

# Explaining Cross-National Variation In Workplace Employee Representation

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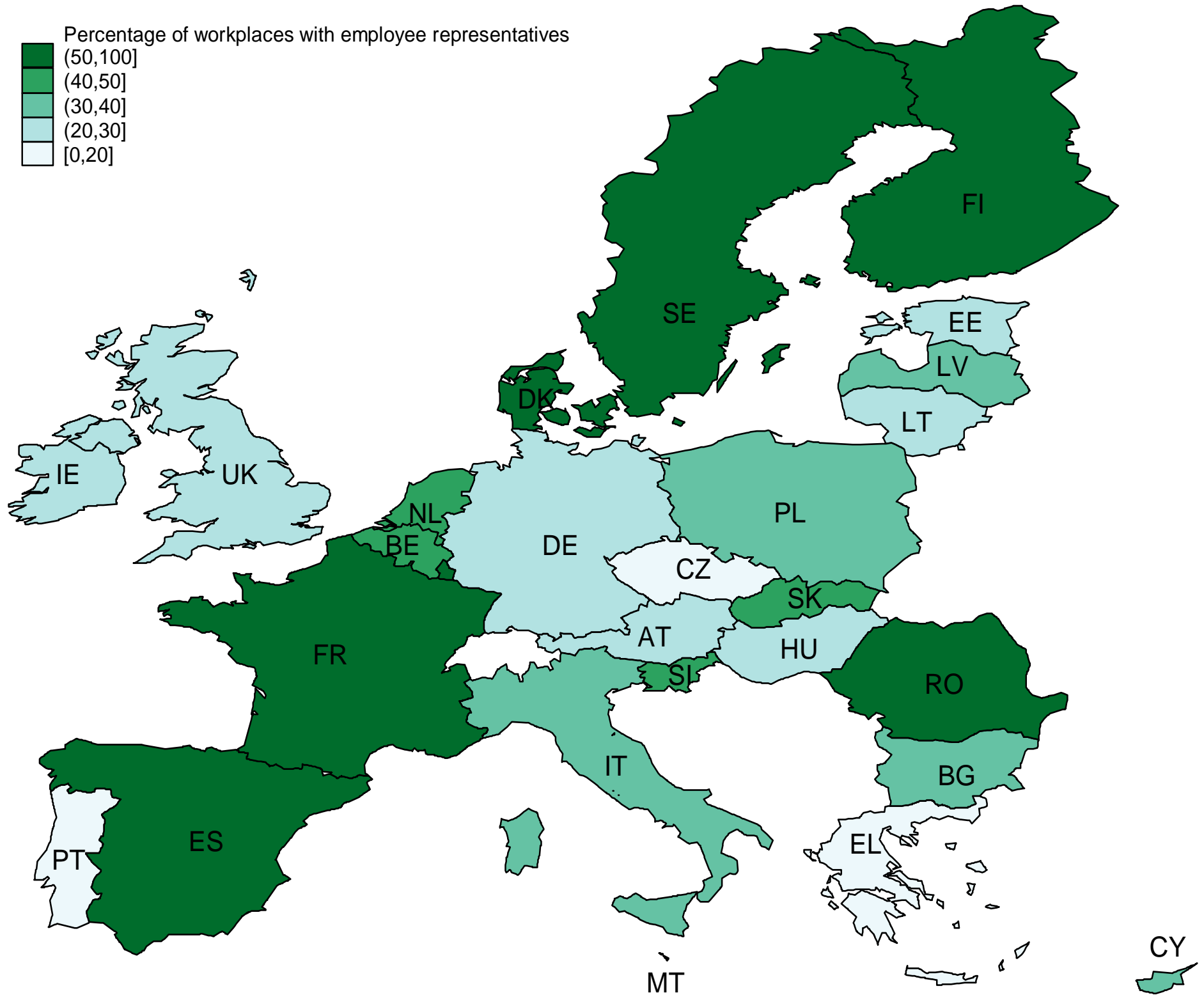
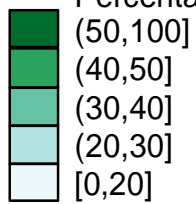
# Motivation

