DECENTRALIZED COLLECTIVE BARGAINING
A STUDY OF LABOR UNION POWER IN CHILE 1990-2004

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A dissertation submitted to the faculty of the University of North Carolina at Chapel Hill in partial fulfillment of the requirements for the degree of Doctor in Philosophy in the Department of Political Science.

Chapel Hill
2006

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ABSTRACT

(Under the direction of Evelyne Huber)

This dissertation investigates the sources of labor union bargaining power and the mechanisms that shape bargaining outcomes at the firm level in contemporary Chile. Set in 2004, the study examines variation in labor union formal bargaining outcomes within and across four holding corporations operating in the banking, manufacturing, retail and telecommunications sectors. It answers two main questions. What was the extent of variation in formal union collective bargaining outcomes within and across these companies? Why did some unions perform better than others? In addition, it offers an overview of the current conditions of Chilean collective bargaining and an explanation of the general decline of labor union bargaining power in that country since 1990.

The main argument put forth is that union bargaining outcomes within and across companies are explained by variation in four independent variables: workplace conditions, labor market conditions, product market conditions and union organizational strength. These factors combined determine the particular balance of power between workers and employers during the bargaining process, affecting union and management bargaining interactions and ultimately shaping differences in individual unions’ collective bargaining outcomes. The higher the value on each of the independent variables, the greater the bargaining leverage of the union and thus the better the bargaining outcome.
ACKNOWLEDGEMENTS

This dissertation would not have been possible without the support and insights of my advisor, Evelyne Huber. The other members of my committee offered constructive comments and suggestions, especially Jonathan Hartlyn who read early drafts of two chapters.

I also want to thank my interviewees for their time, patience and trust, especially in cases in which talking to me exposed them to some risk. Several friends in Chile were of great help. Professors David Altman from the Universidad Católica, and Julian Rodriguez and Ricardo Juri Sabag from the Universidad de Chile facilitated my access to University libraries. Carolina Peyrin and Hugo Vergara provided me with valuable contacts. Juan Esteban Montes, Rossana Castiglioni, and Sergio Diaz, my colleagues at the Instituto de Estudios Publicos, Universidad Andrés Bello, were not only an intellectual stimulus, but also made my institutional affiliation enjoyable. Alejandra Ojeda spent several afternoons helping me with data analysis. Juan Pablo Luna read early drafts and gave me detailed comments. A number of other friends, especially Gabriel Guajardo, Carolina Stefoni, and Teresa Valdés, encouraged me with their questions and interest in my work.

The Ford Foundation and the University of North Carolina at Chapel Hill’s Graduate School and Institute of Latin American Studies funded my field research at the pre-dissertation and dissertation stages. Without that generous support, the gathering of the empirical data would have been very difficult, if not impossible.

Last but not least I want to thank my husband, Gabriel Ondetti, who encouraged and supported me at every level and every stage.
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CHAPTER I
INTRODUCTION

During the last two and half decades most western industrial relations systems have experienced a decline in unionization and real wages and an increase in wage bargaining decentralization and labor flexibility. This syndrome is, however, neither uniform nor inevitable. In fact, current scholarship has amply demonstrated that there is significant variation in the scope, intensity, and pace of these trends within and across countries, sectors, and firms (Golden and Pontusson 1992, Regini 1992, Waddington 1999, Golden, Wallerstein and Lange 1999, Fairbrother and Yates 2003).¹

This dissertation investigates, in the contemporary context, the sources of labor union bargaining power and the mechanisms that shape union bargaining outcomes at the firm level. Set in 2004, the study examines variation (or lack thereof) in labor union formal bargaining outcomes within and across four holding corporations operating in the banking, manufacturing, retail and telecommunications sectors in Chile. It answers two main questions. What was the extent of variation in formal union collective bargaining outcomes within and across these companies? Why did some unions perform better than others? In addition, it offers an overview of the current conditions of Chilean collective bargaining and an explanation of the general decline of labor union bargaining power in that country since 1990.

¹ While in countries like the United States these trends represent the accentuation of pre-existing conditions, in many European and Latin American countries with corporatist traditions they are a significant departure from the past.
At the theoretical level this dissertation seeks to contribute to the understanding of labor union bargaining power today by examining, in one country, the particular constraints and opportunities that individual unions face at the firm-level and the different effects that the immediate organizational context has on their bargaining performance.

At the empirical level this study undertakes three tasks. First, it documents the extent and character of labor union decline in Chile. In particular, it examines, against the backdrop of national collective bargaining trends, why and how during recent years some firm-level unions bargained more successfully than others. With its emphasis on public policy, the sociology of work and employment, and the political decline of peak organizations, much of the scholarship on Chilean labor since 1990 has neglected the study of labor union firm-level collective bargaining, the core of the country’s labor relations system. Second, it examines union bargaining power by looking beyond the traditional measures of union strength: membership and levels of union centralization and concentration. It does so by examining variation in bargaining outcomes. Finally, it adds first hand disaggregated empirical, mostly qualitative, evidence from Latin America to the contemporary debate on labor unions and collective bargaining. This is relevant not only because most of the evidence sustaining this debate is from more developed countries, but also because most studies on bargaining outcomes are quantitative and therefore fall short in terms of showing exactly how causal mechanisms operate and interact in shaping differences in bargaining outcomes.

The remainder of this chapter is organized in five sections. The first section discusses the relevance of labor union collective bargaining. The second section describes global contemporary trends in labor union collective bargaining and situates this study within the

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2 For a discussion of the strengths and drawbacks of different forms of measuring union strength see Martin (1992): 9-14.
contemporary literature. The third section describes the research design and methodology. The fourth section summarizes the main arguments and empirical findings. The final section lays out the goal of each of the subsequent chapters.

