

Fair Work Convention - A Fair Work Recovery
16 March 2021
4pm-6pm

Overview of the Global Deal and the importance of Social Dialogue

- The Global Deal is a multi-stakeholder partnership that promotes Social Dialogue as means to achieve decent work and inclusive growth.
- We currently have 112 partners representing governments North/South, businesses and employers, trade unions, civil society organisations and other international organisations. The International Labour Organization and OECD, together with Sweden, are the founding partners.
- The Global Deal is essentially an alliance for social dialogue and we welcome more stakeholders to join. To become a partner to the Global Deal, a stakeholder has to make a commitment to promote social dialogue.
- The Global Deal was set up with the Sustainable Development Goals (SDGs) in mind. One of the aims is to contribute to Goal 8 on decent work and economic growth, Goal 10 on reducing inequality both within and among countries and Goal 5 on gender equality.
- Our activities focus on:
 - bringing stakeholders/partners together to share experiences and good practices (interesting ex on website Airbus and Hamburg port)
 - increase knowledge about the benefits of social dialogue (thematic briefs/flagship report)
 - capacity building (e-learning tools on sound industrial relations and the SDGs)

Why is Social Dialogue so important?

- OECD research shows that the collective bargaining coverage rate has declined from the mid-80s from 45% (1985) to 32% (2017) and so has trade union membership (33 to 16% over the last four decades).
- The ratio of employees covered by collective agreements is nevertheless 60% on average in Europe and up to 90% in the Nordic countries.¹
- There are many reasons for the decline in collective bargaining coverage:

¹ OECD 2019. Negotiating Our Way Up. Collective Bargaining in a Changing World of Work. OECD Publishing

- It is about institutional changes which are a result of policy choices
 - Exposure to global competition
 - Changing composition of the workforce and the shifting nature of jobs (more services jobs, less industry)
- To address the challenges in the labour market, we need more social dialogue, not less.
 - We need well-functioning social dialogue that can manage technological and demographic changes, the rise of the platform economy and new forms of work.
 - There is also a strong link between social dialogue and inequality.
 - Research from the IMF finds that countries with stronger social dialogue (in this case measured as trade union membership) have more progressive tax systems and more redistributive social security systems, thereby reducing income inequality.
 - The IMF also concludes that almost half of the increase in income inequality across advanced economies over the past decades can be explained by the weakening of social dialogue.²

What learning is there from other countries on the role that collective bargaining and social dialogue more broadly can play in delivering Fair Work outcomes?

Fair Wages

- There is plenty of evidence that social dialogue and collective bargaining deliver fair work outcomes.
- In the US, wages in workplaces that are organised are 15% higher than workplaces without collective representation.³
- In the UK, the union wage premium is on average around 7% but it is higher in workplaces with higher trade union density.⁴
- There is similar evidence from the EU. The European Commission estimates that workers who are covered by a collective agreement earn up to 10% more than workers who are not covered.⁵

² Jaumotte, F. and Osorio Buitron 2015 Inequality and Labour Market Institutions. IMF Staff Discussion Note 15/14

³ Kulkarni, A and Hirsch B.T. 2020 Revisiting Union Wage and Job Loss effects Using the Displaced Worker Survey, ILR Review

⁴ Forth and Brysin, 2015 Trade Union Membership and Influence, 1999- 2014, London NIESR

⁵ European Commission 2020 The role of social dialogue for fairness and inclusion, Chapter 4 of Employment and Social developments Report

- Besides supporting better wages in absolute terms, social dialogue also contributes to a broader sharing of the benefits of economic growth.
- Vulnerable workers or workers with a weak bargaining position, benefit more from collective bargaining in terms of wages since collective bargaining tends to lift wages more at the lower end of the wage scale and those in the middle.
- If we look at the situation for women workers – the gender pay gap is lower when there is collective bargaining.
- The average gender pay-gap in the EU is about 14%. However, it is 10% for women workers covered by collective bargaining agreements.⁶
- The 7% union wage premium in the UK that I mentioned is twice as high for female workers. Therefore, women covered by a collective agreement earn 14% more than other women do.⁷

Other dimensions of Fair Work

- Another dimension of Fair Work is health and safety, which is particularly relevant now.
- Not all workers have the choice of telework and might fear being exposed to COVID-19, but through social dialogue workers have a collective voice.
- This means that they can discuss their concerns with management and negotiate measures to improve health and safety.
- The Global Deal flagship report shows how social partners have engaged in numerous protocols and collective agreements to put in place measures to protect against the virus.
- These include sanitary measures (such as social distancing, provision of safety equipment, re-organisation of shift work to interrupt social contacts), but also measures to monitor the implementation of the measures at company level (such as setting up special committees with worker representatives at company level).
- Social dialogue can even be a question of life and death. An interesting study from the US found that unionised nursing homes had lower mortality rates (355 nursing homes in New York).⁸

⁶ European Commission, *ibidem*.

