



**The advantages and disadvantages of long-term
collective bargaining within the
Metal & Engineering Industry and
Mining Industry**

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INTRODUCTION

In 1924 the Industrial Conciliation Act was passed setting up a system of centralised collective bargaining for white workers. Black employees were excluded from this legislation. The Act allowed for the establishment of industrial councils that set wages and conditions of service for white workers.

The 1970's was marked by a rapid increase in the number of black workers especially in the manufacturing industries. This led to the rise in militant black trade unions fighting against low wages and poor working conditions of black employees. The state then passed the Black Labour Relations Act of 1973 through which liaison and works committees were set up at plant level. These committees were however, rejected by black trade unions as they did not ensure any improvements in the working conditions of black workers.

As the militancy of black trade unions began to grow, a new Industrial Conciliation Act was legislated in 1979 that included all black workers (although migrant workers were initially excluded). The Act allowed for the registration of black unions and participation in centralised bargaining within the industrial councils. The new law still did not protect the rights of black workers and the trade unions instead adopted a strategy of strengthening plant level negotiations as opposed to centralised bargaining.

In the late 1980's as the trade unions strengthened their power base on the shopfloor, they once again changed their strategy and opted for industry wide collective bargaining. This move came about as trade unions realised the potential of industry wide industrial action to ensure improved wages and working conditions of black workers. This move also allowed for the bargaining of non-wage benefits such as maternity benefits, provident funds, health and safety issues, etc. Employers were now opposed to centralised bargaining and reintroduced plant level negotiations by closing several key industrial councils.

The 1990's was characterised by increased pressure from trade unions to legislate centralised bargaining. The Labour Relations Act (LRA) of 1995 was enacted to allow for the establishment of bargaining councils, which replaced industrial councils. However, the LRA only facilitates and promotes centralised bargaining but does not make it compulsory.

With the push for increased centralised bargaining came the expansion of the bargaining agenda to include industry and sector policies, workplace and sector restructuring, HIV/AIDS policies, employment equity, skills training, etc. Employers then began to argue for the introduction of multi-year agreements so that sufficient time could be given to incorporate not only wage issues but also other socio-economic concerns raised by workers.

With the onset of globalisation came the pressures towards increased international competition, restructuring of workplaces, retrenchments, casualisation, privatisation, etc. Collective bargaining is thus being conducted under difficult economic pressures as workers lose their jobs and inflation rates are escalating. Within this climate employers are set to push for the reintroduction of enterprise level bargaining especially in sectors where trade union militancy is strongest. International trends show an increase in enterprise level bargaining where individual contracts are negotiated. In addition, where centralised bargaining is set to continue, employers will fight to introduce multi-year agreements to allow for more time to phase in non-wage socio-economic demands placed on the negotiating table by workers.

Structure of the report

This report highlights the advantages and disadvantages of long-term collective bargaining within the Metal & Engineering and Mining industries. It does not aim to set standards but to provide useful information on the experiences of negotiators bargaining for multi-year agreements. To this end a questionnaire was designed to draw commentary from various role-players within the abovementioned industries on the issue under investigation. The following questions were explored:

- The number of workers covered by the agreement
- The duration of the agreement
- The scope of the agreement
- The rationale behind negotiating multi-year agreements
- The advantages and disadvantages of long-term collective bargaining for management, trade unions and workers
- Current concerns and perspectives on long-term collective bargaining

Participants from trade unions, employers and bargaining council officials in the two industries under investigation were contacted. They were required to complete the questionnaire and partake in a 45-minute one-to-one or telephonic follow-up interview.

Representatives from the following organisations were contacted:

- The National Union of Mineworkers (NUM)
- The MWU Solidarity
- The Chamber of Mines (COM)
- The National Union of Metalworkers of South Africa (NUMSA)
- The Metal and Electrical Workers Union of South Africa (MEWUSA)
- The Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU)
- The Metal and Engineering Industry Bargaining Council (MEIBC)
- The Steel and Engineering Industries Federation of South Africa (SEIFSA)

Unfortunately at the time of writing responses were received from only SEIFSA, the NUM and CEPPWAWU. Representatives from NUMSA, MWU Solidarity and the MEIBC agreed to participate but were only able to complete the questionnaires by either Friday 8 November or by latest Tuesday 12 November 2002. One of the constraints of a research study is normally the time taken by participants to complete questionnaires and to provide time for interviews. More time is thus required to receive sufficient feedback to make sound general inferences from data collected. Because the experiences of various negotiators around long-term collective bargaining was required, receiving input from

diverse sources would have been more beneficial as opposed to only reporting on background literature on the subject of long-term collective bargaining taking into account that little research exists on the subject within South Africa.

