

SCIENTIFIC REPORT

ESF Exploratory Workshop on

Boxing or dancing? The changing role of Unions in Europe in light of the financial crisis

Essen (Germany), 10-12 September 2010

Convened by:

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Co-organised by



**Centre for
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1. Executive summary

The ESF Exploratory Workshop "Boxing or Dancing - The changing role of Unions in Europe in light of the financial crisis" aimed to understand the diverse situation of unions in Europe. Moreover it sought to analyze the different roles, strategic orientation and actions of unions in the aftermath of the financial and economic crisis.

The workshop was organised by the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) and took place at the Welcome Hotel in Essen. It lasted 2.5 days from September 10th to 12th 2010. The workshop brought together fifteen outstanding researchers with a shared interest in the role of unions in Europe. The participants came from six different countries (Germany, UK, Italy, France, USA and Portugal). In a constructive atmosphere the elaboration of innovative methods for analyzing the effects of the financial crisis and institutional changes on unions was discussed. In addition, participants presented the most recent findings of their research on trade unions.

The workshop presentations were divided into three sessions

1. Decline in Union Membership: Exogenous and endogenous factors
2. Wage and Employment Effects of Unions
3. Unions' new Role in the Political Economy

To introduce and motivate the topic of the workshop, Christoph Schmidt outlined some of the challenges research on trade unions faces today. After the introduction, Algis Krupavicius gave a presentation on the ESF and its activities supporting the advancement of European research and the exploration of new directions for research at the European level.

The first session targeted recent developments in union membership. Many European countries are facing a steep decline in membership density. Alex Bryson, Laszlo Goerke and Paulino Teixeira gave presentations on the development of union membership in Britain, Germany and both countries in a comparative perspective, respectively.

The second session presented new research on wage and employment effects of unions. The existence of such effects is an indicator of whether the labour movement is still able to substantially shape working conditions or whether collective bargaining has merely turned into a show game between organisations of employers and employees without further effects on the labor market. Bernd Fitzenberger, Jennifer Smith and Marco Leonardi shared their latest findings on the employment effects of trade unions and labour market institutions.

In the third session, the new role of unions in the political economy was discussed. The current financial and economic crisis re-emphasizes the potential need for a pragmatic and progressive labour movement, which in turn gives unions the opportunity to revitalize themselves. Analyzing and comparing the strategies and actions taken by unions in different European countries can help to identify successful reshaping mechanisms of unions. On the one hand, workers are confronted with an industrial restructuring process, potential lay-offs and social instability. On the other hand, modern financial capitalism is reshaped by the financial crisis. Eventhough labour movements in many countries are facing a steep decline in membership, the national frameworks within which unions are acting, and the development of strategies to stand their ground, are very different.

The presentations by Richard B. Freeman, Kerstin Hamann and Francis Kramarz focussed on the loss of union power and on strategies taken in three selected countries – France, Spain and the US.

To help motivate the discussion of possible joint research on trade unions, Saskia Schmidt introduced various existing cross-country data sets, which contain information on unions and institutional specifics of the labour movements in selected European countries.

In a final step, the possibilities of forming a research network were discussed. The participants showed mutual interest in further collaboration. Specifically, an emerging idea of soliciting a new module on union membership in the European Social Survey (ESS), a European-wide individual data set, was discussed. The implementation will, however, depend on the availability of funding, for which different sources (for example the 7th European Framework) are currently being considered.

As a first step a mailing list has been installed to provide an excellent opportunity for a continuous interchange of research ideas on the new challenges of the labour movement in Europe. The list includes not only the participants of the workshop, but also other experts who could not attend the meeting. Early next year, the RWI has proposed to install a platform for file exchange to facilitate follow-up research projects.

