Democracy at work: A Study of the 2008 French Union Representativity Reform

Philippe Askenazy[1] and Thomas Breda[2]

[1]Paris School of Economics (PSE), CNRS, and ENS

[2]Paris School of Economics (PSE), CNRS, and IPP

January 2017

Main changes introduced by the Law

1. End of the quasi monopoly given to five French historical unions
   - All unions with more than two years and respecting republican values can now apply to get legal recognition for firm-level collective bargaining
2. Electoral requirement to get this firm-level recognition: at least 10% of votes during professional elections
   - Whereas before the law, historical unions only had to find a worker in the firm willing to be a representative (*de jure* representativeness)
3. Recognition at sectoral and national level determined by aggregated firm and worplace-level election results

⇒ The law introduces more democratic rules for appointing union representatives

What we do

- Study the effect of the 2008 law on "social capital":
    - Satisfaction and trust towards unions from both employers and employees
    - Union coverage and union membership
    - Redistribution of satisfaction within the firm (who benefited the most)
    - Conflicts and quits (close to Voice and Loyalty in Hirschman's terminology)

- Wages and other economic or financial outcomes: not in this paper

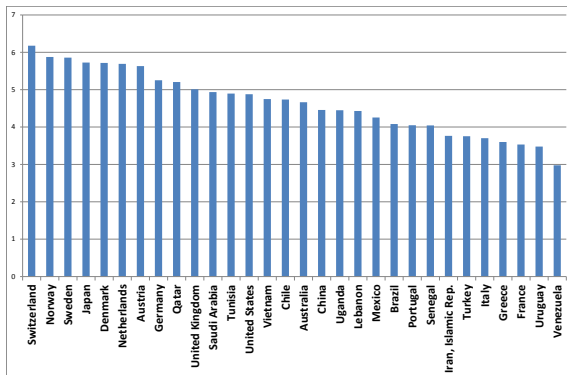# Motivation 1: an interesting reform to study

- Most studies of collective bargaining systems/institutions are cross-country comparisons
  - Useful descriptive and historical work
  - But no causal interpretation between bargaining systems are strongly correlated to other country characteristics
- Almost no policy evaluations regarding the institutional rules governing trade unions' actions in firms
  - Such policies are rare and hard to evaluate
  - The 2008 French policy induced a major change in one country
  - It was implemented gradually and can be evaluated

$\Rightarrow$ A rare occasion to understand the effects of the institutions governing workers' representation within firms

Motivation 2: institutions and social capital

- Large cross-country differences in "social capital" (e.g. individual and collective trust, cooperation)

- Matter for countries' success (GDP, self-declared wellbeing, etc., see e.g. Algan and Cahuc, 2014)

- Growing debate on the determinants of those differences:
  - Interplay between institutions and culture (e.g. Alesina and Giuliano, 2017; Esping-Andersen, Amable)
  - Historical examples and/or lab experiments show that institutions may have (long-lasting) effects on social capital

    - Mostly large macro shocks (e.g. German split and reunification, collapse of the soviet union, France after WW2)
    - Not very policy relevant (context too different)
    - Limited idea on how fast cultural change can be

  - In contrast, we have a contemporaneous reform of limited scope and study immediate effects

Cooperation in labor-employer relations

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

The quality of employment relations

- Why are employment relations conflictual in some countries and not others?
  - Just a matter of culture?
  - Should we try to change the culture directly?
  - Alternatively, can institutions play a role and how fast?

- An example: Title and introduction of Law El Khomri Article 2

"**Favor a culture of dialogue and negociation**
[...] The Government will investigate the ways to value and promote social dialogue, in particular by identifying pedagogical actions towards the general public. [...]"

One of the practical recommandations made in the Combexelle report (that preceeded the law) was to teach how to negociate at school.

Roadmap

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
   - First election ballot only for unions
2. Individual workers' voice
   - Elected workers' delegates, first elec. ballot only for unions
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 1st ballot

The 2008 reform of social democracy

- Mostly affects bargaining:
    - Union reps now need to have collected at least 10% of votes on their names during professional elections first ballot
    - All unions older than 2 years and respecting republican values can have candidates at professional elections

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")

2004: Majoritarian unions can contest the validy 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")

Method (1)

- New law starts to apply at the first election following its promulgation
- Professional elections occur within each firm/workplace with more than 10 employees according to a pre-defined frequency
  - 4 years unless sectoral or firm-level agreement reduce it to 3 or 2 years.
- Very hard to delay the next election
  - Can bargain over next mandate length, not current one
  - Can extend current mandate a little bit, but heavy process requiring justification

$\Rightarrow$ Election dates around 2008-2009 only depend on former election dates, and can be considered as quasi-random with respect to the new law
  - At least in firms that are old and large enough.

