Explaining Cross-National Variation In Workplace Employee Representation

John Forth (NIESR)
Alex Bryson (UCL)
Anitha George (NIESR)
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

- **(50,100]**
- **(40,50]**
- **(30,40]**
- **(20,30]**
- **[0,20]**
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

• 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 of ER Type, by Country within IR Regime

Percentage of establishments
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

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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

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* 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


• Also IZA Discussion Paper 9963