

Wage inequality, collective bargaining coverage and trade union density

Maarten van Klaveren and Kea Tijdens

University of Amsterdam, Amsterdam Institute for Advanced labour Studies (AIAS)

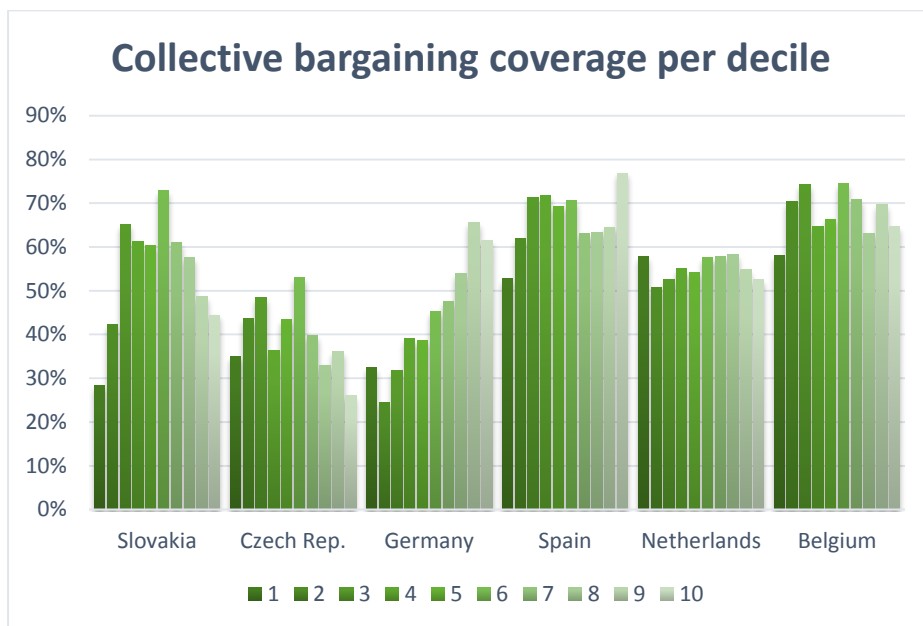
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Up till now developments in industrial relations and collective bargaining have only modestly been represented in the debates on inequality that have recently risen under the impetus of Thomas Piketty's *Capital in the 21st century*. In these debates, growing income inequality has in particular been linked with the growing market power of multinational enterprises and the rise of *private equity*, with excessive rewards for corporate managers aligning with empowered shareholders, as well as with the 'financialisation' of the world economy. As an explaining factor, the near-global weakening of labour's bargaining power mostly ranks lower. Yet, nearly all students of industrial relations come to about the same conclusion: in the majority of western countries the position of the trade union movement has been weakened and trade union membership rates have fallen, and often collective bargaining coverage is under pressure as well. However, internationally comparable data seems lacking that indicate how the latter trends work out for the various layers of wage-earners.

WageIndicator data can help to diminish this lack of information. *WageIndicator* data for 2014 allow us to calculate collective bargaining coverage and trade union membership (density) rates per decile of the wage distribution, that is, for each 10 per cent of that distribution, from the top 10 per cent of wage-earners to the lowest 10 per cent. Here, we include six EU member states. Figure 1 shows the frequency division of collective bargaining coverage per wage decile. In four out of six countries, this coverage is lowest in the lowest decile. The Netherlands forms a clear exception, indicating a relative high coverage rate in the lowest decile, whereas in Germany coverage in the one but lowest decile is even lower than that among the lowest 10 per cent of workers. Remarkably, from that second lowest level collective bargaining coverage in Germany rises with each decile. Remarkable as well is the outcome that in Spain wage-earners in the highest decile are best covered by collective agreement. In the other countries the middle groups show the highest coverage. We may add that in the Netherlands and Belgium the shares of *WageIndicator* respondents ticking to be covered by collective agreement remain 25 to 30 per cent lower than the coverage rates indicated by the official statistics. This is mainly due to the high rates of 'don't know' answers at this point found in the *WageIndicator* survey in these two countries, answers that we have counted as a 'no' concerning bargaining coverage. Such high levels of ignorance among wage-earners may well be something to consider and take action for Dutch and Belgian trade union leadership.

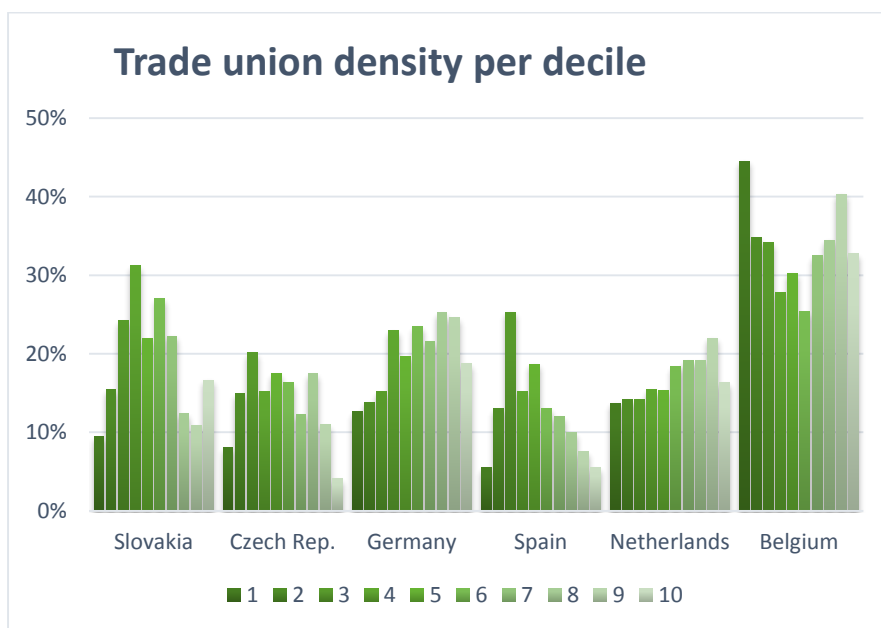
Figure 2 shows the distribution of trade union density rates across wage deciles and countries. Except for Belgium, the density rate is lowest in the lowest decile. The middle groups are relatively well unionised, though in the Netherlands this is the case for the higher middle groups and in Spain for the lower ones. If we combine the divisions shown in both figures, overall the lowest shares can be found in the very lowest decile (Czech Republic and Spain) or the lowest two deciles (quintiles: Slovakia and Germany). Except for Germany and Spain, the scores in the highest decile also remain rather low. Nearly everywhere, the higher middle groups are relatively well covered by collective agreement and well unionised. In combination, the decile division turns out to be rather flat in the Netherlands and Belgium. For these two countries we cannot conclude to a relationship between collective bargaining coverage and trade union density on the one hand and wage inequality on the other hand. By contrast, such a relationship seems at hand in the other four countries, most clearly in Germany.

FIGURE 1



Source: WageIndicator data, 2014. Slovakia n=729 Czech Rep. n=978 Germany n=8,173 Spain n=915 Netherlands n=6,362 Belgium n=1,190

FIGURE 2



Source: WageIndicator data, 2014. Slovakia n=729 Czech Rep. n=978 Germany n=8,173 Spain n=915 Netherlands n=6,362 Belgium n=1,190

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