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## PRESS RELEASE

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### **Institutional features of wage bargaining in 23 European countries, the US and Japan**

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This paper, which is the fruit of research by the Wage Dynamics Network of the European System of Central Banks, provides an overview of the main institutional characteristics affecting wage formation in developed countries over the last decade. The information was collected using a questionnaire answered by national experts from the central banks of each of the countries considered. Our data provide information from the years 1995 and 2006 for 23 European countries, plus the US and Japan.

The main findings include:

- (i) There is large variation in the degree of trade union density across countries and sectors. Although it has been declining over the past decade in Europe, a large proportion of workers are still covered by some kind of collective wage agreement.
- (ii) Considerable heterogeneity in the levels at which wage bargaining takes place is evident across countries. In a first group of countries (Finland, Ireland and Slovenia) the national level of wage bargaining is dominant. In a second group, which includes nearly all euro area countries, as well as Denmark, Japan and Norway, the sectoral level is the most dominant platform for wage bargaining. In a third group, including Eastern European nations, France, Luxembourg, the UK and the US, the company level is dominant and wage-bargaining systems are highly decentralised.
- (iii) Most countries are found to operate under some kind of coordination. Four countries have some form of state-imposed wage indexation – namely Belgium, Cyprus, Luxembourg and Slovenia – and minimum wages with some form of government enforcement are used as a coordination device in six countries. In Europe and the US, government is heavily involved in the setting of public-sector wages and in eleven countries it also has a hand in setting private-sector wages. Inter-associational agreements have gained importance over the last decade and are now the dominant mechanism for wage coordination in three of the countries surveyed, while intra-associational coordination is dominant in another eight. Finally, pattern bargaining, when negotiations start in one sectoral association (trend-setter) and are then repeated in others, is found in Austria, Germany, Norway and Sweden. Some form of legally-binding national minimum wage was found to exist in most countries in 2006, with the notable exception of Germany and Italy. Increases in minimum wages can also form the basis for other wage increases.
- (iv) The average length of collective bargaining agreements is between one and three years in Europe and just one year in Japan. Most agreements follow a regular schedule and many are concluded within the first quarter of a year. Eleven countries are found to have some form of index-linking to prices (although there are significant differences between countries in terms of the reference used). Moreover, where indexation is fully automatic (as in Belgium, Cyprus and Luxembourg), it affects more than 66% of the workforce.