special report

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Industry bargaining: an essential tool in the fight for living wages

Deregulation and attacks against collective bargaining have contributed to a huge rise in global inequality. Harnessing union power for achieving industry level agreements is crucial in the fight for living wages and against precarious work.

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Today the world's richest one per cent own 50 per cent of the world's wealth. Staggeringly, the richest 85 people in the world possess the same amount of wealth as the world's poorest 50 per cent.

Since 1990, the share of GDP (gross domestic product) from wages has fallen steadily across the world. Workers are being squeezed while global corporations chase bigger and bigger profits. Apple recently announced the highest-ever quarterly profit by a public company – US$18 billion. It is sitting on cash reserves of US$142 billion. Meanwhile workers are paid only US$7 for making an iPhone that will sell for hundreds of dollars.

The widening gap between productivity and wage growth is highlighted in the ILO Global Wages Report 2014/15 and is directly linked to a decline in collective bargaining. Workers worldwide are being denied access to the mechanism that was expressly designed to promote social stability by enabling unions to negotiate a fairer distribution of the wealth generated by their members.

The International Labour Organization (ILO) has found that countries with a large proportion of workers covered by collective agreements have lower wage inequality. But the impact depends on the level of centralization of the collective bargaining system. Under decentralized systems, such as that of the United States, collective agreement coverage is lower and wage differentials are higher. The reverse is true in systems with more industry agreements that cover more workers.

Industry bargaining under attack

Market fundamentalism, that destructive ideology which still dominates policy making despite its role in causing the global economic crisis, remains the major driver of labour market deregulation and decentralization of collective bargaining. These policies have led directly to the decrease in collective bargaining coverage, and the consequent increase in income inequality.

A 2013 report by the European Commission found that bargaining with multiple employers was the best guarantee of broad bargaining coverage. It also found overwhelming evidence of a trend towards decentralization of collective bargaining, beginning in the 1980s and accelerating during the economic crisis.

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The advice given by the International Monetary Fund (IMF) to Greece, Portugal and Spain during the economic crisis was to allow employers to opt out of sectoral collective agreements and to decentralize collective bargaining to the level of the individual enterprise. It reinforced this advice by making labour market deregulation a condition of its loans to Portugal and other European countries in economic difficulty. In May 2014, a report by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) found that in the countries hardest hit by the crisis (Greece, Portugal, Ireland and Spain) the decentralization of collective bargaining was accelerated.

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Massive declines in collective bargaining coverage have been witnessed in the UK, Australia and New Zealand where right-wing governments introduced legislation designed to curb union power by dismantling industry bargaining.

After the introduction of the Employment Contract Act in New Zealand in 1991, multi-employer agreements fell from 77 per cent to 20 per cent of all agreements. By 2000, multi-employer bargaining had collapsed. Bargaining coverage decreased from 61 per cent in 1990 to 18 per cent in 2010. Wherever industry bargaining is replaced by enterprise bargaining, coverage nosedives as employers take the opportunity to avoid bargaining and unions completely.

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Protecting more workers

Negotiating and reaching an agreement with a single employer continues to be an important part of trade union work. It enables productivity and efficiency gains made by workers to be shared and can regulate a whole range of employment conditions that are specific to the enterprise. But if not underpinned by an industry-wide floor, individual employers will continue to avoid trade unions and bargaining to undercut wages and conditions.

Company agreements tend to cover only a small percentage of non-unionized workers (7 per cent on average). Under industry agreements, this rises to over 40 per cent, providing much needed protection to workers who do not have the possibility to join a union.

However, according to the ILO, countries with multi-employer bargaining systems and mechanisms that allow collective agreements to be extended to cover additional workers and employers, have higher collective bargaining coverage rates.

In countries such as Austria, Belgium, Denmark, France, Finland, Italy and Portugal, multi-employer bargaining and the extension of collective agreements mean that more non-unionized workers than union members are covered, so ensuring that the most vulnerable workers are able to benefit from wage increases that they would not otherwise have the industrial strength to negotiate in their workplaces.

Living wages in supply chains

In a world of global supply chains, industry bargaining is more important than ever.

In many garment producing countries, collective bargaining structures are weak or absent, and levels of unionization are low. Over 90 per cent of workers in the global garment industry have no possibility to negotiate on their wages and conditions - and cannot claim their fair share of the value they generate.

A typical pair of jeans made in Bangladesh retails for anywhere between US$30 and US$50, or more for a prestige brand. But the worker who makes them only receives 10 cents. And this can't be explained by differences in the cost of living. Garment sector minimum wages in Bangladesh are currently US$68 a month, unions say they need to increase wages to at least US$120 for workers to be able to support themselves and their families adequately.

The almost total absence of industry wage bargaining in the garment industry has left workers reliant on ineffective minimum wage mechanisms for any pay increases. While minimum wage fixing at least establishes a common floor, the wages that result are well below the level of a living wage in most major garment producing countries like Cambodia and Bangladesh.

Where bargaining does take place in the garment industry, it is primarily conducted at the level of the individual factory. This puts an enormous burden on unions that lack strength and resources to conduct negotiations one factory at a time – in Bangladesh alone there are more than 4,500 factories producing for the export industry.

Particularly in supply chain industries like garments and electronics, bargaining at the level of individual factories will never be enough to drive up pay and conditions when demands by multinational corporations (MNCs) for ever lower labour costs suppress wages and conditions in a race to the bottom. There are limits to how far an individual factory or business can step ahead of its competitors and unscrupulous MNCs will simply move to suppliers with lower standards and lower labour costs. Likewise, efforts by individual MNCs to raise standards, particularly when these do not include reform of purchasing practices, will meet with opposition in their supplier factories which have to compete with other factories on labour costs.