In summary, this workshop fulfilled its primary aim in bringing together researchers with a shared interest in trade unions. It allowed for an in-depth exploration of the role of trade unions as an actor in the labour market. Highly innovative research on the basis of different scientific approaches have been presented. The workshop succeeded in highlighting important research topics, which need to be addressed in the aftermath of the financial crisis and emphasised the important part of cross-country research for new advancements in this area. The workshop has helped to define new research questions and has laid the foundation for an international research network. The feedback from the participants was very good; many commented that the workshop was excellent and highly productive.

2. Scientific content of the event

The first session targeted the issue of union membership. In his presentation, Alex Bryson characterized developments of union membership in Britain over the last decade. With his colleague John Forth, he found that while the rate of membership decline had been slowing down until 2004, the decline has recently been accelerating again imposing further pressure upon unions. The presentation triggered a discussion about institutional features of union membership. For example the shares of multi-firm and single plants in Britain are different to those of other European countries. This special characteristic has consequences for British union coverage. As in other countries the share of new firms not covered by unions has largely increased ("never members"); in contrast, the share of existing firms, which have withdrawn from union representation, has in contrast not changed very much. Though the mechanisms are the same across all countries, in Britain they have a larger impact on coverage. The insights from this discussion highlighted the importance of national specifics for European wide research on unions. A second discussion centered around the use of rarely-used proxies for union power such as paid holidays, sick leave or working hours per week.

Paulino Teixeira followed with a presentation of his recent study (in collaboration with John Addison, Alex Bryson and André Pahnke) about union decline in Germany and the UK by means of a decomposition analysis. According to his conclusion, differences in composition only play a minor role for the decline within the countries and for the difference between the countries. Instead, differences in behaviour (within-effects) are the driving force. The discussion involved different aspects of data, such as measurement errors or the handling of a low number of transitions in the dependent variable. Also the potential for inter-country comparisons was evaluated provided that there is suitable data at hand.

To conclude the first session, Laszlo Goerke presented his joint work with Markus Pannenberg on trade union membership and dismissal protection. Dismissal protection is a similarly innovative indicator of union power as paid holidays in the aforementioned presentation by Alex Bryson. According to the findings there is a protection effect of union membership, which constitutes a private gain of union membership. Women seem to be best protected by unions. Predominantly, the discussion centred on the scarcity of good instruments to account for endogeneity in the membership regression.

The second session targeted the employment effects of unions. Bernd Fitzenberger presented his recent work with Dirk Antonczyk and Katrin Sommerfeld about rising wage inequality and the decline in unionization in Germany. Their study finds that bargaining coverage sharply declined between 2001 and 2006, increasing wage dispersion across employees.

On a more general level, Marco Leonardi's talk dealt with the effect of employment protection legislation on wages. With his colleague Giovanni Pica he examined a quasi-experimental legislation change, where certain firms were confronted with higher dismissal costs. He stated that firms passed on almost half of the expected firing costs onto lower wages.

The second session concluded with a presentation by Jennifer Smith on the wage premia of union membership in Britain (joint work with Wiri Arulampalam and Alejandra Manquilef-Bächler). She focussed particularly on the difference of wage premia across the wage distribution, both between the private and the public sector and over time. The results

obtained by means of quantile regression point to an effect only in the public, but not the private sector.

To help motivate the discussion of possible joint research on trade unions, Saskia Schmidt provided an overview of various existing cross-country data sets and institutional specifics of labour market institutions in selected European countries. In a final step of the session, the possibilities of forming a research network were discussed.

The third session about unions' new role in the aftermath of the financial crisis was started off with a presentation by Kerstin Hamann about the Spanish case in a comparative context. She presented evidence that the scope of unions' actions in Spain has moved from the industrial to the political arena, where social pacts serve as a new instrument for union actions.

This was followed by Richard Freeman's presentation of his assessment of the lessons learned from the financial crisis, with a focus on the US. He argued that activities and incentives in finance such as rewards for risk-taking have revealed themselves as an important factor for the well-being of workers than common collective bargaining. According to his central thesis, unions can exert an important role if they redefine themselves and amplify their scope in reshaping the regulation of the financial market. In this respect they would act as a countervailing force in reforming the financial markets, not leaving it to the insiders.