1. Why Study Labor Union Bargaining Outcomes?

Since the beginning of the twentieth century labor unions have been the most prevalent form of stable worker organization with bargaining rights (Harrod and O’Brien 2002). Thus, at the firm level, and through collective bargaining, labor unions have played an important role in improving and equalizing working conditions, wages, and fringe benefits (Ross 1948, Lindblom 1948, Freeman 1984, Blackemore, Hunt and Kiker 1986, Gunderson and Riddell 1993, Freeman 1994, Calmfors et. al 2001, Chaykowsky and Slotsve 2002).

Through political action, unions have also been pivotal in advancing broader social interests such as the promotion and enhancing of democracy and the reduction of income inequality (Freeman and Medoff 1984, Barbash 1991, Ruechmeyer, Stephens and Stephens 1992, Collier and Mahoney 1997, Calmfors et al. 2001). Today, in Latin America labor unions continue to be the main and most encompassing representatives and articulators of working/lower-class identity and action (Vilas 1997) and in many developed countries they play an important role in protecting workers’ rights and enhancing the performance of macroeconomic and social policies.

A myriad studies suggest, however, that there is significant variation in the ability of individual unions to deliver wage and benefit increases at the firm-level and/or articulate broader demands (Goldthorpe 1984, Golden and Pontusson 1992, Esping-Anderson 1992, Thelen 1993, Western 1993, Freeman 1994, Hollingworth, Schmitter and Streeck and 1994,
Buchanan 1995, Waddington 1999, Rueda and Pontusson 2000, Huber and Stephens 2001, Fairbrother and Yates 2003, Harcourt and Wood 2004). These differences create significant variation in the extent of workers’ rights, the character and coverage of social policy, the levels of income inequality, the vulnerability of specific groups to poverty and unemployment, and the extent of plural representation in decision-making.

2. Labor Union Bargaining Power and Collective Bargaining

In recent decades there has been a trend toward decentralization in collective bargaining (Katz 1993) and what is called “concession” bargaining (Pontusson 1992, Voos 1994). According to Nulty (1994), in countries like the United States collective contract settlements have replaced hourly wage increases with lump-sum payments, instituted wage and benefit cuts, introduced two-tier wage systems, and eliminated premium payments. In other countries, plant-level profit sharing schemes have been replaced by traditional cost-of-living adjustments, and wages have been tied to firm performance (Pontusson 1992). While in some cases unions have negotiated compensations, when unions are weak changes simply mean wage and benefits cuts.

Concession and decentralized bargaining have been accompanied by other phenomena, such as union membership shrinkage, increasing fragmentation and deconcentration of unions, state retrenchment, firm restructuring, the erosion of traditional corporatist arrangements, and relatively high unemployment rates. In the Latin American context, one can add the rise of the informal economy and the significant decline of public

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3 According to Voos (1994: 3) concession bargaining includes a diversity of situations in which workers accept wages and benefit cuts, and agree to modify work and bargaining rules. The term concession is loosely used as opposed to confrontation because unions’ concessions are supposedly compensated through pay readjustments, one-time generous indemnities, increasing job security and training, and/or improvement of working conditions.
sector employment (Cook 1999). In addition, increasing labor market and work organization flexibility has opened the door for new labor constituencies, such as women, youths, and the retired. This has increased the heterogeneity of working class interests and made more complex unions’ bargaining agenda.

Most scholars agree that these different elements have two main implications for collective bargaining and labor union bargaining power. One is that employers have gained leverage vis a vis organized labor, signaling in many cases a crisis for labor unions (Goldfield 1986, Golden 1992, Voos 1994, Gordon and Turner 2000, Calmfors et al. 2001). Another is that the firm has increasingly become the arena where workers’ rights and welfare are being (re) defined (Regini 1992, Thelen 1994, Gordon and Turner 2000, Calmfors et al. 2001, Harrod and O’Brien 2002).

While some interpret this as creating a general pattern of convergence toward labor union decay, many scholars argue that pre-existing organizational and institutional characteristics have generated different varieties of labor relations regimes, and explain the differences in national, sectoral and firm-level union bargaining experiences (Kitschelt et al. 1999, Frege and Kelly 2004).

Scholars have approached this debate by studying changes in labor markets, technology, work organization, and management objectives and strategies, as well as cross-national and sectoral variation in industrial relations politics and institutions (Regini 1992). More recently scholars have also studied variation in union strategies regarding both the unions’ social base (Frege and Kelly 2004) and toward the state and political parties (Murillo 2001, Burgess 2004).
Although the theoretical chapter will offer a more detailed review of the literature, it is important to note here that what is often less investigated, is the variation that exists among individual firm-level unions in contexts of high bargaining decentralization and union competition. I argue that an understanding of this variation will yield a richer comprehension of the character of the contemporary crisis of labor unions, a sense of whether, to what extent and how union bargaining power has declined, and the present and future prospects for labor union revitalization. It will also expand our knowledge of how exactly decentralized collective bargaining works and how it affects individual union bargaining power. This dissertation seeks to contribute in this regard.

The big picture presented in this study illustrates what has occurred in Chile and to varying degrees in many countries, particularly in Latin America, but as will be discussed below constitutes an interesting comparison vis a vis more developed countries. Hence, the results should be of interests to a variety of specialists in labor movements and industrial relations and political economists, both inside and outside Chile and Latin America.

3. The Research Design and Methodology

3.1. Why Chile?

Chile is a particularly illuminating case for studying contemporary trends in labor union collective bargaining. This stems from three reasons.

First, the Chilean case is an icon of modern trends in collective bargaining. Not only was Chile one of the first countries in the world to implement a comprehensive structural reform that included an important deregulation and opening of markets, but its labor reforms were among the most sweeping and profound of recent decades. Today the Chilean labor
relations system is among the most liberal in the world. Thus, in this regard Chile constitutes a most similar case in relation to countries like the United States and a most different case in relation to countries like Sweden or Germany.

