

No Extension without Representation? Evidence from a Natural Experiment in Collective Bargaining

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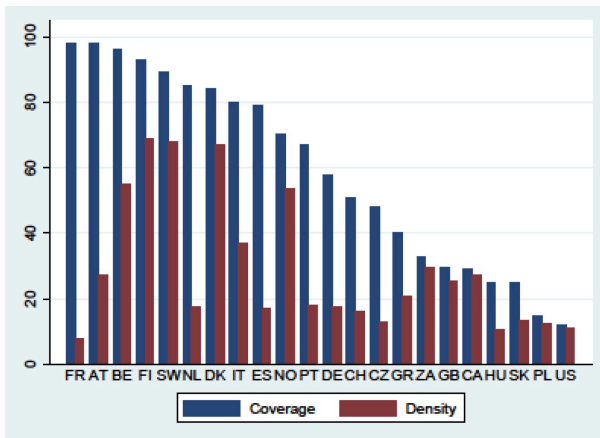
Discussion:
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Collective Wage Bargaining

- Employee and employer representatives bargain wages at the sectoral level
- Increased wage flexibility to macro shocks
- Lower unemployment, boost consumption
- Potential disadvantages:
- Low representativeness agreements' signatories
- Reduced wage competition among firms
- In Portugal agreements bargained by select groups are extended to whole sector

Figure 1. Collective bargaining coverage and trade union density

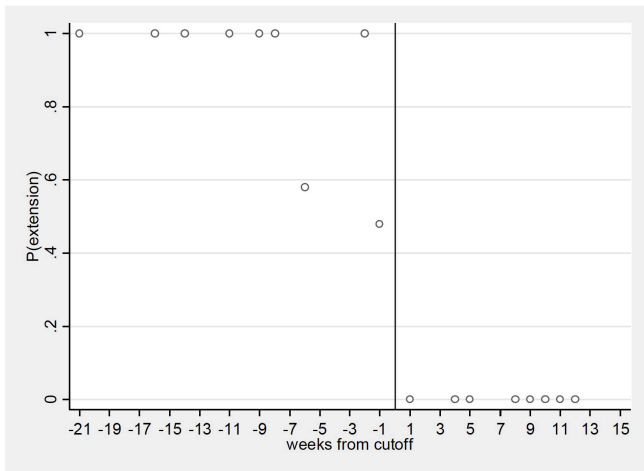


Source: ILO (2013)

Summary

- Reform implemented in response to financial crisis suspended extensions of new agreements
- Date at which suspension is enacted is independent of contract negotiations
- Research design: compare employment outcomes in industries with contracts signed before and after the reform
- RDD around reform date minus av. delay in approving extensions
- Results indicate short run employment gains in sectors without extensions

Weeks from 1 March 2011 (8 October 2010 – 20 June 2011)



Source: Ministry of Labor (DGERT), authors' calculations.

Comments

- Institutional environment, open questions
- Mechanisms by which RDD identifies employment responses. When do firms react?
- Is the regression discontinuity design appropriate?

Institutions

- Negotiating partners in collective bargaining: why are not all firms affiliated with employer associations?
- How often are contracts renegotiated? Is there a lot of coordination across industries?
- How are extensions organized? Is there variation over time?
- 2014 labor law reform revised extension procedure. Was this reform anticipated?
- Other components of the structural reform package? Could other reforms have interfered with bargaining process?

Timeline

- June 2011 temporary suspension of extensions
- Contracts signed after March were not extended – cutoff date
- Compare contracts signed Oct 2010 – August 2011
- Firm level employment measured in October each year; outcome variable employment growth 2010 - 2011
- When are firms responding to the reform?

Regression Discontinuity Design

- Observations at the contract level in affiliated and non-affiliated firms
 $N = 31$
- Comparison between industries with different trends and hit differently by the recession
- A difference in difference analysis might be more robust
- Can you also look at wages?

Car sale	08-10-2010	10-01-2011
Viana do Castelo retail	08-10-2010	29-12-2010
Clinical analysis labs	08-11-2010	28-02-2011
Wine trade sector	22-11-2010	28-02-2011
Football clubs (players)	15-12-2010	22-03-2011
Cork industry, North, Office workers	29-12-2010	26-04-2011
Wine industry, cellars	10-01-2011	26-04-2011
Textile industry	24-01-2011	
Hotels and restaurants, Centre and South	24-01-2011	23-05-2011
Aveiro retail	22-02-2011	23-05-2011
Electric and electronic products	22-02-2011	23-05-2011
Ropes industry	28-02-2011	
Chemical and pharmaceutical retail	28-02-2011	30-05-2011
Wood	09-03-2011	
Pharmaceutical products retail	29-03-2011	
Merchandising firms	29-03-2011	
Viseu retail	08-04-2011	
Wheat	08-04-2011	
Coffee	08-04-2011	
Driving schools	08-04-2011	
Fish preserve industry	26-04-2011	
Bread manufacturing, Lisbon	26-04-2011	
Guarda, retail	29-04-2011	
Poultry, slaughter	09-05-2011	
Farming	09-05-2011	

Figure 6. The overall effects of extensions on employment growth

Change in employment growth, p.p., ($\Delta E_t - \Delta E_{t-1}$), sharp RDD