Industry-wide agreements, particularly those with extension provisions, make it very difficult for employers to escape their obligations. They effectively take labour costs out of the competition by creating a level playing field that enables conditions to improve for all workers in an industry, regardless of who they work for.

South African textile and garment union SACTWU organizes over 80 per cent of textile and garment workers in the country. The fight for living wages is at the core of SACTWU's work and the union prioritizes centralized bargaining as the mechanism to achieve the best wage outcomes for workers. SACTWU negotiates in three national bargaining councils for the clothing, textiles and leather sectors and the outcomes affect over 100,000 workers. In 2014 sectoral wage increases were above inflation. But this well-functioning system is under threat. The corporate-sponsored Free Market Foundation is challenging the constitutionality of extending collective agreements to non-parties in court. If the case is successful, workers whose employers are not members of the bargaining council will be left out in the cold.

1 90,000 workers, including IndustriALL UK affiliates, march in support of the TUC campaign to increase the minimum wage. *UNITE*

2 Georgian unions rally for decent work on the World Day for Decent Work (WDDW). *IndustriALL*

3 Iraqi unions rally for better jobs on the WDDW. *GFIW*

4 Swiss union, UNIA, campaigning for a national minimum wage. *UNIA*

5 Filipino union MWAP rallies on the WDDW. *MWAP*

Protecting precarious workers

Increasingly, a worker's employment conditions are no longer under the control of a single employer. Through the use of sub-contracting and agency work, employers are outsourcing their employment responsibility, creating multiple employment relationships and fracturing bargaining units. MNC buyers at the top of global supply chains do not directly employ workers in the factories that produce their goods, but their purchasing decisions have a powerful influence over wages and working hours.

For precarious workers, even identifying their legal employer can be difficult, while bargaining is likely to be impossible. Indeed, triangular employment relationships are being used by employers precisely to avoid unions and collective bargaining.

This makes industry bargaining particularly important for precarious workers. By negotiating agreements that cover all employers in an industry, including agencies and sub-contractors, or by extending the coverage of existing agreements to encompass workers employed by them, unions can ensure that precarious workers are protected, whether or not they have been able to join a union.

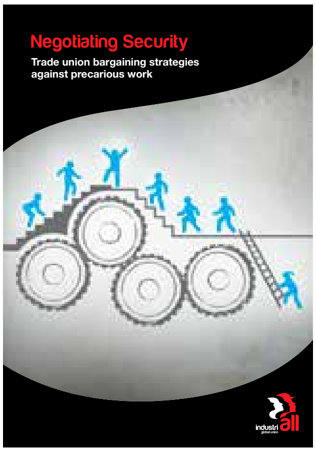
Bargaining at industry level can play an important role in regulating the use of precarious work, as well as the working conditions of precarious workers.

- In Denmark, in the industrial production and construction sectors, unions have negotiated sectoral agreements which include protocols on agency work. These protocols state that agency workers must be employed in accordance with the sector-specific agreement, covering all aspects of pay, working time and other important terms and conditions of employment. Similarly, an industry agreement between Norwegian unions and employer federations subjects agencies to the same conditions of the agreement, which means agency workers receive the same wages and working conditions as directly employed staff.
- In Argentina, the oil and gas federation FASPyGP succeeded in negotiating a clause in, among others, the gas industry collective agreement which stipulates that all provisions of the agreement apply equally to subcontracting firms.
- In South Africa, IndustriALL affiliate NUMSA has reached several agreements in different sectors (automobile, tyre, metal) that aim at phasing out labour brokers and improving the working conditions of precarious workers.

What needs to change?

There is overwhelming evidence that industry-level bargaining plays a vital role in reducing inequality and raising the wage floor. Governments need to encourage and facilitate industry bargaining in order to extend collective agreement coverage and protection to workers who are effectively excluded from bargaining and need it the most. This will require significant political will, particularly in those countries that supply cheap labour to global supply chains. It will also involve the construction or improvement of industrial relations structures, including development of representative employers' associations where these are absent. The ILO has a key role to play in promoting the benefits of industry-level bargaining to governments, employers and workers, as well as providing assistance to governments to make the needed legislative and administrative reforms.

IndustriALL will continue to demand a return to industry-wide bargaining as the primary means for setting wages. Only through industry bargaining can we level the playing field and make sure that all workers, including precarious workers, are guaranteed a fair share of the wealth that they generate.



Negotiating Security

Trade union bargain strategies against precarious work

IndustriALL's publication provides concrete trade union bargaining strategies against precarious work, and concrete examples of collective bargaining strategies developed by affiliates to confront precarious work and fight back against its expansion. It shows how unions are using industry level collective bargaining to extend the protection of a collective agreement to precarious workers and to limit precarious work.

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Good for employers

Industry bargaining takes wages out of the competition and sets a level playing field for employers. The incentive then is to compete on the basis of efficiency, skills and upgrading rather than by undermining wages and working conditions. Companies have a collective interest in ensuring that they are not undercut by unscrupulous employers paying wages lower than the prevailing rate. This is particularly true in labour-intensive industries such as the garment industry. Industry bargaining takes conflict out of the workplace and is more efficient requiring fewer resources for employers as well as trade unions. Industry agreements provide the certainty to business it needs for investment and growth.

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6 Cover of IndustriALL publication 'Negotiating Security'.

7 Mauritian unions rally to demand a national minimum wage on WDDW. *CMCTEU*