- Social Dialogue (SD) central to the EU project
- European Commission:
  - SD: “...a key to better governance of the enlarged Union and as a driving force for economic and social reform”
  - SD: “...a component of democratic government and also of economic and social modernization” (*The European Social Dialogue: A Force for Innovation and Change, 2002*)
- Reasonable evidence on SD beyond the workplace (EWCs, sectoral agreements, social pacts)
  - Avdagic, 2010; Pochet, 2005; Keller and Weber, 2011
- But little evidence regarding nature and incidence of workplace-level employee representation
- We fill this gap using the European Company Survey 2009 to examine the variance in workplace-level employee representation across 27 EU states and the reasons for the variance

# Why Should We Care?

- Policy Question
  - Is the EU right to promote employee representation?
- Incidence differs greatly across Europe
  - Policy decision
- Economic consequences
- Equity/human rights issues

Percentage of workplaces with employee representatives



# Contribution

- Map incidence and type of ER at workplace level within and across countries
  - Huge differences (>50% in Denmark, Sweden, Spain, France; <20% in Czech Republic, Portugal, Greece)
- Establish workplace correlates of workplace ER
  - Confirm stylised facts from single/two-country studies
    - Addison et al., 2010; Bryson et al., 2004; Amosse et al., 2016
  - Larger workplaces/organisations; public sector; profits to share
- National institutions correlated with workplace ER
  - Country dummies account for one-fifth of the variance
  - Centralisation in IR regime; public confidence in unions; legislative support
- Incidence of different *types* of ER at workplace
  - Union v non-union
- Outcomes
  - Exit/voice
  - Perceptions of climate; quit rates

# EU Policy

- EU 2020 Growth Strategy
  - economic efficiency
  - *and* job quality
- Firms looking to maximise profits
  - Facing competitive pressures and technological developments
  - But nonetheless encouraged to maintain/improve the experience of work for their employees
- Somewhat different to the US?
  - Fear 'race to the bottom'
- Strong Social Dialogue central to European model
  - Not just relying on minimum legislative standards.

# Costs and Benefits To Employers

- Benefits
  - Increase labour productivity
    - Aggregation of worker tacit knowledge
    - Lower quit rates
    - Longer tenure may increase firm incentive to invest in human capital via training etc
    - Reduce transaction costs
  - An experiential good
- Costs
  - Transaction costs
  - Hold up problems
  - Rent sharing
- Alternatives?
  - 'make' or 'buy' decision (Willman et al., 2014)

# Costs and Benefits To Employee

- Benefits
  - Private returns
    - Wage premium
    - Having your voice heard
    - Employer response to solving employee problems (Bryson and Freeman, 2013)
- But
  - Free-rider problem
    - The rationale for the closed shop
    - Olson's (1965) first order problem of collective action
  - Experiential good



# Role for Policy Intervention?

- Employee representation has potential to enhance social welfare
  - Reduce transaction costs
  - Facilitates information exchange
  - Voice/exit model (Hirschmann, 1970; Freeman and Medoff, 1984)
- However the cost-benefit calculation for employers and employees will differ according to (*inter alia*):
  - the size of the firm;
  - the competitiveness of the product market;
  - the tightness of the labour market and value of labour.
- Provision of SD may be sub-optimal
- Governments can alter cost/benefit calculation through legislation and by supporting complementary institutions
  - Direct eg. Consultation over compulsory redundancy
  - Indirect eg. Preferential contractor status

# Data

- European Company Survey 2009 (Eurofound & TNS):
  - Telephone interviews with senior manager in 27,160 workplaces across the EU27+3 (Croatia, FYROM, Turkey)
  - Workplaces with 10+ employees
  - Private + public sectors
  - Identifies presence of TU and WC-type representation (MM650)
  - Provides a range of other workplace characteristics
  - <http://www.eurofound.europa.eu/surveys/ecs/2009/index.htm>
- External data (matched to ECS by industry/country):
  - Industry rents: Price-cost margin for each NACE Sector (13 sectors \* 25 countries) from EUKLEMS (Timmer et al, 2009)
  - Features of the IR regime (Fulton, 2010; ICTWSS, 2009)

