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**MEASURING UNION
BARGAINING POWER IN
THE ESTONIAN PUBLIC
SECTOR**

Anne Lauringson

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Measuring union bargaining power in the Estonian public sector

Anne Lauringson¹

Abstract

This paper analyzes the impact of trade unions on remuneration in the Estonian public sector. In this paper, union bargaining power is investigated separately in healthcare, education and culture and the public service using a case study approach. The method elaborated by the author uses documentation from branch level negotiations in the period 2001–2005. The analysis reveals that unions do have an impact on remuneration in the Estonian public sector. The influence is greater in healthcare, less in education and culture, and ambiguous in the public service where social dialogue does not really work. The most important factors of union influence turn out to be the political and legal environment (the right to strike), funding schemes and the bargaining structure (the existence and stability of an employers' union, the number of wage levels bargained, the clarity with which parties represent their positions).

JEL Classification: J51, J52, J45

Keywords: trade unions; bargaining power; public sector; CEE countries; Estonia.

¹ PhD student, University of Tartu, Faculty of Economics and Business Administration; Head of Analysis Department in the Estonian Unemployment Insurance Fund. E-mail: Anne.Lauringson@tootukassa.ee

1. INTRODUCTION

This paper investigates the extent and content of union bargaining power in the public sector in Estonia. The literature about unions in the New European Union Member States has so far been rather descriptive, and no thorough analysis of bargaining power has been conducted. Unionism in the public sector is explored even less.

The public sector needs to be explored separately from the private sector because bargaining conditions in these two differ considerably. According to Forni and Giordano (2003: 2), the greatest difference between the public and private sector union models is that employers in the private sector are assumed to maximize profits, but employers in the public sector are believed to aim at socially optimal results (meaning efficiency or equality). Political factors can have quite a major role in the bargaining process in the public sector as the objective function, according to which wage and employment would be set, comprises complex interactions of economic goals (for example cost minimization) and political goals (for example vote maximization) (Valletta, 1993: 546). The legal system, which often differs between the public and private sector with respect to bargaining, is also considered to be one of the major factors of bargaining outcomes. Although the employer's objective is rather more flexible in the public sector, the institutional framework (the legal and political environment) tends to be more constraining. Therefore, it is not clear how the bargaining outcome may differ in the public sector compared to the private sector.

An established fact in empirical research is that it is not possible to evaluate the exact impact of unions on working conditions or the economy by any method. Union impact is not limited to the impact they have on their own members, but their activities have converse spillovers. The most often used approximation of union bargaining power in the empirical literature is the union-nonunion wage differential, especially in macroeconomic models and aggregated labour market models (Booth, 1995: 157). As bargaining power is difficult to estimate because it is not quantifiable, the emphasis in the empirical literature is rather on examining different factors that

impact on bargaining power. Above all, factors stemming from the bargaining environment are explored and in particular those from the institutional environment. Significant factors usually turn out to be the legal environment (Currie and McConnell, 1991; Hebdon and Mazerolle, 2003; Ichniowski *et al.* 1989; Tracy, 1988; Zax and Ichniowski, 1990) and political institutions (Falch and Strom, 2005; O'Brien, 1994; Valletta, 1989), but also for example, globalization and technological change (Brock and Dobbelaere, 2006).

The bargaining power of unions in the Central and Eastern European (CEE) countries is even less explored. There are, however, some studies about union-nonunion wage differentials (for example in Hungary: Neumann, 2002) and wage differentials in the labour market flexibility context (in Estonia: Eamets and Kallaste, 2005). In addition, Dobbelaere (2004) finds that union ability to rent share is highly pronounced in state-owned firms, but far less observed in private firms in Bulgaria. Frege (2002) conducted a case study of Hungary and Slovenia to explore union effectiveness, and this provided a slightly deeper understanding of union strength in CEE countries. Trust in management and union member commitment prove to be important determinants of union effectiveness in her study. Trif (2007) gives an interesting comparison of collective bargaining practices in Romania and those prevalent in Western Europe. The rest of the work in this field remains at a somewhat descriptive level: at any rate, analyzing how systems of industrial relations work and estimating union density and coverage rates provide some idea of union strength (e.g. Pollert, 1999; Stanojevic, 2003). Many papers also consider the background of EU accession (e.g. Avdagic, 2002; Borbely, 2000; Martin and Cristescu-Martin, 2001; Martin and Cristescu-Martin, 2003).

The aim of this paper is to analyse whether unions affect remuneration in the Estonian public sector. The public sector is defined here as organisations that are financed by the state either directly or indirectly. The paper focuses on remuneration because this tends to be the most important subject of negotiations in this sector. The union impact is investigated separately in healthcare,

education and culture, and the public service. These three fields also cover the majority of this sector.

Work done so far concerning union impact on remuneration in Estonia is limited to Eamets and Kallaste (2005). They estimate union-nonunion wage differentials using data from the Estonian labour force survey 1999, and find that the wage premium for union members is insignificant. The main explanation for this outcome might be that sectoral agreements are particularly important in the public sector, and these usually also cover non-union members either formally or informally. In addition, the situation has changed since then as several new agreements have been concluded in the public sector covering more employees. Hence, as a complementary approach to Eamets and Kallaste (2005), this paper uses a case study approach to investigate union impact for a later period by analysing official protocols of sectoral negotiations from 2001–2005. The major reforms in unions had already been carried through by this period, the density rates had more or less stabilised and the structure of wages in these sectors had been formulated.

The paper is organised as follows. The first chapter provides an overview of the data and methodology used in the paper to analyse the bargaining process. Secondly, the bargaining processes in the Estonian public sector are described. The third and fourth chapters analyse possible sources of differences in union strength and estimate bargaining power in three different branches of the public sector.

2. DATA AND METHODOLOGY FOR ANALYSING THE BARGAINING PROCESS

Bargaining power is often defined as the ability of a party to reach an agreement on the basis of conditions set by this party. Bargaining power is relative (not absolute) and varies during the negotiation process (Gerhart, 1976: 332). Union bargaining power

in the Estonian public sector is estimated in this paper using indirect measures, as bargaining power is not estimable with any direct measure. The case study methodology is used to analyse the negotiation processes, where cases are formed using sectoral bargaining in the Estonian public sector. The overall case consists of three sub-cases (negotiations in healthcare, education and culture, and the public service).

Data sources for this case study are above all documents from negotiations. The tradition in all three sectors is that the rounds of negotiations are conducted by the parties in turns, and hence, the protocols are written at different rounds by different parties and then ratified by the other parties. Objectivity is the main criterion for selecting this source of data. The background to the negotiations has been complemented with information gained from questioning the bargaining parties. The representatives of both unions and employers' organisations as well as representatives of the Ministry of Social Affairs were questioned. The questions concerned above all the structure of the organisations, cooperation between the organisations and to some extent also their opinion of developments in the bargaining processes.

