

# **The promotion of good industrial relations in oil and gas production and oil refining**

Report for discussion at the  
Tripartite Meeting on the Promotion of Good Industrial Relations  
in Oil and Gas Production and Oil Refining

Geneva, 2002

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## Contents

Introduction.....	1
1. Recent trends in the oil and gas production and oil refining industries.....	3
1.1. Oil and gas production.....	3
1.1.1. Crude oil prices .....	3
1.1.2. Oil and gas production and reserves .....	4
1.1.3. Structural change.....	8
1.1.4. Employment .....	10
1.1.5. Contractors .....	11
1.2. Oil refining .....	12
1.2.1. Production capacity .....	12
1.2.2. Profitability .....	13
1.2.3. Employment .....	13
2. Freedom of association .....	16
2.1. Restrictions on freedom of association in the oil and gas industries.....	16
3. Industrial relations: The ILO approach.....	20
3.1. Collective bargaining.....	20
3.1.1. Right to Organise and Collective Bargaining Convention, 1949 (No. 98) .....	20
3.1.2. Collective Agreements Recommendation, 1951 (No. 91) .....	21
3.1.3. Collective Bargaining Convention, 1981 (No. 154), and Collective Bargaining Recommendation, 1981 (No. 163) .....	23
3.2. Dispute settlement .....	24
3.2.1. Voluntary Reconciliation and Arbitration Recommendation, 1951 (No. 92) ..	24
3.2.2. Examination of Grievances Recommendation, 1967 (No. 130) .....	24
3.3. Industrial relations at the enterprise level.....	25
3.3.1. Co-operation at the Level of the Undertaking Recommendation, 1952 (No. 94) .....	25
3.3.2. Communications within the Undertaking Recommendation, 1967 (No. 129) .....	26
4. Collective bargaining in the oil and gas industries .....	27
4.1. Towards the decentralization of collective bargaining.....	27
4.2. Promoting free and voluntary negotiation .....	29
4.3. Grievances .....	30
4.4. Coverage of collective bargaining.....	31
4.4.1. Wages and working conditions .....	31
4.4.2. Examples of wage-related collective bargaining in the oil and gas production and oil refining industries .....	35
4.4.3. Working time .....	37
4.4.4. Working hours.....	37

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4.4.5.	Shift work.....	39
4.4.6.	Occupational safety and health .....	40
4.4.7.	General improvement.....	40
4.4.8.	Occupational safety and health issues offshore.....	41
4.4.9.	Medical services.....	42
5.	Social dialogue.....	43
5.1.	What is social dialogue? .....	43
5.1.1.	Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113) .....	43
5.2.	Application of social dialogue.....	44
5.3.	European works councils (EWCs).....	44
5.3.1.	European works councils in the oil and gas industries.....	45
5.4.	Promoting social dialogue – The United States approach .....	47
5.5.	Promoting human rights and labour rights .....	47
5.6.	Strengthening the social partners.....	49
5.7.	Codes of conduct .....	50
5.8.	Promoting social dialogue at the global level.....	50
6.	Summary and suggested points for discussion .....	51
6.1.	Summary.....	51
6.2.	Suggested points for discussion.....	52

## ***Appendices***

1.	Structure and goals of European works councils of selected oil and gas companies.....	55
2.	Comparison of codes of conduct of four oil and gas companies.....	62

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## Introduction

At its 279th Session (November 2000), the Governing Body of the International Labour Office decided to include in the programme of sectoral meetings for 2002-03, a Tripartite Meeting on the Promotion of Good Industrial Relations in Oil and Gas Production and Oil Refining. At its 280th Session (March 2001), the Governing Body decided that the purpose of the Meeting should be to discuss and review different approaches to promoting good industrial relations in the oil and gas production and the oil refining sectors in a variety of geographical, cultural, political, economic and technical circumstances. The Meeting is to adopt conclusions that include proposals for action by governments, by employers' and workers' organizations at the national level and by the ILO, as well as a report on its discussions. The Meeting may also adopt resolutions.

The Governing Body decided that the Meeting should be tripartite, that it should be composed of 54 participants and that the governments of the following 18 countries should be invited to participate: Belarus, Cameroon, China, Ecuador, Egypt, France, Islamic Republic of Iran, Japan, Libyan Arab Jamahiriya, Mexico, Mozambique, New Zealand, Nigeria, Norway, Romania, Trinidad and Tobago, United Arab Emirates and Venezuela. In the event that a government on the list declined the invitation, an alternate country from the same region as the original country would be invited. The Governing Body also decided that the 18 Employer and 18 Worker participants would be appointed on the basis of nominations made by the respective groups of the Governing Body but they would not necessarily come from the above list of countries.

The Meeting is part of the ILO's Sectoral Activities Programme, the purpose of which is to facilitate the exchange of information among constituents on labour and social developments related to particular economic sectors. This objective has traditionally been pursued by holding international tripartite sectoral meetings with the aim of fostering a broader understanding of sector-specific issues and providing guidance for adopting national and international policies and measures to deal with them.

This is the first meeting to cover the oil and gas production and the oil refining industries. It is a partial follow-up to a 1998 meeting that focused on employment and industrial relations in the oil refining industry.

The report examines recent developments in the rapidly changing world of the oil and gas industries. It focuses on employment and welfare, industrial relations, collective bargaining and social dialogue. The main theme of the report is the recent changes in industrial relations and social dialogue in the oil and gas industries and the impact of these changes on employment.

Although oil and gas is produced or refined in around 100 countries, and local conditions vary, the examples given in the report have been chosen as representative of common issues.

The terms *industrial relations* and *labour relations* refer to the continuous direct or indirect interaction of the major actors in society – workers, employers and government. The effectiveness of any industrial relations system depends on the approaches taken by these three players. The oil and gas industries – on which the economic health of many countries depends – rely on the quality of the workforce and good industrial relations, which are important factors in maintaining production and a stable supply of petroleum products.

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The universal principle that governs industrial relations in every dimension is freedom of association. Freedom of association is the right of workers and employers to establish and join organizations of their own choosing to represent their interests. It is in their mutual interest to form strong and representative organizations that are recognized as legitimate channels for dialogue. Not only do these organizations facilitate unhindered production, they also contribute to social and economic improvement at the national or even international level. Social dialogue in the oil and gas industries, which are global in nature and strategic to economic growth, is just as important as it is in any other economic sector.

The report is published under the authority of the International Labour Office. It was prepared by Yasuhiko Kamakura, Industrial Specialist, Sectoral Activities Department, under the guidance of Norman Jennings, Senior Industrial Specialist, Sectoral Activities Department. The report contains contributions from Guiseppe Casale, InFocus Programme on Strengthening Social Dialogue, and has benefited from discussions with Oscar de Vries Reilingh, Director, Sectoral Activities Department, and other officials in the Social Dialogue Sector. It was pre-edited by Robert Harris, a consultant.

# 1. Recent trends in the oil and gas production and oil refining industries

## 1.1. Oil and gas production

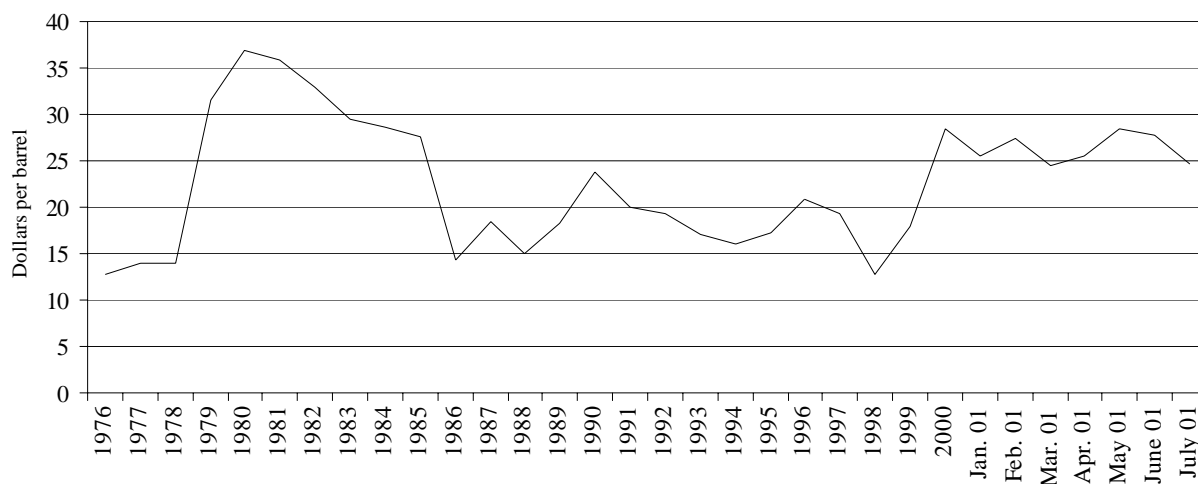
The oil and gas industries have undergone fundamental changes in recent years. Huge consolidation took place between 1998 and 2000 when barrel prices were US\$13-15 and companies were forced to revise drastically operational costs, core areas and their exploration and production strategy. Many decided to reduce or abandon exploration in favour of acquiring reserves through merger and acquisition or outright purchase. As a result, tens of thousands of jobs have been cut in the past five years, mainly due to mega-mergers between companies in the United States and Europe.

At the same time, natural gas, previously considered undesirable to many companies, became an attractive alternative to crude oil for power generation. Most major oil companies today, along with smaller, niche players, are involved in all links in the natural gas chain, from production to electricity generation.

### 1.1.1. Crude oil prices

Crude oil prices have improved, largely due to the balancing of supply and demand by OPEC and certain non-OPEC countries. Prices above US\$20 per barrel would appear to have stabilized as the optimum level for oil and gas producers, yet the oil and gas industries have learned to operate at US\$18 per barrel or under. As a consequence, in mid-2001 many oil companies are cash-rich: estimates of ExxonMobil's cash and equivalent resources are as high as US\$20 billion. Much global oil industry growth and renewed employment could come in the next few years. Figure 1 shows the evolution of crude oil prices between 1976 and 2001.

Figure 1. Spot crude oil prices (Brent), 1976-2001



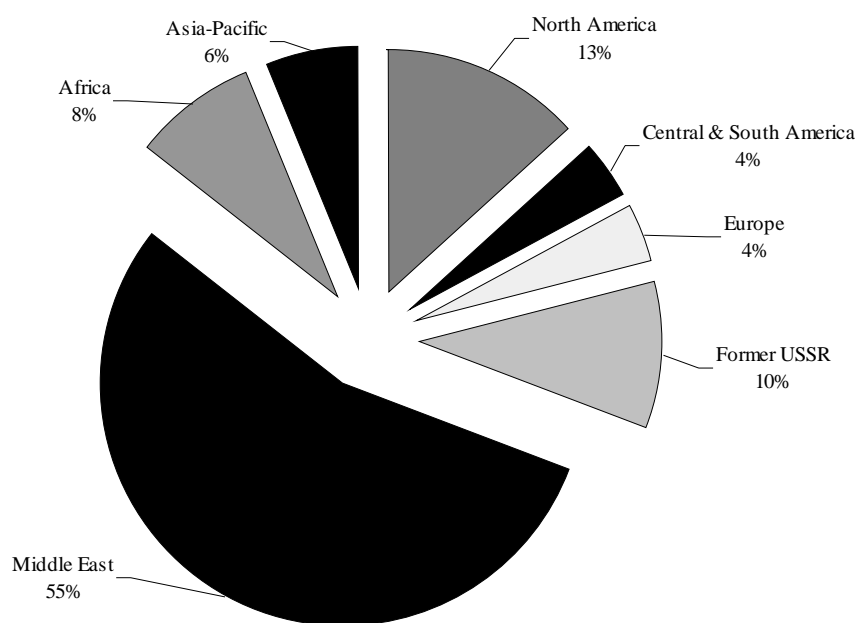
Source: International Energy Agency.

### 1.1.2. Oil and gas production and reserves

Although oil production is growing year on year, having risen from 66.9 million barrels a day (b/d) in 1995 to 71.5 million b/d in 1999 and subsequently to 73.6 million b/d in 2000, the volume of new reserves discovered annually is shrinking. In 2000, some 21 billion barrels of oil were produced, while only the equivalent of 7 billion were discovered. Worldwide, there are 102 countries that produce oil and/or natural gas.

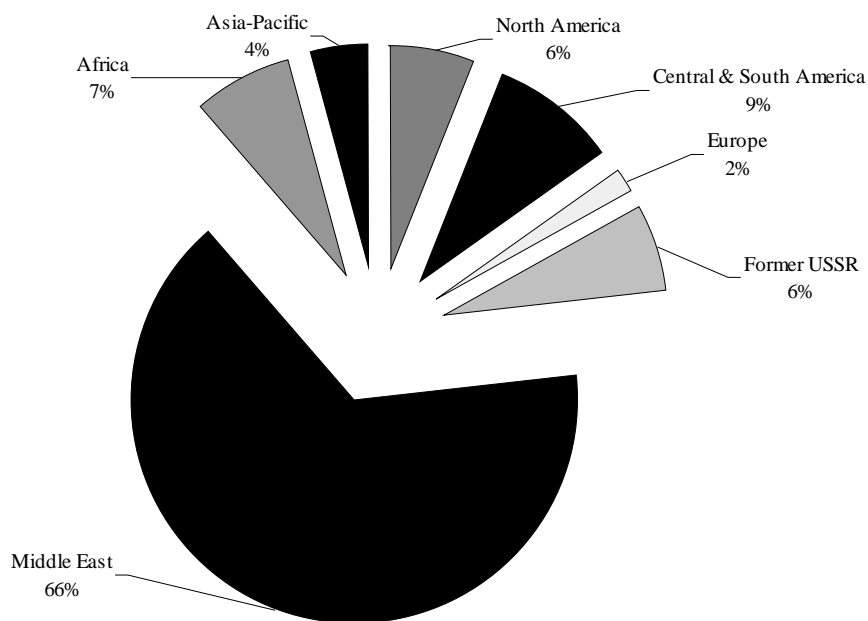
At the same time, exploration for oil and gas reserves has turned to more remote, and sometimes more costly, locations. After more than a century of exploration worldwide, most giant, low-cost fields have been discovered, and many are largely depleted. The deep offshore areas have become prime targets for exploration. Many countries that were previously inaccessible to the oil industry have opened up, and only a few are still off-limits to international exploration and production (E&P) investment. Figures 2(a) and (b) and 3(a) and (b) show the geographic distribution of oil and gas proved reserves at end-1980 and at end-2000. Figure 4 shows oil production by region for 1980-2000; figure 5 shows oil consumption by region for the same period. Figures 6 and 7 show natural gas production and consumption by region for 1980-2000.

Figure 2(a). Oil proved reserves at end-1980



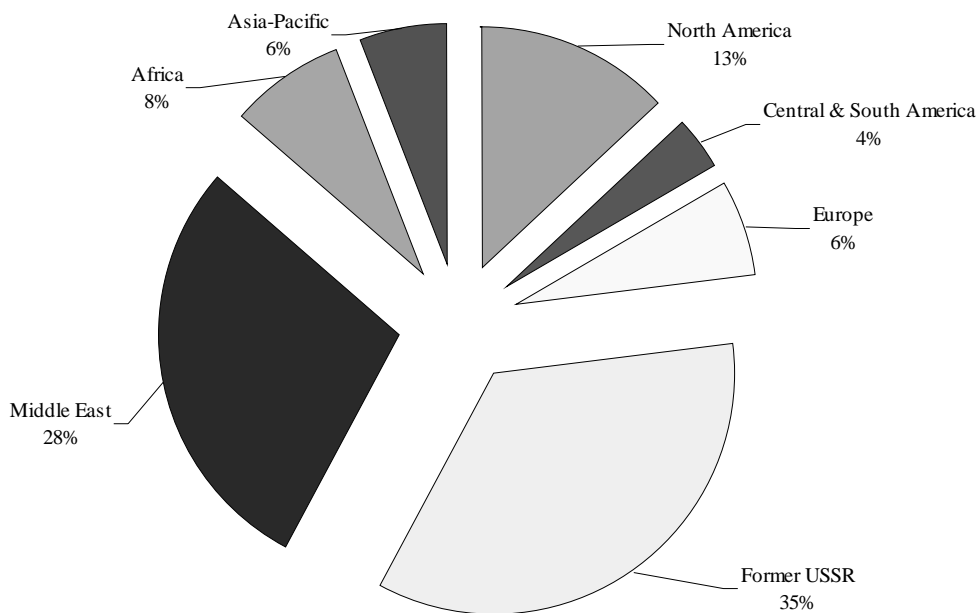
Source: *BP Statistical Review of World Energy*, 50th edition (London, BP plc, 2001).

Figure 2(b). Oil proved reserves at end-2000



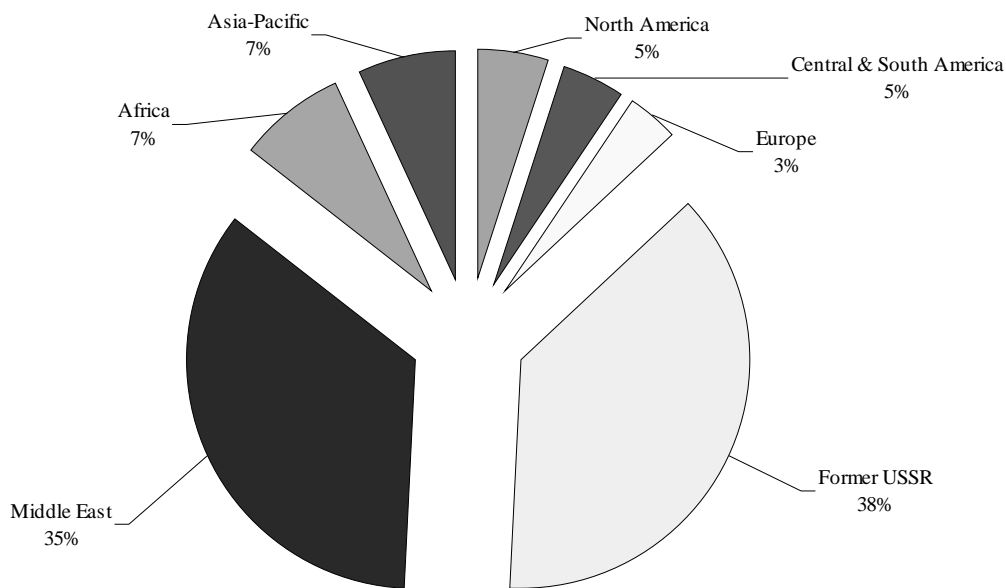
Source: BP Statistical Review of World Energy, 50th edition (London, BP plc, 2001).

Figure 3(a). Natural gas proved reserves at end-1980



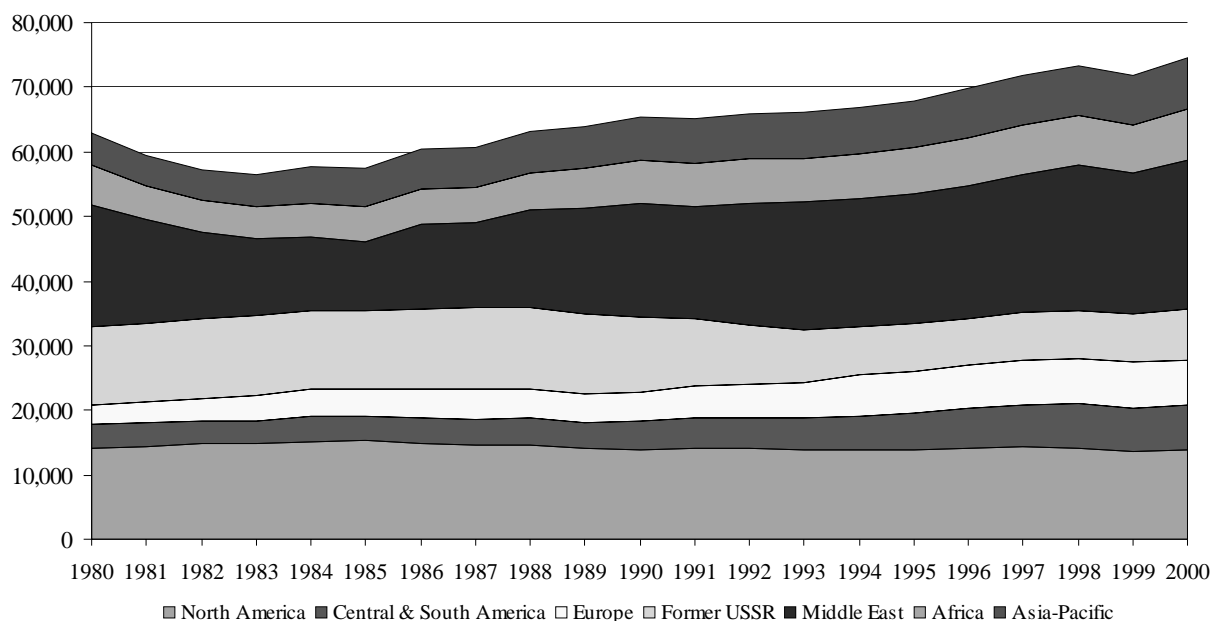
Source: BP Statistical Review of World Energy, 50th edition (London, BP plc, 2001).