$\Rightarrow$ Identification is based on a regression discontinuity design

Method (2)

We run equations of the type:

$$y_{j2011} = f_0(D_j) + \beta \mathbb{1}_{(D_j \geq 1jan2009)} + f_1(D_j)\mathbb{1}_{(D_j \geq 1jan2009)} + \epsilon_j$$

- y_{j2011} is outcome of interest measured in early 2011
- D_j is the election date
- β is the local effect of the reform
- f_0 and f_1 are functions capturing the effect of the distance to the election on the outcome
  - Distance between survey and election is likely to affect several outcomes (unionisation, conflicts, trust, etc.)
- Estimation
  - Polynomials of increasing order
  - Local linear with endogenous bandwidth (bandwidth selector proposed of Imbens and Kalyanaraman, 2012)

Timing of the reform

- New law promulgated on August 20th 2008
  - No subsequent legal order (Décret)
  - A ministerial order (Circulaire d'application) precising practical details
    - Dated November 13th 2008
    - Published December 30th 2008
- Old system applies if elections' first ballot preparatory meeting is before August 21th 2008
  - This meeting must be at least 30 days before first ballot
  - Election date must be published at least 45 days before election first round
  - Usually negociations start beforehand
- Most elections before November 2008 are likely to be under old system, those in November and December are uncertain.

$\Rightarrow$ We set the cut-off date to be the 1$^{\text{st}}$ of January 2009 and perform robustness checks with October-December 2008 excluded ("donught" RDD).

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

Empirical analysis

2 approaches:

1. Use administrative data to retrieve exact date of most recent election before REPONSE survey. But some challenges:
   - Administrative data is not fully exhaustive (some employers do not send the election form)
   - Not so easy: several elections, but not all of them matter for appointment of union reps.
   - Exact date of the interview in REPONSE survey unknown (between nov 2010 and May 2011): we apply corrections based on the year of election declared by managers in REPONSE

2. Only use REPONSE survey
   - Self-declared year of election
   - Average outcomes by year of election, look for jumps between 2008 and 2009
   - Run placebo with the 2004 REPONSE survey

Results: Length of time during two elections

Figure 2: Number of months between two consecutive elections
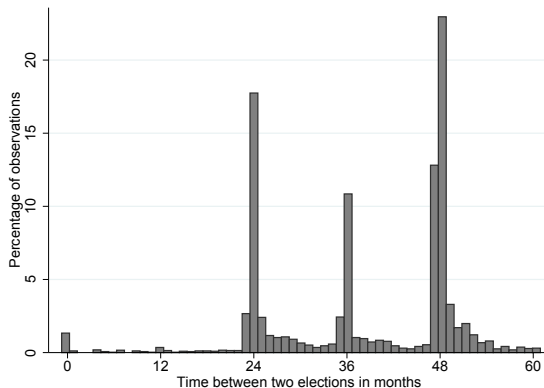
Distribution of election dates

Figure 3: Distribution of election dates during the period of interest
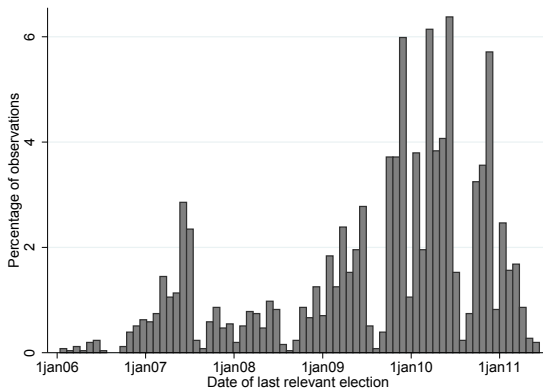
Distribution of election dates

Figure 4: Distribution of election dates during the period of interest: zoom on 2008 and 2009
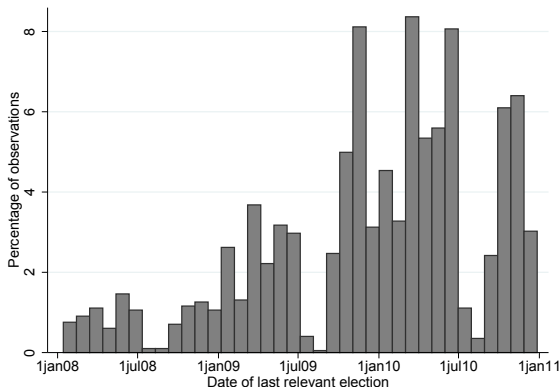
Manipulation of election dates?

- Performing a McCrary test does not make much sense
- But no clear visual evidence
- Content of the law only known in April 2008 (common position reached by French main unions on the 9th)

⇒ Manipulation very unlikely for election dates before June 2008.

⇒ Robustness checks with June 2008-March 2009 excluded ("large donught" RDD).

Results (part 1): Effects on workers' representation and unionization

1. Probability to have a union representative
2. Probability to have more than 4 unions
3. Probability to have an non-entranched union
4. Union membership
5. Probability to have a workers' delegate
6. Probability to have a work council

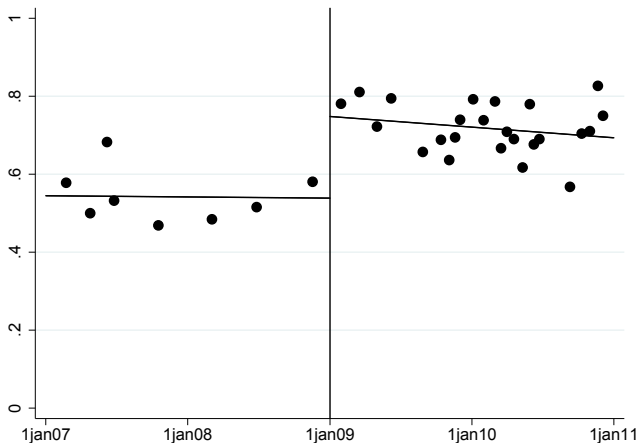# Results: Presence of a **union rep** in the workplace