Sectoral bargaining processes in this article are analysed using a straightforward method that is illustrated in Figure 1. This figure describes the bargaining cycles – in this case there are 3 bargaining cycles or 3 budgetary years. Both the union and the employer have some initial positions that converge during the negotiations until an agreement is reached (or when parties are not willing to make enough compromises then no agreement is signed, shown on the third cycle in the figure). The time limit for a bargaining cycle is the passage of the state budget, as then the funding of the branch would be fixed. At the beginning of the next cycle the parties have new initial positions – the union demands more than was agreed in the previous cycle, the employer offers less, but still more than was previously agreed.

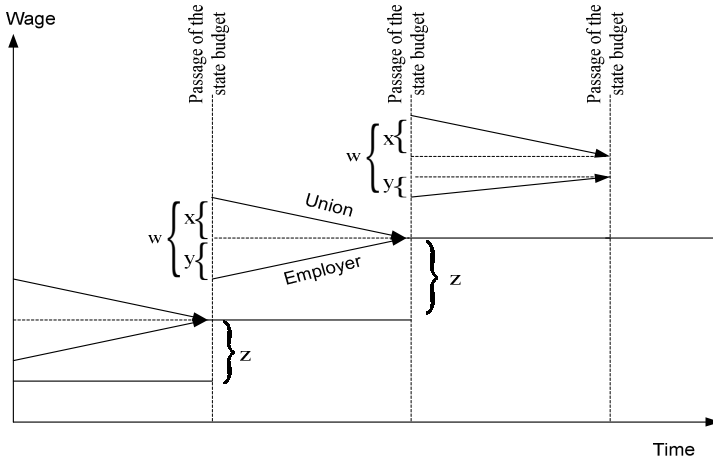


Figure 1. The bargaining process in the public sector

In the figure, w is the difference between the initial positions, x shows how much the union gives in, or how much the employer accomplishes, and y shows how much the employer gives in, or how much the union accomplishes. If there is agreement, the sum of the union's and employer's bargaining powers equals one (then $w = x + y$). An agreement would not be reached if the sum of the bargaining powers was less than one. Some information about union impact would also be gained after exploring how much wages are raised by each cycle (z in Figure 1). But then this should be compared with the national average pay rise, inflation etc. (to extract the pressure on pay from the general economic environment, which is not a direct influence of the unions). This method enables us to see by how much each party changes its initial position by comparing x and y . Theoretically, this could give an approximation of bargaining power as follows:

$$(1) \quad \text{Union's bargaining power} = \frac{y}{w},$$

$$(2) \quad \text{Employer's bargaining power} = \frac{x}{w}.$$

It should be noted that in bargaining theory, the outcome of bargaining depends on utility functions in addition to bargaining

powers. In the most common union models, the objectives of the parties are described using utility functions that depend on wage and/or employment. In the present methodology, both parties have exactly opposing interests, which concern only wages. As in practice bargaining only takes place over pay in the Estonian public sector, this assumption comes quite close to the real situation. The parties' opinions about employment matters are even rather similar as the issue of a labour shortage in the public sector has been a topic of public debate over these years (above all the shortage of doctors, nurses, teachers, policemen and rescue workers) and a pay rise could have been accompanied by an employment rise. The situation could be a bit different for administrative employees whose pay rise has been taking place at the expense of employment cuts.

In addition, the bargaining powers calculated using formulas 1 and 2 are influenced by how realistic the initial positions are – in other words, how much the parties are bluffing. If a union intentionally demands a wage that is too high then this method might underestimate the union's relative bargaining power. However, both parties probably take their initial positions with some reserve that would have a balancing effect on estimations of bargaining power.

The estimations of bargaining power calculated in this way are more accurate for unions. Namely, if an agreement is not reached then the employer can stay at the same pay level (i.e. rest on its initial offer or even lower than that). Hence, the bargaining powers of both parties are estimable if there is agreement, but if an agreement is not reached then the bargaining power of the employer might be higher than calculated with these formulas.

3. SECTORAL NEGOTIATION PROCESSES IN THE ESTONIAN PUBLIC SECTOR

Union density rates by branches in the Estonian public sector are presented in Table 1 (public sector is defined here by Statistics Estonia as establishments that are owned by the state or local governments). It appears that about a quarter of all employees in the public sector are union members. The only branch where density is much lower is public administration. Likewise, very few employees in public administration work in establishments where a union exists, while in other branches the rate is more than 50%.

Table 1. Union density and coverage rates in the public sector, 2005 averages

Indicator	Sectors**	Health and social work	Public administration	Education	Other (incl. culture)
Total number of salaried workers, in thousands		33.7*	39.3*	55.8*	429.3*
Number of salaried workers in the public sector (establishments owned by the state or local governments), in thousands		21.1	38.2	53.5	35.9
Union density, %		26 / 22*	4 / 4*	27 / 26*	27 / 6*
Workers who work in establishments where a union exists, %		57 / 49*	14 / 11*	58 / 56*	52 / 13*
Coverage rate of sectoral agreements 2006, %		42*	0	33	10
Coverage rate of agreements at establishment level, 01.12.2005 valid agreements in the public sector, %		11*	6	4	3

* Total in the sector (public and private owners)

** Sectors according to Estonian classification of economic activities 2003 (EMTAK): healthcare includes veterinary and social work (incl. orphanages, homes for the aged etc.), public administration includes defence and compulsory social security, education includes kindergartens, vocational education, universities, adult education etc.

Sources: Estonian labour force survey (ETU), registry of collective agreements of the Ministry of Social Affairs, Estonian Employees' Unions' Confederation (author's calculations).

As sectoral agreements cover a lot more employees than agreements concluded at establishment level, it makes more sense to study union impact by analysing sectoral agreements and negotiations. Unions in this sector more likely influence the branch as a whole as the minimum wage rates are set in most cases for all employees in the branch due to the wage systems in the public sector. Estimating union impact using establishment or individual level data would underestimate the union impact (probably showing no impact at all).

In all three sectors under study there are bipartite negotiations taking place, which also include some aspects of tripartism. In the private sector, employers and unions can bargain directly in sectoral negotiations because employers decide over their funding (including wage costs) by themselves. Employers in the public sector depend on a third party who decides over the funding of the sector. Therefore, in addition to negotiations between employers and unions, negotiations between employers and sources of funding also take place to some extent and these two processes are connected to each other. Unions have less opportunity to influence the sources of funding directly.

The employers, unions and sources of funding by sector and their roles in the negotiations are presented in Table 2. Not all the representatives of employers participate in the negotiations, especially on the level of local governments. In the private sector, it is easy to specify the employer, but this is not always the case in the public sector. It has been easier to define the employers in healthcare where the relationships between the employers and the unions are also more similar to the relationships in the private sector. The negotiations in education and culture also concern institutions governed by local governments, although local governments do not take part in the negotiations. The negotiations in the public service only concern the public service at national level and not at the local government level.

In healthcare, unions are rather fragmented as even workers on the same level are sometimes represented by different unions. In other sectors the problem is rather that the single union federations also

encompass workers from other sectors. So, ROTAL includes workers from healthcare and social welfare and TALO from healthcare and public administration.

