

# Democracy at work

## A Study of the 2008 French Union Representativity Reform

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⇒ The law introduces 1) competition, 2) more democratic rules for appointing union representatives, and 3) bottom-up incentives

# What we do

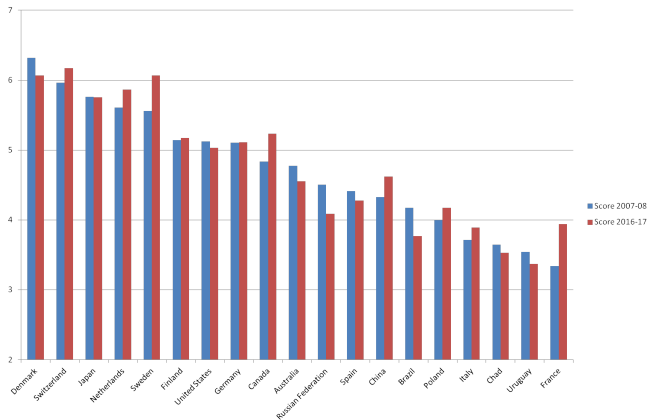
- Study the effect of the 2008 law on:
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  - “Voice” (in the sense of Hirschman): social climates and conflicts
- Wages and economic or financial outcomes: not in this paper

# Cooperation in labor-employer relations

Figure 1: Cooperation in labor-employer relations in selected countries



Source: World Economic Forum - The Global Competitiveness Index Historical Dataset.

Note: Cooperation is declared by managers.



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- Problem: we know very little on how to achieve it
- Similarly, we don't know how to revitalize participation in unions

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# Policy relevance

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One of the practical recommendations made in the Combexelle report (that preceded the law) was to teach how to negotiate at school.

# Roadmap

- ① Institutional settings
- ② Empirical strategy
- ③ Data
- ④ Results
- ⑤ Conclusion



# Institutional details

## 3 types of workers' representation

### ① Consultation, collective voice

- 2 councils: work council, health and safety council
- Members are elected every 2, 3 or 4 years and can be non unionized
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### ③ Bargaining

- Done by union reps: mandatory once a year when they are present
- Bargain mostly wages and working conditions
- There can be several unions, and a few reps per union (depending on firm/workplace size)
- No direct election: only need 10% at work council elections  
1<sup>st</sup> ballot

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- ⇒ Identification is based on a regression discontinuity design



## Method (2)

We run equations of the type:

$$y_{j2011} = f_0(D_j) + \beta \mathbb{1}_{(D_j \geq 1\text{jan}2009)} + f_1(D_j) \mathbb{1}_{(D_j \geq 1\text{jan}2009)} + \epsilon_j$$

- $y_{j2011}$  is outcome of interest measured in early 2011
- $D_j$  is the election date
- $\beta$  is the local effect of the reform
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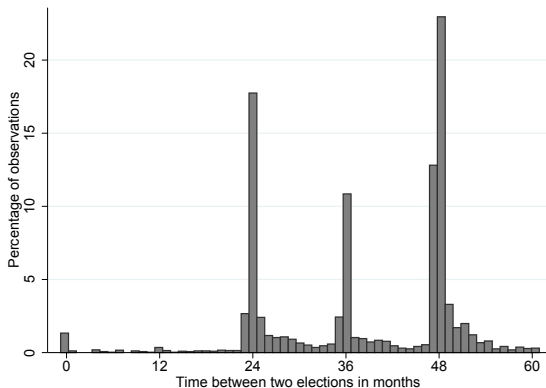
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- Estimation
  - Local linear with endogenous bandwidth (bandwidth selector proposed by Calonico et al., 2016)
  - Bias-corrected estimates and robust p-values (Calonico et al., 2014)
  - Many robustness checks

# Data

- ① REPONSE survey in 2011
  - Employment relations in  $\approx 4000$  workplaces of 10+ employees
  - Face-to-face interviews with employers
  - When elections took place, last election year given ( $\approx 2000$  workplaces)
  - Questionnaire sent to  $\approx 8000$  randomly drawn workers in those workplaces
- ② Administrative data on elections for the period 2009-2012
  - First time it is used
  - Only type of election and date of current and past election for workplaces in REPONSE
    - No election results available so far

