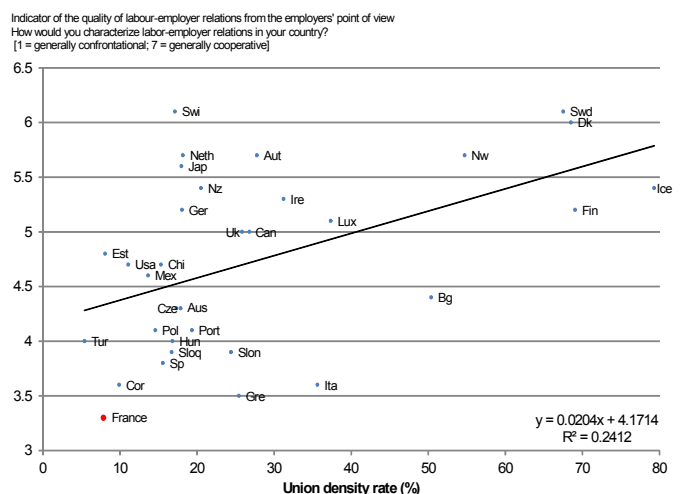


Unionisation in France: paradoxes, challenges and outlook

- France is unusual in that it has one of the lowest rates of union membership in the OECD (8% in 2010) with one of the highest rates of collective bargaining coverage (93% in 2008). This paradox points up the particularity of the French model of industrial relations, where the collective bargaining extension procedure means that unions and employer associations negotiate for all sector workers rather than just their own members.
- Low union density in France is due to a number of factors: (i) the unions' weight in collective bargaining does not depend on how many members they have, but on their workplace election results; (ii) union membership does not give workers many rights and benefits compared with a good number of our European neighbours; and (iii) the unions are not funded mainly by member dues, but essentially by government, employers and labour-management organisations.
- However, France's low union density doesn't leave workers without union representation. Despite low union membership, French unions are firmly established in the workplace and are capable of rallying strong labour support on certain subjects.
- Yet this situation could potentially undermine the development of labour-employer relations, whose quality is important to French economic health. In particular, unions have few jobseekers among their members and more permanent workers than staff on flexible employment contracts (essentially temporary employment and fixed-term contracts) in the low-skilled categories (manual and non-manual employees). This can skew their positions on certain issues relating to these categories.
- Industrial relations in countries with the highest rates of union density generally run smoothly and are more conducive to negotiation, especially when it comes to structural reforms.
- France could do well to consider and test incentives modelled on foreign approaches tailored to the historical and cultural particularities of the French union movement. This could encourage a French style of service model unionism: the unions might be prompted to develop their range of services for their members, as some have already moved to do.
- For example, the vocational training reform, with the launch of the personal training account, could give France the opportunity to formalise the role of the unions in providing advice and guidance on the vocational training needed to secure career paths.
- Building on recent measures to improve the system of social democracy, thinking needs to be taken forward on how to simplify and clarify union funding.

Source: OECD (2013) and Global Competitiveness Report 2012-2013 (2012 World Economic Forum), DG Trésor calculations.

Greater union density improves the quality of labour-employer relations



1. A French paradox: a very low rate of union density¹ combined with a high rate of union activity on the ground and a very high rate of collective bargaining coverage

1.1 French union membership has settled down at around 8%, one of the lowest levels in the OECD

In 2010, some 1.8 million workers in France were union members, accounting for nearly 8% of the labour force.² The French unions also have approximately 400,000 jobseekers and retirees among their members.

France stands out in Europe and the OECD for its low rate of union membership. The European Commission estimates the average rate of union density in the European Union of 25 at 25%.

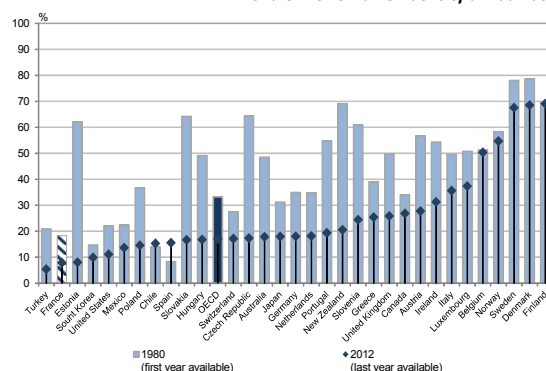
There are huge differences between unionisation rates in the OECD. Membership ranges from 6% in Turkey to over 70% in the Nordic countries of Denmark, Finland, Iceland and Sweden where they join Belgium, also with its much higher than average unionisation rate, in applying the "Ghent System".³

From 1980 to 2012, France was caught up in the general slump in unionisation rates in the OECD countries. Chart 1 displays this steady downturn in the weighted average rate of union membership in the OECD, as the rate almost halved from 33% to 17% over the period.

