

# Electoral Democracy at Work

A Study of the 2008 French Union Representativity Reform

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# Context and motivation

- **Quality of employment relations** considered essential for countries business performance and inclusiveness
- **Higher unionization** can improve unions' legitimacy as social partners, their bargaining power and their ability to reduce inequality
- OECD, IFM... now pledge for a balance between workers and employers
- But the paths to improve these features remain largely unknown

- IR cross-country literature comparing broad systems and not allowing to isolate specific channels
- Observation of large cross-country differences but no policy guidance from international institutions
- Vast literature on 'union renewal' focusing on internal issues: union strategy, collective action repertoires, oligarchy vs internal democracy, re-engineering of union structures and organizing techniques, ... but no policy recommendation

# This paper

- Micro level study of the **impact on unionization and labor-employer cooperation** of a major French labor relations reform enacted in 2008.
- Voted by the Sarkozy's conservative majority but following a joint-proposal of the two main unions and employers organization.
- In 2008, low and eroding union membership in the private sector -7%- and poor cooperation in labor-employer relations
- The reform introduced **repeated free elections** and therefore **permanent competition** for the provision of union services, in firms with 11 or more workers
  - Put an end to the legal cartel formed by five historically-established unions
  - Minimal share of vote casts required to be recognized as a bargaining agent

# Main results

- Large short/medium-run estimated impacts of the reform:
  - Satisfaction and trust in unions increased by 45% of a s.d. for employers (30% for workers, significant at the margin)
  - Union coverage increased by 20 percentage points, firm-level unionization by as high as 8 percentage points
  - Voice: increase in work stoppages (in manufacturing)
- Hence, free and open elections can be effective to revitalize unions and social dialogue
- A new generation of representatives/unions?

# Roadmap

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

# Institutional settings **before 2008**

## 3 types of workers' representation

### ① Consultation and Information

- Work council's members are elected every 2, 3 or 4 years and can be non unionized
- First election ballot only for five historically-established unions, a second ballot is organized only if seats remain

### ② Individual workers' voice

- Elected workers' delegates, first elec. ballot only for unions

### ③ Collective Bargaining

- Done by union reps: mandatory once a year
- Bargain mostly wages and working conditions
- There can be several unions, and a few reps per union (depending on firm/workplace size)
- BUT no elections: the five historically-established unions are automatically legally recognized. Others face stiff entry barriers.

# Main changes introduced by the 2008 Law

- ① **Electoral requirement to get firm-level recognition:** at least 10% of votes during work council elections 1<sup>st</sup> ballot
- ② **End of the legal cartel** formed by the five historically-established unions (CGT, CFDT, CGT-FO, CGC, CFTC)
  - All unions with more than two years and respecting republican values can apply to get legal recognition for firm-level collective bargaining
- ③ **Recognition at sectoral and national level** determined by aggregated firm and workplace-level election results = strong incentive to organize additional workplaces



# Method (1)

- New law starts to apply at the first election occurring after January 1<sup>st</sup> 2009
  - 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 reduces it to 3 or 2 years.
  - Very hard to manipulate election dates
- ⇒ 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.
- ⇒ 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
- $f_0$  and  $f_1$  are polynomials capturing the effect of the distance to the election on the outcome
  - Distance between survey and election is likely to affect several outcomes (unionization, conflicts, trust, etc.)
- 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)

# Data

## ① REPONSE survey in (early) 2011

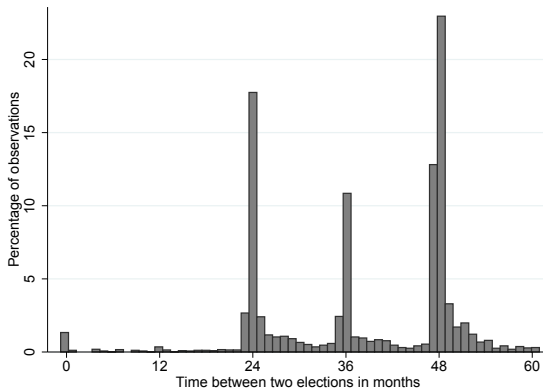
- Employment relations in  $\approx 4000$  non-farm business workplaces of 10+ employees
- Face-to-face interviews with employers
- When elections took place, last election year given ( $\approx 2000$  workplaces)
- Questionnaire sent to  $\approx 8000$  randomly drawn workers in those workplaces (already present 31 Dec. 2009 i.e. seniority  $> 1$  year)