Figure 3(b). Natural gas proved reserves at end-2000



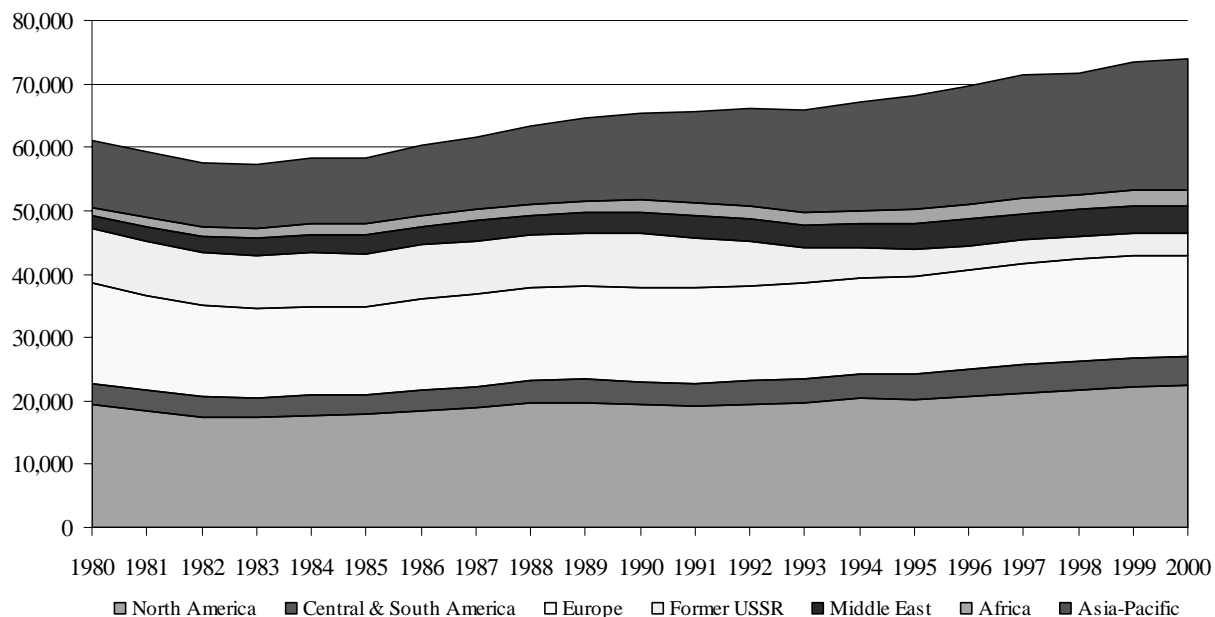
Source: BP Statistical Review of World Energy, 50th edition (London, BP plc, 2001).

Figure 4. Oil production by region, 1980-2000 (1,000 barrels)



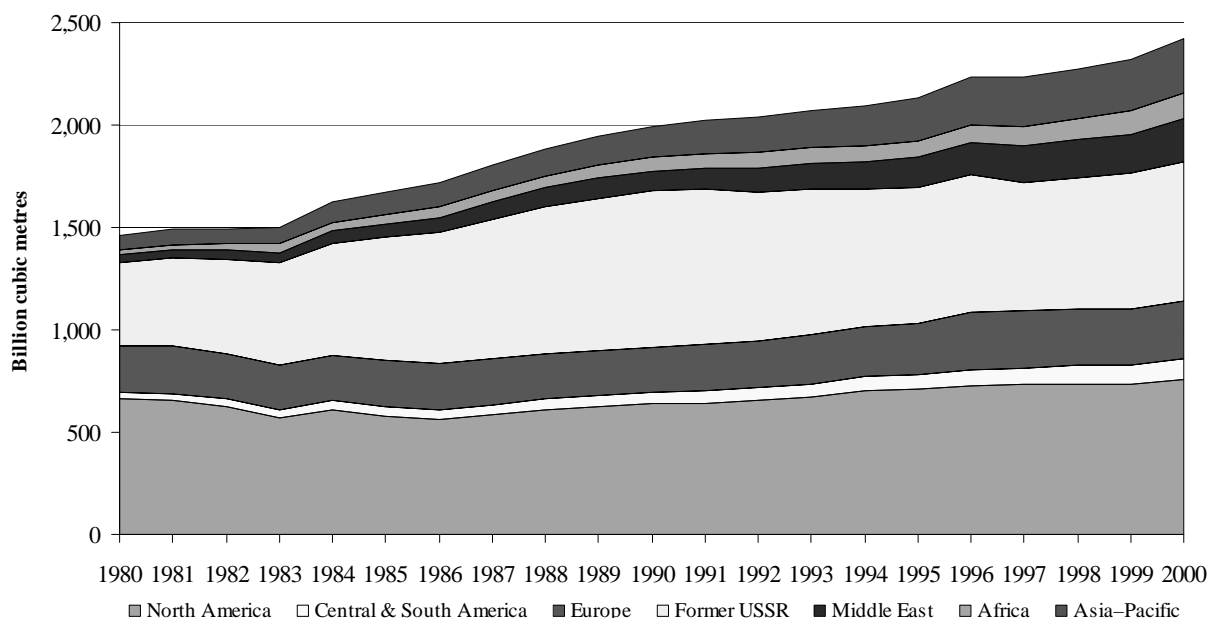
Source: BP Statistical Review of World Energy, 50th edition (London, BP plc, 2001).

**Figure 5. Oil consumption by region, 1980-2000 (1,000 barrels)**



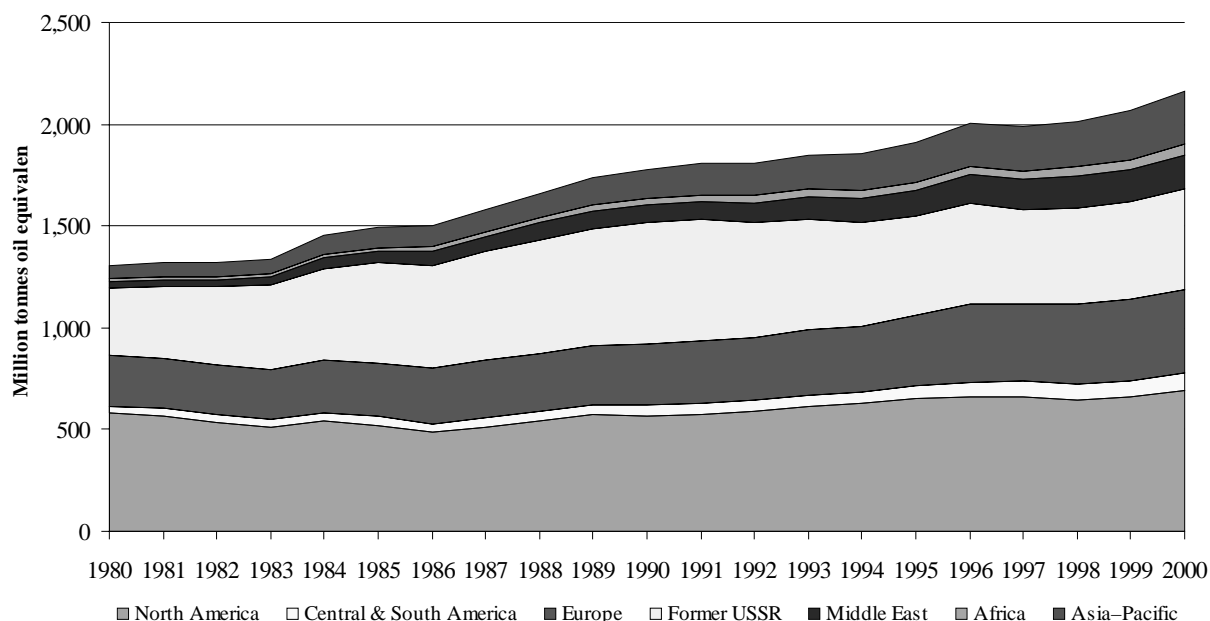
Source: *BP Statistical Review of World Energy*, 50th edition (London, BP plc, 2001).

**Figure 6. Natural gas production by region, 1980-2000**



Source: *BP Statistical Review of World Energy*, 50th edition (London, BP plc, 2001).

Figure 7. Natural gas consumption by region, 1980-2000



Source: BP Statistical Review of World Energy, 50th edition (London, BP plc, 2001).

### 1.1.3. Structural change

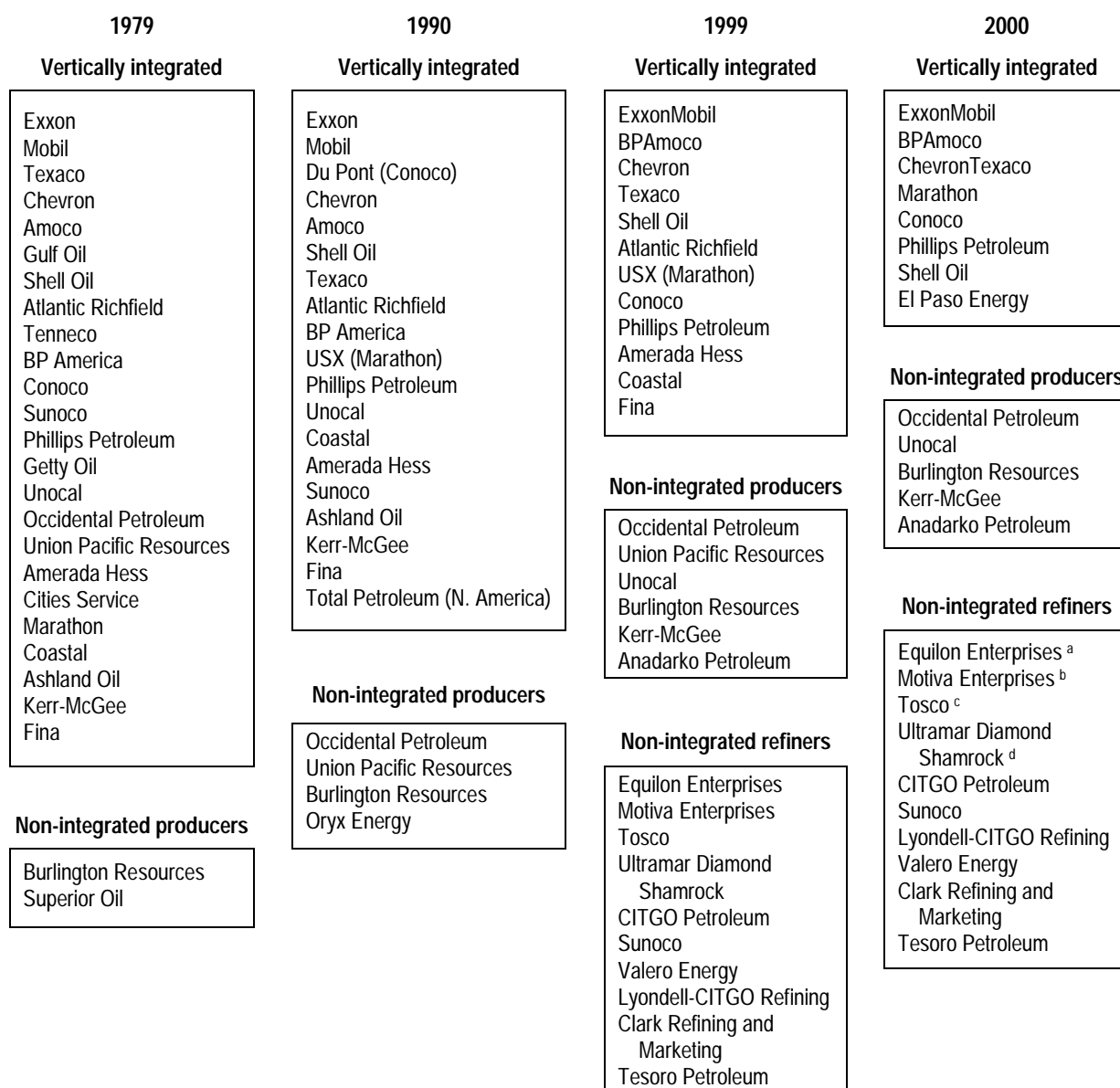
Global oil and gas companies now compete with a growing number of newly privatized companies and government-controlled companies. Environmental protection measures are also becoming more costly as regulations become much stricter, especially regarding gas flaring and drilling waste.

The most obvious change in the oil and gas industries in recent years has been the flurry of mergers and acquisitions among the largest firms, creating such mega-energy companies as ExxonMobil, ChevronTexaco, BPAmoco and TotalFinaElf. It is likely that the merger trend will continue, as the remaining large independent companies decide to play catch-up with the “big boys”.

In 1985, some 400 large independent oil companies in the United States had assets of US\$572 billion. By 1996, the number had fallen to 200, controlling US\$586 billion. The oil “majors” can today be counted on the fingers of both hands. An important change in the structure of the oil industry has taken place. According to the United States Department of Energy, in 1979 there were 24 vertically integrated petroleum companies in the United States, encompassing the functions of oil and natural gas production, transport, refining and marketing. By 1990 the number had fallen to 19. In 1999 there were 12 and in 2001 there were eight (figure 8).<sup>1</sup>

<sup>1</sup> United States Department of Energy: *Performance Profiles of Major Energy Producers 1999* (Washington, DC), Jan. 2001.

**Figure 8. Changes in the structure of the oil industry in the United States, 1979-2000**



<sup>a</sup> Joint venture between Shell and Texaco. <sup>b</sup> Joint venture between Shell, Texaco and Saudi Aramco. <sup>c</sup> Purchased by Phillips Petroleum in mid-2001. <sup>d</sup> Agreed to merge with Valero Energy in mid-2001.

Sources: United States Department of Energy: *Performance Profiles of Major Energy Producers 1999* (Washington, DC), January 2001, and ILO.

Contractor companies are also going through a period of consolidation, with the number of global drilling companies down from 20 to six in 1990 and well-logging and completion companies down from eight to three. The contractor sector is the indispensable partner of the international petroleum E&P industry.

The state-owned oil and gas companies have experienced a wave of privatization and deregulation over the past decade: MOL (Hungary), OMV (Austria), PetroCanada, Repsol (Spain) and YPF (Argentina) have all been privatized and have joined the ranks of the international E&P industry. Repsol merged with YPF in 2000. ENI (Italy), Petronas (Malaysia) and PIT (Thailand) are beginning to look at partial privatization. In the former USSR, the oil and gas giants Lukoil and Yukos have been privatized, and privatization of Gazprom is to follow. Some of the companies that remain under the control of the State have joined the ranks of international oil and gas producers. CNPC (China), ONGC

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(India), Petronas (Malaysia) and Sipetrol (Chile) are all exploring for oil overseas as an alternative to importing their domestic requirements.

It is difficult to judge to what degree the process of internationalization creates, rather than eliminates, jobs in the oil sector. Likewise, as market forces push governments to hive off agencies perceived to be inefficient and overstaffed, do these companies, post sell-off, actually contribute to future job creation?

Privatization always carries with it the threat of unemployment as the economics driving the move dictate cost-cutting in order to compete in the free market. Governments must grapple with the challenge of increasing revenue through sell-offs while keeping job cuts to the minimum. Norway's state oil company, Statoil, itself active in international E&P, is being partially privatized, with the Government offering 33 per cent of its shares. Its aim is to cut capital costs by 20-25 per cent by the end of 2001. So far, no mention has been made of cuts in the company's 5,500-strong E&P division.<sup>2</sup>

Taking another example, privatization in Poland has led to industrial action in the oil sector. A two-hour warning strike was organized in 1997 by unions protesting the Government's broad policy of selling energy sector companies to private investors. Ultimately, 9,000 jobs were lost in the privatization of the refining company PKN Orlen.<sup>3</sup> Similar privatizations are widespread in Eastern Europe, especially in the much-prized downstream sector.

#### **1.1.4. Employment**

Although there are no world employment data for oil and gas production, historically, millions have been employed in the sector worldwide. What data there are, however, show a marked downward trend. In the United States, a study shows that, over the past 30 years, the 25 largest oil companies slashed more than 1 million jobs. In contrast to the 20 million jobs created in the country over the past 25 years, employment in the oil and gas industries has shrunk drastically from a peak of 1.65 million employees in 1982 to roughly 640,000 in 1999. On average, over the past 12 years, United States oil companies have shed 5.2 per cent of their workforce annually.<sup>4</sup>

One reason given for the large number of layoffs is the outsourcing of tasks and technology in a bid to rationalize operations. Even in 1999, when crude oil prices rose to a historical high, the largest oil companies eliminated almost 40,000 jobs, and not all could be attributed to mergers. In times of low oil prices, oil companies – mainly in the United States – move fast to lay off personnel as drilling activity drops. This volatile, short-term employment policy tends to backfire on the oil companies. When oil and gas prices rebound, they find they lack skilled geoscientists, petroleum engineers and petroleum economists as former oilfield workers have shifted to jobs in other industries, sometimes with higher wages and more job security. Exploration and production companies are now offering more attractive packages in order to hire and retain personnel at all levels.<sup>5</sup>

<sup>2</sup> *Petroleum Economist* (London), Dec. 2000.

<sup>3</sup> Information supplied to the ILO by the Ministry of Labour and Social Policy, Poland.

<sup>4</sup> *Gas Daily* (Arlington, Virginia), 2 June 2000.

<sup>5</sup> *ibid.*

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The Independent Petroleum Association of America (IPAA) reports that employment in the exploration and production sector of the United States oil and gas industries in 2000 averaged 311,100, compared to 297,400 in 1999. For 2001, the numbers have increased back up to 1998 levels, which averaged 339,100. Sixteen years ago, 582,900 people earned their living in this sector. Since the early 1980s, some 470,000 jobs relating to the oil and gas industries have been lost. This loss of experienced personnel continues to constrain seriously the industries' ability to meet incremental demand challenges.<sup>6</sup>

In Norway, total oil industry employment in 2000 stood at 73,647, roughly the same as in 1996. Between 1998 and 2000, Norwegian oil industry employment declined 20 per cent, mainly due to the cancelling or postponement of new development projects as a result of uncertainty over low oil prices. The worst hit area was construction and maintenance of offshore platforms and vessels, where the number of jobs plunged from 43,535 to 27,750.

China, which is among the world's top ten oil producers at 2 million b/d, employs some 3 million oil and gas workers. Two companies dominate the industry, the China National Petroleum Corporation (CNPC) and the China Petrochemical Corporation (Sinopec). Following a number of government restructurings in response to international market forces, these companies became vertically integrated giants, CNPC controlling the bulk of oil production and Sinopec dominant in refining. In 1999, CNPC created a new subsidiary, PetroChina, transferring 80 per cent of its assets and one-third of its workforce to the new company. CNPC was directed to hold onto overseas ventures, in which it has made multi-billion dollar investments, older refineries, social services and 1 million employees. Nonetheless, it laid off 13,900 workers in the restructuring process.

One consequence of this wave of layoffs is the so-called "greying" or ageing of the workforce, along with a shortage of skilled workers. Observers note an alarmingly low number of students in the engineering areas, while at the same time the pool of experienced employees is drying up as older workers retire or shift to other industries. As an example of the greying trend, the Houston Geological Society reports that 70 per cent of its members are 40 or older, with the median age being 61.<sup>7</sup> Similar concerns are expressed in the United Kingdom, where an increasing shortage of high-quality engineers and project managers poses problems for the Government's scheme to boost North Sea production through fiscal incentives. It is estimated that the United Kingdom needs around 30,000 newly qualified engineers and many more technicians each year just to replace those retiring or leaving the profession; of 15,000 vacancies for engineering apprenticeships in 1996-97 only 12,000 were taken up.<sup>8</sup>

### **1.1.5. Contractors**

The oil and gas contractor industry is a large employer in petroleum-producing countries and highly vulnerable to E&P industry consolidation and economic downturn. The United Kingdom Offshore Contractors' Association published a study showing that a 50-per-cent fall in sales to the oil and gas industries would mean that almost one-third of supply companies would either go out of business or have to cut their workforce by as much as 75 per cent. The report says that of 382,000 jobs in the United Kingdom offshore oil sector, 219,000 belong to the contractor sector. In Canada, according to the Canadian

<sup>6</sup> Independent Petroleum Association of America (IPAA), [www.ipaa.org](http://www.ipaa.org).

<sup>7</sup> *Gas Daily* (Arlington, Virginia), 2 June 2000.

<sup>8</sup> *Petroleum Economist* (London), 12 Aug. 1998.

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Association of Oilwell Drilling Contractors, 2,250 jobs were lost in 1998 when drilling slumped by 10 per cent.<sup>9</sup>

Oil companies rely on contractor companies and vice versa. No oil and gas company, with the exception of some state concerns, can keep drilling and geophysical crews, vessels and equipment on their books; they contract such services worldwide to the increasingly few companies that work in this sector. These companies are also undergoing massive consolidation, partly driven by the mergers within the oil industry, which shrink the contractor sector client base. Oil company-contractor relationships are increasingly becoming strategic partnerships. Consequently, contractor companies cannot be wholly disassociated from the oil production sector.