Figure 5: Election dates and presence of a union representative in 2011 (16 bins)
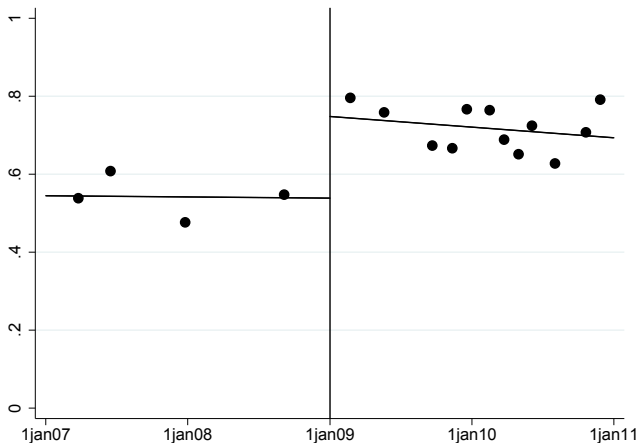
16 bins. Left: $N = 509$, Right: $N = 1728$

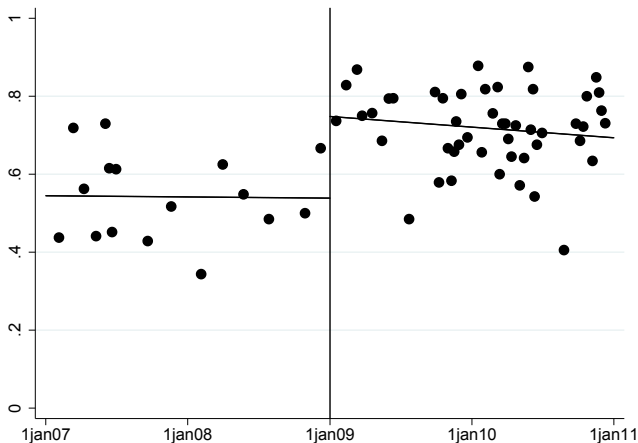# Results: Presence of a **union rep** in the workplace

Figure 6: Election dates and presence of a union representative in 2011 (32 bins)

32 bins. Left: $N = 509$, Right: $N = 1728$

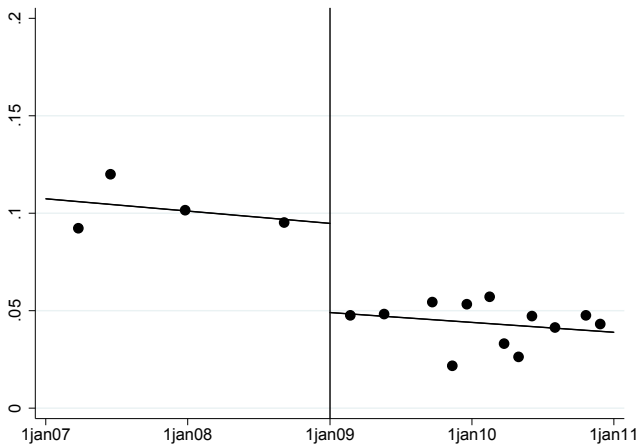# Results: Presence of a **union rep** in the workplace

Figure 7: Election dates and presence of a union representative in 2011 (64 bins)

64 bins. Left: $N = 509$, Right: $N = 1728$

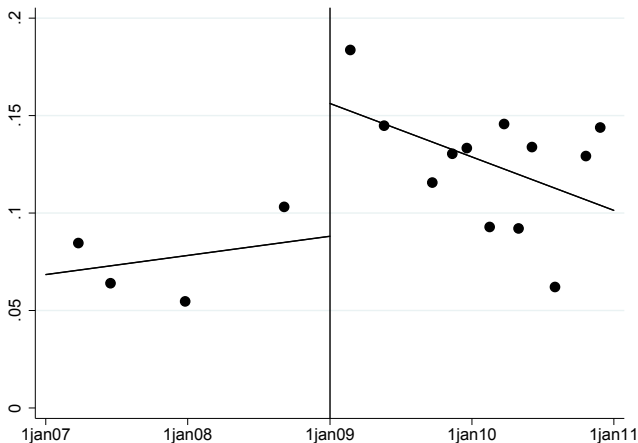# Results: Probability to have more than four unions

Figure 8: Election dates and probability to have more than four unions in the workplace in 2011
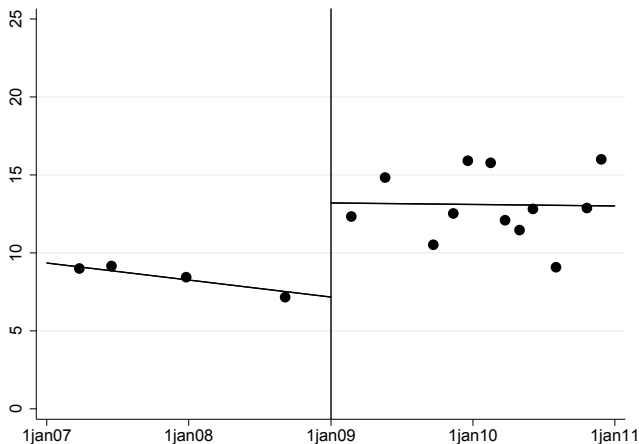

