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## CURRENT INTERNATIONAL SITUATION AND TRENDS WITH COLLECTIVE BARGAINING

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### INTRODUCTION

Most employment relationships around the world continue to be governed by individual employment arrangements. Available data indicates that, in overall terms, collective bargaining coverage has been falling in recent years, although this trend is by no means uniform, varying from one region to another and within each region. Basic indicators such as trade union density and collective bargaining coverage are useful in identifying emerging and potentially long-term developments in individual countries, even if the picture they depict “does not tell the whole story”. This section of the paper addresses the issue of trends in these indicators and examines the current situation in collective bargaining systems across various geographical regions.

Researchers usually quote three underlying determinants of trade union density and collective bargaining coverage: political (e.g. the extent to which there is a favourable political climate; respect for freedom of association, and enabling legislation); economic (e.g. changes in economic and production structures and in workforce compositions); and behavioural (e.g. changing workers’ or employers’ attitudes and values). Some of these factors are more pronounced in some countries or geographic regions than others. While considerable data is available on trade union density and collective bargaining coverage in a number of countries, in many others such information is either not available or provides only a partial picture of the situation. Even where such data exists, there can sometimes be different and overlapping data sources in the same country, which has implications for the quality, consistency and therefore the reliability of what they purport to show. This said, the available information indicates that, while trends in trade union density can in some cases be seen as an indicator of the extent of collective bargaining coverage, there are other important considerations in determining the real role and impact of collective bargaining in a given context.

These include the overall strength and effectiveness of worker representation, the presence of strong collaborative interaction by the social partners, the level of bargaining (e.g. at sectoral as compared with more fragmented enterprise levels), the existence of “extension” mechanisms to spread the impact of bargaining and the extent of bargaining coordination.

Against this background, and given the limitations of the available data, what seems to be the current situation with respect to unionization and collective bargaining coverage by region?

### AFRICA

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Collective bargaining in Africa faces considerable challenges, with numerous studies pointing to the persistent decline in both trade union density and collective bargaining coverage across the continent. The high prevalence of the informal economy, low levels of formal wage employment and difficulties in organizing workers in small and micro-enterprises and in rural areas, are among the main factors accounting for these low rates. These problems have been exacerbated by structural adjustment programmes and economic and public sector reforms pursued by many countries in the 1980s and 1990s, which further reduced levels of formal, non-agricultural wage employment, a significant source of traditional trade union membership. South Africa is often cited as an exception to the downward trend in unionization, however, this has been due to the fact that it is a relatively “new” democracy, as well as to the role of trade unions in the struggle for democracy.

Some governments in Africa have promoted sectoral-level collective bargaining as a means of ensuring stability in industrial relations, and this remains the major level of bargaining in countries such as Nigeria, South Africa, United Republic of Tanzania, Tunisia and Zimbabwe. However, enterprise-level bargaining has arisen as the dominant bargaining level in a large number of countries (e.g. Cameroon, Cote d’Ivoire, Ethiopia, Ghana, Kenya, Namibia and, increasingly, Zambia) and this process of decentralized bargaining seems to be gaining momentum in the region. In most French-speaking African countries, enterprise-level bargaining complements that at national and sectoral levels. In the 1970s, most of these countries negotiated national collective agreements which are still in force. But recently the social partners have decided in some countries (e.g. Niger, Senegal) to open negotiations with a view to revising them. Available statistics on collective bargaining coverage in Africa do not provide an adequate picture of the current situation. Given the breadth of the informal economy, the overwhelming majority of workers in Africa are not covered by collective agreements. However, trade union membership and bargaining coverage as a proportion of those in formal employment is quite large in some countries, particularly in the public and key industrial sectors.

