

Wage effects of bargaining at different levels

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Ratio

19/10-2023

Swedish discussion on the set-up of wage bargaining

- Recent years: The exact form of pattern bargaining
- 1980s and 1990s: General discussion on appropriate level of bargaining
- Around 1990: Employers in the private sector wanted to decentralise bargaining to the firm level
- 1997: *Industriavtalet*
 - Compromise between employers and unions
 - Wage restraint in exchange for continued bargaining at the industry level

Take-away from Antti Kauhanen's paper

- No significant effect from decentralisation to firm level in four of five cases
- *Higher* wage level and *more* wage dispersion for blue-collar workers in paper industry
- What is the conclusion?
 - No wage reduction in small part of the economy from decentralisation to firm level
 - But not necessarily information on what would happen if the whole economy would move to decentralisation to the firm level
 - Strong wage links between industries
 - Only short-run analysis

Calmfors-Driffill hump-shape hypothesis

Two opposing forces: *internalisation of externalities* and *market power*

Centralisation to national level

Wage increases in one part of the economy reduce the purchasing power of wages and profits in other parts of the economy - internalisation

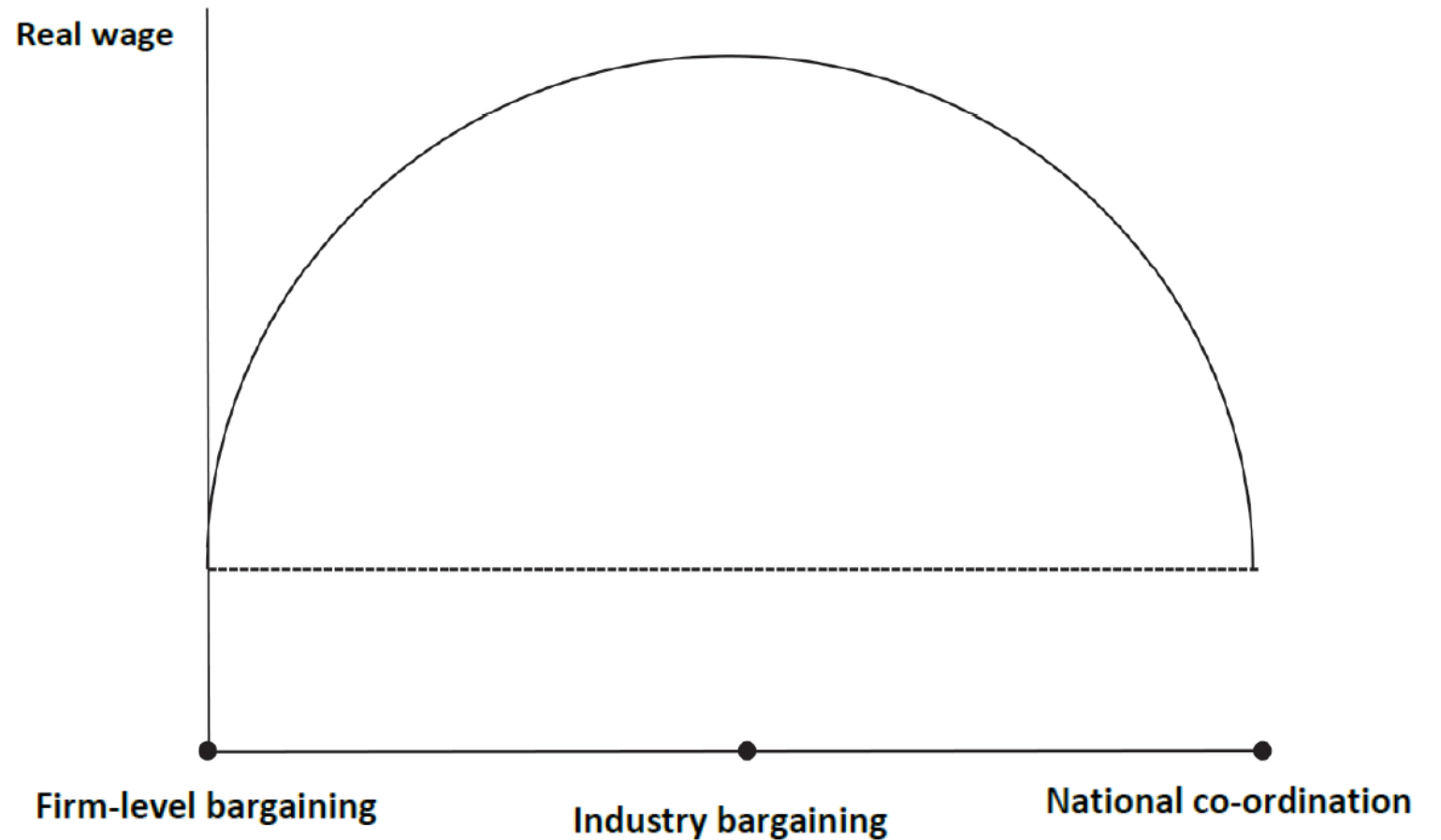
Decentralisation to firm level

Wage restraint because of competition – weak market power

Uncoordinated bargaining at the industry level

Neither strong internalisation nor strong competitive forces – strong market power

