Hard bargains in hard times

What have and can unions achieve?

How have unions fared in their bargaining over the last year? According to **Trenton Elsley** it appears that overall unions did not experience a drop in wages. But what lies ahead? Elsley gives some useful suggestions on bargaining approaches for upcoming tough times.

The Labour Research Service (LRS) estimates the average wage settlement level for 2009 to be 9.7%. The median settlement is slightly lower at 9.5%. The average headline CPI (Consumer Price Index) inflation rate over 2009 was 7.1%.

INCREASES AND INFLATION

At first glance it appears that wage increases outstripped inflation by about 2.5% in 2009 and in a recession no less. A closer examination shows that we do not yet know the net effect of inflation on 2009 wage increases. A more in-depth examination also shows that working-class households and their beneficiaries lost 8% of their real wages to inflation in 2007/2008.

It is a common error to compare wage increases with the inflation rates, which are released at the same time. The fact is however that the inflation rate released in any month of any year refers to the previous 12 months, while the wage increase applies to the 12 months to come.

The majority of collective agreements are effective as of 1 July of each year and for this reason we use that month as our inflation benchmark rather than average inflation over the year. So it is only when inflation data are released for July 2010 that we will really know how most 2009 increases fared against inflation.

What we do know is that inflation has been in something of a decline and that there is likely to have been a real wage gain in 2009 even if it is a modest one. I maintain that a purely political explanation of these gains does not hold water. Of course I am referring to the widely held perception that unions have more political power in the wake of Polokwane and that it is this political power which explains wage increases above inflation in a recessionary environment.

Instead I believe that unions were reacting to a pressing need within their membership to try and arrest a marked deterioration in their buying power. The reason for this is that while average wage increases for 2008/2009 compare well with inflation, this does not compensate for heavy losses incurred in 2007/2008, when settlements did not anticipate rapidly rising inflation.

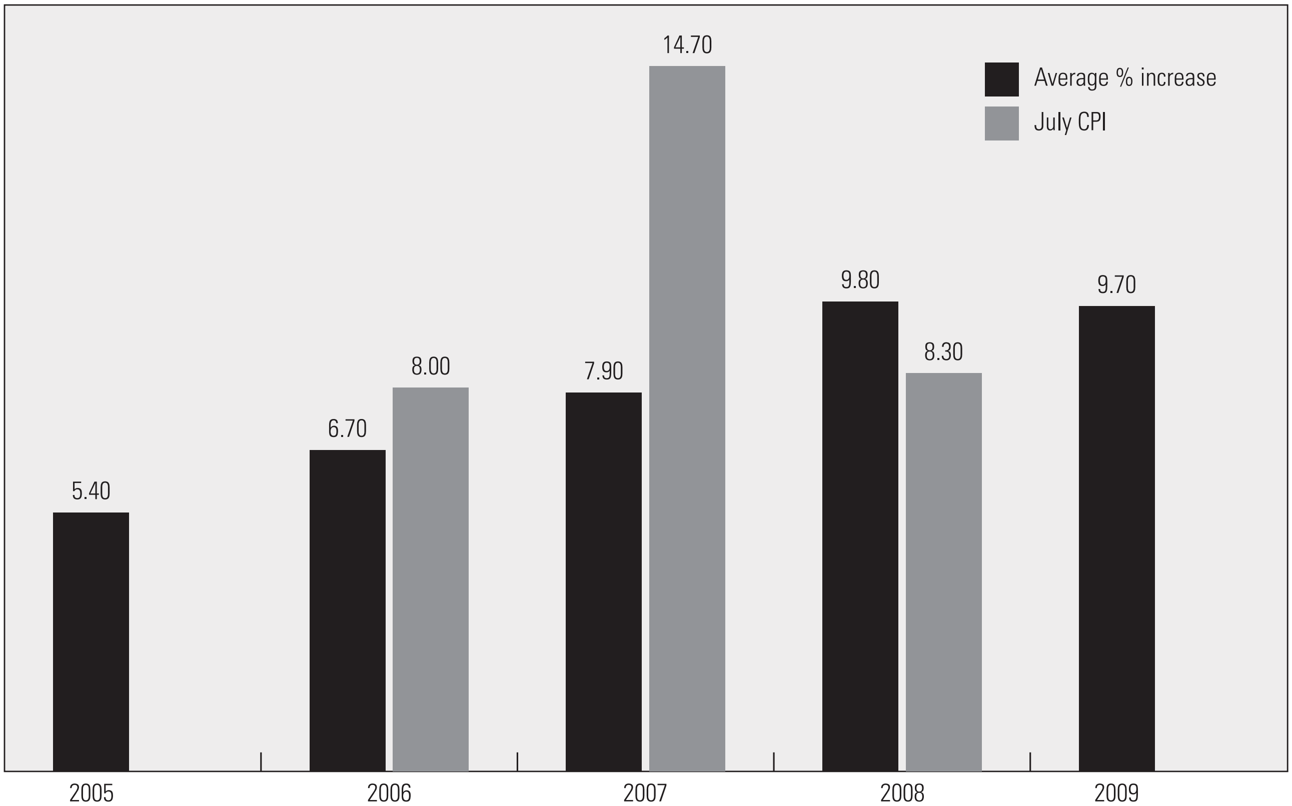
The graph on page 10 describes wage increases against CPI for the middle expenditure group. I maintain that this group is more representative of the membership of trade unions historically described as the 'emerging unions'. In any event, the real wage losses are only slightly less pronounced against average inflation.

However I am willing to concede that political considerations factor into last year's settlements for local government and the public service. These settlements of 13% and 11.5% respectively were, generally speaking, higher than those in the private sector.