# External data

- 5 IR Regimes (Visser 2009)
- Model of workplace ER
  - Whether union/wc can coexist and functions
- Dominant level of bargaining
  - National, sectoral, local
- Threshold trigger for WC type representation
- Legislative support for unions
- Public confidence in unions
  - European Values Survey
- Industry profits
  - Price-cost margin at 1-digit level, EUKLEMS

# Macro-level

- Visser's (2009) typology
  - North - characterized by organized corporatism. Examples: Denmark, Sweden.
  - Centre-West – characterized by social partnership. Examples: Belgium, Germany.
  - South – characterized by polarized or state-centered systems. Examples: Italy, Spain.
  - West – characterized by liberal pluralism. Examples: the UK and Ireland.
  - Centre-East – characterized by fragmented/state-centered systems. Examples: Bulgaria, Czech Republic.
- Is workplace-level ER complement or substitute for representation at other levels?
  - Cf Germany on works councils and sectoral bargaining (Addison 2009)
- Legislation
  - Wagner-type -> representation gap (Towers, 2007)
  - France, relatively costless (Amosse et al., 2016)
  - Variance in implementing Information and Consultation Directive (ICE) 2002

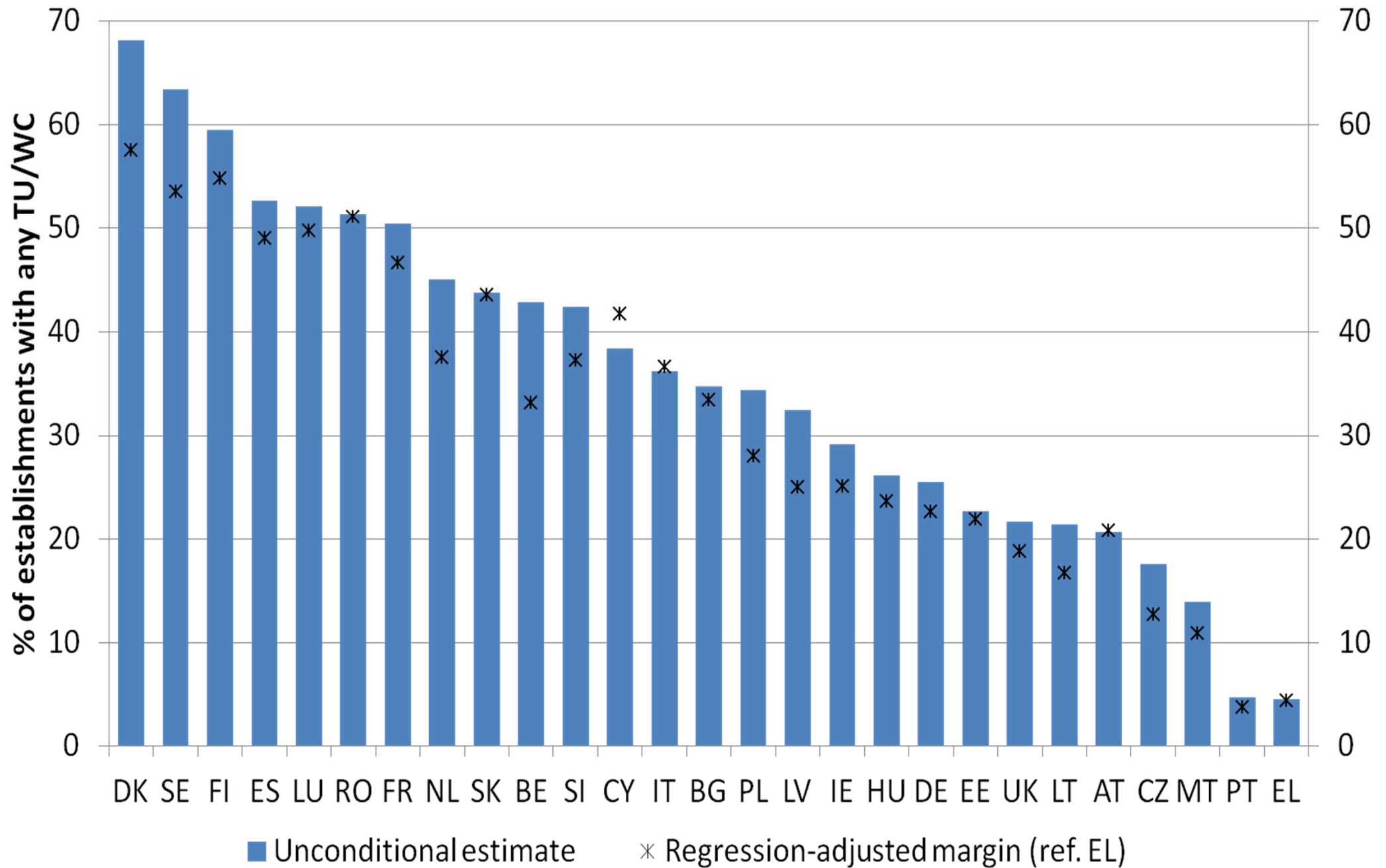
# Methods

- Incidence of union rep and works council-type bodies
- Influences
  - Macro-level: country level
  - Meso-level: sector eg. Product market competition
  - Micro-level: characteristics of workplace and its employees
- Logistic regression to isolate independent associations with employee representation
- Establishment-level weights to account for sample design and robust estimator to adjust standard errors; clustering for non-independence of responses by country
- We use a workplace survey covering all 27 EU countries (n=25,000) and employ a two-step approach in which the country fixed-effects generated from a workplace-level regression are then regressed on national characteristics matched in from other sources.

