COMPARATIVE REPORT

Collective Bargaining and Labour Productivity in Germany, Italy, the Netherlands, Poland, Spain and the UK: A Comparative Analysis to Unravel the "Productivity Puzzle"

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Introduction

Productivity growth was at the heart of the economic development in the Afterwar period – the so called 'trentes glorieuses'. These years were characterised by a strong coordination of labour markets, collective agreements that were mainly set at the sectoral level and wage constraint. At this time, the most relevant objectives were a strong competitive economy, a hard currency, low inflation and full employment.

It seems that this glorious era has come to an end. Many EU and non-EU countries, such as the UK and the USA, have experienced a labour productivity stagnation or slowdown over the last decade. Academics, policy makers and business leaders are concerned to reverse this trend since "productivity is the ultimate engine of growth in the global economy" (OECD 2015). As the working population is projected to decline with the ageing population, labour productivity growth becomes the sole source for potential average output growth in both the EU and the euro area starting from 2028 (European Commission, 2012). This projection includes both the quantitative and qualitative dimensions of growth.

Directly linked to productivity stagnation is the issue of inequality and, precisely, wage inequality (Keune, Tomassetti 2016). There is mounting evidence that "increasing inequality may be one of the causes of declining growth, as inequality both impedes improvements in productivity and weakens demand. Low growth, in turn, reinforces inequality by intensifying distributional conflict" (Streeck 2014, 37). Inequality is also likely to increase even more in the years ahead as a consequence of the impact of Industry 4.0 and the digital evolution of the economy on labour markets and societies (Blasi et al 2013; Etui 2016).

On the brink of a new extraordinary age of change – i.e. the so-called Fourth Industrial Revolution (Shwab 2016) –, many scholars still disagree over what current technological innovations imply for the future of work and employment relations (Katz et al. 2015). Along with opportunities, new challenges appear in different forms than previous waves of technological change: hybridization between humans and robots; dematerialisation of boundaries between industries; working and doing business anytime, anywhere; labour market polarisation; marginal cost reduction and productivity slowdown. These factors are compounded by an increasingly diverse workforce where tensions exists between inclusion and diversity, impacting on employment relations.

There is consensus that investments in technological innovation, research and skills are key drivers for labour productivity. It is also clear that – beside these factors – work organisation plays an important role in enhancing labour productivity and making growth sustainable. Productivity figures (GDP/GVA per hour worked and GDP/GVA per capita) are linked to the output of production and the input of labour. Collective bargaining and other aspects of labour and employment relations play a major role in these figures.

Dialogue on productivity issues is important both in terms of consensual labour-management cooperation and as a regulator of wages and conditions of work. Coordination of collective bargaining has a positive impact on economic performance, because it impedes wage competition and enforces companies to increase productivity in order to being able to pay the given wages. At the company level, productivity agreements can result in innovation and enhance performance through compensation and benefits, working time flexibility, Work-life Balance, skills improvements and workers involvement. Furthermore, collective bargaining, especially firm-level bargaining, has always been conceived as a means both to facilitate and react to technological changes.

This project is set against a background of institutionalist research which investigates the role of central institutions and actors in the setting and maintenance of employment relations. Drawing on key theories such as regulatory space, varieties of capitalism, regulation theory and coordination theory this research places the productivity bargaining in a theoretical arena to understand the role of productivity bargaining and the coordination of collective bargaining across key European countries.

Against this background, this report aims to shed light on the reasons behind labour productivity slowdown or weak growth in some countries, by focusing on the role that employment relations plays behind such a trend. Our goal is to analyse the potential and effective implication of collective bargaining and employment relations on labour productivity, as well as to analyse public policies and social partners' attitude towards labour productivity in Germany, Italy, the Netherlands, Poland, Spain and the UK

A note of caution is, however, needed because the relationship between employment relations and the input of labour is at best complex and, if worse, dubious. While the connotation of high productivity and hard work is a very basic one, the actual relationship is likely to be much more complex with influence from smarter working, new technology and research and development investment. Therefore, when comparing figures of productivity GDP growth between countries and sectors, such complexities should be kept in mind. The 'productivity paradox' furthermore points to the question to what extent productivity growth gives an accurate figure of productivity as such. The quality of production output may not be taken into account accurately and services that are for free, like some of the services with ICT, do not count to productivity but may still add to prosperity.

Section 1.
Methodology

Cross national comparisons are inherent in social science research and have played a central role in the development of the social sciences. Embracing this tradition, this report used cross national case study comparisons to determine the role and effectiveness of productivity bargaining in the following countries: Germany, Italy, the Netherlands, Poland, Spain, the UK. We selected these countries since they correspond to different models of capitalism, industrial relations systems and models of labour market regulation. The following table summarises these characteristics, which are explained in depth in the theoretical framework section.

Table 1: Country characteristics

	Bargaining coverage (*)	Bargaining coordination (1-5 scale) (*)	Union density (*)	Employer density (*)	Variety of Capitalism (**)	Model of regulation (***)
Germany	57.6	4	17.1	58.0	CME	Meso-corporatist
Italy	80.0	3	37.3	56.0	MME	Meso-corporatist
Netherlands	84.8	4	18	85.0	CME	Meso-corporatist
Spain	79.8	3	16.8	75.0	MME	Meso-corporatist
Poland	10	1	12.7	20	LME	Market oriented
UK	29.5	1	25.7	35.0	LME	Market oriented

Source: (*) ICTWSS 2016; (**) Hall, Soskice 2001, and Molina, Rhodes 2007; (***) Boyer 2005

Our unit of analysis focuses on four sectors; automotive, healthcare, retail and hospitality. These sectors were chosen as each sector reflects differing characteristics; the automotive sector is mid skilled, mixed capital and labour intensive. Tourism and retail are low skilled and labour intensive, while healthcare is mid skilled and labour intensive. Using both the country and sector as the unit of analysis, in each country a team of national researchers undertook semi structured in depth interviews with social partners in each sector. The interview covered topics such as the nature and role of productivity bargaining, the role of the state in collective bargaining arrangements and perceptions of productivity bargaining. To facilitate triangulation, where two or more research strategies are used to investigate the same phenomena, interview findings were supported by content analysis. Content analysis was conducted on sectoral level collective agreements where they existed.

After national level data collection was carried out the findings from the six countries were compared along pre-set themes of pay and reward, inclusion and diversity, voice and participation and work organisation and skilling. Comparisons across countries and sectors were collated and related back to theory outlined earlier in the report.

Section 2.
Theoretical Framework

In order to understand differing employment relations systems and outcomes we draw on a variety of theories to explore national differences. Firstly, we examine varieties of capitalism, regulation theory, regulatory space, and coordination theory. These theories draw on an institutional approach to uncover the varying role of the state and other important institutions in the regulation of employment relations. In addition, we look at theories concerned with procedures, contents, approaches and purposes of labour regulation, with a focus on collective bargaining regulation.

The seminal work by Hall and Soskice (2001) explored a typology of capitalism called varieties of capitalism (VoC). VoC helps explore the relationships between different actors in terms of wage setting/ bargaining, training, corporate governance and employee participants (Thelen 2001). VoC states that capitalist economies in the developed world can be categorised into two categories depending on the type of institutions and processes used to govern co-ordination between firms and other actors (Hall and Soskice, 2001). Liberal Market Economies (LMEs) are dominated by coordination through market mechanisms and competition, where there is comparative strength in inventing new products (Hall and Soskice, 2001; Schröder and Voelzkow, 2016). In contrast, Coordinated Market Economies (CMEs) focus on the role of formal institutions to govern relationships between actors, collaboration and deliberative firm action (Hall and Soskice 2001; Kang 2006; Umney 2014). Molina and Rhodes (2007) further classified Spain and Italy as mixed market economies (MMEs), identifying the following characteristics: employer fragmentation, union political divisions, class conflicts as barriers to reform and geographical differences. Despite some value in the VoC typology it has been criticized widely for being too reductionist, static, placing too much focus on the firm at the expense of the state and neglecting regional variation (Hancké et al. 2007; Kang 2006; Schröder and Voelzkow, 2016). It could be stated, therefore, that the value in VoC for this project rests on its ability to organize national regimes rather than provide explanatory factors.

