

TRADE UNIONS AND WAGE COMPRESSION IN CENTRAL AND EASTERN EUROPE

Iga Magda

2016 Jobs & Development Conference



Background

- Weakening of trade unions in CEE countries in the aftermath of transition to market economy
- Current levels of trade union membership and collective bargaining coverage – much below the levels in early 1990s and below Western Europe

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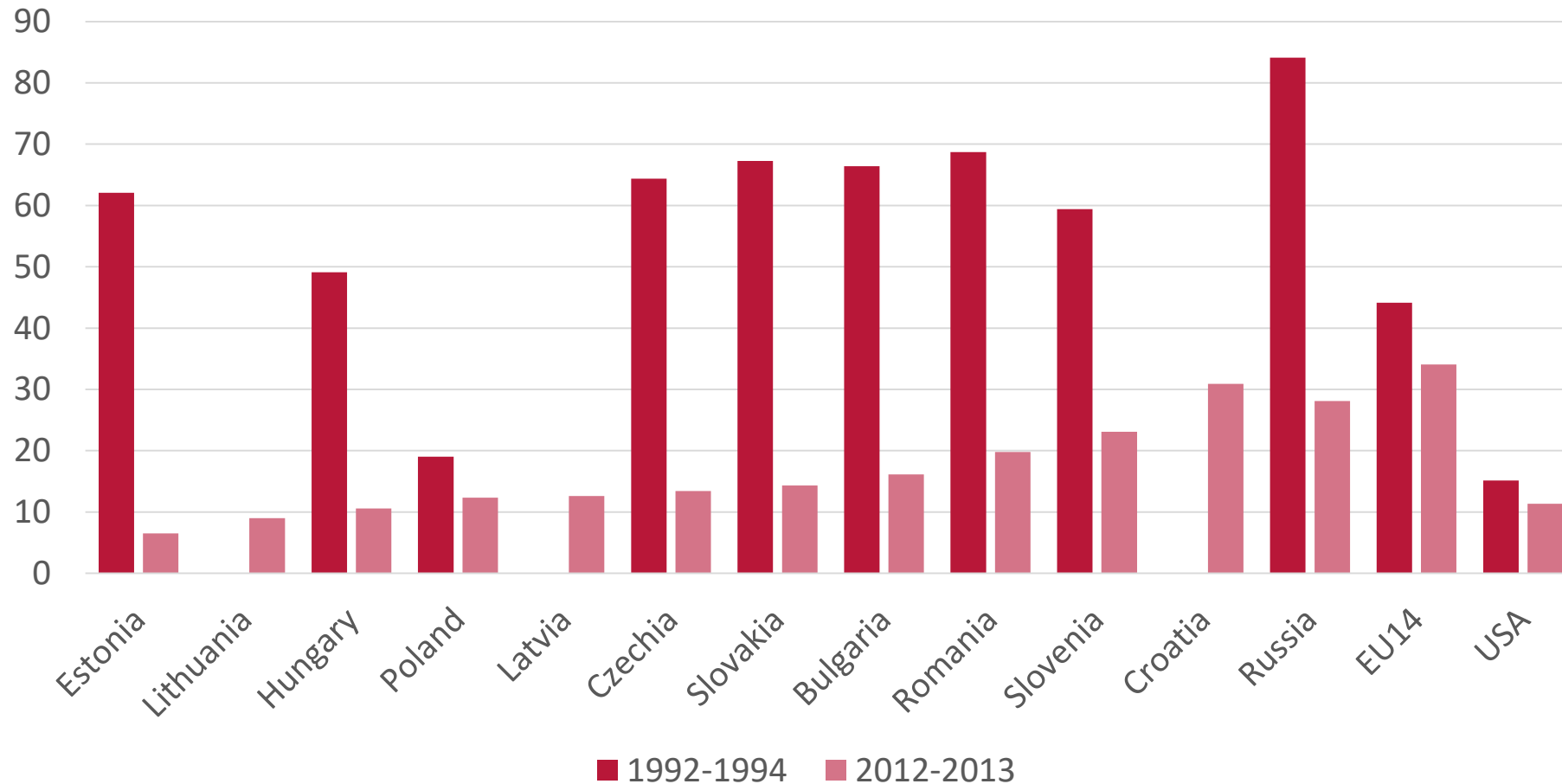
Questions asked:

- What do unions in CEE do? Do they continue to make a difference?
- Has the impact of the survivals changed over time?
- Are changes in wage dispersion in CEE linked to changes in collective bargaining coverage?