Table 2. Sectoral employers, unions and sources of funding in the public sector, 2001–2005

Sector	Party	Representatives of the party	Participation
Healthcare	Sources of funding	Estonian Health Insurance Fund	Observer
	Unions	Estonian Medical Association (EAL)	Negotiator since 1995
		Trade Union Association of Health Officers of Estonia (EKTk)	Negotiator since 1995
		The Federation of Estonian Healthcare Professionals Unions (ETTAL)	Negotiator since 2000
		Estonian Nurses Union (EÕL)	Negotiator since 2004
	Employers	Estonian Hospitals' Association (EHL)	Negotiator since 1995
		Estonian Government	Negotiator since 2004
Education and culture	Sources of funding	Ministry of Finance, Parliament, (local governments subordinately)	Representatives of the Ministry of Finance included in the committee of ministries
	Unions	Estonian Employees' Unions' Confederation (TALO)	Negotiator since 1993
	Employers	Estonian Government	Negotiator since 1993
		Association of Estonian Cities	Observer
		Association of Municipalities of Estonia	Observer
	Public service	Sources of funding	Ministry of Finance, Parliament
Local governments			Do not participate
Unions		Confederation of Estonian Trade Unions (EAKL)	Negotiator
		Trade Union of State and Local Government Institutions' Workers (ROTAL)	Negotiator
Employers		Estonian Government	Negotiator
		Association of Estonian Cities	Does not participate
		Association of Municipalities of Estonia	Does not participate

In all these sectors, sources of funding participate in the negotiations to some extent, but they never bargain directly with the unions. In healthcare, the Estonian Health Insurance Fund organises health insurance and funds healthcare organizations. Among other expenses, healthcare organizations have to also cover wage costs from funds received. The share of funds that healthcare establishments allocate for wages is the subject of negotiations between employers and unions. As the funds are determined externally from the negotiation process, it significantly limits the room for negotiations. Still, representatives of the Health Insurance Fund have also attended these negotiations as observers. In addition, the Minister of Social Affairs, who represented the government in 2004, was at the same time the chairman of the council of the Health Insurance Fund and at some points during the negotiations also revealed the positions of the Fund. Nevertheless, the negotiations have been bipartite in essence.

The field of education is governed by the Ministry of Education and Research; cultural personnel are governed by several different ministries. The budgets for the ministries are set by the state budget, which is elaborated via negotiations between the Ministry of Finance and the relevant ministries, discussed later by the government and the parliament that passes the state budget as law. Thus, the negotiations over pay rises for education and cultural employees are largely restrained by the process of the elaboration of the state budget – minimum wage rates are a bit more negotiable.

In the public service at the national level, the government in negotiations with ROTAL does not directly determine the wage fund because the funds have to come through the state budget (basically the same case as for education and culture). The subject of negotiations is above all the salary scale set by the government, but also the general wage system. Sectoral negotiations in the public service take place only for state public servants as the same partners cannot negotiate on wages for local government employees, whose wages are not set by the government, but by local governments.

The difference from the private sector in the legal environment concerns public servants notably more than workers in healthcare or education and culture. The greatest difference stems from the Collective Labour Dispute Resolution Act, which prohibits strikes in government agencies and other state bodies and local governments, in the Defence Forces, other national defence organisations, courts, and fire fighting and rescue services. As there is no right to strike in the public service, there have been no larger actions to protect their demands, only pickets to demand pay increases, to gain the right to strike and to achieve better working conditions.

3.1. Bargaining process in healthcare

In healthcare, negotiations are held for three main professional levels – doctors, nurses and care assistants. ETTAL has also put forward demands concerning wages for mid-ranking professional staff and professionals with a university degree, but in practice these groups have not been the subject of negotiations and they have not yet been covered by sectoral agreements. In addition to minimum wages for different groups, the negotiations in this sector have also dealt with the length of vacation and training (ETTK in 2002, EKTK and ETTAL in 2004), but in practice these issues are not really bargained over.

Three sectoral agreements have been signed in the period 2001–2005 (20.03.2002; 13.06.2003; 23.09.2004). The first two were basically annual agreements; the third one lasted for two years and set different wage rates for both years. The first agreement did not cover nurses, because then only EKTK represented them, and it did not agree with the wage level offered by EHL (the public conciliator granted permission to strike, but they decided not to go so far). The agreement in 2003 was not extended, but the agreements signed in 2002 and 2004 were extended to all corporate bodies in healthcare. The agreement in 2004 was unique because for the first time it was also signed by the government as an employer. However, this only affected an insignificant number of doctors and nurses. So, in conclusion the coverage has grown solidly in time.

The negotiation processes on the basis of professions for 2002–2006 are illustrated in Figures 2–4. Each entry represents a point in time where at least one party changed its demands/offers. Figure 2 also includes demands made by ETTAL for professionals with a university degree other than doctors. These are mostly a bit lower than the demands of doctors because their average salary is also a bit lower in practice. In spite of the similarity between these two professions, EAL and ETTAL do not consult with each other before putting forward demands. However, ETTAL follows the demands of EAL. EAL somewhat cooperates with EKTK instead. Likewise there is no consultation between the two unions that represent nurses (EKTK and EÕL) and that is why their demands also sometimes differ. The only unions that consult each other about wages for nurses are ETTAL and EÕL, but they only discuss how high a wage ETTAL should demand for care assistants based on a certain wage level for nurses. The minimum wages that ETTAL demands for mid-ranking professional staff are again a bit lower than the requests for nurses, even though in practice these wages do not differ as much.

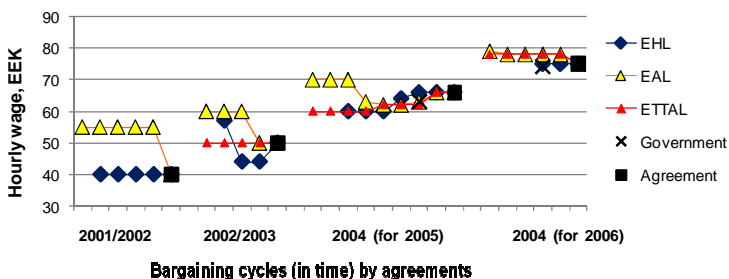


Figure 2. Negotiations on minimum hourly rates for doctors and other professionals with a university degree for 2002–2006

In general, the charts largely correspond to what was proposed in Figure 1. Deviations from this pattern occur in 2003–2004, when the employer withdraws its initial offers, and in 2005, where at some point the offers of employers exceed the demands of unions (doctors and EÕL). Both of these exceptional behaviours can be explained by the specifics of the public sector. In the first case it was revealed that the funding would not be as high as was

presumed. In the second case, the government also took part in the bargaining, but did not want to make offers as high as EHL. The offers from EHL began to exceed the offers from the government for 2005 about the same time as the government began to participate in the negotiations. At that point EHL began demanding financial means rather than trying to rein in the wage demands set by the unions (as the minister of social affairs represented the employers as well as the chairman of the council of the Health Insurance Fund).