Following the VoCs approach, Thelen (2014) has identified a taxonomy of liberalisation processes, by relating them to the degree of their social solidarity and egalitarian outcomes. In doing so, she contributed to disentangle the broad relationship between coordinated and egalitarian models of capitalism, by identifying three different ideal-typical trajectories of change: through deregulation (low coordination and low coverage), through dualisation (high coordination and low coverage) and through socially embedded flexibilisation (low coordination and high coverage).

A second approach to understanding and theorizing national differences is regulation theory. Regulation is understood to be “a governmental activity, exercised by national institutions or other bodies including corporation, trade unions, self-regulators, professionals, trade bodies or voluntary organisations” (Inversi et al. 2017, 292). Regulation theory, as proposed by Boyer (2005) focuses on four categories which have different forms of regulation: market-orientated (for example GB), meso-corporatist (for example Germany), statist (for example France) and social democratic (for example Sweden). Market orientated economies purport individualism and decentralization that shape employment and wage formation. In contrast, in state led economies there is strong tradition of institutionalization of rules around firing, hiring and wages (Boyer 2005). As the name suggests, the statist category has the state at the heart of its macroeconomic adjustments. Social democratic countries are small open economies with expert led growth regimes and competition that comes from high levels of education among the population (Boyer, 2005). However, Boyer’s (2005) regulation theory focuses largely on co-ordination by formal institutions, which leaves less room for investigation into the power relationship between institutions and the variety in modes of regulation.

In addition to theories which focus on national typologies, there has been a call in the literature for a more nuanced approach to understanding regulation. Schröder and Veolzkow (2016) for example, exhort the advantages of looking at three different levels of regulation; national, regional and sectoral. According to Schröder and Veolzkow (2016) attention should be paid to regions due to a lack of national homogeneity (see also Boyer, 2005). Regional variation exists, for example, in Silicon Valley in the US and in the three distinctive regions in Italy with their own mode of governance. The key challenge in examining regulation at national, regional and sectoral level is integrating these three dimensions into a coherent whole. Indeed, Schröder and Veolzkow (2016) report that local economies conform to national regulation until sectoral needs prompt them to deviate.

While extant debate focuses on regulation and deregulation, there is scope for responsive regulation, which is a pathway between regulation and deregulation (Ayres and Braithwaite 1992; Parker 2013). Expanding the role of non-state actors in the regulation puzzle prompts a way forward for understanding complex employment relations. Indeed, Dickens (1999) advocates strengthening of implementation of regulation through the tripod of employers, legal and social regulation. This is particularly important given the weakening or withdrawal of state regulatory institutions (Grabosky 2013). In this environment there is a role for state and non-state actors working in tandem (Dickens 1999; Grabosky 2013; Inversi et al. 2017; Vogel 2010).

A third framework to understand the process of regulation is the institutionalist conception of regulatory space. Inversi et al. (2017) believe the adoption of a regulatory space perspective allows for greater attention to be paid to the relationship between labour law and self-regulation with a clear focus on power relationships and actor dynamics. To understand the role of regulatory space it is important to look at historical and contextual factors which shape and reshape interactions between actors (MacKenzie and Lucio, 2014). Inversi et al. (2017) propose four levels and dimensions to understand the interaction of actors in the regulatory space; law, mandated negation/codetermination, voluntarist regulation and unilateralism. This approach encourages a focus on the distribution of power between actors instead of a focus on the absence or presence of rules.

Another theoretical framework to understand similarities and differences in collective bargaining systems refers to bargaining coordination. Centralisation vs. decentralisation in collective bargaining has always been an issue of considerable concern for industrial relations scholars (Treu 1985), especially in multi-employer bargaining systems. In 1995 a seminal publication by Franz Traxler shifted the discussion from the quantitative to the qualitative dimension of decentralisation of collective bargaining, by introducing the concept of organised (vs. disorganised) decentralisation (Traxler 1995). This gave a sociological relevance to two complementary aspects already debated in the legal field: conflict between collective agreements at different levels (Aliprantis 1985), especially in contexts without legislative intervention in industrial relations affairs (Kahn-Freund, 1954; Flanders 1974); coordination/articulation of collective bargaining structure (Giugni 1969).

In the following years, the notion of (dis)organised decentralisation was integrated with the one of collective bargaining governability. Governability of collective bargaining refers to the combination between the statutory provisions for the legal enforceability of collective agreements and the peace obligation during their validity (Traxler, Kittel, 2000). Deeply rooted in sociological and legal theory, the discourse on collective bargaining governability became central also in the debate on the effects of collective bargaining structure on economic performances: irrespective of the degree of (de)centralisation, which was central in the corporatist and neo-corporatist theories of collective bargaining structure (Aidt, Tzannatos 2008), the empirical evidence showed that best economic performances are associated with high collective bargaining governability (Traxler, Brandl 2009; Traxler 2003).

Coordination between bargaining levels is nowadays widely accepted to be crucial in guaranteeing the effectiveness of collective bargaining outcomes. Differently, disarticulation between bargaining levels undermines the capacity of social partners to play a self-regulatory role and therefore to make the economic and normative policies they agree effective. Coordinated bargaining, indeed, acts as means of governance by preventing the distinct bargaining units of, either the trade unions and the employers, from being played off against one another (Pulignano 2010). For labour, this means to contain the risk that competition in the labour market prompts employees to undercut existing collective agreements and thus to unleash a ‘race to the bottom’. Conversely, for employers, bargaining coordination aims at protecting them from ‘whipsawing’ union tactics aimed at confronting the employers individually or group by group (Pulignano 2010). To a certain extent, disarticulation of bargaining levels reduces the firm interest to stay in multi-employer bargaining.

Turning to theories on contents, approaches and aims of labour regulation, we consider John Budd's conceptualisation (Budd 2004) of employment relations aimed at finding a balance between the three dimensions of efficiency (i.e. economic objectives of companies), equity (i.e. fair and just treatment of workers) and voice (i.e. employees' involvement). Budd argues that employment should be productive, but it is not simply an economic transaction. Employees deserve fair treatment (equity) and input into decision-making (voice). Efficiency, equity, and voice are therefore the key analytical dimensions of the employment relationship. Achievement of economic prosperity, respect for human dignity, and equal appreciation for the competing human rights of property rights and labour rights further require that efficiency, equity, and voice be balanced. Public policies, business practices, and union strategies need to promote this balance and create employment relations with a *human* face.

The issue of collective bargaining as a lever for sustainability, i.e. a combination between efficiency, equality and voice, points us also to look at the role that it can play in both facilitating and ameliorating the impact of technology. This conception has been mainly fuelled by Dunlop's theory about technology as a major force that shapes the labour relations environment (Dunlop 1958). In 1963 Mancini described the early developments of firm-level bargaining in Italy as a process aimed at "distributing in an equal manner the benefits of technological progress" (Mancini 1963, 570). In a similar vein, Taylor argued that collective bargaining is "the best method to determine the employees' share of the benefits of mechanisation, to ameliorate the impact of employee displacement, and to promulgate rules governing the manning and operation of equipment" (Taylor 1962, 868). Fryer further observed that "collective bargaining legitimately has a very important role to play in finding and implementing meaningful adjustments to counteract the unpleasant employment effects associated with the introduction of automation and technological change" (Fryer 1967, 418).

About the *negotiation of order* approach, it is important to emphasise the contents of the theory of labour negotiations, elaborated by Walton and McKersie (Walton, McKersie 1965). They observe the dynamics in collective bargaining and come to identify four sub-processes: distributive bargaining, involving the distribution of scarce resources, based on power relations and associated with a "zero-sum" game; integrative bargaining, characterised by a problem-solving approach deriving from the acknowledgement of mutual interests, and associated with a "win-win" solution; attitudinal structuring, aimed at influencing the attitude and position of the counterpart, e.g. via establishing trust and willingness to cooperate; and intra-organisational bargaining, involving the negotiation activities within the negotiating parties in order to harmonise interests and aims between representatives and their constituents.

Section 3.
Labour productivity trends in Germany, Italy, The Netherlands, Poland, Spain and the UK

In order to place productivity bargaining in its context, this section of the report provides an overview of productivity figures in the six named countries Germany, Spain, Italy, Poland, Netherlands and UK. Firstly, the graphs depict productivity generally by examining GDP per hour worked[1]. In the second part of this section the report examines productivity in four sectors; automotive, retail, hospitality and healthcare.