## 1.2. Oil refining

The oil refining industry is generally less profitable than the oil and gas exploration and production industry. Moreover, refinery margins are extremely volatile. The oil refining industry is constantly trying to increase profitability through strategies such as upgrade, merger, asset swap, joint venture or divestment.

In the United States, many of the oil majors have sold off their refineries to independent operators, often after company mergers (see figure 8). Because of the cyclical nature of the industry, and resultant job insecurity, many recent worker-management agreements require employers to adhere to the existing collective contracts when there is any sale, merger, or joint venture affecting refinery or chemical plants.<sup>10</sup>

### 1.2.1. Production capacity

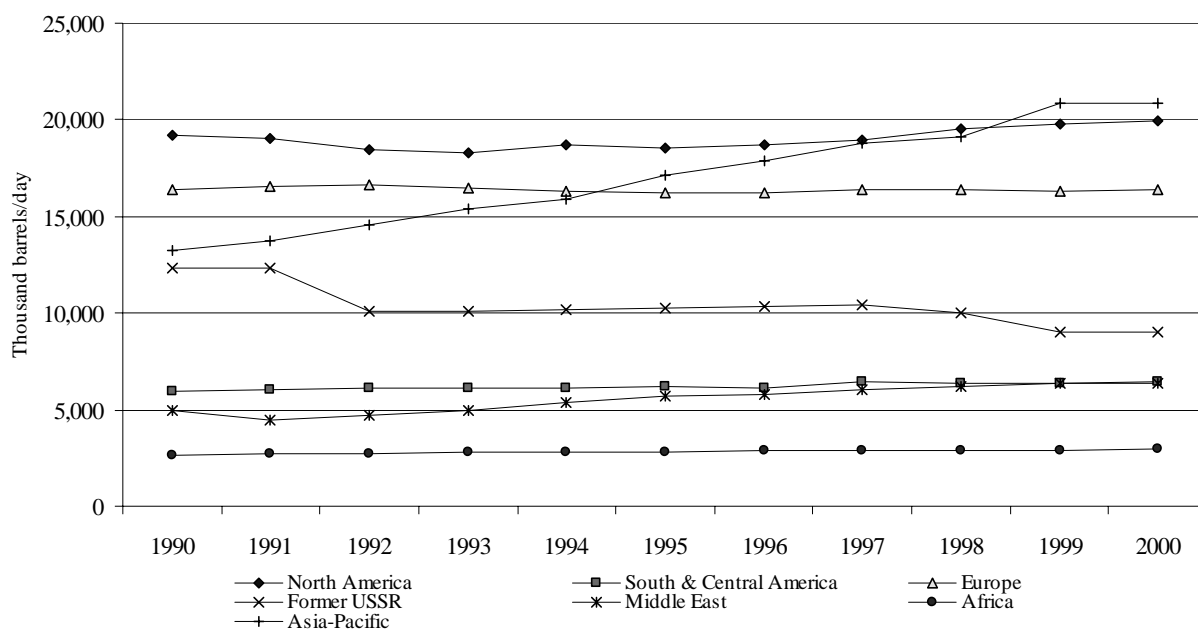
Figure 9 shows the extent of the growth in world refinery capacity over the past ten years. Tremendous increases have come from new facilities in the Asia-Pacific and Middle East regions. The Asia-Pacific region's refining capacity has grown from 13 million b/d in 1990 to 20.8 million b/d in 2000. Similarly, the Middle East region's refining capacity has increased from 4.9 million b/d in 1990 to 6.3 million b/d in 2000. By contrast, capacity in Europe has remained close to the 1990 level of 16.4 million b/d, while African capacity has remained steady over the years, reaching 2.9 million b/d in 2000.

Owing to surplus production capacity, the refinery utilization rate has been low. The world average utilization rate in 1999 was 83.2 per cent, slightly down from 83.6 per cent in 1998. The highest rate was in the Middle East with 97.2 per cent; the lowest was in the former USSR with 45.2 per cent.

<sup>9</sup> North Sea Letter, *Financial Times North Sea Letter and European Offshore News* (London), 8 July 1998 and *The Ottawa Citizen* (Ottawa), 9 June 1998.

<sup>10</sup> Information supplied to the ILO by the Department of Labor, United States.

Figure 9. Oil refinery capacities by region, 1990-2000



Source: BP Statistical Review of World Energy, 50th edition (London, BP plc, 2001).

### 1.2.2. Profitability

Refinery profitability is measured by margins. The margin is the difference between cash income from product sales and variable costs, principally the cost of crude oil plus utilities. For the refinery to be profitable, the margin must be sufficient to cover depreciation and yield a return on investment. Historically, the average margin for simple (hydro-skimming) refineries has been about US\$1.50 per barrel. However, to justify construction of new refinery facilities, the required margins for hydro-skimming will be US\$3.50 per barrel.<sup>11</sup>

Figure 10 indicates the volatility of refinery margins during the period early-1993 to early-2001. For the period between March 1993 and September 1998, average margins for refineries ranged from US\$0 to about US\$6 per barrel in most markets.

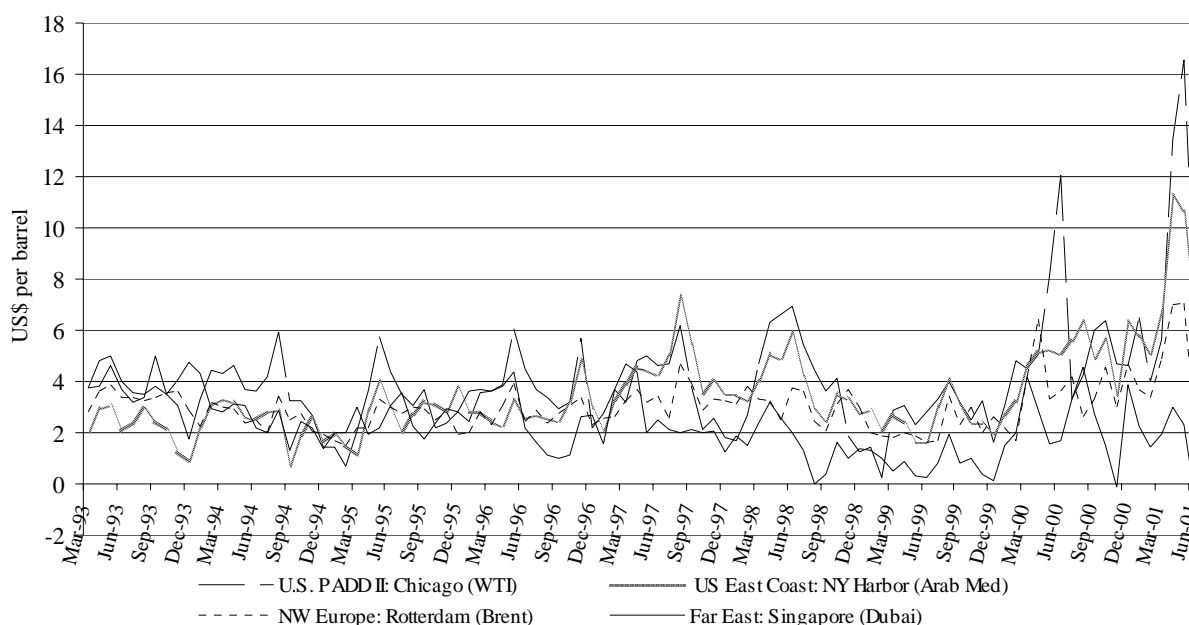
### 1.2.3. Employment

As distinct from E&P, employment figures for the refinery sector appear to be easier to collate. According to the industrial statistics from the United Nations Industrial Development Organization (UNIDO), around 1.3 million people are employed worldwide in petroleum refining, a figure essentially unchanged since 1990 despite continuous rationalization and workforce reduction in Western Europe and the United States (table 1). The explanation for the stability in job numbers comes from the shift in refining predominance to the Asia-Pacific region in particular, and to the Middle East. In fact, the trend in employment would appear to match that of production capacity growth. The numbers employed in refining in the Asia-Pacific region increased from 590,000 in 1990 to 850,000 in 1997, while in Western Europe the numbers dropped from 110,000 in 1990

<sup>11</sup> *Oil and Gas Journal* (Tulsa, Oklahoma), 17 June 1996.

to 90,000 in 1997, and a similar decline took place in Eastern and Central Europe, with the numbers dropping from 310,000 in 1990 to 230,000 in 1997.

**Figure 10. Average refinery margins, 1993-2001**



Source: Oil and Gas Journal Energy Database.

**Table 1. Employment in petroleum refineries (selected countries), 1990-97**

	1990	1991	1992	1993	1994	1995	1996	1997
<b>Africa</b>								
Cameroon	476	529	502	565	567	567	563	566
Egypt	17 200	18 400	17 500	17 700	18 301	17 502	18 392	18 963
Kenya	264	264	264	264	264	266	230	230
Mozambique	457	454	455	460	745	458	469	
Senegal	326	281	245	299	228	228	247	251
South Africa	18 000	18 000	18 000	20 000	19 000	20 030	20 250	19 400
<b>Americas</b>								
Bolivia	602	612	1 075	1 068	1 084	1 097	869	929
Canada	15 000	14 000	12 000	13 000	12 000	11 900	11 800	11 780
Chile	1 242	1 284	1 315	1 319	1 324	1 306	1 273	1 224
Colombia	5 400	4 789	6 303	6 623	6 301	6 090	5 952	6 124
Costa Rica	2 115	2 760	2 318	2 389	2 516	2 340	1 379	497
Ecuador	1 665	1 410	1 410	2 632	2 277	2 539	2 570	2 726
Puerto Rico	1 120	980	920	890	900	770	680	690
United States	72 000	74 000	75 000	73 000	72 000	70 000	67 000	67 300
Uruguay	2 061	1 813	1 486	615	100	976	950	1 054
Venezuela	7 100	7 800	7 700	6 592	6 476	7 743	7 744	

	1990	1991	1992	1993	1994	1995	1996	1997
<b>Asia-Pacific</b>								
China	510 000	570 000	590 000	460 000	710 000	720 000	760 000	776 000
China (Taiwan)	13 921	13 279	13 825	14 495	14 186	13 892	13 287	12 844
India	22 193	21 498	24 395	27 448	30 472	31 055		
Japan	21 000	21 000	21 000	22 000	34 079	33 166	31 624	30 001
Korea, Rep. of	7 100	7 275	7 670	7 926	8 247	9 966	11 636	11 838
Malaysia	1 100	1 200	1 200	1 300	2 700	2 700	2 600	3 700
Philippines	2 500	2 400	2 500	2 600	2 700	2 600	3 127	3 268
Singapore	3 291	3 725	3 808	3 896	3 960	3 700	3 531	3 444
Australia	4 000	4 000	4 000	3 934	4 053	3 049	3 584	3 667
New Zealand	780	750	750	660	580	570	550	600
<b>Western Europe</b>								
Austria	3 700	4 000	4 000	3 308	3 552	4 141	4 046	3 885
France	23 400	20 700	19 800	18 000	18 000	17 200	19 800	18 151
Greece	4 633	4 111	4 108	3 725	4 171	4 264	4 602	4 602
Italy	13 060	15 376	22 323	20 493	24 489	21 723	21 710	21 625
Netherlands	6 403	6 398	6 303	5 148	4 771	4 581	4 496	4 310
Norway	1 192	1 169	1 173	1 574	1 736	1 636	1 206	1 158
Portugal	5 228	4 238		3 727	3 553	3 451	3 566	3 651
Spain	7 229	7 082	7 051	7 947	7 395	7 109	7 767	8 515
Sweden	1 600	1 429	1 764	1 450	1 348	1 651	1 358	1 372
Turkey	5 021	4 921	4 942	5 078	5 107	5 197	5 432	4 941
United Kingdom	9 000	8 000	8 000	14 000	13 000	13 000	14 000	13 000
<b>Eastern Europe and Central Asia</b>								
Croatia	6 360	7 340	5 410	5 150	5 010	4 970	6 014	4 965
Hungary	6 000	6 000	22 000	20 000	19 700	19 410	19 850	20 160
Poland	16 000	18 000	16 000	16 000	18 990	19 390	18 870	18 200
Russian Federation				107 800	111 500	116 800	132 300	130 300
Slovenia	500	1 151	1 139	1 126	880	852	845	782
Ukraine	15 000	15 000	15 000	15 000	15 890	16 203	17 262	16 768
<b>Middle East</b>								
Jordan	3 374	3 404	3 544	3 844	3 947	3 863	3 585	3 533
Kuwait	4 856	3 758	4 133	4 753	5 065	5 277	5 310	5 143
<b>World total</b>	<b>1 187 314</b>	<b>1 167 156</b>	<b>1 166 168</b>	<b>1 140 634</b>	<b>1 340 873</b>	<b>1 260 725</b>	<b>1 286 039</b>	<b>1 308 006</b>

Sources: *UNIDO Industrial Statistics 2001*, *Singapore Yearbook of Statistics 2000* and the Petroleum Association of Japan.

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## 2. Freedom of association

Regardless of the industry or sector concerned, the ILO holds that there are a number of issues that are fundamental to industrial relations. First, and most importantly, the parties that represent the employers and the workers should be genuinely independent of each other and of the government. Secondly, employers and workers should freely enjoy the right to affiliate themselves with organizations of their own choosing. The principle of freedom of association is enshrined in two ILO Conventions: the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

Some of the most hotly contested issues in the oil and gas industries in recent years have involved the application or non-application of these principles in specific countries. The ILO Petroleum Committee has expressed its concerns about the observance or non-observance in the petroleum industry of the basic rights contained in these two Conventions. Industrial relations was one of the first topics considered by the Petroleum Committee (the predecessor of this tripartite sectoral meeting), following its creation in the late 1940s. At its second session in 1948, the Committee adopted the *Statement concerning Industrial Relations in the Petroleum Industry*, which was largely devoted to freedom of association and the principle and content of collective bargaining. The Tripartite Meeting on Employment and Industrial Relations Issues in Oil Refining, held on 23-27 February 1998, revisited these issues. It unanimously adopted the resolution concerning freedom of association in the oil refining sector. The resolution reaffirmed the rules of freedom of association and the consequent rights of petroleum workers as expressed at the Ninth Session (1980) of the Petroleum Committee. The resolution also invited the Governing Body of the International Labour Office to continue and strengthen the actions taken by the ILO to promote the principle of freedom of association and to encourage all member States to ratify the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), and the Workers' Representatives Convention, 1971 (No. 135).<sup>1</sup>

### 2.1. Restrictions on freedom of association in the oil and gas industries

Governments in several oil- and gas-producing countries have imposed restrictions on freedom of association. Most of the cases reported to the ILO supervisory bodies refer to limitations of the right to strike.

For example, in a case filed by the Norwegian Oil Workers' Federation, the Committee of Experts on the Application of Conventions and Recommendations commented upon the need for the Norwegian Government to remove the restrictions imposed on the right to strike in the oil industry, through the imposition of compulsory arbitration.<sup>2</sup> While hospitals, electricity, water supply, telephones and air traffic control have been considered essential services, the petroleum sector is one of many which have been explicitly judged *not* to constitute essential services. It has, however, been recognized

<sup>1</sup> ILO: *Note on the Proceedings*, Tripartite Meeting on Employment and Industrial Relations Issues in Oil Refining (Geneva, 1998), p. 29.

<sup>2</sup> ILO: *Report of the Committee of Experts on the Application of Conventions and Recommendations*, Report III (Part 1A), International Labour Conference, 85th Session (Geneva, 1997), p. 185.

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that even where the sector as a whole does not constitute *essential* services restrictions of the right to strike may be imposed to the extent of requiring *minimum* services that would be strictly necessary in order not to compromise the life, personal safety or health of the whole or part of the population.<sup>3</sup>

In line with these decisions, the Government of Norway undertook to amend its legislation in conformity with Convention No. 87. It appointed a commission with representatives from all the major workers' and employers' organizations to review the system of collective bargaining and the settlement of industrial disputes, and to present a report on any proposals for changes to the system.<sup>4</sup>

In Brazil, the recommendation of the Committee on Freedom of Association in connection with Brazil's oil workers' strike in 1995 has not been fully applied. As a temporary remedy, Brazil's legislators voted unanimously in June 1998 to grant an amnesty to oil unions facing massive fines. Fines imposed on the oil unions for holding a strike in 1995 exceeded US\$60 million. At that time, Brazil's Higher Labour Court ruled that the unions bore legal responsibility for a fuel shortage resulting from its industrial action. This ruling led to the sequestration of oil union assets and the freezing of union bank accounts.<sup>5</sup>

With regard to Nigeria, the ILO Tripartite Meeting on Employment and Industrial Relations Issues in Oil Refining in 1998 spent considerable time deliberating the issues of freedom of association and trade union rights in that country. Since 1994 the ILO supervisory bodies have had under consideration a case arising from the strike of oil workers that year. At that time they concluded that the removal of trade union leaders from office was a serious infringement of the free exercise of trade union rights. They urged a repeal of the decrees which dissolved the unions' executive councils, the release of the general secretaries of two oil and gas workers' unions and action to allow independently elected officials to exercise their trade union functions once again. Shortly afterwards, the detained union leaders were released.<sup>6</sup>

However, the basic issues regarding trade union rights in Nigeria remain unchanged. Between 1998 and 2001, the Committee noted a number of complaints of violations of workers' basic rights presented against the Government of Nigeria. Firstly, the Trade Unions Act did not allow a trade union to be registered to represent workers or employers in a place where a trade union already existed. Thus, workers could not enjoy the right to

<sup>3</sup> See, for example, ILO: "Reports of the Committee on Freedom of Association, 254th Report", in *Official Bulletin* (Geneva, 1988), Series B, No. 1, Case No. 1403 (Uruguay), and "Reports of the Committee on Freedom of Association, 251st Report", in *Official Bulletin* (Geneva, 1987), Series B, No. 2, Case No. 1389 (Norway), cited in ILO: *Employment and industrial relations issues in oil refining*, Report for discussion at the Tripartite Meeting on Employment and Industrial Relations Issues in Oil Refining (Geneva, 1997), p. 76.

<sup>4</sup> ILO: *Report of the Committee of Experts on the Application of Conventions and Recommendations*, Report III (Part 1A), International Labour Conference, 89th Session (Geneva, 2001), p. 293.

<sup>5</sup> International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), Update No. 63/1998.

<sup>6</sup> ILO: "Reports of the Committee on Freedom of Association, 295th Report", in *Official Bulletin* (Geneva, 1994), Series B, No. 3, Case No. 1793, para. 600, cited in ILO: *Employment and industrial relations issues in oil refining*, Report for discussion at the Tripartite Meeting on Employment and Industrial Relations Issues in Oil Refining (Geneva, 1997), pp. 74-75.

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form and join the union of their own choosing but were obliged to join the union specified by law. Secondly, the Trade Unions Act was obviously intended to prevent workers from organizing their own unions because the Act set the excessively high requirement of 50 workers to form a trade union.<sup>7</sup>

Moreover, the Trade Unions (Amendment) Decree No. 26 of 1996 made check-off payments to unions conditional upon the inclusion of “no-strike” clauses in collective agreements. The Committee expressed its concern that such a legislative requirement hindered the right of workers’ organizations to formulate their programmes and activities without interference by the public authorities.<sup>8</sup>

There have been two major oil industry strikes in Nigeria in recent years. The Petroleum and Natural Gas Senior Staff Association (PENGASSAN) went on strike in November 2000, seeking a salary rise of 45-60 per cent for different categories of workers at the oil multinationals and service companies. The strike was reportedly not effective as the public saw it as being chiefly in the self-interest of union members.<sup>9</sup> In 2001, junior workers under the umbrella of the National Union of Petroleum and Natural Gas Workers served notice of a nationwide strike if the Government and employers failed to address the issues of casualization, arbitrary termination and victimization of their members on the basis of their membership. PENGASSAN expressed its intention to call a sympathy strike, as both unions have been battling with the same issues without success. They claim that oil companies and the Government have demonstrated indifference to exploitative practices in the industry.<sup>10</sup>

In Sudan, collusion between the Government and international oil companies keeps trade unions out of the oil extraction sector, which is concentrated on the border between the warring north and south of the country. Moreover, there are reports that production bonuses paid by oil companies to the Government are used in its war effort against the south.<sup>11</sup>

The International Labour Conference in 2000 found that forced labour was generalized and systematic in Myanmar. It adopted a resolution approving the measures recommended by the Governing Body at its 277th Session to secure compliance with the recommendations of the Commission of Inquiry established to examine the observance by Myanmar of its obligations in respect of the Forced Labour Convention, 1930 (No. 29).<sup>12</sup> Following an ILO mission to the country, the Governing Body in November 2000 found that Myanmar’s junta had still not taken the required steps to end forced labour. International trade unions suspect that forced labour is used in Myanmar’s gas industry. A conference of energy unions in the Asia-Pacific region affiliated to the International

<sup>7</sup> ILO: *Report of the Committee of Experts on the Application of Conventions and Recommendations*, Report III (Part 1A), International Labour Conference, 89th Session (Geneva, 2001), p. 291.