In the last presentation Francis Kramarz gave a detailed appraisal of the new tendencies of French unions. In particular, he focussed on the recent 2008 reformatory legislation, which might, in his view, even eliminate unions and their countervailing benefits for the system of labour relations in France.

The discussions identified a group of promising research topics which deserve further investigation at the European level. A first question is "What are the rewards and benefits of union membership to the employees?" This issue is fundamental, since the examination of indicators for union power such as coverage only mirrors a show game, if there is no reward differential between covered and uncovered workers.

As a second question there is still a lack of knowledge as to what kind of labour protection workers really want. Whether provided by a union or other agents. To go further, it seems fruitful to examine whether there are certain points in the life cycle of workers, when they are more likely to demand such protection.

Third, an often overlooked issue is the side of employers' organizations. Figures suggest that union coverage is quite correlated with the share of organized employers in employer associations, but still there is no data to shed light on why employers actually join employer unions.

The participants showed interest in tackling these questions although they did not consent on one subject. If there was a tendency, most interest seemed to be in the topic of union membership rewards.

3. Assessment of the results, contribution to the future direction of the field, outcome

The exploratory workshop was very successful in bringing together outstanding researchers with a shared interest in the topic of labour unions. It laid the first foundation of an international research network. Varied approaches of empirical research were presented and discussed. Also a vivid exchange about methodological issues, data specifics and institutional characteristics for unions in European countries was enabled by the workshop. In addition, strategies taken by unions in the aftermath of the financial crisis were evaluated. The discussions have so far identified a group of promising research topics which deserve further investigation at the European level:

1. "What are the rewards and benefits of union membership to the employees?"
2. "What kind of labour protection workers really want?"
3. "Why do employers join employer associations?"

The first question is fundamental, since the examination of indicators for union power, such as coverage only mirrors a show game, if there is no reward differential between covered and uncovered workers. Regarding the second question, there is still a lack of knowledge, surrounding the kind of labour protection workers really want, whether provided by a union or other agents. To go further, it seems fruitful to examine whether there are certain points in the life cycle of workers, when they have a demand for such protection. The third question targets an often overlooked issue, namely the side of the employers' organizations. Existing figures indicate that union coverage is correlated with the share of organized employers in employer associations. However, there is still no data to shed light on why employers actually join employer unions.

A lack of suitable comparative data was assessed as the major obstacle to approaching these research questions at the European level. In order to overcome the data scarcity, soliciting two rotating modules of the European Social Survey (ESS) was discussed. The first two questions raised could be addressed by these modules. The ex ante construction of possible instruments to approach the endogeneity problem of union membership seems also to be very promising. Whether an ESS module will be solicited still depends upon funding. Different sources are being examined at the moment.

As a first step for laying the foundation of an international research network, a mailing list has been developed. This will provide an excellent opportunity to keep contact with all participants of the seminar and to collect further research ideas on the new challenges for the labour movement in Europe. The list includes not only participants of the workshop, but also other experts who could not attend the meeting. Early next year we are planning to install a platform for file exchange to facilitate follow-up research projects.

4. Final programme

Day 1, September 10th, 2010

- 18.00-19.30 *Registration and Get together reception at Atlantic Hotel*
- 19.30 *Transfer from Atlantic-Hotel to Restaurant Pfefferkorn, Meeting at the Lobby*
- 20.00 *Dinner*