Figure 1 depicts the productivity trends in the six countries examined. For most countries the period from 2001-2008 saw high growth figures, reflecting a boom resulting from an investment in new technology since the late 1970s. All countries examined, except for Poland, slowed down in 2008, where all economies were severely hit by the recession. Indeed, average productivity among the economies involved has not recovered structurally since then. Apart from the economic recession, labour productivity trends in the 6 countries show very different paths in the period 1995-2016. Three groups of countries can be identified in relation to absolute labour productivity levels:

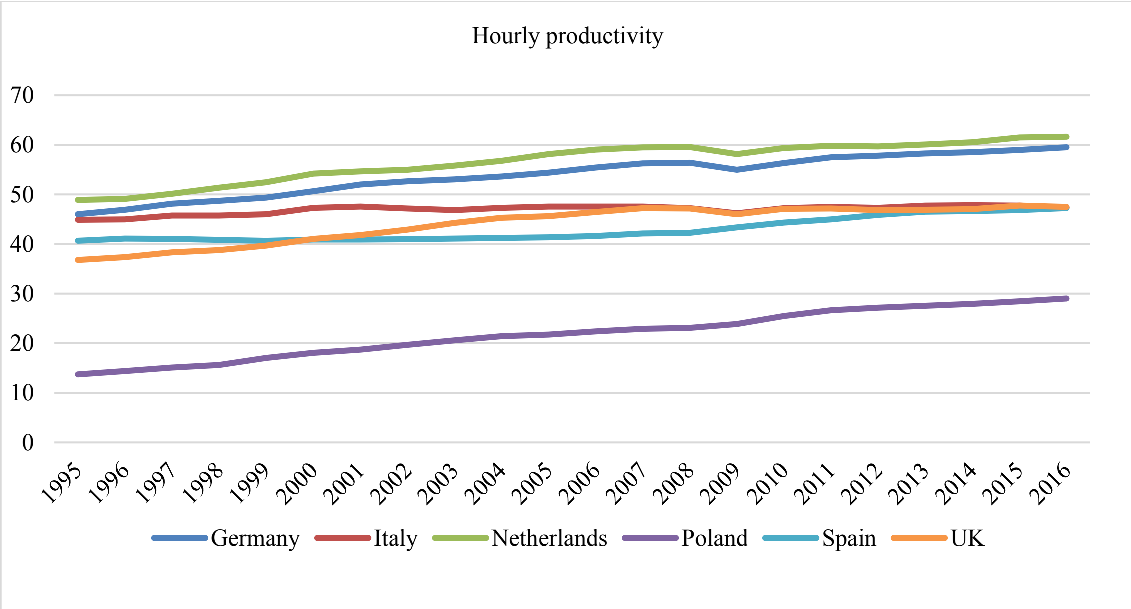
1. High-level performers: the Netherlands and Germany;
2. Mid-level performers: the UK, Italy and Spain;
3. Low-level performer: Poland.

This picture changes if one considers labour productivity growth rate. Accordingly, three different groups can be identified:

1. High-level performers: Poland;
2. Mid-level performers: the Netherlands, Germany and Spain;
3. Low-level performers: Italy and the UK.

[1] This OECD indicator measures how efficiently labour input is combined with other factors of production and used in the production process. Labour input is defined as total hours worked of all persons engaged in production. Labour productivity only partially reflects the productivity of labour in terms of the personal capacities of workers or the intensity of their effort. The ratio between the output measure and the labour input depends to a large degree on the presence and/or use of other inputs (e.g. capital, intermediate inputs, technical, organisational and efficiency change, economies of scale). This indicator is measured in USD (constant prices 2010 and PPPs) and indices.

Figure 1: Gross domestic product per hour worked (USD, constant prices)



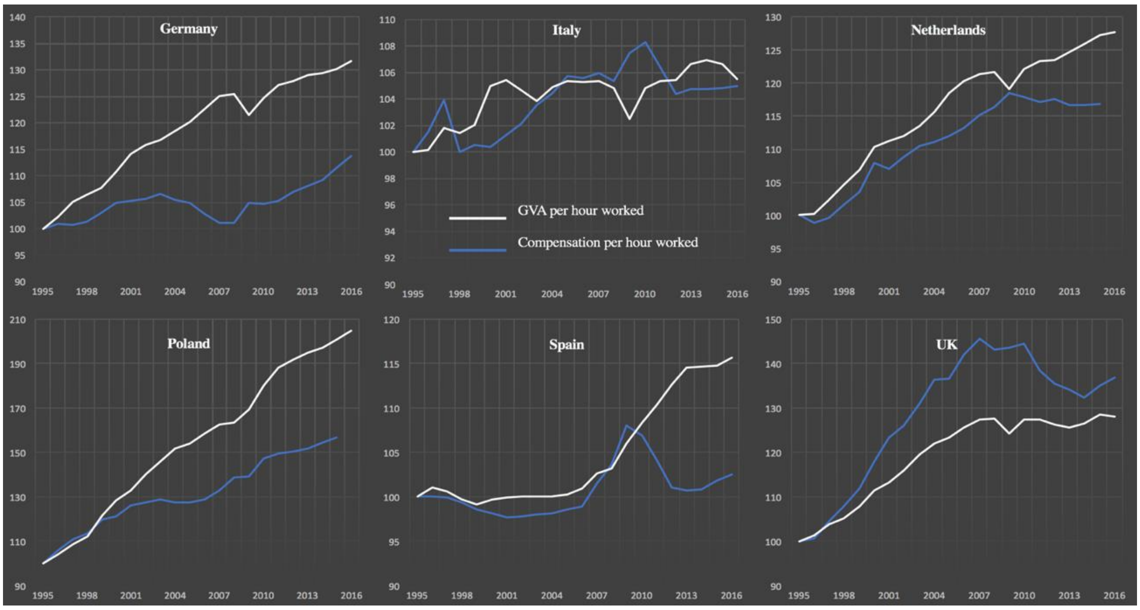
Source: ADAPT/WERU on OECD 2017

Figure 2 and Figure 3 show two important factors for labour productivity; labour compensation[2] and working hours. These factors are also the main objectives of collective bargaining. Precisely, the relation between gross value added per hour worked and labour compensation is a key indicator of competitiveness, but also an indicator of sustainability, depending on the size of the gap between productivity and wages. Three groups of countries can be identified:

1. Productivity is higher than wages: Germany, the Netherlands, Poland. Among these countries there are two groups one which is performing better in absolute terms (Germany and the Netherlands) and a second group which is performing better in relative (Poland) terms. Additionally, two other groups of countries can be further identified:
    a. Low gap between productivity and wage levels (sustainable): Germany, the Netherlands;
    b. High gap between productivity and wage levels (unsustainable): Poland.
2. Counter-cyclical relation between productivity and wages: Italy and Spain;
3. Wages are higher than productivity: the UK.

[2] Labour compensation per hour worked is defined by the OECD as compensation of employees in national currency divided by total hours worked by employees. Compensation of employees is the sum of gross wages and salaries and employers' social security contributions. This indicator is measured in terms of annual growth rates and indices.