<sup>8</sup> *ibid.*, p. 292.

<sup>9</sup> *Financial Times* (London), 28 Nov. 2000.

<sup>10</sup> *The Guardian* (Manchester), 21 June 2001.

<sup>11</sup> International Confederation of Free Trade Unions (ICFTU): *Annual Survey of Violations of Trade Union Rights* (Brussels, 2000), pp. 37-38.

<sup>12</sup> ILO: Follow-up to the resolution adopted by the International Labour Conference at its 88th Session, Governing Body doc. GB.279/6/2, 279th Session (Geneva, November 2000).

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Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) called on oil and gas companies to cease investment in Myanmar while the use of forced labour continued.<sup>13</sup> The international trade union movement, together with environmentalists and human rights groups, has demanded that TotalFinaElf and Unocal withdraw from a US\$1.2 billion joint venture with the Myanmar Government to build a gas pipeline.<sup>14</sup>

<sup>13</sup> ICEM, Update No. 39/2001, 15 June 2001.

<sup>14</sup> Danielle Knight: "US greens join protest against Thai pipeline", in *CorpWatch* (San Francisco) Feb. 2001, [www.corpwatch.org](http://www.corpwatch.org).

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### 3. Industrial relations: The ILO approach

Over the years, the International Labour Organization has created a set of international legal instruments that provides a basis for the promotion of social dialogue. These instruments have resulted from international tripartite consensus on basic issues concerning industrial relations. Such issues include measures for promoting collective bargaining, cooperative and consultative mechanisms for dialogue among the social partners and between the social partners and the government, and approaches and policies for settling labour disputes. Before entering into the discussion of industrial relations in the oil and gas industries, it may be useful to review these instruments.

#### 3.1. Collective bargaining

Collective bargaining represents the backbone of the employer-employee relationship. It is widely accepted as the most important instrument for the determination of wages, employment conditions and the regulation of employer-employee relations. In practice, collective bargaining is a process of obtaining concessions and reaching compromises on employment and working conditions. As a tool for the practice of industrial relations, collective bargaining may be interpreted in either a broad or a narrow sense. In its broad sense, it involves a process of interest accommodation through direct or indirect bipartite and tripartite dealings. By contrast, in its narrow sense, collective bargaining is a process of negotiation between employers, individually or as a group, and trade unions. The outcome of such negotiations is an obligatory document, a collective agreement, that determines wages and other conditions of work. Importantly, the concept of collective bargaining has expanded considerably in recent years to encompass more than just the negotiation of collective agreements. It involves a continuous process of discussion, consultation and bargaining between employers and workers on a wide range of issues, such as job classification, termination of employment, recruitment and promotion, bonuses and benefits, and sickness pay.

The ILO instruments specific to collective bargaining are the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), the Collective Agreements Recommendation, 1951 (No. 91), the Collective Bargaining Convention, 1981 (No. 154), and the Collective Bargaining Recommendation, 1981 (No. 163).

##### 3.1.1. *Right to Organise and Collective Bargaining Convention, 1949 (No. 98)*

Convention No. 98 stipulates two basic and essential aspects of trade union rights:

- (a) workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment (Article 1); and
- (b) workers' and employers' organizations shall enjoy adequate protection against any acts of interference by each other or each other's agents or members in their establishment, functioning or administration (Article 2).

Such protection shall apply more particularly in respect of acts calculated to:

- (a) make the employment of a worker subject to the condition that he shall not join a union or shall relinquish trade union membership;

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- (b) cause the dismissal of or otherwise prejudice a worker by reason of union membership or because of participation in union activities outside working hours or, with the consent of the employer, within working hours (Article 1).

Article 2 provides that acts which are designed to promote the establishment of workers' organizations under the domination of employers or employers' organizations, or to support workers' organizations by financial or other means, with the object of placing such organizations under the control of employers or employers' organizations, shall be deemed to constitute acts of interference within the meaning of this Article.

Member States ratifying Convention No. 98 are legally bound by a number of obligations. They must, for example:

- (a) establish machinery appropriate to national conditions, where necessary, for the purpose of ensuring respect for the right to organise (Article 3);
- (b) take measures appropriate to national conditions, where necessary, to encourage and promote the full development and utilization of machinery for voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements (Article 4).

### **3.1.2. Collective Agreements Recommendation, 1951 (No. 91)**

Recommendation No. 91 goes hand in hand with Convention No. 98. It deals specifically with the scope, coverage, interpretation and supervision of collective agreements. Under its provisions, member States should establish machinery appropriate to the conditions existing in each country by means of agreement or laws or regulations, as may be appropriate under national conditions, to negotiate, conclude, revise and renew collective agreements, or to be available to assist the parties in negotiation, conclusion, revision or renewal of collective agreements. The organization, methods of operation and functions of such machinery should be determined by agreements between the parties or by national laws or regulations, as may be appropriate under national conditions (Paragraph 1).

National laws or regulations may, among other things, make provision for:

- (a) requiring employers bound by collective agreements to take appropriate steps to bring to the notice of the workers concerned the texts of the collective agreements applicable to their undertakings;
- (b) the registration or deposit of collective agreements and any subsequent changes made therein; and
- (c) a minimum period during which, in the absence of any provision to the contrary in the agreement, collective agreements shall be deemed to be binding unless revised or rescinded at an earlier date by the parties (Paragraph 8).

Recommendation No. 91 also provides a definition of the scope of collective agreements. According to Paragraph 2, the term *collective agreements* means all agreements in writing regarding working conditions and terms of employment concluded between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more representative workers' organizations, or, in the absence of

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such organizations, the representatives of the workers duly elected and authorized by them in accordance with national laws and regulations, on the other.

Collective agreements, once signed by the parties, have legal effect. Recommendation No. 91 includes the following provisions:

- (a) collective agreements should bind the signatories thereto and those on whose behalf the agreement is concluded;
- (b) stipulations in such contracts of employment which are contrary to a collective agreement, except those which are more favourable to the workers than those prescribed by a collective agreement, should be regarded as null and void;
- (c) if effective observance of the provisions of collective agreements is secured by the parties thereto, the provisions of the preceding subparagraphs should not be regarded as calling for legislative measures; and
- (d) the stipulations of a collective agreement should apply to all workers of the classes concerned employed in the undertakings covered by the agreement unless the agreement specifically provides to the contrary (Paragraph 3).

Most of the time, it is difficult to determine the exact extension of the collective agreement. In this context, the Recommendation provides that where appropriate, having regard to established collective bargaining practice, measures, to be determined by national laws or regulations and suited to the conditions of each country, should be taken to extend the application of all or certain stipulations of a collective agreement to all employers and workers included within the industrial and territorial scope of the agreement (Paragraph 5).

In general, national laws or regulations provide for the extension of collective agreements. However, this may be subject to the following, among other, conditions:

- (a) that the collective agreement already covers a number of the employers and workers concerned which is, in the opinion of the competent authority, sufficiently representative;
- (b) that, as a general rule, the request for extension of the agreement shall be made by one or more organizations of workers or employers who are parties to the agreement; and
- (c) that, prior to the extension of the agreement, the employers and workers to whom the agreement would be made applicable by its extension should be given an opportunity to submit their observations (Paragraph 5).

Disputes arising out of the interpretation of a collective agreement should be submitted to an appropriate procedure for settlement established either by agreement between the parties or by laws or regulations as may be appropriate under national conditions (Paragraph 6).

The real efficacy of any collective agreement, however, is left to the good will of the parties themselves. They must implement the provisions of the agreement. Therefore, the Recommendation states that supervision of the application of collective agreements should be ensured by the employers' and workers' organizations parties to such agreements or by the bodies existing in each country for this purpose or by bodies established ad hoc (Paragraph 7).

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### **3.1.3. Collective Bargaining Convention, 1981 (No. 154), and Collective Bargaining Recommendation, 1981 (No. 163)**

Article 2 of Convention No. 154 states that the term *collective bargaining* extends to all negotiations which take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations on the other, for:

- (a) determining working conditions and terms of employment; and/or
- (b) regulating relations between employers and workers; and/or
- (c) regulating relations between employers or their organizations and a workers' organization or workers' organizations.

Negotiations with workers' representatives (rather than organizations) may also be conducted. Article 3 provides that where national law or practice recognizes the existence of workers' representatives as defined in Article 3, subparagraph (b), of the Workers' Representative Convention, 1971, national law or practice may determine the extent to which the term *collective bargaining* shall also extend, for the purpose of this Convention, to negotiations with these representatives. However, where this is the case, appropriate measures shall be taken, wherever necessary, to ensure that the existence of these representatives is not used to undermine the position of the workers' organizations concerned.

The Convention may be implemented through collective agreements, arbitration awards, national laws or regulations, or any other measures consistent with national practice. The main purpose is to promote collective bargaining, and each member State is requested to adopt measures consistent with this aim. Such measures shall be aimed at achieving the following objectives:

- (a) collective bargaining should be made possible for all employers and all groups of workers in the branches of activity covered by this Convention;
- (b) collective bargaining should be progressively extended to all matters covered by subparagraphs (a), (b) and (c) of Article 2 of this Convention (determining working conditions and terms of employment, regulating relations between the social partners);
- (c) the establishment of rules of procedure agreed between employers' and workers' organizations should be encouraged;
- (d) collective bargaining should not be hampered by the absence of rules governing the procedure to be used, or by the inadequacy or inappropriateness of such rules;
- (e) bodies and procedures for the settlement of labour disputes should be so conceived as to contribute to the promotion of collective bargaining (Article 5).

The accompanying Recommendation No. 163 includes more specific measures that should be implemented by member States to consolidate the promotion of collective bargaining, such as measures facilitating the recognition of representative employers' and workers' organizations for the purposes of collective bargaining at any level of the economy and ensuring coordination in cases where collective bargaining takes place at several levels, measures providing negotiators with the opportunity to obtain appropriate

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training and measures ensuring that parties have access to the information required for meaningful negotiations.

Recommendation No. 163 also states that measures adapted to national conditions should be taken, if necessary, so that procedures for the settlement of labour disputes assist the parties to find a solution to the dispute themselves (Paragraph 8).

## **3.2. Dispute settlement**

The creation of a sound framework for the settlement of labour disputes is part of the development of efficient machinery for collective bargaining. The ILO instruments dealing with the settlement of labour disputes are of a general nature, and reflect the variety of systems for labour dispute settlement that exist in the various countries of the world. They include the Voluntary Reconciliation and Arbitration Recommendation, 1951 (No. 92), and the Examination of Grievances Recommendation, 1967 (No. 130).

### **3.2.1. *Voluntary Reconciliation and Arbitration Recommendation, 1951 (No. 92)***

Recommendation No. 92 proposes that voluntary conciliation machinery, appropriate to national conditions, should be made available to assist in the prevention and settlement of labour disputes (Paragraph 1). Furthermore, the procedure should be free of charge and expeditious and provisions should be made to enable the procedure to be set in motion, either on the initiative of any of the parties to the dispute or ex officio by the voluntary conciliation authority (Paragraph 3).

If a dispute has been submitted to conciliation procedure with the consent of all the parties concerned, the latter should be encouraged to abstain from strikes and lockouts while conciliation is in progress (Paragraph 4). Paragraph 7 states that no provision of this Recommendation may be interpreted as limiting, in any way whatsoever, the right to strike.

### **3.2.2. *Examination of Grievances Recommendation, 1967 (No. 130)***

Recommendation No. 130 deals with a special category of labour disputes – the grievances of one or several workers against specific aspects of their employment conditions or labour relations. According to Paragraph 1, effect may be given to this Recommendation through national laws or regulations, collective agreements, work rules, or arbitration awards, or in such other manner consistent with national practice, as may be appropriate under national conditions.

The Recommendation states that any worker who, acting individually or jointly with other workers, considers he has a grievance should have the right to submit such grievance without suffering any prejudice whatsoever as a result, and to have such grievance examined pursuant to an appropriate procedure (Paragraph 2). According to Paragraph 3, the grounds for a grievance may be any measure or situation which concerns the relation between employer and worker or which affects or may affect the conditions of employment of one or several workers in the undertaking, when that measure or situation appears contrary to provisions of an applicable collective agreement or of an individual contract of employment, to works rules, to laws or regulations or to custom or usage of the occupation, branch of economic activity or country, regard being had to principles of good faith.

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However, collective claims aimed at the modification of terms and conditions of employment are outside the scope of Recommendation No. 130. Nonetheless, national law and practice should determine when a case is to be dealt with using grievance procedures, and when it is a general claim to be dealt with by means of collective bargaining or under some other procedure for settlement of disputes (Paragraph 4).

When procedures for the examination of grievances are established through collective agreements, the parties to such an agreement should be encouraged to include therein a provision to the effect that, during the period of its validity, they undertake to promote settlement of grievances under the procedures provided and to abstain from any action which might impede the effective functioning of these procedures (Paragraph 5).

Recommendation No. 130 explicitly calls for workers' organizations and workers' representatives to be associated, with equal rights and responsibilities, with the employers or their organizations, preferably by way of agreement, in the establishment and implementation of grievance procedures within the undertaking, in conformity with national law or practice (Paragraph 6). With a view to minimizing the number of grievances, the greatest attention should be given to the establishment and proper functioning of a sound personnel policy which should take into account and respect the rights and interests of workers (Paragraph 7).

As far as possible grievances should be settled within the undertaking itself according to effective procedures which are adapted to the conditions of the country, branch of economic activity and undertaking concerned and which give the parties concerned every assurance of objectivity (Paragraph 8). The Recommendation does not limit a worker's right to apply directly to the competent labour authority or to a labour court or other judicial authority in respect of a grievance, where such right is recognized under national laws or regulations (Paragraph 9).

If there are situations where a grievance cannot be settled at the enterprise level, it may be possible to settle it through various other means, which may include procedures provided for by collective agreement, conciliation or arbitration by the competent public authorities, recourse to a labour court or other judicial authority, or any other procedure that may be appropriate under national conditions (Paragraph 17).

### **3.3. Industrial relations at the enterprise level**

Sound employer-employee relations at the enterprise level are crucial to the development of any system of industrial relations. Measures for the good conduct of labour-management relations are equally important at the enterprise level as they are at the national level. These two levels constitute the core of any industrial relations system and are beneficial to society at large since they increase productivity and improve general welfare. ILO instruments in this area include the Co-operation at the Level of the Undertaking Recommendation, 1952 (No. 94), and the Communications within the Undertaking Recommendation, 1967 (No. 129).

#### **3.3.1. Co-operation at the Level of the Undertaking Recommendation, 1952 (No. 94)**

Recommendation No. 94 states that appropriate steps should be taken to promote consultation and cooperation between employers and workers at the level of the undertaking on matters of mutual concern not within the scope of collective bargaining machinery, or not normally dealt with by other machinery concerned with the determination of terms and conditions of employment (Paragraph 1). The

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Recommendation makes a clear distinction between collective bargaining and consultation. The text emphasizes that consultation and cooperation should be facilitated by the encouragement of voluntary agreements between the parties, or promoted by laws and regulations which would establish bodies for consultation and cooperation and determine their scope, functions, structure and methods of operation as may be appropriate to the conditions in the various undertakings (Paragraph 2).

### **3.3.2. Communications within the Undertaking Recommendation, 1967 (No. 129)**

Recommendation No. 129 states that each Member should take appropriate action to bring the provisions of this Recommendation to the attention of persons, organizations and authorities who may be concerned with the establishment and application of policies concerning communications between management and workers within undertakings (Paragraph 1). Both workers and management should recognize the importance of a climate of mutual understanding and confidence within undertakings that is favourable both to the efficiency of the undertaking and to the aspirations of the workers. Such a climate should be promoted by the rapid dissemination and exchange of information relating to the various aspects of the life of the undertaking and to the social conditions of the workers. Therefore, after consultation with workers' representatives, management should adopt appropriate measures to apply an effective policy of communication with the workers and their representatives (Paragraph 2). However, an effective policy of communication should ensure that information is given and that consultation takes place between the parties concerned before decisions on matters of major interest are taken by management, in so far as disclosure of the information will not cause damage to either party (Paragraph 3).

Recommendation No. 129 also states that communication methods between management and employees should in no way derogate from freedom of association; they should in no way cause prejudice to freely chosen workers' representatives or to their organizations or curtail the functions of bodies representative of the workers in conformity with national law and practice (Paragraph 4).

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## 4. Collective bargaining in the oil and gas industries

### 4.1. Towards the decentralization of collective bargaining

Collective bargaining may be organized at the national, sectoral, enterprise or at factory level or at a combination of these levels. In the oil and gas industries, there is a clear trend towards decentralization by emphasizing enterprise-level bargaining. Negotiations at the enterprise level – which can mean at the company division level or even at the plant level – have been reported to the ILO by Argentina, China, Finland,<sup>1</sup> Japan, Malaysia, Philippines, Poland, Romania, Singapore, Thailand and Turkey.

Centralized negotiations are typically found in the Nordic countries. The Scandinavian management model is based on the premise that the employees have true influence on work processes and decision-making. It is characterized by a strong, central trade union movement and extensive agreements between the parties. This is still the case for large parts of the oil and gas industries in Norway, where negotiations are centralized and the current agreement covers 36 Norwegian oil and gas companies.<sup>2</sup> Similarly, in all industries in Denmark, most agreements are negotiated between trade unions or trade union federations and employers' organizations.<sup>3</sup>

A distinguishing factor is whether a single party represents the oil and gas production and oil refinery workers in a given country, or whether there are multiple parties involved on one or both sides. Both scenarios are to be found in the oil and gas production and oil refining sectors.

In countries where there are very few companies in the oil and gas industries, such companies often monopolize their sectors; in smaller countries, for example, there may be a single refinery only, even if it is privately owned. In some Latin American countries, there has traditionally been a cooperative relationship between the national oil company and the oil workers' union. Where the national oil market has been protected, such close relationships have sometimes led to accusations of collusion at the expense of the public.

In other countries, one single or dominant trade union may interface with a dispersed group of employers, each one negotiating independently. The opposite of this is multi-employer bargaining, in which employers form associations mandated to conduct negotiations and reach binding decisions. One of the most advanced bargaining methods in a multi-employer setting is pattern bargaining, which is a system whereby a national trade union negotiates with one large enterprise, with the resulting agreement serving as a model for the rest of the industry.

<sup>1</sup> Negotiations are conducted at the national and company levels. However, it is reported that decentralization of collective agreements is advancing. Information supplied to the ILO by the Chemical Industry Federation of Finland.

<sup>2</sup> Information supplied to the ILO by the Norwegian Oil Industry Association (Oljeindustriens Lansforening).

<sup>3</sup> Information supplied to the ILO by the Ministry of Labour, Denmark.

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This is usual practice in the United States. Approximately 40,000 workers at several companies of the oil and gas industries are covered by collective bargaining agreements. The subject matters negotiated run the gamut from wages and benefits to work rules and working conditions. Under the provisions of the National Labor Relations Act (NLRA), collective bargaining is conducted by employers and duly elected or appointed representatives of employee bargaining units. If an employee is in a unit that is not represented by a trade union, that employee is not involved in collective bargaining. On the other hand, if an employee is in a unit that is covered by collective bargaining, but is not a member of the union, that employee is covered by the provisions of the collective bargaining agreement. The collective bargaining agreements usually extend for three years.

Collective bargaining in the oil and gas industries is guided by the National Oil Bargaining Policy Committee chaired by the Paper, Allied-Industrial, Chemical and Energy Workers' International Union (PACE). The structure of collective bargaining in the oil and gas industries, however, is different from most other industries in the United States. Union members hold a conference prior to the common expiration date of the contracts where delegates vote on bargaining policy (objectives) for the upcoming round of negotiations. Although bargaining objectives for certain issues, such as wages and health benefits, are determined at the national level, negotiations are conducted at the local level, and these take place at 200 separate bargaining tables. However, demands and settlements are uniform across the industry, since once a tentative agreement is negotiated and approved by the union's National Oil Bargaining Policy Committee, that settlement then serves as a pattern for other companies in the industry. Each of the local unions votes on the tentative pattern settlement. Generally, the local unions follow the recommendations of the Committee.<sup>4</sup>

Countries in which there are multiple trade unions, or multiple trade unions and employers, have had to devise ways to coordinate, or at least reconcile, the positions held by the various parties. This has involved the development of multi-tiered negotiating structures and national practices regarding the levels at which issues are negotiated. In Japan, where negotiations are carried out at the enterprise level, the various enterprise-based unions coordinate their positions in a sector-wide umbrella group. Similarly, in Brazil there are autonomous unions in the sector, but positions are coordinated by the central oil workers' union.

