



English summary
of Fafo-rapport 2021:07

Collective organisation of employers and collective agreements

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This report discusses employers and attitudes towards collective institutions. Questions include motivations to join or not join an employers' association and the employers' views on collective agreements, company level trade unions and the collective institutions in working life. We also investigate the trends in organisation rates for employers and the collective bargaining coverage, as well as whether the normative effect of collective agreements on enterprises on the uncovered parts of the relevant sector has abated over time. In conclusion and based on our findings, we discuss challenges to industrial relations in Norway.

Data

The underlying data include interviews with staff of the employers' associations, a survey among Norwegian private-sector businesses and figures from the employers' associations on the number of employees in their member enterprises. We have also analysed registry data that can help elucidate the coverage of collective agreements and the number of unionised employees in the enterprises that are bound by collective agreements. Furthermore, we have examined the normative effects of collective agreements by the help of wage statistics. The analyses are mainly restricted to the private sector.

Organisation rate and coverage of collective agreements

In Chapter 3, we examine organisation rates and the coverage of collective agreements. The employers' organisation rate – calculated as the proportion of employees in member enterprises – has increased over time. As of 2019, approximately 70 per cent of private-sector employees work in enterprises that are members of an employers' association. The growth in the density rate has been especially notable since the turn of the millennium. In this period, the Federation of Norwegian Enterprise (Virke) has increased its relative proportion measured by employment in unionised enterprises, while for the Confederation of Norwegian Enterprise (NHO) the proportion has decreased. The survey shows that the employer organisation density is high among enterprises with 50 employees or more, while many small enterprises remain outside the associations.

We have investigated the coverage of collective agreements on the basis of registry data of employees. Here, we measure the bargaining coverage in terms of the number of employees who work in enterprises that are bound by a collective agreement, irrespective of whether their occupational group is included in the

collective agreement or not. In the private sector, the bargaining coverage has declined over time, and our indicator shows that approximately 46 per cent of all employees in the private sector work in an enterprise that has signed a collective agreement. The bargaining coverage in this sector varies from around 20 per cent in industries at the low end to more than 90 per cent in the most widely covered industries. The coverage rate is low in small businesses and high in large enterprises with 50 or more employees. Over time, some industries have seen their collective bargaining coverage grow, while it has remained stable or shows a declining trend in others.

There is no tradition in Norway for including areas where collective agreements have been made generally applicable in the measurement of their coverage. We have estimated the number of employees who are encompassed by generally applicable collective agreements, in the sense that they work in industries and occupations that are included in a decision concerning general application, but have no collective agreement of their own. Including these groups would raise the degree of coverage of collective agreements in the private sector by a little more than ten percentage points.

The various roles of the employers' associations

The employers' associations fill a variety of roles for their members, and we can distinguish between the roles of industrial relations actor, service provider and political actor (Chapter 4). Norwegian employers' associations fill all these roles, even though the emphasis given to each of them may vary across the different associations as well as over time. The role of industrial relations actor continues to be prominent, especially in industries with strong traditions for collective bargaining. The role of service provider has gained in importance, especially in associations whose members include many small enterprises or businesses that are not bound by collective agreements. The third role, as a representative of the industry with opportunities to influence industrial policy, is especially important for the large enterprises. In addition, a fourth role exists: membership may help boost the enterprise's reputation. To reinforce this, some associations have developed their own certification schemes or special requirements to qualify for membership.

Reasons for joining or not joining an association

In Chapter 5 we examine the reasons for joining an employers' association, as well as the reasons why some enterprises choose not to join. The informants from the employers' associations highlight the members' desire for advice and assistance in their role as employer; this applies irrespective of whether the enterprise has signed a collective agreement or not. The survey confirms that the

business community and the role played by the employers' associations in industrial policy are also important to the member enterprises. However, the members also state that it is important for them to support the collective institutions in working life. Very few point to membership benefits such as procurement schemes, training courses etc. as their main rationale for joining. Enterprises with and without a collective agreement differ only marginally in this respect.

The employers' associations seek to recruit more members, but these efforts vary in terms of the priority and systematic attention paid to them. In the survey, enterprises that are not members mainly emphasise their lack of need for the services that the associations provide, and that they are too small to benefit from membership. Only very few state that they wish to avoid signing a collective agreement or that they cannot find an association that suits them. Some point out that they have not been asked. When asked what would induce them to consider membership, the most frequent answer is a demand for a collective agreement from their employees.

Attitudes to collective agreements and trade unions

In Chapter 6 we investigate whether the collective agreements are considered expedient or not, and the extent to which features of the collective agreements serve to reduce the interest in collective bargaining and membership of employers' associations. The interviews in the employers' associations reveal a considerable variation in the assessments of collective agreements. A substantial number of the respondents mention the lack of flexibility in the collective agreements and the contractual early retirement scheme (AFP) as reasons why their enterprise does not wish to sign a collective agreement. The enterprise survey shows, however, that enterprises that are bound by a collective agreement largely tend to view agreements in a positive light. A large majority agree that the collective agreement helps improve the relationship with the employees, that it saves resources by providing a complete package of wage levels and working conditions, and that it is beneficial for the enterprise's reputation. Only a minority agree with the proposition that the collective agreement is an obstacle to matching working time arrangements with the enterprise's needs, or that it serves to drive up the wages or other costs. Overall, two of every three enterprises that are bound by a collective agreement consider this advantageous.