Figure 2: Gross value added (GVA) per hour worked and labour compensation per hour worked in Germany, Italy, the Netherlands, Poland, Spain, the UK (1995=100)



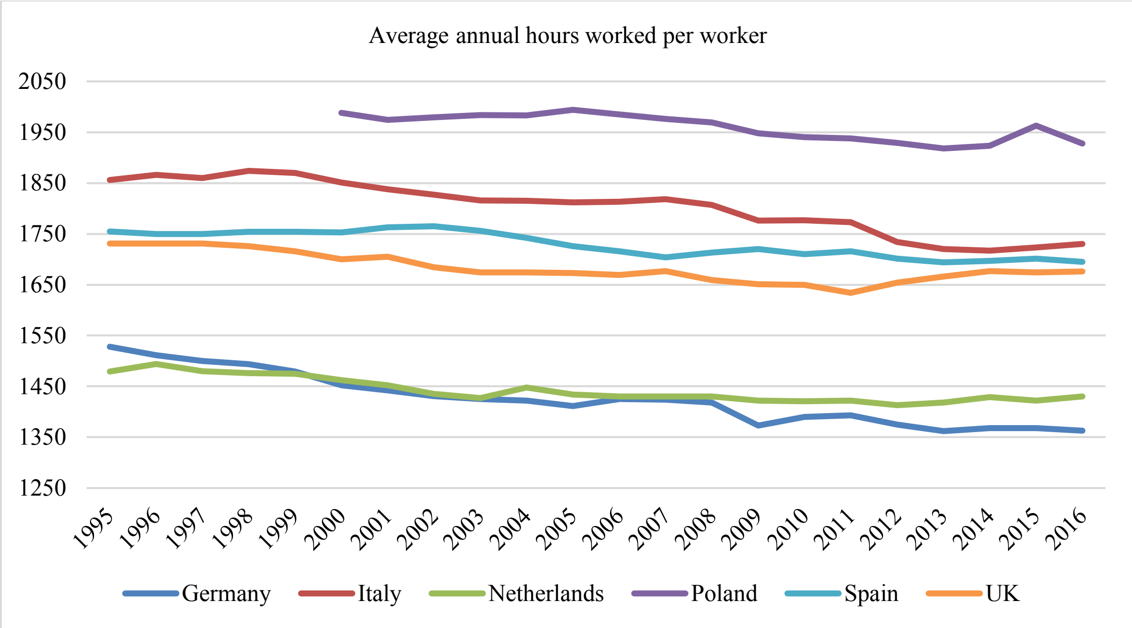
Source: ADAPT on OECD 2017

The graph below illustrates the average annual hours actually worked per worker in the six countries compared[3]. As this indicator compounds the labour productivity indicator (gross domestic product per hour worked), it comes with no surprise that countries where hours worked are lower, are those performing better in terms of labour productivity. However, as for the relation between productivity and wages, working hours are also an indicator of both efficiency and sustainability of the systems. In this respect, three groups of countries can be identified:

1. High sustainability (lower working hours): Germany and the Netherlands;
2. Mid sustainability (relatively low levels of performances coupled with relatively high working hours): Italy, Spain, the UK;
3. Low sustainability (low levels of performances coupled with high working hours): Poland.

[3] This OECD indicator is defined as the total number of hours actually worked per year divided by the average number of people in employment per year. Actual hours worked include regular work hours of full-time, part-time and seasonal? workers, paid and unpaid overtime, hours worked in additional jobs, and exclude time not worked because of public holidays, annual paid leave, own illness, injury and temporary disability, maternity leave, parental leave, schooling or training, slack work for technical or economic reasons, strike or labour dispute, bad weather, compensation leave and other reasons. The data cover employees and self-employed workers. The data are published with the following caution: The data are intended for comparisons of trends over time; they are unsuitable for comparisons of the level of average annual hours of work for a given year, because of differences in their sources and method of calculation.

Figure 3: Average annual hours actually worked per worker



Source: ADAPT/WERU on OECD 2017

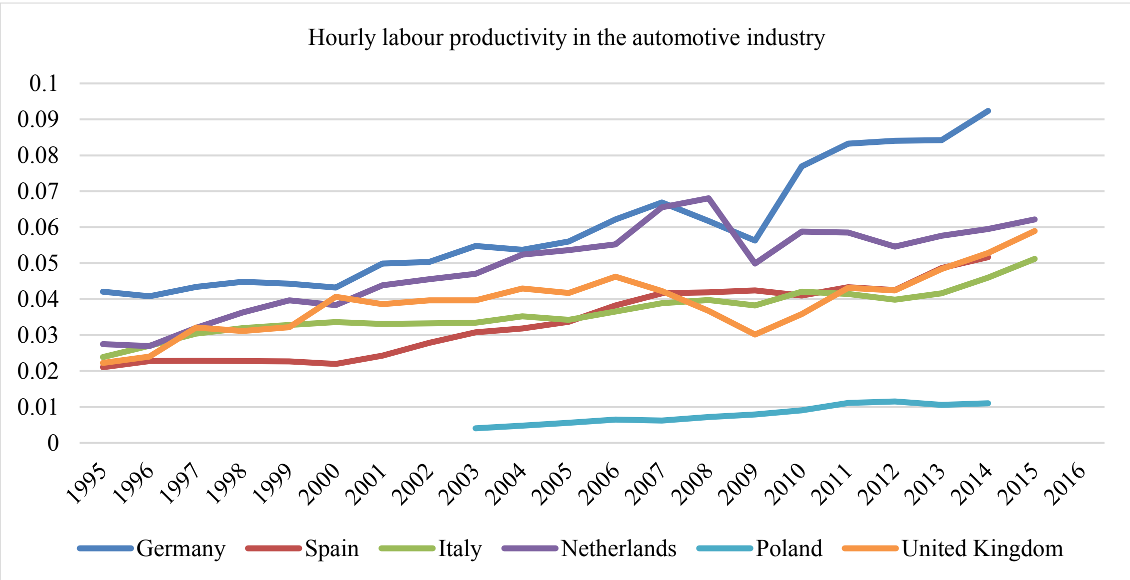
Turning to sectoral developments of labour productivity, in figure 4 we can see that the recession in 2008 had a large impact on the automotive industry in all six countries. The Netherlands took the largest hit in the 2008-2009 period. Since the recession automotive productivity has increased to above recession levels in all six countries. Overall, general trends of labour productivity (Figure 1) tend to reflect manufacturing productivity, which is the segment of the economy where added value is among the highest levels. Hence, in the automotive industry we can still distinguish the three groups of countries identified for the overall economy:

1. High-level performers: the Netherlands and Germany;
2. Mid-level performers: the UK, Italy and Spain;
3. Low-level performer: Poland.

It is hard to pinpoint the actual explanation for such national differences. The sector is first of all very globalised and productivity is the most crucial factor for the global competition in this sector. The older EU member states – including the UK – are characterised by high levels of productivity as the outcome of high commitment to cost reduction combined with innovation strongly focused on quality improvement. While Germany still shows high levels of productivity growth – even after the Diesel scandal which hit particularly Volkswagen very badly – the other countries are driven by the same dynamic of productivity growth. Poland attracted a lot of investment as it's economy transition. This investment may lag behind in terms of productivity in the near future with the consolidation of investment in technology and human capital in terms of improvement of efficiency in work organisation

Things change significantly if we look at labour productivity outside automotive manufacturing. Gross value added in healthcare, tourism and retail is significantly lower than productivity in the automotive industry. Compared to trends in the overall economy, sectoral differences emerge along with countries productivity performances. Such differences are inevitably influenced by the sectoral composition of the six economies. The only similarity that combines trends across sectors and between sectors and the overall economy is labour productivity trend in Poland: all the graphs below show that this country registers the weakest performance in absolute terms and is among the best performers in relative terms. This trend in Poland can be attributed to the growth spurt experienced as the markets became liberalised after the fall of Communism.

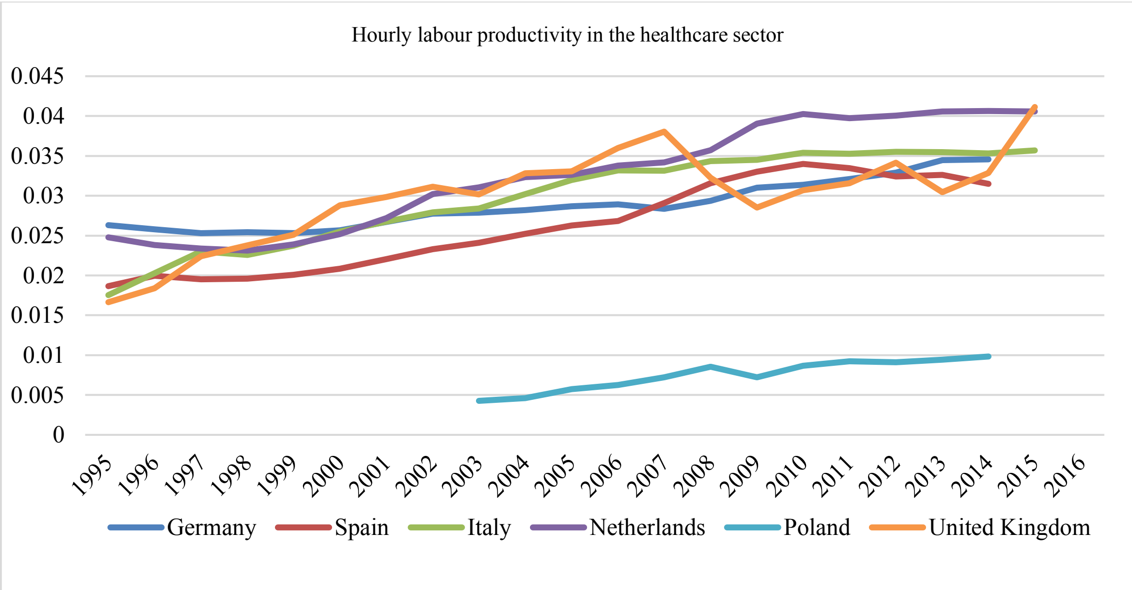
Figure 4: Gross value added per thousand hour worked in the automotive industry (manufacture of motor vehicles, trailers, semi-trailers and of other transport equipment)