The OECD⁴ reports that the rate of union density fell at least one-quarter from 1980 to 2000 in 14 of the 24 countries for which data are available as of 1980. Some drops were even sharper: the rate more than halved in New Zealand and Portugal and plummeted more than a third in another seven countries (Australia, United States, France, Ireland, Netherlands, United Kingdom and Switzerland). This nosedive was due to a number of factors:⁵ societal change driven by rising individualisation and a structural change in the wage workforce due primarily to

industrial sector restructuring and service sector growth.

Chart 1: OECD union density annual rates



Source: OECD, StatExtracts, DG Trésor calculations.

First years available: Turkey (1986), Estonia (1993), Chile (1986), Mexico (1992), Poland (1986), Spain (1981), Hungary (1995), Slovakia (1994), Czech Republic (1993), Slovenia (1991).

Last years available: Turkey (2011), France (2010), Estonia (2010), South Korea (2011), Poland (2010), Spain (2010), Hungary (2008), Slovakia (2011), Czech Republic (2009), Switzerland (2010), Germany (2011), Portugal (2010), Netherlands (2011), Greece (2011), Slovenia (2011), Canada (2011), Austria (2011), Italy (2011), Luxembourg (2008), Belgium (2011), Denmark (2010), Finland (2011), Iceland (2008).

Weighted average per wage job for the OECD.

French union density posted the same downward trend over this period, dropping from 18% to 8%.⁶ Note that union membership grows with job stability. Temporary employment and fixed-term contracts, concerning manual and non-manual employees in nearly four in five cases, are not conducive to union membership. Only a very small proportion of temporary workers are union members. Workers on fixed-term contracts are found slightly more frequently in unions, but in smaller numbers than workers on open-ended contracts and much smaller numbers than tenured civil servants. (see Table 1).⁷

(1) Rate of unionisation: ratio of workers with union membership to total number of workers (private and public sectors).
 (2) Visser J. (2013), "Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 34 Countries between 1960 and 2012" (ICTWSS Database), Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam, Version 4.0, <http://www.uva-aias.net/207>.
 (3) The Ghent model is a system of industrial relations whereby union membership conditions access to unemployment benefits and sometimes health insurance. The Ghent model is an example of service model unionism, discussed in point 2.
 (4) OECD (2004), OECD Employment Outlook 2004, OECD Publishing, 360 pages.
 (5) Lestrade B. (2007), "Les syndicats en France et en Allemagne : Difficiles adaptations aux mutations de la société", IFRI - Visions franco-allemandes No. 12.
 (6) 2010 is the latest year of data availability for France. The Directorate for the Coordination of Research, Studies and Statistics (DARES) is due to publish more recent figures soon.
 (7) Wolff L. (2008), "Le paradoxe du syndicalisme français: un faible nombre d'adhérents, mais des syndicats bien implantés", DARES, Dares Analyses No. 16.1.

Table 1: Union density by employment status

Percentage of wage earners	2001-2004	1996-2000
Civil service		
- Tenured civil servants	16.7	15.5
All sectors (including the civil service)		
- Open-ended contracts:		
- Full time	6.5	6.8
- Part time	5.8	3.8
- Fixed-term contracts	3.0	2.6
- Temporary employment	0.9	0.6

Coverage: public and private sector wage earners

Sources: INSEE continuous surveys on household living conditions.

1.2 France ranks 10th in Europe in terms of unions in the workplace

Despite low union membership, French unions are firmly established in the workplace.⁸ They even grew from 1996 to 2005, when 56% of wage earners reported that their company or administration had one or more unions compared with 50.3% in 1996.

In the EU of 25, France is in 10th place in terms of unions in the workplace and the percentage of wage earners working in a company or government department with a union (or equivalent) is higher than the European average (52%).

In addition, French unions attract a large turnout at worker representative elections (nearly 43% voter turnout when union support was calculated in 2013) and have demonstrated their ability to rally workers in collective actions.

1.3 Collective bargaining coverage is very high in France

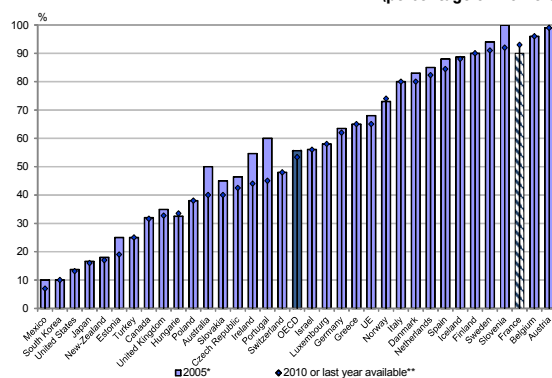
Despite the low number of union members, French wage earners have one of the highest collective bargaining coverage rates: 93% in 2008 compared with 56% on average in the OECD countries (see Chart 2).