In China, there is no collective agreement in the oil and gas production and oil refining industries. However, in some enterprises, the trade unions sign a collective labour contract with management every year and this must be filed with the labour department.<sup>5</sup>

In countries where centralized collective bargaining by sector is a tradition, such as Nordic and Western European countries, there is increasing flexibility in collective bargaining. Decentralization is mainly driven by employers, who feel that it gives them room to manoeuvre in response to international competition and technical changes. Generally, decentralization is disadvantageous to workers because they lose bargaining power. Their unified voice on collective bargaining may be weaker when separated from

<sup>4</sup> Information supplied to the ILO by the Department of Labor, United States.

<sup>5</sup> Information supplied to the ILO by the Ministry of Labour and Social Security, People's Republic of China.

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other workers in the industry. Even so, there are moves in both Norway and Denmark towards bargaining at the enterprise level.<sup>6</sup>

## 4.2. Promoting free and voluntary negotiation

The voluntary nature of collective bargaining is laid down in Article 4 of Convention No. 98; Article 2 calls for workers' organizations to be completely independent of employers or employers' organizations. Cases are often dropped because of employer harassment that prevents workers and their organizations from concluding any valid collective agreements.

The application of Convention No. 98 was tested in recent negotiations between Venezuelan oil workers and the state oil company PDVSA. With the terms of a new collective agreement on the point of being finalized, the Venezuelan National Constituent Assembly (now defunct) issued a decree suspending the bargaining process. Complaints were presented to the ILO regarding the violation of freedom of association, as the suspension was an obvious attempt to undermine the workers' rights to collective bargaining. PDVSA management attempted to disregard the draft collective agreement under negotiation and to replace it with a new contract, issuing a statement that 56 per cent of the workers approved the proposal to develop this new contract. However, the trade unions suspected that it was fraudulent and 95 per cent of PDVSA workers responded to a call to strike.<sup>7</sup>

Similarly, 8,000 Indonesian oil rig workers, faced with threats to their right to negotiate voluntarily a new collective agreement, went on strike for six weeks. The strikers, members of the Indonesian Prosperity Trade Union (SBSI), were employed in central Sumatra by PT Tripatra, a contractor for Caltex Petroleum. The workers began their strike in June 1999, following PT Tripatra's failure to follow an Indonesian Ministry of Manpower directive to pay compensation and to give the striking workers permanent employee status. The company responded by firing all the strikers and engaging Indonesian security forces to break up the strike, using tear gas and rubber bullets. Eventually, in a settlement mediated by a committee from the Indonesian Parliament, the union agreed to end the strike and the company agreed to reinstate all the strikers. The company and the union agreed that when its five-year contract with Caltex expired in 2003, the workers would have permanent employee status and would receive full compensation under the law.<sup>8</sup>

On a more positive note with regard to collective bargaining, in 1997 the German Chemical, Paper and Ceramics Workers' Union (formerly IG Chemie-Papier-Keramik, now IG BCE) negotiated with German chemical industry employers for a structural reform of the collective bargaining system. They introduced the concept of temporary wage reduction in a scheme called a pay corridor. The pay corridor enables the employers and the works council, under certain conditions, to decrease remuneration for a limited period by up to 10 per cent of the rates decided in the collective agreement. In return, employees

<sup>6</sup> Information supplied to the ILO by the Ministry of Labour, Denmark.

<sup>7</sup> International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), Update No. 70/2000, ICEM INFO 3-2000 and ICEM INFO 4-2000.

<sup>8</sup> ICEM, Update No. 45/1999.

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should receive a greater share of the profits of the enterprise. IG BCE also won the proviso that the pay corridor scheme was contingent on a commitment to avoid redundancies.<sup>9</sup>

### 4.3. Grievances

Procedures for addressing grievances are often governed by collective agreements. American oil and gas production and oil refinery companies and their trade unions decide the procedure for settling a grievance. This fairly closely mirrors the steps laid down in Recommendation No. 130 on the examination of grievances. For example, the practice in the United States is that, unless the grievance is presented in accordance with the procedures and timetable stated in the collective agreement, it will not be considered. Moreover, grievances are, as far as possible, to be resolved at the level at which the complaint is filed. The plaintiff may proceed to appeal to higher bodies if he/she is not satisfied with a decision rendered by the relevant committee. The following is a typical example of procedure taken from an article of agreement between Texaco Refinery and Marketing Inc., Bakersfield Plant, California, and the trade union.

Any individual employee, group of employees or the workmen's committee, which is chosen by the union employees, shall have the right to submit grievances to the company. If an employee has a complaint, the employee shall first discuss it with the employee's foreman. The employee may choose to be accompanied by a member of the workmen's committee (union representative). If the complaint is not settled to the satisfaction of the employee within ten days, the employee may present the complaint to the workmen's committee. The workmen's committee may submit the complaint in writing to the local management of the company and the local management shall meet with up to three members of the committee within seven days after receipt of such complaint for the purpose of arriving at a satisfactory adjustment. The local management shall give a written decision of the complaint within seven days after such meeting and a copy of such decision shall be delivered to the employee and to the committee.

No adjustment shall be made on any complaint unless the complaint has been so presented to the local management within 30 days after the occurrence of the matter complained of, nor shall a complaint arising from the termination of an employee be given consideration unless it is presented in writing by the employee to the local management within seven days after termination.

In the event the decision of the local management does not afford satisfaction, the union shall have the right within 30 days to request joint consideration of the complaint by the district director of the union and the plant manager or their respective designated representatives. If they fail to agree upon the settlement of the complaint, they shall, within 15 days, select a third person to act with them as a board of arbitration. Should they fail to agree upon a third person, they shall request the American Arbitration Association to submit a list of arbitrators, one of which will act as the third party to the board of arbitration. The decision of any two of the board shall be final and binding to all persons concerned. Costs of arbitration shall be divided equally between the union and the company.<sup>10</sup>

<sup>9</sup> ICEM, Update No. 35/1997.

<sup>10</sup> Articles of Agreement between Texaco Refining and Marketing Inc., Bakersfield Plant, and the Oil, Chemical & Atomic Workers' International Union, Local 1-219.

## 4.4. Coverage of collective bargaining

In the light of collective bargaining, the term *working conditions* is not limited to traditional workers' economic issues such as wages, working time, overtime, rest periods, paid leave and so forth, but also covers standard matters such as promotions, transfers and dismissal without notice. Terms to be found in collective agreements in the oil and gas industries differ little from those in other industries. The following looks at some of the issues that arise, including, specifically, wages and working conditions, working time and health and safety.

### 4.4.1. Wages and working conditions

In most of the countries that supply information to the ILO on oil and gas labour issues, collective bargaining deals first and foremost with the bread-and-butter issue of wages, along with working conditions, employment security, early retirement and fringe benefits.

The oil and gas industries are strategic and, furthermore, have special working conditions. Therefore, typical earnings uniformly across respondent countries are reported to be higher on average than those for any other industry.

In the United States, for example, the average weekly earnings of production workers in the petroleum refining sector was US\$1,098.90 in 2000, compared to the average weekly earnings of US\$598.21 for all production workers.<sup>11</sup> Table 2 shows how earnings in all occupations in the oil and gas industries, including management, are higher than the average for all industries.

Table 2. Wage estimates for 1999 in oil and gas extraction and petroleum refining and related industries in the United States (in US\$)

Occupation(s)	Mean hourly wage			Mean annual wage		
	Oil and gas extraction	Petroleum refining and related industries	All industries	Oil and gas extraction	Petroleum refining and related industries	All industries
Industry total	19.95	21.37	–	41 500	44 440	–
Management	39.60	37.77	31.13	82 370	78 570	64 740
Business and financial operations	25.55	28.19	22.16	53 150	58 630	46 100
Computer and mathematical	26.78	29.20	26.41	55 700	60 740	54 930
Architecture and engineering	33.20	31.05	24.81	69 050	64 570	51 600
Life, physical and social science	29.32	23.47	21.95	60 980	48 820	45 660
Legal	42.08	41.15	32.10	87 530	85 590	66 780

<sup>11</sup> Information supplied to the ILO by the United States Department of Labor, Bureau of Labor Statistics: *1999 National Industry-Specific Occupational Employment and Wage Estimates*, [www.bls.gov/data/home.htm](http://www.bls.gov/data/home.htm).

Occupation(s)	Mean hourly wage			Mean annual wage		
	Oil and gas extraction	Petroleum refining and related industries	All industries	Oil and gas extraction	Petroleum refining and related industries	All industries
Arts, design, entertainment, sports and media	25.97	26.37	18.10	54 020	54 860	37 650
Health-care practitioners and technical	24.31	24.15	21.76	50 570	50 240	45 250
Protective service	15.31	17.88	14.26	31 840	37 190	29 650
Building and grounds cleaning and maintenance	9.32	11.73	9.09	19 380	24 410	18 910
Sales and related	30.37	20.76	13.01	63 170	43 180	27 060
Office and administrative support	14.92	14.61	12.17	31 020	30 400	25 310
Construction and extraction	14.16	18.79	16.18	29 450	39 080	33 650
Installation, maintenance and repair	17.56	19.40	15.77	36 520	40 350	32 810
Production	19.66	17.78	12.21	40 900	36 980	25 400
Transportation and material moving	14.67	16.13	–	30 510	33 540	–

Source: United States Department of Labor, Bureau of Labor Statistics, *1999 National Industry-Specific Occupational Employment and Wage Estimates*.

Secondly, earnings throughout the world in oil production and refining clearly show a steady increase over time regardless of occupation. In China, monthly wages have doubled in the past seven years, from 671.94 yuan in 1994 to 1,787.78 yuan in 2000.<sup>12</sup> In Finland, average monthly earnings in 1994 were 11,574 markkaa and have steadily increased to 14,408 markkaa in 2000.<sup>13</sup> In Poland, the average monthly wages in PKN Orlen S.A. have increased from 1,420.4 zloty in 1995 to 4,176.1 zloty in 2000. A similar trend has been seen in other refineries in Poland.<sup>14</sup> Between 1994 and 1997, the average monthly wages at Lithuania's JSC Lietuvos dujos, have increased by around 10 per cent every year. Average monthly earnings in the oil refining industry in Singapore have increased from SG\$6,236.67 in 1994 to SG\$7,781.30 in 1999.<sup>15</sup> Average wages in Romania's extraction sector have increased from 2,164,236 lei in 1997 to 5,642,912 lei in 2000. Petrochemical workers received 2,607,908 lei in 1997, increasing to 5,527,624 lei in 2000.<sup>16</sup> Real wages

<sup>12</sup> Information supplied to the ILO by the Ministry of Labour and Social Security, People's Republic of China.

<sup>13</sup> Information supplied to the ILO by the Chemical Industry Federation of Finland.

<sup>14</sup> Information supplied to the ILO by the Ministry of Labour and Social Policy, Poland.

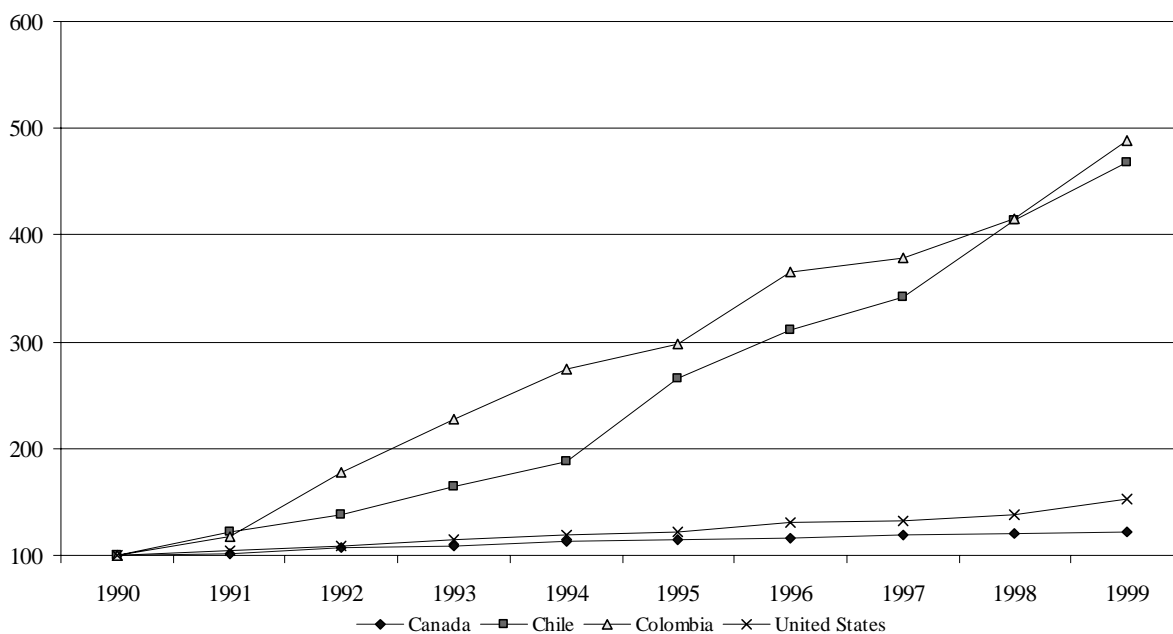
<sup>15</sup> Information supplied to the ILO by the Ministry of Manpower, Singapore.

<sup>16</sup> Information supplied to the ILO by the Ministry of Labour and Social Solidarity, Romania.

in the oil and gas industries in Turkey have increased from 50,000,000 Turkish lira in 1996 to 400,000,000 Turkish lira in 2000.<sup>17</sup>

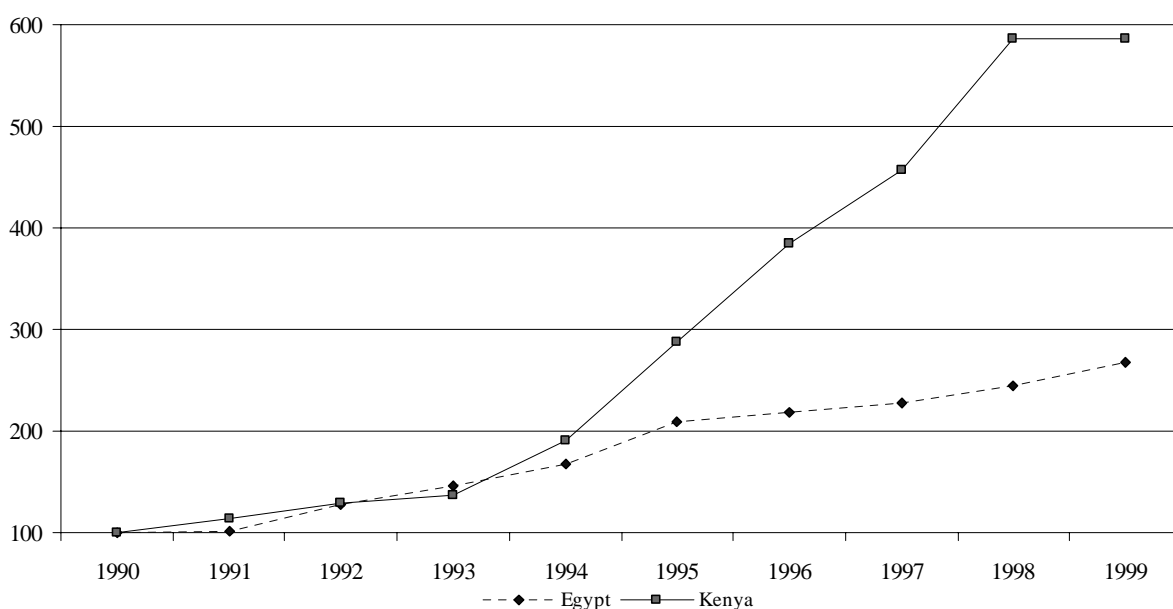
Figure 11 shows the trend in earnings in oil refineries in different regions.

**Figure 11(a). Index of refinery wages in national currency, selected North American and Latin American countries, 1990-99 (1990 = 100)**



Source: UNIDO Industrial Statistics Database, 2001.

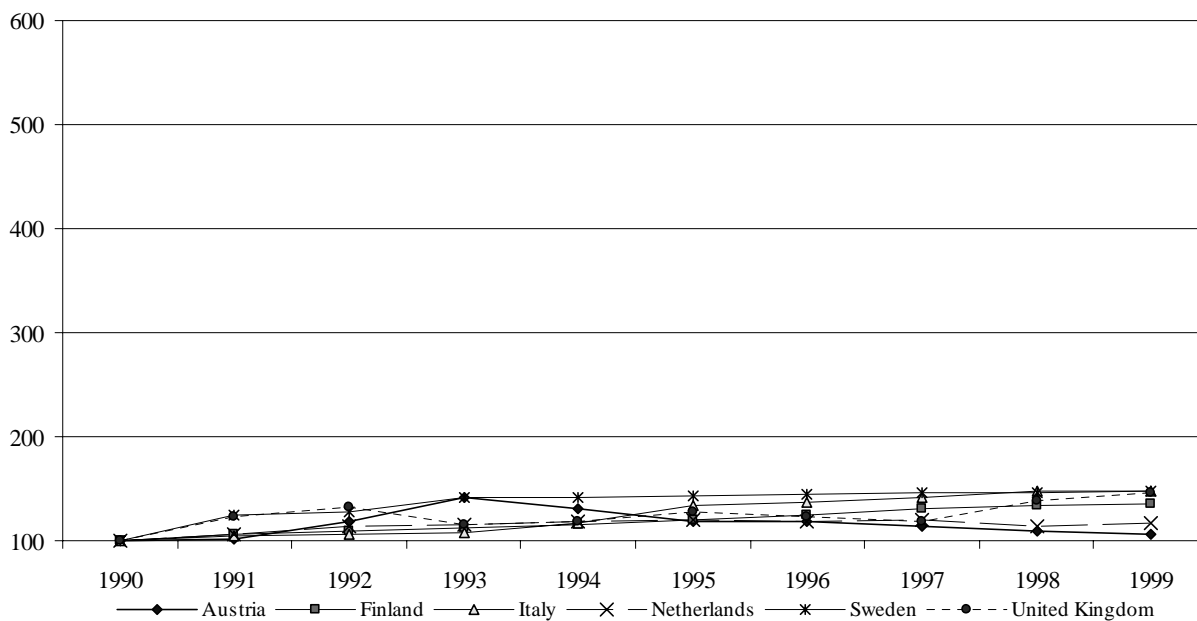
**Figure 11(b). Index of refinery wages in national currency, Egypt and Kenya, 1990-99 (1990 = 100)**



Source: UNIDO Industrial Statistics Database, 2001.

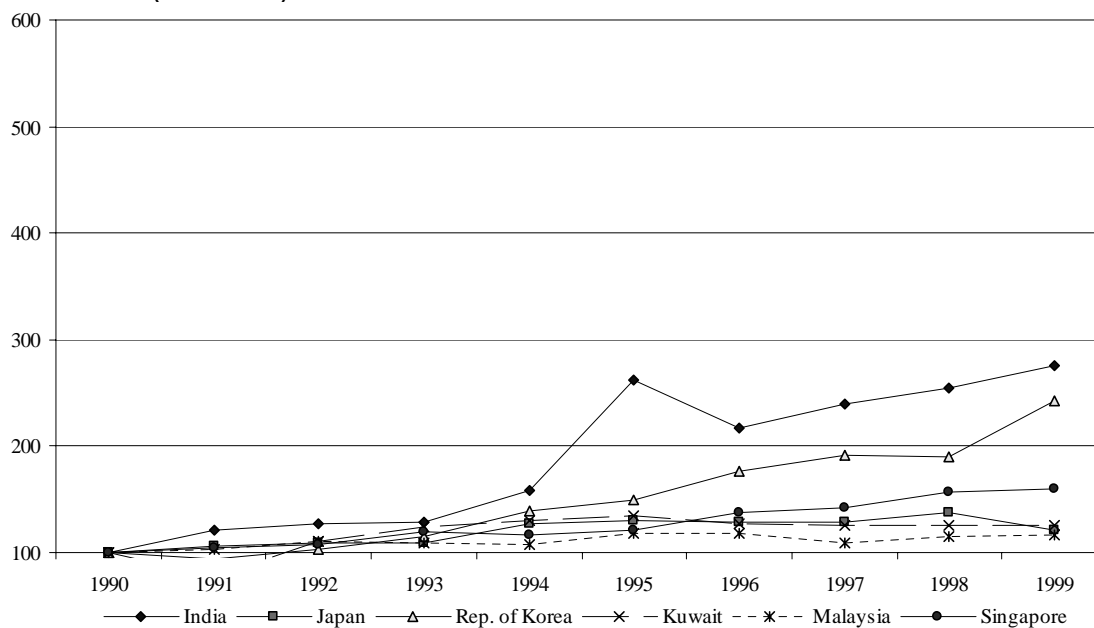
<sup>17</sup> Information supplied to the ILO by the Chemical, Petroleum, Rubber and Plastic Industries Employers' Association of Turkey.

**Figure 11(c). Index of refinery wages in national currency, selected European countries, 1990-99 (1990 = 100)**



Source: UNIDO Industrial Statistics Database, 2001.