## ② Administrative data on elections for the period 2009-2012

- Type of election and date of current and past elections for workplaces in REPONSE

# Observed length of time during two elections

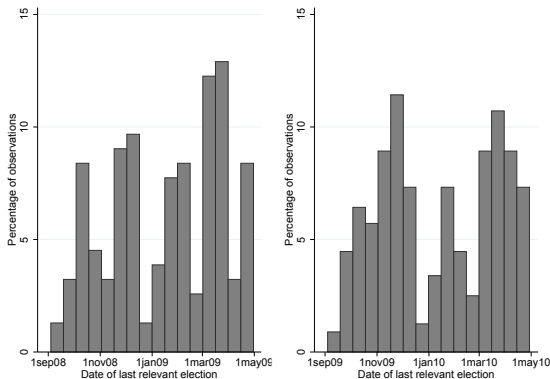
Figure 1: Number of months between two consecutive elections



*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.

# Observed distribution of election dates

Figure 2: Zooms around 1<sup>st</sup> January 2009 (cut-off date) and 1<sup>st</sup> January 2010



Source: Our own computations from the MARS dataset matched with REPONSE11.

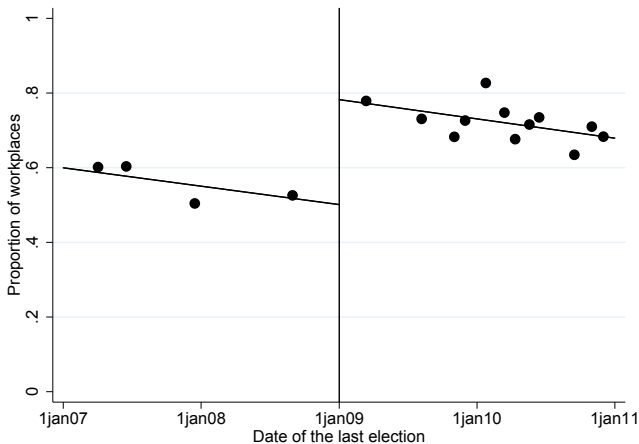
# Main outcomes

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

- ① Presence of workers' delegates or a work council
- ② At least one union recognized for bargaining
- ③ Five unions recognized for bargaining
- ④ Unionization rate in the workplace
- ⑤ Employers' trust in unions
- ⑥ Employees' trust in unions
- ⑦ Work stoppages

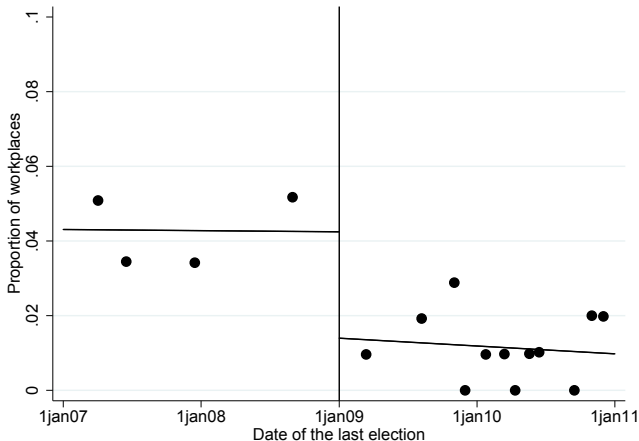
Relies on the comparison of first treated with last 'non-treated'