Nevertheless, despite the above limitations the study was able to draw useful insights into the area under investigation from the data collected. The analysis of the data will be presented drawing firstly on the experiences within the Metal and Engineering industry followed by experiences within the Mining industry. The report also highlights the pitfalls in forecasting the level of inflation for the purposes of multi-year wage settlements. The main findings of the report are summarised in the final section with some concluding remarks.

THE METAL AND ENGINEERING INDUSTRY

Background

The industry covers a diverse range of industrial sectors, which include the steel-manufacturing sector, engineering sector, electrical sector, plastic sector and the electronics sector. A two-year agreement is currently centrally bargained for in the Metal and Engineering Industries Bargaining Council (MEIBC) covering approximately 235 000 workers employed by about 9000 companies nationwide. The key players are SEIFSA representing the employer organisations and eight trade unions representing the concerns of workers. NUMSA is the most influential trade union holding the largest membership of workers within the industry.

The scope of the agreement is as follows: wages, hours of work, allowances, bonuses and leave benefits are negotiated for every two years. Pension/ provident funds, sick pay funds and permanent disability funds are negotiated every five years. The agreement does not make provisions for medical aid nor loans as these are bargained for at enterprise level.

The introduction of long-term collective bargaining

In the metal and engineering industry the move away from annual negotiations occurred in 1999 and was sparked by the need to restructure the industry, change the nature of adversarial industrial relations between trade unions and employer bodies and to increase global competitiveness with the ultimate goal to improve profitability. Annual negotiations were characterised by protracted and adversarial negotiations especially around wage settlement levels. This resulted in other demands on the bargaining agenda being given little or no attention.

Annual negotiations took the form of a long list of demands from the various trade unions, which included wage and other socio-economic demands. The most pertinent issues were given top priority and trade unions and employer representatives then had to either reach consensus through compromise and concessions. However, most of the time the parties deadlocked on certain items especially around wages and conditions of employment resulting in industrial action. Another consequence of the adversarial nature of annual negotiations highlighted by employers is the trickle down effect to plant level industrial relations. Individual companies experienced increased militancy from workers on the shopfloor especially during the period prior to the conclusion of the agreement.

In 1999 the employer body together with the trade unions embarked on a process of restructuring the adversarial collective bargaining to one that would foster employment growth and the growth of the industry. First consensus was reached on how the process was going to proceed and an outside 'change management facilitator' was appointed to oversee the process. The new approach to centralised bargaining included:

- Limiting the number of items on the bargaining agenda to focus on wage increases, working hours, a long-term agreement on conditions of employment and employment creation in the industry.
- Reducing negotiating meetings from four to two formal meetings thereby expediting final settlement as fewer items were on the negotiating table and work groups were set up to facilitate the process.

- The management of the negotiation process by an outside facilitator who ensured that bargaining was conducted in an amicable manner.
- A change in the structure of negotiations as well as a new venue that would create an atmosphere where more productive collective bargaining could take place.

The advantages and disadvantages of multi-year agreements for workers in the industry according to SEIFSA

Advantages

- Workers are certain about their wage increases over a two-year period
- Knowledge that no industrial action will be embarked upon in the second year

Disadvantages

Because workers are tied to a two-year agreement they are unable to:

- Embark on industrial action
- Present a whole range of demands to employers in the second year of the agreement

The advantages and disadvantages of multi-year agreements for management in the industry according to SEIFSA

Advantages

- Long-term collective bargaining brings about stability in the industry
- Industrial peace is guaranteed for two years
- Management has financial certainty with regard to wage increases in the second year
- Avoids the whole 'shopping basket' of trade union demands in the second year

Disadvantages

- To achieve a long-term agreement one has to accept the principle of wage indexation by means of some kind of a wage model. In the case of the metal and engineering industry this is linked to the annual CPIX (that is the Consumer Price Index excluding mortgage bonds).