A certain number of countries, including France, have a legal or administrative collective bargaining extension procedure.⁹ This procedure extends the application of collective agreements to companies that are not members of one of the signatory employer associations. In this way, a majority of workers can be covered by sector agreements even where union penetration in the company is low.

The possibility for the Ministry for Labour to extend the application of collective bargaining agreements at the request of one or more of the parties to the nego-

tiations was introduced back in 1936. The Minister for Labour checks that the agreement complies with the legislation in force, but is not bound to go ahead with the extension requested. The law gives the Minister a power of appraisal to be able to refuse extensions, before a court convened to ensure there is no abuse of power, on the grounds of public interest mainly for economic and social policy reasons.¹⁰ Extension requests are made for around 80% of agreements and are rarely turned down.

Chart 2: Coverage rate of collective bargaining agreements in the OECD (percentage of workers)



Source: *Reformes économiques : Objectif croissance* - © OECD 2012.

* With the exception of South Korea, Switzerland, Slovakia (2006); Spain (2004); Luxembourg, New Zealand (2003); Austria, Belgium, Denmark, France, Iceland, Ireland, Mexico, Turkey (2002); Australia, Chili (2001); Israel (2000).

** With the exception of Canada, Czech Rep., Estonia, Germany, Hungary, Italy, Portugal, Slovakia, Slovenia, United Kingdom (2009); Belgium, France, Greece, Iceland, Indonesia, Ireland, Japan, South Korea, Luxembourg, Mexico, Netherlands, Norvège, Poland, Spain, Sweden, Switzerland (2008); Australia, Denmark, Finland, New Zealand (2007); Israel, Turkey (2006).

In a move to prevent a flood of collective bargaining agreements and reduce their number in the long term, the 5 March 2014 act on vocational training, employment and social democracy introduced a right to block the extension of agreements¹¹ and should enable the sectors to restructure.

(8) *Op. cit* Wolff L. (2008).

(9) The ILO recommended back in 1951 that employers extend the application of collective agreements (Recommendation No. 91) in order to prevent any discrimination among workers.

(10) Article L. 2261-25 of the French Labour Code.

(11) "To be able to be extended, the sector agreement or multi-sector agreement and its riders and appendices shall not have been blocked [...] by one or more employer associations recognised as representative at the level considered whose companies employ over 50% of all the workers in the member firms of the employer associations recognised as representative at this level."

Most OECD countries allow the extension of their collective bargaining agreements, although extension is sometimes subject to the condition that the agreement already covers over half of the workers within its scope (Germany, Greece and Switzerland). Some countries do not have the possibility to extend the

application of their collective bargaining agreements (Canada, Denmark, United States, Ireland, Norway, New Zealand, United Kingdom and Sweden). Union penetration disparities are therefore often more marked in these countries.

2. Why is there a difference in union density between France and the rest of the world?

2.1 The personal interests of union membership

The theory developed by M. Olson in the late 1960s states that, even if an interest is common to a large number of people, no one will spontaneously support collective action if it does not serve their individual interests (see Box 1). This theory would explain union membership differences between countries based on their union models.

French unions historically veer away from service model unionism. Moreover, the extremely high rate of collective bargaining agreement coverage associated with the frequent extension of sector agreements means that nearly all workers reap the advantages negotiated by the unions without being members.

Box 1: Why do workers join unions?

Do workers join unions because they have common interests to defend? In *The Logic of Collective Action*^a, American economist Mancur Olson points up the "**paradox of collective action**", whereby a group of individuals all with a common interest, aware of this interest and each able to contribute to its attainment, will generally do nothing to advance it.

For Olson, such behaviour is not really paradoxical at all. Given that the benefit of a collective good is not restricted to the people who organise to secure it (for example, a wage rise negotiated by a union), the economically rational individual is necessarily tempted to behave as a free rider and take advantage of the achievements of an action conducted by some without having to bear its costs (time and price).

Studies in the United States confirm this theory. Since 1935, a union must have the majority support of a firm's workers to be able to represent them there. Membership is then compulsory. However, since 1947, a State may decide to waive this measure by adopting the right to work whereby workers do not have to join the elected union, but still benefit from the advantages secured. Over time, adoption of the right to work by over half of the American States has brought union membership down, from 33% in the mid-1950s to 11% in 2012.^b

Similarly, a high level of collective bargaining agreement extension, found in a number of European countries and in France in particular, is associated with a lower union density rate.^c

In a new take on Marx's class struggles - which cover other social, political and emotional aspects - Olson considers that it is not enough for the unions to use class actions as an argument to attract and keep members. They need to offer real individual benefits in return for union dues such as unemployment benefits, welfare services, mutual insurance, legal aid, etc.

This theory really comes into its own in the Ghent System, based essentially on service model unionism where union membership conditions access to public policies such as unemployment benefits and even health insurance. Although other historical and cultural factors may also come into play, it has to be said that the countries that apply this model (Belgium, Sweden, Denmark and Finland) post the highest union density rates in Europe.