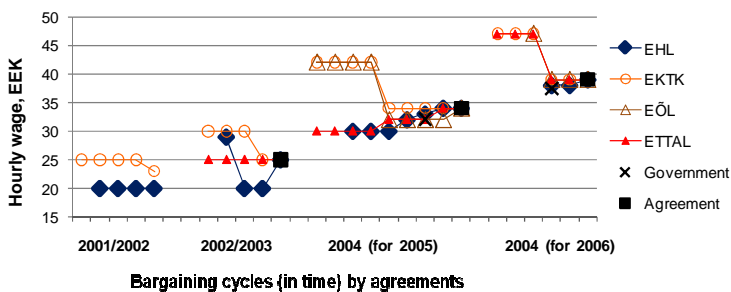


Figure 3. Negotiations on minimum hourly rates for nurses for 2002–2006

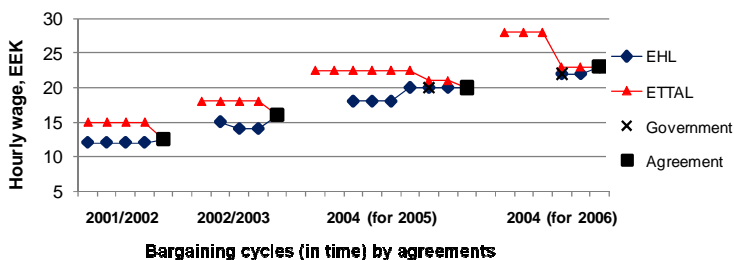


Figure 4. Negotiations on minimum hourly rates for care assistants for 2002–2006

Another difference between Figure 1 and the figures for healthcare is that the length of the negotiations does not depend on the budgetary year. Even if the parties do not reach an agreement during the budgetary year, they still bargain. In this respect, the

negotiations in healthcare resemble negotiations in the private sector. The figures show that the unions tend to make larger compromises than the employers.

3.2. The bargaining process in education and culture

In education and culture the main themes of negotiations have been wage issues; other working conditions have not been notably dealt with in the period 2001–2005. The government has preferred to bargain on wage increases during this time, but TALO has been more interested in a rise in minimum wage rates. As a result, there have been some misunderstandings between the partners. In agreements and in the final minutes (when an agreement was not reached) there is also a fixed rise in the overall wage fund (that in essence is determined via the state budget anyway) rather than minimum wage rates that would really add responsibility to the government.

In connection with an increase in the overall wage fund, negotiations have also concerned who decides how to divide this increase because, as a survey conducted by the Estonian Education Personnel Union in 2005 showed, this increase did not always reach teachers (because of the decisions of local governments and also of school boards) (Informatsioon...2005). In addition, the government has reproached TALO for not presenting its demands clearly (in 2002) and that radiologists who belong to TALO should hold negotiations with other healthcare workers and EHL (in 2002), and that the government can only speak for state schools where only 10% of pedagogues are employed, and not for the remaining 90% under local governments. For that reason the agreement for 2005 did not cover teachers in municipal schools. However, in the agreement for 2006, the parties were also able to cover municipal schools.

Negotiations regarding minimum wage rates for employees with a university degree working full-time in positions that require a university degree are illustrated in Figure 5. In the period 2001–2005, an agreement was signed three times between TALO and the

government (2001, 2004 and 2005). During this whole period, the general objective of TALO has been that this minimum wage rate has to equal the national average wage forecasted by the Ministry of Finance. Other minimum rates in education and culture would depend on this minimum wage. Still, the average wage has remained a long-term objective and the wage rates demanded have been a bit lower. The negotiations have approached the minimum wage rates differently in different years – wage rates for 2001 and 2002 were meant to be achieved by the end of the corresponding year, so the rates were agreed with a lag for 2002 and 2003. In 2005 and 2006, the rates were determined for these specific years. In 2003 and 2004, the government did not go along with the demands of TALO and no agreement was signed. The figure shows that the government has not been very eager to make compromises and that the long-term objective has drifted away.

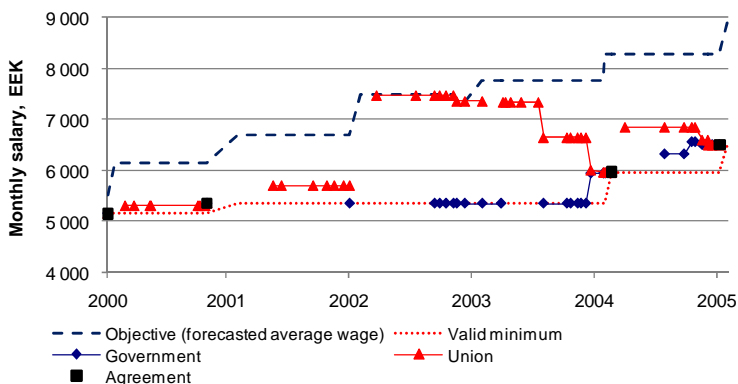


Figure 5. Negotiations between TALO and the government over minimum wage rates for members of TALO with a university degree remunerated through the state budget and working full-time in a position that requires a university degree

Figure 6 illustrates the negotiations for a rise in the overall wage fund for teachers (that in most cases has coincided with the general increase in the overall wage fund for education and cultural employees). Even though the concrete numbers expressed by the government have generally ranged from 8% to 10%, the initial figures have been the requests from the ministries to the state

budget, not the rates they actually offer the union. For that reason it appears that the government withdrew its initial offers in 2003 and 2004. Thus, in some sense the process could be looked at so that the government starts from an increase of 0%. If we consider the first expressed number as the starting point then there have only been two cases when the parties have reached a higher number at the end of the negotiations. In the second case, this was achieved after a strike in 2003 where more than 20,000 employees attended. After the union had called a strike, the government increased the funds from 8% to 12%. However, no agreement was signed because TALO claimed that its demands were 15% and not 12%.

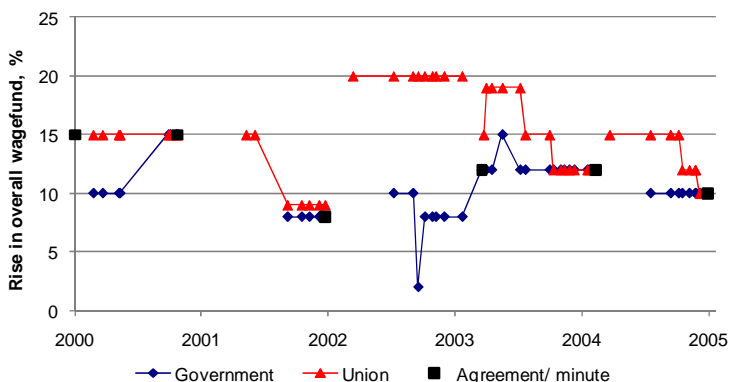


Figure 6. Negotiations between TALO and the government on increases in the overall wage fund for teachers

3.3. The bargaining process in the public service

The main issue in the public service to be the subject of bargaining is a uniform salary scale of 29 salary grades established for state public servants (different salary grades are established for officials working in the Information Board, police, prisons and social welfare institutions). ROTAL along with the central union EAKL have demanded a substantial rise in salary rates every year (2001: 15%, 2002: 10%, 2003: 15%, 2004: 20%, 2005: 50%) – in 2005 this was primarily at the expense of decreasing differentiation and additional remuneration. As a change to the Public Service Act has

been discussed since 2001, involving a change in the wage system (the salary scale would only have six levels and the salary rates would constitute a large part of the wage), the union has laid down alternatives for the new scale as well.

