

# **What Has Happened to the Workers' Bargaining Power?**

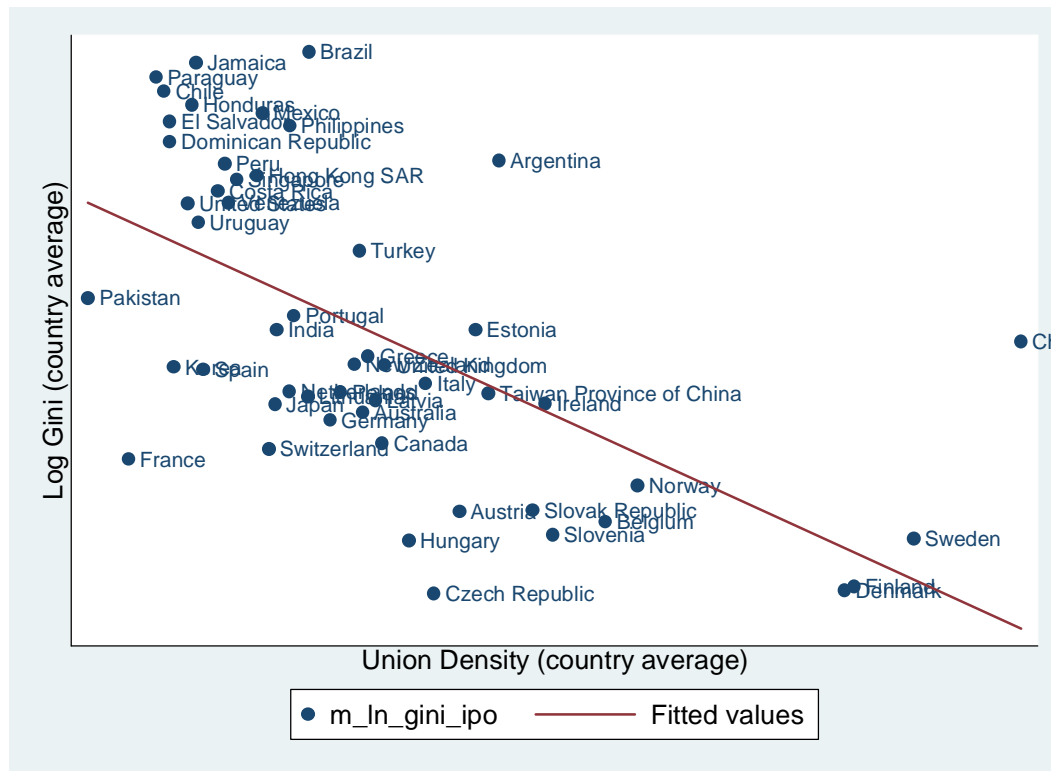
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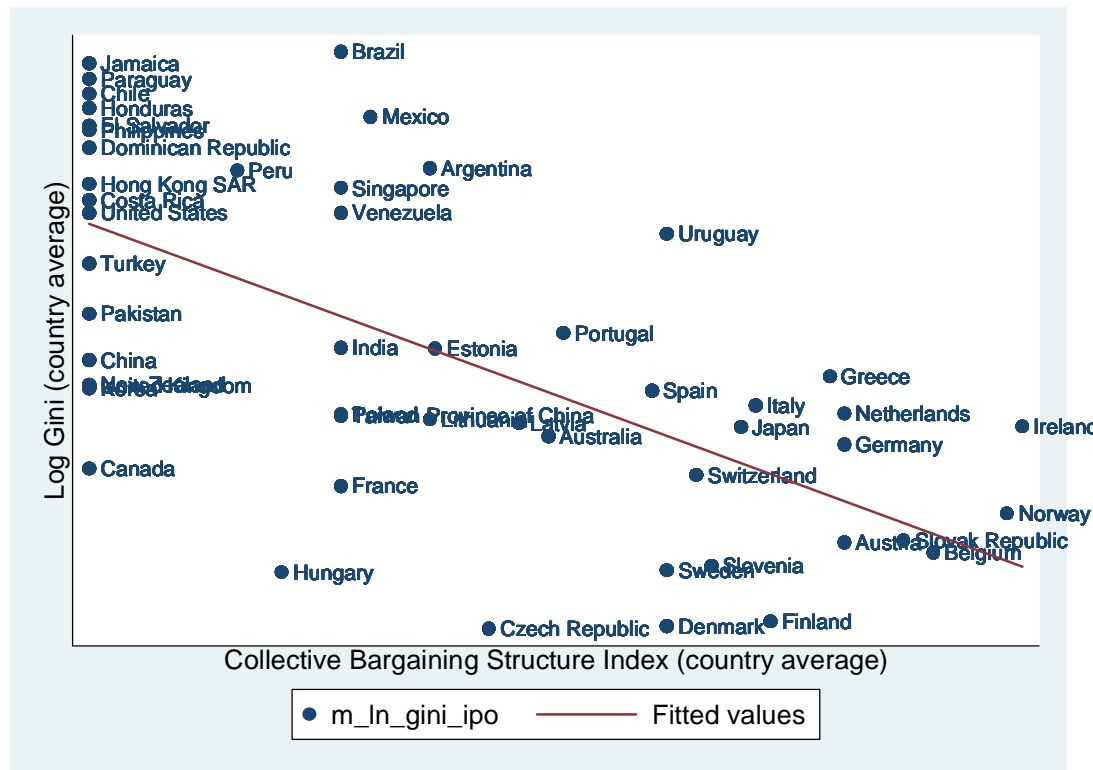
# **Focus on Workers' Protective Institutions**