Second, Chile is a case of extreme weakening of a previously strong labor movement. Chilean unions emerged from the 1980s structurally weak as a result of neoliberal reforms, and organizationally broken both by the repression they experienced during the military regime and their leading role in the struggle for democracy. This and a series of political and societal changes that were consolidated during the 1990s helped reduce the previous political clout and mobilizational capacity of peak union organizations, leaving organized labor with major difficulties in influencing policy-making and disrupting production at the firm level. The change was significant considering that before 1973 Chilean unions enjoyed great mobilizational capacity and a privileged political position (Drake 1996). In this sense Chile is a cautionary tale for other strong labor movements.

Third, in comparison to other Latin American countries, and despite their decrease in bargaining power, unions in Chile continue to be relatively strong (Drake 1996). Official data suggest that, despite the decline in unionization since 1993, in some sectors unions have had modest net membership gains. The resilience of Chilean unionism amidst crisis constitutes then an interesting case to examine how unions adapt and face adverse conditions and where hopes for union revitalization lie.

Finally, Chile is a particularly interesting case for exploring the connection between politics and economics in the development of contemporary industrial relations trends. This is the case because the current labor relations regime emerged from a combination of

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4 See Tables 2 and 3 in http://www.dt.gob.cl/documentacion/1612/article-62614.html
political repression and orthodox structural adjustment, and was consolidated under a democratic center-left regime with a strong commitment to free markets.

3.2. The Case Selection

The empirical basis of this dissertation is a set qualitative comparative case studies. In this section I describe the case selection process. This followed the logic of a stratified sample and included two steps. The first step was to select four specific companies and the second step was to select individual labor unions within those companies. This procedure was followed because the diversity of conditions surrounding individual labor unions made it difficult to deal with such complexity without controlling for firm-level variables to make the cases comparable.

Selecting the Companies

The selected companies represent four different sectors: banking, manufacturing, retail, and telecom. The agriculture and construction sectors were not considered because in Chile most of the unions in these sectors organize seasonal and self-employed workers (Dirección del Trabajo 2000: 13). The mining and personal and communal services sectors were not considered either because of the great proportion of public employees and the fact that many workers in personal services are self-employed. The utilities sector was not considered either because of its relatively high level of firm and union concentration.

The sectors considered have great variability in terms of collective bargaining coverage and outcomes, as well as in the levels of unionization, the number and size of individual unions, the factor intensity of production, the level and quality of employment, the level of product market competition, and the basic wage and working conditions.

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5 The latter can organize in unions of independent workers, usually a craft organization.
To allow intra firm variation, the companies selected had multiple unions of different character, size and strategic orientation, and exhibited different levels of business maturity and different labor relations frameworks.\textsuperscript{6}

The study considered only large multinational corporations in the private sector.\textsuperscript{7} Controlling for firm size was the result of theoretical and practical considerations. First, scholars have long acknowledged that firm size is one of the main variables affecting a series of labor economic issues. In particular, small size firms tend to be less capital intensive and less able to secure significant economic surpluses that can be divided between the firm and the workers. In many cases, small firms are characterized by the predominance of pre-capitalistic labor relations (Franzosi 1995). In addition, in the Chilean case, although the majority of the employed workforce labors in small and medium size firms, labor union affiliation and collective bargaining continues to be a phenomenon mainly rooted in large firms. Second, the fact that the four companies considered were large helped control for business structure. In fact, all the cases turned out to be holding companies.

The study focuses on private sector firms for two main reasons. First, the public sector labor relations system in Chile has a completely different regulatory framework, which gives workers and management different kinds of rights and obligations.\textsuperscript{8} Second, given Chile’s centralized state structure, public sector workers organize primarily in peak sectoral and guild organizations of national scope.

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\textsuperscript{6} Two companies were long-lived companies. The other two had antecedents in pre-existing companies but really adopted their current form during the 1980s.

\textsuperscript{7} According to data published by the Dirección del Trabajo (2004) in the manufacturing industry, large firms represent perhaps 40% of the sector, and in banking 35%. In the telecom and retail large firms are 16% and 17% of the total number of firms in each sector respectively.

\textsuperscript{8} For instance, collective bargaining procedures in the public sector exclude the legal possibility of strikes and forces third party arbitration on the parts in case of stalemate.
The final company selection was determined by the practical ability to gain access to each company. The process followed was to ask interviewees to put me in touch with fellow experts, business executives or union leaders in different firms. Given the nature of the interviews and the fact that in some cases labor relations were complicated, this was essential to build rapport and trust with the interviewees.

Selecting Individual Unions

The second step was the selection of individual labor unions. This was done after the interviews were finished and was based on one practical criterion. This was that labor unions had to have undergone at least one collective bargaining negotiation since their founding. Of the total number of unions interviewed, fifty-three fit this criterion. They are all included in this study.

The research design described allowed me to control for national level variables, public sector and firm size, while at the same time allowing for variation on the independent and dependent variables both at the sectoral and firm level.

3.3. The Period

This dissertation seeks to explain variation in bargaining outcomes in 2004. Measuring the dependent variable at one point in time is essential to control for national differences that present temporal variation. However, since the outcomes at a given moment are usually the result of a longer history of interaction, the narrative covers a longer span of time, the period between 1990 and the early 2000s.

This allowed me to discuss developments that had occurred even a decade ago but still had an important legacy for the bargaining agenda of 2004. These include mergers, firm
downsizing, labor rationalization and technological upgrading, and the strikes and individual union negotiations that accompanied those changes.

Moreover, at the national level the 1990s represented an interesting period in terms of the aggregate conditions for organized labor, because, as will be discussed in Chapter III, it did not represent, as many expected, a significant recovery in the bargaining power of peak labor unions. On the contrary, it became increasingly clear that the labor reforms carried out by the military regime in the early 1980s would constitute, with some small modifications, the institutional framework for years to come.

3.4. Data Sources and Methodology

There were three main sources of information for this study: the bargaining agreement documents, interviews, and field observation.

For all the unions considered in this study I was granted access to the collective bargaining agreement documents. In many cases I was given copies of the last two collective bargaining agreements. In other cases I was able to review the collective contract documents in the presence of labor union leaders. In each case union leaders helped me go over the documents and explained each of the benefits and their history. In some cases I also had access to letters and memos documenting informal agreements.