Unionism in France is based more on individual commitment and collective action. Dominique Labbé's surveys in France find three major reasons for membership: the need for information and defence, the union member's values and personality, and pressure from the work collective or family. Andolfatto and Labbé^d hence take Olson's paradox a step further, "In French society through to the 1980s, collective action was supported by a significant number of workers without there being any need to exert explicit pressure on them. The pressure was generated by the social fabric and the mood of the moment."

Lastly, union membership appears to be correlated with whether there is a minimum wage and its level if there is. The observation is that the higher or more legally binding the minimum wage, the fewer union members there are. However, this statistical correlation should be considered with caution since it gives no indication of causality. The negative link between union membership and minimum wage could be interpreted as: (i) the consequence of "the government replacing the unions, which reduces the scope for labour-employer relations"; (ii) a disincentive to join the unions since there is less of a wage gain to be get when the minimum wage is high and concerns a large share of the population.^e In addition, an average union density rate does not capture the different sector situations in terms of union penetration and collective wage bargaining.

a. Olson M. (1966), *The Logic of Collective Action (Public Goods and the Theory of Groups)*, Harvard University Press.

b. Moore W. J. and Newman R. J. (1985), "The Effects of Right-to-Work Laws: A Review of the Literature", *Industrial and Labor Relations Review*, pp. 571-585.

c. Checchi D. and Lucifora C. (2002), "Unions and labour market institutions in Europe", *Economic Policy*, pp. 362-401.

d. Andolfatto D. and Labbé D. (2011), "Sociologie des syndicats", *La Découverte*, Collection Repères, 128 pages.

e. Cahuc P., Cette G. and Zylberberg A. (2008), "Salaire minimum et bas revenus : comment concilier justice sociale et efficacité économique", report from the Economic Analysis Council, *La Documentation Française*.

Conversely, unions in the Ghent System countries use their supply of services as a strategy to recruit and keep members. The high level of union membership in these countries is also probably due in part to cultural and historical factors. It is associated, in particular, with a view that union membership is a natural component of employment.

It reflects a social model in which the unions are key players:

- **Union membership more or less conditions access to unemployment benefits.** In Belgium and Sweden, for example, the unions have been tasked with managing the payment of unemployment benefits. They manage different unemployment benefit funds, which are private bodies reporting directly to the unions despite both countries having a public fund that pays benefits to non-union members.
- **The unions offer a wide range of services to their members, including:**
 - **Information and advice on labour legislation and working conditions** (working hours, wages, employment contracts, redundancy, etc.);
 - **Free legal aid**, in the event of individual disputes. In Sweden, the unions also have a decisive influence over individual decisions (recruitment, wage rises, promotions and redundancies where they can change the order);
 - **Financial services** (home insurance, car insurance, travel insurance, etc.);
 - **Supplementary welfare:** in Belgium, members receive bonuses for certain events (marriage, birth, retirement, etc.);
 - **Leisure services** (holiday clubs, premium payment cards, etc.) similar to those offered by works councils in France. Sweden does not have works councils because the unions represent the workers within the firm.

2.2 The advantages that unions gain from the number of members they have

In France, variations in member numbers have little effect on a union's existence. There are two main reasons for this.

Firstly, **union bargaining power does not depend on member numbers:** only representative unions have the right to negotiate with employers and the government, to take part in running labour-management organisations and to have union representatives stand in workplace elections.

The representativeness criteria were reviewed by Act 2008-789 of 20 August 2008¹² on the renewing of social democracy, which came into full force in August 2013.¹³ Unions now have to win at least 10% of the representation election votes at workplace level, 8% at sector level and 8% at national multi-sector level to be regarded as representative at each of the corresponding levels.¹⁴ So by making the unions have to obtain more votes at elections to be representative, this new rule could eventually modify the union landscape and, indirectly, prompt new memberships.

Secondly, **the unions do not depend primarily on member dues for their funds** since they are financed mainly by employers (essentially in the form of paid time off for union duties, subsidies to run works councils and provision of premises), the government (100% paid time off for union duties, a 66% income tax credits on union dues paid, and subsidies) and the labour-management organisations (expenses paid for representatives of the organisations in the labour-management bodies and sums paid out of vocational training funds collected).

It is hard to put a figure to the proportion of union dues in union resources, since no summary has as yet been produced of unions' financial resources in France. The Hadas-Lebel report¹⁵ gives an oft-cited range of union dues representing anywhere from 15% to 57% of a union's total resources. Given that most of the French organisations' resources extend from union legislation (paid time off, allocated resources, etc.), an increase in membership has but a small effect on their resources.

(12)Before the act of 2008, the sole criterion was the irrebutable assumption of representativeness.

(13)See the DGT circular of 13 November 2008.