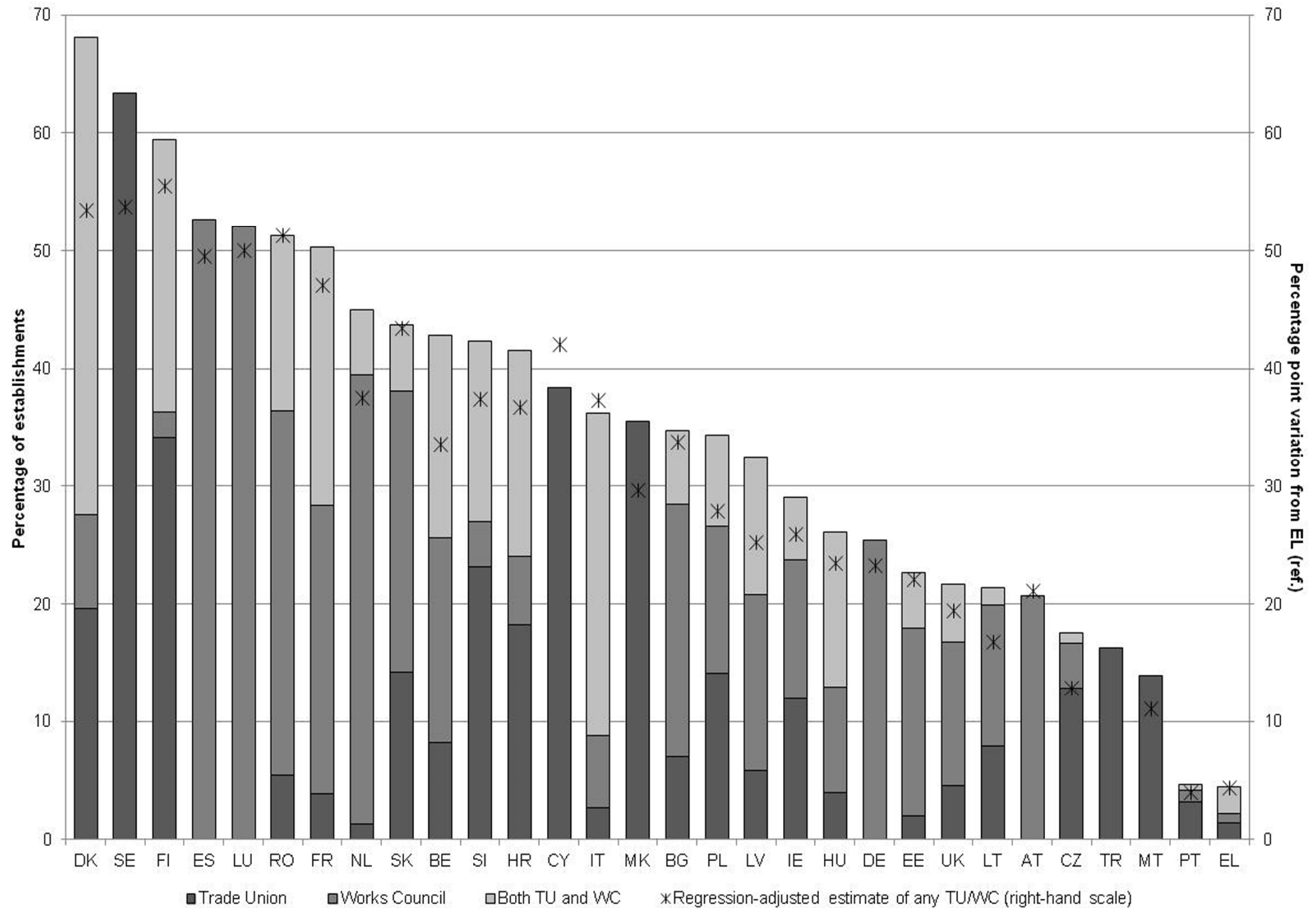
# Incidence by Country

- 'Raw' rank then regression adjusted:
  - industry; workplace size; workplace type (HQ, branch, single); ownership; public; recent change (size, organization); workforce (gender, skills, contracts).
  - Extended model: with HR practices (team-working, incentive pay, training, HR innovation, H&S representation)
- Controls increase variance explained
  - 8% with country dummies
  - 29% with additional controls
- But differences in workplace or industry characteristics account for very little of the cross-national variation in ER
  - Differences between countries narrow but rank order remains the same
  - Probability of TU/WC representation remains 54 percentage points higher in Denmark compared to Greece

