

Financial participation, unions, and the structure of collective bargaining: new evidence from a large cross-country survey

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The paper examines empirically the relationship between financial participation, the presence and strength of trade union representation, and the structure of collective bargaining. Its contribution derives from the use of a large cross-national data-set, thereby enabling identification of key relationships whilst clarifying the role of national industrial relations systems.

The relationship between financial participation (employee share ownership and profit sharing) and trade unions has been an enduring issue in industrial relations scholarship since the writing of Sidney and Beatrice Webb (1914). It has assumed greater prominence in Europe recently because of governmental attempts to promote financial participation and because of developments in industrial relations institutions, such as decentralisation of collective bargaining.

Much of the industrial relations literature assumes that there is a negative relationship between unions and financial participation. The classic argument is that unions oppose financial participation (especially share ownership plans) because it confuses the identity of employees, thereby undermining employee representation. Granting employees ownership and/or returns from capital may weaken their attachment to unions, whilst placing unions in the contradictory position of representing both capital and labour. Union hostility to financial participation is sometimes heightened by employer use of financial participation for union-avoidance purposes, as is suggested by the ‘cycles of control’ perspective.

A further issue concerns the relationship between financial participation and collective bargaining structures. This is a pertinent issue in Europe, especially in those countries where unions believe that financial participation is being used to force decentralisation of bargaining arrangements (Pendleton and Poutsma 2004). A key issue tackled in the paper is whether financial participation is more prevalent in centralised or decentralised bargaining systems. One prediction is that financial participation is more common in decentralised bargaining settings because centralised bargaining generally constrains firm-level pay initiatives. Alternatively, financial participation may be relatively attractive where there is centralised collective bargaining because it provides some firm-level remuneration flexibility. The paper will report empirical findings on these questions.

The empirical investigation uses the recent wave of Cranet – data. This data consists of over 7.000 usable observations from 32 countries. The survey includes direct questions of financial

participation (type, target group) and unions (density, level of wage bargaining, union recognition) that are central for our analysis. The survey also includes other relevant control variable, such as firm size, industry and ownership structure. We utilise data from the fifteen EU countries prior to enlargement and from USA, Canada, Australia, New Zealand, and Japan. The structure of the data allows several ways of addressing the issues presented above. It allows analysis both at aggregate cross-country level and within countries. This enables to identify both core, underlying relationships and to discern the role of national industrial relations systems. Overall, the paper will make a useful contribution by bringing large scale data to bear on an as yet under-explored but important topic.