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Article

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COLLECTIVE BARGAINING COVERAGE IN THE OECD FROM THE 1960S TO THE 1990S¹

Concept and measures

Collective bargaining systems play an important role in determining labour market performance. They are characterised by trade union density, by centralisation and co-ordination and by collective bargaining coverage.

The coverage rate is defined as the number of employees covered by a collective agreement divided by the total number of wage and salary earners. Any calculation of national coverage rates needs to take account of the fact that, in a number of countries, certain groups of employees (in the public sector) are legally excluded from the right to conclude collective agreements. Hence, one has to distinguish between two concepts of the coverage rate. The unadjusted coverage rate is defined as employees covered by a collective agreement as a proportion of all employees. The adjusted coverage rate is defined as the ratio of employees under a collective agreement to the total number of employees equipped with bargaining rights. In this paper, the adjusted rate is used. It better measures the diffusion of collective bargaining within its potential domain and it shows the relative importance of collective bargaining compared with individual contracts as an alternative mode of employment governance.

In most countries, the percentage of workers who are covered by collective agreements is higher than the percentage belonging to trade unions. There

are two reasons for the higher collective bargaining coverage rate. Employers may extend collective agreements to non-union workers or collective bargaining agreements may be extended by legal mechanisms to third parties.

There are two main legal mechanisms:

- The first makes a collective agreement generally binding within its domain (i.e. a particular economic sector and/or region) and covers both employers and employees who are not affiliated with the bargaining parties. Generally, this can be done by the responsible authority (normally the Ministry of Labour) at the request of the bargaining parties.
- The second may be termed an enlargement. This makes collective agreements binding on employers and employees in certain geographical or sectoral areas outside the agreement's domain if they are economically similar to those covered by the collective agreement and if there are no parties capable of conducting collective bargaining.

Database

The main database for collective bargaining coverage is the OECD, Employment Outlook 1994 and 1997. The OECD data cover the years 1980, 1990 and 1994. They are based on surveys, calculations from statistics and estimates of experts. Apart from the OECD, there are some relevant country studies (see references).

In order to obtain information on collective bargaining coverage for the period 1960 to 1980, a questionnaire was sent to experts in 20 OECD countries. It covers not only the period 1960 to 1980 but includes the period 1980 to 1999. The questionnaire refers to the adjusted collective bargaining coverage rates and follows the methodology of the OECD. Experts were asked to make precise estimates if possible. Otherwise they were to classify the bargaining coverage of their respective country by code

¹ This survey is part of a larger research project by Stephen Nickell, Luca Nunciata, Glenda Quentini and the author on "The Beveridge Curve, Unemployment and Wages in the OECD from the 1960s to the 1990s". See the discussion paper at <http://cep.lse.ac.uk/papers/abstractquery.asp?type=502> and the article "Why do Jobless Rates Differ?" in *CentrePiece*, Vol.6 (3), autumn 2001, pp.7-17. The data in this article are collected from specific country experts. We are grateful for their assistance.

- 1 = under 25%,
2 = 25% to 70%, and
3 = over 70%.

Results

As a general rule, collective bargaining coverage is high in Continental Europe and Australia and low in English-speaking countries (with the exception of Australia) and Japan. Over the whole period, collective bargaining coverage did not change much, exceptions being the United Kingdom, the United States, Japan, and New Zealand (see Table and Comments).

Within the group of countries with a high coverage rate (over 70%) collective bargaining coverage did not change in Austria, Finland, Germany, Ireland,

Portugal, Sweden and Australia. It rose in Belgium, France, Netherlands and Spain and fell in Italy. A medium coverage rate (25% to 70%) is characteristic for Denmark, Norway, Switzerland, the United Kingdom, Canada and New Zealand. The coverage rate rose in Norway and declined in the United Kingdom and New Zealand. The lowest coverage rates (below 25%) are found in the United States and Japan.

Major reductions in collective bargaining coverage have taken place in the United Kingdom (since 1980), the U.S. (since 1960), Japan (since 1970) and in New Zealand (since 1991). The contraction of coverage in the United Kingdom was associated with a decline of sectoral agreements, a structural decline of unionised industries, the privatisation of the public sector, and legal constraints placed upon trade unions. In the United States and Japan, the

Collective Bargaining Coverage (in %)

