

Collective Bargaining Coverage and Extension Procedures	Slovenian Economic Mirror	IMAD
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Rate of collective bargaining coverage (CBC) and varieties of extension provisions					
Country	Unadjusted CBC 2001 (%)	Adjusted CBC 2001 (%)	Extension in narrow sense	Enlargement	Functional equivalents
Austria	78	98	+	+	+
Belgium	>90	>90	+		
Denmark	83	83	+		
Finland	not available	not available	+	+	
France	90-95	90-95	+		
Germany	67 (2000)	not available	+		+
Greece	not available	not available	+		
Hungary	31	34	+		
Ireland	not available	not available	+		+
Italy	not available	not available			+
Luxembourg	48	58	+		
Netherlands	88	88	+		
Norway	70-77 (1998)	70-77 (1998)			
Poland	1	not available	+		
Portugal	87 (1999)	87 (1999)	+	+	
Slovakia	48	48	+		
Slovenia	100	100			+
Spain	68	81	+	+	
Sweden	>90	>90			
UK	36	not available			

Source of data: Traxler F., Behrens M.: Collective bargaining coverage and extension procedures. EIRO (European Industrial Relations Online), a comparative study. Dublin, 2002. <http://www.eiro.eurofound.ie/2002/12/study/tn0212102s.html>.

While drafting the new Collective Agreements Act in Slovenia, the most vigorous discussion revolved around the **extension procedure concerning the validity of collective agreements (CA)**. In many EU members, the government (a ministry responsible for labour) can use the extension procedure to extend the applicability of CAs to those employers and employees not covered by these agreements (the '*erga omnes*' principle). CAs then apply to all employers and employees in the given sector. This procedure is only used in countries where there are sectoral and inter-sectoral (general) CAs, or multi-employer CAs. In addition to the extension procedure in the narrow sense, there is the procedure of **enlargement**, which extends the collective agreement to a similar sector or geographical area, but this is used less frequently. The **functional equivalent** of the extension procedure, for example, is compulsory membership in employers' organisations.

In **Slovenia**, there is a **functional equivalent** since the membership of companies (employers) in the Chamber of Commerce and Industry, which concludes sectoral and general collective agreements as co-negotiator, is compulsory. These CAs apply to all employers in Slovenia and their employees. Since the Chamber is gradually withdrawing from collective bargaining and the Slovenian Employers' Association will act as the only representative of employers, the new Collective Agreements Act has to regulate extension procedures. All employers will probably not be members of the Employers' Association, as all employees are not members of a trade union because membership is voluntary according to the ILO conventions and EU documents (see SEM 12/2001).

In many **EU members**, the government raises the rate of **collective bargaining coverage (CBC)** by using the extension procedure (see SEM 11/1999). High rates of CBC are closely related to low wage differentials, while the use of extension procedures increases membership in employers' organisations. In countries where these procedures are not used and single-employer bargaining prevails, CBC correlates almost exactly with trade union density.

The rate of CBC is the number of employees covered by a collective agreement as a proportion of the number of employees. This is an indicator of the extent to which the terms of employment are regulated by collective agreements. There is the **unadjusted** rate of CBC, which ignores the fact that some groups of employees are excluded from collective bargaining (mainly the public sector such as the police, armed forces, civil servants). It measures the relative importance of the collective agreement as a regulatory mechanism in a country. The **adjusted** rate only considers the number of employees bearing with the right to bargain. It indicates the 'governance capacity' of a collective agreement within its own domain. The CBC rate also depends on the ability of trade unions and employers to conclude a collective agreement. However, comparative research has found that coverage tends to increase significantly with the use of extension mechanisms and that these mechanisms are the most important determinant of the rate of CBC.