Management is strongly in favour of long-term collective bargaining and intends to propose a move to a three-year agreement.

The advantages and disadvantages of multi-year agreements for workers in the industry according to CEPPWAWU

Advantages

- All issues and demands can now be addressed and not just wages
- Trade union officials including shopstewards have more time to build capacity and mobilise around issues other than wages

Disadvantages

- Decreased militancy of workers
- Decreased shopfloor coherency
- Bound by a two-year agreement but issues other than wages can be taken up and fought for during the second year

The advantages and disadvantages of multi-year agreements for management in the industry according to CEPPWAWU

Advantages

- Decreased financial pressure to quickly implement workers' demands, more time is allowed for a phased-in approach
- A reduction in strike activity
- Long 'shopping list' of demands have been abandoned

Disadvantages

- Now has to address both wages and other 'social wage' demands
- Increased strike activity around 'social wage' demands
- Employers to report on whether the agreed objectives of employment creation, industry growth, etc. has been achieved

As a result of the current difficult economic conditions trade unions face the difficulty of some employers not complying with the terms of the two-year agreement citing financial constraints as reasons and are then granted conditional exemptions. Workers are then given reduced benefits and a lower wage settlement rate than what was agreed to in the industry agreement. The trade unions do however, acknowledge the benefits of long-term collective bargaining mainly because other socio-economic demands are being addressed and not just wages. Unions do not wish to extend negotiations beyond the two-year level.

THE MINING INDUSTRY

Background

South Africa's mining industry is comprised of five sectors namely, gold, platinum group metals, diamonds, coal and vanadium and employs approximately 411 653 people. The industry has been bargaining centrally since 1924 but within the ambit of the Chamber of Mines, an employer body, as opposed to a formal bargaining council. Mining companies and trade unions negotiate in three bargaining units, namely:

- Category 2 – 8, which is for labourers
- Union men unit, which is for artisans, technicians and miners
- Officials unit, which is for officials and supervisors

The NUM is the dominant union in category 2-8, The National Employees Trade Union (Netu) and the Mineworkers Union (MWU) are dominant in the union men unit and the United Association of South Africa (UASA) dominates in the officials unit. Category 2-8 and the union men unit continue to bargain centrally whilst 1997 was the last year that the officials unit did so. When the officials unit three-year agreement came to an end in March 2000, UASA opted for decentralised negotiations with the various mining groups. The reason for this move being the fear of losing their members due to smaller mining companies unable to compete with wage increases paid by the bigger mining groups like AngloGold.

The employers agreed to participate in decentralised bargaining for the officials unit for the following reasons: the industry's poor economic performance especially in the gold and coal sectors; the entry of smaller mines and empowerment groups into the Chamber of Mines; the disappearance of unity at central level with different companies adopting diverging agendas; and because of the move towards linking pay with productivity on an individual level.

Different multi-year agreements exist for the different minerals, for example, the platinum and gold sectors negotiate a three-year agreement and the coal sector has settled for a two-year agreement. The mining houses would like to move to decentralised bargaining within all three bargaining units and be allowed to establish individual contracts and reward workers on an individual basis so as to ensure increased productivity; improved industry growth and increased profit levels.

The advantages and disadvantages of multi-year agreements for workers in the industry according to the NUM

Advantages

Workers are able to give effective evaluation and monitoring of the implementation of the agreement and feel the impact of the benefits of the agreement.

Disadvantages

Should problems arise which require amendments or discussions on the issues already agreed to, it becomes difficult to reopen the issues particularly where management realises that they are going to lose out or there are increased costs involved. This means that such problems will have to wait until the duration of the agreement has lapsed.

The advantages and disadvantages of multi-year agreements for management in the industry according to the NUM

Advantages

Management is given enough time to implement agreements and free from the pressures of meeting some of the deadlines.

Disadvantages

They do not have excuses not to implement the agreement as they are given sufficient time to do so. Since their mandate is to ensure that agreements, which involve costs, are avoided as much as possible, they are unable to derail the process until the agreement has lapsed.

The union intends to continue the practice of long-term collective bargaining as it allows union officials more time to concentrate on building capacity within the union, educating workers about their rights and negotiating for issues other than just wages and thereby having a holistic approach to improving the lives of workers. They do not intend extending the duration of the agreements.