# Incidence, by Country

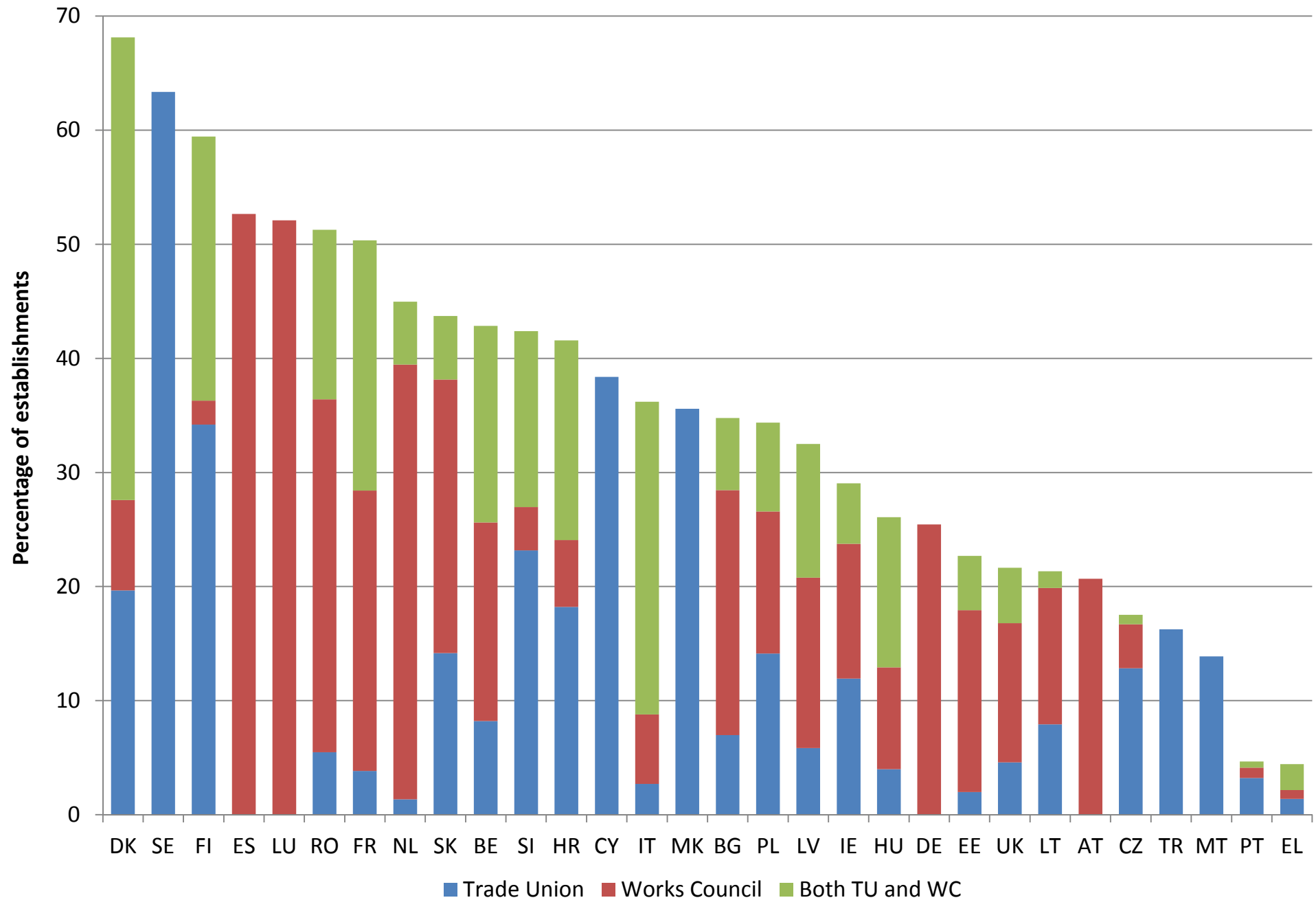


# Incidence of ER Type, by