

Coordination, Collective Bargaining and Macroeconomic Performance: Re-Analyzing a „hump-shaped“ Relation

- An Empirical Analysis of Collective Bargaining Systems in OECD Economies -

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Abstract:

The EU crisis is not overcome yet and the entire system suffers from the persistent macroeconomic imbalances and inequalities. According to the EU growth and convergence strategy “Europe 2020” the EC recommends a set of political reforms concerning national labour markets including adjustments of the collective bargaining systems. Apart from the political interest, the academic research is already progressed. But since Calmfors and Driffill (1988) postulated a “hump-shaped” correlation between the coordination in wage bargaining systems and macroeconomic performance the theoretical and empirical findings are still ambiguous and therefore, a quarter of a century later, the “hump-shaped argument” needs a revision.

The effect of coordination on macroeconomic performance is widely recognized but recent findings suggest that the effects are very complex. Nickell et al. (2005) point out strong evidence that the effects of coordination depends on the interaction between the entire institutional system of national labour markets as well as on their institutional complementarities.

In the case of the present EU crisis and particular in the single currency area of the “eurozone” adjustments of macroeconomic imbalances and inequalities via “classic” instruments were invalidated and the coordination in bargaining systems as an instrument of economic governance, become more and more relevant. Recent theoretical and empirical approaches suggest that coordination in general and in the industrial relations in particular have effects on global and European imbalances and inequalities.

The following work examines such empirical influence of coordination and centralization within European bargaining systems on macroeconomic performance particular in terms of macroeconomic imbalances and inequalities. The EC demand for an increasing convergence and decentralization of national bargaining systems does not consider the embeddedness of bargaining systems within the national institutional context. The “hump-shaped” correlation between coordination in collective bargaining and macroeconomic performance must be replaced by institutional interactions and complementarities between national labour market institutions.

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