

Estimation of Price-Cost Margins and Union Bargaining Power for Belgian Manufacturing

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ABSTRACT

This paper extends Hall's (1988) methodology to analyze imperfections in both the product and the labor market for firms in the Belgian manufacturing industry over the period 1988-1995. We investigate the heterogeneity in price-cost mark-up and workers' bargaining power parameters among 18 sectors within the manufacturing industry as well as the relationship between both parameters. Using a sample of more than 7 000 firms, our GMM results indicate that ignoring imperfection in the labor market leads to an underestimation of the price-cost margin evaluated at perfect competition in the labor market. These findings are confirmed in the sectoral analysis. Sectors with higher workers' bargaining power typically show higher price-cost margins.

JEL Classification : C23, D21, J50, L13.

Key Words : Efficient Bargaining, Workers' Bargaining Power, Market Power, Price-Cost Margins.

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