- Union Density
- Collective bargaining coverage
- Collective bargaining structure
- Participation in Public Policy-Making/Tripartism

# Union Density and Inequality (Between)



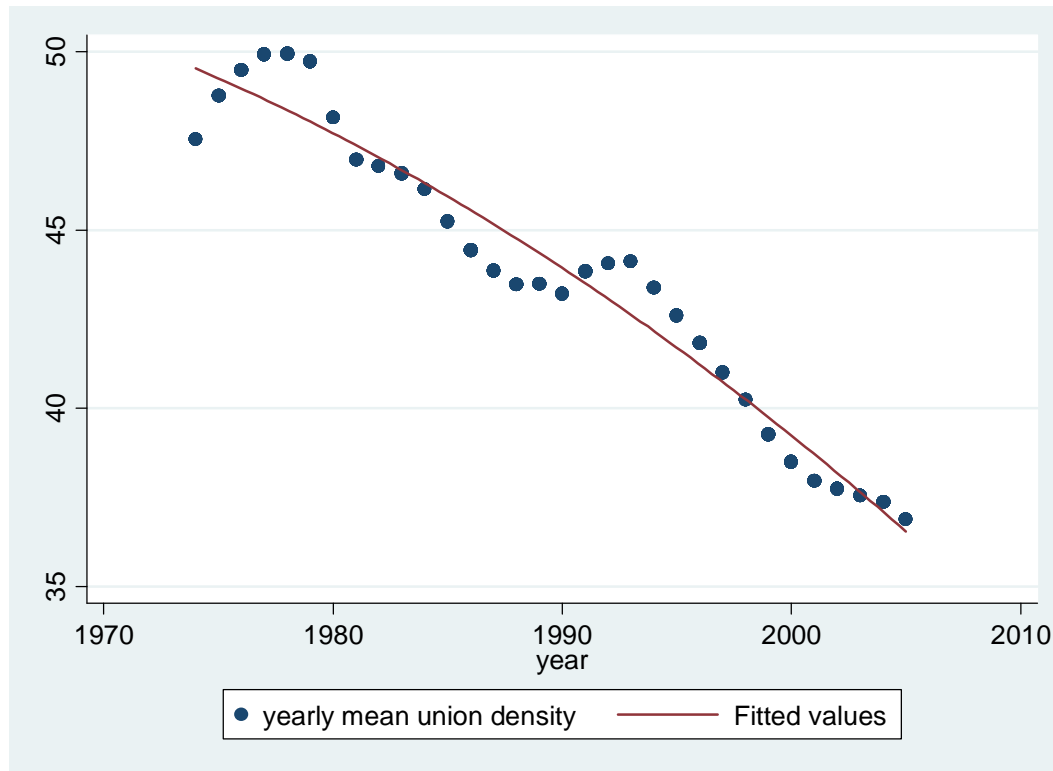
# C.B. Structure and Inequality (Between)