It is no coincidence that 2009 was an election year characterised by high levels of mobilisation in support of a Zuma-led ANC. I believe that public sector unions were able to capitalise on their strategic position as implementers of government policy, their ability to deliver a substantial number of votes as well as channelling generally high levels of mobilisation in support of wage bargaining.

The fact that public sector unions were very well prepared and that the labour caucus was united on wages for the 2009 bargaining round was important.

WAGE INCREASES AND INFLATION



The LRS assisted Nehawu (National Education & Allied Workers Union) in preparing its wage proposal, which included an analysis of real wages of public sector workers since the implementation of the 2007 agreement. This showed that even with double digit increases in 2009, real wages would be roughly equivalent to 2007 levels by the end of the 2009/2010 period.

In other words even increases in excess of 12% posed very little possibility of raising the living standards of public sector workers.

2010: ZERO DAYS TO GO

What then is the outlook for 2010? Employers are likely to dig their heels in and pursue settlements much closer to inflation levels. Average inflation is likely to range between 5% and 8% over the year.

There will be some demobilisation within unions in the wake of the 2009 elections. Government, with its mandate safely in its back pocket, will be reluctant to voice support for trade unions as it seeks to send out signals that it is serious about restarting the economy and pursuing its promise of job creation. Unions will be alone in the workplace. All of which adds up to low returns on wage bargaining for unions in 2010. So what to do?

While it is true that unions come in with demands above inflation, it is not uncommon for companies to come to the table with a sub-inflation wage offer. No trade union can be expected to accept a sub-inflation increase (a decrease in the real value of wages) without compelling reasons. Trade union negotiators can rightly argue that the company is asking them to agree to make their membership poorer.

A mutually accepted measure of inflation should be a benchmark of the lowest offer companies can bring to the table. Anything less is an attack on workers' standard of living. The suggestion is that unions consider fighting for agreement on this principle.

Ideally, inflation-linked increases should be automatically implemented retrospectively on a quarterly or yearly basis as part of company payroll. If the formula was clear the extra administrative burden on most companies would be minimal. Collective bargaining would then only negotiate increases over and above inflation.

All the energy wasted on chasing

inflation could then be redirected towards other issues closely linked with the workers, the company, the industry and society. This might allow collective bargaining to become a more innovative exercise and one which is more responsive to the needs of stakeholders.

Alternative benchmarks for wage bargaining can also be found in the levels of pay increases for company directors. It pays to distinguish between salary, remuneration, bonuses and long-term incentives, all of which can be used to structure executive remuneration in such a way that salaries, for example, appear to have fallen when in fact total remuneration has increased dramatically.

For unions it is a simple matter of accessing annual reports of companies listed on the stock exchange, although unlisted companies are not obliged to publish this information. Companies that plead poverty, however, should be pressed to support their claims with audited financial statements. A demand such as this should find a sympathetic ear at the CCMA (Commission for Conciliation Mediation & Arbitration).

REVISITING BOTTOM LINE

Let us accept for a moment that these are hard times and that by implication it will be all the more difficult to secure substantial wage gains for workers. A broader conception of collective bargaining might unearth a different approach in difficult economic circumstances. I will describe a strategic reorientation of the bargaining agenda using the notion of the bottom line in collective bargaining.

In the context of collective bargaining, the bottom line is a position that the union will seriously consider pressing through industrial action if they cannot reach agreement with a company.

I argue that the union is more than the wage increase that it negotiates. The fundamental strength of trade unions is undoubtedly the extent and depth of their organisation in the workplace. It is from this base that their other strengths flow, be they economic, social or political.

On this basis I ask you to imagine an approach that embodies this idea of organisation as the fundamental goal of the union. This is as simple as asking to what extent demands are concerned with maintaining organisation or growing organisation. An agenda committed to growing organisation might include demands which make the union a home for women or demands which bring externalised workers (labour brokers, sub-contractors and home workers) closer to the bargaining unit.

GETTING SOMETHING FOR NOTHING

Unions must value the demands which they sacrifice in collective bargaining when they extract quantifiable (but not necessarily monetary) concessions in return. Put another way, they must ensure that they get something in return for their sacrifices. I call it 'return on restraint', which is of course a perversion of the economic term, return on investment. The principles however are the same.

The union can shape negotiations so that it looks like the union is the one making sacrifices on its wage demand and use this as leverage to introduce demands that are about maintaining and extending organisation. Below are some demands that are strategic rather than defensive and which are less costly for the company:

- the provision or subsidisation of childcare facilities for working mothers;
- clauses which either prohibit or limit the use of labour brokers, but certainly equalise conditions of employment between workers inside and outside the company, thereby establishing disincentives for this kind of employment;
- more leave days for shop stewards to do union work;
- establishing office facilities for shop stewards in the workplace; and
- establishing or extending full-time shop stewards in the workplace.

STRIKING A BARGAIN

If an issue or coherent set of issues is strategically selected in consultation with members and has real support then trade unions should be prepared to follow through on these demands. The most obvious reason for this is to convince employers that workers are serious about their demands. But there is a reason of far more significance.

In the past I have argued that multi-year agreements can contribute to a structural decline in levels of contact between union and membership levels of participation and mobilisation, shared experience of struggle and decision-making. The reverse of this logic is that industrial action can be used to build organisation even if substantial material gains are hard to come by. In this way the focus in 2010 could be on building participation, shared experience and decision-making. This combined with a strategic focus on issues which facilitate the growth of the union provides us with a new story, a story that is not limited by the economic lament of recent times which favours the few over the many. LB

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