Usually only the lower salary rates have been raised due to the increase in the national minimum wage. The only agreement between partners was signed in 2001 for 2002, when the upper levels also saw a substantial increase. In addition, this agreement set salary rates for policemen and laid down the preconditions for concluding an agreement on salary rates for prison officers the following year (though this was not actually achieved). Since 2002, the government has set the salary rates on its own (on the basis of rises in the national minimum wage), and even though, for example, these were given in 2005 for EAKL and ROTAL to consult, the proposals from the unions were not taken into account.

A pay rise has also been demanded during these years separately for police, prison officers, emergency services, tax and customs officers and workers in orphanages. The first two groups have especially been under closer attention. Both police and prison officers have received two increases in salary rates during this period. Though only a pay rise for police officers was fixed with an agreement (in 2001). The increases in salary rates for prison officers were the result of fairly internal decisions in the government; ROTAL received the draft decree to comment on, but their resulting proposals were not taken into account. During negotiations in 2005, the government agreed to raise the wages of prison officers by EEK 1000², but in reality the wages were not raised that much because only two thirds of the planned funds were allocated. In 2004, ROTAL also drafted a collective agreement for prison officers, but this was not signed. So, in conclusion there has been no social dialogue in the public service in recent years.

² 1 EUR = 15.6466 EEK

4. FACTORS OF BARGAINING POWER IN THE ESTONIAN PUBLIC SECTOR

This part of the paper presents potential determinants of bargaining power in the three branches in the study. In the current case it is more feasible to examine factors arising from the bargaining structure, not so much from the environment and organisational framework because the available data is above all about the bargaining processes. Various potential factors of bargaining power in the Estonian public sector are presented in Table 3.

Table 3. Factors of bargaining power in the Estonian public sector, 2001–2005

Factors		Healthcare	State public service	Education and culture
Environment and organisation	Union density rate 2005, %*	22	26	4
	Right to strike	+	+	-
	Share of appeals to the public conciliator in bargaining processes (%)	100	60	0
	Dependency on policy	not much	in some extent	very much
	Employers' organisation as a bargaining partner	+	-	-
Bargaining process	Stability of employers	+	-	-
	Number of unions bargaining**	4	1	1
	Consultation between unions on their demands	not much	in some extent	very much
	The highest wage rate divided by the lowest rate in 2005 (for 2006)	~3	~3	~3
	Number of wage levels, 2005 (for 2006)	3-5	14	29+2
	Clarity of employers' positions	high	in some extent	low
	Clarity of unions' positions	high	in some extent	high

* According to EMTAK: healthcare and social work, education, public administration.

** Number of unions with different interests: all four unions in healthcare stand for themselves, one central union speaks for member unions in education and culture, the central union and the respective member unions stand for the same objective in state public service.

Sources: Bargaining documentation, Statistics Estonia, ETU (author's calculations).

The density rate is thought to have a significant impact on union bargaining power, and this is quite often used in the empirical literature even as an approximation of bargaining power or an instrument for it (e.g. Belot and van Ours, 2004). The overall union density rate in the Estonian public sector is lower than in most EU-15 countries where this figure often exceeds 50% (Visser, 2006: 46; Visser, 2003: 398-399). Therefore, this indicates that the unions are not very strong, especially in public administration.

The greatest difference in the legal environment between the branches is that there is no right to strike in the state public service. This right is thought to be a very important factor of bargaining outcomes (e.g. Currie and McConnell, 1991; Hebdon and Mazerolle, 2004). The absence of this right might considerably hinder the bargaining power of state public servants. The other branches again might thus have higher bargaining power, which is also supported by the fact that when employees in education and culture organised a strike (the only strike during this period in the public sector), the funding of those fields was increased. The right to strike is also connected to how much the unions seek help from the public conciliator. State public servants have not appealed to the public conciliator at all because, as opposed to other unions, they would not have the right to organise a strike even if the conciliator was unable to provide them a satisfying solution. Yet the participation of the public conciliator might have a positive impact on reaching an agreement.

Political factors are considered to have a major role in the bargaining process, especially in the public sector, which has also been studied in several empirical works (O'Brien, 1994; Valletta, 1993; Valletta, 1989). It is thought that unions can increase their bargaining power by having some political influence in society (e.g. connections with political parties). Unions in the public sector are believed to have even more opportunities for political influence. In practice, cooperation between political parties and unions has been most distinctly visible in Northern European countries. Yet, the situation is very different in the Central and Eastern European region. Avdagic (2005: 40) calls this the inverse dependency relationship as political parties are always the

strongest partners in these countries. The same is true in Estonia, where unions do not have the power to influence political parties, but are influenced by politics themselves. So, the more a branch depends on policy choices, the less power the unions might have.

In the Estonian public sector, the political background for these three branches somewhat varies, primarily because the level of dependency on government policy is different. The public service is very closely connected to government policy, as it basically constitutes the structure of the state. The connection is weaker in education and culture and even weaker in healthcare (above all, because the funding scheme in this branch is fairly different). This means that a dependency on policy leading to a lack of stability can above all hamper the negotiation process in the state public service. In addition, at least during the period of this study, state public servants have been in a worse situation because raising the wages of teachers (and healthcare workers) has been a more popular choice for politicians than raising the wages of state public servants as this would have simply been an increase in the administrative expenses of the state. In 2003, when the negotiations of both state public servants and education and cultural employees were heading towards deadlock, the government declared that education and culture were among the top priorities for the government and expressed the will to afford a pay rise for them in the future. In the negotiations with the state public service, representatives of the government stated that the government had set the priorities for composing the state budget and the wages of civil servants were not top priority.

The impact of the political environment on negotiations with state public servants and education and cultural employees was especially evident at the beginning of 2003, when a change of government took place. During negotiations with both sectors, there was debate about whether the government should fulfil the promises made by the previous government. In addition, the new government approved an austerity program that stipulated that there would not be any additional funds allocated for remuneration in 2004 (the purpose of the program was to limit the expenses of the state and the central government (Vabariigi Valitsuse...2003:

3)). Thus, a rise in wages for state public servants would have contradicted this programme.

The stability of the employer and the existence of an employers' organisation are also connected to the political environment. Healthcare employers are represented by an employers' association (in addition to the government); the other two branches do not have such an organisation involved in their negotiations. The important issue here is that an employers' association as a negotiating partner is a much more consistent organisation. The government by comparison is an elected institution that can change every four years. The new negotiating partner also has a new policy platform and it might not want to carry on the previous government's programmes. The positive impact of existing employers' associations might also reveal that the employers themselves are more eager to fight for more funding in their sector (as has been visible in healthcare).