Country

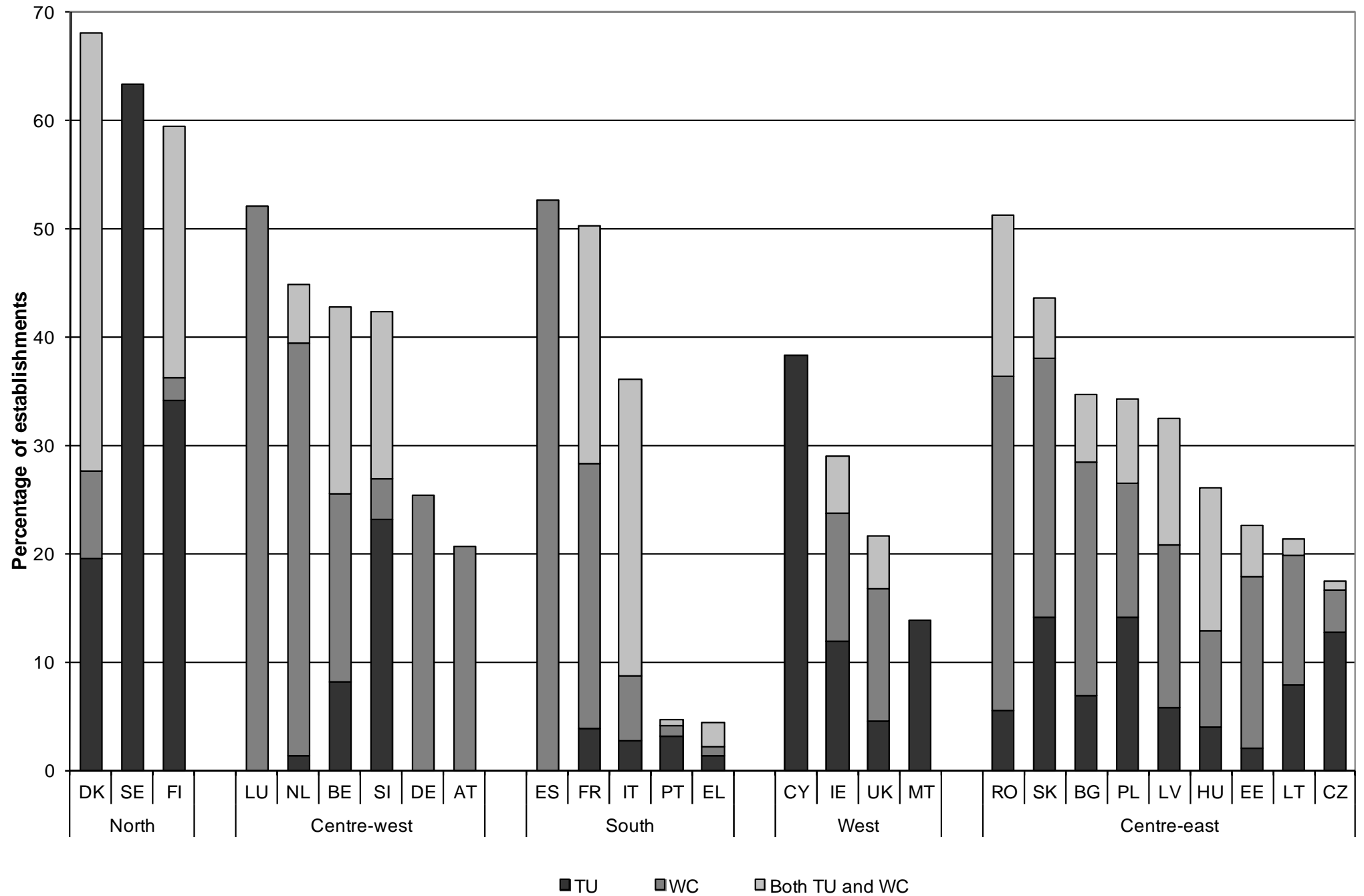




# Incidence of ER Type, by Country (in colour)



