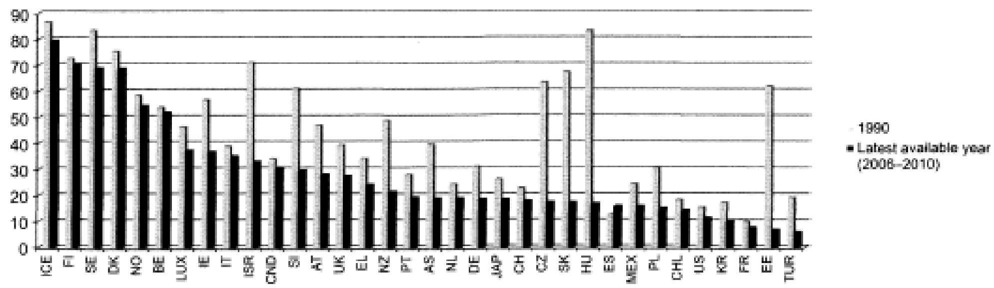
Legal provision for mandatory extension	Countries
Available, regularly applied, and affecting a significant share of the workforce (>10%)	Austria, Belgium, France, Finland, Greece, Hungary, Luxembourg, Portugal, Slovenia, Spain
Available, but not regularly or widely used (<10%)	Australia, Chili, Czech Republic, Germany, Estonia, Israel, Korea, Netherlands, New Zealand, Poland, Slovakia
Not available	China, Canada, Denmark, Ireland, Italy, Japan, Mexico, Norway, Sweden, UK, USA

Source: ICTWSS Database (Visser 2011).



Source: ICTWSS Database (Visser 2011).

Figure 14.1 Collective bargaining coverage in OECD countries



Source: ICTWSS Database (Visser 2011).

Figure 14.2 Union membership density in OECD countries

NOTES

1. According to the ILO, Belarus, Cambodia, Colombia, Eritrea, Myanmar, and the Philippines have among the worst records of regular government obstruction of collective bargaining (ILO 2008).

2. According to Visser (2011), only three OECD countries, Belgium, Germany, and Ireland, were characterized by national or central bargaining in 2010, complemented by sectoral and local or company bargaining. Other continental European countries, together with Australia and Israel, had predominantly sectoral bargaining; while local or company bargaining was dominant in the Anglo-American countries, several central and eastern European countries (Slovakia, Poland, and Estonia), and the Asian and Latin American countries, Japan, Korea, Mexico, and Chile. However, these broad categories show considerable diversity: for example, 'centralized' bargaining in Ireland was based on tripartite social partnership agreements, which collapsed in 2010.

3. Among OECD countries, Austria, Denmark, Germany, Norway, and Sweden have the strongest legal rights to board-level representation; while the Anglo-American countries, Japan, South Korea, and Switzerland have no rights (Jackson 2005).

4. Friedman (1962: 123-A) observed along more general lines that 'Unions have . . . not only harmed the public at large and workers as a whole by distorting the use of labor; they have also made the incomes of the working class more unequal by reducing the opportunities available to the most disadvantaged workers.'

5. There have been a range of other typologies describing ‘national models’ of capitalism, including, for example, the national business systems approach (Whitley 1999), the theory of employment systems (Marsden 1999), and the social systems of production literature (Hollingsworth and Boyer 1997).

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