12. Conclusion

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12.1 INTRODUCTION

Global economic integration intensified competitive pressures. In response, many enterprises introduced new forms of work organization and adopted more flexible employment practices (Ozaki, 1999). In some countries, this was accompanied by the individualization of employment relations as union membership declined. New technologies and more flexible work processes also opened up options for where and how to organize work. This, together with the increased mobility of capital tilted bargaining power in favour of employers. These and other factors associated with globalization present important challenges to collective bargaining and the regulation of wages, working conditions and employment relations through collective agreements.

Yet as the various chapters in this volume demonstrate, collective bargaining remains a critically important means for ensuring that for workers, participation in the global economy is balanced, fair and just. Five important themes emerge out of the different contributions to this volume. The first concerns the role of governments. They need to play an enabling role, creating an environment within which meaningful collective bargaining can take place. The second theme relates to the role of collective bargaining in labour market governance. Contrary to the view that collective bargaining imposes a performance-inhibiting rigidity, in some countries with well developed industrial relations systems, collective bargaining provides a responsive and reflexive form of regulation. In developing countries, where industrial relations institutions are weaker, collective bargaining can be an important mechanism for monitoring statutory standards in organized sectors and enterprises, leaving the state to devote its limited resources to monitoring unorganized sectors.

A third theme concerns the way in which collective bargaining is being used to address concerns over enterprise performance while at the same time protecting workers’ interests. Indeed innovative bargaining practices have emerged that accommodate – and balance – these interests. The
fourth theme addresses growing concerns over the increase in inequality. Efforts to promote collective bargaining can advance equity goals without any negative impact on economic efficiency. The fifth theme concerns the need to rebalance the bargaining relationship in a global economy and the role that collective bargaining can play in ensuring that workers share the benefits – and not only bear the costs – of global economic integration.

12.2 CREATING AN ENABLING ENVIRONMENT

The liberalization and integration of markets into a global economy has been accompanied by arguments for governments to step back and deregulate labour markets, wage setting and employment relations. The various contributions to this volume show that across different institutional contexts and levels of development, governments have a critical role to play in creating an enabling environment within which collective bargaining can be meaningful and contribute to balanced and fair outcomes. We identify three important roles for public policy.

The first is to set the ground rules, through legislation and institutions that oversee their implementation. The legal and institutional framework within which collective bargaining is carried out, if it is to be effective and enabling, must guarantee freedom of association and the right to organize; ensure the independence and autonomy of the partners; facilitate the realization of the principle of free and voluntary collective bargaining; and ensure that the public authorities are not able to interfere in the collective bargaining process (Gernigon, Odero and Guido, 2000). Enabling also means that the legal and institutional framework encourages and underwrites collective bargaining. It is not so prescriptive that it leaves very little space for the parties to negotiate nor does it simply allow market forces to determine the shape that the regulation of employment relations will take. The principle of voluntary collective bargaining does not mean that the state has no role. The state should not force collective bargaining on the parties, but it can and should promote it. This assumes an active not a passive role.

The legal and institutional framework also needs to be appropriate to the labour market and inclusive. In Chapter 3, Lee and McCann highlight the limits of simply transplanting innovative regulatory frameworks to countries with more segmented labour markets such as Korea. In Chapter 7, Reinecke and Valenzuela attribute weak unions and the limited development of collective bargaining in Chile to shortfalls in the regulatory environment which exclude certain workers (for example those on fixed term contracts or employed in small enterprises) and
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enable employers to circumvent collective bargaining through enterprise fragmentation.

The second function of public policy is to support the efforts of workers’ organizations and of employers and their organizations to arrive at a collective agreement by offering a range of services that can be used as resources during the collective bargaining process if and when needed. These include dispute prevention and resolution services such as facilitation and mediation. They may also include training and capacity building to assist the partners to be on equal footing. Governments also need to provide the negotiating partners with information that can inform their negotiations and help to align outcomes with the broader objectives of wage policy. In some countries, this takes the form of basic economic data, in others government agencies provide more detailed information on wages, productivity and labour costs in particular sectors.

The third function of public policy is to regulate collective agreements. This includes possible registration and extension of collective agreements. It also means addressing complaints regarding their application. The weakness of labour administration and labour inspection systems can be an impediment to the effective monitoring and enforcement of collective agreements.