## **THE AMERICAS**

Unions in Latin America tend to be organized primarily at the company level, with privatization and outsourcing leading to increased union fragmentation. While the number of trade unions has increased in many countries, membership rates have decreased, with few exceptions (Brazil). In some countries trade unions are strong in both the private and public sectors (Argentina, Brazil, Chile), whereas in many others (Central America) unionization is

limited largely to public administration. Several countries (Brazil, Ecuador, El Salvador, Panama) limit the right of civil servants to form trade unions and bargain collectively, while others (Bolivia, Honduras) exclude agricultural workers from exercising the same rights.

Few governments in Latin America compile, process and make public collective bargaining data. From available data, overall coverage rates have been in decline and seem to be below 10 per cent in the majority of countries, with the exception of Argentina, Chile, Peru and Uruguay. There are a number of reasons for this, including: decentralization of collective bargaining; trade union structures which correspond to enterprise-level bargaining; exclusion of small-scale enterprises from unionization; weaknesses in the application of labour laws; low priority given to strengthening labour institutions; and a lack of regulation of sectoral bargaining. Argentina and Uruguay and, to a lesser extent, Mexico, are the only countries with well-established national sectoral agreements. In other countries, sectoral bargaining takes place at the regional level (Brazil), is limited to one or two economic sectors (Chile, El Salvador, Panama, Peru), or does not exist (most Central American countries, Colombia). Data from Argentina suggests a trend towards further decentralization of bargaining, a development also occurring in Peru, Brazil and Uruguay.

In Canada and the United States, collective bargaining is largely characterized by single employer, enterprise-level negotiations. In the absence of employer willingness to engage in coordinated bargaining, many unions in both countries have moved to coordinate their own bargaining activities at local, provincial and national levels, and even internationally with respect to certain multinational enterprises. Union density in Canada, while declining throughout the mid-1990s, remains considerably higher than in its neighbour. The same holds true for coverage of collective agreements. Economic shifts in both countries, reflected in the rapid growth of the traditionally non-union service sector and the relocation of manufacturing industries outside their borders, has led to a fall in the private sector component of union membership. Other reasons for falling density levels include the rise of new forms of work, particularly casual and temporary labour, which often fall outside traditional legal protections for freedom of association, and a lack of institutions to facilitate centralized bargaining. Employer resistance to unionization in the United States, which increased considerably through the 1980s and 1990s, has also impacted on the influence of trade unions and collective bargaining.

## **ASIA AND THE PACIFIC**

In the face of rapid changes and significant advances in technology, collective bargaining has

become an instrument of social change in many Asian countries. The spread of democracy in the last two decades has led to the growth of trade unions in a number of countries (Cambodia, Indonesia, Republic of Korea). However, market liberalization, deregulation, restrictions on genuine freedom of association and economic restructuring have led to an overall decline in trade union density and collective bargaining coverage rates throughout the region. The exception to this trend is in Cambodia. A recent ILO survey of workers in the garment industry (the largest sector of formal employment) found a union density of 43.1 per cent. Union density in other sectors is also reportedly rising.

Trade union density in the private sector is below 10 per cent in many countries (Bangladesh, Republic of Korea, Malaysia, Philippines, Thailand) and under 25 per cent in others (Australia, Japan, New Zealand, Singapore). Sri Lanka reports a trade union density rate of 30 per cent, due to a highly organized plantation sector. Where data exist, coverage of collective bargaining tends to be low, below 5 per cent in many countries (India, Malaysia, Philippines, Thailand) and now falling below 30 per cent in Australia, which has traditionally had a high coverage rate. While industry-wide collective bargaining in the plantation sector takes place in several countries (South Asian countries, Malaysia), and others complement national wage setting with enterprise-level bargaining (Japan), the vastmajority of collective agreements are reached at the level of the enterprise. National level, industry-wide bargaining in the garment sector has begun in Cambodia.