⁷ Bryson and Blanchflower 2010 The Impact of trade unions in the UK public and private sectors, *Economica* 77,305: 92-1090

⁸ Dean A. and others 2020 Mortality Rates from COVID-19 are lower in Unionised Nursing Homes. *Health Affairs* 30 nr 11/2020

- The reason is that staff in these unionised nursing homes had better access to protective equipment as well as infection control procedures.
- As a result of better protection of staff, mortality rates amongst residents were 30% lower compared to non-organised facilities.
- There are several examples of how the combination of low-paid/precarious work and absence of social dialogue/trade union have contributed to the virus proliferating.
- According to the OECD publication *Negotiating Our Way Up* (2019), job quality tends to be higher in countries with well-organised social partners and a large coverage of collective agreements.
- In these countries, workers tend to have greater autonomy at work, more access to training and career advancement, and more working time flexibility.

What lessons are there from other countries about how collective bargaining and social dialogue can be increased in a voluntary system?

- This is a difficult question to answer because of the differences between countries. Systems have evolved over time and are the result of complex processes.
- We note, however, that coverage has held up much better in systems with multi-employer bargaining compared to systems where bargaining takes place at the individual company level.
- There are two reasons for this: (1) with sector agreements, there is less risk of being undercut by a company with lower wages and (2) it is possible to “pool” resources and spread risks and efforts over a multitude of companies (training funds in sector-level agreements for example).
- **Nordic experience:** Industrial relations in the Nordic countries have a high degree of autonomy meaning that the social partners manage issues that might be regulated by law in other countries.
- This offers the possibility of developing flexible approaches that are better adapted to the situation than legislation.
- Such systems are difficult to replicate. Still, lessons can be learned. For example, services delivered by trade unions in organising and managing unemployment benefit funds (Ghent-type systems) are important to boost union membership.

- In **North America**, industrial relations are based on workplace elections to determine if workers can be represented by trade unions, but there are considerable differences between Canada and the US.
- **Canada** has a density rate of 25% and one third of workers are covered by a collective bargaining agreement while US numbers are just below 10%.
- These figures can, at least partly, be explained by the following factors:
In Canada (1) the workplace can be organised on the basis of card checks so there are less possibilities to negatively influence the elections (in contrast to the US), (2) the employer has a duty to bargain and (3) social partners have recourse to mediation if no agreement can be reached.
- **Wage boards:** These are councils setting minimum pay and working conditions for specific sectors and occupations.
- There is one wage board for food sector workers in New York. Wage boards also exist in **Australia** under the name of Modern Awards.
- They are legal documents that outline the minimum pay rates and conditions of employment.
- They cover 122 sectors and occupations, and 23% of workers (on top of 36% of workers covered by collective bargaining as such).
- Social partners play a role in advising the Modern Awards system but they do so along with lawyers and economic experts (besides government officials).
- Another interesting example is from **New Zealand**. The government is considering introducing “Fair Pay Agreements” to set minimum terms and conditions for employment in certain sectors while ensuring this system is driven by social dialogue and social partners. While there is disagreement about making these sectoral wage conditions compulsory for all companies in a sector, all parties in an independent review commission supported the basic idea of “Fair Pay Agreements” which is to closely involve social partners in determining minimum employment conditions in sectors where 10% of workers request it or following a test of public interest.
- **Role of a conducive framework:** In voluntary systems, it is very important to have a conducive framework as this will influence the outcomes.
- For example, in some countries labour conditions are used as a requirement for public procurement (some Länder in Germany for example as well as recent Biden administration decision to outsource only to companies paying the 15\$ minimum wage).

Making the Business Case for Social Dialogue

- Finally, to promote social dialogue in a voluntary system, it is important to show the benefits for employers/companies. The Global Deal brief on *The Business Case for Social Dialogue* demonstrates that social dialogue and collective bargaining benefit businesses in numerous ways:
 - More stable employment relationships, which lead to higher productivity
 - The workforce is more committed, loyal and motivated
 - Less turnover - businesses can save money on hiring costs
 - More peaceful industrial relations
 - More open to innovation and flexible work
 - Wrongful or harmful practices tend to be reported to management

- The OECD publication *Negotiating Our Way Up* concludes that social dialogue brings additional benefits:
 - It makes labour markets more resilient (mainly by pushing for short time work arrangements)
 - It reduces inequalities
 - It improves overall employment rates but also for specific groups such as youth and low skilled
 - Social dialogue can offer timely solutions to pressing issues as it reacts faster than regulation
 - Social dialogue can also deliver arrangements that are more flexible than existing regulation.