



EmpRep Action: a short policy brief

PIs of Action teams*

July 20, 2022

1 Overview

The motivating factor behind the Action on *Employer Representation in Collective Bargaining: extent, form, structure and impact* was the need to strengthen social dialogue. Strong and effective social dialogue needs representative social partners. The issue of representativeness of social partners is an issue of concern at national and EU level. The Action focused on measuring the pervasiveness of employers' associations (EA) and in investigating the factors determining membership and the effects of EAs on economic outcomes.

The main objectives of the Action were:

- To document the extent to which firms in all EU countries participate in employers' organizations for the purposes of collective bargaining and to ascertain the factors associated with a firm's decision to participate in an employers' association (EA).

*The authors thank funding from the European Union (EmpRep action, grant VS/2020/0122). This study reflects only the authors' views. The European Commission is not responsible for any use that may be made of the information that the study contains.

- To document the structure and conduct, at a given point over time, of employers' organizations in a number of EU countries.
- To compare and contrast developments in union membership with those of membership in employers' associations in these EU countries.
- To conduct a detailed analysis of coverage/representativeness of employers' organizations for 4 countries - France, Greece, Italy and Portugal.

The target groups of the Action were the social partners, policy makers and academics and amongst the objectives of the Action was to actively engage the EAs in our analysis and document the views of members and managers and executives of employers' associations on the reasons for, benefits and costs, of membership. and produce a policy-oriented report with the findings of the Action.

This short policy brief lists the main results and the policy implications of these.

2 Main Results

1. The well-known fact that EA membership varies significantly across countries was re-established. Cross-country differences reflect institutional factors but could also reflect differences in the extent of product market competition.
2. EA membership shows an overall decline in most countries in the last decade although the decline is not as precipitous as that in trade union membership.
3. EAs seem to be able to attract and select more productive firms, and help them to deliver higher labour standards.
4. Firms affiliated to EAs are larger, older, more likely to be subsidiaries of other firms, more likely to have official employee representation and more likely to be enforcing a collective agreement. These results hold for a multitude of countries.
5. Both theoretically and empirically it looks as if firms which are EA members offer more training.

6. The offer of additional training within EA members is compatible with non-poach agreements between EA member firms.
7. While limited worker mobility might be good for the firms involved, this is not necessarily true in terms of allocative efficiency in general and more specifically for the workers in these firms who effectively have fewer employment opportunities.
8. Firms which are EA members have in general higher employment growth and better labor standards (e.g. higher contractual wages, more training) than non-EA member firms. Workers in firms belonging to EAs, however, are less mobile.
9. While workers in affiliated firms receive in general higher wages than workers in non-affiliated firms, firms which implement their own firm-level collective agreement may pay even higher wages than affiliated firms. This is, in general, the result of the favorability principle.
10. Notwithstanding the observation about cross-country differences in membership rates and changes in membership over time, the true documentation of membership remains elusive. An exercise for France comparing membership rates derived from different sources reveals large discrepancies in rates depending on whether administrative or survey data are used. Differences within surveys depending on the way questions were set and the position/occupation of the respondent.
11. The lack of a clear institutional framework for the measurement of the representativeness of EAs is found to be one of the main drivers of the progressive erosion of their power and increasing fragmentation.
12. EA affiliation and representativeness do not go hand in hand; the ECS data suggest that in EU countries high affiliation rates involve greater dissimilarity between affiliated and non-affiliated firms. The same is found true with a detailed database of matched employer-employee data for Portugal.
13. Measuring the representativeness and effects of an Employer Association may require not only good data but also detailed institutional knowledge of the specific industry

of the EA.

3 Policy implications

1. There is a clear need to improve the transparency of the institutional setting in which EAs operate and reduce strategic overlapping in their activities. In this respect, a recommendation indicating the criteria to be adopted to measure EAs' representativeness and better define the boundaries of operation is urgently needed.
2. Firm-level provided training in more innovative industries, in which there is more need for training, could be enhanced via training programs designed and implemented by EAs to their affiliated firms.
3. Policy makers and researchers should pay attention to the dissimilarity of social partners and not necessarily equate affiliation rates with representativeness.
4. Data collection on EA firm affiliation needs to be enhanced dramatically - while complemented with qualitative analysis of the relevant domains of each EA.
5. Public policy (e.g. competition agencies) may need to pay more attention to employers' (EAs) collusion.
6. In industries where minimum wages bind, training benefits of tacit no poach agreements likely outweigh negative allocational effects of the no poach agreements.
7. Public policy should consider policies to incentivise training without restricting worker mobility.
8. Given that EAs seem to be able to attract and select more productive firms governments could promote the creation of 'good jobs' supporting high quality industrial relations.
9. EAs aiming at representativeness should, in particular, pay more attention to the needs of smaller and younger firms.

10. There is an outstanding issue of how to integrate foreign multinational companies in the industrial systems of the host countries.