Although my universe of fifty-three unions and the kind of questions posed in the dissertation made it possible to take a quantitative approach I opted for a qualitative approach. This was the case for two main reasons. One was the difficulty of gathering quantitative firm-level data for the independent variables that was comparable, and, more

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9 These are written documents. In the cases of the retail and banking companies I also had access to summaries crafted by management.
important, accessible in all the cases. The second was the fact that many of the variables to be considered theoretically had significant interactive effects, and a qualitative strategy was better suited for explaining the mechanisms by which the independent variables affected bargaining outcomes.

As a result I decided to conduct in-depth interviews with union leaders and managers in each of the companies studied. Each interview took an average of three hours.

In the banking company I interviewed twenty union leaders and the company officer in charge of collective bargaining. The total number of interviews in this case was twenty-three because I interviewed two union leaders twice. Three of the interviews I did not use because the unions operated in firms outside of the holding under study but owned by the same parent company. However, they were useful in getting an informed outsider’s perspective of the bank’s bargaining rules and union structure. Two of the interviews with union leaders were conducted by phone. Most interviews were individual, but in two cases I met with the whole union board.

In the manufacturing company I conducted fourteen interviews with union leaders and rank and file members. In this case, and after reiterated efforts, management declined to be interviewed. In three cases the interviews were collective. In the remaining cases interviews were individual. I interviewed a total of sixteen union leaders and ten rank and file members. I interviewed one union leader twice, and met twice with two other leaders to go over some questions I had regarding the collective contract documents. I was also invited to a series of union meetings and visited the different plants.

In the retail company I conducted twenty-one interviews with union leaders. In this case corporate management declined to be interviewed as well, but I was able to chat
informally and off the record with one store-manager. In most cases the interviews included the whole union board, so I ended up interviewing a total of thirty-seven union leaders. I was also invited by each of the two federations to weekend retreats. I interviewed the three most important leaders twice and met several times with other union leaders to clarify some of the collective contract clauses.

In the telecom company I conducted fourteen interviews with union leaders and one company officer in charge of collective bargaining. I interviewed one union leader twice, and had several telephone communications with other leaders to clarify some doubts. All the interviews were individual.

In addition I conducted twenty-four interviews with experts from non-governmental organizations (NGOs), state agencies and international organizations. I also spoke to officials of peak union organizations in charge of organizing firm-level unions, as well as other management representatives outside of the four companies under study.

In total, between March 2004 and February 2005, I conducted ninety-six interviews. The sample included six management representatives, eighty-nine union leaders, ten rank and file members, seven state officials, and ten experts.

4. Main Arguments and Findings

Between 1990 and 2004 labor union bargaining outcomes in Chile continued the pattern of decline of the previous decade, despite the improvement of general macroeconomic and political conditions. This stemmed from the fact that, already weakened by the repression and economic restructuring of the 1980s, during the 1990s and early 2000s unions experienced difficulties in penetrating policymaking circles and organizing and mobilizing
the rank and file. As a result, the labor reforms of the 1990s and early 2000s continued giving employers ample discretion in the use of labor, restricting the right to strike, and favoring union competition and decentralized wage bargaining across all private sector industries. The response of Chilean firms to the international financial crises of the mid and late 1990s aggravated this situation by increasing labor rationalization and flexibility in a context of high unemployment.

Quantitative sectoral data and qualitative studies show, however, that during this period there was significant variation in the bargaining power of unions at the firm level. The case studies of this dissertation confirm this, finding variation both among individual unions within companies and between aggregate union bargaining outcomes across companies.

Within companies they indicate that while in the banking and telecom companies there was no significant variation among individual unions, in the manufacturing and retail companies variation in union bargaining outcomes was significant, particularly across the different individual firms of each holding. Across companies the case studies show that union bargaining outcomes were higher in the banking case, followed by the manufacturing, retail and telecom companies, respectively.

I argue that both types of variation are explained by differences in the same four independent variables: workplace conditions, labor market conditions, product market conditions and union organizational strength. These four factors combined determine the particular balance of power between unions and employers during the bargaining process, affecting union and management bargaining interactions and ultimately shaping differences in individual union collective bargaining outcomes within and across companies. The higher
the value on each of the independent variables, the greater the bargaining leverage of the union and thus the better the bargaining outcome.

With regard to workplace conditions, the analysis shows consistently that unions exhibited better formal bargaining outcomes when the core of production was not subcontracted, and technology and work were dependent on speed, networks, high performance or other methods of production that gave workers great ability to disrupt production at low cost. In terms of labor market conditions my analysis suggests that union bargaining performance was better when union members tended to be highly skilled, and were not affected by legacies of massive layoffs or high contract and wage flexibility. With respect to product market conditions the case studies show that unions performed better when companies enjoyed moderately competitive product markets and performed well economically. Finally, with regard to organizational conditions the analysis indicates that the higher the union density and cohesion the greater a union’s bargaining success.

Within the banking company, and due to the character of production and high levels of business integration, there was no variation in union formal bargaining outcomes. Across the company, most unions enjoyed highly favorable workplace, labor market, and product market conditions, and were organizationally strong. Given the relative bargaining power of unions across the company, and to avoid significant upward pressures on the collective contract value, after 1990 management offered a partnership relationship to unions that delivered bargaining restraint and ignored more militant unions. Since most unionized workers considered satisfactory the settlement achieved by the more accommodating unions, management was able to extend the same exact collective contract across the company.
Within the manufacturing company, differences in the character of final products and the pace and intensity of technological standardization across old and newly merged firms, plus high levels of management decentralization, gave unions in some individual firms significantly more workplace, labor market, product market and organizational leverage. These differences created variation in the bargaining dynamics of each of the firms in the company and explain why particular unions performed better than others.

