



# COLLECTIVE BARGAINING: SOME TRENDS, IMPACTS, PRACTICES

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# OUTLINE



What is collective bargaining?

Why bargain over wages and other working conditions?

Where does collective bargaining take place?

What proportion of employees have their wages determined by collective agreements?

Inclusive and coordinated collective bargaining practices

Toward Inclusive Bargaining in Indonesia

# WHAT IS COLLECTIVE BARGAINING?



As defined by Article 2 of the Collective Bargaining Convention, 1981 (No. 154)

“all negotiations which take place between an employer, a group of employers or one or more employers’ organisations, on the one hand, and one or more workers’ organisations, 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 organisations and a workers’ organisation or workers’ organisations.”

# COLLECTIVE BARGAINING CAN BE...



**THIS...**



Source: <http://www.industrialunion.org>

**AND THIS**



# WHY BARGAIN COLLECTIVELY OVER WAGES AND WORKING CONDITIONS?



- ❑ **Fairer outcomes:** Imbalance in employment relations between managers and individual workers
- ❑ **Tailoring of wages** to industry and/or enterprise
- ❑ **Form of self-regulation:** Reduces onus on State to regulate and enforce wages
- ❑ **Common rules:** Foster industrial peace and stability
- ❑ **Protects wages:**
  - Coordinated or multi-employer bargaining takes wages out of competition
  - Greater compliance with ‘negotiated wages’

# ADVANTAGES OF COLLECTIVE BARGAINING



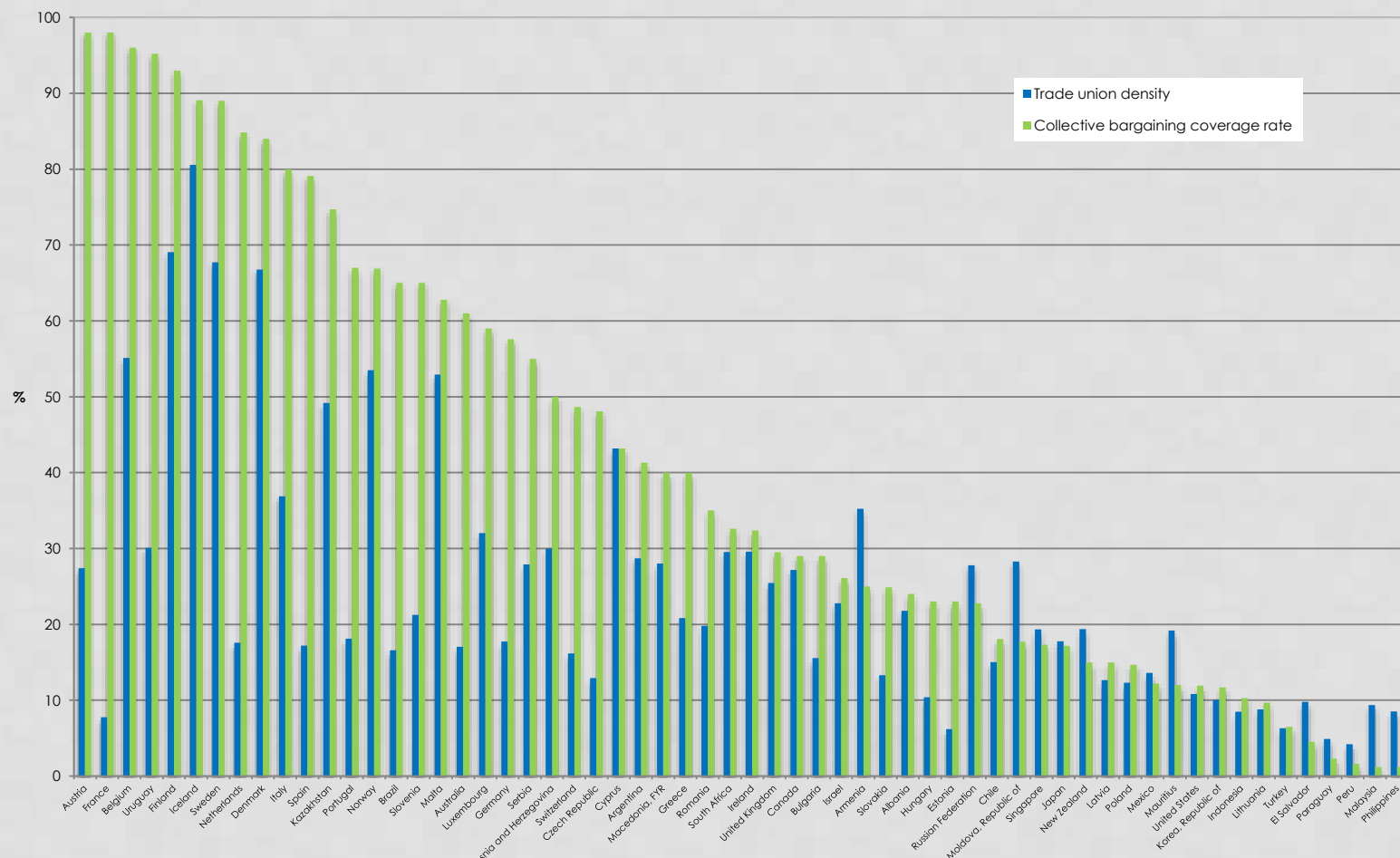
| Theme                  | Benefit                                                                                                                                                                                                                                                                                                                                         |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Job Quality            | <ul style="list-style-type: none"><li>• Facilitates job security and employment protection</li><li>• Creates opportunities for workplace participation</li><li>• Improves working conditions</li></ul>                                                                                                                                          |
| Equity                 | <ul style="list-style-type: none"><li>• Compresses wage structures and reduces wage gaps</li><li>• Enhances gender equality</li></ul>                                                                                                                                                                                                           |
| Labour Relations       | <ul style="list-style-type: none"><li>• Enables the acquisition of other rights</li><li>• Institutionalizes the resolution of disputes and contributes to stability in labour relations</li><li>• Legitimizes rules and increases compliance (statutory or CBA provisions)</li></ul>                                                            |
| Enterprise Performance | <ul style="list-style-type: none"><li>• Facilitates the adaptability of enterprises to a temporary fall or rise in demand</li><li>• Increases worker commitment and retention of skills</li><li>• Can lead to improved productivity and quality</li></ul>                                                                                       |
| Macroeconomic          | <ul style="list-style-type: none"><li>• Reduces inequality and allows for a fairer distribution of national income (better alignment of wages and productivity)</li><li>• Facilitates adjustment to economic shocks</li><li>• Coordinated bargaining can have a positive effect on economic performance (inflation, employment, etc.)</li></ul> |