(14)Note that the act of 5 March 2014 on vocational training, employment and social democracy introduced similar rules for employer association representativeness, with a measurement of business support based on membership.

(15)Hadas-Lebel R. (2006), " Pour un dialogue social efficace et légitime : représentativité et financement des organisations professionnelles et syndicales ", report to the Prime Minister, Prime Minister, 136 pages.

Elsewhere in Europe, union funds rely mainly on member dues.

The countries with high union density rates have service model unions funded by member dues: union dues form over 80% of union revenues in Belgium, Germany, Great Britain, Italy and Sweden.¹⁶ This is mirrored by autonomy and substantial financial clout.

In Germany, for example, a union needs to prove it has enough members and is financially sound to be regarded as representative.

3. What is the point of promoting membership-based unionism?

At least three reasons can be put forward:

- The membership rate forms **part of the union's legitimacy** even though it cannot directly measure representativeness.
- There is a **positive correlation between the membership rate on one side, the employment rate on the other and what a country's firms call cooperative industrial relations**¹⁷ (see Chart Page 1 and Chart 3). In fact, labour-employer relations are hard to establish in companies without unions, mainly due to a low union density rate.

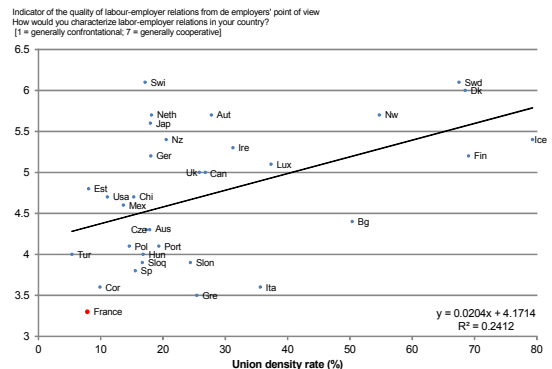
Moreover, T. Philippon¹⁸ has shown that, statistically, the quality of industrial relations explains 70% of variations in employment rates across countries. By way of comparison, it is two times better than with the classic institutional variables (replacement rate and length of unemployment benefits, labour taxation rate, cost of redundancy, etc.).

- The small proportion of union members among jobseekers, temporary workers and fixed-term contract workers compared with open-ended contract workers¹⁹ in the manual and non-manual employee categories may mean that "outsider" aspirations get left out of union action. This can, for example, undermine the employability of these

In addition, although most European unions have considerable assets, current expenditure is covered mainly by funds from union dues: a drop in member numbers hence creates financial problems that can be solved by cutting back on staff numbers, merging unions or active member recruitment policies. These unions are therefore keenly aware of the constant need to attract and keep new members. The range of services provided is a key strategy in this.

groups.

Chart 3: Positive correlation between the quality of labour-employer relations and the employment rate



Source: OECD (2013) and Global Competitiveness Report 2012-2013 (2012 World Economic Forum), DG Trésor calculations.

Note: This indicator shows that employers rate France relatively low down the ranking of labour-employer relations. Other polls of the French population more at large confirm this finding (see February 2014 Opinion Way poll on labour-employer relations, which reports that just 17% of the French people interviewed had a positive opinion of the action of both sides of industry, trade unions and employers, on employment).

In economics, debates on the role and impact of the unions remain controversial (see Box 2). Although all the economic analyses agree that union bargaining power drives up wages, its effects on employment and productivity are much more contentious (see Box 2).

(16) Saintignon P., de Guedj J., Osterrieder H. and Saintoyant V. (2005), "Étude d'administration comparée sur le financement des syndicats - Allemagne, Belgique, Grande-Bretagne, Italie, Suède", General Inspectorate for Social Affairs, Report No. 2004-160, 10 pages.

(17) Aghion P., Algan Y. & Cahuc P. (2008), "Can policy interact with culture? Minimum wage and quality of labor relations", NBER Working Paper No. 14327.

(18) Philippon T. (2007), "Le capitalisme d'héritiers", Éditions du Seuil et la République des Idées.

(19) Amossé T. (2004), "Mythes et réalités de la syndicalisation en France", Directorate for the Coordination of Research, Studies and Statistics (DARES), Dares Analyses No. 44.2.

Box 2: Unions and economic performance

Unions were originally set up to secure better wages to give workers an adequate standard of living and to provide support in the event of unemployment, illness and retirement^a (Hicks, 1932). Although wage bargaining has remained their core activity, unions have gradually become involved in everything to do with the wage earner's condition (employment, working hours and working conditions, vocational training, etc.). However, economic analysis of collective labour representative organisations remains controversial. Liberal thinking sees the union as an element of competitive imbalance that strives to impose a higher wage on the market and therefore drives unemployment. Collective bargaining theory, which has developed a great deal since the early 1980s, has formalised the interactions between firms and unions in a neoclassical framework based on the assumption of perfectly rational agents. In this framework, the union's existence remains an enigma since any explanation of class action based solely on individual rationality stumbles over the free rider problem (Olson, 1978, see Box 1). The union's purpose is to maximise its members' expected utility in terms of wages and employment, taking the preferences of its members who are all considered to be identical.