16 bins. Left: $N = 509$, Right: $N = 1728$

Results: Probability to have a non-entranched union

Figure 9: Election dates and probability to have a non-historical union in the workplace in 2011
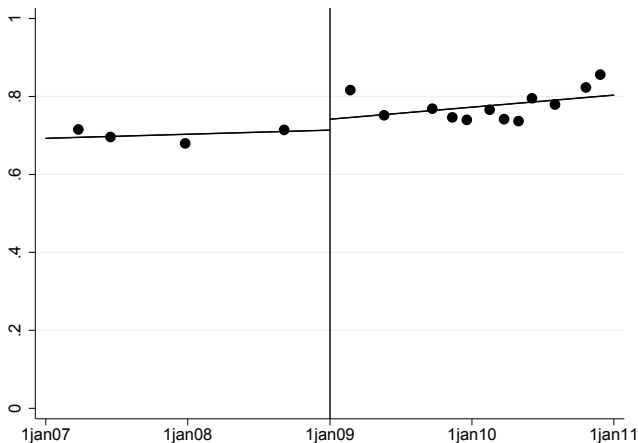
Results: Percentage of **union members** in the workplace (declared by the employer)

Figure 10: Election dates and percentage of union members in 2011

16 bins. Left: $N = 356$, Right: $N = 1143$

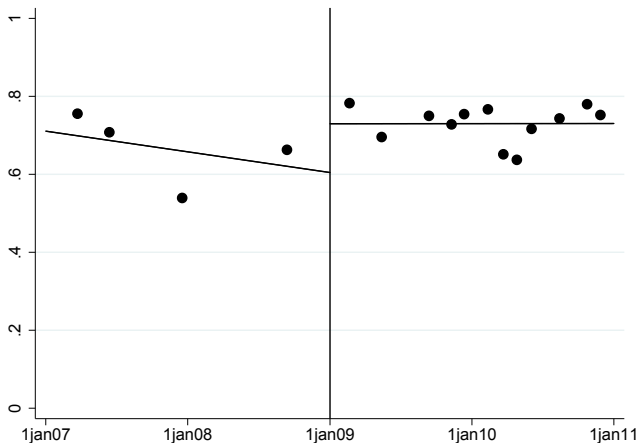# Results: Presence of a **worker** rep in the workplace

Figure 11: Election dates and presence of a **worker** representative in 2011

16 bins. Left: $N = 509$, Right: $N = 1728$

Results: Presence of a **work council** in the workplace

Figure 12: Election dates and presence of a **work council** in 2011

16 bins. Left: $N = 509$, Right: $N = 1728$

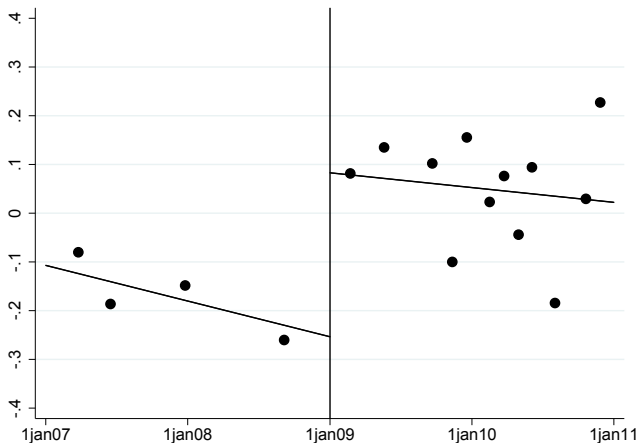# Results (part 2): Employers' views on unions and workers' representatives

- Four questions asked to employers and employees on **unions** (in their firm if present):
    1. "Unions play an irreplaceable role in representing workers"
    2. "Unions are helping (providing services to) workers"
    3. "Unions consider and defend their own interests before those of workers"
    4. "Unions are disturbing/troubling/hampering the good functionning of firms' activities"

- Four questions asked to employers and employees on **workers' representatives** (in their firm if present):
    1. "Workers' representatives convey workers' aspirations and claims"
    2. "During bargaining, workers' representatives take into account firms' economic possibilities/potential"
    3. "During bargaining, workers' representatives influence the decision-making of firm management"
    4. "In our firm/workplace, workers are able to defend their interests directly"

Results (part 2): Employers' views on unions and workers' representatives

- 5 possible answers: Strongly agree, Slightly agree, Slighly disagree, Strongly disagree, Do not know
- An additional question only for employers:
  - "In general, what is today the representativity of trade unions?"
- We build standardized indexes
  - with the four questions on unions
  - with the four questions on workers' representatives
- The fifth question only for employers is considered separetely
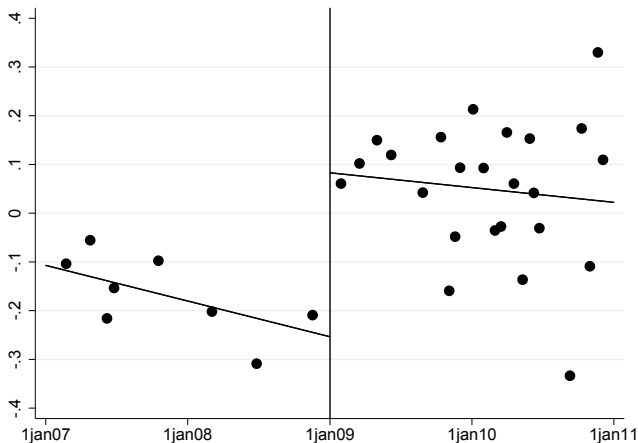
Results: Employers' views

