

Management Opposition, Strikes and Union Threat

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LERA Best Papers VI: Unions and Firm Concentration

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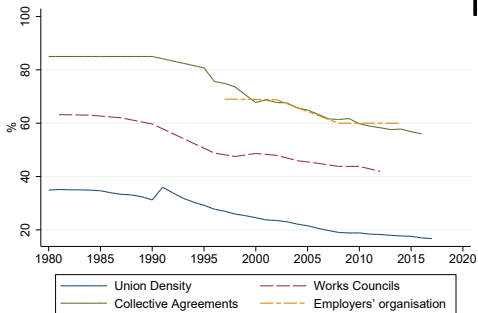
Germany's industrial relations system...



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...has been eroding since the 90s.

- Union density has fallen in almost every country.
- There are several explanations for this decline.



The consequences are...

- Increasing evidence for monopsonies.
- Increasing inequality.
- More political interventions.

Questions and Empirical Strategy



Questions: Two key questions remain

- Is Germany's industrial relations system eroding due to Management Opposition to unions?
- And if so, what is the role of labor disputes?

Empirical Strategy:

- Correspondence experiment sending 13000 fictitious job applications.
- Merge data of the European Social Survey and of the Federal Employment Agency.
- Exploit regional and sectoral variation of labor disputes.

In a nutshell



Is Germany's industrial relations system eroding due to Management Opposition to unions?

- Union membership decreases callbacks on average by 20% (up to 50%).
- Management Opposition: \uparrow with Firm Size, \uparrow with Union Density.
- The industrial relations system is mainly eroding where management opposition is low and unions no longer have threat potential.

What is the role of labor disputes?

- First evidence indicates that management opposition increases in sectors exposed to a labor dispute.
 - Evidence for spillover effects on non-unionized firms.

What do we know already?

Unfair treatment of union members has been a topic for a while.

Limitations of Previous Literature

- Potential bias due to survey demand effects and social desirability.
- Organizing literature: Faces selection issues (Organizing is not random).
- Management Opposition literature: biased due to selective measurement (Unobservables).

Correspondence experiments as a potential solution.

- Baert and Omey (2015) send 560 fictitious job applications in Belgium. (**Find Discrimination**)
- Kreisberg and Wilmers (2021) send 1025 fictitious job applications in the US. (**No Discrimination**)



The Experiment

Design of the Experiment



The basic idea is...

- Send pairs of fictitious job applications to real vacancies.
- Monitor the callback rates of firms.

The experiment was carried out between August and October 2017, 2018 and 2019.

The main sample consists of 8714 applications (4357 firms).

Table: Overview of the Experimental Design

Regions	2017	2018	2019	Occupations	2017	2018	2019
Berlin	X	X	X	Sales Manager	X	X	X
North Rhine-Westphalia	X	X	X	Hotel Manager	X	X	X
Hamburg	X	X	X	Logistic Worker	X	X	X
Bavaria	X	X	X	Office Clerk	X	X	X
Saxony		X	X	Mechatronic Technician		X	X
Baden-Wuerttemberg		X	X				

The Design of the Applications

The Applicant

- Male applicants (28 years old) only.
- With Vocational Training.

Application Aspects

- Two applications were sent to each firm.
- Comparison with real applications.
- Randomized **Union Membership** (0/1)

Example Resume [▶ Figure](#)



Experimental Results

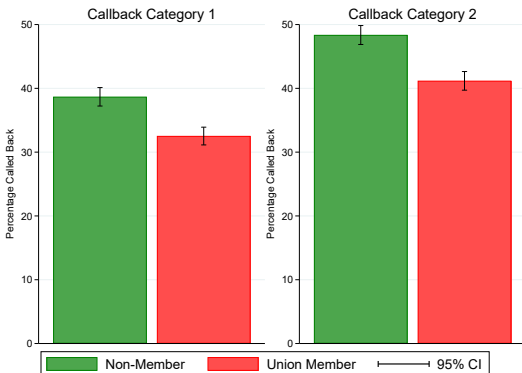
First Results



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Definitions of Callbacks

- Category 1 when it is a clear invitation to a job interview.
- Category 2 when firms asked for further information.