# A Puzzle

- Labor's protective institutions are robustly associated with cross-sectional differences in income inequality
- When it comes to within-country differences there seems to be no association
- Hypothesis: Labor institutions have begun to operate in a rather different way in the era of globalization

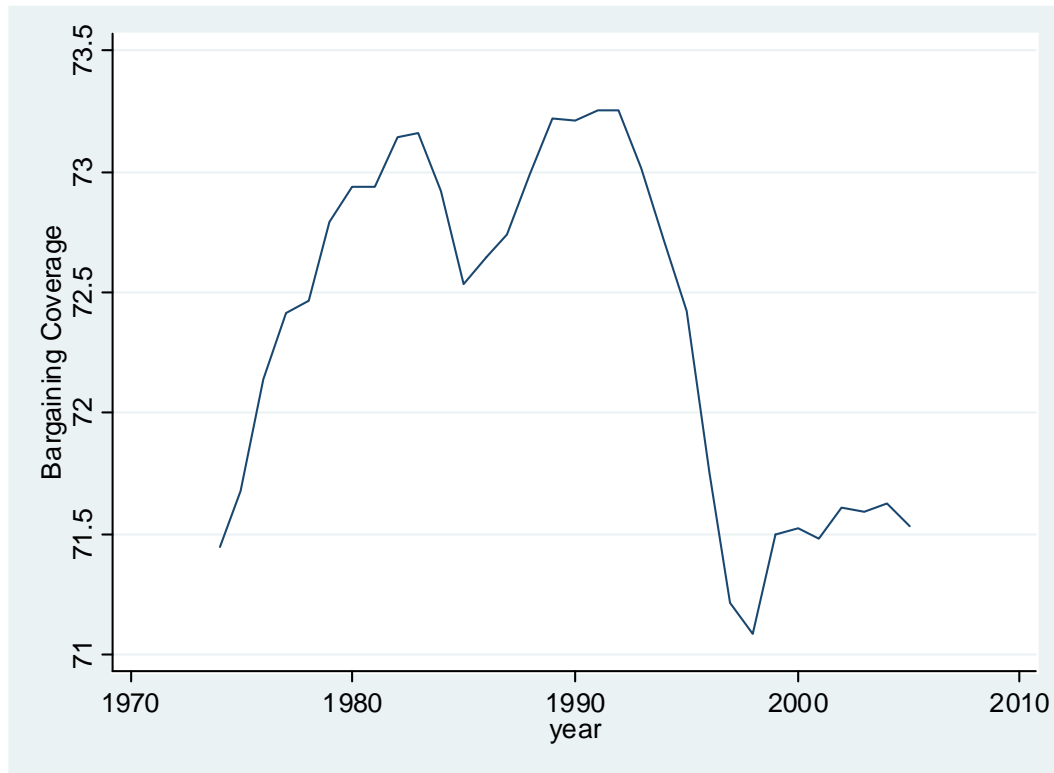
# Mean Yearly Union Density in 16 OECD countries