Figure 13: Election dates and employers' views on **unions** in their firm (standardized index)

16 bins. Left: $N = 471$, Right: $N = 1618$
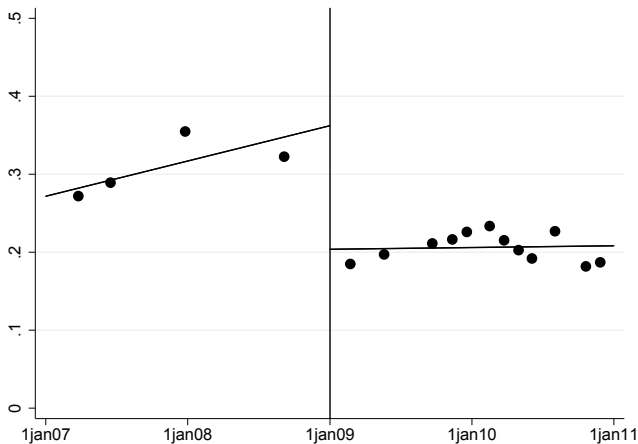
Results: Employers' views

Figure 14: Election dates and employers' views on **unions** in their firm (standardized index)

32 bins. Left: $N = 471$, Right: $N = 1618$

Employers' views on unions' representativity

Figure 15: Election dates and probability to declare that unions' representativity **in general** is very weak

16 bins. Left: $N = 471$, Right: $N = 1618$

Employers' views: estimates from polynomial method

Table 1: Election dates and employers' view on **unions** in their firm (standardized index)

Reform	0.336***	0.343**	0.366**	0.218	0.305	0.289***	0.252**
	(0.118)	(0.173)	(0.155)	(0.225)	(0.297)	(0.116)	(0.115)
Date (d)	-0.0731	0.0884	0.0349	0.0803	0.0855	-0.0834	-0.0858
	(0.0785)	(0.343)	(0.279)	(0.819)	(1.918)	(0.077)	(0.076)
$d * (d > cutoff)$	0.0428	-0.268	-0.218	0.442	-0.346	0.059	0.0641
	(0.0917)	(0.388)	(0.391)	(0.974)	(2.227)	(0.090)	(0.089)
d^2		0.0803	0.0635	0.0701	0.0815		
		(0.166)	(0.0937)	(0.956)	(3.946)		
$d^2 * (d > cutoff)$		-0.00878		-0.832	0.820		
		(0.186)		(1.125)	(4.521)		
d^3			0.00539	-0.00344	0.00518		
			(0.0302)	(0.317)	(2.904)		
$d^3 * (d > cutoff)$				0.272	-0.999		
				(0.369)	(3.327)		
Union rep.							0.342***
							(0.0698)
Observations	2,089	2,089	2,089	2,089	2,089	2,089	2,088
R-squared	0.009	0.009	0.009	0.010	0.011	0.066	0.082
Controls	no	no	no	no	no	yes	yes

Notes: Controls are 16 industries, 7 size dummies, gender of respondent

Estimates from local linear (Imbens and Kalyanaraman, 2012) and donught methods

Table 2: Election dates and employers' view on **unions** in their firm (standardized index)

Method	Local linear (IK)			Global linear (no bandwidth selection)			
Reform	0.338***	0.488**	0.261	0.336***	0.422***	0.383*	0.279*
	(0.125)	(0.211)	(0.161)	(0.118)	(0.143)	(0.205)	(0.157)
Nb obs	2,089	1,603	1,232	2,089	2,049	1,859	1232
Sample	All	Donught 1	$Size \geq 100$	All	Donught 1	Donught 2	$Size \geq 100$

Notes: Donught 1 excludes worplaces with election dates between October and December 2008. Donught 2 excludes worplaces with election dates between June 2008 and March 2009.

Estimates for each variable of the index

Table 3: Employers' views on **unions** in their firm: quantifying the effect

	Share of employers that agree with the claim	
	at left of cutoff date	jump/drop at cutoff date
"Unions play an irreplaceable role in representing workers"	0.42	0.127**
"Unions are helping workers"	0.65	0.15***
"Unions strongly consider and defend their own interests before those of workers"	0.20	-0.10*
"Unions are strongly disturbing the good functionning of firms' activities"	0.12	-0.08***
"Generally speaking, the representativity of trade unions is very weak"	0.36	-0.16***

Notes: local effects obtained from Imbens and Kalyanaraman (2012) local linear estimator

Robustness checks

1. Employers' views on **workers' delegates** in their firm (not affected by the reform)
2. Analysis based on the year of election in REPONSE
3. Placebos based on REPONSE survey in 2004