Similarly, within the retail company there was significant variation in union bargaining outcomes. Since workplace conditions were constant across the company, I argue that variation in union bargaining outcomes was the result of variation in labor market and product market conditions and organizational strength across its different firms. Variation in these independent variables was mainly associated with differences in the age of the firms across the company. The older the firm the higher the value of the independent variables. This, plus the high level of management decentralization, explains why, despite the fact that the company was willing to extend more or less the same collective bargaining structure across the company, the particular dynamics of bargaining in each firm led to significant differences in the value and development of the collective contracts of individual unions.

Within the telecom company, although at first glance the fact that some unions enjoyed more generous collective contracts suggested that they performed better, a closer look at the evidence shows that there was little variation in individual union bargaining power. In particular, I argue that during the 1990s and early 2000s increasing technological upgrading, labor downsizing and market liberalization deteriorated workplace, labor market, product market conditions and the organizational strength of labor across the company. By the early 2000s unions enjoyed only medium workplace power and low labor market and
product market leverage, and, with the exception of a few unions that still enjoyed medium organizational strength, most were organizationally weak.

Thus, after 2003 many unions finally accepted the wage and benefit cuts management had been pursuing since 1999. Unions that did not accept the cuts used an article of the labor law to unilaterally extend their last collective contract. By 2004 these unions enjoyed the best collective contracts in the company. However, high union competition and continuing and intensified management intimidation explain why these unions experienced significant membership losses, which rendered their collective contract temporary and contingent on the job continuity of a few members.

The cross-company comparison indicates that in terms of aggregate bargaining outcomes the unions in the banking company exhibited the best bargaining performance, followed by the unions of the manufacturing, retail and telecom companies in descending order. Variation across companies was related to differences in my four independent variables.

In the banking company on average unions exhibited high values on each of the four independent variables. In addition, the dynamics of the bargaining process enabled management to extend the same exact collective contract to all unions. As a result, all unionized workers saw the same real increases in the value of their benefits, and maintained longstanding generous benefits.

In the manufacturing company, although unions were organizationally strong, on average they enjoyed only medium workplace, market place and product market leverage. As a result, during the 1990s and early 2000s, unions protected pre-existing benefits and readjusted the collective contract by inflation, but on average gained very little increases.
This negatively affected unionized workers in recently merged areas, where unions tended to have leaner collective contract structures and therefore were unable to catch up with the oldest unions in the company.

In the retail case, although unions enjoyed high product market leverage, on average unions had low workplace, labor market and organizational leverage. Thus, although since 1990 collective contracts had experienced an upward trajectory, on average wage and benefit increases were modest and the expansion of the collective contract structure was slow.

Finally, in the telecom company, although workplace conditions gave unions medium bargaining leverage, unions enjoyed little labor market, product market and organizational leverage. In 2003 this forced many unions to accept significant cuts. Unions that did not accept the cuts experienced continuing and intensified management intimidation and lost most of their members to more accommodating unions. Thus, in 2004 most unionized workers in the telecom company had experienced significant wage and benefit cuts.

5. Chapter Layout

The dissertation is organized in nine chapters including this introduction. The second chapter fleshes out the theoretical framework. After defining labor bargaining and examining its immediate determinants, it reviews the main sources of bargaining power. It ends proposing and operationalizing the theoretical framework applied in the empirical chapters.

The third chapter offers a discussion of the situation of unions and collective bargaining during the 1990s and early 2000s in Chile. It describes the main national trends in union bargaining outcomes and examines the causes of the increasing decline in union bargaining power, setting the backdrop for the subsequent chapters.
The fourth, fifth, sixth and seventh chapter seek to understand variation in union bargaining outcomes within the four companies under study. They examine the extent of variation in individual union bargaining outcomes and the reasons behind the particular variation in each company. Chapter eight seeks to understand variation in aggregate bargaining outcomes across the same companies.

The final chapter summarizes the main arguments and findings. It also discusses the broader implications of the findings for a future research agenda and compares the overall situation of labor unions and collective bargaining in Chile and the United States.
CHAPTER II
LABOR UNION BARGAINING OUTCOMES: A THEORETICAL FRAMEWORK

Most of the literature that studies union bargaining outcomes at the firm level does so through bargaining models of strategic interaction. Although some of this literature tends to be more sensitive to historical or institutional factors, most of it, usually in the labor economics and management tradition, pays little attention to factors beyond the firm, considers structural factors shaping strategic behavior as exogenous, uses only a two-actor model, and assumes a static view of the bargaining process.

This chapter lays out a theoretical framework for understanding firm-level variation in union bargaining outcomes that overcomes some of these difficulties. It does so by bringing into the discussion the insights of two closely related, but different, research traditions, the literature on labor movements and the literature on class compromise.

The former focuses on labor unions as the dependent variable and seeks to explain cross and sub-national variation in union membership and political voice by looking at structural, institutional, organizational and political factors, as well as union strategies. The latter focuses on explaining cross-national/sectoral variation in welfare state and macro-economic performance. It usually looks at institutions, worker organization, class relations, and economic conditions as independent variables. Both research traditions pay close attention to structural labor-capital power relations, long-term and institutional trends and
multi-actor effects, precisely the shortcomings of an important part of the classical firm-level literature on bargaining outcomes.

Based on a review of this literature, I argue that union bargaining outcomes are an expression of the relative power of organized workers vis a vis employers and I offer a theoretical framework that explains the sources of union bargaining power at the firm-level.

Considering the particularities of the Chilean case I propose an explanatory model with four independent variables: workplace conditions, labor market conditions, product market conditions, and organizational strength. I argue that variation in these four variables shapes the advantages and vulnerabilities that unions and employers bring to the bargaining table and their behavior during the bargaining process, and ultimately explains within and across firm variation in union bargaining outcomes.

The chapter is organized in six sections. The first section discusses the relationship between firm-level bargaining outcomes and labor bargaining power. The second section examines the independent variables and their effect on bargaining power. The third section discusses the dynamics of the bargaining process. The fourth section proposes a theoretical framework for understanding firm-level variation in bargaining outcomes in Chile, and the fifth section operationalizes the variables of this framework. The final section briefly summarizes the main arguments of the chapter.