**Figure 3:** At least one union recognized for bargaining in the workplace in 2011



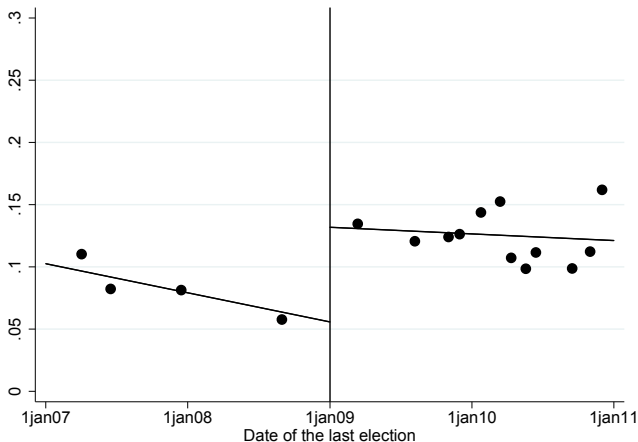
16 ( $\approx$  equal-size) bins. Left:  $N = 502$ , Right:  $N = 1409$

**Figure 4:** Five or more unions recognized for bargaining in the workplace in 2011





**Figure 5:** Unionization rate declared by the employer in the workplace in 2011



**Figure 6:** Share of surveyed workers who declare to be union members in 2011 (workplace average)

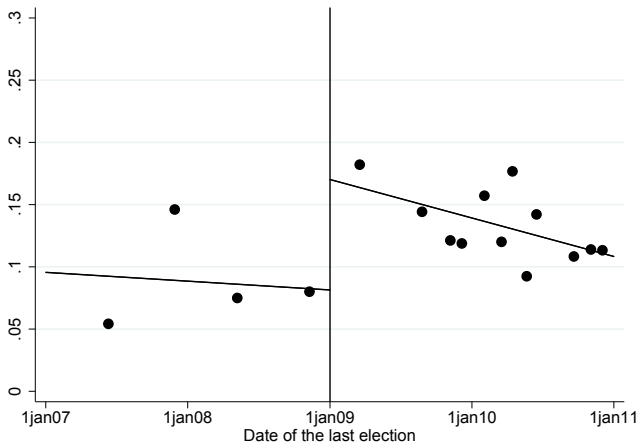


Figure 7: Employers' trust in unions in their workplace in 2011

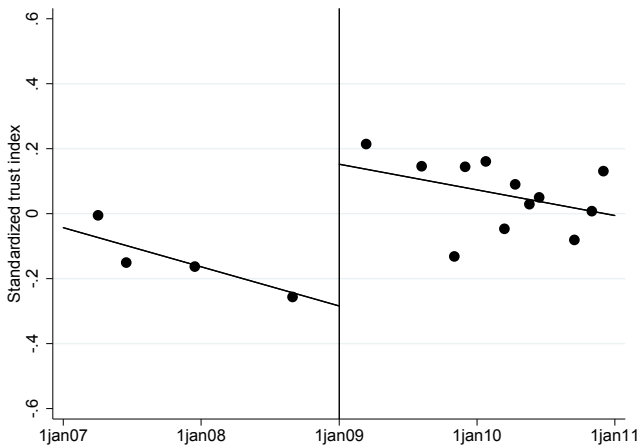


Figure 8: Employees' trust in unions (workplace average) in 2011