# 1) Employers' views on **workers' delegates**

Figure 16: Election dates and employers' views on **workers' delegates** in their firm (standardized index)
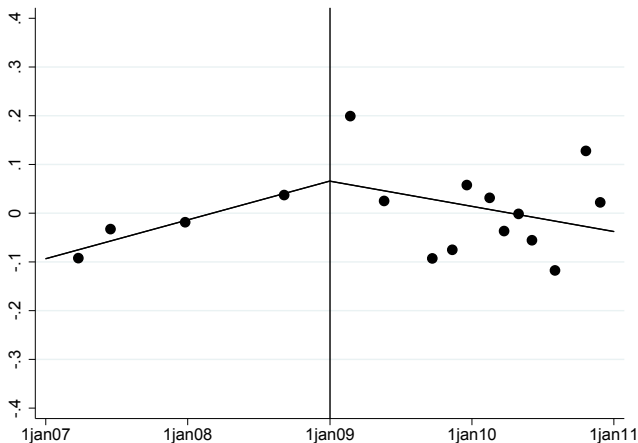
16 bins. Left: $N = 471$, Right: $N = 1618$
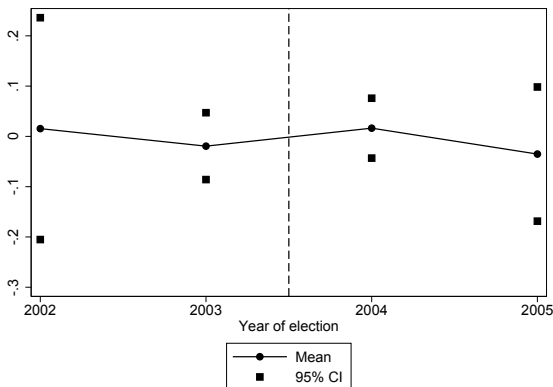
2) Year of election from the 2011 REPONSE survey

Figure 17: Employers' views on **unions** in their firm (standardized index) by year of election

3) Placebo test **from the 2004 REPONSE survey**

Figure 18: Employers' views on **unions** in their firm (standardized index) by year of election
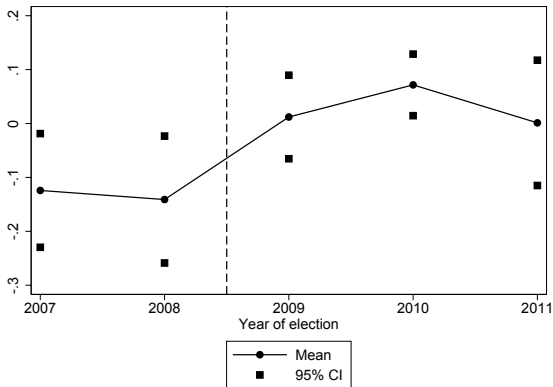
Note: Fake reform on January 1st 2004. Year of election given by respondant in 2004 REPONSE survey
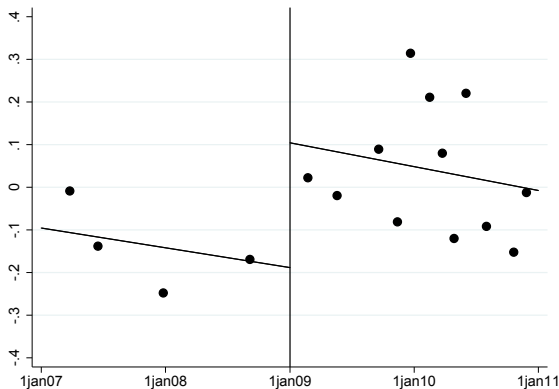
Results (part 3): **Workers' views**

Figure 19: Election dates and workers' views on **unions** in their firm (standardized index)
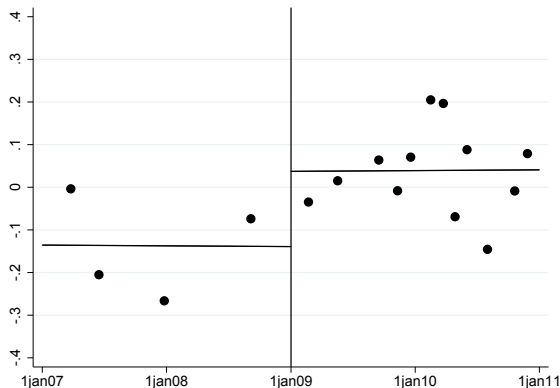
Local effects: 0.19 (0.13). IK bandwidth: 0.05 (0.17). 32 bins. Left: $N = 426$ workplaces, Right: $N = 1488$ workplaces. Workers' answers averaged within workplaces
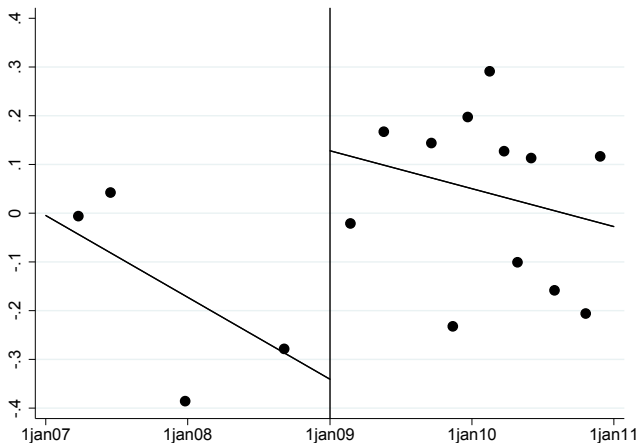
Workers' views: **Women only**