In the right to manage model^b (Nickell, 1982), the firm determines staffing levels once wages have been negotiated with the unions: the employment level is lower and the wage level higher than in a competitive situation. Wages rise and employment falls with the union's bargaining power. However, this result is not Pareto-optimal. Léontief (1946)^c and then MacDonald and Solow (1981)^d, have pointed up that it is surprising that rational players would agree to sign such contracts.

MacDonald and Solow propose a model to factor in the other bargaining issues in which the unions are involved. In this model, firms and unions negotiate wages and employment simultaneously. The bargaining results in a **Pareto-optimal contract**: the presence of the unions is beneficial to both employment and wages and only affects the distribution of value-added, which occurs at the expense of the firm's profit.

Although all the economic analyses conclude that union bargaining power raises wages, its effects on employment and productivity are much more contentious.

For example, depending on the theoretical model chosen, union action is found to have **more or less of a positive impact on business productivity**. Freeman and Medoff (1984)^e, find that although the role of unionism in wage adjustments gives firms an extra cost, it also helps reduce staff turnover and therefore foster **labour productivity**. The existence of a union organisation is found to drive the emergence of a speaking-out effect that is thought to improve the quality of collective learning and facilitate the communication of experiences.

Empirical tests draw no clear conclusions as to the most relevant bargaining model. Nevertheless, as Jacques Freyssinet puts it, corporate bargaining has been encouraged in France for over 30 years and, in a crisis situation, it places employment top of the bargaining agenda. The job security act of 14 June 2013 took forward this tendency already fashioned by other acts. Job management, historically based on informing and consulting elected representative bodies, can now be transferred to the realm of collective bargaining.

It is also empirically impossible to draw any conclusions about the effect of unions on productivity^f even though studies have shown that unions have a positive effect on productivity in the United States while establishments with unions in Great Britain have been found to post lower productivity. **In France**, Coutrot (1996) and then Laroche (2004) have shown that **the higher level of wages** in firms with strong union penetration is **offset by a higher level of labour productivity^g**.

More recently, an empirical study by the Banque de France^h confirms that the **quality of labour-management relations** (measured by the existence of collective bargaining agreements) at firm level or sector level is **an important determinant of corporate productivity**.

Last but not least, Vernon and Rogersⁱ determine **the impact of unions on productivity by union structure**: craft-general unionism (such as dockers), enterprise unionism and industrial unionism, which covers workers in a given sector. Craft-general unionism is found to more naturally tend towards a defensive approach to industrial relations. Conversely, industrial unionism covers a number of different trades and has broad-based reach, which means it can influence professional mobility in order to flank technical and technological progress. Where craft-general unionism predominates (Australia, Denmark and Great Britain), union strength is found to have a deleterious effect on productivity growth. However, **where industrial unionism predominates** (Belgium, Finland, France, Italy, Netherlands, Norway, Sweden and Germany), **union strength is positively correlated with productivity**.

a. Hicks, R., J., (1932), "The Theory of Wages", London : Macmillan.

b. Nickell, S., J., (1982), "The Determinants of Equilibrium Unemployment in Britain", *Economic Journal*.

c. Leontief, W., (1946), "The pure theory of guaranteed annual wage contract", *Journal of Political Economy*, vol 54.

d. Mac Donald, I., M., & Solow, R., M., (1981), "Wage bargaining and employment", *American Economic Review*, volume 71, pp. 896-908.

e. Freeman, R., B. & Medoff, J., L., (1984), "What do Unions do?", New-York : Basic Books.

f. Doucouliagos, C., & Laroche, P., (2003), "What Do Unions Do to Productivity? A Meta-Analysis", *Industrial Relations*, vol 42, n°4, pp. 650-691.

g. Coutrot, T., (1996), « Relations sociales et performance économique, une première analyse empirique du cas français », *Dares, Travail et Emploi* n°66 et Laroche, P., (2004), « Présence syndicale et performance financière des entreprises : une analyse statistique sur le cas français », in *Finance Contrôle Stratégie* - volume 7 - n°3, pp. 117-145.

h. Cette, G., Dromel, N., Lecat, R. & Paret, A., C., (2012), "Labour relations quality and productivity : an empirical analysis on french firms", Banque de France, Direction générale des études et des relations internationales, *Document de travail* n°389.

i. Vernon, G., & Rogers, M., (2013), "Where Do Unions Add Value? Predominant Organizing Principle, Union Strength and Manufacturing Productivity Growth in the OECD", *British Journal of Industrial Relations*.