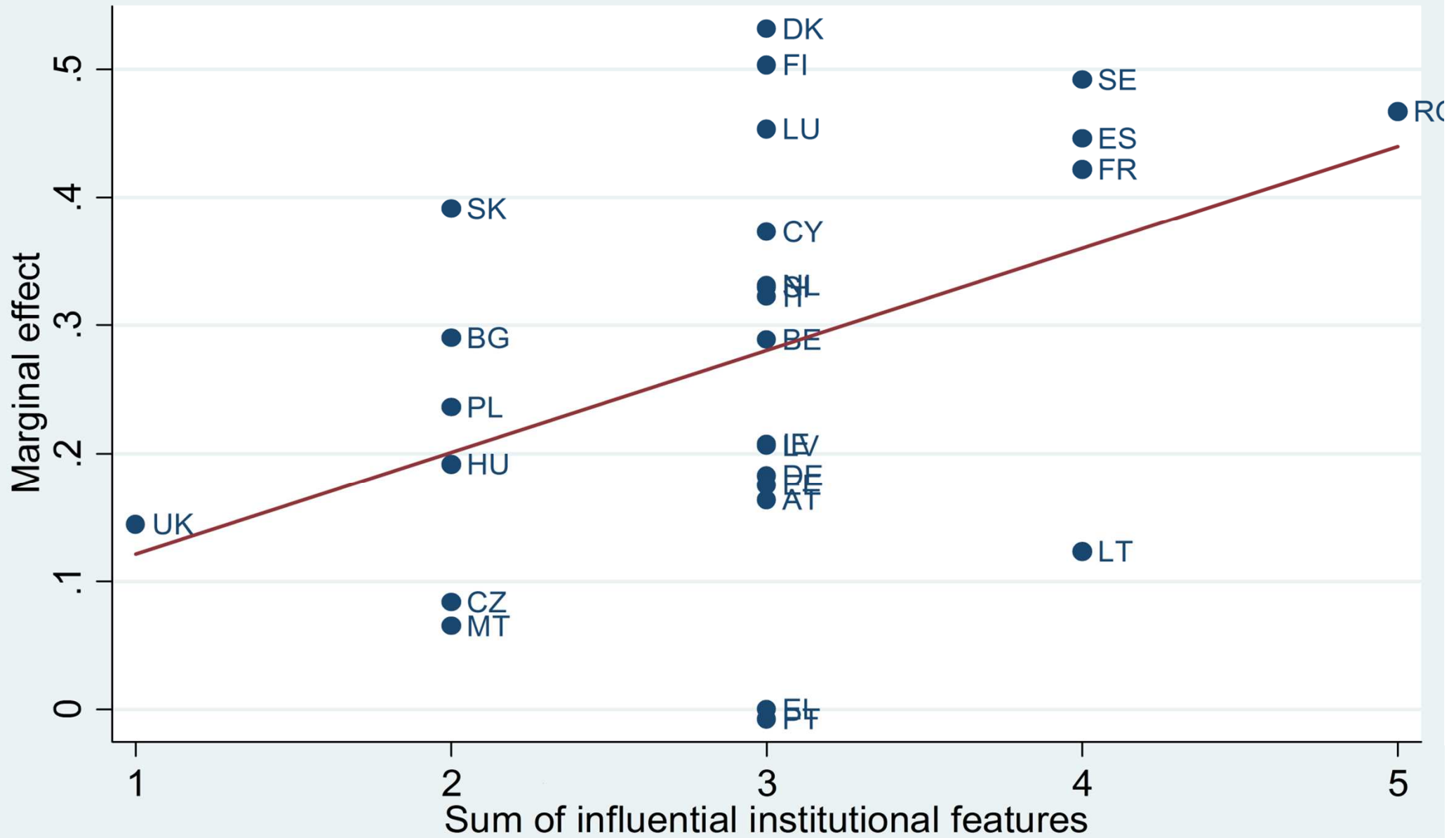
# Incidence of ER Type, by Country within IR Regime



