



COLLECTIVE BARGAINING SYSTEMS IN EUROPE

SOME STYLISED FACTS

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Within Europe, free collective bargaining is a cornerstone of democratic societies. It enables employers and trade unions, as autonomous bargaining parties, to freely determine the terms and conditions of the employment relationship. By ensuring minimum standards of pay, working time and other working conditions, in particular for those with weak individual negotiating power, collective bargaining has a protective function for workers. It also has an important distributive function by securing workers a fair share of economic growth. For employers, collective bargaining has a key conflict management function by providing a structured process for resolving diverging interests.

Over time, a great variety of collective bargaining systems been developed across different European countries, depending on the different political and economic conditions, national traditions, customs and practices. Today no two national collective bargaining systems are alike. Despite this great variety, it is possible to identify five geographical clusters of collective bargaining models which share some key institutional characteristics. The table below provides a broad overview of the five models.

With the caveat in mind that the real world is always more complex than ideal-type models and that assigning one country to any classification is an approximation at best, the objective of the remainder of this document is to map the collective bargaining landscape of Europe. Appropriate key features will be explained by drawing on specific country examples. The key focus will be on the institutional characteristics of the bargaining systems rather than on bargaining outcomes, such as wages, working time or other terms and conditions.

For more information on individual countries see: Müller T.; Vandaele K. and Waddington J. (2019): Collective bargaining in Europe: towards and endgame, Volume I-IV, Brussels, ETUI. <https://www.etui.org/publications/books/collective-bargaining-in-europe-towards-an-endgame-volume-i-ii-iii-and-iv>

Key characteristics of collective bargaining regimes

	North	Centre-West	South	West	Centre-East
Industrial relations regime	Corporatist	Social partnership	Polarised state-centred	Liberal-pluralist	Fragmented state-centred
CB Coverage	87.1%	77.3%	76.3%	37.8%	27.1%
Trade union density	64.7%	29.1%	19.1%	36.2%	13.1%
Employers' density	76%	83.6%	67.7%	60%	54.2%
Principal level of CB	Industry level	Industry level	Variable	Company	Company
Bargaining Style	Integrating	Integrating	Conflictual	Conflictual	Acquiescent
Role of the state	Limited (mediator)	Limited (enabling)	Frequent intervention	Non-intervention	Organiser of transition
Countries	DK, FI, SE	AT, BE, DE, LU, NL, SI	ES, FR, GR, IT, PT	CY, IE, MT, UK	BG, CZ, EE, HR, HU, LT, LV, PL, RO, SK

Source: OECD-AIAS ICTWSS Database (2020), Visser (2009)

Note: all figures are calculated on data for 2018 (or the most recent year available).

NORTHERN EUROPE: CORPORATIST MODEL OF COLLECTIVE BARGAINING (NORDIC COUNTRIES)

Collective bargaining in all three countries is based on a strong voluntarist tradition. This means that the state does not interfere in industrial relations and leaves the definition of the rules of the game and the terms and conditions of the employment relationship to the bargaining parties. It should be noted, however, that in Finland the state traditionally plays a more active role for instance by initiating tripartite negotiations on incomes policy. Another underlying feature of the Nordic industrial relations model is its bias towards a consensus-based corporatism which in turn means that employers and trade unions are closely involved in policy-making.

Level and extent of collective bargaining

Collective bargaining in the northern European model is highly centralised and largely anchored at industry level; until recently in Finland, even at cross-industry level. Another notable feature of the Nordic model is the exceptionally high bargaining coverage with an average of more than 87%. Following the voluntarist tradition, the high bargaining coverage essentially rests on the support of multi-employer bargaining by strongly organised employers' associations and trade unions. The average employer density in this model is 76% and the average union density is, at almost 65%, by far the highest of all five models. The high union density in all three countries is institutionally underpinned by the so-called 'Ghent system' in which unemployment insurance is voluntary and linked to membership of an unemployment fund which is traditionally set up and controlled by trade unions which in turn provides a strong incentive to join a union.

