



International
Labour
Organization

Executive Summary

The role of collective bargaining in the global economy: Negotiating for social justice

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As the global economy emerges from an economic and financial crisis, the minds of policy-makers are again focussed on how to stimulate economic growth. There are different views about the role that collective bargaining might play in this regard. Some see collective bargaining as a cost and an obstacle to the flexible adjustment of enterprises and smooth functioning of labour markets. This leads to policy advice calling for the weakening of collective bargaining rights and the decentralization of collective bargaining. The role of collective bargaining in the global economy focuses on the other side of the story. Freedom of association and the effective recognition of the right to collective bargaining are fundamental principles and rights at work. They are key tenets of democracy and essential means through which workers are able to balance bargaining power in employment relations and negotiate improvements in their working conditions. This volume, which brings together contributions from key researchers across different disciplines, demonstrates the positive contribution that collective bargaining can make to equitable and inclusive growth.

New context

There have been significant changes over the last decades that have had important implications for collective bargaining outcomes. Globalization has been accompanied by a decline in trade union membership in many countries. The share of wage earners covered by collective agreements remained stable in some countries, but fell in many others and remains low in much of the developing world. Many consider the integration of markets, expansion of global production and increased mobility of capital to have shifted bargaining power in favour of employers. In the face of these many challenges, collective bargaining has remained a critically important mechanism for improving terms and conditions of employment and protecting workers, while at the same time facilitating stable and productive

employment relations for employers. The various contributions in this volume find evidence of the positive contribution of collective bargaining in respect of a wide range of outcomes, including employment security, workplace change and productivity, working time flexibility, training, wage distribution and industrial peace.

Equity and efficiency

Collective bargaining compresses wage structures and reduces wage inequality, including the gender pay gap. The volume does not find any evidence that this is at the cost of economic efficiency. At a macroeconomic level, highly coordinated and centralized collective bargaining has a positive effect on earnings equality without any negative employment effect. The volume presents evidence to suggest that the erosion of trade union membership and coverage by collective agreements in some countries has contributed to rising inequality.

Negotiations between trade unions and employers can also facilitate commitment to improve work organization, skills and productivity in return for employment security and a share in the gains. It is the process of collective bargaining that makes this exchange possible and the commitments credible. New evidence presented in this volume shows that the active involvement of trade unions and works councils in the change process is associated with improved firm performance. These findings support the view that voice mechanisms promote trust, equity, security and efficiency in “high-road” industrial relations systems.

During the recent economic and financial crisis, in countries with highly coordinated collective bargaining, trade unions and employers were able to negotiate agreements that preserved jobs while at the same time facilitating the adjustment of enterprises. State support for short-time work and training, regulated through collective agreements, helped the social partners to mitigate the effects of the crisis on employment and earnings.

In developing country contexts, weak or missing institutions place limits on the potential contribution that trade unions and collective bargaining can make to narrowing wage gaps (including between men and women). In addition, the absence of collectively agreed rules governing employment relations can result in a large number of “unregulated” workplace conflicts which can have a negative effect on efficiency. Rather than exacerbate informal employment, there is evidence that stronger trade union rights are associated with higher shares of formal employment.

As the different country settings examined in this volume show, institutional context matters. We need to understand the particular configuration of institutions within the social, political

and economic environment to understand the relationship between collective bargaining and particular outcomes. The findings highlight factors such as the degree of centralized bargaining coordination, the commitment of managers to sound labour relations and the quality of internal union governance in different national settings.

Innovative regulatory frameworks

The contributions in the volume examine the effects of collective bargaining in different country contexts. A range of contemporary institutional settings are considered, including well developed and highly coordinated centralized bargaining, enterprise-level bargaining and settings where collective bargaining is not well developed.

In countries with highly coordinated industrial relations systems, collective bargaining can be part of an innovative regulatory framework that maintains effective labour standards, while allowing space for social partners to negotiate and tailor working time arrangements to the enterprise. Within these frameworks trade unions and employers in a number of European countries have been able to reach collective agreements that balance the interests of enterprises for working-time flexibility and those of workers for greater control over their working hours so as to attend to family responsibilities. Rather than create barriers to the flexible adjustment of enterprises, collective bargaining can be a tool to facilitate this in a manner that also protects workers' interests.

The volume also demonstrates the inherent limitations of transplanting this form of “regulated flexibility” to settings with dual labour markets and low levels of collective bargaining coverage. Unmodified, this model of regulation can create a working-time divide between organized and unorganized establishments. National-level negotiations over statutory working-time measures remain critical in these contexts. Collective bargaining can also play an important role in monitoring and ensuring compliance with statutory rules.

At the international level, a growing number of international framework agreements are being concluded between global union federations and multinational enterprises. There is evidence to suggest that these have promoted social dialogue between the parties to the agreement; facilitated respect for freedom of association at the plant level; promoted training; supported the resolution of labour disputes at enterprises in the supply chain; facilitated worker solidarity across borders; and promoted security and sound industrial relations in a context of company restructuring. These jointly agreed labour relations frameworks, premised on principles of freedom of association and collective bargaining, stand apart in quality and effectiveness from more unilateral corporate social responsibility instruments.

Policy implications

There is growing concern about the rise in income inequality, insecurity and social instability. The findings in this volume suggest that collective bargaining can contribute to an equitable and inclusive growth path. Yet the effective recognition of the right to collective bargaining remains a challenge in law and practice. Governments need to play an active role in promoting collective bargaining, taking into account its voluntary nature. The focus of policy-makers needs to be on how to improve the reach and effectiveness of collective bargaining, not on how to reduce its scope and coverage. There is also a need to strengthen trade unions and employers' organizations in order to enhance the quality of collective bargaining outcomes in a global economy. This underlines the importance of organizational renewal, drives to increase membership and the adaptation of strategies and structures to meet new challenges.

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