Source: ADAPT/WERU on Eurostat (2017)

The graph below illustrates productivity in the healthcare sector in the six countries. Germany shows a shallow growth curve compared to the Netherlands which shows steeper increases 2000-2005 and 2007-2009. Polish healthcare productivity showed a sharp decrease in the recession years, similar to the UK. In contrast, Italy and Spain showed no reduction in productivity as a result of the recession. Comparison in healthcare across countries is complex due to the differences in the distribution of public and private sector roles in healthcare in different countries. Factors that may explain parts of this trend are problems with the public sector deficit, the policy within various countries regarding healthcare and the way in which and the level to which austerity hit the sector.

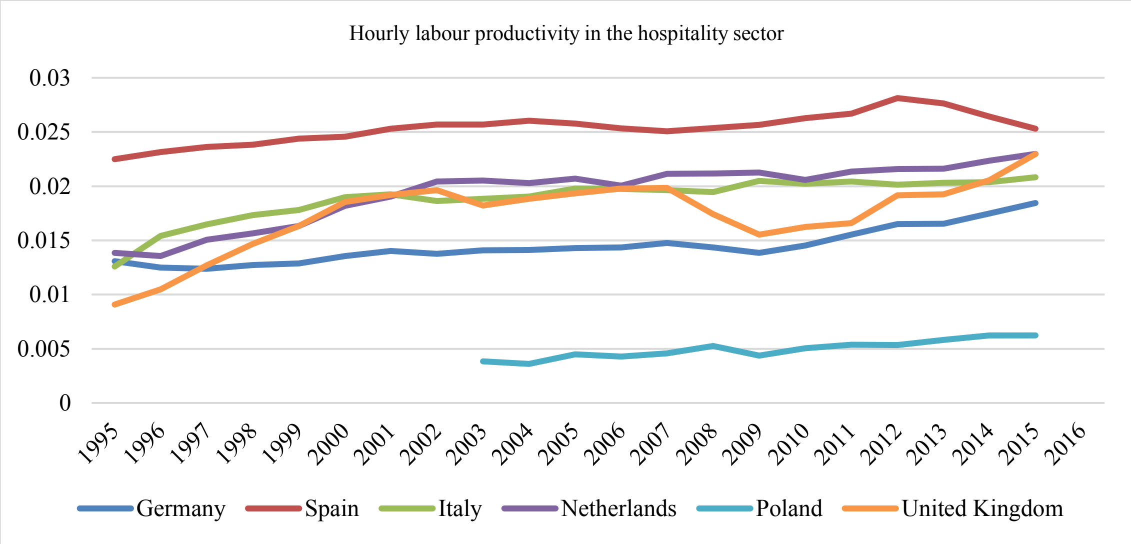
Figure 5: Gross value added per thousand hour worked in the healthcare sector (human health activities)



Source: ADAPT/WERU on Eurostat 2017

Figure 6 below shows productivity in the hospitality sector in the six countries. From this graph we can see that the sharpest decline was seen in the UK in 2007-2009 in line with the recession. This sharp decline in the UK could be attributed to the UK's large service economy. Poland also saw a sharp decline in the recession and has grown steadily since. In contrast to this trend, Spain has seen shallower growth, as seen also in Italy and the Netherlands. Spain is experiencing a more recent decline in productivity between 2012-2015 reflecting the mass tourism problems experienced by Spain in this period.

Figure 6: Gross value added per thousand hour worked in the tourism sector (accommodation and food service activities)



Source: ADAPT/WERU on Eurostat 2017

Figure 7 depicts retail productivity showing high levels of productivity in the UK, again reflecting the dominance of the service economy in the UK. Higher investment in logistics in the UK may reflect this growth in the retail sector in the UK. In addition, higher levels of consumption – partly based on private and public debts is a factor contributing to higher turnover and related productivity growth. The recession impacted retail productivity in all countries except Spain, which saw an increase in productivity 2007-2010. Poland showed a sharp recovery period up to 2013 with productivity decreasing in 2014. The UK has steeper growth in retail productivity from 2009 in contrast to the shallower growth of the Netherlands, Italy, Spain and Germany.

Figure 7: Gross value added per thousand persons employed in the retail sector

Source: ADAPT/WERU on Eurostat 2017

Section 4.
Comparative analysis of similarities and differences in collective bargaining and labour productivity in Germany, Italy, The Netherlands, Poland, Spain and the UK

Two out of the six countries compared – Poland and the UK – can be placed among the so-called liberal market economies (VoC typology) and the market-oriented model of labour regulation (Boyer, 2005). Both countries fit within the deregulatory model of liberalisation elaborated by Thelen (2014), which is characterised by intentional political dismantling of coordinating capacity and low coverage. In line with our theoretical framework, the analysis shows that these country models purport individualism and decentralization that shape employment and wage formation irrespective of, and in the absence of, any form of coordination. Moreover, they tend to be associated with voluntarist regulation and unilateralism. In terms of contents and effects of labour regulation, lack of coordination and weak industrial relations institutions tend to result in an unbalanced combination of efficiency, equity and voice in labour-management relations and employment regulation (Budd 2004). In these countries efficiency concerns dominate both equity and voice. Yet such an imbalance seems to be unsustainable in the long-run: the UK case, for example, is proving to be unable to achieve or maintain high productivity levels. Therefore, collective bargaining in these countries has the potential to be means for labour and management to find a more sustainable balance between economic objectives and fair and just treatment of workers. Moreover, multi-employer bargaining structures and higher wages could push companies to invest in innovation and take the high-road to productivity. In these countries, however, the absence of a supportive legal framework hinders the ability for true collective bargaining to take place. In the absence of a coordinated approach to labour regulation there is a high level of reliance on Human Resource Management and individualistic firm level processes.

A second group of countries – Italy and Spain – identifies the so called mixed market economies (Molina, Rhodes 2007). Our analysis confirms that these countries are characterised by relatively strong labour market institutions and a meso-corporatist form of labour regulation (Boyer 2005), which takes place at different levels, including statutory legislation, multi-employer agreements at national, industry and regional levels, firm-level bargaining and Human Resource Management. Despite their ability to coordinate wage and labour standards horizontally, these countries are also characterised by weak vertical coordination and integration between what is agreed at central level and what is practiced in the periphery (Molina, Rhodes 2007). Bargaining governability (Traxler 2003) is relatively weak due to informality of labour-management relations and localism, especially when it comes to smaller firms in which unilateralism tends to prevail as no obligation to set up works councils applies nor collective bargaining takes place. This might result in lack of national homogeneity, dualism and free-riding in the labour market. Finally, confrontational industrial relations tend to prevail, thus resulting in less integrative bargaining outcomes (Walton, McKersie 1965), which tend to reflect more power-based rather than trust-based relationships. It comes with no surprise that national or sector-wide regulations based on a sustainable compromise between efficiency and equity do not necessarily translate into sustainable HRM or industrial relations practices at a firm-level, or that high and low roads to productivity coexist across sectors and companies.