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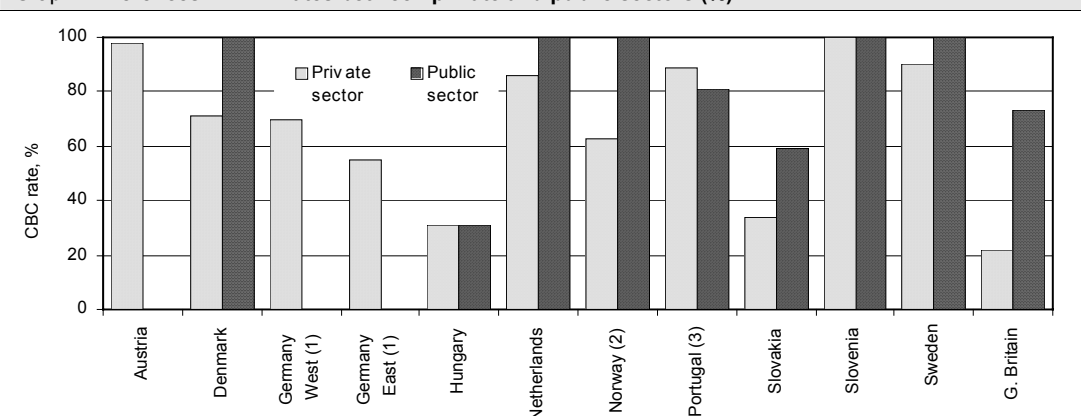
Data on coverage may be obtained from two sources: the bargaining parties, or household or labour force surveys. The latter include questions as to whether the respondent's job is covered by a CA. However, systematic data collection is lacking in many countries. Further, the raw data available from national sources are rarely comparable with one another.

The table shows that countries such as Austria, Belgium, Denmark and France record very high rates of CBC because they use extension procedures. CBC rates are also high in Slovenia and Austria because the functional equivalent of the extension mechanism exists in both countries. Great Britain is at the other extreme as there is only single-employer collective bargaining and no extension mechanisms are used, and the CBC rate is one of the lowest in the EU. Most future EU members from Central and Eastern Europe (except Slovenia) are particular problems because they record very low or negligible CBC rates, while single-employer collective bargaining prevails. Poland is an extreme case where the rate of CBC is just 1% despite the existence of the extension mechanism. Norway and Sweden are particular cases as extension procedures do not exist, but the rates of CBC are still high primarily because the representativeness of employers' organisations and trade unions in bargaining for CAs is so high that CAs practically cover the whole sector.

Within individual countries, differences are widest between the CBC rates of private and public sectors. The graph shows that the CBC rate is generally higher in the public than the private sector, except in Hungary, Portugal and Austria, even though in some countries not all groups of public sector employees have the right to collective bargaining. Apparently, public-sector employers are willing to bargain more than private-sector employers. Austria has no collective bargaining in the public sector so the unadjusted rate of CBC is lower than the adjusted one.

In **Slovenia**, the draft Collective Agreements Act from 1995 stipulates that a CA concluded in the territory of Slovenia for one or more sectors applies to all employees and employers of that sector or sectors (general validity) if: (i) the collective agreement is signed by representative employers' organisations employing at least 50% of the workers in the given sector or sectors; and (ii) the collective agreement is signed by the majority of representative trade unions whose membership covers at least 50% of all employees in the given sector or sectors. General validity is determined by a decree of the minister responsible for labour. This regulation is similar to that of Germany. However, some experts, including German ones, warn that Slovenia should not copy this regulation in full. The threshold rate of CBC, or the terms allowing the collective agreement to have general validity, are too high, namely, employers and trade unions that are signatories to the agreement should employ or represent 50% of total employees. After the Chamber's withdrawal from collective bargaining, no collective agreement is likely to meet these criteria either on the employer or trade union side. The trade union density is about 40% in Slovenia and may fall further. The affiliation rate of companies in the Employers' Association is even lower. This is why this threshold should be lowered significantly. Further, in Germany both trade unions and employers' organisations must agree to the extension of the CA. In Slovenia, the same as in Germany, employers could oppose the extension of collective agreements, thereby preventing it from taking place. That is why it might be sensible for the minister of labour to have a discretionary right to extend the CA in order to prevent employers from blocking the extension procedure.

Graph: Differences in CBC rates between private and public sectors (%)



Source of data: EIRO (European industrial relations observatory). Notes: 1) year 2000, 2) year 1998, 3) year 1999.