Figure 20: Women's views on **unions** in their firm (standardized index)

Local effects: 0.30* (0.16). IK bandwidth: 0.07 (0.23). 32 bins. Left: $N = 268$ workplaces, Right: $N = 861$ workplaces. Workers' answers averaged within workplaces

Workers' views: **Young only**

Figure 21: Younger workers (less than median 42) views on **unions** in their firm (standardized index)

Local effects: 0.39*** (0.15). IK bandwidth: 0.21 (0.20). 32 bins. 32 bins. Left: $N = 294$ workplaces, Right: $N = 1101$ workplaces. Workers' answers averaged within workplaces

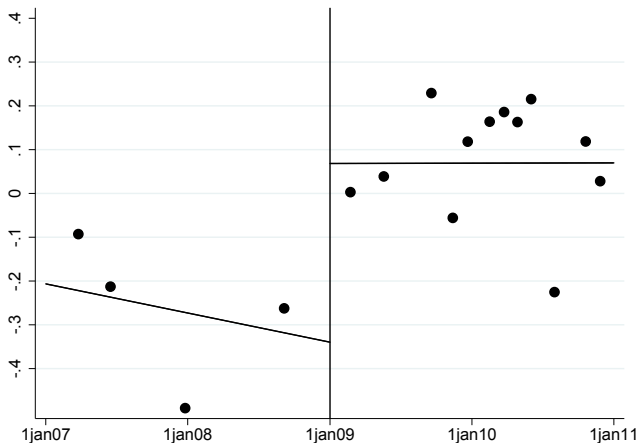# Workers' views: **Skilled**

Figure 22: Skilled workers' (college or more) views on **unions** in their firm (standardized index)
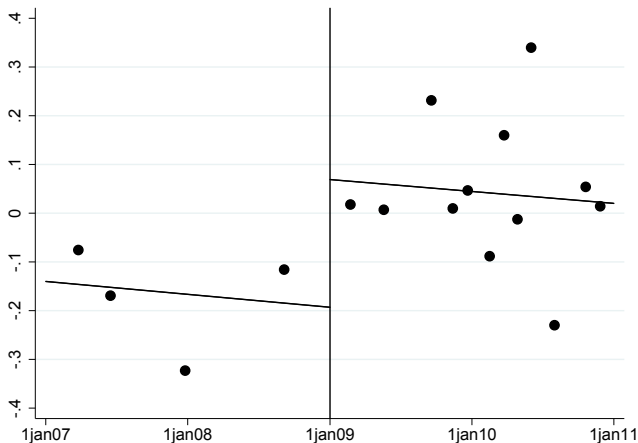
Local effects: 0.27* (0.16). IK bandwidth: 0.20 (0.18). 32 bins. Left: $N = 228$ workplaces, Right: $N = 885$ workplaces

Workers' views: **Executives**

Figure 23: Executives' views on **unions** in their firm (standardized index)

Local effects: 0.41* (0.22). IK bandwidth: 0.12 (0.25). 32 bins. Left: $N = 138$ workplaces, Right: $N = 522$ workplaces

Convergence in workers' trust towards unions?

- Workers who benefit the most from the reform are those that are said to be tradionnally less well represented
- They also exibit the lower levels of satisfaction prior to the reform (except women)
  $\Rightarrow$ There is some convergence in workers' statisfaction towards unions
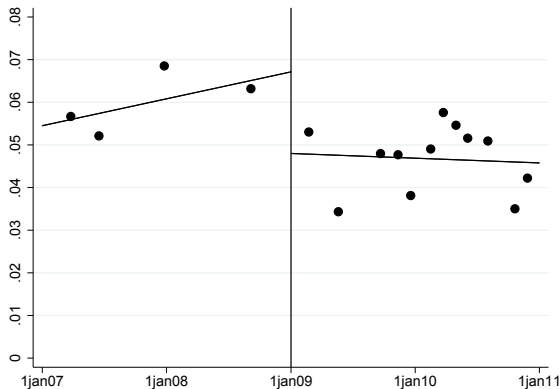
Results (part 4): Quits

Figure 24: Election dates and rate of volontary quits in 2011
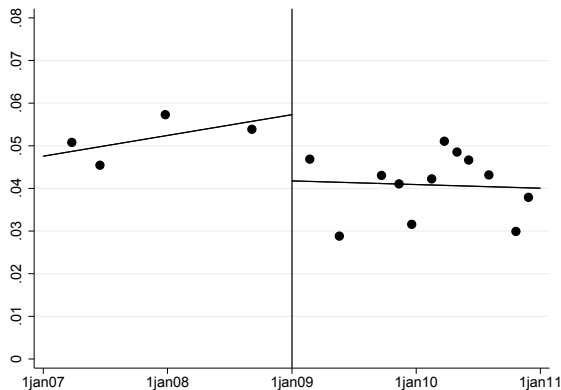
Local effects: -0.015* (0.009). IK bandwidth: -0.019 (0.15). 32 bins.

# Volontary quits or separations by mutual agreement in 2011

Figure 25: Election dates and rate of volontary quits or separations by mutual agreement in 2011

Local effects: -0.019** (0.009). IK bandwidth: -0.019 (0.15). 32 bins.