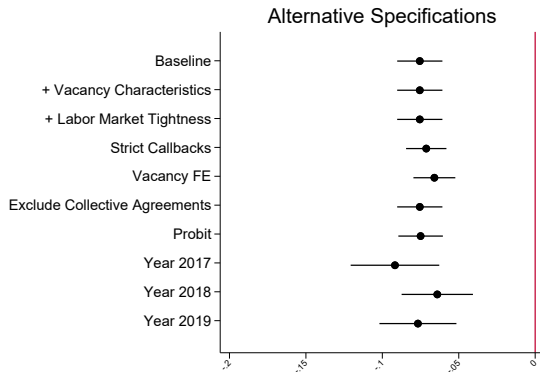


Multivariate Results



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Focus on a linear probability model.



Robustness Checks



Heckman Critique

- Differences in unobservables could bias experiments on hiring discrimination.
- Applying the Neumark Correction reveals no bias.

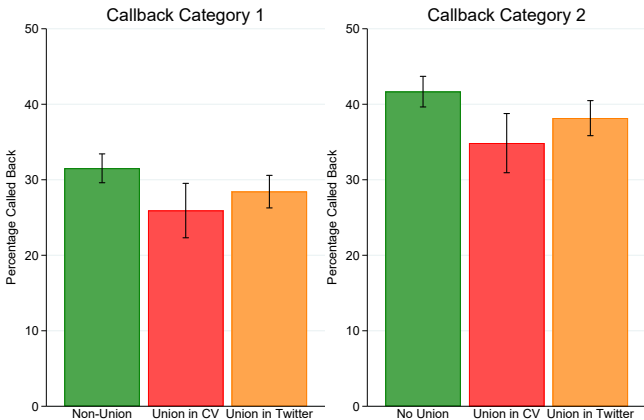
Weighting

- Raw experimental data could give a wrong picture of management opposition.
- Limited differences in outcomes. (Small downward bias.)

Alternative Signaling (Ongoing)

- Revealing a union membership in a CV might be a misleading signal. (Readiness for conflicts or simple naivety?)
- New experiment reveals union membership via a Twitter account.

Preliminary Results - Social Media Accounts

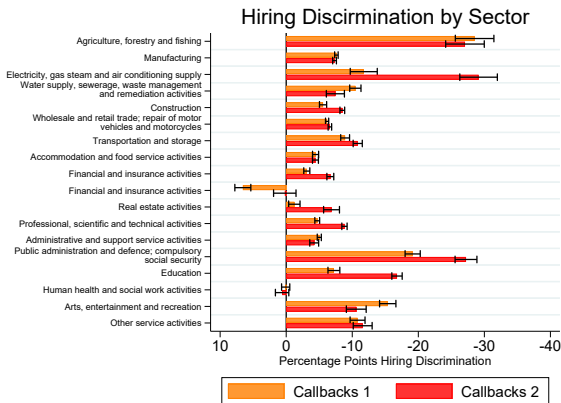


Sector Specific Management Opposition



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Strong variation of Management Opposition between sectors.



- What explains this variation?
- How is this linked to trends in industrial relations?



What drives Management Opposition?

Answer: It's Unions Threat Potential!

Union Threat



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Union Threat is...

...the threat of the potential unionization of a firm and potential improvements in wages and working conditions.

Union threat is commonly approximated by variables of unions bargaining power such as...

- ...Union Density.
- ...Firm Size.

A common reaction to the union threat is to improve wages and working conditions.

Potential Determinants I



Firm Size

- Taken from vacancy information.

Contract Type

- Taken from vacancy information.

Labor market tightness

- $\frac{Unemployed}{Vacancies}$ based on data of the Federal Employment Agency.

Sector specific Union Density

- $\frac{UnionMembers}{SectorEmployees}$ based on the European Social Survey

Potential Determinants II



Table: Potential Determinants - Callbacks 2

	(1)	(2)	(3)	(4)	(5)
Union	-0.0771*** (0.0083) (0.0084)	-0.0822*** (0.0094) (0.0094)	-0.0832*** (0.0102) (0.0103)	-0.0521*** (0.0143) (0.0139)	-0.0589*** (0.0162) (0.0159)
Union x Collective Agreement	0.0284+ (0.0169)	0.0264 (0.0169)	0.0386* (0.0174)	0.0273 (0.0169)	0.0383* (0.0174)
Union x Temporary Contract	-0.0215 (0.0171)				-0.0185 (0.0174)
Union x V/U Ratio		0.0025 (0.0128)			0.0097 (0.0133)
Firm Size (Reference Category: 6 to 50 Employees)					
Union x Smaller 6 Employees			0.0534** (0.0202)		0.0498* (0.0204)
Union x 51 to 500 Employees			-0.0100 (0.0158)		-0.0038 (0.0161)
Union x Larger 500 Employees			-0.0622* (0.0306)		-0.0561+ (0.0308)
Union x Union Density				-0.2785* (0.1172)	-0.2531* (0.1235)
Observations	8714	8714	8714	8714	8714
Adjusted R^2	0.087	0.087	0.088	0.089	0.089