**Figure 11(d). Index of refinery wages in national currency, selected Asian and Middle Eastern countries, 1990-99 (1990 = 100)**



Source: UNIDO Industrial Statistics Database, 2001.

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Thirdly, there is a marked difference in oil industry wages by job category. In Finland, white-collar workers earned 16,570 markkaa per month in 2000, while blue-collar workers earned 11,568 markkaa.<sup>18</sup> In the Province of Alberta, Canada, workers in petroleum and natural gas companies earned CN\$1,349.06 per week in 1999 while those in service companies earned CN\$996.26. In Canada, there is also a clear wage difference by occupation. For example, gas bar attendants earned CN\$302.40 per week in 2000 while control technicians in operation processes earned CN\$1,089.60. Most engineers and technicians earned over CN\$900 per week, while no line worker's earnings exceeded CN\$900.<sup>19</sup>

Data in Finland show that there is a wage difference according to gender in the oil and gas industries, although this has decreased in recent years. In 2000, male workers received on average 1,000 markkaa more per month than female workers.<sup>20</sup>

#### **4.4.2. Examples of wage-related collective bargaining in the oil and gas production and oil refining industries**

A collective agreement between the Confederation of Norwegian Business and Industry/Norwegian Oil Industry Association and the Norwegian Confederation of Trade Unions/Norwegian Oil and Petrochemical Workers' Union was concluded in May 2000. It covers 36 Norwegian oil and gas companies. It sets the minimum wage rate for onshore workers at 95.20 krone per hour for skilled workers, 89.60 krone for general workers and 61.60 krone for workers under the age of 18. Additional allowances are based on competence, experience, seniority, work area and responsibility.

The Province of Alberta, Canada, which produces the bulk of Canada's oil and natural gas, reports that all workers in petroleum production and refining are covered by collective agreements. However, the number of collective agreements in this sector is very small. They are generally negotiated every two or three years.<sup>21</sup> In March 2001, the Communications, Energy and Paper Workers' Union (CEP) reached a settlement with leading energy company PetroCanada, which sets a pattern for about 10,000 CEP members at other major oil, gas and petrochemical companies in Canada. The agreement provides for a wage increase of 9.5 per cent over three years – 3.5 per cent in the first year, and 3 per cent in the second and third years.<sup>22</sup>

In Croatia, the state-owned oil company INA agreed to negotiate a national collective agreement to cover some 24,000 workers with oil-worker unions EKN and GNSiK. Croatia is beginning to set up European-style employment structures. INA had attempted to get its workers to sign individual employment contracts before bargaining began on a first collective agreement. EKN and GNSiK suspected that the company's real intention was to divorce the individual contracts from a collective agreement and, if this had

<sup>18</sup> Information supplied to the ILO by the Chemical Industry Federation of Finland.

<sup>19</sup> Information supplied to the ILO by Human Resources Development Canada.

<sup>20</sup> Information supplied to the ILO by the Chemical Industry Federation of Finland.

<sup>21</sup> Information supplied to the ILO by Human Resources Development Canada.

<sup>22</sup> ICEM, Update No. 17/2001.

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succeeded, many other Croatian companies would have tried to do away with collective bargaining.<sup>23</sup>

One month after securing a safeguard of the principles of collective bargaining, the unions reached a first collective agreement in the Croatian oil and chemical sectors. The agreement provides for an 11 per cent pay rise and a 37.5-hour working week. The lowest wage earners employed by INA now receive about 24-25 per cent more than the average Croatian industrial wage. The agreement also includes provisions to protect workers from any layoffs that may ensue as the company is privatized.<sup>24</sup>

In a recent wage negotiation round, the German Mining, Chemical and Energy Industrial Union (IG BCE) received a 4.2 per cent wage increase over two years for 580,000 chemical workers and 50,000 paper workers, under collective agreements concluded in March 2000. Pay was to increase by 2.2 per cent in 2000 and 2 per cent in 2001. The agreement puts an emphasis on job creation, notably a further increase in apprenticeships for young jobseekers. Retirement provisions for older workers were improved, including early retirement incentives.<sup>25</sup>

In Finland, a collective agreement in the oil and gas industries can last up to three years.<sup>26</sup> The Finnish chemical and energy workers' union, Kemianliitto, and the Chemical Industry Federation of Finland concluded a three-year national collective agreement in March 2000 which covers around 15,000 Finnish workers in the oil, gas, chemical and pharmaceutical industries. Kemianliitto represents more than 90 per cent of the blue-collar workers in Finnish oil, gas and chemical industries. The agreement ended a week-long strike by 5,000 workers. The union had targeted 22 key companies in a national dispute over pay and working hours. The new agreement includes a wage increase of around 4 per cent. A reform of the wage structure will bring further increases in 2001 and 2002, on top of the general rises in the manufacturing industry as a whole. Working hours will be cut by eight hours or one shift annually without loss of pay. After the reduction, working hours for continuous shift work will be 34.6 hours per week, for semi-continuous shift work 35.8 hours and for day work 36.2 hours.<sup>27</sup>

PACE union members in Pasadena, Texas, ratified a new labour agreement with Crown Central Petroleum in January 2001 after a bitter five-year dispute and lockout. The new collective agreement provides wage increases of approximately 11.5 per cent in the first 13 months, with additional increases to follow. The new agreement protects seniority rights, preserves jobs and the union contract if the refinery is sold, keeps Crown's Pasadena refinery as part of national oil bargaining and encompasses a collective bargaining agreement that keeps standards consistent within the industry.<sup>28</sup>

In October 2000, 55,000 Venezuelan oil company and contractor workers agreed to a new collective agreement after a four-day strike. Bargaining took almost a year. The

<sup>23</sup> ICEM, Update No. 7/1996.

<sup>24</sup> ICEM, Update No. 11/1996.

<sup>25</sup> ICEM, Update No. 23/2000.

<sup>26</sup> Information supplied to the ILO by the Chemical Industry Federation of Finland.

<sup>27</sup> ICEM, Update No. 22/2000.

<sup>28</sup> ICEM, Update No. 3/2001.

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workers' union stated that the negotiations were complicated by the company's attempts to extricate itself from an agreement that had long been almost ready for signature. Oil workers' basic pay rose by 5,000 bolivars (about US\$7.25) per day, with a further increase of 1,000 bolivars per day from February 2001. Furthermore, PDVSA agreed to pay an additional 2.5 million bolivars in bonuses, and the minimum retirement pension rose to 250,000 bolivars per month.<sup>29</sup>

At top management level the numbers may not be so reliable, but it is reported that CEOs in the oil industry of the United States earn comparatively less than their counterparts in some other highly visible industries. The average CEO made 42 times the average blue-collar worker's pay in 1980, 85 times that in 1990 and a staggering 531 times that in 2000.<sup>30</sup> By contrast, top executives in the oil and gas industries received only five times that of oil and gas construction labourers – US\$107,970 on average in 1999 against US\$18,310. In petroleum refining, chief executives earned only six times more than production workers – US\$120,760 and US\$19,770 respectively in 1999.<sup>31</sup>

In China, management is being held accountable for loss-making. China National Offshore Oil Corporation, considered the sleekest and most progressive of the major Chinese oil companies, has a workforce of 30,000 and recorded profits of US\$330 million in 1999. Its senior management is remunerated in a form that resembles performance-related pay. Its parent company, CNPC, has asked key decision-makers and managers of any loss-making division to sign a “contract of responsibility for ceasing to lose”. Managers are given a time period in which to eliminate losses and are held personally responsible should the company fail to do so. PetroChina is more severe, with up to 75 per cent of senior management compensation tied to cost-cutting and profits.

#### **4.4.3. Working time**

Working hours in the oil and gas industries tend to be less – and more – flexible than in other industries. In most countries oil and gas employees work less than 40 hours a week. Shift work is common both offshore and onshore. With regard to working time, industrial relations focus on premiums, hours of work, continuous shifts and flexible work schedules.

#### **4.4.4. Working hours**

In Norway, the annual contractual working time for offshore workers is 1,612 hours. Onshore workers work 37.5 hours per week. In a flexible framework arrived at through collective bargaining, working hours are distributed over the period 6 a.m.-7 p.m. If the company should find it necessary to extend working hours over 37.5 hours, it must discuss the matter with union representatives.<sup>32</sup>

In Finland, the average weekly working time in continuous shift work is 34.6 hours, reduced from 34.8 hours as of 1 January 2001. Previously, working hours had remained

<sup>29</sup> ICEM INFO 4-2000 and Update No. 83/2000.

<sup>30</sup> AFL-CIO Executive Pay Watch, [www.aflcio.org/paywatch/ceopay.htm](http://www.aflcio.org/paywatch/ceopay.htm).

<sup>31</sup> United States Department of Labor, Bureau of Labor Statistics: *1999 National Industry-Specific Occupational Employment and Wage Estimates*, [www.bls.gov/data/home.htm](http://www.bls.gov/data/home.htm).

<sup>32</sup> Information supplied to the ILO by the Norwegian Oil Industry Association.

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unchanged since 1994.<sup>33</sup> In Romania, working hours average eight hours per day and 170 hours per month in a five-day week.<sup>34</sup>

In Poland, annual working hours in oil refining have fallen. In PKN Orlen S.A., annual working time was reduced from 2,128 hours in 1995 to 2,056 hours in 2000. In Rafineria Czechowice, working hours were reduced from 182.5 per month in 1994 to 167.3 per month in 2000.<sup>35</sup> In Lithuania, the working week consists of five days (40 working hours) and two days of rest.<sup>36</sup> Working hours in Turkey average 7.5 hours per day, five days per week, with overtime limited to 22.5 hours per month if need be.<sup>37</sup>

In Thailand, regular working time is 40 hours, five days per week. Average regular overtime is 5-10 per cent of the regular working time.<sup>38</sup> The average number of hours worked per day in Japan was 7.5 in 1999.<sup>39</sup>

Catering workers supplying Denmark's offshore platforms worked 14 days on and 14 days off for some years with 12 working hours per day, corresponding to 2,184 working hours per year. The routine then changed to 14 days on and 21 days off, still with 12 working hours per day corresponding to 1,747 working hours per year. As of 1 May 2001, the pattern will again be changed to 14 days on and 28 days off, still 12 hours per day, corresponding to 1,456 working hours per year.<sup>40</sup>

In the Province of Newfoundland and Labrador, where there is no collective agreement with trade unions, Canadian companies adhere to the province's Labour Standards Act, which set out a 40-hour week and requires a break after five hours worked.<sup>41</sup>

In China, weekly working hours dropped from 48 hours per week in 1994 to 40 hours in 1995.<sup>42</sup> Singapore is the only country that has reported an increase in working hours.

<sup>33</sup> Information supplied to the ILO by the Chemical Industry Federation of Finland.

<sup>34</sup> Information supplied to the ILO by the Ministry of Labour and Social Solidarity, Romania.

<sup>35</sup> Information supplied to the ILO by the Ministry of Labour and Social Policy, Poland.

<sup>36</sup> Information supplied to the ILO by the Ministry of Social Security and Labour, Lithuania.

<sup>37</sup> Information supplied to the ILO by the Chemical, Petroleum, Rubber and Plastic Industries Employers' Association of Turkey.

<sup>38</sup> Information supplied to the ILO by the Employers' Confederation of Thailand (ECOT).

<sup>39</sup> Information supplied to the ILO by the Japan Federation of Employers' Associations (NIKKEIREN).

<sup>40</sup> Information supplied to the ILO by the Ministry of Labour, Denmark.

<sup>41</sup> Information supplied to the ILO by Human Resources Development Canada.

<sup>42</sup> Information supplied to the ILO by the Ministry of Labour and Social Security, People's Republic of China.

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Average weekly standard working hours increased from 41.7 hours in 1994 to 42 hours in 2000. However, overtime was reduced from four to 2.1 hours in the same period.<sup>43</sup>

#### **4.4.5. Shift work**

In the United States, where workers in the marketing and refining divisions of the oil and gas companies are organized by the PACE union, workers normally work a five-day, 40-hour week. Overtime is paid for all hours worked by each employee in excess of his/her scheduled shift or in excess of 40 hours per week. Overtime is paid at the rate of 1.5 times the worker's basic hourly rate, or the rate of the job.<sup>44</sup>

Some collective agreements set a cap on hours of work. Texaco Refining and Marketing Inc., Bakersfield Plant, limits working hours to 16 hours in any 24-hour period. It also regulates shift work to a maximum of six consecutive eight-hour days, followed by not less than two consecutive days off. Similarly, Sun Co. Inc. (R&M), Toledo Refinery, stipulates that if a worker has completed 16 hours or more of work and has not received a work break of at least seven hours duration, he/she will not be required to work overtime.<sup>45</sup>

In Lithuania, overtime cannot exceed eight hours per week. Friday working time is one hour shorter than the regular working day. In the case of shift work and cumulated work hours, the working week consists of six working days. Working time for emergency personnel and watchmen cannot exceed 12 hours per day.<sup>46</sup>

In Norway, working hours for shiftworkers are generally shorter than for regular workers. In two-shift onshore work, the working schedule is 36.5 hours per week. For continuous shift work and comparable rotation arrangements, the working hours are 33.6 hours per week. In addition, the Working Environment Act stipulates that normal working hours are 1,872 hours per year and 300 hours of overtime may be worked in addition to this. Overtime work involves supplements. When reporting for overtime work at the end of contractual working hours, a minimum of two hours shall be paid. A supplement of 100 per cent shall be paid for overtime work after 20 hours. Sunday supplements are also 100 per cent. A supplement of 200 per cent shall be paid for overtime work on public holidays. Similarly, a supplement of 25 per cent shall be paid for night work performed during a regular shift.<sup>47</sup>

<sup>43</sup> Information supplied to the ILO by the Ministry of Manpower, Singapore.

<sup>44</sup> Articles of Agreement between Shell Oil Company, Norco Refinery and the Oil, Chemical and Atomic Workers' International Union, Local 4-750; Articles of Agreement between Texaco Refining and Marketing Inc., Bakersfield Plant, and the Oil, Chemical and Atomic Workers' International Union, Local 1-219; Mobil Agreement between Mobil Oil Corporation and the Oil, Chemical and Atomic Workers' International Union, New England Local 8-366; and Articles of Agreement between Sun Co. Inc. (R&M), Toledo Refinery, and the Oil, Chemical and Atomic Workers' International Union, Local 7-912.

<sup>45</sup> Articles of Agreement between Texaco Refining and Marketing Inc., Bakersfield Plant, and the Oil, Chemical and Atomic Workers' International Union, Local 1-219 and Articles of Agreement between Sun Co. Inc. (R&M), Toledo Refinery, and the Oil, Chemical and Atomic Workers' International Union, Local 7-912.

<sup>46</sup> Information supplied to the ILO by the Ministry of Social Security and Labour, Lithuania.

<sup>47</sup> Information supplied to the ILO by the Norwegian Oil Industry Association.

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In Finland, a five-shift work system in a 20-day cycle is used throughout the year.

At Rafineria Nafty Jedlicze S.A. in Poland, two types of shift-work schedule have been introduced: single shift and four-crew shift. A single shift schedule consists of an eight-hour, five-day working week. Between 1994 and 1995 the single-shift system consisted of 42 hours per week, plus 39 additional days off. In 1996, a 40-hour working week was introduced, which included 52 additional days off. A four-crew shift-work schedule consists of an eight-hour working day and a 40-hour working week. The scheduled work hours are four working days and one day off, or two days off following a night shift. If workers work on Sundays and public holidays they receive additional days off. In addition, in 1994 and 1995 shiftworkers were granted an extra 12 days off per calendar year. In 1996, these shiftworkers received an additional 12 work-free days.<sup>48</sup>

In Japan, shiftworkers worked an average of 11.13 hours per day in 1999. Overtime hours have declined from 14.9 hours in 1995 to 11.9 hours in 1999.<sup>49</sup>

#### **4.4.6. Occupational safety and health**

The special nature of many aspects of the oil and gas industries means that occupational safety and health issues form a vital and important part of industrial relations. The various issues are often discussed and negotiated between labour and management through, for example, joint safety and health committees. Given that oil company employees often work in remote or environmentally hostile parts of the world, certain safety and health issues are frequently unique to the petroleum industry.

Even so, collective bargaining in the United States makes no distinction between employees who are working in remote areas and those who are not. The agreements apply to all employees in the bargaining unit, regardless of location, although some provisions related to safety and health do focus on work in remote areas.<sup>50</sup>

#### **4.4.7. General improvement**

CONCAWE, the oil companies' European organization for the environment, health and safety, provides technical and economic studies relevant to oil refining, distribution and marketing in Europe. Its recent analysis of the European downstream sector noted that the lost workday injury frequency (LWIF), i.e. the number of injuries per 1 million hours worked, was 4.3 in 1999, slightly down on the average of the past four years and the long-term average of 4.5.<sup>51</sup>

Research by the United States oil and gas industries shows a general improvement in safety and health issues. In a review of safety data submitted by 118 American oil companies in 1999, the American Petroleum Institute (API) found that the industry has continued to improve its safety record over the past decade. The number of work-related injuries per 100 workers fell from 1.95 incidents in 1997 to 1.34 in 1998 and in fact has

<sup>48</sup> Information supplied to the ILO by the Ministry of Labour and Social Policy, Poland.

<sup>49</sup> Information supplied to the ILO by the Japan Federation of Employers' Associations (NIKKEIREN).

<sup>50</sup> Information supplied to the ILO by the Department of Labor, United States.

<sup>51</sup> *Hart's European Fuels News* (Houston, Texas), 20 Dec. 2000.

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decreased by an average of 4.6 per cent per year since 1986.<sup>52</sup> The API noted that fewer workplace injuries and illnesses were reported by every industry in the petroleum sector, the incidence rate decreasing by 71 per cent in petrochemical manufacturing, 66 per cent in refining, 64 per cent in natural gas processing, 58 per cent in pipeline operations, 51 per cent in exploration and production, and 20 per cent in retail.<sup>53</sup>

#### **4.4.8. Occupational safety and health issues offshore**

Drilling operations are often undertaken in hostile and remote environments where the potential for exposure to certain safety and health hazards and risks is increased. Offshore drilling workers are five times more likely to be injured than other offshore workers. The Worldwide Offshore Accident Databank (WOAD) Statistical Report, 1998, reported some 3,200 accidents to mobile offshore units and fixed offshore oil and gas installations on a worldwide basis in the 1970-97 period. More than 1,250 workers lost their lives in offshore accidents during this period, 166 offshore units were lost and a further 950 units suffered severe or significant damage.<sup>54</sup> The cause of such accidents is often attributed to human factors such as a macho attitude to safety, poor training, language difficulties affecting communication or an inadequate appreciation of the risks.<sup>55</sup> Thus, there is a clear need to embrace fully occupational safety and health issues in industrial relations.

For example, in the wake of a series of offshore accidents in early 2001, Brazilian oil workers have expressed their concerns about subcontracting and maintaining safety standards. They claim that subcontracting on an oil platform owned by Petrobras was a major cause of disaster. Shortly after a series of explosions on the world's biggest semi-submersible oil platform in March 2001, workers demanded that the right to stop work in case of danger be recognized and they also called for an end to subcontracting in the oil industry. They claimed that subcontract workers not on the direct payroll of the company where they actually work have demonstrably higher accident rates than do regular company employees. Since the beginning of 2000, there have been 95 significant accidents within Petrobras units, with 18 fatalities. Of these deaths, 16 were oil workers employed by subcontractors. The same union claims that, in the past three years, 81 subcontract workers have been killed on Petrobras offshore platforms and Petrobras is not providing adequate training for these workers. At the same time, drastically reduced numbers of workers mean that regular employees are also getting less safety training. Petrobras, whose monopoly on oil in Brazil has been overturned, employed 62,000 workers at the beginning of the 1990s but only 34,000 in 2001, despite an increase in production and activities.<sup>56</sup>

The Phillips Petroleum Company, which began the North Sea boom with its Norwegian Ekofisk discovery in 1969, has compiled a remarkable body of statistics on illnesses and injuries. It is noteworthy that, during the period 1985-98, a total of 90,453,122 hours of work were lost due to illness and injuries at the Ekofisk field in the production, drilling, maintenance and catering sectors. Phillips Petroleum alone lost

<sup>52</sup> *Oil Daily* (New York), 26 May 1999.

<sup>53</sup> *Oil Daily* (New York), 17 Apr. 1998.

<sup>54</sup> *World Oil* (Houston, Texas), 1 Oct. 1999.

<sup>55</sup> R.A. Hanson: "Rig health-risk audits will benefit operators, contractors", in *Oil and Gas Journal* (Tulsa, Oklahoma), 29 Nov. 1999, pp. 41-45.

<sup>56</sup> ICEM, Update No. 15/2001.