# Change in Union Density Rates

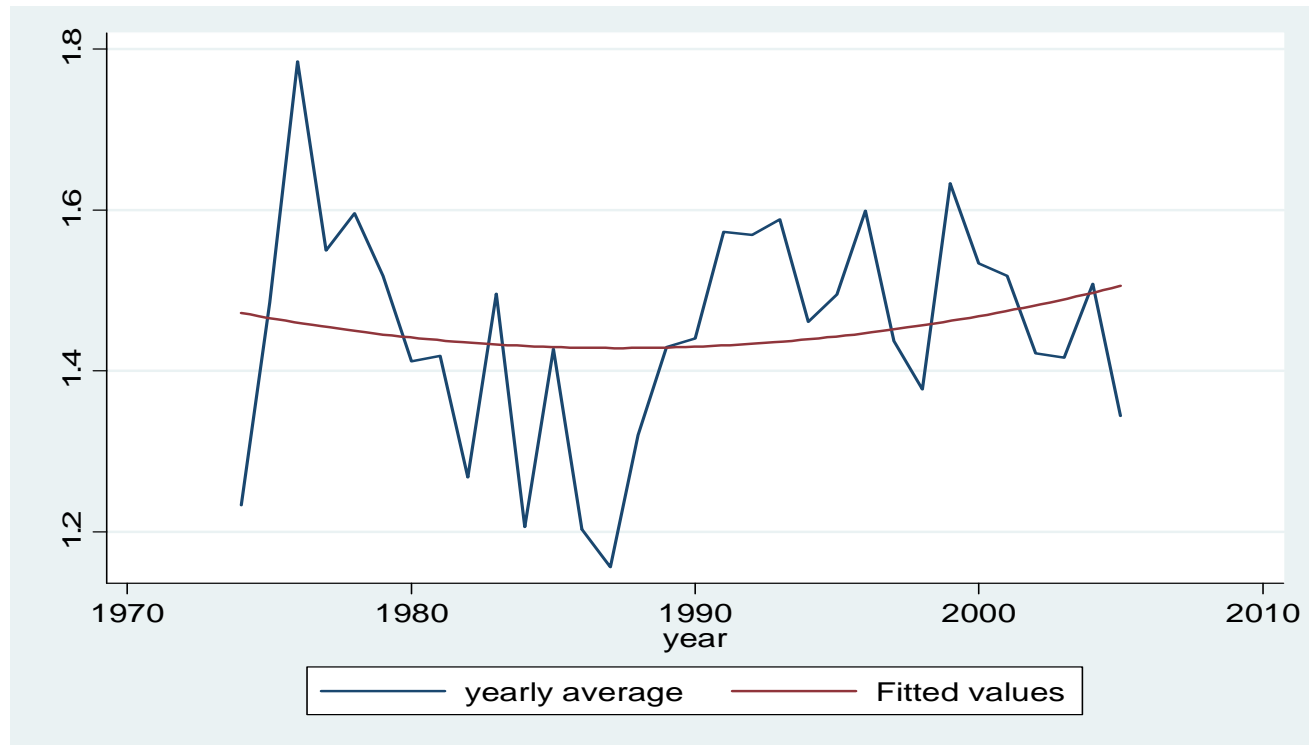
	Union Density Change	Last/First
Singapore	0.08	2005/1989
Paraguay	0.06	2004/1994
China	0.04	2005/1989
Hong Kong	0.04	1999/1989
Spain	0.04	2005/1989
India	0.03	2002/1991
Brazil	0.01	2005/1991
Finland	0.00	2005/1989
Belgium	0.00	2005/1989
Pakistan	0.00	2005/1989
Chile	-0.01	2005/1989
Jamaica	-0.01	2005/1991
Turkey	-0.01	1999/1989
Taiwan	-0.02	2005/1989
Netherlands	-0.02	2005/1989
France	-0.02	2005/1989
Norway	-0.03	2005/1989
Philippines	-0.03	1998/1989
Canada	-0.03	2005/1989
Denmark	-0.04	2005/1989
United States	-0.04	2005/1989
Argentina	-0.04	2005/1989
Dominican Republic	-0.04	2005/1990
El Salvador	-0.04	2005/1990
Switzerland	-0.05	2005/1989
Italy	-0.05	2005/1989
Mexico	-0.05	2002/1989
Sweden	-0.07	2005/1989
Japan	-0.07	2005/1989
Costa Rica	-0.08	2003/1993
Korea	-0.08	2003/1989
Uruguay	-0.08	2005/1990
Germany	-0.11	2005/1989
United Kingdom	-0.12	2005/1989
Honduras	-0.13	2001/1990
Greece	-0.14	2005/1989
Austria	-0.15	2005/1989
Australia	-0.17	2005/1989
Venezuela	-0.19	2005/1989
Portugal	-0.20	2005/1989
Ireland	-0.22	2005/1989
Peru	-0.31	2005/1989
New Zealand	-0.32	2005/1989
Slovenia	-0.32	2005/1989
Poland	-0.42	2005/1990
Slovak Republic	-0.53	2005/1990
Hungary	-0.54	2005/1989
Latvia	-0.61	2005/1991
Czech Republic	-0.62	2005/1990
Lithuania	-0.82	2005/1989
Estonia	-0.83	2005/1989