# WHERE DOES COLLECTIVE BARGAINING TAKE PLACE?



| Structure                | Description                                                                                                                                                                                                                     | Example                                                                                  |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Enterprise-level         | Negotiations take place between a single employer and one or more trade unions                                                                                                                                                  | Japan, United States, United Kingdom                                                     |
| Branch or sectoral level | Collective bargaining in multi-employer arrangements or between sectoral employers' organizations and unions that branch or sector.<br>Bargaining may take place at other levels to articulate some issues (e.g. working time). | France, Germany, Netherlands, South Africa, Uruguay etc.                                 |
| National-level           | Negotiations at the national level provide guidelines or a framework for bargaining at the sectoral and/ or enterprise levels (e.g. on wages and working time).                                                                 | Belgium, Finland                                                                         |
| Mixed bargaining         | Level of bargaining is dependent on the sector                                                                                                                                                                                  | Tanzania (Public sector centralized; private sector enterprise-level), Republic of Korea |

# WHAT PROPORTION OF EMPLOYEES HAVE THEIR WAGES DETERMINED BY A COLLECTIVE AGREEMENT?

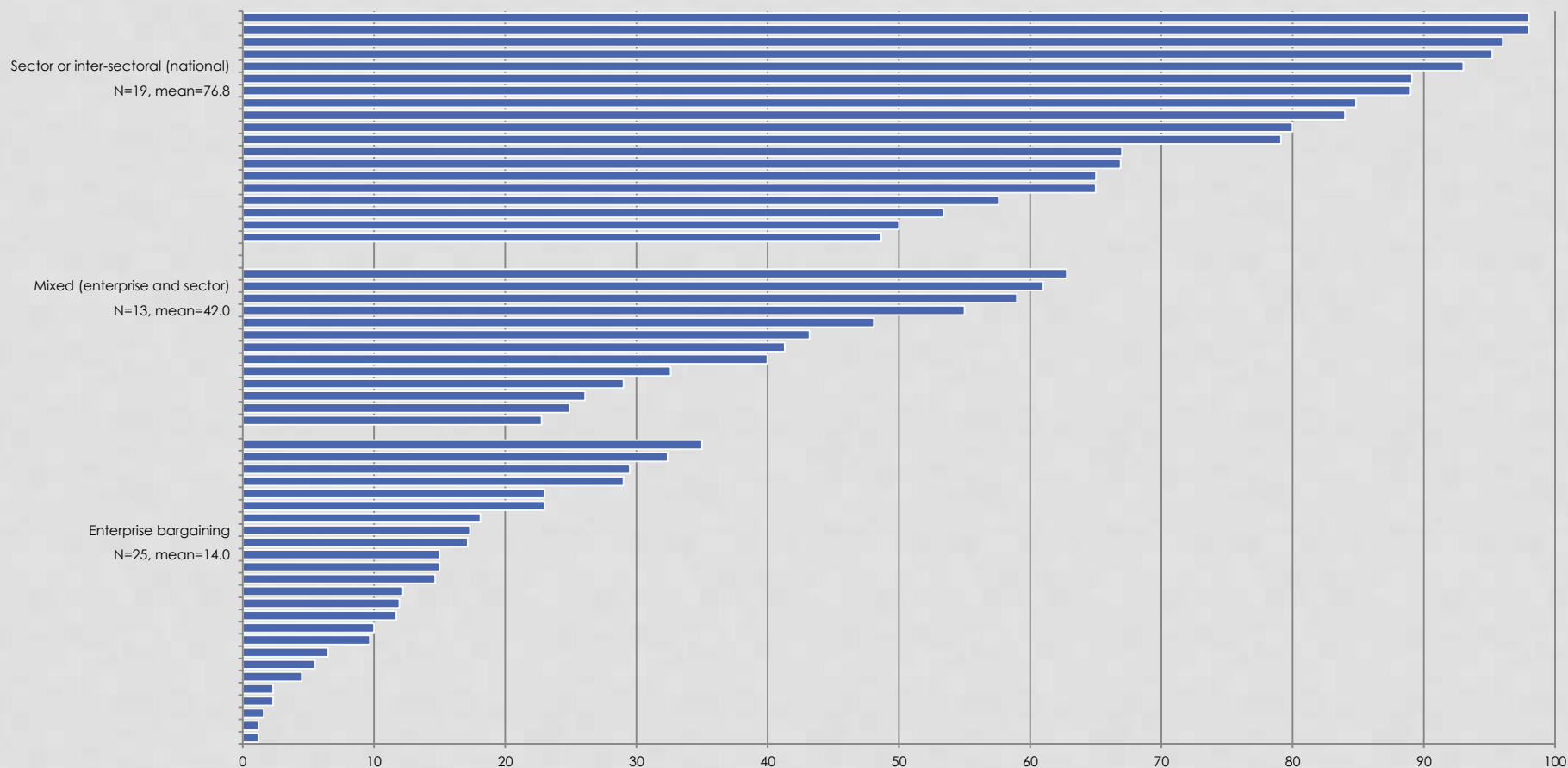


Source: [www.ilo.org/ilostat](http://www.ilo.org/ilostat) (IRData)

