

AN ANALYSIS OF UNION BEHAVIOUR AND WAGE FORMATION IN A GLOBALISED WORLD

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One of the most debated issues related to worldwide product market integration concerns the influence of integration on the labour market. This doctoral dissertation contains three contributions which investigate labour market and product market performance in an international context.

For Europe, it has been shown that labour market consequences of worldwide product market integration do not derive primarily from increased mobility of labour but from interactions between imperfectly competitive labour and product markets. To capture this situation, the *first contribution* analyses price-setting behaviour in both the product and the labour market of Belgian manufacturing firms over the period 1988-1995. We study the heterogeneity in the price-cost mark-up and the workers' bargaining power among 18 sectors and the relationship between both parameters. Our results strongly reject the hypothesis of perfect competition in both the labour and the product market. A new result concerns the remarkable positive relationship that we observe among sectors between estimated price-cost mark-ups and estimated union bargaining power. The stronger the union, the higher the price-cost margin at the sectoral level. In other words, the more powerful the union, the larger the proportion of product rents going to the workers and the larger the size of total rents that can be shared.

In the *second contribution*, we investigate how globalisation has affected workers' wages in general and their bargaining power in particular in the Belgian manufacturing industry over the period 1987-1995. We test three channels through which international trade can influence wages in an Efficient Bargaining framework: through movements in the workers' outside option, the size of product rents and the workers' bargaining power. Our results allow us to conclude that globalisation affects wages through the three channels. As far as the first channel is concerned, we find that the higher the import share, the lower the workers' outside option while the opposite is true for the export share. Concerning the second channel, our results reveal that increased foreign competition in the form of lower export prices reduces both rents and wages per worker. Regarding the third channel, our results suggest that in sectors with fierce import competition or with many foreign-owned firms, the proportion of rents going to the workers is squeezed. In contrast, in sectors that are shielded from competition by higher tariff levels, workers are able to cream off a larger share of the rents.

As shown in the second contribution, foreign direct investment seems to reduce union bargaining power in Belgium. Transition countries have been favourite destinations for western companies. Does that mean that workers in these host countries gain from the globalisation process? The *third contribution*, focusing on wage formation in Bulgaria, investigates that question. We test the hypothesis that the ownership status of the firm (state-, private domestic- or foreign-owned) is an important determinant of both the wage intercept and the degree of rent sharing. Our results confirm that hypothesis. The overall effect of foreign ownership on workers' wages is positive. This suggests that workers in host countries of foreign direct investment benefit in terms of remuneration as a consequence of globalisation. The results strongly confirm the existence of a multinational wage premium in Bulgaria. Rent sharing, however, is far less pronounced in private domestic and foreign firms. It is much more prevailing in state-owned firms.

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