Coordination through manufacturing-led pattern bargaining

Collective bargaining in the Nordic model is usually multi-tiered and characterised by a high degree of coordination across different industries and articulation between different bargaining levels. Despite its centralised character there is also a long tradition of workplace bargaining. The coordination across different industries can take different forms. In Denmark and Sweden, the main coordination mechanism is pattern-bargaining, which means that the agreement in the internationally exposed manufacturing industry defines the scope of wage increases for the other industry-level agreements. In Finland, peak-level coordination in the form of tripartite incomes policy agreements played a central role until 2016. Since then, Finland moved from tripartite incomes policy to manufacturing-led pattern bargaining.

Strong articulation between levels ensures organised decentralisation

All three countries have effective procedural mechanisms for articulation between levels underpinned by strict hierarchical principles so that derogations to the detriment of workers are generally not accepted unless explicitly allowed in the higher-level agreement. Most private sector agreements specify minimum wage rates, the basic increase therein and major conditions, while the setting of actual pay, including local increments and other conditions, is increasingly delegated to company-level negotiations. The scope for local determination of actual pay and working time has gone furthest in Denmark and remains the most constrained in Finland. This tight articulation is facilitated by strong single-channel, trade union-based representation arrangements at company level.

CENTRAL-WESTERN EUROPE: SOCIAL PARTNERSHIP MODEL OF COLLECTIVE BARGAINING (AUSTRIA, BELGIUM, GERMANY, LUXEMBOURG, NETHERLANDS, SLOVENIA)

A common characteristic of all these countries is that collective bargaining is based on a notion of social partnership traditionally shared by employers and trade unions. This means that collective bargaining traditionally takes place in a context of cooperative and compromise-oriented industrial relations with comparatively low strike rates. As a rule, the state is non-interventionist and has an enabling role by setting the legal and institutional framework conditions that enable autonomous negotiations – although it should be noted that in Belgium in recent years, state intervention has to some extent limited the scope for autonomous wage setting.

Level and extent of collective bargaining

Collective bargaining in this model usually takes place at the industry level. More recently, all countries were affected by an increasing trend towards decentralisation with a transfer of bargaining competences to the company level. In all countries, however, this took the form of organised decentralisation which means that industry-level agreements define the terms and conditions under which negotiations at company level take place. The most frequent tools used to advance organised decentralisation were opt-out clauses from extended collective agreements and so-called ‘opening’ or ‘derogation’ clauses which allowed company-level agreements to deviate from industry-level agreements. Despite this trend, industry-level bargaining still dominates in all five countries. As such, bargaining coverage in this model is considerably higher than in the western and the centre eastern European models, where bargaining predominantly takes place at the company level. The average bargaining coverage of 76.3%, however, masks large differences between Germany and Luxembourg with a coverage of 56% and 59% respectively and Austria and Belgium with a coverage of almost 100%.

Strong institutional support for industry-level bargaining

In contrast to the northern European model, in which high bargaining coverage strongly rests on the high density of trade unions and employers’ associations, the crucial factor in the centre-western European model is the strong institutional support for collective bargaining. This support can take different forms. In Belgium, The Netherlands and Slovenia it is the frequent use of the extension mechanism which ensures that industry-level agreements not only apply to the members of the signatory organisations, but to all companies and employees of the respective industry. In Austria, it is the compulsory membership of companies in the Chamber of the Economy which is responsible for collective bargaining with trade unions.

The importance of employers’ support

The high organisation rate of employers and their support for multi-employer bargaining is another important factor that accounts for the high bargaining coverage in this model. As a rule, employer density is above 80% and two to three times higher than union density. The outlier is Germany with an employer density of just 68%

indicating a diminishing support from employers and their gradual retreat from industry-level bargaining – a trend that exists in all six countries even though to varying degrees. The outlier on the union side is Belgium where union density is still above 50% partly as a consequence of the quasi-Ghent system and the unions' involvement in the administration and the paying of unemployment and early retirement benefits.