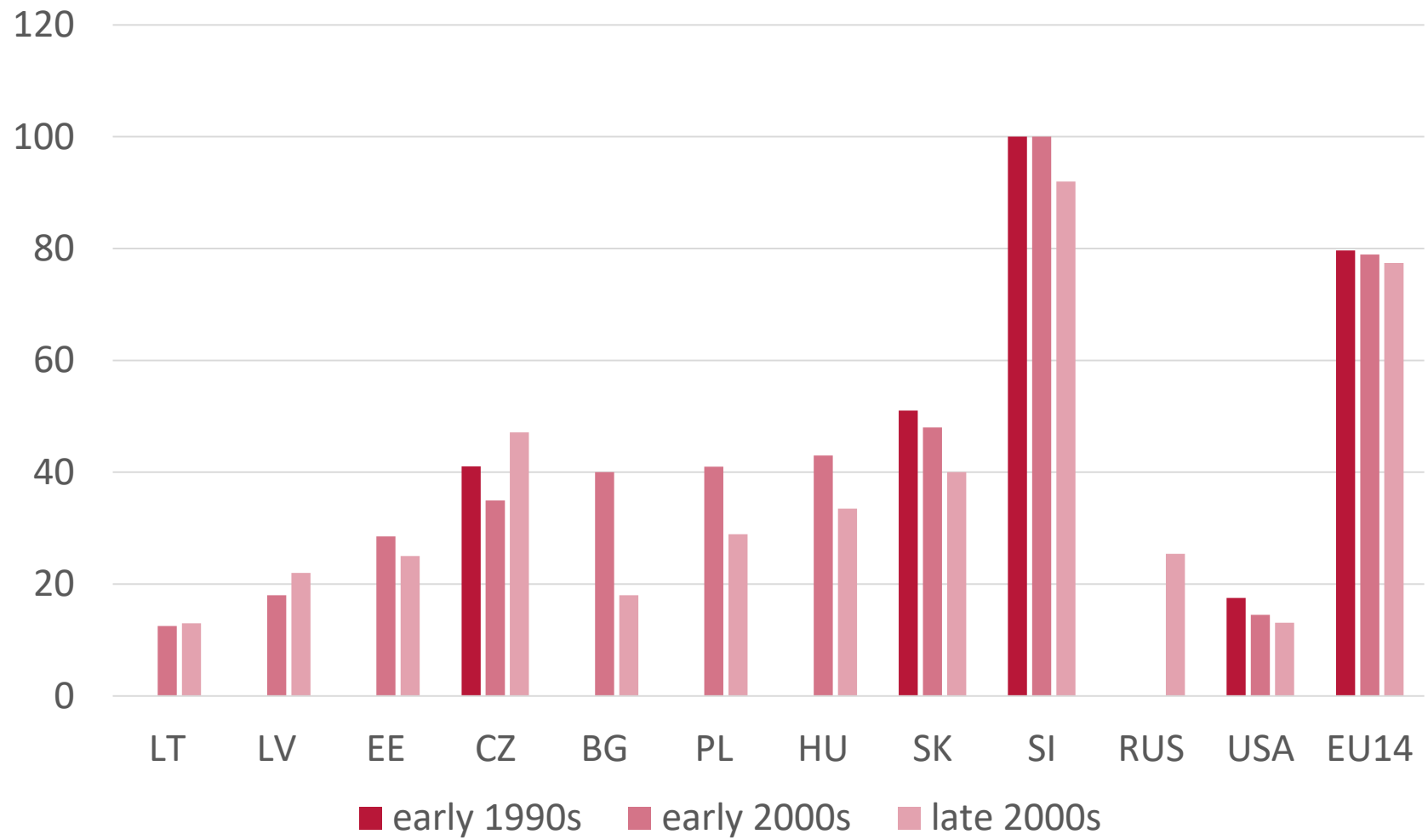
Unions in CEE are weaker: unionization fell



Union density (%), early 1990s and 2012-2013



Collective bargaining coverage is low



Surviving unions: continue to make a difference ?



Data

- European Structure of Earnings Survey (repeated cross sectional, 2002, 2006) for Czech Republic, Hungary and Poland
- A harmonized linked employer employee dataset
- Data on earnings, personnel, jobs, and firm characteristics in the manufacturing, construction, and trade and service sectors
- Focus on firms with at least 10 workers in the manufacturing, male workers only
- Around 550 000 obs. for CZ, 56 000 for HU and 200 000 for PL

Surviving unions: continue to make a difference ?