1. Labor Union Bargaining Power

Most students of industrial relations agree that labor bargaining is a situation of strategic exchange between employers and workers about distributional outcomes (Hicks 1963 [1932], Shea 1980, Bacharach and Lawler 1981, Korpi 1985, Martin 1992, Emerson
1993 [1962]). However, while labor economists see the outcomes of labor bargaining as a contract zone that maximizes the economic interests and expectations of employers and workers (Zeuthen 1930, Hicks 1963, Walton and Mckersie 1965, Ashenfelter and Johnson 1969, Chamberlain and Kuhn 1986 [1951]), other social scientists see bargaining outcomes as reflecting the ability of each party to make the other comply with its demands by means of constraint, punishment, or reward (Korpi 1985, Martin 1992, Kelly 1998, Luke 2005 [1974]).1 I favor this second interpretation.

According to Korpi (1998) the particular balance of power between workers and employers depends on two main factors. One is the pre-existing power resources available to each party. The other is the extent to which strategic bargaining interaction modifies that pre-existing balance of power. The latter depends on the interests of each actor, the type and amount of resources available to them, and the costs of maintaining, mobilizing and applying those resources in a particular bargaining moment.

According to Korpi (1977) employers are structurally more powerful because their main resource, capital, is large in scope and domain, scarce, potentially more fluid because it can be easily concentrated and converted, and central to the livelihood of workers.2 In contrast, workers’ main power resource, human capital or labor, is small in domain, narrow in scope, more abundant than capital, dependent on the demand from capital, and difficult to concentrate and convert. The costs of mobilizing human capital are therefore higher.

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1 According to Luke (2005) [1974] the exercise of power has three dimensions. One refers to the ability to make others do what you want, the other refers to the power to take an issue off the agenda, and the third refers to the power to shape others’ preferences.

2 Emerson (1993) [1962] argues that bargaining relations between employers and workers are affected by each party’s control over things the other party values.
Despite this structural power imbalance, workers can overcome their weakness as individual bargainers through collective action (Korpi and Shalev 1979, Reeder 1994, Kelly 1998, Bacharach, Bamberger, Sonnenstuhl 2001). This is the case primarily because through strikes and other pressure tactics organized workers can disrupt production and impose costs on management that potentially can exceed the wage increases being negotiated (Pigou 1905, Lindblom 1948, Hicks 1963 [1932], Ashenfelter and Johnson 1969, Rees 1974, Shalev 1980, Arrighi and Silver 1984, Martin 1992, Kelly 1998). Thus, the higher the ability of unions to disrupt production the more likely workers will be to extract concessions from employers.

The relative balance of power between employers and workers, and the bargaining agenda itself, vary over time. That is, although collective bargaining outcomes tend to be cumulative, objective changes in the structural conditions of bargaining power and critical strategic failures of workers or employers in calculating and deploying their power can alter historical trends in collective bargaining.

However, as scholars point out historical legacies of mobilization do indeed influence the development of union strength, the organizational strength of business and its response to labor demands, as well as the characteristics of work organization and collective bargaining, and the role of the state in industrial relations (Hibbs 1978, Bergquist 1986, Fulcher 1991, Kochan, Katz and McKersie 1994, Friedman 1998, Candland and Sil 2001).

2. The Sources of Bargaining Power

This section examines the independent variables that shape the relative bargaining position of employers and unions during collective bargaining. It is organized following

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3 Some scholars argue for example that workers that organized earlier tend to have more benefits because of a cumulative effect (Douglas 1934).
Wright’s (2000: 962) typology of worker bargaining power. This scholar distinguishes between two main sources of labor power. One is the power that arises from workers’ organization. This he calls associational power. The other source of power he calls structural and refers to the power that accrues to parties as a function of their location in the economic system (workplace power) or labor market (marketplace power).

Because I stress bargaining outcomes resulting from a relationship of interdependence between workers and employers I make two further distinctions. I subdivide marketplace power into labor market power and product market power. The latter refers to the ability of employers to pass costs on to clients and make profits. In addition, I subdivide associational power into organizational and political power. In this way I distinguish between the power that stems from unions’ internal organizational capacities and the ability of unions to penetrate policy-making and shape state institutions vis a vis employers.

2.1. Workplace Conditions

The variable “workplace conditions” refers to the power that accrues to workers as a result of the organization of work and the technological characteristics of production. In this section I focus on lean production systems, the most prevalent form of organizing production in contemporary firms. In particular, I discuss two aspects that have an important effect on

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4 Lean production is thought to meet the demands of small but sizable home markets and is characterized by: long overtime hours, a hierarchy of wages and wage relation based on productivity, multifunctional but semi-skilled labor, job protection only favoring some workers, workers’ self-control, limited labor disputes not affecting production, alliance between management and favored workers, geographical division of labor, vertical deintegration (outsourcing), just-in-time production, network logistics, and standard technology (Ruigrok and Von Tulder 1995: 43, 51, and 61).

A number of studies on work reorganization examine how this particular form of work organization is associated to economic and technological structural characteristic, as well as national institutions (Hecksher 1988, Belanger, Edwards and Haiven eds 1994), union strategies Dubb (1999), and the rapid diffusion of management techniques. The latter is especially true in multinational corporations where management expatriates are key actors in this process (The Economist, April-23-2005: 62).
labor’s workplace bargaining power: the level of integration of production, and the
technology-based vulnerability of the productive process to worker disruption.\textsuperscript{5}

\textit{The Level of Integration of Production}

There is an ongoing debate on whether and to what extent de-integrated forms of
work organization, that is systems of production that rely heavily on outsourcing and
subcontracting, affect union bargaining power (Harrod and O’Brien 2002).