# Results: Length of time during two elections

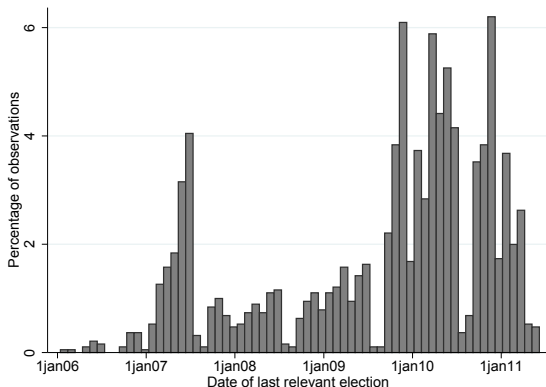
Figure 2: Number of months between two consecutive elections



*Note:* The figure represents the length of time (in months) between any election during the period 2009-2012 and the preceding election. Partial elections have been removed.

# Distribution of election dates

Figure 3: Distribution of the date of the most recent election before REPOSE employer survey

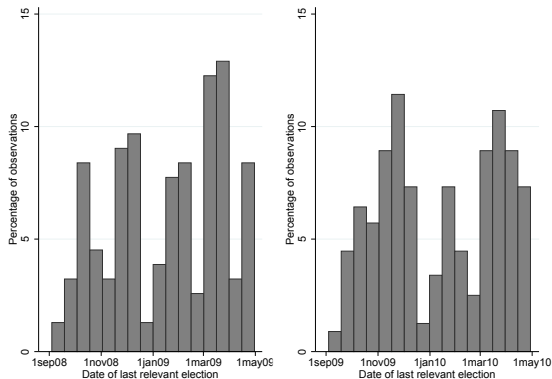


*Note:* The figure represents the distribution of dates for the latest professional election before the REPOSE survey was done in early 2011. Workplaces younger than five years or having professional elections every two years are excluded.

*Source:* Our own computations from the MARS dataset matched with REPOSE11.

# Distribution of election dates

Figure 4: Zooms around 1<sup>st</sup> January 2009 (cut-off date) and 1<sup>st</sup> January 2010



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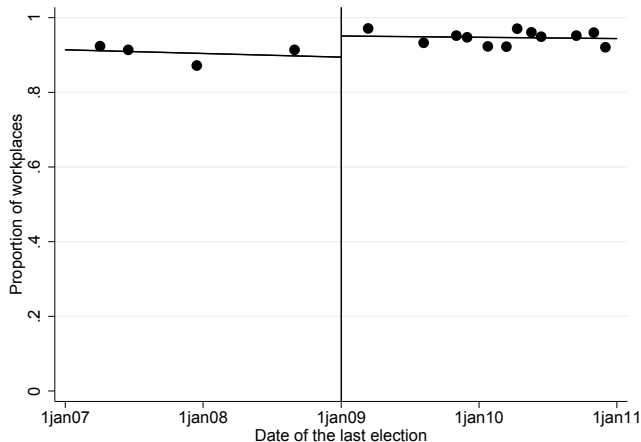
# Results

Impact (LATE) of having a professional election under the new legal regime on...

- ① Workers' representation and unionization
- ② Employers' and employees' perceptions of unions
- ③ Social climate
- ④ Falsification tests and robustness checks

# I) Workers' representation

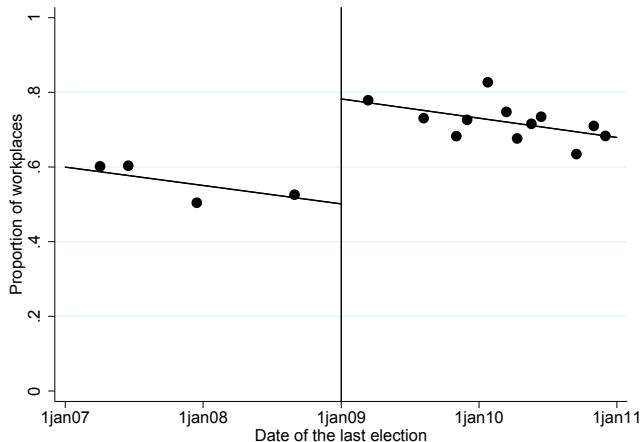
Figure 5: a) Presence of workers' delegates or a work council in the workplace in 2011