Empirical strategy: estimating model of earnings for worker i at establishment j :

$$w_{ij} = X'_{ij}\beta + K'_{ij}\mu + Y'_{ij}\eta + \gamma FA_j + \delta IA_j + \varepsilon_{ij}$$

w_{ij} – log monthly earnings

X'_{ij} – set of individual characteristics (age, age², education)

K'_{ij} – set of job characteristics (type of contract, occupation)


Y'_{ij} – average characteristics of the co workers and firm's age

FA_j, IA_j – coverage by an industry or firm level agreement

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Surviving unions: stronger ?



	2002			2006		
	[1]	[2]	[3]	[4]	[5]	[6]
	Czech Republic					
firm level agreement	--0.022	--0.022	--0.020	--0.002	--0.012	0.006
industry level agreement	0.019	0.013	0.011	0.037	0.044	0.048*
	Poland					
firm level agreement	0.01	0.011	0.011	0.029*	0.024	0.030*
industry level agreement	0.074	0.076	0.074	0.152***	0.137***	0.143***
	Hungary					
firm level agreement	0.059**	0.061**	0.065**	0.117***	0.088**	0.105***
industry level agreement	0.058	0.034	0.061	0.154***	0.111**	0.157***

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Surviving unions: compressing wage distribution ?



2006	P10	P25	P50	P75	P90
	Czech Republic				
Firm level agreement	0.038*	0.009	0.009	0.022	-0.060**
Industry level agreement	0.048	0.054	0.034	0.029	0.003
	Poland				
Firm level agreement	0.043**	0.036*	0.018	0.02	0.028
Industry level agreement	0.284**	0.219***	0.159***	0.088*	0.015
	Hungary				
Firm level agreement	0.156***	0.132***	0.128***	0.107**	0.071**
Industry level agreement	0.279***	0.238***	0.194***	0.156***	0.116**

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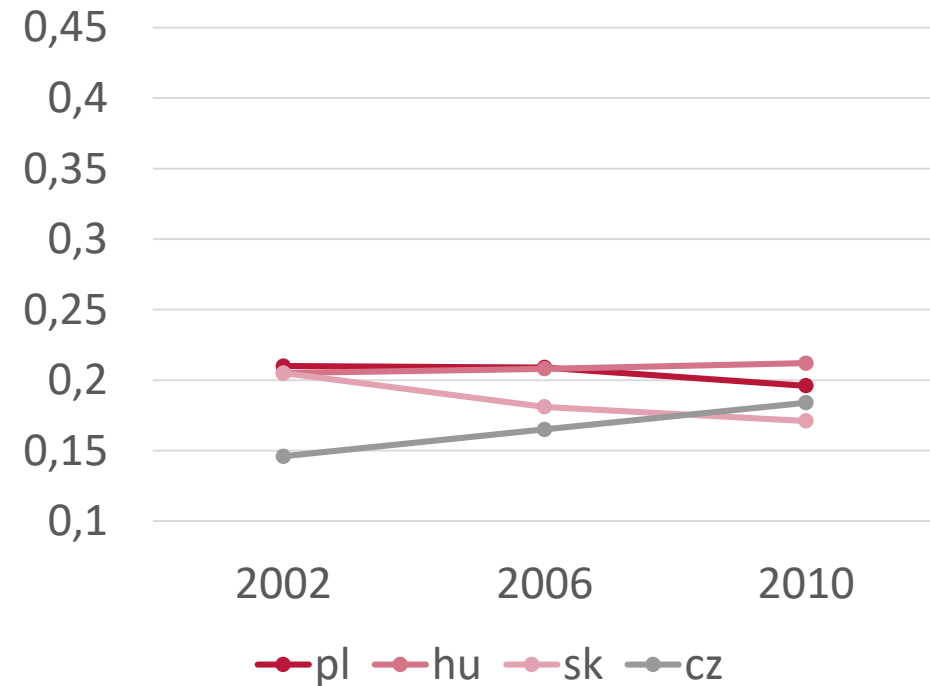
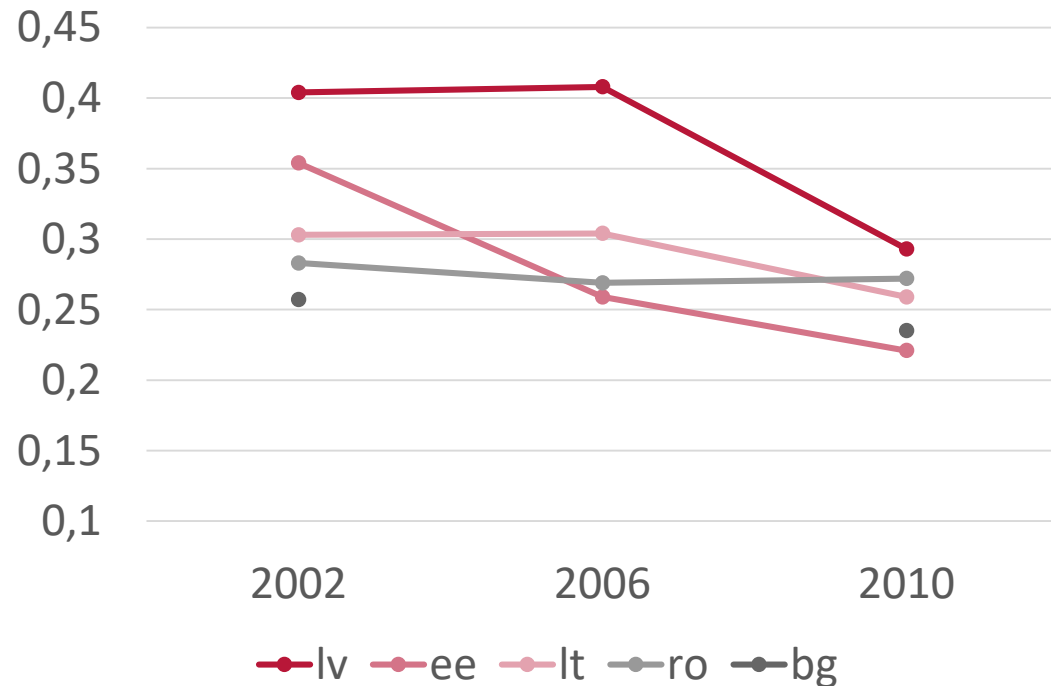


