

The Economic Benefits of Collective Bargaining

Bargaining for Progress - Unite
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PAUL MAC FLYNN

NERI (NEVIN ECONOMIC RESEARCH INSTITUTE)

BELFAST

PAUL.MACFLYNN@NERINSTITUTE.NET

WWW.NERINSTITUTE.NET



Research for new economic policies

Undermining Collective Bargaining

- Move from early 90s through 00s to discredit collective bargaining.
- Can be seen in flexible labour markets literature
- OECD (1994) Flexible contracts and wages – key to persistently high unemployment in Western Europe.
- Key to flexibility was government action was to prevent the spread of collective agreements to wider sector.
- No quantitative work to provide evidence

Undermining Collective Bargaining

- IMF (2003) Build on 'successes' of mid 1990s
- Further reforms could gain economic growth increase of 5%
- In particular unionisation was associated with elevated levels of unemployment.
- In fact, report found:
 - No consistent link between unionisation and unemployment
 - Stronger unionisation limited short-term unemployment

Undermining Collective Bargaining

- Quantitative evidence was always weak – correlations were always qualified.
 - Unionisation V Bargaining
 - Coordinated V Informal
 - Centralized V Decentralized

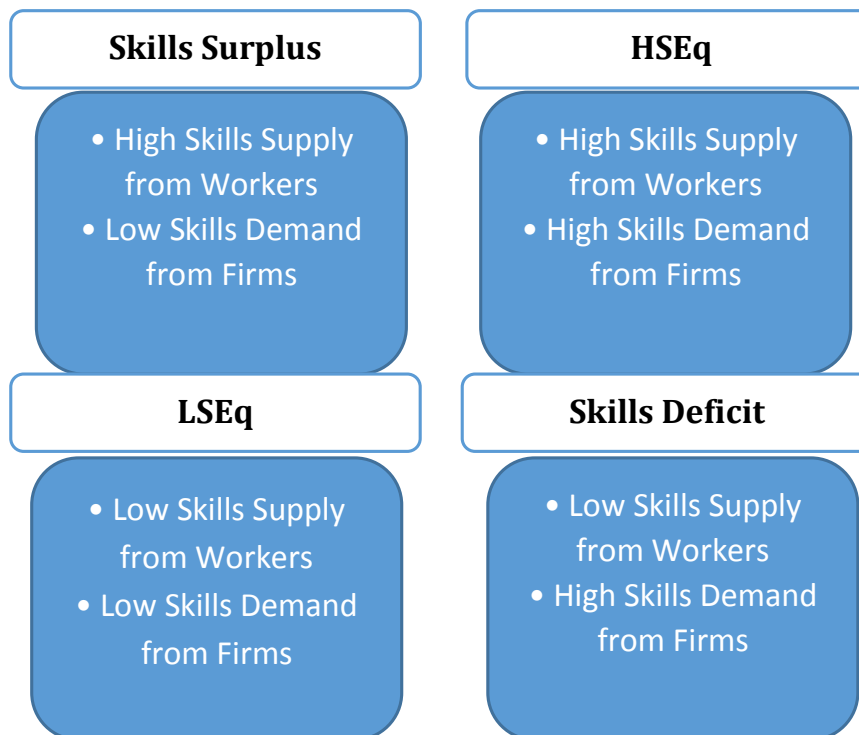
Benefits of Collective Bargaining

- Benefits for workers – pay, terms and conditions, a voice in the work place.
- Benefits for firms? Flexible labour markets agenda has given us low pay and precarious work
- Bad for workers but **ALSO** bad for firms.
- Transient, worried and demotivated workers are not productive workers.
- Productivity crisis can be traced to the world of work created by flexible markets.