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

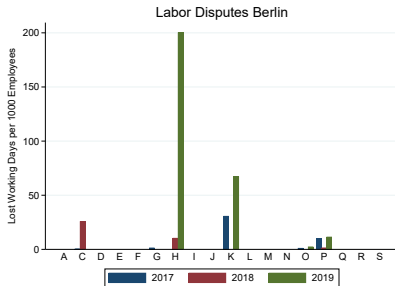
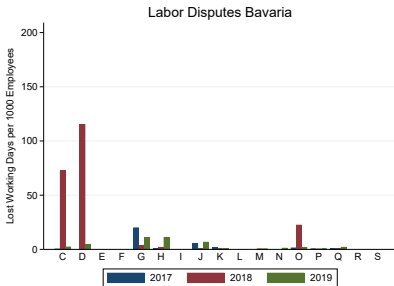
General Threat or actual Disputes? I



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Do labor disputes cause Management Opposition?

- I exploit the regional and sectoral variation of labor disputes.



Days not worked due to industrial action (per 1000 employees).

General Threat or actual Disputes? II



Preliminary Results

Table: Potential Determinants - Callbacks 2

	Sectoral Variation	State and Sectoral Variation
Union	-0.0670*** (0.0081)	-0.0631*** (0.0078)
Lost Working Days per 1000 Employees	-0.0006 (0.0006)	-0.0001 (0.0004)
Union x Lost Working Days per 1000 Employees	-0.0003 (0.0004)	-0.0007* (0.0003)
Observations	8714	8714
Adjusted R^2	0.086	0.087

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

External Validity



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Is sector specific management opposition associated with the share of collective agreements?

- In Germany only 27% of firms are covered by a collective agreement, but an additional 30% follow a collective agreement.

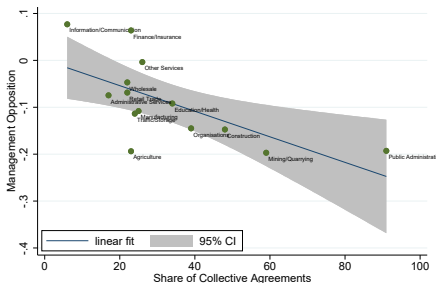


Figure: Share of Collective Agreements

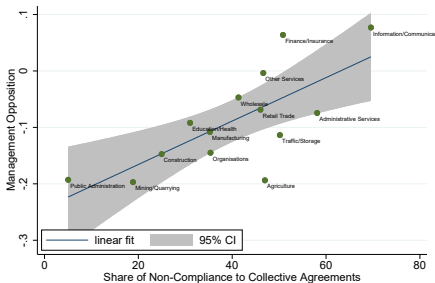


Figure: Share no orientation on Collective Agreements

Conclusion



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Is Germany's industrial relations system eroding due to Management Opposition to unions?

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What is the role of labor disputes?

- First evidence indicates that Management Opposition increases when sectors are exposed to a labor disputes.
 - Evidence for spillover effects on non-unionized firms.



THANK YOU FOR YOUR ATTENTION!

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 @PatrickNuess

 <https://sites.google.com/site/patricknuess>

Appendix 1

▶ Back

Name
 Address
 Phone: *****
 E-Mail: *****

Munich 15

Application as Hotel Manager to September 1st

Dear Mr *****,

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 ██

Name
 Signature

Name



Address: *****	***Address***
Phone: *****	*****
E-Mail: *****	*****
Born: *****	*** 1991 in Munich
Marital Status: Single	Single

Work Experience

09/2015 - 09/2018	***Firm 2***
	Hotel Manager
	<ul style="list-style-type: none"> • Activity 1 • Activity 2
09/2010 - 09/2015	***Firm 1***
	Hotel Manager
	<ul style="list-style-type: none"> • Activity 3 • Activity 4

Education

09/2008 - 09/2011	***Firm 1***
	Apprenticeship Hotel Manager
	Grade 2.0
- 07/2008	***School***
	Secondary Diploma
	Grade 2.1

Knowledge and Competence

Languages:	Deutsch - native English - fluent in spoken and written
Software:	Microsoft Office: Word, Excel, Power Point DATEV SAP
Driving License:	Class B
Hobbies:	Biking, Swimming
Memberships:	DLRG, Trade Union

Appendix 1 [▶ Back](#)