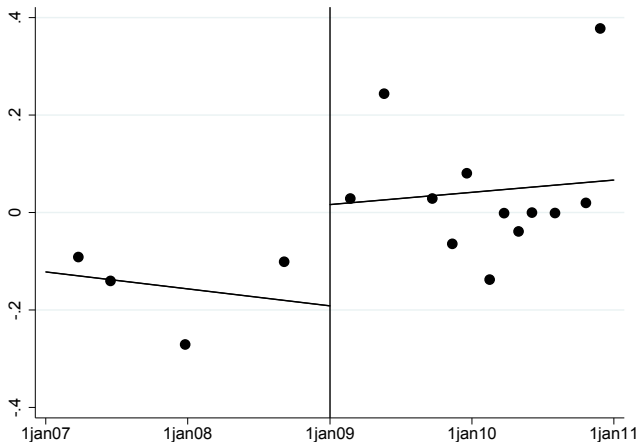# Volontary quits or separations by mutual agreement in 2010

Figure 26: Election dates and rate of volontary quits or separations by mutual agreement in 2010
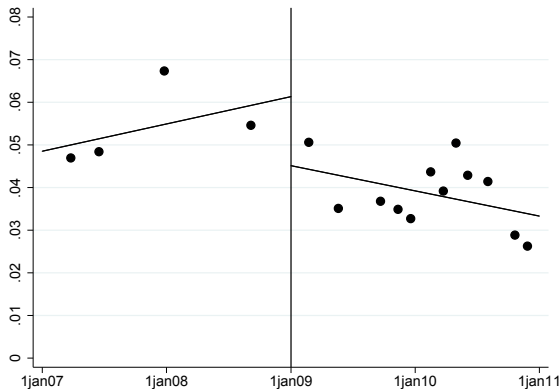
Local effects: -0.016** (0.008). IK bandwidth: -0.002 (0.012). 32 bins.
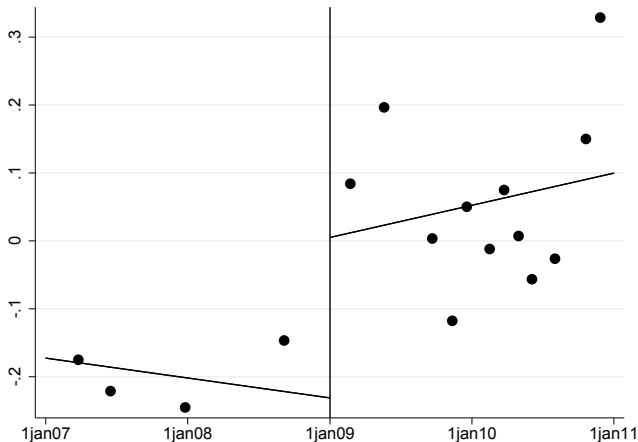
Results (part 4): Conflicts

Figure 27: Election dates and cases of gathering or demonstration between 2008 and 2010

Local effects: 0.21* (0.11). IK bandwidth: 0.23* (0.12). 32 bins.
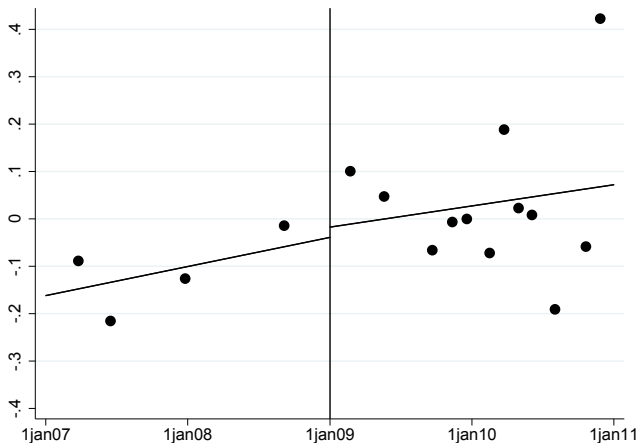
Results (part 4): Conflicts

Figure 28: Election dates and cases of work stopage between 2008 and 2010

Local effects: 0.24** (0.11). IK bandwidth: 0.44*** (0.11). 32 bins.

Results (part 4): Conflicts

Figure 29: Election dates and cases of short strikes between 2008 and 2010

Local effects: 0.02 (0.11). IK bandwidth: 0.14 (0.14). 32 bins.

Conclusion: summary of results

- Positive and strong effects of the reform on unionization and union coverage

- Positive effect of the reform on "social capital"
  - Strong effects for employers ($\approx 30\%$ of a s.d.)
  - Smaller and less significant effects for workers
  - But get large for groups of workers the least represented by historical unions $\Rightarrow$ Reduce the variance in workers' views

- Less quits and more light forms of conflicts
  - Consistent with Exit, Voice and Loyalty model: efficient unions lead workers to voice more and exit less

Conclusion: Take aways

- The reform has increased all actors' satisfaction

- Institutions can have a rapid effect on "social capital"

- More social democracy seems desirable

- Inspiring reform for European countries with limited elecoral requirements for bargaining

- Should we do more?

Future research

- Effect of the reform on productivity, rent-sharing and employment
  - Important to understand what shapes workers' bargaining power
- 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)