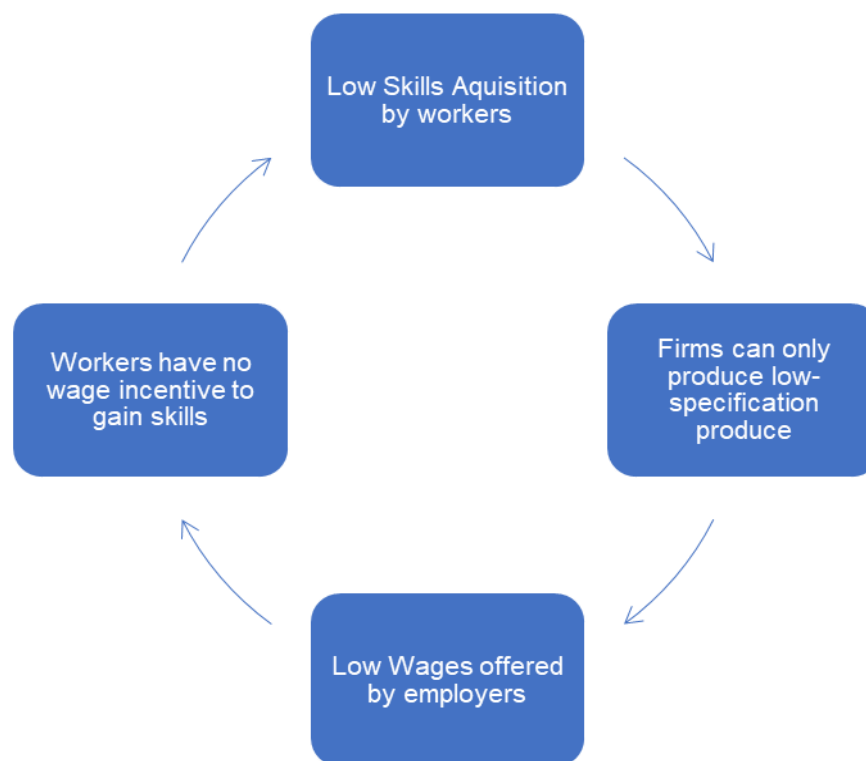
A Low Skills Equilibrium for Northern Ireland?

- Persistently low skills - 16% of 16 to 64 year olds did not have a level 1 National Vocational Qualification
- Persistently low productivity - 2005 GVA per head was 80.6% of the UK average, 2015 73.8%
- Persistently low wages - The median weekly wage in NI was 92% of the UK average in 2016 up from 91% in 2006
- A link between all 3 – a Low Skills Equilibrium.
- Need to look at both the supply and demand for Skills.

A Low Skills Equilibrium for Northern Ireland?



A Low Skills Equilibrium for Northern Ireland?



An Equilibrium?

Country	Mismatched Skills	Country	Mismatched Skills
Northern Ireland	9.34	Norway	13.49
Netherlands	9.59	New Zealand	13.92
Poland	9.83	OECD	14.58
Finland	10.08	Turkey	15.27
Canada	10.17	Slovak Rep.	15.89
France	10.25	Germany	15.89
Sweden	10.79	Cyprus	17.03
Flanders	11.74	Italy	17.70
Estonia	11.77	Russia	17.87
Denmark	11.95	Czech Rep.	18.02
Australia	11.98	Jakarta	19.18
Slovenia	12.27	Austria	19.50
Israel	12.32	Spain	19.53
Korea	12.52	Rep. of Ireland	19.58
Singapore	12.78	Lithuania	22.74
United States	12.84	Chile	25.78
Japan	12.85	Greece	34.37
England	13.42		

Sources: OECD (2017)

Discouraged workforce and firms

- Workers
 - Very few engaged in qualifications or training
 - Those that are – not for job reasons
 - Not only are workers not engaged in training, they're not even looking for it.
- Firms
 - Vacancies are very unlikely to be result of skills shortages
 - Losing workers because of lack of progression, not competition from other employers
 - Firms focused on price competition.

Policy Implications

- A Prisoner's Dilemma. Workers and firms have a better option, but it requires **coordination**. UK economy including NI lacks that institutional capacity.
- A New Skills framework. Supply and Demand measures do not work in isolation. Apprenticeship levy. Standardisation also key.
- NI is an SME economy, that is a challenge to coordinated skills policy, but not an insurmountable one.
- Focus on the micro. Examples where skills coordination happens. Collective agreements between staff and workforce about investment for both.