12.3 REGULATED FLEXIBILITY

There has been growing pressure to conduct negotiations on issues such as the flexibilization of wages and working time at the enterprise level so as to better reflect and respond to enterprise circumstances. Regulatory frameworks needed to adapt to accommodate an increase in enterprise-level bargaining activity, while at the same time continuing to ensure effective levels of worker protection. Some regulatory systems achieved this by establishing general norms that can either be derogated from or further articulated through subsequent negotiations at the enterprise level. In respect of working time for example, Lee and McCann (Chapter 3) provide two examples of this type of regulated flexibility. The first are regimes, in which statutory standards permit employers and trade unions to determine the specific details of working time schemes through collective bargaining. The second are sectoral agreements that facilitate enterprise level bargaining through the use of opening or opt out clauses. The authors conclude that these systems of regulated flexibility have been successful in Europe in both ensuring effective working time standards and supporting innovative collective bargaining agreements on employee-oriented working time flexibility.
While collective bargaining permits the development of these types of reflexive and responsive forms of regulation, there is concern about the impact that this may have on industrial relations systems: in particular, that an increase in enterprise-level negotiations on working-time flexibility and/or employment security will erode sectoral or multi-sectoral bargaining structures and undercut industry standards (see Lehnordt and Haipeter, Chapter 2). As discussed in the introductory chapter, others view this more favourably as a process of ‘organized decentralization’ involving the adaptation of bargaining structures. Increased bargaining at the enterprise level, within the context of a framework agreement at the sectoral or inter-sectoral level, might also provide an opportunity for trade union revitalization since workers experience the results of collective representation in a more immediate and direct way (Lehnordt and Haipeter, Chapter 2). The critical issues appear to be clarity on which issues are dealt with at which level, the degree of coordination between the different levels and the ability of trade unions to monitor and control deviations from standards agreed in higher-level agreements.

Apart from the effects on industrial relations systems in countries with relatively well developed labour markets and labour market institutions, Lee and McCann (Chapter 3) point to the limits of regimes that seek to regulate flexibility in countries with segmented labour markets and weak social partners. In Korea, an assumption that flexible statutory norms would leave space for the social partners to define these in enterprise-level collective agreements resulted in a growing working-time divide between unionized and non-unionized workers. The authors argue that in countries such as Korea, the inclusion of unions in national-level negotiations on working time are critical to establish effective standards (not minimum norms that are articulated at lower levels). They underline the inherent danger in transplanting frameworks from countries with highly developed industrial relations institutions, to contexts in which industrial relations institutions are less developed.

From the chapters in this volume, it is clear that collective bargaining can play an important role in bolstering compliance with statutory standards. Indeed, where workplace practices are based on jointly agreed rules rather than the unilateral decisions of management, this is likely to result in the better monitoring and implementation of (statutory) labour standards. This is particularly important in a developing country context, where collective agreements tend to replicate statutory standards. In Chapter 8, Lee and Liu show that whereas collective agreements in China do little more than reference minimum standards, this is associated with better compliance with labour law.
12.4 INNOVATIVE COLLECTIVE BARGAINING PRACTICES

Expanding markets and increased international competition heightened concerns of employers on the one hand to adapt, contain labour costs and improve efficiency – and of workers, on the other hand, for employment security and a share in productivity gains. As a result, the scope of collective bargaining expanded into what have traditionally been management prerogatives: decisions over employment, production, quality, training and work organization. Collective bargaining can be an important tool for balancing employer interests for flexible work practices with worker interests for worker-oriented forms of flexibility. The process of collective bargaining enables employers and trade unions to arrive at creative and innovative agreements that balance these respective interests. Chapters 2, 3 and 4 provide insight into the way in which collective bargaining practices address dual issues of competitiveness and employment security, training and employability, and working time flexibility and work/family balance.

In Chapter 2, Lehndorff and Haipeter highlight innovative collective bargaining practices that aim at saving jobs, reducing labour costs and facilitating product and process innovation. These often include changes in work organization, reductions in working time, the training of workers and job-security guarantees. In some countries, state support in the form of short-time working subsidies offered a ‘bridge over troubled waters’ and enabled employers and unions to negotiate solutions that would not otherwise have been possible.

The critical feature distinguishing these proactive approaches from more defensive or reactive strategies is the extent to which reductions in labour costs are achieved through gains in efficiency and/or other product and process innovations (the ‘high road’) or through cuts in wages and the extension of working time (the ‘low road’). Threats to relocate production or outsource business units and pressure to ensure higher rates of return for investors tipped the balance of power in negotiations in favour of employers. As the experience of some industries in the USA in the 1980s demonstrates, high degrees of employment insecurity can lead to concession bargaining where employers demand that unions agree to reduce wages and benefits in return for continued employment (Voos, 1994). The shift in the balance of power against the backdrop of deteriorating labour market conditions casts a dark cloud over collective negotiations on employment and is one of the reasons that the ‘high road’ is also the road less travelled (Lehndorff and Haipeter, Chapter 2).

In respect of working-time flexibility, Lee and McCann (Chapter 3)
show that whereas early collective negotiations on the subject concentrated on hours-averaging (or annualizing hours), innovative bargaining practices emerged which introduced ‘employee-oriented’ forms of flexibility. These include flexi-time schemes and working-time accounts that gave workers greater choice over their working time thus enabling them to better balance work and family responsibilities.