For many authors, de-integrated logistic chains\textsuperscript{6} weaken the bargaining power of
workers because the number of points where production can be disrupted decreases,
coordination with employers and fellow workers is harder due to geographical dispersion,
and the fragmentation of the workplace creates important cleavages between core and
periphery workers (Kuhn 1961, Streeck 1993, Pontusson and Swenson 1996, Hyman 1999,

This increases labor market competition, intensifies work, and weakens worker
solidarity and union organization, as well (Sabel 1982, Green and Yanarella 1996). Some
argue that de-integrated forms of production are usually associated with increasing labor
flexibility, and confer a strategic advantage to employers by allowing them more control over
the demand and deployment of labor (Kulatilaka and Marks 1988), and by giving them a

\textsuperscript{5} The form of work organization also affects the attitudes of employers toward workers because they
generate variation on the value of human resources, rendering some employers more capacity (and interest) to
offer better wages and benefits than others (Pigou 1905, Barbash 1984, Harrison and Stewart 1989, Pontusson

\textsuperscript{6} Logistic chain refers to the forms in which the different parts of production operate to create and
distribute the final product. It includes the network of raw material supply, the different parts involved in the
product creation, as well as the storage and distribution of product in the final market. Most firms operate today
through de-integrated logistic chains. This means that the firm retains only some key areas of the logistic chain;
the rest is outsourced or subcontracted.
greater ability to relocate production to lower labor cost areas (Reder and Ulman 1993) and offering precarious forms of employment (Munck 2002).

Other scholars are less convinced about the negative effects of these forms of work organization on labor bargaining power. According to Kern and Sabel (1992) flexible de-integrated work organization does indeed create difficulties for unions regarding recruitment, centralization, and the development of a unified bargaining agenda. However, it also empowers skilled workers and diminishes the costs that workers at the core of production incur when engaging in mobilization (Kern and Sabel 1992, Rubery 1999). For Arrighi and Silver (1984) and Silver (2003), while post-fordist forms of organizing production increase the ability of capital to relocate production to less unionized regions endowed with reserves of competitive labor and therefore weaken the structural power of unions in more developed countries, technological upgrading also allows for more labor control of production, therefore increasing in developing countries union ability to disrupt production.

Several scholars support the view that the structural power of workers depends on their particular position in the productive chain rather than in general conditions of production (Perrone 1984). For instance, where outsourcing and subcontracting have been limited to peripheral functions organized workers can still retain great power of disruption because they control the core of production. This is the approach taken in this dissertation.

Technology-Based Vulnerability of the Productive Process to Worker Disruption

Although production processes of great speed can alienate workers and intensify work, debilitating the organizational power of workers, scholars believe that logistic chains dependent on speed and client demand can counteract the negative effect of de-integrated production, increasing labor’s workplace bargaining power (Herod 2000). For instance, just-
in time and pull systems, where production is fast and controlled by the demands of
customers, increase the bargaining power of workers because small pressures at strategic
points in space and time have a great impact on production and product market outcomes
(Martin 1992, Gordon and Turner 2000, Silver 2003). The same occurs with network
production systems, which give great power of disruption to individuals and small groups of
workers regardless of their position in the logistic chain and occupation.

By the same token, when production demands high standards of quality, workers
enjoy more workplace bargaining power because any disruption can easily alter the final
product and production requires a high number of controls on the part of workers. Because
high quality standards are generally associated with worker up-skilling and higher costs in
training, high performance systems also enhance the labor market power of workers.

2.2. Labor Market Conditions

The variable “labor market conditions” refers to the conditions of employment,
including the supply and demand of labor and labor market institutions.

In general scholars argue that from the perspective of workers, unemployment
increases workers’ costs of collective action and makes it difficult for unions to sustain high
levels of cohesion and enforce internal discipline (Meltz 1993). In contrast, the risks of
mobilizing decrease when workers can easily find another job (Ashenfelter and Johnson
1969). This is the case when the labor market is tight, there is a shortage of certain skills, or

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7 Similarly, unions located in sectors that have a strategic wide economic and social impact on the
community (e.g. public transport, utilities, telecom, etc) enjoy great power of disruption because they impact the
public at large (Brenan 1995).

8 According to some scholars job security has a differential effect on unions, depending on the
institutional mechanisms used to allocate job losses (Golden 1992).
unions can insulate themselves from labor market vulnerability by means of the closed shop and/or control over entry to the trade they organize (Martin 1992). From the perspective of employers, tight labor markets make firms more vulnerable to pressure because the costs of labor increase due to the difficulties of finding replacements and the need to attract and retain workers (Rees 1952, Ashenfelter and Johnson1969).

According to Reder (1994) the disciplining effect of unemployment on workers is manifested in the fact that where labor dismissal is easy unions tend, other things being equal, to be more willing to accept employers’ conditions without change.

Although scholars agree with these general statements some argue that broad employment and unemployment indices do not reflect variation in geographical or occupational submarkets (Martin 1992: 32). I agree with this view. Since geographical submarkets hide occupational differences I focus the first part of the discussion on the skill level of the workforce.

I do not discuss labor market institutions because they are constant across the cases studied in this dissertation. However, I do discuss as part of this variable the impact of firm-level employment policy legacies, including the history of layoffs related to restructuring, rationalization and mergers and the history of contract and wage bargaining.

Skill Level of the Workforce

Workers are considered skilled if, regardless of their level of education, they perform complex or specific operations in a particular field. These operations must be relevant to the productive process and technological demands of the firm. That is, a worker whose particular skills have been rendered obsolete by technological upgrading cannot be considered skilled.

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9 See Chapter III pp. 56-65 for a detailed discussion of Chilean national labor market institutions.
Thus, my conceptualization of skilled includes not only the degree of training a worker has, but also the extent of the firm’s need for that training.

In general, studies document that less skilled workers usually labor under more precarious employment arrangements and receive lower wages (Dunn 2004: 157-159). In fact, more skilled workers tend to enjoy more bargaining power than their less skilled counterparts, for two main reasons. First, the costs of labor replacement of skilled workers are high due to training investment and relative scarcity of skills (Grant II and Wallace 1991). Second, skilled workers are generally less vulnerable to unemployment than unskilled workers, and, because they tend to enjoy better wages, can hold out longer in the event of conflict (Reder 1994).