SOUTHERN EUROPE: POLARISED STATE-CENTRED MODEL OF COLLECTIVE BARGAINING (FRANCE, GREECE, ITALY, PORTUGAL, SPAIN)

This model is characterised by a high degree of state intervention in the regulation of the employment relationship. The exception to this rule is Italy with its voluntarist tradition which is more similar to the Nordic model of collective bargaining. The southern European model is furthermore characterised by a tradition of adversarial negotiations with high strike rates – although in recent years collective bargaining has been less conflictual.

Level and extent of collective bargaining

Collective bargaining predominantly takes place at the industry level which leads to a high bargaining coverage of 76.3%. Of all the five models the southern European model shows the largest difference between the organisational strength of collective actors and bargaining coverage. This illustrates the important role of the state in ensuring high bargaining coverage through the frequent legal extension of collective agreements to non-organised firms. In Italy, where no extension mechanism exists, the - at least theoretical - complete coverage is based on the constitutional right to fair remuneration which labour courts usually define as the remuneration set by collective agreements. The state also plays an important role in the coordination of bargaining across different bargaining levels. With the exception of Italy, the law-based favourability principle establishes a clear hierarchy of levels by ensuring that company level agreements cannot derogate from industry-level agreements to the detriment of the employee. In particular in Greece, Portugal and Spain, the favourability principle compensates for the comparatively weak institutionalised union presence at company level.

Government intervention to decentralise collective bargaining

In light of external pressure of economic adjustment in particular as a consequence of the crisis in 2008/2009, collective bargaining systems in all five countries have been exposed to government interventions aiming at the decentralisation of bargaining. In Greece, Portugal and Spain this pressure was reinforced through the political intervention of the Troika. The measures introduced included: first, more restrictive criteria for the extension of collective agreements; second, overturning or abolishing the favourability principle in order to reverse the existing hierarchy of bargaining levels giving company agreements precedence over industry agreements; and third, the active support of company-level negotiations by giving non-union institutions the right to conclude agreements at company level.

Union presence at the workplace ensures organised decentralisation

In France, Italy and Spain, the uptake of the newly created opportunities for company-level negotiations was very limited and bargaining coverage therefore remained fairly stable. In Greece, the newly introduced measures lead to the breakdown of the existing system and a drop in bargaining coverage from more than 70% in 2000 to a mere 25% in 2018. In France and Italy, the stronger union presence at company level ensures a more organised form of decentralisation. In contrast, in Spain, Portugal and Greece there were only little autonomous structures in place that prevented company-level agreements from becoming detached from industry-level agreements when the state withdrew its support for multi-employer bargaining.

WESTERN EUROPE: LIBERAL-PLURALIST MODEL OF COLLECTIVE BARGAINING (CYPRUS, IRELAND, MALTA, UNITED KINGDOM)

A feature shared by all countries of this collective bargaining model is the voluntarist tradition of industrial relations combined with a minimum of legal intervention by the state. This does not mean, however, that there is no state influence. All countries, for instance, have some form of a statutory minimum wage; although in Cyprus this only applies to specified occupations. The state furthermore influences collective bargaining indirectly by shaping the trade unions capacity to act, for instance, through regulation on union recognition. Another characteristic of this model is a tradition of adversarial bargaining with high strike rates. Although, with the exception of Cyprus, in recent years industrial relations have been much less conflictual.

Level and extent of collective bargaining

As a rule, collective bargaining in the private sector takes place at company level between individual employers and trade unions. More centralised bargaining is largely restricted to the public sector. Between 1987 and 2009, however, industrial relations in Ireland were marked by social partnership with tripartite national wage agreements. This model of centralised bargaining broke down as a consequence of the crisis in 2008/2009 and since then bargaining in the private sector takes place at the company level.

