

## Bargaining Regimes and Wage Dispersion

By Knut Gerlach, Hannover, and Gesine Stephan, Nürnberg

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Wage compression, collective contracts, establishment effects on wages.

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### Summary

Collective wage contracts impose restrictions on wage-setting. We utilize German linked employer-employee data for blue-collar worker to compute the dispersion of wages and wage components within and across firms under three different wage-setting regimes: Establishments applying industry-wide collective contracts, establishments with firm-level contracts and uncovered establishments. The empirical analysis confirms a lower dispersion of wages and in particular “worker quality indices” for firms applying sectoral collective contracts compared to companies in the other two wage-setting regimes. Between the years 1990, 1995 and 2001 the dispersion of wages increases, and this is valid too for firms covered by industry-wide collective contracts. A sensitivity analysis demonstrates that the results retain their statistical significance and do not change qualitatively if we modify the minimum firm size (establishments with at least 50, 100 and 250 employees) or take into account the endogeneity of tenure or self-selection of workers into bargaining regimes.