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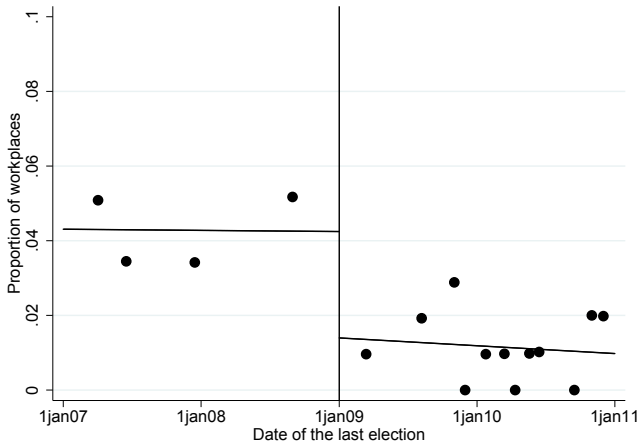
Figure 6: b) At least one union recognized for bargaining in the workplace in 2011



16 ( $\approx$  equal-size) bins. Left:  $N = 502$ , Right:  $N = 1409$

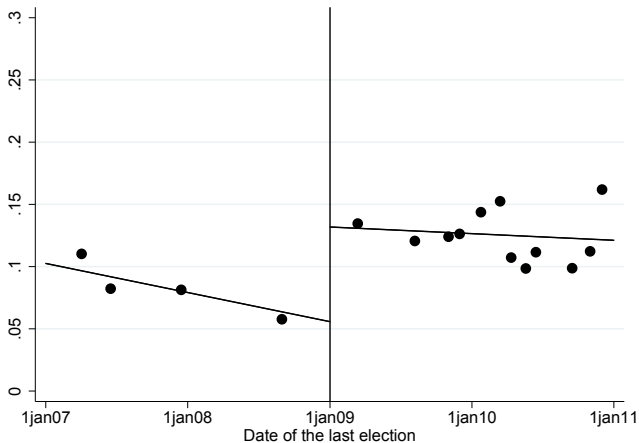
# I) Workers' representation

Figure 7: c) Five or more unions recognized for bargaining in the workplace in 2011



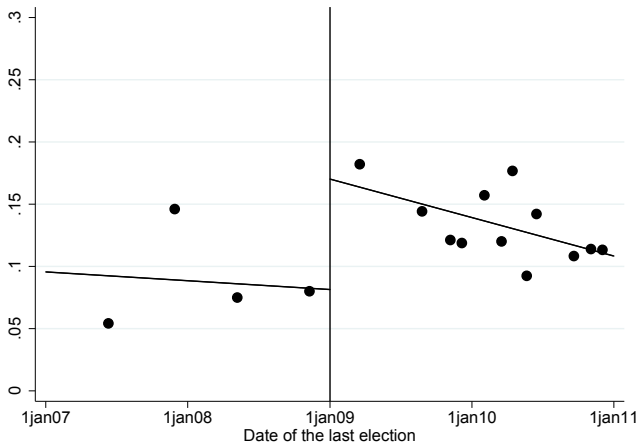
# I) Turning to union membership

Figure 8: a) Unionization rate declared by the employer in the workplace in 2011



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Figure 9: b) Share of surveyed workers who declare to be union members in 2011 (workplace average)