# HOW IS COVERAGE RELATED TO THE LEVEL OF BARGAINING?



## Level of Bargaining and Bargaining Coverage, 2012-2013

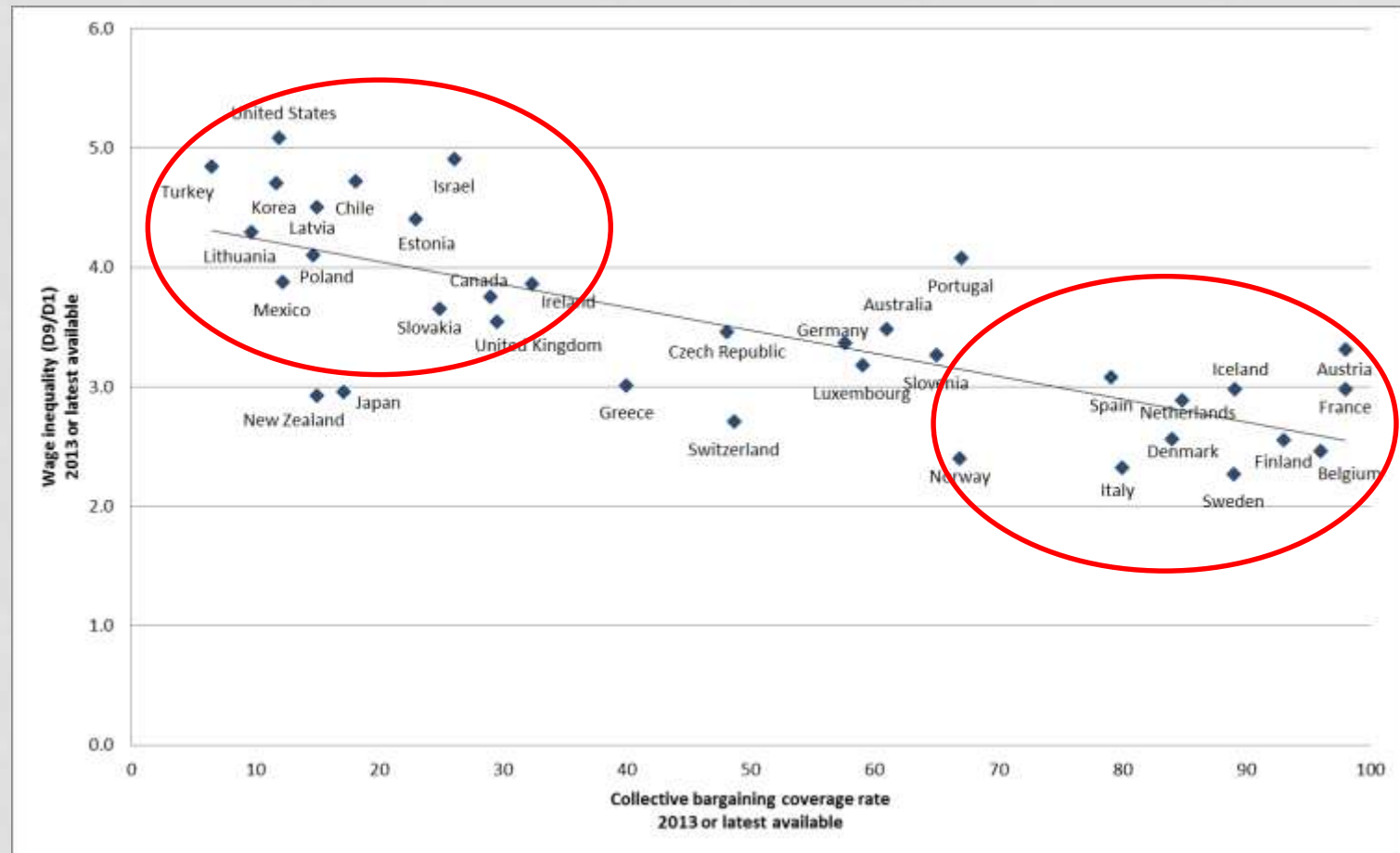


# CHARACTERISTICS: SINGLE AND MULTI-EMPLOYER BARGAINING



| Level                                                   | Single-Employer                                                                                                                                                                                                           | Multi-employer (sectoral or national)                                                                                                                                                                                                  |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Typical coverage:<br>Of employees<br>By enterprise size | <ul style="list-style-type: none"> <li>✓ Moderate or low</li> <li>✓ High in large enterprises</li> <li>✓ Low in small enterprises</li> </ul>                                                                              | <ul style="list-style-type: none"> <li>✓ High</li> <li>✓ Covers both small and large enterprises</li> <li>✓ CBAs may apply to both large and SMEs</li> </ul>                                                                           |
| Implications for distribution of wages                  | <ul style="list-style-type: none"> <li>✓ Standardizes pay rates and compresses <i>enterprise</i> wage structures</li> </ul>                                                                                               | <ul style="list-style-type: none"> <li>✓ Raises wage floors and standardizes pay rates across industry, with an equalizing effect on the wage distribution</li> </ul>                                                                  |
| Implications for enterprise efficiency                  | <ul style="list-style-type: none"> <li>✓ Agreements reflect the performance of enterprises and the competitive environment within which they operate</li> </ul>                                                           | <ul style="list-style-type: none"> <li>✓ Reduces (wage) differences between enterprises, providing an incentive for more efficient enterprises to innovate</li> </ul>                                                                  |
| Topics and level of detail                              | <ul style="list-style-type: none"> <li>✓ Topics tailored to needs of enterprise</li> </ul>                                                                                                                                | <ul style="list-style-type: none"> <li>✓ Can address issues affecting an entire industry (eg. social insurance)</li> <li>✓ Establishes wage floor and basic conditions of employment beyond the enterprise level</li> </ul>            |
| Application of Provisions                               | <ul style="list-style-type: none"> <li>✓ Provisions apply to the signatory parties and those they represent. Employers may choose to apply to all workers.</li> </ul>                                                     | <ul style="list-style-type: none"> <li>✓ Applicability of a collective agreement may be extended by a public authority to non-parties, provided certain conditions are met</li> </ul>                                                  |
| Coordination of Demands                                 | <ul style="list-style-type: none"> <li>✓ Vertical coordination</li> <li>✓ Pattern bargaining (e.g. follow lead of large companies)</li> <li>✓ By employers' organization or trade unions: e.g. Shunto in Japan</li> </ul> | <ul style="list-style-type: none"> <li>✓ Can be vertical (peak organization - members) or and horizontal coordination (e.g. among enterprises)</li> <li>✓ Coordination can occur across a single sector or multiple sectors</li> </ul> |