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35,394,121 work hours.<sup>57</sup> Much of the lost time was attributed to stress. One Norwegian study found that job stress among offshore workers was associated with the perception of risk. The more unsafe the respondents felt, the higher their level of stress. Data were collected from a survey carried out among employees of nine companies on 12 oil and gas platforms. The results suggest that health and safety measures specific to the offshore oil industry should be focused on reducing the physical workload, increasing communication to give workers an opportunity to influence the decisions made by their superiors, and reducing the employees' subjective perception of risk, which could be achieved by improving the status of safety on the platforms and by including the issue in collective agreements.<sup>58</sup>

#### **4.4.9. Medical services**

Norway has some of the toughest regulations covering the physical condition of workers going offshore and the medical facilities and personnel available for them there. Offshore, Norwegian regulations require that there be a clinic on board each platform and a state-registered nurse. Norsk Hydro's Norwegian E&P medical department has a team that includes one senior medical adviser, two staff physicians and 30 nurses to provide for the health needs of some 1,000 workers on nine platforms. Three occupational nurses, a physiotherapist and an industrial hygienist provide onshore medical care. At the Oseberg field centre, Norsk Hydro has two nurses on each of the three shifts. The nurses work two weeks on and three weeks off, then two weeks on and four weeks off. Everyone working offshore must have knowledge of first aid.<sup>59</sup>

With 40,000 employees worldwide in 49 countries, Norsk Hydro frequently dispatches specialists for upstream and downstream jobs from Norway to overseas locations, often at short notice. Some employees log up to 220 travel days per year, often to potentially unhealthy and risky regions. All travel, domestic and foreign, has an element of risk with regard to stress and illness. To meet this situation, Norsk Hydro has placed international travel under the umbrella of health, safety and the environment and has developed a health-care programme for the frequent traveller.<sup>60</sup>

<sup>57</sup> Leo Aalund: "Disease, trauma spur health-care push for oil travelers, expats", in *Oil and Gas Journal* (Tulsa, Oklahoma), 29 Nov. 1999, pp. 31-40.

<sup>58</sup> Pål Ulleberg and Torbjørn Rundmo: "Job stress, social support, job satisfaction and absenteeism among offshore oil personnel", in *Work and stress: An international, multidisciplinary quarterly of stress, health, and performance* (London, Taylor and Francis), Vol. 11, No. 3, pp. 215-228.

<sup>59</sup> Leo Aalund, op. cit.

<sup>60</sup> *ibid.*

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## 5. Social dialogue

### 5.1. What is social dialogue?

The term *industrial relations* does not only mean the relationships between unions and management with regard to wages and employment conditions, it also applies to public policies towards labour markets, labour and management organization and the legal and institutional framework laid down in ILO Conventions, within which these organizations can interact and exercise their rights.

The term *social dialogue* is more than just another term for industrial relations involving collective bargaining. It indicates a process of exchanging information and viewpoints that may ultimately facilitate successful negotiation.

Successful social dialogue requires active *tripartite* involvement: employers, workers and government. The term *tripartite cooperation* is necessarily a rather flexible expression, since the form and intensity of participation by workers' and employers' representatives in policy-making vary widely in differing national contexts. In its narrowest sense, tripartite cooperation means three-way interaction among government, employers' organizations and workers' organizations in formulating or implementing labour, social or economic policy. It also encompasses bipartite relationships between employers and trade unions, where the government acts as a silent partner by setting the parameters for the parties' interaction. Both bipartite and tripartite arrangements may serve a purely advisory role to governments or may involve negotiations leading to agreements. Moreover, in implementing social and economic policy, governments and representatives of employers and workers may be engaged in the day-to-day administration of tripartite institutions.<sup>1</sup>

The relevant ILO instrument concerning social dialogue is the Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113).

#### 5.1.1. Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113)

Recommendation No. 113 plays an essential role in the promotion of tripartism at the national level. It is broad in scope and states that measures appropriate to national conditions should be taken to promote effective consultation and cooperation at the industrial and national levels between public authorities and employers' and workers' organizations, as well as between these organizations (Paragraph 1). Such consultation and cooperation should aim, in particular, at joint consideration by employers' and workers' organizations of matters of mutual concern with a view to arriving, to the fullest possible extent, at agreed solutions (Paragraph 5).

In accordance with the spirit of this Recommendation, consultation and cooperation should aim at ensuring that the competent public authorities seek the views, advice and assistance of employers' and workers' organizations in an appropriate manner, in respect of such matters as:

<sup>1</sup> Anne Trebilcock et al.: *Towards social dialogue: Tripartite cooperation in national economic and social policy-making* (Geneva, ILO, 1994), p. 3.

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- (a) the preparation and implementation of laws and regulations affecting their interests;
  - (b) the establishment and functioning of national bodies, such as those responsible for the organization of employment, vocational training and retraining, labour protection, industrial health and safety, productivity, social security and welfare; and
  - (c) the elaboration and implementation of plans of economic and social development (Paragraph 5).

## 5.2. Application of social dialogue

Although each country has a slightly different interpretation of social dialogue, many agree that it is an important instrument for forging industrial relations. In France, one chemical and energy workers' union (FCE-CFDT) called for social dialogue on the future of employment, work organization and work time within TotalFinaElf. The union knew that the merged companies, with a combined workforce of 150,000, would shed some 4,000 jobs over three years, half of them in France.<sup>2</sup>

The promotion of social dialogue has gained considerable ground in South Asia. It is now widely recognized that social dialogue and sound industrial relations can contribute to increased employment opportunities by improving the efficiency and competitiveness of member States. They also enable employers and workers to achieve an optimal balance between the efficiency of the enterprise and adequate social protection for workers, enabling them to share the benefits of growth.<sup>3</sup> The Ministry of Manpower in Singapore believes that social dialogue helps the parties better to understand and address concerns in collective bargaining. This facilitates dispute settlement and minimizes the likelihood of industrial action occurring in the refining industry.<sup>4</sup> The Government of Malaysia stresses that social dialogue contributes to creating a social consensus in the oil and gas industries. Social dialogue has contributed to reducing industrial conflicts, thereby paving the way for much needed harmony in the industries during the Asian financial crisis.<sup>5</sup>

## 5.3. European works councils (EWCs)

Social dialogue has often been developed at the company or enterprise level to promote information exchange between labour and management. In the European Union, however, the coverage of the information exchange mechanism goes beyond one company in a given country. After many years of exhaustive discussions, the European Works Council (EWC) Directive was adopted in 1994. This is a vehicle for promoting social dialogue in transnational corporations operating in different EU member countries.

The directive applies to community-scale undertakings or groups, defined as those with at least 1,000 employees within the Member States and at least 150 employees in each of at least two Member States. EWCs are international forums of workers' representatives

<sup>2</sup> *Chemical News & Intelligence* (London), 14 Sep. 1999.

<sup>3</sup> ILO: *Decent work in Asia: ILO activities in the region*, Report of the Director-General, Thirteenth Asian Regional Meeting, Bangkok, 2001, p. 125.

<sup>4</sup> Information supplied to the ILO by the Ministry of Manpower, Singapore.

<sup>5</sup> Information supplied to the ILO by the Ministry of Human Resources, Malaysia.

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and senior management. Each is required to meet at least once a year. Regular meetings may be scheduled more frequently, and there are provisions for emergency meetings if necessary.<sup>6</sup>

EWCs aim to communicate information on strategic business issues with transnational implications between the parties. However, the terms of reference exclude discussion of collective bargaining issues. The normal procedure is for management to present information to which employee representatives are able to respond. In principle, consultation takes place over corporate decisions that affect workers in more than one country. Some EWCs are employee-only bodies; however, the majority are joint management-employee structures in which employee representatives have the right to hold their own separate pre-meetings.

### **5.3.1. European works councils in the oil and gas industries**

Until recently, there were 15 European works councils in the oil- and gas-production and oil refining sectors. The largest EWC, representing just over 70,000 employees at the European level, is that of the Italian state company, ENI. The next largest EWC, representing about 15,000 employees, is that of BP Oil Europe. These are followed by the Norsk Hydro EWC, which represents about 14,000 employees.

Because the EWCs may exchange confidential corporate financial information, the details of EWC meeting discussions are not available to the public. However, it is helpful to see what subject matters are covered and how the employees' representatives are selected so that we may gauge to what extent EWCs function as a tool to increase mutual trust and confidence between the parties.

Some companies have concluded agreements with their employees to enable the employees' trade union organizations to select their representatives to attend the EWC committee. Norsk Hydro, for example, has established a structure for social dialogue that consists of representatives of management and representatives of employees working in Norsk Hydro establishments in the EU.<sup>7</sup> Similarly, ENI has established the European Company Committee of Workers, where employees' representatives are selected by the national trade union organization.<sup>8</sup>

What the EWCs discuss varies from company to company. BP Oil Europe's EWC, the Oil Europe Employee Forum (OEEF), comprising the CEO, the COO, the HR director and 20 employee representatives, deliberates on company performance, European strategy and other significant European issues. In addition, OEEF will be informed and consulted in good time on any envisaged transnational measure that is likely to have serious consequences for the interests of employees.<sup>9</sup>

<sup>6</sup> European Works Council Directive, 1994, article 2.

<sup>7</sup> Norsk Hydro Agreement between Fellesforbundet, NKIF and Norsk Hydro on the establishment of a structure for social dialogue at the European level for the Norsk Hydro Group.

<sup>8</sup> ENI Agreement for the institution of the European Company Committee of Workers of the ENI Group.

<sup>9</sup> BP Oil Europe Agreement on Information and Consultation.

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The EWC operating within Norsk Hydro, the European social dialogue, discusses topics that are of general importance but related to the company's European activities. These include structure, the economic and financial situation, business development, production, sales, employment, safety, environment, training policy, new production technologies and working methods. Issues relating to one company or division only, may not be raised, nor may issues relating to wages and compensation. The meetings are to be used for consultation and the topics are determined in a way that is constructive to the exchange of viewpoints.<sup>10</sup>

At ENI, the European Company Committee of Workers may discuss the following topics:

- economic-financial situation of the group;
- business and investment plans of the group;
- employment situation;
- reduction in size or closure, of companies or production units which have transnational repercussions;
- transfers of production outside of the EU;
- introduction of new work methods or new production processes;
- transnational mobility plans for group workers;
- health and safety issues;
- professional training; and
- positive action programmes.<sup>11</sup>

Issues to be discussed at the EWC set up by the Phillips Petroleum Company include topics of general interest and importance to the employees of the entities of the company in the European Union. These topics, similar to those for the Norsk Hydro EWC, include safety and the environment, the economic and financial situation, development of the business, production and sales, organizational structure and new work methods.<sup>12</sup>

[Appendix 1](#) shows the structure and goals of the EWCs at eight selected oil and gas companies.

<sup>10</sup> Norsk Hydro Agreement between Fellesforbundet, NKIF and Norsk Hydro on the establishment of a structure for social dialogue at the European level for the Norsk Hydro Group.

<sup>11</sup> ENI Agreement for the institution of the European Company Committee of Workers of the ENI Group.

<sup>12</sup> Agreement between Phillips Petroleum Company entities and employees of Phillips Petroleum Company entities on the establishment of a European works council (EWC) at the level of the European Economic Area.

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## 5.4. Promoting social dialogue – The United States approach

Even though the United States Government does not take a lead role in promoting social dialogue, it recognizes the importance of social dialogue in enabling the parties to discuss and appreciate each other's views on the issues.<sup>13</sup> Despite the lack of tripartite institutions, there has been a clear upward trend in bipartite consultation and partnership building between labour and management in recent years. A common institution of bilateral social dialogue at the company level is the labour-management partnership.

As a result, according to the 1995 report from the Dunlop Commission, by 1991, 64 per cent of American firms with 50 or more employees had some form of employee involvement programme. Some were health and safety committees at a plant location, others utilized “interest-based bargaining” techniques in contract negotiations, and a very few partnerships included joint decision-making about issues previously considered business decisions, such as financial matters and operating planning.<sup>14</sup>

One example is the High Performance Work Organization (HPWO) Partnership introduced by the International Association of Machinists and Aerospace Workers (IAM), which includes the petrochemical workers in the United States. The IAM describes the HPWO Partnership as a new approach defined by labour and management to the way in which employees design, build and deliver products and services. Trade unions continue to perform their traditional duties, such as the representation of workers' collective and individual interests, and also take on new or expanded duties, such as communicating and leading the jointly defined change process.

An HPWO Partnership aims to expand cooperation between labour and management, while a collective bargaining agreement provides mechanisms to resolve differences between the parties. In time, as the partnership develops, the mode of collective bargaining may change to reflect the maturity of the partnership. An HPWO Partnership features joint labour-management involvement in areas including decision-making in critical business functions; development of continuous learning and skills development, integration of leading-edge technology, determination of the definition of quality and customers expectations, shared technical and financial information, and review of the costs of design, prototype development, production and administrative overheads. Finally, the company must accept the union as the workers' representative.<sup>15</sup>

## 5.5. Promoting human rights and labour rights

At the World Economic Forum, Davos, Switzerland, in 1999, the Secretary-General of the United Nations urged world business leaders to “embrace and enact” a nine-principle Global Compact in order, inter alia, to uphold the principles enshrined in the ILO Declaration on Fundamental Principles and Rights at Work. These principles include freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. He also urged world business leaders to abide by the 1948 Universal Declaration of Human

<sup>13</sup> Information supplied to the ILO by the Department of Labor, United States.

<sup>14</sup> Katie Quan: *State of the art of social dialogue: The United States* (Geneva, ILO, 2000), p. 3.

<sup>15</sup> IAM HPWO Partnership, [www.iamaw.org](http://www.iamaw.org).

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Rights, which lays down the principle that all human beings are born free and equal in dignity and rights.<sup>16</sup>

In line with the Global Compact, international trade unions, including those in the oil sector, along with many oil and gas companies, have come out against forced labour in Myanmar. Another issue falling within the Global Compact framework involves the use of security forces to protect oil installations and operations.

In December 2000, in line with ILO principles, the United Nations Code of Conduct for Law Enforcement Officials and the United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, the Governments of the United States and the United Kingdom launched a set of Voluntary Principles on Security and Human Rights in the oil, gas and mining industries. These guidelines were initiated by the two governments, and a number of multinational companies, business organizations, international human rights groups, and the ICEM were involved in the process. The development of these guidelines was driven by the companies' need for an operating framework that "ensures respect for human rights and fundamental freedoms" when they engage private and public security forces to maintain the safety and security of their operations.

The governments' initiative came about as a result of numerous incidents in which large oil and mining companies had been sharply criticized by international trade union organizations and human rights groups for killings carried out by security forces in countries such as Nigeria and Colombia.<sup>17</sup> Companies and organizations that support this code include, but are not limited to, ChevronTexaco, Freeport McMoRan, Conoco, Royal Dutch/Shell, BPAmoco, Rio Tinto, ICEM, Human Rights Watch, Amnesty International, International Alert, Lawyers Committee for Human Rights, Fund for Peace, Prince of Wales Business Leaders Forum, and Business for Social Responsibility.

The voluntary principles centre on interaction of companies and public and private security forces, and the responsibility of companies and governments to ensure that human rights and labour rights are strictly protected. They state that "companies should use their influence" with public and private security forces to promote the principle that "the rights of individuals should not be violated while exercising the right to exercise freedom of association and peaceful assembly, the right to engage in collective bargaining, or other related rights of company employees as recognized by the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work".

The voluntary principles require a company to set up a monitoring mechanism to monitor any wrongdoings by private security and state that: "All allegations of human rights abuses by private security should be recorded. Credible allegations should be properly investigated. In those cases where allegations against private security providers are forwarded to the relevant law enforcement authorities, companies should actively monitor the status of investigations and press for their proper resolution."<sup>18</sup>

<sup>16</sup> [www.unglobalcompact.org](http://www.unglobalcompact.org).

<sup>17</sup> *Financial Times* (London), 21 Dec. 2000.

<sup>18</sup> United States, Department of State: "Voluntary Principles on Security and Human Rights" (Dec. 2000).

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## 5.6. Strengthening the social partners

Generally, the number of industrial disputes in the oil and gas industries has declined. Industrial relations have improved but union influence has also declined. The fall in trade union sign-up rates is a cause for serious concern because it will hinder the fostering of sound social dialogue.

One of the reasons why union membership has declined is a fall-off in new hires in the oil and gas industries. The number of people in the oil and gas extraction industry in the United States declined from 336,500 in 1994 to 304,400 in 2000 (not seasonally adjusted).<sup>19</sup> The unionization rate in the petroleum sector (including coal products) was 25.1 per cent in 1995, declining to 23.8 per cent in 2000. There were no major work stoppages (1,000 or more workers) in the United States between 1994 and 2000 in the oil and gas production and oil refining industries.<sup>20</sup> In Alberta, Canada, total employment increased from 71,400 in 1999 to 76,100 in 2000, with the unionization rate also increasing marginally from 8.5 per cent to 8.9 per cent.<sup>21</sup>

In Norway, over 80 per cent of offshore oil company employees (excluding managerial personnel) belong to unions.

Some trade unions report that rationalization or introduction of technology was a major cause of their losing memberships. The National Union of Petroleum and Chemical Industry Workers of Malaysia stated that a switch in refining methods from manual to automation reduced the unionization rate by about 10 per cent.<sup>22</sup>

The decline in union membership has led some oil and gas trade unions to merge with other organizations to increase their political presence following the tried and true principle that there is power in numbers. In Greece, there was a unification of the two oil workers' unions in 2001. At a time when oil and gas companies are merging in order to better serve corporate and shareholder interests, the creation of the new unified federations is seen as the trade unions' best response. This opens the way for the creation of a stronger industry-wide union to deal with the increased demands and problems of the oil industries' workers. Trade union unification in Greece is of particular importance as fragmentation of the trade union movement in this country is common.<sup>23</sup> Similarly, in North America, the 320,000-member PACE union, formed in 1999 by the merger between the Oil, Chemical and Atomic Workers' International Union and the United Paperworkers' International Union, now represents the majority of workers in the United States oil refining industry.<sup>24</sup>

Oil and gas trade unions have explored pushing their national boundaries to create regional union linkages to strengthen their presence. In 1999, trade unions representing

<sup>19</sup> Information supplied to the ILO by the Department of Labor, United States.

<sup>20</sup> Information supplied to the ILO by the Department of Labor, United States.

<sup>21</sup> Information supplied to the ILO by the Government of Alberta, Canada.

<sup>22</sup> Information supplied to the ILO by the National Union of Petroleum and Chemical Industry Workers, Malaysia.

<sup>23</sup> European Foundation for the Improvement of Living and Working Conditions: "Two oil workers' federations merge" ([www.eiro.eurofound.ie](http://www.eiro.eurofound.ie)), 28 Mar. 2000.

<sup>24</sup> ICEM, Update No. 2/1999 and [www.paceunion.org](http://www.paceunion.org).

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workers in the oil and gas industries of Argentina, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Peru, Suriname, Trinidad and Tobago, United States and Uruguay unveiled the formation of an oil and gas union solidarity network in the western hemisphere. Common challenges include the privatization of state-owned energy companies, violence against union leaders, union-busting, low prices for oil and gas, over-capacity, reorganization, and corporate mergers and acquisitions. The latter, according to the unions, leads to increased concentration of power in the hands of an ever-decreasing number of employers, dwindling employment levels as a result of corporate downsizing, unsafe and unhealthy working conditions, and common multinational corporate employers attempting to play workers in different countries off against each other.

To confront these challenges, the unions put forward a joint plan of action, which includes issues such as the sharing of information on working conditions and collective bargaining in their respective countries, the formation of global union networks at targeted multinational companies, and joint efforts to assist unions engaged in collective bargaining, dispute settlement and organization at common multinational corporations.<sup>25</sup>

## **5.7. Codes of conduct**

A recent important event in the area of industrial relations relating to globalization and multinational companies is the sudden proliferation of codes of conduct. Most codes of conduct reflect a multinational company's view of what the desired improvements in labour practices should be. [Appendix 2](#) compares the codes of conduct of four oil and gas companies.

## **5.8. Promoting social dialogue at the global level**

Many challenges arising from globalization have led to agreements between unions and companies as part of increasing international social dialogue. A first agreement in the oil and gas industries was concluded in July 1998 between Statoil, the Norwegian-based state multinational, and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM). The agreement commits Statoil to the promotion of human rights and environmental and labour standards in their respective communities where it has subsidiaries.<sup>26</sup> The agreement was further strengthened in March 2001. A distinguishing feature of the agreement is that ICEM and its affiliates are fully involved in monitoring its application to Statoil's operations, which cover 23 countries and involve more than 16,000 employees. Statoil and ICEM, along with the Norwegian Oil and Petrochemical Workers' Union, will meet every year to review the implementation of the agreement.

In a sense, the agreement secures the company's licence to operate internationally. ICEM considers that this agreement is different from company-driven codes of conduct because it enables ICEM to monitor implementation and gives the unions the opportunity to raise any breaches of the agreement with the global corporate management or the international industry federation to ensure that standards are being systemically respected.<sup>27</sup>

<sup>25</sup> ICEM, Update No. 20/1999.

<sup>26</sup> Europe Energy, Europe Information Service (Brussels), 30 Mar. 2001.

<sup>27</sup> ICEM INFO 2/2000.

