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Debasmita Basak, Arijit Mukherjee

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Labour unionisation structure and product innovation[†]

Debasmita Basak

Nottingham University Business School, UK

Arijit Mukherjee

Nottingham University Business School, UK, CESifo, Germany, INFER, Germany,
and GRU, City University of Hong Kong, Hong Kong

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Abstract: This paper contributes to the recently growing literature by examining the effects of different labour unionisation structures on innovation. Using a Cournot duopoly set up, we investigate the effects of centralised and decentralised labour unions on product innovation. We show that if the products are symmetrically differentiated, the incentive for innovation is higher under decentralised labour unions, whereas the innovation incentive can be higher under a centralised labour union if the products are asymmetrically differentiated. Our results show that social welfare is strictly higher under decentralised unions compared to a centralised union.

Keywords: Centralised union; Decentralised union; Product innovation; Union utility

JEL Classification: D43; J51; L13; O31

Correspondence to: Debasmita Basak

Nottingham University Business School, Jubilee Campus,

Wollaton Road, Nottingham, NG8 1BB, UK

Email: debasmita.basak@nottingham.ac.uk,

Phone: +44 115 748 4090, Fax: +44 115 846 6667.

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