

# Why bargain collectively? Or the dissolution of collective bargaining in times of austerity



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**Why bargain collectively? Although the answer seems straightforward to a trade unionist – to establish common rules to reduce the possibility of exploitation from the employers – it is not necessarily so if examined from the employer’s perspective. Horen Voskeritsian’s on-going research is on the determination of terms and conditions of employment and managerial practices in post-Memorandum Greece. In this context he considers what might motivate employers to enter into a bargaining relationship and, potentially, hand over part of their decision-making power to their employees.**

## *Background*

According to Zagelmeyer (2005, 2007) the choice of *bargaining level* for an employer (i.e. multi-employer vs single-employer) is a strategic consideration that depends on a cost-benefit analysis of the challenges posed by the external environment: the limitations they face from the institutional framework, the pressures from trade unions and, perhaps most importantly, the actual benefits they can derive from opting for one level of bargaining over another. Centralised bargaining, Zagelmeyer argues, can create several economies of scale for the employers: it can be more efficient, as it offers a standardisation of the employment contract thus reducing transaction costs, and it can also provide a “system of internal regulation for an internal labour market, supplementing incomplete individual labour contracts, or reducing uncertainty by providing for stable terms and conditions over the period of duration of a collective agreement” (2005: 1626). Ensuring industrial peace for a considerable period of time is one motivation to enter into a bargaining relationship; but so are the attempts to continuously redefine and increase power. Thus, although larger employers may prefer decentralised bargaining structures, as they can better control the environment in which negotiations takes place, smaller employers, according to Zagelmeyer, should prefer centralised structures as their unity can improve their bargaining position vis-à-vis a strong trade union (2007: 235). Of course, as previously mentioned, the choice of the bargaining level also depends on other factors, institutional and economic alike. Therefore, in recessionary periods, a tendency to move towards decentralised bargaining as the trade unions’ power diminishes can be expected. The opposite, of course, should be the case in periods of economic growth.



Although the above framework can be used to explain the choice of bargaining level, it is not sufficient to explain the decision to engage in collective bargaining in the first place (be it centralised or decentralised). One can, of course, extend the above argument: employers will choose to bargain collectively to reduce transaction costs, to supplement individual

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contracts, to ensure industrial peace and so on. This may indeed be so, but this list also begs the question: what if the employers could acquire all the benefits of collective bargaining without incurring the costs (i.e. sharing their 'right to manage' with the trade unions)? Considering that enterprises are profit-maximising agents and that cost-benefit analyses are, indeed, central to their decision-making the answer is fairly obvious: if an employer could avoid collective bargaining then it would, for there are no rational reasons to engage in it if it can help it. And this, of course, raises the central question of this debate: what are the real reasons employers engage into collective bargaining? They engage into this activity because, in a way, they are made to do so by their respective institutional context – the legal framework and the pressure from trade unions. Thus what employers really consider are the costs of not engaging in collective bargaining, rather than the benefits they can acquire from it (although in many cases the two are so tightly interwoven that their separate examination may seem impossible). In other words: if the institutional context allowed a derogation from the obligation (be it legal or social) to bargain collectively, then we could expect the majority of employers to opt for it.

To better appreciate this point, one could look both at the history of managerial practices and the trends in collective bargaining coverage in Europe since the 1990s. The battle over the management of the labour process never ceased, and the various managerial methods that tried to address this issue unilaterally or, at best, at the individual level continued to gain prominence even during the 'golden' years of collective bargaining in Europe. At the risk of sounding cynical one can argue that if collective bargaining was indeed something that the employers considered beneficial, they would have invented it, as with the range of methods to control the labour process and increase workers' productivity. Indeed, when, during the 1980s in Britain and the early 1990s in continental Europe, the institutional context started to

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change, centralised structures were abandoned almost overnight in many cases, and unilateralism and decentralised bargaining began to define work realities (regarding the evolution of collective bargaining in Europe see the excellent analysis in Gumbrell-McCormick and Hyman 2013, Chapter 5).

One can argue that although the rule of law and the trade union power in Europe have changed considerably, collective bargaining institutions are still present – at least in one form or another. This is supported by the fact that nowhere in Europe is collective bargaining illegal or overtly paternalistic, as was the case in various European dictatorships throughout the 20th century. Even the Troika, with its extreme neo-liberal agenda, has not advocated the abolition of collective bargaining – just its decentralisation. But the social and political legitimacy of collective institutions do not necessarily guarantee their adoption by both parties of the employment relationship. The bitter experiences of British trade unions to secure recognition, despite a statutory procedure, or to persuade employers to sit round the negotiation table are testament to the challenges a deregulatory legal framework poses to collective bargaining (Ewing *et al.*, 2003).

The best testing ground of this hypothesis is Greece, where individual and collective labour law has been radically decentralised in the past four years (see Kornelakis and Voskeritsian, 2014 for a more detailed analysis). Before the advent of the Troika, collective bargaining coverage in Greece was as high as 90 per cent, due to the fact that where collective agreements were signed at sectoral level and covered 51 per cent of the sector's employees their provisions were automatically extended to cover all employees in the sector. This system did encourage free-riding – as one could benefit from a collective agreement without necessarily being a member of a trade union – but it also ensured that the 'common standard' unions were after was implemented across the board.

Yet when the institutional context started to change, making it easier and cheaper for employers to fire employees, hire them on flexible contracts and to negotiate collective agreements at the establishment level, disregarding the provisions of sectoral agreements, a different picture started to emerge. Despite the various governmental proclamations that the decentralisation of collective bargaining would just move bargaining to the level of the enterprise, the reality proved to be somewhat different. According to recent research (Daouli *et al.*, 2014) firm level collective agreements have, indeed, increased exponentially since 2010. Yet the vast majority of Greek businesses – around 90 per cent - are not covered by any kind

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of collective agreement, as an important consequence of the changing legal framework was the neutralisation and subsequent downgrading of the impact of the sectoral agreement. In other words: the terms and conditions of the majority of Greek employees are determined either through individual negotiations with

the employers, or unilaterally by the latter. The effect this has on wages and on other aspects of the employment relationship can only be hypothesised, as research on these topics is still on-going.

Part of this behaviour can be attributed to the idiosyncrasy of Greek employers, as conservative decision making and conflictual behaviour were always part of their agenda. Yet although such cultural features may explain part of the picture, they cannot account for its entirety. For Greek capital behaves exactly as any capital across Europe would: if they can seize the opportunity to regain the 'right to manage' – as Flanders (1964) had put it more than half a century ago – they will do so. Even in so-called egalitarian systems of employment relations, such as in Germany or the Scandinavian countries, this kind of 'defection' from collectivism is evident. What are the implications, therefore, for democratic values and for the trade unions themselves? What is the role of the latter in an environment where their traditional activity – the negotiation of terms and conditions of employment for their members – seems to be collapsing? As this article goes to print, Greece is once again at the cross-roads: the new coalition government of SYRIZA/ANEL has promised a return to collectivism and a re-regulation of the labour market. How this will be done, and what its effects may be, are issues to be tackled in a future issue of the CESR review.

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