# INCLUSIVE COLLECTIVE BARGAINING COVERAGE AND WAGE INEQUALITY?



# MULTIPLE LEVELS IN BELGIUM



## Description of bargaining structure:

- Level: national, industry and enterprise.
- Two national bipartite councils engage in social dialogue with the government on economic and social issues.
- National agreement sets pay and working conditions every two years.
- Sectorial and enterprise level negotiations follow and tailor to the needs of workers.
- Works councils (CEs/ORs) provide channels for employee representation at the workplace. They meet monthly with the employer to discuss any current or future developments.
- The union delegation is responsible for bargaining with the employer on key issues.

## Key trends:

- Enhanced social dialogue at all level supports constructive negotiations.
- Automatic pay indexation linked to inflation.

# INDUSTRY BARGAINING: GERMANY



## Description of bargaining structure:

- Dominated by industry-level bargaining.
  - Negotiations take place between the unions and the employers' federations.
  - Work councils at the enterprise level can negotiate:
    - Agreements to raise the floor set out by the collective agreement.
    - Terms not covered by the collective agreement.
- Labour Minister can extend collective agreements
- Introduction of a statutory minimum wage (2014).

## Key trends:

- Increase in performance-related pay arrangements.
- Increased use of derogation in case of economic difficulty (opening clauses).

# WAGE COUNCILS IN URUGUAY



## Tripartite High-Level Council

- Tripartite dialogue
- Focus is on general economic trends, wage guidelines for collective wage negotiations in wage councils, and adjustments to the national minimum wage (subsequently determined by government).

## Wage Councils

- Wage Councils organized by sector in 24 branches of activity with tripartite composition (subsectors may be created).
- Wage negotiations occur (extended by the Ministry of Labour).
- May include contingency clause

## Enterprise Level

- Improve on standards set at higher levels.

# COORDINATION AND INCLUSIVITY: URUGUAY



## Description of bargaining structure:

- National minimum wage sets minimum floor for lowest category
- Tripartite Superior Council: Wage guidelines
- Tripartite Wage Councils at sectoral level negotiate adjustments in MW
- Bipartite collective bargaining at sectoral and enterprise levels
- Sectoral level dominant form of collective bargaining.

## Key trends in collective bargaining:

- Wages determined at the sectoral level (in CBAs)
- Union density (30% of employees)
- Collective bargaining reduces inequality
- Coverage by collective agreements (90%)

# COLLECTIVE BARGAINING STRUCTURE IN SOUTH AFRICA



Tripartite  
Council  
NEDLAC

Sectoral  
Determinations

MW  
Vulnerable  
sectors

Bargaining  
Councils

Extension of  
CBA  
establishes  
MW  
for  
sector

Voluntary  
MEB

Enterprise  
Level

Enterprise

Enterprise

# SECTORIAL BARGAINING: SOUTH AFRICA



## Description of bargaining structure:

- Mixed-level sectoral bargaining councils (public and private sector). Weak coordination, some pattern bargaining.
- Collective agreements can be extended by Minister of Labour, establishing a minimum wage for the sector.
- Minimum wages in other sectors through by Sectoral Determinations.

## Key trends in collective bargaining:

- Bargaining agenda includes wages, working time and other issues such as HIV/AIDS
- Collective bargaining reduces wage inequality but coverage only 33%
- Trade union density: 29%
- New issue: equal pay for contract workers and parity in pay and working conditions
- Dissatisfaction with pay is the number one reason for strike action.