The difficulties in engaging in long-term collective bargaining, for the union, is the use of certain economic indicators as determining factors for wage increases, for example the CPI or the CPIX. The union feels that workers lose out if the indicators drop to a level resulting in a 50% or more decline in the increase from the previous year.

The NUM has also put forward a proposal for the establishment of a bargaining council for the mining industry that will comprise of an industry chamber that will deal with policy and minimum standards and five sector chambers covering the individual needs of the various minerals. The bargaining council will however, consist of only one bargaining forum to ensure that management does not divide workers by offering different wage increases to different trade unions. The NUM believes that a bargaining council will:

- Shape the industry in terms of policy and minimum standards;
- Enable the industry to influence legislation, productivity and investments; and
- Provide a more co-operative approach

CAUTIONARY NOTE ON FORECASTING THE LEVEL OF INFLATION

According to economists, the following issues should be noted with respect to forecasting the level of inflation for the purposes of future wage settlements:

- Any forecasting of an economic variable (such as inflation) is difficult to determine with statistical confidence. This is because the validity of the forecast is dependant both on the choice of statistical / econometric methodology used, as well as the assumptions made about the interrelationships between economic variables such as consumer expenditure, investment, interest rates and the exchange rate. Even when advanced econometric techniques are used, we are usually only able to forecast for a few periods ahead, such as for two quarters (of the year) from the present date. When going beyond this time frame, the accuracy of the forecast will decrease as the range of possible values increases.

- The South African Reserve Bank (SARB) has medium-term inflation targets. To a large extent, this is probably the best indication of where inflation is heading. However, the SARB has not met their targets this year, and we have consequently witnessed CPI and CPI-X levels above projections (this is a good example of how inaccurate inflation forecasts can be). This places doubt on the SARB's capacity to obtain the future targets they have set, placing more doubt on the exact levels of inflation in a year or two's time.

- As a result of these points it is suggested that for future wage settlements, workers enter into agreements with management based on the upper spectrum of the SARB's projections for inflation. There must also be a range within which workers (and management) can agree, as well as an escape clause when inflation is higher (or lower) than expected, allowing workers (and management) to renegotiate the Agreement if inflation lies outside expectations. This would ensure that both parties (workers and management) could approach the issue fairly.

CONCLUSION

As collective bargaining continues to be conducted under difficult economic pressures some South African companies will opt for enterprise negotiations on an annual basis to allow for the introduction of individual contracts and linking pay with productivity. In industries where centralised bargaining is practiced employers are either opting to decentralise negotiations or to extend the duration of the multi-year agreements depending on the industry's performance.

The metal and engineering industry is set to continue the practice of long-term collective bargaining with employers proposing an extension from the existing two-year agreement to a longer three-year agreement. Trade unions are however, adamant to keep negotiations on a two-year level.

Within the mining industry employers want to move away from centralised collective bargaining to a more decentralised approach. Unions have proposed the establishment of a bargaining council and the continuation of long-term collective bargaining.

The advantages of long-term collective bargaining for workers include the following:

- Workers are certain about their wage increases over a two or three-year period
- All issues and concerns can be addressed and not just wages
- Trade union officials and shopstewards have more time to build capacity within the union, educate workers about their rights, mobilise around issues other than just wages, etc.
- Workers are able to monitor and evaluate the implementation of agreements and feel the immediate impact of benefits settled on during negotiations

The disadvantages of long-term collective bargaining for workers include the following:

- Workers are bound by a two or three year agreement
- Reduces the chances of industrial action in the second or third year
- A 'shopping list' of demands can no longer be presented to management

- Problems arising around issues already agreed to cannot be tabled until the existing agreement has lapsed.

The advantage of long-term collective bargaining for management include:

- Brings about stability within an industry
- Industrial peace is guaranteed for two or three years
- Management has financial certainty with regard to wage increases in the second and/or third year
- Management is not faced with a long 'shopping list' of workers' demands
- More time is allowed for the implementation of issues agreed to in the agreement

The disadvantages of long-term collective bargaining for management include:

- To achieve a long-term agreement the principle of wage indexation by means of some kind of wage model has to be adopted
- Management now has to address both wages and other socio-economic concerns raised by workers
- Increased strike activity around issues other than wages
- Employers have to report on the achievement of agreed objectives