On the other hand, enterprises that have no collective agreement tend to see far fewer advantages in signing one. A considerable minority – approximately one-third – also report to believe that a collective agreement would have a negative effect on their enterprise. The majority, however, take a more neutral position, although very few enterprises in this group believe that a collective agreement would be advantageous for them.

There are many reasons why enterprises choose not to sign a collective agreement. The majority report that their employees have not called for it, and that it is not common in their industry. When asked what they would do if a demand for a collective agreement was presented to them, the majority say that they would accommodate the demand, although some would attempt to block the demand or persuade the employees to withdraw it.

Enterprises with a trade union representative were asked to assess their experience with the enterprise level trade union and the advantages of having trade union representatives. In general, the vast majority of the enterprises report to have a positive collaboration with the company level trade union representatives. The majority agree with a general statement saying that it is an advantage for an employer to have trade unions and their representatives in the workplace.

The normative effect of collective agreements

The qualitative interviews and the survey both indicate that enterprises that have no collective agreement of their own look to relevant agreements to determine wage levels, working hours and other conditions. This does not necessarily imply that the agreements are followed in all respects, but those who report to apply the industry agreement often include such elements as wage rates and provisions on working hours (such as 37.5 hours per week and 5 weeks' holiday). We have used registry data to see whether this effect has abated over time and examine wage trends for selected groups in the hotel/restaurants and retail trade industries. We find that the difference in average wage levels between enterprises that are bound and not bound by collective agreements respectively has increased from 2002 to 2018. Furthermore, we find an increasing gap between the wage level stipulated by the relevant collective agreement on the one hand, and the average wage level in enterprises that are not similarly bound on the other. The findings indicate that enterprises that are not bound by a collective agreement no longer follow the wage rates in the relevant sector agreement to the same extent as before.

Challenges to the collective institutions in working life

The Norwegian industrial relations model, which is characterised by strong organisations on both sides, high collective bargaining coverage and coordinated wage formation through industry-level bargaining, is facing some definite challenges. In order to continue into the future, the model requires a high unionisation rates at both the employer and the employee side and broad coverage of collective agreements. By way of conclusion, we use findings from this report to highlight some of the challenges that the model is facing.

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The organisation rate among the employers is relatively high, with a rising trend over time. Member enterprises are satisfied with their membership, and there is no obvious dissatisfaction with the collective agreements among enterprises that have signed them. Small enterprises, however, tend to be unorganised, as can also be seen in other countries. Based on the survey, it also appears difficult to persuade them to join the associations. To recruit these enterprises, the employer associations will need to convince these enterprises that the services they deliver are also beneficial to their type of businesses. However, if more companies face demands for collective agreements, this could be crucial to drawing enterprises into the associations, since this would give relevance to the employer associations' role as an industrial relations actor. This indicates that associations that seek to expand their membership base have a shared interest with the trade unions in increasing union density and thereby calls for collective agreements.

The report shows, however, that there are problems in maintaining the coverage of collective agreements, especially in certain industries. Given a desire to protect the current industrial relation model, the question is what can be done to maintain, and preferably increase, the coverage of collective agreements. Relying on this coverage to increase purely as a result of demands for collective agreements from trade unions on the basis of their (new) members, is a resource-intensive strategy. Moreover, the trade unions are in many ways fighting an uphill battle against structural changes that drive the organisation rate and the coverage of collective agreements in the opposite direction. So what are the alternatives? First, the interviews point to making the agreements less detailed and comprehensive, and leaving more aspects to be regulated at the enterprise level, rather than in the industry-level agreement. The second alternative relates to the legal provisions that give enterprises with a collective agreement more latitude when compared to those without an agreement. The opportunity to use agency workers and some of the provisions relating to working hours are examples, and some of the employers' associations highlight this as reasons why more enterprises wish to sign collective agreements. We therefore raise the question of whether the employers' associations and the trade unions could have a shared interest in joint promotion of the collective agreements, possibly in combination with changes that would make the agreements more manageable. Another alternative could be to seek for new ways to expand the coverage of the collective agreements. Looking to other European countries, there are two schemes in particular that could help increase such coverage. In many countries, (including Norway's nearest neighbours), the main rule is that all members of an employer's association are bound by the collective agreements that the association has signed. This entails the risk that some enterprises will choose to leave the association in order to escape being bound by collective agreements. Moreover, if enterprises that are thus bound do not have a functioning system of trade union representatives, it

could be difficult to apply the provisions in the agreements, and there will also be some risk of non-compliance. A further alternative is to expand the current practice of general application. This, however, requires a general application of (virtually) all the normative provisions in the agreement. Only a broad general application will be able to ensure a level playing field for enterprises with and without a collective agreement, and attract more members to the organisations. Furthermore, general application would need to be applied more routinely and on a legal basis other than that allowed for in current legislation.