Two out of the six countries compared – Germany and the Netherlands – can be placed among the so-called traditional coordinated market economies (VoC typology) and the meso-corporatist models of labour regulation (Boyer 2005). These systems are characterised by relatively strong industrial relations institutions and large capacity for coordination between and within sectors. Cooperative industrial relations at both sectoral and firm levels tend to reflect into integrative bargaining (Walton, McKersie 1965) and sustainable compromise between efficiency, equity and voice (Budd 2004). These countries, however, are facing many challenges and coordination between industries is much weaker today than it has been twenty years ago. Both countries seem to have followed the path of liberalisation through dualisation (Thelen 2007). Wage coordination still works, but it works only for some industries and for a shrinking share of employees, and the interaction between coordinated and uncoordinated areas undermines the former in favour of the latter. This trend has been fuelled by the spread of outsourcing and atypical forms of employment, especially in the weaker performing service sectors, that has contributed to the growth of a low wage sector within the service industries. Moreover, also the coverage of collective bargaining has decreased significantly.

1. National Peculiarities and Sectoral Influences

Poland

In contrast to the high level of productivity in most economies during pre-crisis years, Poland had the lowest level of productivity of the six countries. Despite Poland's initial low levels of productivity, Poland now shows the highest level of productivity. This boom can be attributed to the effect of the economy catching up after the collapse of the Communist regime in 1989. The economy went through a shock therapy where liberalisation of the market was the most dominant form of market reform. Poland attracted investment from Western European economies competing on low wage levels and a growing investment in education. The investment was accompanied by a more intensive use of technology and transfer of technology to the Polish economy, in particular manufacturing. Despite positive productivity growth-rate, in Section 3 we showed that Polish labour productivity is comparatively lower than productivity in the other countries. Low-road to labour productivity (wage moderation) associated with catch-up effect following deep structural reforms that transformed the country in an open, free market economy might be an explanation for this evidence. In other words, the growth model underpinning Poland's success heavily relies on low-to-medium technology sectors with a relatively high share of low-skilled labour. Unilateralism is the dominant form of managing workers in the country, as industrial relations institutions are weak and collective bargaining is almost non-existent as a source of labour market regulation. This situation results in unbalanced efficiency-oriented regulation and HRM practices. However, this trend is expected to be unsustainable in the long run as the catch-up effect will dissolve and innovation, social cohesion, and equality will emerge as fundamental requisite for sustainable growth. Poland's economic success has been impressive but its past record does not guarantee the same level of economic expansion in the future. In this position, the new government is trying to shift to a high-road model for growth to better combine economic prosperity with fair and just treatment of workers.

The UK

The UK economy suffered deeply, partly because of the contribution of financial services to the overall economy and the debt risks involved. The LSE Growth Commission (2017), when addressing the low productivity in the UK, points to four areas that would need attention from the government: jobs and skills, industrial strategy, openness and finance and growth. According to this Commission the tax system favours self-employment over employee status. Boosting skills and wages could lead towards more inclusive growth as highlighted earlier in this report. The productivity puzzle may be explained by two majors aspects of the new economy: an over reliance on marginalised, unsustainable jobs and an increase of ICT which may not be reflected in the productivity figures as services are not materialised in productivity figures. Low-road to labour productivity and disconnected capitalism characterise the UK story since the onset of Thatcherism and are possible explanation for slow but constant labour productivity erosion over the last two decades. This situation worsened in parallel to the growth in low-paid and low-skilled jobs in the wake of the financial crisis. When it comes to labour and employment relations, unilateralism tends to prevail over coordination and collaborative decision making at both a central and decentralised level. In this perspective, the UK case compares well with the Polish one as it (already) shows that good productivity performances are unsustainable if they are not coupled with high-road policies to labour productivity. A decentralised liberal collective bargaining structure has led to workplaces with weak unions and a management preoccupation with lowering unit costs. Healthcare stands apart with its multi-union, national terms and conditions. Yet despite this more European model of collective bargaining, the sector still experiences lack of investment in skills, preoccupation with unit cost and scant attention to inclusion and diversity. There is a need for a coordinated industrial policy, supported by legislation in order to move the UK to a more coordinated structure where meaningful collective bargaining can thrive and outstrip the financialisation agenda.

Italy

Italy has experienced a labour productivity stagnation since mid-1990s. Prior to the recession in 2008 Italy showed the strongest level of productivity in 2001. Various factors are responsible for the low productivity figures. One major factor is the low level of skills, reflected in the low participation with tertiary level education and the relative high numbers of inhabitants with only a primary education. Another factor is the lack of investment in research and development and related investment in innovation and skills. Other problems adding to this situation are monetary instability and overspending by the Government. Alongside these with multiple factors that have influenced negative trends in labour productivity, the model of multi-employer bargaining plays an important role. The compromise behind the so-called Giugni Protocol of 1993 was that, in addition to national sectoral collective agreements (NCLAs), decentralised bargaining should have linked pay rises to productivity, in order to complement low wages fixed at central level. Firm-level collective bargaining, however, is still scarce, covering a minor part of companies and employees. No redistribution of profits through decentralised bargaining coupled with relatively low wages in NCLAs allowed marginal companies to remain competitive, without investing in innovation, skills and R&D, i.e. the key drivers of productivity. Indeed, the fact that economy-wide agreements state that productivity should not be distributed to workers through NCLAs but only through company-level bargaining, only makes sense if the coverage of company (or decentralized) bargaining approximates 100% of workers. If coverage is below 100%, such wage coordination rule implies that productivity increases will not be redistributed, but will increase the share of profits in GDP with the following risks: domestic demand stagnates; financial speculation increases (profits are less likely to be consumed than saved); and inequality increases too. For this reason both Governments and social partners are trying to promote the diffusion of decentralised collective bargaining. In terms of contents, in all sectors, working conditions in NCLAs are the result of a well-balanced compromise between efficiency, equity and voice. The high-road to labour productivity tends to prevail, despite the fact that wages are generally lower than the EU average. Such sustainable compromise, however, is jeopardised by the so-called “pirate contracts”, i.e. alternative NCLAs signed by non-representative trade unions and employers’ associations with the aim to cut labour standards and costs. At a firm level, collective bargaining seems to be polarised between best practice (high-road to productivity), and worst practices (low-road to productivity).

In many marginal companies, especially SMEs, firm-level collective bargaining does not exist at all, and/or NCLAs are applied in “flexible” ways. This means that, irrespective of contents of collective bargaining at all levels, there is a problem of collective bargaining governability and effectiveness.

Spain

Spanish productivity was fairly flat 2001-2008 and has shown signs of recovery post-recession. The Spanish economy suffered most severely from the financial crisis in 2008. Part of the problem was the role of housing and construction which went through a long period of unprecedented growth with the boom of tourism. Banks were lending and overspending, which made the economic activities in housing and building hazardous and banks had to be bailed out when the financial crisis occurred. The effect of this bail out was high public expenditure and an increase in national debt. In the labour market this situation had an overall effect on high unemployment figures and a lack of adjustment to the new economic situation where the strong lack of demand made problems even worse. Spain exhibits a strong counter-cyclical character in productivity developments. This means that employers in Spain rely on temporary employment as a mechanism to adjust to changes in the economic context. In times of economic growth, the Spanish labour market creates many poor quality jobs (temporary and low paid) that are then destroyed when the economy enters a recession. The increase in productivity observed since 2008 is however due to a very rapid increase in unemployment, not to a more efficient use of labour. The problems related to low productivity, indeed, remain largely in the post-crisis period. In the labour market there is a variety of factors responsible for low productivity of which the most important are the reliance on low cost labour and the use of temporary contracts as a way to increase flexibility in a market dominated by rigidities. The relative high increase of productivity levels can be largely contributed to the use of these types of labour contracts under conditions of cheap, predominantly low skilled labour. There are signs, nevertheless, of productivity increases with a change of labour market policies, including active labour market policies, and an improvement in export figures.

