

The Upcoming Scenario for Collective Bargaining Negotiations

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Collective bargaining negotiations are expected to be tense. The politization of unions during election times, inflation and the Argentine stagnant economy will be the at the center of the discussions. What corporate legal departments should expect.



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What will negotiations with unions be like in the next months? What to expect in salary terms? What are employers' negotiation margins? How should corporate counsels prepare to face this scenario? After many years of wage/price inflation spiral, these are only some of the questions employers have in mind upon forecasting their operations.

In general terms, given the freezing up of the economy, the fight for salary increases is no longer expected to be as tense as it used to be. However, the dispute between the CGT (General Confederation of Labor) and the Government, as well as some unions' electoral ambitions, will start to run high.

In the opinion of Daniel Funes de Rioja, head of the law firm bearing his name, and president of the Copal (Confederation of Food Product Industries), we should expect more conflicts in the next few months when the most important collective agreements will be bargained.

However, given that no new jobs have been created lately, the employment rotation that has distinguished large companies in the last years has now reduced –pointed out as a negative sign by several unions–, as stated by Esteban Christensen, partner of Hope, Duggan & Silva. “Even though claims for pay rises have continued during the last months, it is true that conflicts based on such

reason tend to decrease”, he analyzes. In light of this, the conflict paradigm “will gradually move towards keeping the levels of employment over salary increases”, he hazards.

However, if you believe that this may pour oil on trouble waters, you will be running the risk of drowning. Natalia de Diego, attorney at De Diego & Asociados, explains that new generations of employees do not feel represented by the traditional union leaders, so they file their own claims and implement their own forcible actions, group together in their own movements, generate new union associations for those industries not covered by the Argentine law and for non-unionized employees and also create their own unions.

“This leads to a complex perspective because there are several levels of union representation within the same company”, as stated by the coordinator of the Human Resources Management Postgraduate Course at the UCA.

The pay grade overlap and the leveling out of the pyramid as well as the reduced salary purchasing power are items on the agenda of Human Resources managers, together with preventive plans tending to implement a set of actions under which employers adjust their budget in a recession scenario that includes salary adjustments, restructurings and terminations, she adds.

Mercedes Balado Bevilacqua, head of MBB Balado Bevilacqua Abogados, also predicts times of unrest after the outdistance between the leader of the CGT and the Government.

“This power struggle between the officialism and the unions in line with the CGT, as well as the economic measures and instructions given by the Ministry of Labor, lead us to believe -with a great degree of certainty- that union conflicts will be a hot topic these days”, she states, and adds: “The struggle occurs not only between the corporate sector and unions; the Executive has become a social player at collective bargaining negotiations”.

From Allende & Brea, attorney Nicolás Grandi weighs up the conflict in light of inflation. “In case of a sharp increase in prices, union conflicts will gradually increase as well, because they are going to claim that free discussions about pay rises should be guaranteed during collective bargaining negotiations, without being subject to conditions or limitations of any kind”, he forecasts.

Salaries

In relation with the quantum of salary increases, “even though negotiations continue to be conducted at a significant pace, they show a downward trend”, Christensen points out.

“In the past, the conflict always revolved around the increase to be obtained by unions. Today, it seems to be more about a comprehensive protectionism of workers and the Argentine labor context”, as considered by Balado Bevilacqua.

In line with the agreements reached during the first quarter of 2013, it is expected that the remaining unions also claim increases higher than 20% and the possibility of renegotiating them according to the new economic scenario.

“In general terms, the claims for salary increases range between 24% and 30% and unions are reluctant to reach agreements for a term longer than 12 months”, the head of MBB explains, and adds: “UOCRA (construction union) claims a 25% increase, for a term of one year, the Federation of

Railway Workers' Unions-which groups the four most important railway unions- claims a 28% increase and UOM (metallurgic union), which claimed a 35% increase, now has reduced it to 25%".

"The Government does not want increases to be higher than 20%, while union claims are far above such limit. It is highly likely that they may not follow these instructions, particularly the unions in line with the Government. Instead, they may attempt to obtain a higher percentage or to limit the term of the agreement to a six-month period", Allende & Brea's attorney hazards.

It is pretty curious that this also happens with officialist unions, such as UOM, also claiming a higher Income Tax non-taxable base. "The outcome of the negotiations between UOM and the Government will be crucial and set a milestone", Grandi says.

Leaving figures aside, Funes de Rioja points out that, as opposed to previous years, the most important collective agreements now include SMEs and regional economies. "They suffer a strong pressure on the cost of raw material, freight and logistics, taxes, access to financing and the complexity of the international markets that force salary negotiations to be reasonably conducted from the competition standpoint, in order not to adversely affect production and employment", he says, and also warns: "This limitation will be at the center of this salary negotiation round".

Negotiations

In this scenario, how should employers conduct negotiations? According to Funes de Rioja, it is not a question of having a soft or hard position but being reasonable in order to preserve employment and salary purchasing power, on the one hand, and productivity and competition, on the other.

"This is not a good time for salary expansion if not supported by productivity, or a suitable scenario to fix amounts that cannot be paid by regional economies and small enterprises. It is also central for employees to discuss pay levels that include social protection, and this may only occur within the Argentine registered employment sector", he states.

In line with this, the partner of HDS states that salary negotiations, on the basis of the productivity formula, is again an alternative to face the impossibility of passing the agreed salary increases on to costs.

In the opinion of the head of MBB, it is necessary to communicate to unions that employers' productivity is directly related to the possibility of granting a pay rise, and that such rise limits will be set accordingly.

De Diego has a different opinion. For her, union-related conflicts now play a leading role in companies, and companies themselves have become "battlefields".

"Companies must be neutral and the principle of the core business, which determines the applicable Collective Bargaining Agreement, should be followed again", she recommends.

Grandi shares this point of view. "Companies should try to keep negotiations at the sectorial level and prevent them from occurring among their employees and managers with a view to avoiding particular direct conflicts within the company", he concludes.