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## Collective Bargaining under Non-Binding Contracts

by Sabien Dobbelaere, Roland Iwan Luttens  
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### Abstract:

We introduce collective bargaining in a static framework where the firm and its risk-neutral employees negotiate over wages in a non-binding contract setting. Our main result is the equivalence between the non-binding collective equilibrium wage-employment contract and the equilibrium contract under binding risk-neutral efficient bargaining. We also demonstrate that our non-cooperative equilibrium wages and profits coincide with the Owen values of the corresponding cooperative game with the coalitional structure that follows from unionization.

**Text:** See [Discussion Paper No. 5518](#)



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