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- **Institutional adjustments** preceding Accession -> increased unions' policy engagement, policy making know-how, strengthened their bargaining power and helped to revitalize social dialogue
 - **legislative framework**: working time directive, Directive on Information and Consultation of Employees relating to work councils, reinforcement of Labour Inspections, changes in minimum wage and its enforcement
 - ***Open Method of Coordination*** & unions' empowerment
 - establishment of tripartite structures and practices to stabilize the transformation process and strengthen the social consensus around it

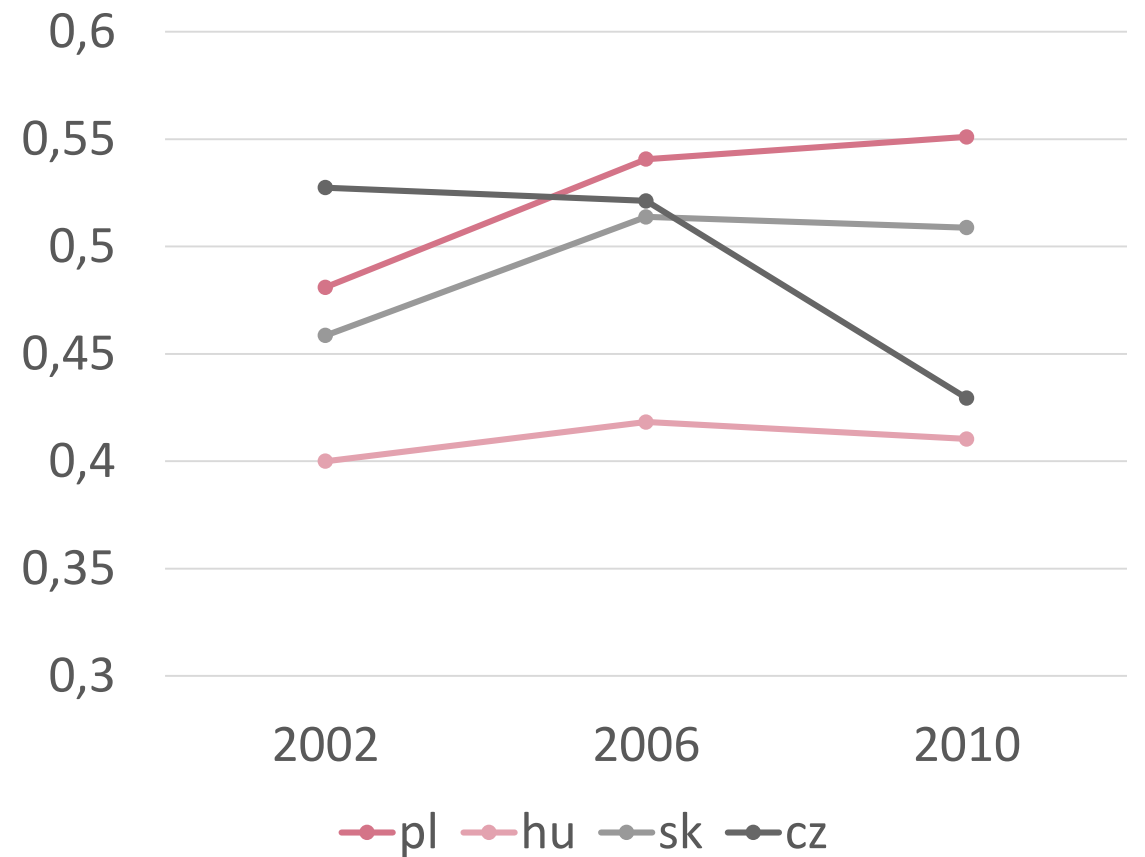
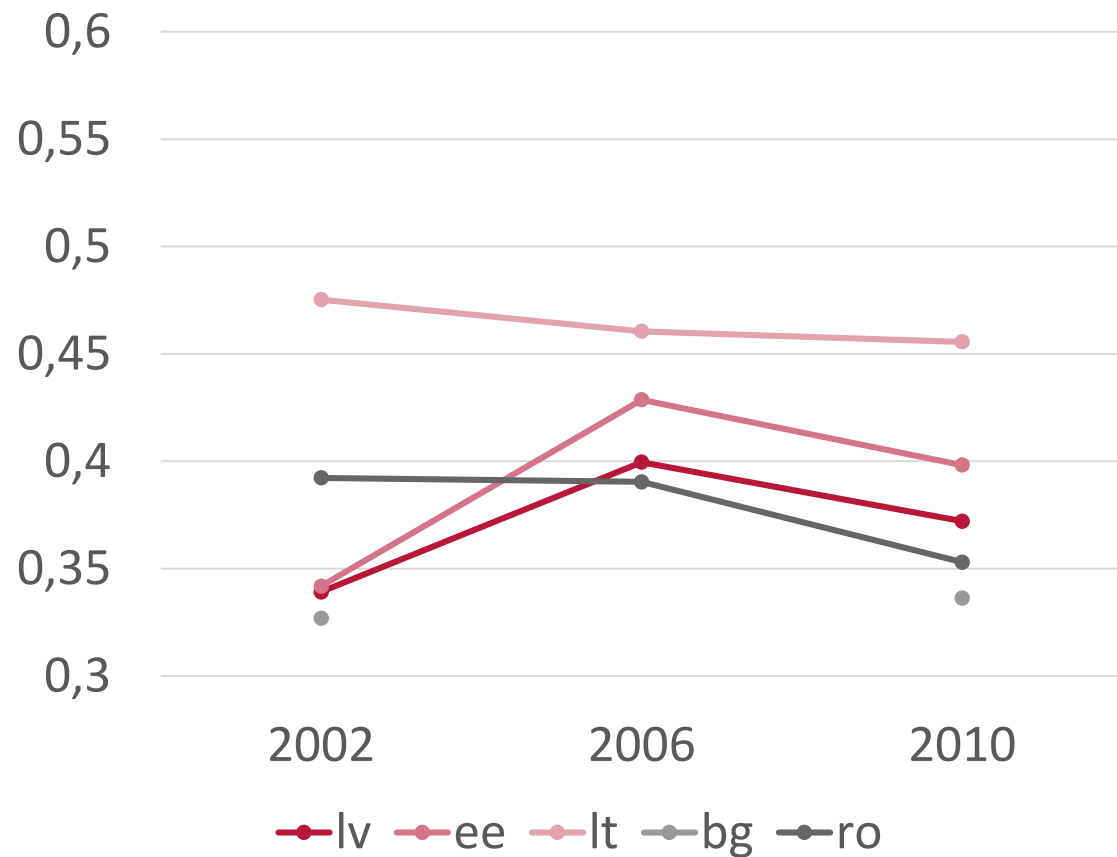
Further research: wage distribution in CEE & unions?



Convergence in wage inequalities among CEE? (*variance of residuals*)



...driven by changes in within and between firm dispersion ? . | :



Further work



- Quantifying the contribution of within and between firm wage differentials for the change in wage inequality (increasing between firm wage differentials, decreasing within firm wage inequalities)
- Assess the role of changes in collective bargaining in CEEs for the wage compression
- Extend the previous analysis to 9 CEE countries
- Assess the role of EU Accession using time variation in the EU entry date

Conclusions



- Trade union density in CEE is much lower than in Western Europe, and much lower than it was in early 1990s – common perception of TU's weakness
- There is however evidence that the surviving unions still impact their members outcomes
- Institutional adjustments to the *acquis communautaire* played an important role
- Trade unions, collective bargaining and changes in wage distribution in the CEE ?

Iga Magda

Iga.magda@ibs.org.pl