Day 2, September 11th, 2010

- 08.30 *Transfer from Atlantic-Hotel to Welcome-Hotel, Meeting at the Lobby*
- 09.00-09.15 **Welcome**
Christoph M. Schmidt (RWI and Ruhr-Universität Bochum, Germany)
- 09.15-09.30 **Presentation of the European Science Foundation (ESF)**
Algis Krupavicius (Kaunas University of Technology, Lithuania)
- 09.30-12.30 Session 1: Decline in Union Membership: Exogenous and endogenous factors**
- 09.40-10.30 **Presentation 1 "Trade Union membership and influence 1999-2009"**
Alex Bryson (National Institute of Economic and Social Research, UK)
- 10.30-10.50 *Coffee / Tea Break*
- 10.50-11.40 **Presentation 2 "Slip Sliding Away: Further union decline in Germany and Britain"**
Paulino Teixeira (Universidade de Coimbra, Portugal)
- 11.40-12.30 **Presentation 3 "Dismissals and Union Membership"**
Laszlo Goerke (Eberhard Karls Universität Tübingen, Germany)
- 12.30-13.30 *Lunch*
- 13.30-14.15 **Follow up Research Activities Session 1: International Datasets for Research on Unions and Institutional Differences of EU members**
Saskia Schmidt (RWI and RGS ECON, Germany)

14.15-18.00	Session 2: Wage and Employment Effects of Unions
14.15-15.05	Presentation 1 “Rising Wage Inequality, the Decline of Collective Bargaining, and the Gender Wage Gap” Bernd Fitzenberger (Albert-Ludwigs-University, Freiburg, Germany)
15.05-15.55	Presentation 2 “Employment Protection Legislation and Wages” Marco Leonardi (Universita' degli Studi Milano, Italy)
15.55-16.20	<i>Coffee / tea break</i>
16.20-17.10	Presentation 3 “Differences in decline: quantile regression analysis of union wage differentials in the United Kingdom” Jennifer Smith (University of Warwick, UK)
17.10-18.00	Follow up Research Activities Session 2
18.15	Transfer to Atlantic Hotel
20.00	Dinner

Day 3, September 12th, 2010

08.30	<i>Transfer from Atlantic-Hotel to Welcome-Hotel, Meeting at the Lobby</i>
09.00-11.30	Session 3: Unions' new role in the Political Economy
09.00-09.40	Presentation 1 “A New Role for Unions? The Spanish Case in Comparative Context.” Kerstin Hamann (University of Central Florida, US)
09.40-10.30	Presentation 2 “Unions' new role in the US” Richard B. Freeman (NBER, Harvard, USA)
10.30-10.50	<i>Coffee / Tea Break</i>
10.50-11.30	Presentation 3 “Unions' role in France” Francis Kramarz (Crest, Paris, France)
11.30-12.30	Network proposal and closing remarks
12.30-13.30	Lunch
13.30	<i>End of Workshop and departure</i>

5. Final list of participants

Convenor:

Christoph M. Schmidt (RWI, Ruhr-University Bochum & CEPR, DE)

Co-Convenor:

Prof. Claudio Lucifora (Università Cattolica del Sacro Cuore, IT)

Jonathan Wadsworth (University of London, UK)

ESF Representative:

Algis Krupavicius (Kaunas University of Technology, LT)

Participants:

Daniele Checchi (Università degli Studi Milano, IT)

Kerstin Hamann, (University of Central Florida, USA)

Laszlo Goerke (Eberhard Karls Universität Tübingen, DE)

Bernd Fitzenberger (Albert-Ludwigs-University, DE)

Francis Kramarz (Center for Research in Economics and Statistics, FR)

Paulino Teixeira (Universidade de Coimbra, PT)

Alex Bryson (National Institute of Economic and Social Research, UK)

Marco Leonardi (Università degli Studi Milano, IT)

Thomas Bauer (Ruhr-Universität Bochum & RWI, DE)

Saskia Schmidt (RWI & RGS, DE)

Jennifer C Smith (University of Warwick, UK)

6. Statistical information on participants

In total 15 people attended the meeting. Three of them (20%) were women.

Participants were classified, with respect to age, as Middle (47%) or Senior (53%).

There were 14 economists and one social scientist.

The distribution per country was as follows:

Germany: 5

UK: 3

Italy: 3

Portugal: 1

US: 2

France: 1