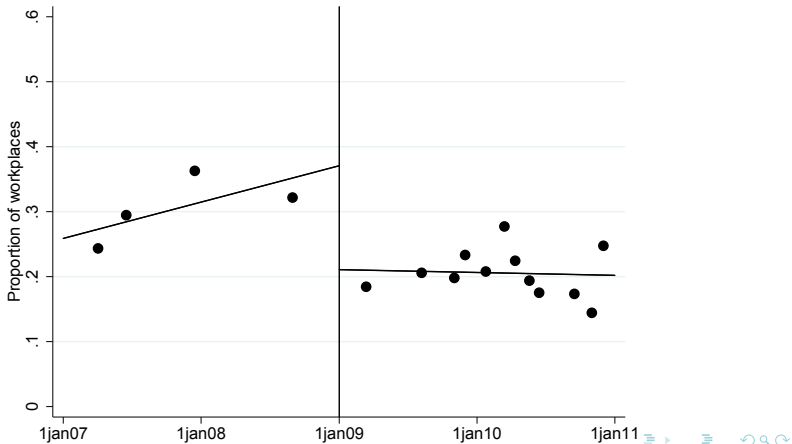


# Results (summary)

- ① Workers' representation and unionization
  - Small non-significant effect of the reform on non-union representation (conditional on having professional elections)
  - Very large effect on union coverage
  - Very large effect on union membership
- ② **Employers' and employees' perceptions of unions**
- ③ Social climate
- ④ Falsification tests and robustness checks

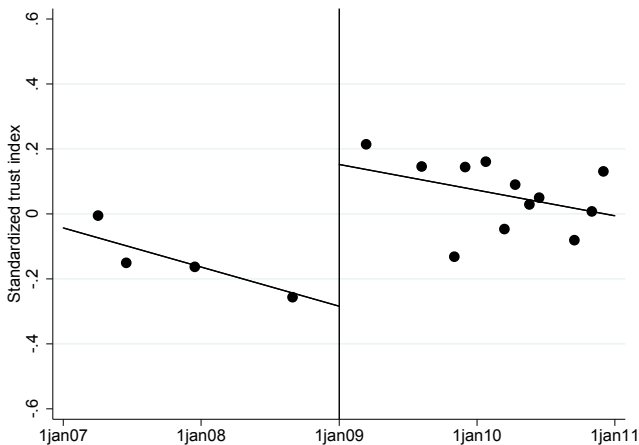
## II) Employers' and employees' perceptions of unions

Figure 10: a) Employer perceives unions representativeness as very weak (in 2011)



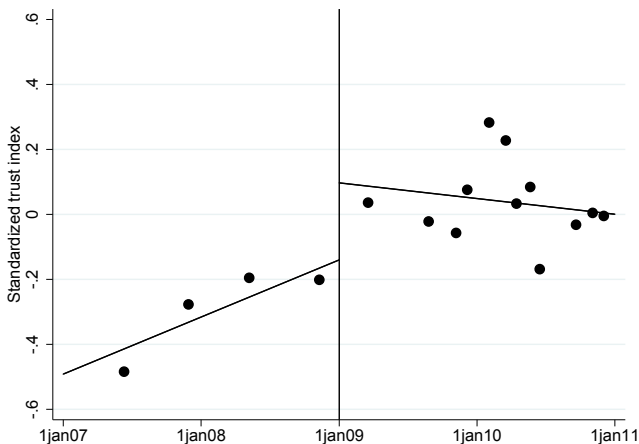
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Figure 11: b) Employers' trust in unions in their workplace in 2011



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Figure 12: c) Employees' trust in unions (workplace average) in 2011





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  - Positive impact on work stoppages occurrence between 2008 and 2010 driven by walkouts
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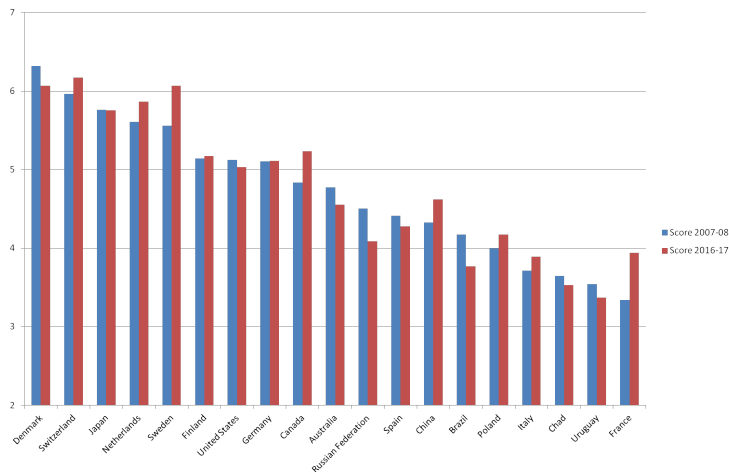
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  - Short-term versus long-term effects?  $\Rightarrow$  look at macro trends