In relation to the funding scheme, the potential length of the negotiation process may also matter. State public servants and employees in education and culture are closely tied to the state budget and so a bargaining process basically lasts one year – negotiations start at the beginning of the year and in December they either reach an agreement or state that an agreement was not attainable. In healthcare, it has been possible to sign agreements in March, June and September. The need to close a bargaining process in December is not so rigorous, and this could also be why the parties have been able to sign more agreements.

According to the theory of corporatism, union bargaining power depends above all on how organised the labour force is. The more that concentration and cooperation occur between unions, the easier it will be for them to agree and act according to the same bargaining strategy making them a stronger bargaining force. More fragmentation and competition between the unions is likely to cause a weakening of their bargaining power. According to Mitchell (1996: 422), the expansion of unions can reduce the incentive for other organisations to bargain with the unions individually. The structural and cooperative characteristics in the

Estonian public sector can be seen in the number of unions participating in bargaining and the level of consultation between these unions. By comparison the bargaining power of healthcare unions is lower as there are more unions and they lack such cooperative behaviour.

Problems have arisen during negotiations because some unions cover vastly different professions, sometimes even from quite different fields (e.g. radiologists and customs officers in TALO). Thus, one factor that hinders negotiations can also be the disunity of professions between different federations of unions.

Along the same line of reasoning, the homogeneity or fragmentation of demands can also be seen; for example, how many different wage levels are bargained over and how widely do they differ. The relative impact of the range of the wage scale cannot be studied here because in all the branches the highest wage level demanded has been about three times higher than the lowest throughout the period. Yet a difference can arise from the number of wage levels under discussion, and a clearer system could benefit the bargaining power of healthcare unions. A change in the Public Service Act could promote social dialogue with the state public service, as this would significantly decrease the number of salary grades.

The clarity of negotiations also means how clearly the parties declare their demands/offers. In healthcare all parties make their proposals quite clearly and so the negotiation proceeds smoothly. Yet one reason why negotiations are hazier in the other branches is that they are closely tied to the formation of the state budget. Therefore, the government does not usually get down to precise numbers before the budgets for the different areas of government and the ministries are principally fixed.

In conclusion, after examining different sources of bargaining power, unions in healthcare seem to have more advantages and are relatively stronger than other unions in the public sector. Several factors stemming essentially from the institutional environment

appear to primarily hamper the negotiation process with state public servants.

5. ESTIMATIONS OF BARGAINING POWER IN THE PUBLIC SECTOR

Estimations of bargaining power in the public sector calculated according to formulas 1 and 2 are presented on the basis of branches in table 4. In healthcare, the estimations of bargaining power for care assistants are a bit higher than for other workers. Yet these numbers do not take into account that in 2003 and 2004 in addition to demanding a wage rise, ETTAL also asked for longer vacations and in service training at the employer's expense, which it did not actually receive. Also, EKTK demanded training in 2004, and did not get it. ETTAL has not yet managed to reach agreement in regard to other groups of employees in addition to care assistants.

The bargaining power of education and cultural employees turns out to be even higher than the bargaining power of healthcare workers if the negotiations in 2001 are taken into account. Yet the agreement from 2001 did not fix a minimum wage for the following year as demanded by TALO, but the level was to be reached by the end of the following year. Hence, the actual bargaining power is lower than stated in the table.

Table 4. Estimations of bargaining power (union's bargaining power / employer's bargaining power)

		Validity period of the agreement	04.2002- 03.2003	06.2003- 06.2004	01.2005- 12.2005	01.2006- 12.2006	Average (pacts)	Average (all)	
Healthcare workers / EHL*	Doctors	EAL	0.00 / 1.00	0.38 / 0.62	0.60 / 0.40	0.00 / 1.00	0.24 / 0.76	0.24 / 0.76	
	Nurses	EKTK	0.00 / 0.40	0.50 / 0.50	0.33 / 0.67	0.11 / 0.89	0.32 / 0.68	0.24 / 0.63	
		EÖL	did not take part	did not take part	0.33 / 0.67	0.11 / 0.89	0.22 / 0.78	0.22 / 0.78	
	Care assistants	ETTAL	0.17 / 0.83	0.50 / 0.50	0.44 / 0.56	0.17 / 0.83	0.32 / 0.68	0.32 / 0.68	
		Year of negotiations	2001 (pact)	2002	2003	2004 (pact)	2005 (pact)	Average (pacts)	Average (all)
TALO / government	...on min. wage for employees with higher education		1.00 / 0.00	0.00 / 0.00	0.00 / 0.06	0.31 / 0.70	0.16 / 0.84	0.49 / 0.51	0.29 / 0.32
	...on rise in overall wage fund		1.00 / 0.00	0.00 / 0.86	0.20 / 0.00	0.00 / 1.00	0.00 / 1.00	0.33 / 0.67	0.24 / 0.52
		Year of negotiations	2001 (pact)	2002	2003	2004	2005	Average (pacts)	Average (all)
ROTAL, EAKL / government	...on rise in salary rates		1.00 / 0.00	0.00 / 0.00 (1.00)	0.00 / 0.00 (1.00)	0.00 / 0.00 (1.00)	0.00 / 0.00 (1.00)	1.00 / 0.00	0.20 / 0.00 (0.80)

* Only EHL is considered an employer in healthcare because the government started to participate in the negotiations in the middle of the process when the other parties had already made some compromises.

In the other two sectors it does not make much difference to the average estimations of bargaining power whether bargaining powers in all years are taken into account or only in years when an agreement was signed. However, there is quite a relevant difference in this sense for the state public service. This is to some extent so because in these negotiations, the parties usually do not reveal very clear positions. They only express their readiness to make compromises, but this is not possible to take into account using this method. As mentioned above, the method underestimates the bargaining power of the employer. Thus, it makes more sense to make the government's bargaining power for 2002–2005 equal to one, because in reality the government sets the salary scale itself, without taking into account the demands of the union (these figures for bargaining power are presented in brackets in Table 4). Hence, the estimation of bargaining power for state public servants is lower than for other sectors. Besides, in the negotiation cycles, the unions' bargaining power for state public service employees has quite often remained zero, to a lesser extent for education and culture employees and even less for healthcare. Consequently, even though average estimations of unions' bargaining power seem quite similar, the volatility of estimations over the years is rather different in different sectors.

This method turned out to be more applicable and its estimations more reliable the more frequently the parties closed negotiations with an agreement. As it is not accurate to make very fundamental conclusions relying only on estimations, we also observe how much wages are raised in every cycle of negotiations (z in Figure 1). The negotiations in these branches can be viewed in the same system, because in all of them the negotiations essentially take place on minimum wage rates (see Figure 7).

The minimum wages for employees in healthcare have grown significantly more than the rates in other sectors. The minimum wages in education and culture have risen to some extent as well, but the rates for state public servants lag behind. Yet the fact that the minimum wage rates for doctors and nurses that were valid in 2001 had already been valid since 1996 also has to be taken into

account. So, at least to some extent the first rise for them had to make up the gap that had emerged over several years.