Germany

The overall trend of labour productivity growth in Germany since the 1990s is positive. The German economy is often considered a core economy in the EU, showing a trade surplus connected with a strong manufacturing sector. Traditionally the labour market is characterised by diversified quality production (Streeck 1992), with a high level of involvement of social partners with policy making and involvement of employee representatives at company level. This approach is not only the basis for a high level of skilling and security for employees, but also a high degree of flexibility and investment in technological innovation. The steady growth of productivity is particularly due to the wage moderation with the Harz reform. In some respects this reform may pose a problem on the demand side of the economy while the economy prospers from a trade surplus creating some imbalance in the international trade relations. The growth rate of labour productivity, however, is eroding in parallel with the erosion of the traditional country model of capitalism and industrial relations system. Germany has long been regarded as an outstanding example of a coordinated market economy that combines high international competitiveness in the manufacturing sector with high wages and a – relatively – equal distribution of income. On this basis, it was said that the German economy specializes in customized and high quality products, making use of well-trained employees with broad skills and high job tenure in the companies. Industry level wage coordination is a central mechanism because it impedes wage competition between companies and sectors within the economy, it gives incentives to make use of the skills of the employees and it enforces the companies to modernize and to increase productivity in line with the wage increases. Coordination between industries, however, is much weaker today than it was twenty years ago. The logic of pattern bargaining between the sectors has been largely eroded and wage development in the manufacturing and many of the service industries is decoupled. The growing labour volume especially in the service sectors went hand in hand with a structural shift of the sectoral composition of the economy in favour of the weaker performing service sectors, where the less skilled segment of workers are employed, non-standard types of work prevail, coverage of collective bargaining declines and trade unions' power is limited. Against this background, despite both sectoral and firm-level bargaining, is the result of a good compromise between efficiency, equity and voice, labour productivity as a justification of wage demands and as a basis of a productivity compromise in collective bargaining remains important only in the automotive sector. In the other sectors analysed the collective bargaining actors do not refer to the development of productivity in collective bargaining and unions are no longer able to copy bargaining developments in the manufacturing industry.

The Netherlands

When comparing productivity growth figures the most striking change took place in the Dutch economy in the beginning of the 1990s. While the labour market was most severely impacted by the low participation rate and high levels of disablement and unemployment, there were some changes that counted for the higher levels of productivity. After the Wassenaar agreement, aiming to improve profits and lower the numbers of working hours with a moderation of wages, there was an increasing level of flexibility and an increase of labour with part-time jobs. This situation led to the Netherlands being included as a European Tiger (with Ireland and Denmark). Since then the economy went through a period of stable development with a relative high level of productivity. Flexibility in the labour market is still an aspect which has both positive and negative outcomes. The open economy prospers from such flexibility while it may pose a problem for the future generation. The gig economy, in particular, threatens a sustainable working life, which will also impact the levels of demand in the economy. The relatively good performance of the Netherlands in the period 1995-2005 is related to the internationally acclaimed success of the so-called Polder model. The Dutch economy weathered the international downturn of the mid-1990s better than most other (old) EU member states. At that time, this success was attributed to the Dutch system of consensus seeking by the government and the social partners, which resulted in a prolonged period of wage moderation, a relatively low unemployment rate, reform of the welfare state (in particular, disability benefits) and reduction of the budget deficit. Moreover, in a European comparative perspective, the Dutch system of industrial relations is characterized as having a strong system of worker participation at the company level, especially in terms of formal rights and positions in strategic organizational issues. In this respect, works councils are mostly argued to be effective in improving productivity or decreasing labour turnover. These positive effects disappeared with the credit crunch of 2008 and the ensuing economic crisis. Since the onset of the economic crisis, many companies started to follow a low-road to productivity, by trying to improve their competitiveness and to increase their profits by reducing labour costs through hiring employees on flexible contracts (such as fixed-term contracts, agency work and on-call contracts) and awarding contracts to self-employed workers. This strategy, however, amounts to increasing the labour intensity of production, hence reducing productivity growth, instead of capital deepening, which would boost productivity growth in a more sustainable manner.

Section 5.
Public policies and social partners’ attitude towards labour productivity in Germany, Italy, The Netherlands, Poland, Spain and the UK

1. Public policies on labour productivity and their (in)effectiveness

The United Kingdom, albeit historically, and Italy stand out as the only countries where public policies have directly targeted collective bargaining as a means to foster labour productivity. From late-1960s until early-1980s, the UK Government considered the scant performance of productivity as dependent on the uncoordinated system of two-tier collective bargaining, hence attempts to integrate shop-stewards in the collective bargaining system and formalise company-level bargaining procedures were promoted via legislative measures. With the onset of Thatcherism such policies dissolved: Governments promoted unilateralism and labour disempowerment as the prevalent way to achieve growth. With the aim to link wages to productivity, since 2009 the Italian governments have pursued improvements in firms’ and labour productivity via normative and fiscal incentives for variable pay, welfare schemes and flexible work organisation resulting from local-level collective agreements. Such fiscal incentives increase if firm-level agreements provide a system of workers’ participation. In the other countries that were compared, we found that collective bargaining itself is not a distinctive goal of government policy on productivity, although public policies goals are often concerned with bargaining-related issues. In the Netherlands, for example, between the 1950s and the 1980s, the government and social partners jointly developed an industrialisation and productivity policy, also by promoting productivity enhancing innovations in work organisation, mechanisms for wage control, job classification systems and vocational-education and training initiatives. The German legislation on works councils ensures that some of the key decisions at the workplace are not taken by the employer alone but involve representatives of the workforce. The works council, however, cannot consider only the interests of the employees: its legal basis is to work together with the employer in a spirit of mutual trust, for the good of the employees and the establishment.

Irrespective of collective bargaining strategies, productivity has recently fallen under the spotlight of policy makers in the United Kingdom, Italy and Germany due to productivity slowdown or stagnation. In these countries, we found that digitalisation (via public expenditure in digital and research infrastructure and fiscal incentives for business investments) comes out as a key strategy to foster productivity. In Italy, the government has recently passed the so-called Industry 4.0 plan, while German government has developed a “digital agenda 2014-2017” and a “platform industry 4.0” to support an innovation strategy aimed at increasing the competitiveness of the German economy. In UK, the so-called “Fixing the Foundations: creating a more prosperous Britain” plan, launched by the Conservative government aimed to introduce fiscal incentives and promote investment in digital research infrastructure can be considered as a policy directly intended to prompt productivity. In Poland the National Training Fund encourages digital innovation and skill development with the aim to impact labour productivity indirectly. Moreover, the current Polish government issued a *Strategy of Responsible Development* in early 2017, which set the path towards a more socially oriented and sustainable growth agenda.

As we showed in Section 3, the recent public policies on (labour) productivity has not proved to be successful yet. In the United Kingdom, productivity growth is experiencing a serious slowdown, while in Poland the slow increase in labour productivity is attributed to technological development, the restructuring of ex-nationalised companies and the catch-up effect, rather than to government’s interventions. Despite the attempt to strengthen the UK’s productivity, industrial policy has been met with criticism. Trade unions and professional bodies alike have criticised the policy for lacking infrastructure and investment to translate the policy into improved productivity outcomes. The same is for Italy: despite a number of companies making use of fiscal incentives for firm-level collective bargaining, this has not produced tangible effects in terms of labour productivity growth and diffusion of firm-level collective bargaining. It could be suggested, therefore, that such policy attempts to support productivity in the UK and Italy are unsupported by the necessary systems to translate the policy into practice. Conversely, in Germany, public policies on the digital agenda and Industry 4.0, developed in cooperation with unions and employers’ organisations, are expected to bring about a 30% increase in labour productivity.

Table 2: Policies on labour productivity and their (in)effectiveness

	Public policies	**Social partners**	**(In)effectiveness**
Germany	Not an issue itself Industry 4.0 and digital agenda	Historically a greater role Active industry policy	Generally effective
Italy	High in governmental agenda Industry 4.0	High in social partners’ agenda	Generally ineffective, with few exceptions
Netherlands	Historically greater attention Addressed indirectly	Historically a greater role	Divide between sectors

Poland	"New deal" towards sustainability	Not an issue	Unknown
Spain	High in governmental agenda	High in social partners' agenda	Divide between big companies and SMEs
UK	Historically greater attention Nowadays, lack of coordinated strategies	Lack of coordinated strategies	Generally ineffective

2. Views and Strategies of Social Partners in relation to Labour Productivity

Poland stands out as the only country where productivity is not an explicit concern for social partners, although tripartite social dialogue has recently showed more interest in productivity-related issues. Conversely, labour productivity is a priority for social partners in all the other counties. Given the productivity stagnation and slow-down between 1995 and mid-2000s, with the trilateral framework agreement of 2009 and their successors Italian social partners started to put labour productivity high on their agenda: Government and social partners – with the relevant exception of Confederazione Generale Italiana del Lavoro (CGIL, the General Confederation of Italian Workers – opened-up a process decentralisation of collective bargaining as a means to make work organisation more efficient and to redistribute the expected productivity growth in terms of higher wages and investment. German unions are pursuing a strategy aimed at combining productivity with decent work, co-determination and training: such high–road to productivity coexists with several firms' attempts to improve productivity via derogations to sectoral standards and the use of non-standard work. In the Netherlands, in 2005, social partners drafted a policy report called "Towards a more productive economy" suggesting that a productive economy can be achieved via flexible working hours, performance-related pay, training and cooperative industrial relations. The UK national report does not explicitly mention productivity as a priority for social partners, even though both employers' associations and trade unions express their concerns on this topic.