# Cooperation in labor-employer relations

Figure 13: Cooperation in labor-employer relations in selected countries

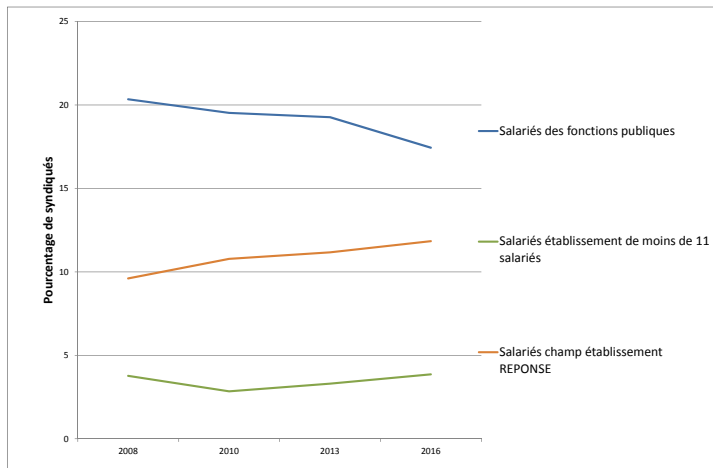


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# Unionization

Figure 14: Evolution of Unionization rates for sectors/firms affected and not affected by the reform





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  - Political liberalism (democracy, competition, incentives) in the firm induces industrial democracy in the classical sense: workers are not afraid to voice and express freely their problems and concerns
  - However, political liberalism in the firm reduces economic liberalism on the labor market (less direct entry/exit regulations, more voice)

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- In that sense, more social democracy seems desirable
- Institutions can have a rapid effect on “social capital”
- Inspiring reform for European countries with limited electoral requirements for bargaining? For the U.S.?
- Useful perspective regarding recent French Labor laws? Should we do more? Was firm-level referendum really a good idea (regarding existing evidence)?

# Future research

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- In practice:
  - Using all French firms
  - Get exhaustive MARS data
  - Match with French employer-employee wage data (DADS+BRN)
  - Match with Workers' flows data (DMMO)

# Timing of the reform

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  - Election date must be published at least 45 days before election first round
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- Most elections before November 2008 are likely to be under old system, those in November and December are uncertain.

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  - Election date must be published at least 45 days before election first round
  - Usually negotiations start beforehand
- Most elections before November 2008 are likely to be under old system, those in November and December are uncertain.

⇒ We set the cut-off date to be the 1<sup>st</sup> of January 2009 and perform robustness checks with October-December 2008 excluded (“donught” RDD).

# A (very) brief historical perspective

- 1936: Workers' delegates within firms
  - Possible extension of sectoral-level agreements
  - Principle of favorability (lower-level agreements must be more favorable to workers)
- 1945: Work councils
- 1968: Unions (unions' reps.) within firms
- 1982: Mandatory yearly bargaining of employers with unions' reps. possibly leading to firm-level agreements
  - Health and Safety Councils ("Lois Auroux")



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Health and Safety Councils ("Lois Auroux")
- 2004: Majoritarian unions can contest the validity of a firm-level agreement
- 2008: More democratic rules for firm-level bargaining  
Exemptions to the principle of favorability (supplementary hours)
- 2015: Extended options to merge representation bodies (Loi "Rebsamen")
- 2016: Firm-level agreement only valid if signed by majoritarian unions  
Principle of favorability abolished on some topics (Loi "El Khomri")
- 2017: Representation bodies are merged, firm referendum and non-union representatives may validate agreements (Ordonnances "Pénicaud")