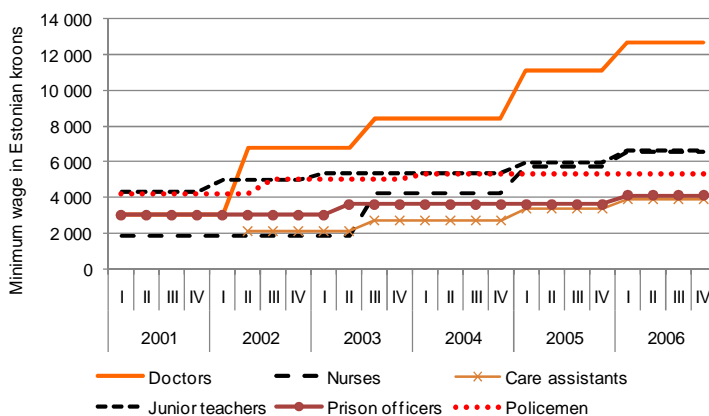


Figure 7. Minimum wage rates for different professions for 2001–2006 in the Estonian public sector (in education and culture, the wage rates for junior teachers are shown because the minimum wages have largely grown as for other teachers and members of TALO)

The real impact of unions on the labour market can also be explored by looking at the average wages on the basis of branches. As some agreements have been concluded in all branches during the period 2001–2005, the impact of these agreements on average wages can be explored. Some changes in the average wage should be observable in healthcare primarily in 2002 (March), when a new collective agreement came into force after a long while, but also in 2003 (June), 2005 (January) and 2006 (January). For education the change should be there in 2001, but also to some extent for 2002 and 2003 and a larger change again in 2006. For the state public service, the only considerable change should be reflected in the average wage in 2002.

Figure 8 presents increases in the average wage for all three branches in the study as well as the average for the whole of Estonia for 2000–2006. While the average wage in the public service and education in general seems to follow the national average wage, wage rises in healthcare differ from the others

considerably. As predicted, increases are remarkably higher in 2003 and 2005, but the rise is modest in 2002. The reason for this could be that the agreement did not cover nurses (and mid-ranking professional staff) who formed 38% of healthcare workers in 2002 (Ülevaade...2002: 1). Also, the rise in 2006 was lower than the national average. The reason for this is most likely that the Estonian economy posted a record growth figure of 10.4% in 2006 accompanied by high wage growth. This must have been unexpected for negotiation partners who held negotiations for 2006 in 2005. This was even more the case in healthcare where the wages for 2006 were already settled in 2004.

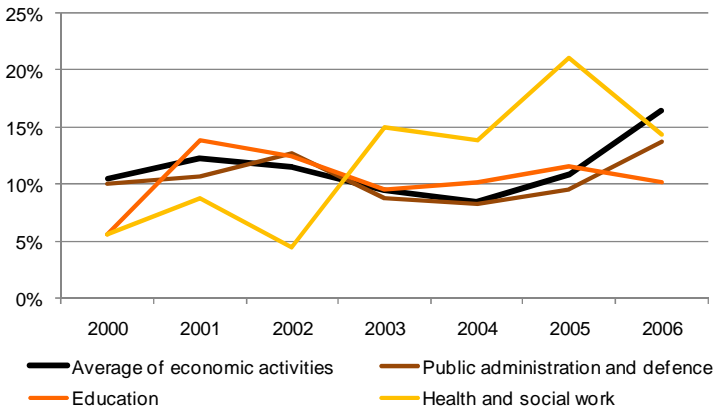


Figure 8. Rate of increase of average gross wages compared with previous year, 2000–2006 (source: Statistics Estonia)

In the public service, the impact of the only agreement for 2002 is very clearly distinguishable because the rise in the average wage is lower than the rise in the national average wage in all years except 2002. In education, a greater rise is visible in 2001 and also 2002. Yet the rise in 2003 exceeds the rise in the overall average wage, meaning that the increases in this sector might reflect the rises in the overall wage fund even more than the agreements as such. In conclusion, the rises in the average wage are in large part in accordance with the results of negotiations in all these three branches. The main characteristics of the impact of unions in these sectors are summarised in table 5.

Table 5. The main characteristics of the impact of unions on the basis of branches

Indicator	Healthcare	Education and culture	State public service
Unions' average bargaining power 2001–2005 (0 – no power; 1 – full power)*	0.26	0.27	0.2
Unions' impact on minimum wage rates 2002–2006	exists	exists to some extent	questionable
Impact of agreements on average wage 2002–2006	exists to a large extent	exists to some extent	exists
Average yearly rise in average wage 2002–2006, %**	13.8	10.8	10.6
Number of agreements signed for 2002–2006	3	3	1
Time coverage of agreements for 2002–2006, % of time	81.7	60	20
Coverage of sectoral agreements in the public sector (public owners) in 2006, % of workers**	~43 (incl. private owners)	~36	0

* As the negotiations under observation took place in the period 2001–2005, the impact of the outcomes has to be analysed for 2002–2006

** According to EMTAK: healthcare and social work, education, public administration

The different measures used to observe union bargaining power in general provided similar results – unions have some impact on wages in the Estonian public sector. This impact is relatively larger in healthcare, and there is also some impact in education and culture, the smallest (questionable) impact is in public administration.

This result was also anticipated when the potential factors of bargaining power were explored. Even though a lot of constraints hindering union power are already embedded in the institutional framework, there are still opportunities for unions to improve the social dialogue. Primarily, all three branches could benefit if the social partners would try to make the negotiations more tripartite. The parties involved are currently quite often in a situation where they cannot negotiate as the position of the third party (the funder) is unknown. Social dialogue could also be improved if structural changes could make the organisational structure of unions clearer, or at least that unions of similar professional groups should cooperate regardless of belonging to different confederations.

Bargaining power could be increased in healthcare if the unions cooperated more. State public servants might benefit from including the public conciliator more in the negotiations. Both public servants and education and cultural employees should make more efforts to integrate the local government level into the process and try to add more clarity as such to the negotiation process.

6. CONCLUSION

The aim of the current paper was to find out whether unions affect remuneration in the Estonian public sector. In this sector, a major role is played by branch level collective bargaining and collective agreements. For that reason, the paper analyses branch level collective bargaining for 2001–2005 using a case study methodology. During this period, the trade unions for employees in healthcare and education and culture signed three branch level collective agreements, while public servants signed one. During the respective negotiation period (2002–2006), healthcare workers were covered by a valid collective agreement 80% of the time, education and cultural workers 60% and public officials 20% of the time.

After estimating the bargaining power of unions over wages using a method developed by the author, the estimation results on average were similar in each of the different branches, showing that the power in some unions that was still much lower than the bargaining power of employers. The bargaining power for public officials was estimated as being a bit lower than in the other branches. Although the average figures in the branches were quite similar, looking at the volatility of bargaining power through the bargaining cycles revealed quite large differences. In most bargaining processes the state public service union's bargaining power was equal to zero, this was true to a lesser extent in education and culture and in even less in healthcare.