These figures are calculated based on the number of union members or covered employees in paid employment. The direct benefits of unionization and collective bargaining reach few in countries where the informal economy, rural and agricultural activities dominate. There are clearly indirect benefits of union activity and social dialogue, which flow to the informal economy. For example, social dialogue often occurs at the national level on a variety of subjects which impact on the informal economy. The impact, however, is difficult to measure. Restructuring of economies in Asia has led to high employment growth in services, and has also contributed to growth in the informal economy. Other obstacles to collective bargaining and unionization in the region include: legal restrictions in the subjects for bargaining (Malaysia); limitations to bargaining in export processing zones; prohibition of collective bargaining in the public sector (Malaysia, Sri Lanka); increasing use of contract labour (India, Philippines); and fragmented trade union movements (Philippines, South Asia). In response to the competitive pressures of globalization, collective agreements in a number of countries (India, Sri Lanka) have come to include workforce reductions, job wage trade-

offs, productivity, job flexibility and the reorganization of work.

## EUROPE

A more detailed analysis of collective bargaining trends in Europe is possible due to the availability of reliable data and literature and the recognition of collective bargaining and social dialogue as part of labour market governance in most countries in the region.

Trends in collective bargaining and the industrial relations climate throughout Europe are influenced by the changing labour market and business environment. Enterprise restructuring, new investment strategies, changes in labour migration rules, ageing of the population and new education and vocational training needs influence both the process and content of negotiations. While in the EU-15, an average of two-thirds of workers are covered by collective agreements (90 per cent in Belgium, France, Italy and Sweden), in the new EU-10 coverage is 40 per cent or less in all cases, falling as low as 10 per cent in Lithuania. While the coverage rate is relatively stable, a number of EU-15 countries are seeing a decline in coverage (e.g. Germany, United Kingdom), and the generally low level of bargaining coverage is falling further in many EU-10 countries (e.g. Hungary, Poland, Slovakia).

Enterprise restructuring concerns both private and state-owned companies, with both the private and public sectors facing redundancies. In many cases, collective agreements take preventive measures in the form of guaranteeing jobs (e.g. Volkswagen Galleries Lafayette), providing redundant workers with compensation (e.g. Opel, Husky, Wartsila), or combining job security for some workers with social measures for those made redundant (e.g. AEG, Lego, Mittal Steel). In addition to the EU Redundancy Directive, some governments are encouraging the social partners to negotiate procedural agreements covering areas such as information and consultation or assistance in finding alternative work (France, 2005). Relocation of companies, especially with the process of EU enlargement, has become an extremely delicate area of consultations and bargaining resulting in preventive measures or improved redundancy packages and processes. While enterprise relocation represents only 5 per cent of planned job reductions in the EU, it is a highly sensitive issue, subject to debates on investment promotion at national and local levels. Enterprise-level consultations and bargaining seek alternatives or to manage the impacts.

In the current economic climate, wage moderation is a key issue in most Western European countries, which is coordinated through central (e.g. Finland, Ireland, the Netherlands, Spain) or through sectoral (e.g. Austria, Denmark, Germany, Sweden) agreements. In new EU Member States, which enjoy higher economic growth, bargaining is focusing on the

redistribution of new wealth between capital and labour. New pay systems to increase flexibility are also being discussed (e.g. Denmark, Finland, Italy). Working time remains a prominent and controversial issue. Many agreements create conditions for higher working time flexibility, both in the private (Electrolux; metalworking sector in Italy; automotive sector in Spain) and public (Lufthansa; public sector workers in Slovakia; local public transport in Italy) sectors. In general, companies seek to reverse the long-term downward trend in the duration of working time (France, Germany) in order to reduce labour costs and strengthen their competitiveness. Very often, pay moderation, together with working time, are subject to trade-offs concerning job security.

A development related to demographic trends and employment concerns the so-called “end-of-career” issues: pension reform, supplementary occupational pension schemes and early retirement. Pension-related issues are negotiated at the national level and in sectoral or plant-level collective bargaining. Another important new issue on the negotiating agenda is labour migration, including measures taken in relation to a gradual implementation of the freedom of movement of labour in the enlarged EU.