Country	1960	1965	1970	1975	1980	1985	1990	1995*	1997	1999
Austria ^{a)}	> 70	> 70	> 70	> 70	> 70	> 70	99	99		
Belgium ^{b)}	80	80	80	85	90	90	90	90		
Denmark ^{c)}	67	68	68	70	72	74	69	69		
Finland ^{d)}	95	95	95	95	95	95	95	95		
France ^{e)}	> 70	> 70	> 70	> 70	85	> 70	92	95	97	
Germany ^{f)}	90	90	90	90	91	90	90	92		
Ireland ^{g)}	> 70	> 70	> 70	> 70	> 70	> 70	> 70	> 70		
Italy ^{h)}	91	90	88	85	85	85	83	82		
Netherlands ⁱ⁾	100	< 70	< 70	> 70	76	80	> 70	85		
Norway ^{j)}	65	65	65	65	70	70	70	70		
Portugal ^{k)}	n.a.	n.a.	n.a.	n.a.	70	> 70	79	71		
Spain ^{l)}	n.a.	n.a.	n.a.	n.a.	68	70	76	78		
Sweden ^{m)}	> 70	> 70	> 70	> 70	> 70	> 70	86	89		
Switzerland ⁿ⁾	< 70	< 70	< 70	< 70	< 70	< 70	53	53		
United Kingdom ^{o)}	67	~67	68	~72	70	64	54	40	36	
Canada ^{p)}	35	33	36	39	40	39	38	36		
United States ^{q)}	29	27	27	24	21	21	18	17		15
Japan ^{r)}	< 70	< 70	< 70	< 70	28	< 70	23	21		
Australia ^{s)}	85	85	85	85	85	85	80	80		
New Zealand ^{t)}	< 70	< 70	< 70	< 70	< 70	< 70	67	31		

*: 1995 = 1994; < 70 means: 25% to 70%.

^{a)} Estimates by F. Traxler; Traxler, F., S. Blaschke and B. Kittel (2001): National Labour Relations in International Markets, Oxford for 1990 and 1995.

^{b)} Estimates by J. Rombouts; OECD 1997 for 1990 and 1995.

^{c)} Estimates by St. Scheuer; 1985 figures are survey based; OECD 1997 for 1990 and 1995.

^{d)} Estimates by J. Kiander; OECD 1997 for 1990 and 1995.

^{e)} Estimates by J.-L. Dayan; OECD 1997 for 1980, 1990 and 1995; estimates by J.-L. Dayan for 1997.

^{f)} Estimates by L. Clasen; OECD 1997 for 1980, 1990 and 1995.

^{g)} Estimates by W. Roche.

^{h)} Estimates by T. Boeri, P. Garibaldi, M. Macis; OECD 1997 for 1980, 1990 and 1995.

ⁱ⁾ Estimates by J. Visser; survey by van den Toren for 1985; OECD 1997 for 1980 and 1995.

^{j)} Estimates by K. Nergaard.

^{k)} Estimates by R. Naumann; OECD 1997 for 1980, 1990 and 1995.

^{l)} Estimates by J. F. Jimeno for 1980 and 1985; OECD 1997 for 1990 and 1995.

^{m)} Estimates by C. Nilsson; OECD 1997 for 1990 and 1995.

ⁿ⁾ Estimates by R. Fluder; OECD 1997 for 1990 and 1995.

^{o)} Estimates by W. Brown based on Milner, Millward et al., and Cully/Woodland.

^{p)} Estimates by M. Thompson; OECD 1997 for 1990 and 1995.

^{q)} Estimates by W. Ochel for 1960 to 1980; Current Population Survey for 1985, 1990, 1995 and 1999.

^{r)} Estimates by W. Ochel with the assistance of the Japan Institute of Labour; OECD 1997 for 1980, 1990 and 1995.

^{s)} Estimates by R. D. Lansbury; OECD 1997 for 1990 and 1995.

^{t)} Estimates by R. Harbridge; OECD 1997 for 1990 and 1995.

Source: Compilation by Ifo Institute.