Union density crucial for bargaining coverage

In line with the voluntarist tradition of this model, there is no state support for multi-employer collective bargaining through an extension mechanism. Ireland is to some extent an exception with its 'sectoral employment orders' and 'employment regulation orders' issued by the Labour Court which set wages and working conditions in a limited number of industries. Since, furthermore, there is no legal right to collective bargaining, the unions' capacity to negotiate a collective agreement is linked to them being recognised by employers for bargaining purposes. As a consequence, the coverage of collective bargaining essentially rests on the strength of trade unions – rather than on the density of employers' organisations like in many other western European countries. It is, therefore, no surprise that in this model the average level of union density (36.2%) corresponds more closely to the average level of bargaining coverage (37.8%) than in any other of the five models. Collective bargaining is decentralised, fragmented and uncoordinated – the exception is to some extent once again Ireland where some of the larger unions pursued a coordinated pay strategy as a variant of pattern bargaining.

Voluntarist only in name?

Despite the voluntarist industrial relations tradition of this model, over time the role played by state regulation has become significant. In the UK, for instance, the state continuously undermined the scope of union action since the beginning of the 1980s through restrictive strike regulation, the marketisation of public services and its privatisation policy. This shifted the power relationship in free collective bargaining towards the employers. While little has been done to support multi-employer bargaining, a considerable body of legislation has been introduced in all four countries aimed at the increase of individual workers' rights mostly in response to EU Directives. In the absence of a supportive framework for union recognition this suggests a continuation of the trend towards a system based on individual rights at the expense of collective bargaining and collective labour law.

CENTRAL-EASTERN EUROPE: FRAGMENTED STATE-CENTRED MODEL OF COLLECTIVE BARGAINING (CEE COUNTRIES)

The centre-eastern Europe model comprises the largest and most diverse group of countries. A feature shared by all countries is the neoliberal underpinning of collective bargaining which manifests itself in policies aimed at making labour markets more flexible and at attracting foreign direct investment. This hampered the development of strongly organised collective actors on both sides and therefore the development of multi-employer bargaining. As a consequence, the state plays an important role in setting the terms and conditions of the employment relationship.

Level and extent of collective bargaining

Collective bargaining in the centre-eastern European model is fragmented and decentralised. In the majority of countries, the company is the dominant bargaining level. Croatia, Czechia and Slovakia are the only exceptions with a significant part of the bargaining taking place at industry level. The dominance of company-bargaining in this model is reflected in the lowest bargaining coverage (22.7%) of all five bargaining models. The reason for the low bargaining coverage can be seen in four further key characteristics of this model: first, the dominance of neoliberal policies which from the beginning of the transition process limited the development of industry-level bargaining; second, the weakness and fragmentation of collective actors on both sides. With 12.3% union density and 52.4% employer's density this model has by far the lowest average rates of collective organisation of all five models.

Weak and reluctant employers' associations hamper industry-level bargaining

The third factor is the reluctance of employers to engage in multi-employer bargaining. The organisational weakness and reluctance to negotiate take different forms. In Estonia and Poland, for instance, trade unions in many private sector industries simply lack an industry-level negotiating partner on the employers' side. In Hungary, employers' associations are primarily lobbying organisations and companies are reluctant to join or to authorise them to negotiate agreements at industry level. In Czechia, industry-level bargaining is particularly limited in industries dominated by foreign multinationals, which prefer to negotiate individually at company level. Finally, in Slovakia employers' associations have increasingly decided to opt out of industrial bargaining because they no longer see any benefit from it.

Increasing importance of legislation at the expense of collective bargaining

The fourth factor is the lack of institutional support for multi-employer bargaining by the state. In many countries the state even interfered in a restrictive manner for instance by tightening representativity criteria for trade unions as a precondition for bargaining; by extending bargaining rights to non-union representation structures or by downgrading the role of existing tripartite dialogue structures from a negotiation body to an advisory body. Despite this trend, social dialogue structures still play an important role for trade unions to influence socio-economic decision and to compensate for the lack of collective bargaining. The decreasing regulatory capacity of collective bargaining is reflected in the increasing importance of legislation in setting terms and conditions at the expense of collective agreements. In some countries, collective agreements merely reiterate the legal minimum standards, which however at least guarantees that management will respect and not bypass standards and it helps trade unions to sustain the bargaining relationship with management.