# Workplace ER Higher Where...

- Dominant level of bargaining is sector or national
- Dominant mode of representation is union (not WC or combined)
- There is legislative support for union presence
- The employee threshold for triggering WC-type representation is lower
- Public confidence in unions is higher
- Effects of bargaining level, legal support and public confidence remain statistically significant in regression when all above factors are entered together with workplace characteristics

# Probability of ER and Score on Country Descriptors



● Marginal effects (ref. EL)      — Fitted values

R-sq=0.176; p=0.034

# The Role of Competition – evidence of rent sharing

	[1]		[2]		[3]		[4]		[5]		[6]	
	Any TU/WC		Any TU/WC		Any TU		Any TU		Any WC		Any WC	
	Meff	Sig	Meff	Sig	Meff	Sig	Meff	Sig	Meff	Sig	Meff	Sig
Ln(Price-cost margin)	0.020				0.034	***			-0.001			
Price-cost margin:												
0-8%			ref.				ref.				ref.	
9-15%			0.027				0.013				-0.008	
16-24%			0.056	***			0.053	***			0.000	
25%+			0.036				0.032				-0.008	
Pseudo-R2	0.248		0.248		0.409		0.401		0.341		0.338	
Obs	17266		17382		12120		12234		12120		12234	

All models employ our baseline specification, controlling for workplace characteristics + country

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

# Links To Behavioural Outcomes

- Voice
  - Awareness of shortcomings
  - politicize
- Exit
  - Tackle problems rather than walk away
- We therefore test links to:
  - *Climate of employment relations*: The manager is asked to rate the work climate in their establishment on a four-point scale from 'very good' to 'very strained' (MM701).
  - *Problems with employee motivation*: The manager is asked whether or not the establishment has problems with low motivation among its staff (MM157).
  - *Problems with staff retention*: The manager is asked whether or not the establishment has difficulties in retaining staff (MM157).

# TU/WC Representation and Behavioural Outcomes

	[1]		[2]		[3]	
	Strained climate		Low motivation		Staff retention problems	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
<b>Any TU/WC representation:</b>						
Yes	0.048	***	0.004		-0.013	
Pseudo-R2	0.177		0.094		0.068	
Obs	23727		23335		23712	
.....						
<b>Any TU/WC representation:</b>						
No	Ref.		Ref.		Ref.	
TU only	0.018		0.010		-0.002	
WC only	0.011		0.012		-0.020	
TU and WC	0.031	**	0.020		-0.038	***
Pseudo-R2	0.180		0.066		0.075	
Obs	16278		15952		16244	

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

# Conclusions

- Huge variance in incidence of workplace-level employee representation across Europe
- The cross-national variation in ER is positively influenced by: the degree of centralization in collective bargaining; the extent of legislative support for ER; and public ratings of unions.
- Workplace characteristics matter for within-country variance but less so for across-country variance
- This matters
  - Union effects on outcomes we care about
  - Importance for EU Social Dialogue and welfare of firms and citizens



# Reference

- [Forth, J., Bryson, A. and George, A. \(2017\) "Explaining Cross-National Variation in Workplace Employee Representation", \*European Journal of Industrial Relations\*, 23, 4: 415-433](#)
- [Also IZA Discussion Paper 9963](#)