Comments by Country Experts

Country	Comment
Austria	High coverage is mainly due to obligatory membership in the principal employer organization. High stability is the result of a supportive legal framework and strong unions and employer organizations.
Belgium	Extension of collective agreements explains high coverage. Governments and other public authorities have a duty to 'bargain in good faith', before a decision is made. Collective Agreements Act (1968); since 1970 larger coverage due to this new legislation. Labour Relations (Public Sector) Act (1974); since 1980 more collective bargaining in the public sector.
Denmark	Figures are based on backward extrapolation (1960–1980), using subcategories' coverage rates from 1985; a simple algorithm is employed; 1985 figures are survey based. Increase 1960 to 1985 due to increased size of public sector. Decrease from 1990 due to increased size of private sector salaried employees, but other factors are at play.
Finland	In the 1960s and even 1970s, the wage formation and price setting was heavily regulated by social partners and government. In later years, the high coverage rate is a result of high union density rate and extensions. The union density rate has been increasing all the time from 30% in 1960 to about 90% in 1995. The collective agreements are by law extended to cover almost all employees.
France	---
Germany	---
Ireland	No quantitative data exists on the subject of the coverage of collective bargaining in Ireland. Virtually all public sector employees (approximately 28% of all employees in employment) are covered by collective agreements at company or grade/category levels and are subject to centralized national pay agreements. In the private sector, a growing non-union workforce has been emerging since the 1980s in computer hardware and software and areas of pharmaceuticals, health care and financial services. In sizeable numbers of companies in these sectors, no collective bargaining occurs. However, to the extent that many such companies are members of the main employers' confederation, IBEC, they may technically be within the ambit of national tripartite collective agreements negotiated in Ireland since 1987. The extent to which 'non-union' employers feel bound by the terms of these agreements is an open question. A code of 3 grossly inflates the extent to which the workforce is subjected de facto to collective pay fixing at firm level.
Italy	Based on Bruno Contini, 'Labour Market Segmentation and the Development of the Parallel Economy – The Italian Experience', Oxford Economic Papers, Vol. 33, No. 3, November 1981, pp. 401–12. Same methodology as in OECD, Employment Outlook 1997, Annex 3.A – Italy.
Netherlands	From 1945 to 1962, the 1945 Extraordinary Decree on Labour Relations applied, meaning that all wages were subject to government controls. From 1962, free collective bargaining in the market sector resumed. Coverage in the market sector was 55% (1965), 60% (1970), 65% (1975). Unions did not have the right to negotiate agreements in the public sector; government decided. Coverage was 100%. Since the mid-1980s, unions have regained the right to negotiate agreements in the public sector.
Norway	There are no historic figures on collective bargaining coverage in Norway. There are some surveys for the 1990s which estimate a coverage rate of 75%. K. Nergaard thinks that this is too high. The estimates for the pre-1990-period are based on the assumption that there are no major shifts in agreement coverage at sectoral level. Shifts in coverage rate are attributed to changes in employment between industry, private services and public sector. The growth of public sector employees (with a coverage rate of 100%) has led to a moderate increase in the long-term coverage rate.
Portugal	Until the end of the 1970s, no proper system of collective bargaining was in place. Salazar's regime was characterized by authoritarian regulation of labour relations through corporatist institutions. The government directly controlled all activities of the national trade unions and employers' guild. It took until 1985 for the state to largely withdraw from an active role in collective bargaining. Public sector employees (22% of total wage and salary earners) are not covered by collective agreements. Their earnings are fixed by government. According to Reinhard Naumann, 90% of the labour force in the private sector is covered by collective bargaining. (It seems to be that the OECD calculated the unadjusted coverage rate.)
Spain	The main law regulating collective bargaining was passed in 1980. Before that year, no proper system of collective bargaining was in place. (Under the Franco regime, wages were determined with pervasive government intervention.)
Sweden	---
Switzerland	Collective bargaining coverage has not changed much since the 1960s. In the 1980s and 1990s, there was a minor reduction of collective bargaining coverage due to the growth of services. Switzerland Collective bargaining coverage has not changed much since the 1960s. In the 1980s and 1990s, there was a minor reduction of collective bargaining coverage due to the growth of services.
United Kingdom	References: Milner, S. (1995) for 1960 to 1985; Millward et al. (1992) for 1990; Cully, M. and S. Woodland (1998) for interpolation for 1995 (their coverage rate for 1997 is 36%). Contraction of coverage since 1980 is associated with: a) decline of sectoral agreements, b) structural decline of unionised industries, c) privatisation of public sector, d) legal constraints placed upon trade union organisation by various laws.

continued:

Comments by Country Experts

Country	Comment
Canada	Percentage of paid non-agricultural labour force used as basis. Public sector wages fixed by collective bargaining. Growth in public sector unionism has increased coverage since 1970. The proportion of persons covered by collective agreements without being union members rose because of special features of public sector legislation.
United States of America	1960–1980: Own estimates based on: BLS, Directory of National Unions and Employee Associations; assumptions on workers who are not members of a labour union or an employee association but whose jobs are covered by a union or employee association contract are derived from information of CPS for the 1980s and 1990s. 1985–1995: Current Population Survey: Union affiliation of employed wage and salary workers.
Japan	The estimates are based on: union density rate, percentage of union members covered by collective bargaining and a supplementary factor for non union employees covered by collective bargaining (taken from the USA). The Japanese indicators are taken from the Yearbook of Labour Statistics of Japan. A reduction of the bargaining coverage rate took place from roughly 35% in 1970 to 21% in 1995. This reduction is mainly due to a decrease of union density rate.
Australia	Bargaining coverage was largely a product of industrial awards which covered 85% (on average) until the decline from the late 1980s. Since the early 1990s, bargaining has been more on an enterprise basis. Union density has also fallen substantially.
New Zealand	No formal data collection available prior to 1990. Band 2 (25–70%) is wide and conceals a significant change in New Zealand levels of collective bargaining since 1992, where bargaining coverage has more than halved but remains above 25%.

Source: Compilation by Ifo Institute.

decline of the coverage rate was due to a decrease of union density. In New Zealand changes in the bargaining system resulted from the Employment Contracts Acts of 1991.

Collective bargaining coverage is to a large extent determined by union density and by extension mechanisms. In 1990, extension practices were pervasive in Austria, Belgium, France, Portugal and Australia. Extension had a more limited but still considerable impact in Finland, Germany, Netherlands, Spain and Switzerland (see OECD, *Employment Outlook 1994*, pp. 178 ff.).

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