4. What are the options for ramping up the incentives for union membership in France?

International comparisons can turn up examples of incentives to join unions. The Nordic countries are the most commonly cited example of smooth-running industrial relations where massive rates of union membership have firmly established the legitimacy of the unions, but also given them huge responsibilities. France could consider a number of incentives and test the resulting options based on these different models tailored to French historical and cultural particularities.²⁰

4.1 Tax incentives are not a decisive criterion in union membership decisions

French tax incentives are highly advantageous compared with the rest of Europe, and yet the French union membership rate is very low. Union members used to be entitled to an income tax reduction of 66% of union dues paid. Union dues represent a percentage, generally around 0.75%, of gross wages. The resulting tax deduction stood at an estimated €130 million in 2011.

With the 2012 income tax campaign, **the tax reduction for expenditure on union dues was turned into a tax credit.**²¹ This extension of the tax reduction to non-taxable workers makes the system fairer. It should render union membership more attractive and buoyant by encouraging low-income workers to join.

In Europe, no correlation is found between union density and tax incentives, suggesting that tax incentives do not play any kind of a key role in union membership decisions.

Sweden has a tax reduction of 25% of union dues paid by workers and 40% of the optional unemployment benefit contribution. **These rates are less attractive than the French system, yet the Swedish rate of union membership is one of the highest in Europe.**

Some European countries post much higher union density rates than France even though they have no tax incentives at all. For example, Germany, the United Kingdom and Italy have much higher union density rates than France (by over 20%), but have no tax incentives for union membership.

4.2 Union cheque and union bonus: an original funding system

The Axa Group first introduced a **union cheque** over 20 years ago. The company distributes the equivalent

of €1 million per year in the form of a cheque distributed to all workers, who may not pay it into their personal account, but may choose to sign it over to the union of their choice. In practice, only one in two workers every year decides to support a union, but these funds provide the union branches with over half of their budgets. With its win-win reasoning, the union cheque has been emulated by other companies such as SCOR and Casino.²²

Some of the advantages of this system are:

- The mechanism contributes to the quality of labour-employer relations by supporting the position of the unions in the company;
- Since payment by the workers is voluntary, they become more involved in the running of the unions;
- The cheque keeps the unions more in touch with the grassroots level as it means they have to take actions such as communication, nationwide travel and training courses to convince workers to sign the cheque over to them.
- Union-cheque-funded financing can be used for union action in the company, unlike resources from traditional union dues, which are generally paid over to the federation or confederation.
- In addition, workers are more aware of the role of the unions in the company.

However:

- This system may tend to dissuade workers from joining a union, since many confuse cheque with union dues. This is why French trade union Force Ouvrière refused to sign the corporate agreement on union organisation with Axa. There is also the possibility that lump-sum subsidies might be paid directly by the company to the unions, supplemented by a sum pro rata to election results. This would clarify the fund distribution system.
- The system could also tend to encourage union branches to practise consumerism if not trade services for votes.

IFRAP,²³ a French public policy analysis think tank and innovation laboratory, proposes **turning the tax break into a union cheque.** It could eventually replace all subsidies and allocated premises and staff over which there is often no legal oversight and which do not encourage any campaign for new members. This sum could be **legally set at a minimum thresh-**

(20) See Barthélemy J. and Cette G. (2013), " Refonder le droit social, mieux concilier protection du travailleur et efficacité économique ", *La Documentation Française*, pp. 104-106.

(21) French General Tax Code, Art. 199, quater C.

(22) Gérard A. and Basilien J.-P. (2011), " Reconstruire le dialogue social ", Institut Montaigne.

(23) Verdier-Molinié A., Servièrre S.-F. and Bauer J.-F. (2012), " Les 16 mesures (qui pourraient être à l'ordre du jour) du sommet social du 18 janvier ", www.ifrap.org.

hold and raised by corporate agreement, which would guarantee reasonable funds for the unions in the companies while stepping up their involvement in worker affairs. In this scenario, workers remain free to refrain from spending their cheque.²⁴

Nevertheless, although the union cheque gives the unions alternative/additional financing, it does not create a membership link between worker and union.

Belgium, where union membership was 50% in 2011, has union bonuses in place. To reward their members for their action and offset their financial contribution, the unions have negotiated that most of the sectors pay union workers an annual union bonus. Basically, firms pay a contribution to a sector-based welfare fund, which passes the money on to the unions pro rata to their stated membership. The worker's affiliated union refunds the worker in the form of a fixed quarterly bonus (2012 bonus: €29 per quarter, or €116 per year), without any seniority conditions attached. The bonus is tax free up to a ceiling of €135. Above this sum, social security contributions are due.

In France, the tax credit, if not all or part of the government and/or business subsidies, could be replaced by a union bonus. The sums the unions then paid to their members would be refunded by the government and/or the companies. This direct payment by unions to their members would clarify the link between membership and financial incentive in the eyes of the members and could drive new memberships.