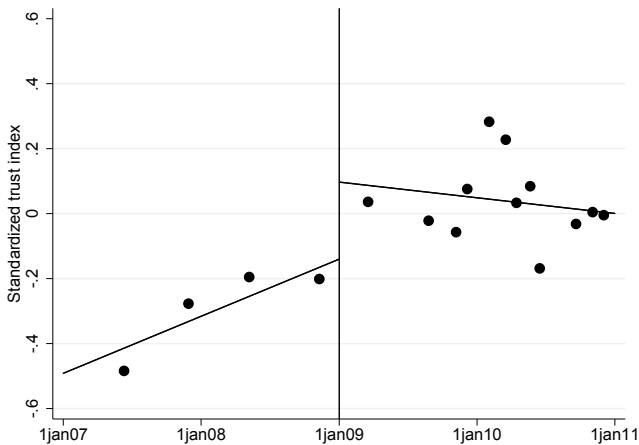
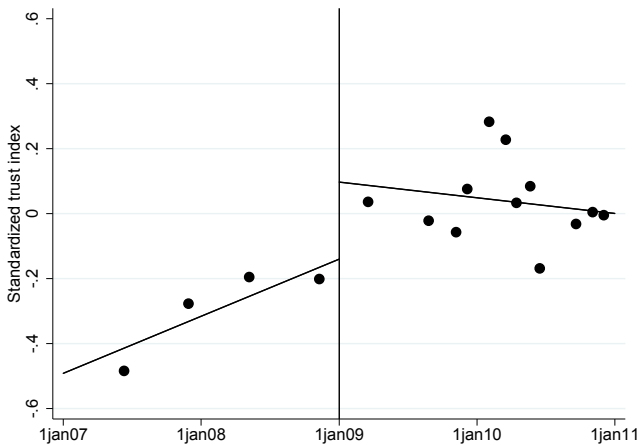
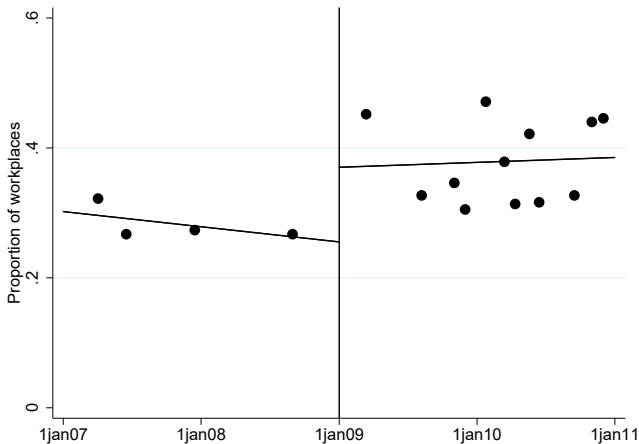


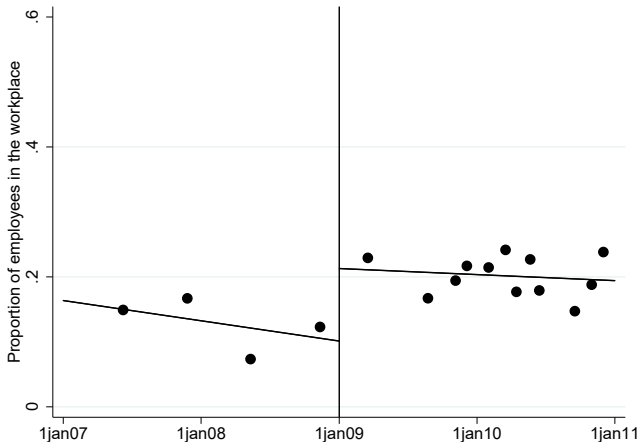
Figure 9: Employees' trust in unions (workplace average) in 2011



**Figure 10:** Share of workplaces which experienced a work stoppage (from walkout to strike) 2008-10



**Figure 11:** Share of surveyed workers who declare to have participated to a work stoppage in 2008-10



# Falsification tests and robustness checks

- Absence of discontinuities for exogenous covariates
- Control variables
- Placebo cut-off dates: 1 January 2010 and 15 April 2009.
- Donut-hole approach
- Varying bandwidth size
- Uniform kernel

