Comment on Harald Dale-Olsen: Technological Development, Market Power And (The Role of) Unions

Per Skedinger

Harald Dale-Olsen has written a stimulating article on the various ways in which trade unions affect labour markets. My comment will focus on the effects on productivity. In economics, this is perhaps the most controversial aspect of unionisation, and the impact is a priori ambiguous.

New technology is obviously important for productivity, but unions may oppose labour-saving innovations. Göran Johansson, former Social Democratic politician and convenor of a local branch of the Swedish Metal Workers' Union, once quipped: "I am not afraid of new technology, I am afraid of old technology" (Rothstein 2018). His concern, I think, was that new technology may sometimes lead to redundancies, but losing out to foreign competitors will displace even more workers. In contrast to many other countries, there is fairly broad consensus among unions and employers' associations that technological development is fundamental for mutual survival in the long term, at least in industries subject to fierce international competition. The external threat posed by globalisation creates incentives for unions and management to save jobs by forming a 'productivity coalition' underpinned by a culture of dialogue and cooperation (Windolf 1989). Dale-Olsen provides evidence of such coalitions in Norwegian manufacturing. However, when unions have other objectives that do not align with the employers' interests, e.g., overstaffing and protection of insiders from competition, these are likely to be harmful to productivity.

The productivity effects of unions seem to be quite different in Norway and the United States for reasons that are not clear. Could the diverging results be explained by different industrial relations settings or by empirical methodology? There is also potential heterogeneity across sectors, industries and firms. The public sector appears to be under-researched in relation to its size in the economy and because union density is higher than in manufacturing. However, measuring productivity in the public sector is challenging, and researchers typically must rely on different and imperfect output measures.

Random observations speak to the possibility that public sector unions do affect productivity in important ways. Swedish teachers' unions did not push for closures of primary schools during the COVID-19 pandemic, unlike their counterparts in the United States, which may have had differential consequences for student achievement. Teachers' unions in both countries tend to resist teacher evaluations linked to pay, although there is evidence that more competent teachers contribute significantly to students' lifetime earnings (Chetty et al. 2014). Depending on the context, unions' stance on privatisation may or may not also be conducive to increased productivity. Privatisation of Swedish state- and municipality-owned companies has been associated with both higher productivity and lower employment (Olsson and Tåg 2025), which poses a difficult trade-off for unions. More systematic and careful empirical evidence is needed before we can draw firm conclusions regarding the effects of public sector unions on productivity.

By international standards, the Nordic trade unions play an important role in establishing high wage floors for low-skilled workers in the collective bargaining agreements they negotiate (Ek and Skedinger 2019). While a creative destruction component of such wage compression may enhance productivity, there is also a risk that some goods and services demanded are unavailable because negotiated wage floors exceed market-clearing levels, implying union-induced allocative inefficiency. In a survey of Swedish employers, roughly one-third of respondents reported that they would hire workers for new types of jobs if collectively agreed minimum wages were reduced by 25–30% (Calmfors et al. 2018). The jobs varied depending on industry and firm but were typically support functions for more skilled workers: janitors, receptionists, jacks-of-all-trades, handymen, pick and pack workers, etc. To the extent that the new hires complement existing staff, the latter are also likely to become more productive.

References

Calmfors, L., Danielsson, P., Ek, S., Kolm, A.–S., Pekkarinen, T., & Skedinger, P. (2018). Hur ska fler komma in på arbetsmarknaden? *Dialogos*, Stockholm.

Chetty, R., Friedman, J. N., & Rockoff, J. E. (2014). Measuring the impacts of teachers II: Value-added and student outcomes in adulthood. *American Economic Review*, 104, 2633–2679.

Ek, S. & Skedinger, P. (2019). Wage policies and the integration of immigrants. *Integrating immigrants into the Nordic labour markets*, Nordic Council of Ministers, Copenhagen.

Olsson, M. & Tåg, J. (2025). What is the cost of privatization for workers? *Journal of Finance* (Working Paper).

Rothstein, H. (2018). Risk för snedvriden konkurrens. *Affärsvärlden*, 2(28).

Windolf, P. (1989). Productivity coalitions and the future of European corporatism. *Industrial Relations*, 28, 1-20.