There are two groups of countries with very different industrial relations systems in Europe: in the EU-15, collective bargaining is largely coordinated via national or sectoral agreements, whereas in the new EU-10, bargaining is largely decentralized. These two systems are to some extent converging, with a tendency towards decentralization. Higher-level agreements are widening the scope for further bargaining at company level and introducing “opening clauses” allowing companies to diverge from certain terms agreed at the higher level (Finland, France, Germany, Italy).

Decentralization is being promoted through various instruments, including: laws increasing the scope for enterprise agreements or changing the hierarchy of importance between sectoral and enterprise agreements (France, 2004); new rules concerning coordinated decentralization of collective bargaining agreed by the social partners (Italy, Finland); and changes in the relationship between sectoral and company bargaining through opening clauses (Austria, Germany). While sectoral agreements tend to deal with general levels of pay increases, improvements of pension schemes and issues of working time arrangements, enterprise negotiations focus on wage-setting at that level (often linking the pay rise to company profitability) and implement detailed working time arrangements adapted to particular plants or professions.

The trend to decentralization does not necessarily mean that the government or the central

organizations of employers and workers are less interested in influencing the bargaining process from the national level. A number of national-level agreements have been concluded, addressing a range of social and economic issues (social pacts), or focusing on specific issues and reform tasks, including economic stabilization. Central-level dialogue persists as certain reforms (e.g. pensions, labour market) require broad societal agreement, and the State retains a stake in preserving the overall international competitiveness of the national economy.

Social dialogue across national borders is another distinctive element of European industrial relations. It varies from enterprise-level consultations (European works councils) to framework agreements between the European social partners, and the involvement of the social partners, both at the national and European level, in the European Employment Strategy.

## CONCLUSIONS AND INFERENCES

The above review and analysis indicates that, while there is substantial variation in its coverage from one country and region to another, collective bargaining is making a strong contribution in many countries to advancing the Decent Work Agenda. In this respect, the strength and value of collective bargaining lies in its flexibility and adaptability to address issues in different economic and social contexts and its capacity to coexist with and complement other forms of labour market regulation. It might also be noted that the growth of democracy throughout the world in recent years has led to a broadening in the potential geographical scope of collective bargaining should the relevant social partners be equipped and choose to take this course. Moreover, rapid growth in emerging economies presents a further opportunity to establish collective bargaining as an effective tool of labour market governance and an element in reducing the size of the informal economy in many countries. However, as has also been noted, outside Europe and the major industrialized economies, there are still considerable deficiencies in the current knowledge base in relation to collective bargaining, especially concerning its social and economic impacts.

Collective bargaining should also be looked at as an important element in a broader context, in this respect, "achieving the ILO Decent Work Agenda requires giving employment a human face by re-conceptualizing employment as also a social activity with psychological rewards undertaken by human beings in democratic societies". Such an approach would involve recognizing the equal importance of and finding ways to balance the three objectives of the employment relationship, namely, efficiency (competitiveness, economic development, jobs, quality, productivity and economic prosperity), equity (fairness in distribution of

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rewards and administration of employment policies) and voice (the ability to have meaningful employee input into workplace decisions, both individually and collectively). Viewed in this context, collective bargaining not only provides for the possibility of some form(s) of direct and indirect reward for efforts and participation in workplace decision-making, as well as an avenue to improve efficiency, through the creation of high-performance work systems.

There is a particular need for “hard information” on trends in individual countries and within and across regions on the following collective bargaining-related issues: trade union density and strength; membership and organization of employers’ organizations; and the proportion of workers covered by collective agreements. There is also a need for “soft information” on certain issues (e.g. the impact of collective bargaining on economic and social issues; coordination of collective bargaining at various levels; and experiences with negotiations at global level) which usually can be obtained only through direct contact with industrial relations practitioners.

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