# Mean Yearly Bargaining Coverage in 16 OECD countries



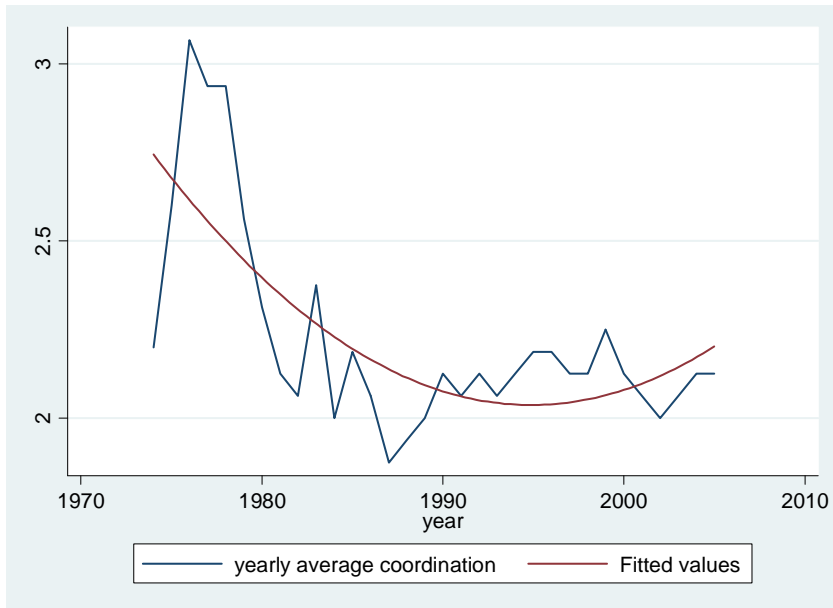


# Index of Corporatist Policy-Making (16 Countries)

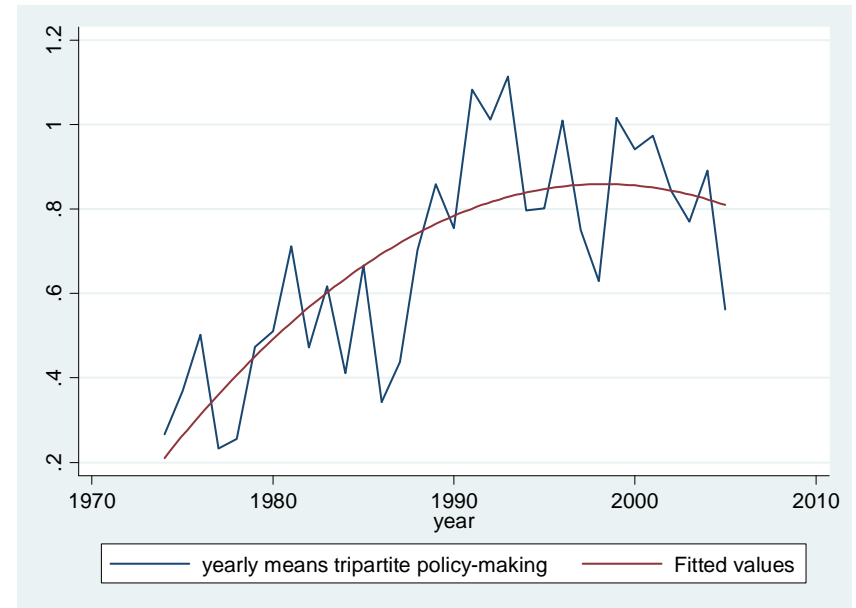


# Bargaining Coordination and Tripartism

## Bargaining Coordination



## Tripartism



# Corporatist Scores and Rankings

	<b>1974-1989</b>		<b>1990-2005</b>		<b>Change in Ranking</b>		<b>Change in Score</b>
Belgium	2.56	Ireland	3.76	Ireland	10	Ireland	2.44
Sweden	2.04	Belgium	2.89	Italy	7	Italy	0.85
Norway	2.03	Norway	2.82	Germany	2	Norway	0.79
Austria	2.00	Finland	2.70	France	2	Finland	0.72
Finland	1.98	Italy	1.90	Finland	1	Belgium	0.32
Spain	1.90	Austria	1.84	Netherlands	1	Netherlands	0.26
Denmark	1.56	Netherlands	1.79	Canada	1	Germany	0.19
Netherlands	1.53	Germany	1.69	Norway	0	France	0.01
Australia	1.52	Denmark	1.22	US	0	US	0.00
Germany	1.50	Spain	1.13	Belgium	-1	Austria	-0.16
Ireland	1.32	Sweden	1.13	Austria	-2	Denmark	-0.34
Italy	1.05	France	0.56	Denmark	-2	Canada	-0.38
UK	0.68	Australia	0.48	UK	-2	UK	-0.68
France	0.55	Canada	0.00	Spain	-4	Spain	-0.78
Canada	0.38	UK	0.00	Australia	-4	Sweden	-0.92
US	0.00	US	0.00	Sweden	-9	Australia	-1.03

# Trends in Protective Institutions

- Dramatic decline in union density rates
- Much smaller decline in bargaining coverage
- Resilience of corporatist policy-making