The introduction of new technologies and more flexible work processes often demand a higher level of skill. Heyes and Rainbird (Chapter 4) describe some of the innovative collective bargaining practices that emerged in respect of training which extended these benefits to temporary agency workers; secured leave and funding for training; and enhanced the employability of workers in a context of declining employment security and changes in work organization.

12.5 EQUITY AND EFFICIENCY

In a context in which there is growing concern about rising inequality and the decline in the share of total income going to workers, the chapters in this volume confirm that collective bargaining can facilitate more equitable outcomes, without harming efficiency. In fact, where voice is exercised and heard, this can be associated with improvements in enterprise performance. As argued in Chapter 1, it is the process of collective bargaining that changes incentives for employers and unions and can generate both equity and efficiency gains. Unlike the depiction of management and union leaders in the classic film I’m all right Jack (1959), self-interest is no longer the over-riding principle.

The demands of all workers need to be taken into account when determining the collective bargaining agenda and a diverse set of interests aggregated in order to arrive at a collective agreement. As the body of evidence reviewed by Hayter and Weinberg in Chapter 6 shows, not only does this have an equalizing effect on the distribution of wages of those covered by a collective agreement, but it is also likely to have a positive effect on wage inequality overall. Chapter 2 by Lehndorff and Haipeter demonstrates how unions may agree to moderate wages or introduce productivity enhancing measures to create employment or save jobs. In developing countries, national tripartite institutions and/or national-level negotiations on minimum wages and working time standards can be important in promoting pro-equity developments and preventing the gap between those in the organized and unorganized sectors from growing (See Lee and McCann, Chapter 3, and Hayter and Weinberg, Chapter 6).

Recall from the introductory chapter that concerns over the impact of
trade unions (and collective bargaining) on efficiency focussed on their ‘monopoly face’. In a global economy, the ‘monopoly face’ of unions is likely to be unrecognizable. As Freeman and Medoff’s findings show, the source and exercise of monopoly power is closely related to the market power of the sector in which unions are organizing (Freeman and Medoff, 1984). The ability to exercise monopoly power is only possible where unionized firms completely dominate a market or operate in a non-competitive market (for example the public sector). In highly competitive markets, unions (and employers) are likely to have little or no power to extract monopoly wage gains (and pass these on to consumers). Other sources of power need to be exercised, such as the ability of unions to elicit the commitment of workers in efforts to improve performance, in return for greater job security and a share in productivity gains. So-called ‘high road’ industrial relations systems rely on ‘voice mechanisms’ (for example collective bargaining, grievance procedures and labour management committees) to facilitate participation, information sharing, communication, commitment and trust and by so doing promote both equity and efficiency (Stiglitz, 2000).

In Chapter 5, Fakhfakh, Pérotin, and Robinson show the important role that collective negotiations played in improving performance when changes in technology and work organization were introduced in enterprises in France and the United Kingdom. They show that the ability to harness this force depends on the exercise, not merely the existence, of voice. It is not the presence of a union, but its active engagement in collective negotiations that results in improvements in performance. In introducing change, management may make commitments not to cut jobs in exchange for productivity-enhancing measures. It is the process of collective bargaining that makes these commitments credible, facilitates trust and secures the participation of workers in the change process, with positive effects on enterprise performance. The chapter on developments in China accords with these findings on the exercise of voice. Lee and Liu (Chapter 8) find that where trade unions have better internal governance (that is, hold elections), this provides for credible voice mechanisms (for example, workers’ congresses and collective bargaining) and is associated with more equitable wage structures, better compliance with labour law, less workplace conflict and lower turnover.

Cross-country econometric studies are plagued with methodological and specification difficulties (see Flanagan, 1999). Nevertheless, at the macroeconomic level, the results from Traxler and Brandl’s analysis in Chapter 9 confirm previous findings regarding the macro-economic effects of more encompassing forms of collective bargaining (see Aidt and Tzannatos, 2002 for a summary). Collective bargaining has positive
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effects on earnings inequality, without any negative effect on economic efficiency and employment. Furthermore, important complementarities exist between collective bargaining coverage and coordination which give rise to these results.

In developing countries, weak or missing institutions place limits on the potential contribution that collective bargaining can make to social and economic objectives. In Chapter 7, Reinecke and Valenzuela examine the reasons for the moderate improvements in income distribution in Chile. They argue that this has been exclusively due to an increase in subsidies and social grants for the lower income deciles rather than improvements in income from work. Income distribution in labour markets has actually deteriorated. Weak collective bargaining institutions not only inhibit potential equity effects, but the large number of unregulated workplace conflicts that resulted from this ‘disorganization’ are likely to have negative effects on efficiency. They attribute weak unions and the limited development of collective bargaining to shortfalls in the policy and regulatory environment. This again highlights the importance of public policy in creating an enabling environment within which these institutions can develop.