We found that collective bargaining is generally regarded as a driver for productivity by Italian, German (with specific regard to the metalworking industry) and Dutch social partners, although it is also acknowledged that other factors (e.g. business investments in technology, research and development, human capital development) contribute more to boosting productivity. Interestingly, in the Netherlands, social partners (in the manifesto "Towards new labour relations") emphasise the concept of "co-creation" (intended as integrative bargaining) to the benefit of social innovation and competitiveness; the manifesto is also clear that that "productivity growth should be based on investments in workers". In UK and Poland social partners' opinions are more polarised between employers' and workers' representatives. Unite, a large British trade union, is clear that social dialogue and collaboration between stakeholders are necessary to solve the UK productivity problem, but at the same time employers' associations do not consider information and consultation of employees and overall labour-management relations as vehicles for increasing productivity. Also Polish employers' organisations prefer to tackle the issue of labour productivity unilaterally. Plus, in Poland, neither the unions are concerned about productivity since they are still dealing with a problem of representativeness.

3. Whether and How Collective Agreements at Different Levels are Concerned with Labour Productivity

Productivity can act as an input for and/or as an output of collective bargaining. We found that productivity is an input for collective bargaining only in Germany, and specifically in manufacturing sectors, where productivity is still an argument that legitimises unions' wage demands at industry-level. More recently, productivity growth has been included in Spanish peak inter-sectoral agreements as a benchmark for negotiated wage increases at the different levels of the collective bargaining structure. At the company level, productivity is regarded as an input of wage bargaining in Italy and to a lesser extent, in Germany, Spain and the Netherlands, as long as pay rises are linked to firms' or workers' performances.

With the relevant exceptions of Italy (at both national and company level since the onset of the economic crisis) and Germany (particularly in the cases of company-level derogations from national collective agreements), productivity is not an explicit goal of collective bargaining. Indeed, we found that "productivity bargaining" is rare and, when this occurs, tends to be associated to concession bargaining through which investments and occupational stability are traded-off with measures to cut labour costs or to make work organisation more efficient by putting pressures on workers. Nonetheless, there are a number of elements of productivity or efficiency to be found implicitly in different collective agreements, both on industry or plant level, ranging from flexible working times to performance based pay or profit sharing. Our content analysis shows that productivity may be boosted indirectly also via collective agreements on VET initiatives, career development, participatory rights for works councils, welfare measures, etc., as in Germany, Italy, the Netherlands and Spain, or pursued unilaterally via HRM practices and informal individual arrangements as in Poland and the United Kingdom.

Table 3 – Collective bargaining and labour productivity

	Productivity as an input	**Productivity as an explicit output (i.e. productivity bargaining)**	**High-road to productivity**	**Low-road to productivity**
Germany	Some NCLAs	Rare	Widespread in firm-level agreements	Some firm-level agreements
Italy	Not in NCLAs Yes in firm-level bargaining	Rare	NCLAs and some firm-level agreements	Some "pirate" NCLAs in labour intensive sectors Some firm-level agreements in SMEs Widespread in HRM in SMEs
Netherlands	No	Rare	More in capital intensive sectors	More in labour intensive sectors
Poland	No	No	Rare, only in some companies	Widespread (HRM)
Spain	Some NCLAs	Rare	Some firm-level agreements (big companies)	More in labour intensive sectors and in SMEs
UK	No	No	Rare, only in some companies	Widespread (HRM)

While in Poland and the United Kingdom, social dialogue or collective bargaining over labour productivity are uncommon, in Germany, Italy and, to a lesser extent, the Netherlands, good practices of collective bargaining have been identified at both industry and company level. Overall, bargaining parties in the latter group of countries are engaged in an effort to achieve a "sustainable compromise" between employers' demands for productivity and workers' needs of equity and voice. In terms of content, this approach to collective bargaining results in higher wages but flexible; lower working-hours but more flexible working-time arrangements; cooperative approach to labour-management relations; integrative bargaining; and stronger workers' participation and trade unions' rights. We found that high-road to productivity can also coexist with bad practices of collective bargaining, which result in lower wages but fixed; Higher working-hours but fixed; Confrontational approach; Distributive bargaining. High-road to productivity tends to be associated with larger companies (e.g. Spain), characterised by capital intensive activities and high-skilled workforce (e.g. the Netherlands). Conversely, low-road to productivity tends to be associated to smaller companies (e.g. Spain and Italy), characterised by labour intensive activities and low-skilled workforce.

Conclusion

Taking an institutional approach this report has examined the role and extent of productivity bargaining in four sectors automotive, hospitality, retail and healthcare in six key European countries the UK, Italy, Spain, Poland, the Netherlands and Germany. The report found that the Varieties of Capitalism thesis served mainly as an organising tool to differentiate the countries in contrast to the regulation theory by Boyer (2005) which served to explain differences between countries. In particular the report highlights the need for responsive regulation where state and non-state actors work in harmony to protect and maintain employment relations (Ayres and Braithwaite 1992; Dickens 1999; Grabosky 2013).

The report finds support for the positive outcomes achieved through coordinated bargaining (see Pulignano 2010) and collective bargaining governability (Traxler 2003) as seen in Germany and the Netherlands. Multi-employer bargaining and bargaining coordination might have a positive impact on economic performance, because in principle they impede wage competition and enforces companies to increase productivity in order to being able to pay the given wages. Relatively high wage levels and high collective bargaining coverage seems, however, to be important requisite to make wage coordination able to foster productivity and, at the same time, to make productivity bargaining socially embedded (Thelen 2014).

Most importantly, in multi-employer bargaining systems bargaining governability seems to play an important role too (Traxler 2003; Traxler, Kittel 2000). Indeed, it is to consider that coordination rules in multi-employer bargaining are not just an instrument for wage policy setting (horizontal coordination), but they are also a mechanism through which wage policies are enforced and provided with effectiveness (vertical coordination). Therefore, if social partners at a national level agree on a specific economic policy (horizontal coordination), local actors must comply with it (vertical coordination), regardless of the contents that the policy might take. Otherwise coordination fails, the normative role of national social partners is undermined and they lose credibility.

In this connection, state intervention plays an important role to the extent that it mediates the effects of collective bargaining and can support or hinder social partners' policies in regulating the labour market. In addition to State promotion of trade unions rights and prerogatives at workplace, regulatory spaces where the law influences collective bargaining are relevant too (Inversi et al. 2017). If organisational flexibility can be implemented only via collective bargaining, collective agreements are more likely to result in a good compromise between efficiency, equity and voice. Conversely, if the law allows companies to use flexibility directly, this might result in unbalanced bargaining outcomes or HRM practices.

Overall, contents of collective agreements are generally the result of a compromise between efficiency, equity and voice (Budd 2004). Such compromise is fundamental to make labour regulation functional to economic interests in a sustainable way. In this connection, collective bargaining in liberal market economies can be a means to better combine efficiency with equality and decent working conditions, in order to foster a sustainable model of growth. On the other hand, in coordinated market economies collective bargaining, especially at a firm level, has been used to deregulate and/or re-regulate working conditions (Inversi et al. 2017). These practices are, however, limited and, in any case, they still result in a relatively good compromise between efficiency, equity and voice as the alternative would be direct deregulation or deregulation via statutory legislation and unilateral managerial measures. In other words, even when collective bargaining is explicitly used to productivity/efficiency purposes, it is still a driver for a socially embedded model of flexibilisation (Thelen 2014).

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