Name
 Address
 Phone: *****
 E-Mail: *****

Munich 15

Application as Hotel Manager to September 1st


Dear Mr *****,

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Name
 Signature

Name

Ausschift: ***Address***
 Phone: *****
 E-Mail: *****
 Born: *** 1991 in Munich
 Marital Status: Single



Work Experience

09/2015 - 09/2018 ***Firm 2***
 Hotel Manager
 • Activity 1
 • Activity 2

09/2010 - 09/2015 ***Firm 1***
 Hotel Manager
 • Activity 3
 • Activity 4

Education

09/2008 - 09/2011 ***Firm 1***
 Apprenticeship Hotel Manager
 Grade 2.0

-07/2008 ***School***
 Secondary Diploma
 Grade 2.1

Knowledge and Competence

Languages: Deutsch - native
 Englisch - fluent in spoken and written

Software: Microsoft Office: Word, Excel, Power Point
 DATEV
 SAP

Driving License: Class B

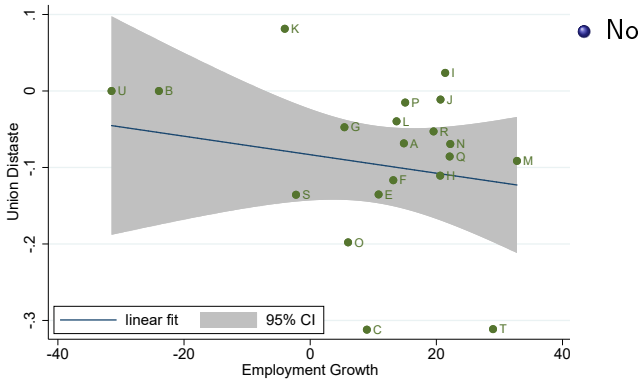
Hobbies: Biking, Swimming

Memberships: D 96, Trade Union

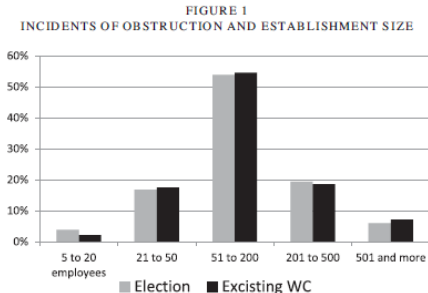
**Random assigned
Union Membership**

Appendix 2

Could Management Opposition be the result of sectoral growth?



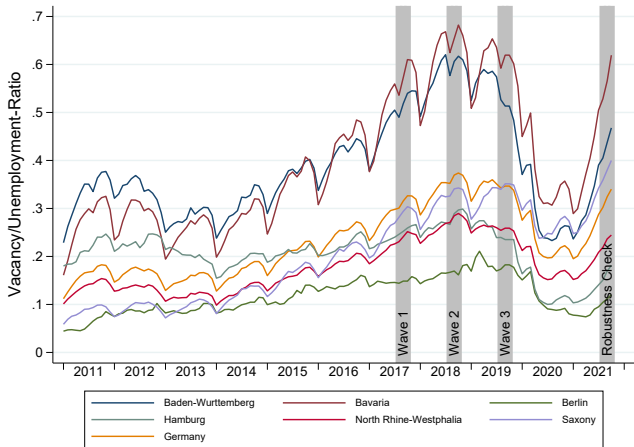
Appendix 3 - Relevance of Works Councils



Source: Second WSI survey on management hostility towards works councils (2015).

- Management Opposition against Unions increases with firm size.
- Opposition against works councils does not (Behrens and Dribbusch, 2018).

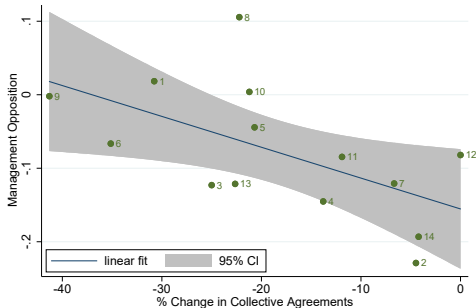
Appendix 4 - Labor Market Conditions



Source: Statistics of the Federal Employment Agency; Own calculations.

Appendix 5 - External Validity II

Is sector specific Management Opposition related to the decline in collective agreements?



- A higher degree of Management Opposition is associated with a lower decline in Collective Agreements.

Figure: Decline in Collective Agreements

Appendix 6 - Differences in Reservation Wages



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Could hiring discrimination result from expected higher reservation wages of union members?