Wages and bargaining levels in a closed economy



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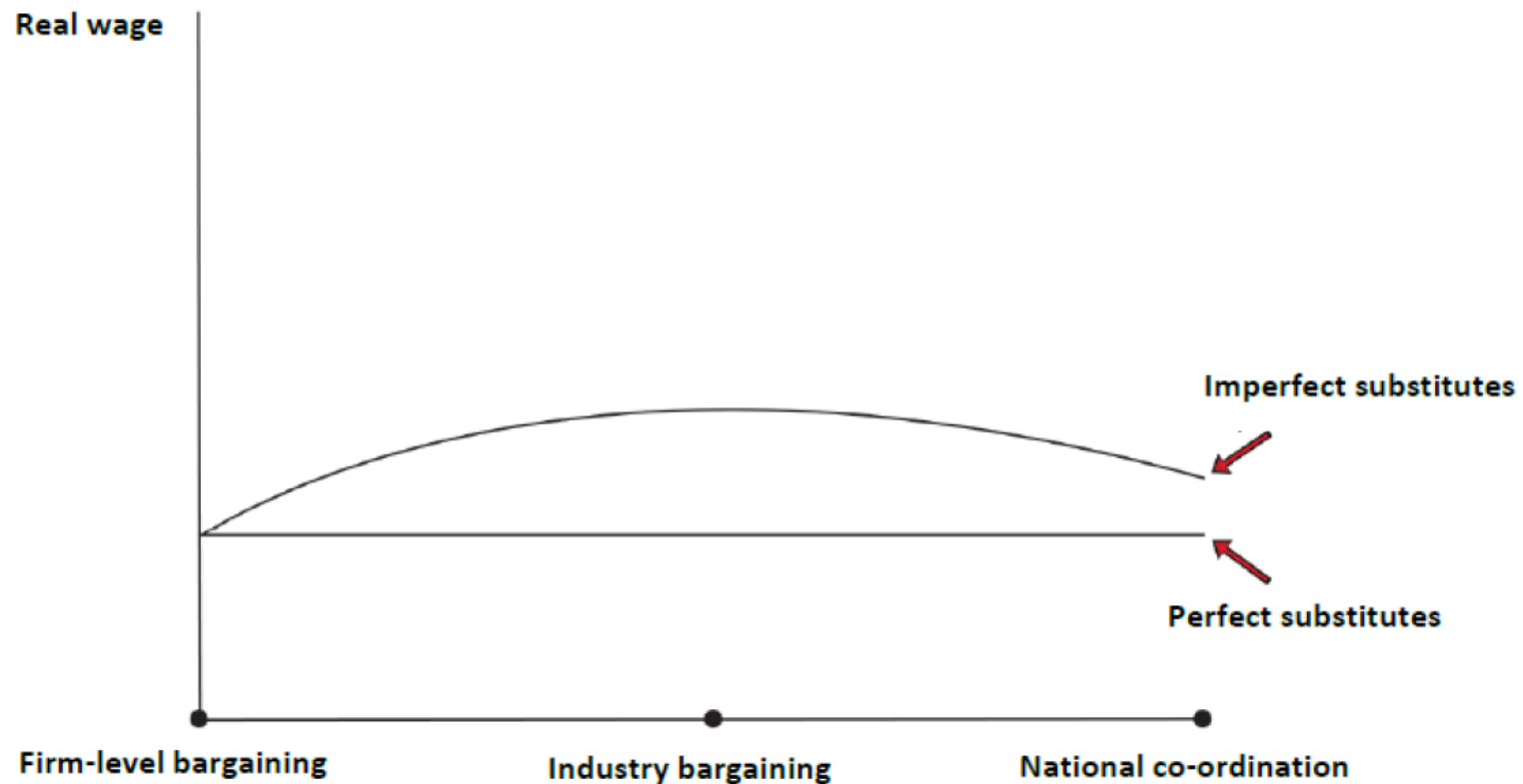
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Wages and bargaining levels with internalisation of more effects