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## 6. Summary and suggested points for discussion

### 6.1. Summary

The oil and gas production and the oil refining industries are known to be capital-intensive. If anything, the trend in capitalization is increasing, to the detriment of a once large and skilled workforce. Thirty years ago some 30 vertically integrated oil companies dominated the petroleum arena; today there are less than ten and the number continues to fall. A tremendous number of workers in the oil and gas production industry have been laid off. The companies that shed them, owing to low oil prices and mergers, find, when they need to employ workers again, that the skill sets have been lost to the industry and that the number of graduates in petroleum disciplines has diminished.

In the oil refining industry, which is less profitable than the oil and gas production industry, margins are volatile but employment on a global scale has remained unchanged for the past ten years as decline in one region is compensated by new capacity, and jobs, in another. Production capacity has increased in the Asia-Pacific region and in the Middle East, but it has declined in Western Europe and in the former USSR.

One of the most important mechanisms to unite employers, employees and government in a common cause is freedom of association. This principle is enshrined in ILO Convention No. 87 concerning freedom of association and protection of the right to organize and Convention No. 98 concerning the right to organize and collective bargaining. The few complaints that are presented to the ILO supervisory bodies do not, in any way, accurately reflect the extent of the violations that occur. One often-used justification for restricting the right to strike in the oil and gas industries is the *essential services* argument. The ILO Committee of Experts on the Application of Conventions and Recommendations states, however, that essential services are those services whose interruption would endanger the life, personal safety or health of the whole or part of the population.<sup>1</sup> Certain countries repeatedly violate ILO Conventions and persistently refuse to adhere to even the fundamental Conventions.

For both employees and employers, the most important function of collective bargaining is to regulate wages and working conditions. ILO Convention No. 98 recognizes the right to bargain collectively. Collective bargaining is organized either centrally or at the enterprise level. Centralized and sectoral negotiations have long been a tradition in the oil and gas industries in Western Europe. However, a recent trend points to decentralization of collective bargaining. Many oil and gas employees negotiate at company, enterprise or plant level. Where a central negotiation mechanism is absent, the oil and gas trade unions have developed pattern bargaining, where the agreement resulting from negotiations serves as a model for the rest of the industry.

ILO Convention No. 98 mandates the parties to respect the principles of voluntary negotiation. The exercise of the right to collective bargaining requires that workers' organizations are independent and not under the control of employers or employers' organizations. This right is not respected in some major oil-producing countries.

<sup>1</sup> See Norway, in ILO: *Report of the Committee of Experts on the Application of Conventions and Recommendations*, Report III (Part 1A), International Labour Conference, 89th Session, Geneva 2001, p. 293.

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Collective agreements in the oil and gas industries do not differ from those in other industries. The terms of a collective agreement usually include wages, working hours, rest hours, overtime work, shift work schedules and shift work premiums, lay-offs and employment securities, among other issues. Generally, average earnings in the oil and gas industries are higher than those in other industries. There are clear wage gaps by job category, by occupation and by gender. Working hours in the oil and gas industries are generally better than those elsewhere; most workers work less than 40 hours a week.

Safety and health issues are another important part of collective bargaining. Generally, safety in the oil and gas industries has improved; however, contract workers appear to be involved in twice as many serious accidents as regular employees. Furthermore, offshore work in the oil and gas production industry, particularly in the harsh climate of the North Sea and the far eastern areas of the Russian Federation, poses some of the highest risks of any industry.

The strength and effectiveness of social dialogue lies in constructive tripartism. Bipartite social dialogue is also valid, as long as it furthers positive decision-making in labour and social policies.

Social dialogue in the oil and gas production and the oil refining industries has a long way to go. However, the European works council (EWC) directive of 1994 has taken root in the industry and EWCs can provide a forum to improve industrial relations.

Trade unions in the oil and gas industries have been losing membership and have explored new approaches at both national and international levels. At the national level, they have merged with other trade union organizations in order to increase their impact. Internationally, union mergers have resulted in valuable support for regional oil and gas workers. Statoil, for example, has made an unprecedented transparent commitment to allow the 20-million member ICEM union to monitor its conduct in 23 countries.

## **6.2. Suggested points for discussion**

1. What are the key elements that underpin good industrial relations in the oil and gas industries? What roles do employers' and workers' organizations play in developing and implementing these elements?
2. What are the industrial relations issues (such as collective bargaining, wages, working conditions and occupational safety and health) that are of special concern to the exploration, production and refining sectors? How should these be addressed?
3. What measures should be used to ensure the exchange of information in relation to mergers and acquisitions, and to ensure prior consultation between the social partners in enterprises? How should good industrial relations be promoted and achieved in joint ventures and following mergers and acquisitions?
4. What measures should be taken to promote and achieve good industrial relations within contracting companies, and between contracting companies and the principal employer?
5. How can the frameworks and institutions for social dialogue in the oil and gas industries be set up or improved?
6. How can changes in the environment of social dialogue, such as the move from negotiations at the national and industry levels to those at the enterprise level, best be managed?

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7. What are the training needs of those in government, enterprises and workers' organizations who deal with industrial relations in the oil and gas industries? How should these be met?
  8. To which activities should the ILO give priority in order to assist its constituents in the oil and gas industries to enhance social dialogue at the international and national levels?

## Appendix 1

### Structure and goals of European works councils of selected oil and gas companies

	Norsk Hydro	ENI	Elf Aquitaine	Shell	Texaco	Repsol	BP Oil Europe	Mobil Exploration and Producing
Home country	Norway	Italy	France	Netherlands and United Kingdom	United States	Spain	United Kingdom	United States
Month and year of agreement	August 1994	April 1995	July 1994	July 1996	April 1996	April 1998 (reference to disputes over interpretation of the agreement: agreement identifies the legal framework to be applied or the courts which have jurisdiction)	June 1994	May 1996
Employee-side signatories (or ratification)	– International trade union organizations(s) – National trade union organization(s) from one country	–	– International trade union organization(s) – National trade union organization(s) from two or more countries	Employee representatives	Employee representatives	–	Employee representatives	Employee representatives
National law applicable? If yes, which country?	Yes. Norway	Yes. Italy	Yes. France	Yes. Netherlands	No	–	No	No
Are any non-EEA-17 European countries included?	No	No	Yes. Switzerland and United Kingdom	Yes. Switzerland and United Kingdom	Yes. United Kingdom	No	Yes. Switzerland, Turkey and United Kingdom	Yes. United Kingdom
If the United Kingdom is not included, is it specifically excluded?	No information	–	–	–	–	–	–	–

	Norsk Hydro	ENI	Elf Aquitaine	Shell	Texaco	Repsol	BP Oil Europe	Mobil Exploration and Producing
Nature of body	Joint management-employee structure	Employee-side structure only	Joint management-employee structure	Employee-side structure only	Joint management-employee structure	Joint management-employee structure	Joint management-employee structure	Joint management-employee structure
Business structure covered	Group plus divisional	Group-wide only	Group-wide only	Group-wide only	Group-wide only	Group-wide only	Divisional only	Divisional only
Stated role of body	Information and consultation	Information and consultation	Information and consultation	Information and consultation	Information and consultation	Information and consultation	Information and consultation	Information and consultation
Issues dealt with by EWCs	<ul style="list-style-type: none"> <li>- Structure</li> <li>- Business, production, sales</li> <li>- Economic and financial situation</li> <li>- Employment/social issues</li> <li>- New working methods/product-ion processes/ technology</li> <li>- Training</li> <li>- Health and safety</li> <li>- Environment</li> </ul>	<ul style="list-style-type: none"> <li>- Business, production, sales</li> <li>- Economic and financial situation</li> <li>- Employment/social issues</li> <li>- Investment</li> <li>- New working methods/product-ion processes/ technology</li> <li>- Transfers of production, mergers, cutbacks, closures and collective redundancies</li> <li>- Training</li> <li>- Health and safety</li> <li>- Equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- Structure</li> <li>- Economic and financial situation</li> <li>- Employment/social issues</li> <li>- Organization</li> <li>- New working methods/production processes/technology</li> <li>- Research and development</li> </ul>	<ul style="list-style-type: none"> <li>- Structure</li> <li>- Business, production, sales</li> <li>- Economic and financial situation</li> <li>- Employment/social issues</li> <li>- Investment</li> <li>- Organization</li> <li>- New working methods/product-ion processes/ technology</li> <li>- Transfers of production, mergers, cutbacks, closures and collective redundancies</li> <li>- Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Business, production, sales</li> <li>- Economic and financial situation</li> <li>- Employment/social issues</li> <li>- Investment</li> <li>- Organization</li> <li>- New working methods/product-ion processes/ technology</li> <li>- Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Business, production, sales</li> <li>- Economic and financial situation</li> <li>- Employment/social situation (the above topics provide an illustrative, but non-exhaustive, list)</li> </ul>	<ul style="list-style-type: none"> <li>- Business, production, sales</li> <li>- Economic and financial situation</li> <li>- Investment</li> <li>- Transfers of production, mergers, cutbacks, closures and collective redundancies</li> <li>- Health and safety</li> <li>- Environment</li> </ul>	
Is the EWC specifically excluded from considering any issues? If yes, which ones?	Yes. Pay remuneration	No	No	No	Yes. Pay/ remuneration, personal matters	No	Yes. Issues already dealt with by national/local consultation/ bargaining, personal matters	Yes. Issues already dealt with by national/local consultation/ bargaining, pay/remuneration, personal matters, political matters

	Norsk Hydro	ENI	Elf Aquitaine	Shell	Texaco	Repsol	BP Oil Europe	Mobil Exploration and Producing
Is it possible to calculate the number of employee representatives? If yes, how many?	Yes, 36	Yes, 29	Yes, 54	No	Yes, 18	Yes, 22	Yes, 20	Yes, 11
Is the basis for distribution of seats specified? If yes, how are they distributed?	No	Yes. Workforce-size related only	Yes. Workforce-size related, but with guaranteed or extra representation for one or more country	Yes. Workforce-size related only	Yes. Workforce-size related only	Yes	No	Yes. Workforce-size related only
Is there a workforce-size threshold for the EWC? If yes, does this apply?	No	Yes, 150. Applies to all subsidiaries/ national operations	Yes, 200. Applies to some subsidiaries/ national operations	No	No	Yes, 50	No	No
How are lay representatives selected?	Subsequent agreement or consultation in some countries or operations and by specific means in one or more other countries or operations	Specific means in all countries or operations	Specific means in all countries or operations	In accordance with national law and/or practice in all countries or operations	Subsequent agreement or consultation in some countries or operations and by some specific means in one or more other countries or operations	–	In accordance with national law and/or practice in all countries or operations	In accordance with national law and/or practice in all countries or operations
Where specific means are identified, state which are included.	– Nomination by trade unions – Appointment by national works councils (or similar employee representatives)	– Nomination by trade unions	– Nomination by trade unions – Appointment by national works councils (or similar employee representatives) – Direct elections	–	Appointment by national works councils (or similar employee representatives)	–	–	–
If trade union nomination is checked, how is this method used?	As the primary or only method for some countries/operations	As the primary or only method for all countries/operations	As the primary or only method for some countries/operations	–	–	–	–	–
Are there any employee-side members of the forum, other than lay representatives? If Yes, who are they?	No	Yes. National trade union officials	No	No	No	No	No	No

	Norsk Hydro	ENI	Elf Aquitaine	Shell	Texaco	Repsol	BP Oil Europe	Mobil Exploration and Producing
Can any non-members attend EWC meetings by right?	No	No	No	No	No	No	No	No
Can any non-members attend EWC meetings by invitation? If yes, who are they?	No	Yes. International trade union officials	Yes. Experts	Yes. Experts	Yes. Experts	Yes. As observers	No	No.
Who chairs EWC meetings?	Management representative	Not specified	Management representative	Management representative	Management representative	Not specified	Management representative	Management representative
If management chairs EWC meetings, can employee side elect an EWC official?	No	-	Yes	Yes	No	-	No	Yes
Is it specified how the agenda for EWC meetings is set? If yes, how is the agenda set?	Yes. By some joint process	Yes. By some joint process	Yes. By some joint process	Yes. By some joint process	Yes. Solely by management	Yes. By some joint process	Yes. By some joint process	Yes. By some joint process
Is there a select committee/bureau? For what is it responsible?	No	No	Yes. An employee-side body responsible for: - communication, liaison, coordination; - agenda-setting; - receiving ongoing information/consultation	Yes. An employee-side body responsible for: - communication, liaison, coordination	No	No	Yes. An employee-side body responsible for: - communication, liaison, coordination; - agenda-setting; - drawing up minutes/communique; - calling extraordinary EWC meetings	No
Is it specified how the minutes or report of EWC meetings are drawn up? If yes, how are the minutes or report drawn up?	Yes. Solely by management	No	Yes. Solely by the employee side	Yes. By some joint process	Yes. Solely by management	No	Yes. By some joint process	Yes. By some joint process



	Norsk Hydro	ENI	Elf Aquitaine	Shell	Texaco	Repsol	BP Oil Europe	Mobil Exploration and Producing
Which activities does the agreement require management to provide/fund?	<ul style="list-style-type: none"> <li>- Interpretation, translation</li> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Accommodation and travel for EWC members</li> </ul>	<ul style="list-style-type: none"> <li>- Interpretation, translation</li> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Accommodation and travel for EWC members</li> <li>- Costs of preparatory meetings</li> <li>- Secretarial/technical assistance for EWC or select committee</li> </ul>	<ul style="list-style-type: none"> <li>- Interpretation, translation</li> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Paid time off for some or all employee representatives to carry out their duties (other than attending meetings)</li> <li>- Accommodation and travel for EWC members</li> <li>- Costs of preparatory meetings</li> <li>- Costs of more than one expert</li> <li>- Training for employee representatives</li> <li>- Secretarial/technical assistance for EWC or select committee</li> </ul>	<ul style="list-style-type: none"> <li>- Interpretation, translation</li> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Paid time off for some or all employee representatives to carry out their duties (other than attending meetings)</li> <li>- Accommodation and travel for EWC members</li> <li>- Cost of one expert</li> <li>- Training for employee representatives</li> <li>- Secretarial/technical assistance for EWC or select committee</li> </ul>	<ul style="list-style-type: none"> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Accommodation and travel for EWC members</li> <li>- Training for employee representatives</li> </ul>	<ul style="list-style-type: none"> <li>- Interpretation, translation</li> <li>- Accommodation and travel for EWC members</li> <li>- Costs of preparatory meetings</li> <li>- Cost of one expert</li> </ul>	<ul style="list-style-type: none"> <li>- Interpretation, translation</li> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Accommodation and travel for EWC members</li> <li>- Cost of one expert</li> </ul>	<ul style="list-style-type: none"> <li>- Paid time off for employee representatives to attend meetings</li> <li>- Accommodation and travel for EWC members</li> </ul>
If translation/interpretation checked, which languages are provided for in the agreement?	All relevant languages	All relevant languages	All relevant languages	A restricted range of languages	-	A restricted range of languages	-	-
If translation/interpretation is not provided, does the agreement specify a single (company) language? Which one?	Yes. English	No	Yes. English	Yes. English	Yes. English	Yes. English and Spanish	Yes. English	Yes. English

	Norsk Hydro	ENI	Elf Aquitaine	Shell	Texaco	Repsol	BP Oil Europe	Mobil Exploration and Producing
Does the agreement contain a clause relating to confidentiality?	No	Yes	No	Yes. – Obligation on members to treat as confidential information identified as such – Sanctions for breach of confidentiality identified – Management may withhold potentially detrimental information – Experts specifically covered	Yes. – Obligation on members to treat as confidential information identified as such – Confidentiality obligations continue to apply after expiry of mandate – Sanctions for breach of confidentiality identified – Management may withhold potentially detrimental information – Experts specifically covered	Yes. – Obligation on members to treat as confidential information identified as such	Yes. – Obligation on members to treat as confidential information identified as such. – Joint process for establishing confidentiality – Sanctions for breach of confidentiality identified	Yes. – Obligation on members to treat as confidential information identified as such – Confidentiality obligations continue to apply after expiry of mandate
Does the agreement have any provisions on protection for employee representatives? If yes, what provisions?	No	Yes. Same protection as in national law/practice	No	Yes. Same protection as in national law/practice	No	Yes. Same protection as in national law/practice	Yes. Same protection as in national law/practice	Yes. Same protection as in national law/practice

Source: European Foundation for the Improvement of Living and Working Conditions.

## Appendix 2

### Comparison of codes of conduct of four oil and gas companies

	TotalFinaElf Code of Conduct	Royal Dutch/Shell Business Principles	BP Business policies	ChevronTexaco ChevronTexaco Way *
Scope	TotalFinaElf world group and its suppliers (on a voluntary basis). TotalFinaElf expects its suppliers to adhere to a code of conduct equivalent to its own	–	All BP business operations. BP seeks to influence its business partners to adopt similar policies	The group and its business partners. The company promotes the application of the principles by those with whom the company does business
Compulsory or voluntary	–	–	–	–
Freedom of association and the right to collective bargaining	Adheres to the principles of the International Labour Organization	–	Recognizes, consistent with local legislation, the right of every employee to form or join trade unions	Respects company employees' voluntary freedom of association
Union activities	Adheres to the principles of the International Labour Organization	–	Seeks to work in good faith with trade unions and other bodies that its employees collectively choose to represent them within the appropriate local legal framework	–
Wages	Adheres to the principles of the International Labour Organization	–	<p>Aims to clearly explain the relationship between group, business unit, team and individual performance and reward so that all employees understand how they can share in BP's success. The company will:</p> <ul style="list-style-type: none"> <li>– set base pay and benefits at competitive levels within each national and business framework;</li> <li>– explicitly link annual individual and team awards to business performance;</li> <li>– recognize and reward contributions to innovation and creative change and the building of effective business relationships;</li> <li>– give exceptional reward for exceptional performance;</li> <li>– encourage employees to become BP shareholders</li> </ul>	Compensates employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities

	<b>TotalFinaElf Code of Conduct</b>	<b>Royal Dutch/Shell Business Principles</b>	<b>BP Business policies</b>	<b>ChevronTexaco ChevronTexaco Way *</b>
Hours	Adheres to the principles of the International Labour Organization	–	–	–
Working conditions	Respect for the individual, absence of discrimination and protection of health and safety	Respects the human rights of employees, aims to provide employees with good and safe conditions of work and good and competitive terms and conditions of service, endeavours to promote the development and best use of human talent and equal-opportunity employment, and works to encourage the involvement of employees in the planning and direction of their work and in the application of company business principles within their company	–	Supports universal human rights, particularly those of company employees, the communities within which the company operates, and parties with whom the company does business. Provides a safe and healthy workplace, protects human health and the environment
Training	Career development facilitated by appropriate training	–	Encourages individuals to formulate personal development plans and play an active part in shaping their careers; coaches people in their development and makes training accessible to all to build relevant skills; actively encourages monitoring relationships to facilitate continual learning and growth; uses systematic selection and placement processes to make the best use of people's skills and abilities	–
Child labour	Adheres to the principles of the International Labour Organization	–	–	–
Openness and dialogue	Encourages dialogue, consultation and the dissemination of information	Provides comprehensive corporate information programmes and full relevant information about company activities to legitimately interested parties, subject to any overriding considerations of business confidentiality and cost	Handles organizational change that results in job dislocations with care and sensitivity through constructive dialogue and provision of all reasonable options	–

	<b>TotalFinaElf Code of Conduct</b>	<b>Royal Dutch/Shell Business Principles</b>	<b>BP Business policies</b>	<b>ChevronTexaco ChevronTexaco Way *</b>
Equal opportunity	Recruits personnel solely on the basis of company requirements and the qualities of individual candidates, ensures the development of company employees' professional skills and their careers without discrimination, in particular on the basis of race, gender, membership of any political, religious, or union organization or any minority group	-	Practises inclusion by eliminating intentional and unintentional exclusionary behaviours	Promotes equal opportunity for company employees at all levels of the company with respect to issues such as colour, race, gender, age, ethnicity or religious beliefs and does not accept the operation of unacceptable treatment of workers such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse
Implementation	-	-	Everyone working for BP is held accountable for implementing policies and raising with their management any issue where they are in doubt about the correct course of action they should take	-
Monitoring and reporting	-	-	Policies are integral to the company's broad system of internal control and to how assurance is provided across the group. Assurance is generated by a number of activities and processes. It is tailored to fit the particular circumstances of a business or functional unit and integrated into their overall management process and assurance plan	-
External reporting and auditing	-	-	-	-
Enforcement mechanisms	-	-	-	-
Penalties	-	-	Business unit leaders are responsible for ensuring that policies are understood and put into practice within their business units. Regional and country presidents should be consulted to ensure that the policies are appropriately aligned with local laws and practice. Wilful or careless breach or neglect of these policies will be treated as a serious disciplinary matter	-

\* The ChevronTexaco Way endorses the Global Sullivan Principles (a voluntary international code of conduct championed by the late Reverend Leon Sullivan).

Sources: Company web sites on the Internet.