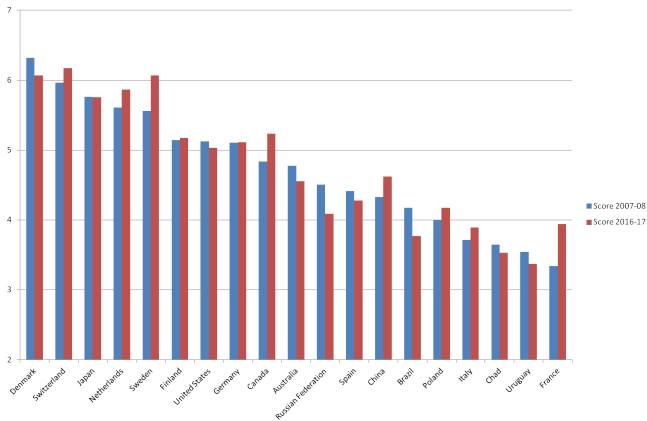


# Discussion (1): Are such large local estimations plausible?

- First treated may have over-react?
- But our local estimations are not very short-term effects (measured two years after application of the law)
- Effects are the sums of an extensive margin and an intensive margin
- Basic empirical validation based on the observation of macro trends

# Apparent improvement in cooperation in labor-employer relations

Figure 12: Cooperation in selected countries



Source: World Economic Forum - The Global Competitiveness Index Historical Dataset. A rolling sample of managers is asked to quote from 0 -the least- to 7 -the best- the cooperation of labour-employer relations in their country.

Note: Cooperation is declared by managers. In 2007-2008, France ranks last out of 128 countries in terms of this declared cooperation. In 2016-2017, France ranks 117 out of 145 countries in terms of this declared cooperation.

**Table 1:** Unionization rate (in %) in France 2008-2016: sectors affected and not affected by the 2008 reform

	2008	2010	2013	2016	2008 reform applies?
<i>Panel: general population (SRCV, WC surveys)</i>					
All employees	10.6%	10.8%	11.3%	11.2%	<i>Partly</i>
<b>Public sector</b>	<b>20.3%</b>	<b>19.5%</b>	<b>19.3%</b>	<b>17.4%</b>	<b>No</b>
Private sector	7.1%	7.5%	8.3%	8.8%	<i>Partly</i>
Private sector, workplaces with 10 employees or less	3.8%	2.8%	3.3%	3.9%	<i>Partly after 2012</i>
Private sector, workplaces with more than 10 employees	9.0%	10.0%	10.5%	11.1%	<i>Yes</i>
<b>Private sector, same sample as for RDD estimates</b>	<b>9.7%</b>	<b>11.4%</b>	<b>11.7%</b>	<b>12.9%</b>	<i>Yes</i>

## Discussion (2): A new generation of unions or representatives?

- More organized workplaces thanks to open elections and/or competition
- Unions: aggregated results, 2009-2012 electoral cycle
  - All historical unions remained recognized at national level
  - 'New' unions gained 12% of the votes (mostly unions already present in public administrations), not recognized at the national level but in one out of five industries
- Representatives
  - REPONSE11 provides information only for one representative belonging to the list which attracted most votes at the latest election
  - No evidence of changes in observable characteristics of these reps (age, gender, education, date of membership)
  - Too soon?

# Quality of services, citizen participation?

- Better quality of services (by same reps) induced by competition?
  - Effects on workers' trust and participation concentrated on "outsiders" (women and younger workers), suggesting unions became more inclusive
  - But one may argue non-treated workplaces will vote in the future and should already increase their effort. This would discard this explanation.
- Legitimacy/satisfaction granted from going through a vote?
  - Consistent with union membership and voice

# Conclusion

- The reform increased union coverage and membership and employers' (and workers') trust in unions
- Also induced more 'light' labor conflicts (work stoppages) especially in manufacturing.
- Suggests that the introduction of electoral democracy induced better, more inclusive representation of workers and a shift towards employment relations governed by voice and loyalty rather than entry and exit.
- Shows that changing a historically rooted employment relations system is possible even in the short/medium run, and even in a country characterized by conflictual labor relations and low union membership.



# A1: (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 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 "Pânicaud")



## A2: Timing of the reform

- New law promulgated on August 20th 2008
    - No subsequent legal order (Decret)
    - A ministerial order (Circulaire d'application) precisising 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 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).