# SINGLE AND MULTI-EMPLOYER COLLECTIVE AGREEMENTS IN SOUTH AFRICA



|                                | Smaller enterprises                                 | Larger enterprises and bargaining councils                                                                                                                           |
|--------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Definitions                    | Preamble                                            | Preamble                                                                                                                                                             |
|                                | Scope of the agreement                              | Scope of the agreement                                                                                                                                               |
| Duration of agreement          | More likely to be single year                       | More likely to be multi-year, although trade unions are increasingly resisting and attempting to return to single-year agreements                                    |
| Wages                          | Increase expressed as %, generally across the board | Increase expressed as %; generally across the board, although there are instances of staggered increases applied to broad categories (low, middle and higher grades) |
|                                | Increases less frequently linked to inflation       | Increases often linked to consumer price index using a formula including a factor of e.g. 1–2%                                                                       |
|                                | Base wage relatively common                         | Sometimes base wage for different grades; tendency to eliminate particular grades as a means of raising base wages and closing gaps                                  |
|                                |                                                     | Allowances, especially for shift work                                                                                                                                |
| Other conditions of employment | References to “status quo” without definition       | Clauses relating to short time more prevalent after 2009                                                                                                             |

# COORDINATION IN SINGLE EMPLOYER BARGAINING



source: [www.petertasker.asia](http://www.petertasker.asia)

## Shunto in Japan

- “Spring Wage Offensive.”
- A schedule for strike action is established.
- Every spring, through collective action, unions negotiate for higher wages with employers that covers an entire industry.
- Bargaining power is enhanced through centralized negotiations.
- Weakening of Shunto since 2000

# COORDINATION IN SINGLE EMPLOYER BARGAINING



## Pattern Bargaining in Korea

- Initiated by powerful enterprise unions
- Emerged in key industries such as automobile, electronics and shipbuilding.
- Unions try to set a pattern for the annual wages.
- Unions in similar industries would adapt to these wage increases.
- In addition to the wage increase, large unions further demanded additional bonuses, benefits.
- The widening wage gaps between the different firm sizes.



source: <http://www.bwint.org>

# BARGAINING TRENDS IN SE ASIA



- Collective bargaining coverage rates in SE Asia tend to be low – typically between 1% and 7% of formal sector employment (e.g., Thailand, Malaysia, Philippines). CB trends are flat or declining over time
  - Exception of Singapore – approx. 25% of workers covered
- Level of bargaining = enterprise level. Perhaps contributes to low levels of coverage
- Vietnam, Myanmar, Cambodia – emerging and changing patterns of bargaining

## SOME REFLECTIONS ON INDONESIA



- Approximately 11,000 enterprise agreements (CLA's) nation-wide. Many follow closely the law
- Rare for CLAs to include wage scale and other monetary benefits (e.g., higher leave pay). Often treated as confidential. Difficult to know extent and level of union benefits.
- Unionized workers overwhelmingly in large enterprises. Medium, small, micro not covered by CLAs
- Unions & employers also negotiate exemptions to prevailing MW rates

# SECTORAL/MULTI EMPLOYER MINIMUM WAGE FIXING IN WEST JAVA



- West Java negotiated minimum wages for certain sectors or groups of employers
- Can this serve as a basis for development of bipartite collective bargaining over time?
- Can also indicate some future functions of wage setting bodies at different levels
  - Support to and promotion collective bargaining and development of “wage scales”
  - Research, analysis and socialization on productivity, comparative wage levels, etc
  - Assistance to workers and employers to comply with CLA

# NON-ECONOMIC ISSUES IN BARGAINING



- Not all bargaining involves wages and other economic benefits. CLA can also include:
  - Union recognition clauses
  - Social dialogue and workplace cooperation mechanisms
  - Grievance handling and dispute resolution
  - Employment security and use of short term contracts
  - Gender equality and other forms of discrimination
  - Etc

# TOWARD INCLUSIVE BARGAINING IN INDONESIA



## What can governments and social partners do to promote inclusive and effective bargaining?

- Legal and institutional framework guarantee freedom of association and right to collective bargaining
- Encourage coordination and inclusive practices: tripartite institutions, wage guidelines, pattern bargaining
- Provide adequate financial and other information
- Encourage good faith bargaining
- Capacity building of partners
- Assist in preventing and resolving collective disputes