  - Trade-off between collective bargaining decentralization and increased participation in corporatist policy-making
- Overall, no evidence of generalized dismantling, at least in Continental Europe

# Impact of Corporatism on Inequality

	(1)	(2)	(4)	(5)	(6)
<i>Dep. Var.</i>	<i>Inequality</i>	<i>Inequality</i>	<i>Inequality</i>	<i>Inequality</i>	<i>Inequality</i>
Size of the Welfare State	-1.038*** (0.16)	-1.011*** (0.16)	-1.054*** (0.17)	-0.970*** (0.16)	-1.018*** (0.19)
Corporatist Index	-0.809*** (0.17)	-0.937*** (0.16)	-0.830*** (0.17)	-0.796*** (0.16)	
Corporatism 90-02	0.573*** (0.16)	0.698*** (0.15)	0.586*** (0.15)	0.568*** (0.16)	
Education Years	-0.222** (0.100)	-0.174 (0.13)	-0.230* (0.11)	-0.247** (0.10)	-0.229** (0.10)
Trade Liberalization	0.145* (0.079)	0.132 (0.076)	0.148* (0.081)	0.119 (0.090)	0.136 (0.082)
Capital Liberalization		-0.202 (0.18)			
Union Density			0.00179 (0.0094)		
SD Government				-0.00855 (0.0082)	
Bargaining Coordination					-0.421*** (0.11)
Coordination 90-02					0.236* (0.12)
Tripartism					-0.255 (0.42)
Tripartism 90-02					0.180 (0.41)
Constant	-11.34 (7.93)	-10.06 (7.72)	-11.59 (8.12)	-8.280 (9.08)	-10.07 (8.25)
Observations	32	32	32	32	32
R-squared	0.83	0.84	0.83	0.84	0.84

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1; robust standard errors in parentheses

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# Impact of Corporatism on the Wage Share