As this method only made it possible to take into account the concrete numerical positions of the parties involved, alternative

methods were also used to analyse the impact of unions. First, the study observed how much the minimum wage rates were raised in every cycle of negotiations. The main issue at the negotiations in all three branches was minimum wages, and this ended up increasing much more rapidly in healthcare. Some increase was visible in education and culture, but the minimum wages for state public servants have lagged behind. Second, the study looked at whether agreements have been accompanied by a higher average wage in the branch and in large part this was the case. Thus, in general the methods used showed similar results for the impact of unions – unions do have an impact on the Estonian public sector. The impact is greater in healthcare, to some extent it also exists in education and culture. The impact of unions in the public service, where social dialogue does not really work, was minor (questionable).

To improve social dialogue, the parties should emphasize tripartism and integrate the local government level into the process. In addition, more work could be done in terms of cooperation between the trade unions themselves, obtaining help from the public conciliator and making wage bargaining more concrete in terms of declaring their demands.

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KOKKUVÕTE

Ametiühingute läbirääkimisjõud Eesti avalikus sektoris

Käesolev töö uurib ametiühingute läbirääkimisjõu ulatust ja sisu Eesti avalikus sektoris. Senine kirjandus Euroopa Liidu uute liikmesriikide ametiühingute kohta on jäänud pigem kirjeldavaks ning põhjalikke uurimusi ametiühingute läbirääkimisjõu kohta pole läbi viidud. Avaliku sektori ametiühinguid uutes liikmesriikides on uuritud veelgi vähem.

Töös vaadeldakse avaliku sektorina riigieelarvest kas otseselt või kaudselt finantseeritavaid asutusi. Kuivõrd Eesti avalikus sektoris on asutusetasandi kollektiivlepinguid vähe, kuid olulisel kohal on harutasandi lepingud, mis tihti laienevad kas formaalselt või mitteformaalselt tervele harule, lähenetakse käesolevas töös ametiühingute mõju uurimisele juhtumiuuringu meetodil läbi harutasandi läbirääkimiste analüüsi. Analüüsitakse tervishoiutöötajate, haridus- ja kultuuritöötajate ning avalike teenistujate (eeskätt riigiteenistujate) läbirääkimisi aastatel 2001-2005, toetudes eelkõige harutasandi läbirääkimiste ametlikele protokollidele. Vaadeldaval perioodil sõlmisid tervishoiutöötajate ja haridus- ning kultuuritöötajate ametiühingud kumbki kolm lepingut, riigiteenistujad ühe. Kogu vaadeldavast perioodist olid haridustöötajad kaetud kehtiva harutasandi lepinguga 80% ajast, haridus- ja kultuuritöötajad 60% ning riigiteenistujad 20% ajast. Aastal 2006 oli tervishoiualal kollektiivlepinguga kaetud põhimõtteliselt terve haru, hariduses alla poole harust, riigiteenistujatel kehtivat lepingut ei olnud.

Ametiühingute läbirääkimisjõule hinnangu andmisel kasutatakse autori poolt välja töötatud metoodikat, kus võetakse aluseks, kui suures osas suhteliselt vastaspool oma nõudmistes järgi annab. Seega osapoole läbirääkimisjõud sõltub eelkõige sellest, kuidas käitub vastaspool. Hinnates selliselt ametiühingute läbirääkimisjõudu töötasu üle läbi rääkides, tulevad ametiühingute läbirääkimisjõu hinnangud erinevates harudes suhteliselt sarnased,

jäädes vahemikku 0,2 kuni 0,3 (null tähendab läbirääkimisjõu täielikku puudumist ning ühe puhul on ametiühingul täielik jõud läbirääkimiste tulemuse määramisel). Madalamaks osutub sellisel viisil riigiteenistujate läbirääkimisjõud ning veidi kõrgemaks tervishoiu-, haridus- ja kultuuritöötajate läbirääkimisjõud. Vaatamata keskmise läbirääkimisjõu suhteliselt sarnastele hinnangutele, on aastate lõikes aga läbirääkimisjõu hinnangud väga erinevad. Riigiteenistujatel on läbirääkimisprotsessides kõige sagedamini läbirääkimisjõud jäänud nulliks, vähem on seda haridus- ja kultuuritöötajate puhul, kõige vähem tervishoiutöötajate puhul.

Kuivõrd selline meetod võimaldab arvesse võtta ainult osapoolte konkreetseid numbrilisi seisukohti, vaadeldakse ametiühingute mõju töötasule ka alternatiivsetel meetoditel – analüüsitakse kokkulepitud palga alammäärade suhtelist dünaamikat harude ja ametialade vahel ning uuritakse, kas sõlmitud kokkulepped ka tegelikult tööturule mõju on avaldanud. Kokkulepitud palga alammäärade puhul, mis on harutasandi läbirääkimiste põhiliseks objektiks, osutuvad teistest tunduvalt kiiremini kasvanuks tervishoiutöötajate palga alammäärad. Mõningane kasv on näha ka haridus- ja kultuuritöötajate puhul, kuid riigiteenistujate palgad on olnud pigem teistest mahajääjateks.

Harude keskmise palga tõusude kõrvutamine sõlmitud kokkulepetega annab tulemuseks, et kõigi harude puhul on palkade dünaamika seostatav läbirääkimistulemustega. Seega üldiselt annavad kõik kolm meetodit ametiühingute mõju uurimisel sarnased tulemused – ametiühingutel on avaliku sektori töötasule mõju. Suurem on ametiühingute mõju tervishoiusektori töötasule, mõningane mõju avaldub kultuuri- ja haridustöötajate töötasu puhul, väikseim (küsitav) mõju on avalikus teenistuses, kus sotsiaaldialoog eriti ei toimi.

Sotsiaaldialoogi edendamise seisukohalt võib välja tuua, et tõenäoliselt toimiks kõigis vaadeldud harudes sotsiaaldialoog paremini, kui protsess muutuks veelgi rohkem kolmepoolseks, kuivõrd praegu ollakse olukorras, kus läbirääkimistel tihti realselt läbi rääkida ei saa, sest kolmanda osapoolte seisukohad ei ole teada.

Sellega seondult võiks olla suurem ka kohalike omavalitsuste tasandi integreeritus läbirääkimisprotsessi (just haridus- ja kultuuritöötajate puhul). Tervishoiutöötajate ametiühingud saaksid oma läbirääkimisi veelgi tõhustada, tehes rohkem koostööd ka omavahel. Kõigi harude seisukohalt saaks ametiühingute liidud läbirääkimisi tõhustada, kui tehtaks rohkem koostööd ka ametirühmade lõikes, vaatamata erinevate ametiühingute liitude alla kuulumisele. Riigiteenistujate puhul võib abi olla kokkulepeteni jõudmisel riikliku lepitaja kaasamisest. Samuti muudaks uuele palgaastmestikule üleminek riigiteenistujate läbirääkimised ka osapooltele endile ülevaatlikumaks ja konkreetsemaks, mis võib samuti läbirääkimised tõhusamaks muuta.