The contributions to this volume confirm the point made in the introductory chapter that we need to understand the particular configuration of institutions, within the social, political and economic environment in order to understand the relationship between collective bargaining and particular outcomes. For example, Chapter 3 by Lee and McCann shows the limitations of transplanting institutional innovations to a developing country context with underdeveloped industrial relations institutions. In Chapter 8, Lee and Liu demonstrate that the two faces debate has different features in China and contrast the ‘party face’ with the ‘collective voice face’.

12.6 COLLECTIVE BARGAINING IN A GLOBAL ECONOMY

Labour market policy debates in the 1980s and 1990s tended to focus on whether or not labour market institutions (including trade unions and collective agreements) were to blame for the lacklustre growth in employment in developed economies and the growth of informal employment in developing countries. The global economic crisis that unfolded in 2008 showed that the effects of unregulated financial markets were a far greater policy concern than the purported effects of labour market regulation. Millions of jobs were lost, and since employment was the main source of livelihood for many individuals and households, this also meant a dramatic
decline in income. Many countries now face high levels of unemployment, a situation which is likely to continue for some time. As Freeman argues in Chapter 10, while the problem emanated from financial markets, it is workers who bear the cost in terms of unemployment, deteriorating terms and conditions of employment and declining wages.

What role can collective bargaining play in the recovery? In Chapter 2, Lehndorff and Haipeter argue that collective bargaining can play a role in reducing job losses, saving jobs (for example through work sharing) and maintaining wages. Innovative bargaining practices can also contribute to longer term recovery. A study on collective bargaining in Europe confirms that industrial relations systems in general and collective bargaining in particular played an important role in some countries in addressing the immediate challenges related to the crisis including the retention of jobs and earnings (Glassner and Keune, 2010). Again, it is the process of collective bargaining that facilitated trust between the parties. This made it possible for workers to agree to emergency measures in the knowledge that during the recovery, they would regain what they had lost. However, as noted earlier, some of these innovative agreements were only possible because of strong state support in the form of subsidies for short-time work and training. In addition, the economic crisis is likely to further undermine the ability of workers to bargain collectively. In this respect, it is worth noting that under the influence of the general economic depression in the 1930s, many governments instituted measures to extend collective agreements and protect collective bargaining mechanisms from being undermined by intense cost-based competition.

There is a risk that a general move to moderate or cut wages without income support will delay economic recovery. As Freeman notes in Chapter 10, collective agreements and wage regulation can put a floor under deflationary wage pressure. Furthermore, ‘there are reasons to expect that collective bargaining can help stabilize an economy and contribute to a sustainable recovery from recession and growth’ (Freeman, Chapter 10). By reducing inequality and keeping wages stable, collective bargaining can also contribute to balanced recovery (Hayter and Weinberg, Chapter 6). Freeman argues that unions also have an essential role to play in providing ‘countervailing power’ to balance the power of capital and ensure better rules for markets. To do so, they need to have a greater voice in economic matters outside labour markets (Freeman, Chapter 10).

In the context of global economic integration through trade, foreign direct investment and global production systems, there is also the need for unions to have greater voice at the international level, both to sustain bargaining power at the enterprise level and to coordinate efforts across borders. In Chapter 11, Papadakis addresses an important development in
this regard, the signing of International Framework Agreements (IFAs) between a Global Union Federation and a Multinational Enterprise (MNE). He demonstrates how these promoted better labour relations between the parties to the agreement; provided a boost to union organizing efforts in some countries and enterprises; helped resolve disputes at enterprises in the supply chain; and provided the basis for coordination and solidarity in the face of restructuring attempts. In a global economy, 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 CSR instruments.

12.7 CONCLUDING REMARKS

Collective bargaining remains the most appropriate means for striking the optimal balance between different interests. Through collective bargaining, innovative agreements can be reached that balance enterprise flexibility with job security, and give workers greater influence over their working hours. Support for collective bargaining can also play an important role in balanced and equitable recovery from the economic crisis, saving jobs, keeping wages stable and avoiding potentially deflationary wage developments.

However, while freedom of association and the effective recognition of the right to collective bargaining are now considered fundamental workers’ rights, the reality in some developing countries is that trade unions and collective bargaining institutions remain weak and underdeveloped. In countries with longer industrial relations traditions, union membership has been declining. There is a need for both union renewal and a rebalancing of bargaining power. This is as much a challenge for governments as it is for unions. There is no level playing ground. Governments need to protect the right of workers to join a trade union and to promote the effective realization of the right to collective bargaining. An enabling environment should unleash, not limit or ignore, the potential of collective bargaining to manage change in the global economy. Workplace democracy is fundamental to a just and democratic society and collective bargaining is fundamental to a fair and balanced economy.

NOTES


REFERENCES