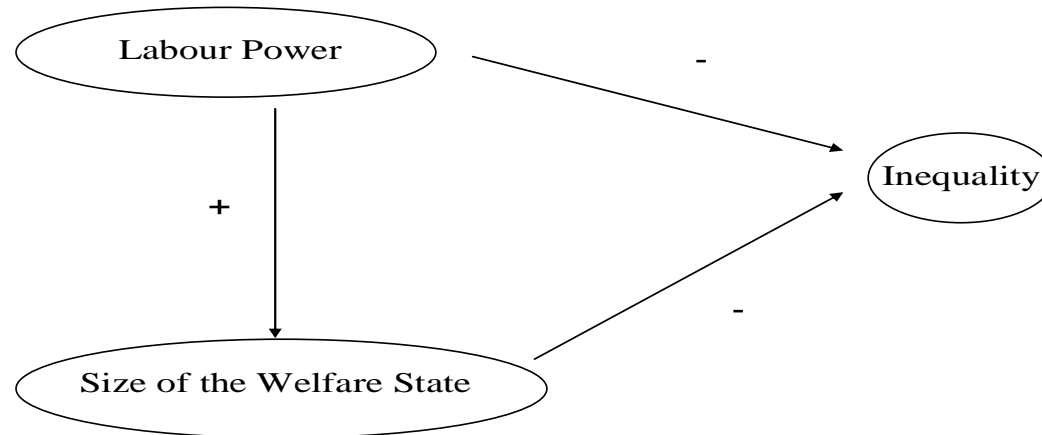
Dep. Var.	(1) <i>Wage Share</i>	(2) <i>Wage Share</i>	(3) <i>Wage Share</i>	(4) <i>Wage Share</i>	(5) <i>Wage Share</i>	(6) <i>Wage Share</i>	(7) <i>Wage Share</i>	(8) <i>Wage Share</i>	(9) <i>Wage Share</i>
Corporatist Index	0.713 (0.84)	0.687 (0.83)	0.252 (0.93)	0.654 (0.82)	1.037 (0.72)	0.730 (0.78)	0.928 (0.90)	0.898 (0.76)	
Corporatism 90-02	- 2.407*** (0.40)	- 2.408*** (0.41)	- 2.012*** (0.55)	- 2.483*** (0.46)	- 2.724*** (0.50)	- 2.429*** (0.34)	- 2.478*** (0.42)	- 2.500*** (0.38)	
Size of the Welfare State		0.0453 (0.35)							
Education Years			-0.632 (0.40)						
Trade Openness				0.182 (0.21)					
Capital Openness					0.428 (0.73)				
Share of FDI						0.0431 (0.73)			
Union Density							-0.0158 (0.020)		
SD Government								-0.0258 (0.030)	
Bargaining Coordination									0.217 (0.83)
Coordination 90-02									-0.815** (0.29)
Tripartism									0.468 (1.28)
Tripartism 90-02									-1.532 (1.11)
Constant	61.93*** (1.02)	61.97*** (0.99)	68.01*** (3.88)	44.71** (19.9)	60.98*** (1.64)	61.82*** (2.01)	62.37*** (1.06)	62.71*** (1.54)	62.08*** (1.86)
Observations	32	32	32	32	32	32	32	32	32
R-squared	0.39	0.39	0.46	0.40	0.40	0.39	0.40	0.40	0.41

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1; robust standard errors in parentheses

# Effects of Workers' Protective Institutions

- Corporatism (and particularly collective bargaining coordination) survives but is no longer redistributive
  - Social pacts of the 1990s: macro-concessionary bargaining
  - Redistribution through transfers seems more effective

# Determinants of Societal Inequality





# What Has Happened?

- Corporatist institutions without strong unions are empty shells?
- More elastic labor demand?
- Internalization of neo-liberal imperatives?
  - E.g. transformation of social democratic parties

# Implications

- Labor market channel sealed off for redistribution
- Transfers still highly effective
- Questions:
  - 1) Do we need a new model of labor market regulation?
  - 2) How do we finance generous transfers?