Thinking now needs to be taken forward to simplify and clarify union funding.²⁵ The act of 5 March 2014 on vocational training, employment and social democracy took the matter a step further with, in particular, the creation of a joint fund designed to replace the current financing system based on the reform and overall clarification of the organisations' resources. This fund will be replenished by a pooled contribution from business, a contribution from the labour-management organisations and a government contribution. The subsidies collected will then be distributed transparently on the basis of electoral support for the different unions with a minimum threshold of 3% of the votes.

4.3 French-style service model unionism could be encouraged

Assistance with union dues is not enough to power up the recruitment of new members whether in Germany, Sweden, Italy, Belgium or Great Britain. The key recruitment strategy is to develop a

wide range of services that meet workers' needs (see 2.1).

Service model unionism is not historically foreign to the French system. With the Popular Front, France chose for the unions to both have their say in the political debate and develop a range of individual services. When the French trade union CGT (General Confederation of Labour) was established in 1895, it developed a multi-based unionism very similar to a mutual insurance system. A viaticum was paid to workers who moved town and training was provided. By the late 19th century, labour exchanges were offering locally networked services, training, assistance and support that could serve as models for the unions today, especially to win over workers in the smallest businesses.²⁶ So the culture of service model unionism is not as far removed from the French culture as it might appear.

Although service model unionism cannot be conceived of in France in the same way as it is in Sweden, since it would basically undermine the joint organisation of the unemployment benefit and social security system, French-style service model unionism could be encouraged to retain members and promote new memberships.

A multitude of services is already on offer to members in France, directly or in addition to union dues. These services range from legal advice to partial compensation for strike-related wage losses and information on certain aspects of career advancement.

A few years ago, the CFE-CGC (French Management Confederation-General Confederation of Managers) introduced a remote psychological support service for its members. Similarly, it offers a "Health Plus" service for its retired members (12% of the confederation's paid-up members) and their families to remain covered by a group supplementary health plan at no extra cost. The confederation's membership has grown by over 22,000 members in the last few years.

The CFTC (French Confederation of Christian Workers) offers its members courses on union action, naturally, but also in such areas as economics, law, accident and work-related disease prevention, and communication.

All these services already play a not-inconsiderable role in members' decisions as to whether to renew their membership. It is up to the unions to extend and scale these services up and do more to promote them to attract new members. Unions could, for example,

(24)Verhaeghe E. (2011), " Trois pistes pour reformer le syndicalisme français ", www.ifrap.org.

(25)See, among others, Ray J.-E. (2008), " Sur le financement des syndicats ", *Droit Social* No. 2, February.

(26)Verrier B. (2010), " Le syndicalisme de services : une piste pour un renouveau des relations sociales ? ", Centre d'Analyses Stratégiques, *Note de Veille* No. 190, 10 pages.

look to measures already tried and tested for managers such as professional networks and forms of coaching.

In the face of the drop in membership rates, most of the unions are moving to develop a range of services within their sector. However, the idea remains relati-

vely controversial and is more local practice than any formal policy.

The vocational training reform, with the launch of the personal training account, could give France the opportunity to formalise the role of the unions in providing advice and guidance on the vocational training needed to secure career paths.

Marine CHEUVREUX, Corinne DARMAILLACQ

The view of...

Pierre Cahuc & André Zylberberg

This issue examines the exceptionally low rate of union membership in France and the original way in which trade unions and employer associations are funded. Rather than being financed by member dues as in other countries, funds come mainly from government and business contributions governed by legislation, regulations and agreements. These contributions take the form of monetary payments and allocations of staff. They enable the unions to play their role in industrial relations and in the management of labour-management bodies dealing with vocational training, unemployment benefits, retirement and healthcare matters.

Yet this set-up makes union resources and expenditure opaque, and does nothing for the independence of the trade unions funded by the government and business. If labour-employer relations are to properly represent workers' interests, it is vital to change the way the system works and switch to union funds paid by members' dues. The creation of a joint fund financed by business, labour-management organisations and the government could go a way to achieving this provided the fund's resources are distributed pro rata to the number of union members rather than their electoral support. The fund would then become a driving force encouraging unions to raise their membership numbers. It would also give unions the incentive to provide their members with special services. The government's role would then be to subsidise memberships by means of this fund and to ensure the transparency of management of the union-run bodies.

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Publisher:

Ministère des Finances et
des Comptes Publics
Ministère de l'Économie
du Redressement Productif
et du Numérique

Direction Générale du Trésor
139, rue de Bercy
75575 Paris CEDEX 12

Publication manager:

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English translation:

Centre de traduction des
ministères économique
et financier

Layout:

Maryse Dos Santos
ISSN 1962-400X

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This study was prepared under the authority of the Directorate General of the Treasury (DG Trésor) and does not necessarily reflect the position of the Ministry for Finance and Public Accounts and Ministry for the Economy, Industrial Renewal and Digital Affairs.