The skill level of the workforce also affects in more indirect, but similarly powerful ways, worker bargaining power. For example, in firms with core-periphery employment strategies more skilled workers are usually in charge of core functions, and therefore have more control over production (Martin 1992). This is the case in more capital-intensive firms or where the demands of technology are more complex or delicate. In this case skilled workers also enjoy more workplace power than their less skilled counterparts.

Moreover, according to Shalev (1992), higher levels of skill of the workforce are positively associated with high union organizational strength and industrial coordination. Soskice (1990) and Streeck (1992b) point out that where demands for skilled labor are high employers support coordinating labor institutions as a way to minimize their vulnerability to skill dependence, and, by sharing training costs, increase quality production and the

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10 Although in recent years trade liberalization has increased the possibilities to substitute labor this has proven more difficult in the case of more skilled workers because most of the labor competition is coming from low wage countries (Rodrik 1996, McKeown 1999).
availability of skills. In fact, from the perspective of employers, in highly competitive product-markets a skilled workforce can be a source of comparative advantage by providing the basis for innovation and high quality production (Streeck 1992b).

The level of skill of the workforce is dependent on technological demands, industrial institutions, work organization, and levels of union strength. These factors affect the demand for skills, and create incentives for the up-skilling or down-skilling of specific workgroups (Kochan and Block 1977, Gallie et al. 1996, Capelli et al 1997, Fraile 1999, Brown and Campbell 2002, Wallace and Kalleberg 1982, Sorge and Streeck 1988).

**Firm-Level Employment Policy Legacies**

As will be discussed in detail in the next chapter, in Chile during the 1990s and early 2000s the main legacy of the 1980s labor reforms was increasing labor flexibility.11 Although this framework is constant across sectors and firms, the empirical cases indicate that the particular extent of flexibility in contract and wage arrangements varied across firms, and was associated mainly with the history of firm restructuring/rationalization/mergers, as well as with the history of union bargaining.

In particular, I argue that when restructuring was a management priority and unions were too weak to stop it, firms engaged in massive layoffs and offered a high number of temporary jobs, usually with highly variable wages attached. These generated employment policy legacies that increased the level of contract and wage flexibility and made workers in these firms more vulnerable to unemployment.

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11 According to Ozaki (1999) there are four types of labor flexibility: (1) external flexibility (or employment/contract flexibility) refers to the increase in subcontracting, outsourcing and temporary employment, (2) internal flexibility refers to the ability of employers to extend the workday shift, (3) wage flexibility refers to the introduction of variable wages resulting from differences in performance and productivity, and (4) functional flexibility, also called multitasking, refers to the ability of employers to deploy workers to different tasks according to the needs of production.
Legacies of massive layoffs have an important intimidation effect on workers, and therefore generate serious collective action problems within unions. At the same time, in Chile temporary and seasonal contract arrangements exclude workers from generous compensation packages, generate high job insecurity, increase labor turnover, and give workers fewer chances of promotion and career advancement (Carré et al 2000). These forms of employment also hamper the ability of unions to develop internal cohesion and maintain stable membership rates.

Although contract flexibility makes it more difficult for employers to develop a highly skilled workforce and create firm loyalty, it empowers employers by allowing them to adapt more easily to market fluctuations and gain more control over labor markets, boosting management bargaining power in this area (Carré et al 2000).

Similarly, according to Martin (1992) high wage flexibility settings, such as sales commission systems, decrease union bargaining power because they increase competition among individual workers and tend to be accompanied by work intensification. This diminishes the opportunities for workers to develop a collective identity and union cohesion. In the Chilean case, for many non-skilled workers that earn low wages, contract wage flexibility also means lack of social protection (Gálvez Pérez 2001).

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12 Contract flexibility not always entails job precariousness, and in many cases is perceived by workers as a precondition to access the labor market (Henretta 1990, Carré et al 2000, Charles, James and Ransome 2005:165). However, employment flexibility is accompanied by job precariousness when workers cannot meet the demands of flexibility, the law falls short in the regulation of atypical employment, and labor regulation is weakly enforced (Charles, James and Ransome 2005: 165, Dirección del Trabajo 2003: 14).
2.3. Product Market Conditions

The variable “product market conditions” has to do with the market conditions of the products a firm produces. Concretely, it refers to the level of competitiveness of the product market and the overall economic performance of the firm.

Product Market Competition

Product market competition affects the capacity of employers to grant concessions (Elridge 1968). With the exception of completely monopolistic situations where the firm can “sit out” a strike without market share losses, low market competition in product markets makes employers generally more willing to grant concessions (Dunlop 1944, Martin 1992).

This is the case because high levels of market competition negatively affect the ability of employers to have discretionary pricing policies and to pass costs on to clients; as well as augmenting the incentives to reduce labor costs by incorporating labor-saving technologies, intensifying work, or offering low wages (Craypo 1994). Moderately competitive product market conditions, in contrast, make employers vulnerable to pressure because small stoppages can jeopardize the position of the firm in the product market very easily.

The impact of product market competition on union bargaining power is, however, mediated by the elasticity of the product demand and the firm’s dominance of the market (Kochan and Blalock 1977, Calmfors et al. 2001). The more elastic the demand for the firm’s products the greater the bargaining advantage of employers because concessions are more costly when price increases result in declining product demand (Martin 1992). In contrast, more inelastic product markets will boost the bargaining power of workers. In relatively competitive markets the more dominant the firm in the product market, the greater its ability to give concessions and therefore the greater workers’ product market bargaining power.
Firm Economic Performance

Labor bargaining outcomes also depend on the existence of economic surpluses that can be shared between the firm and the union (Calmfors et al. 2001). When firms enjoy good sales performance, employers’ profits grow. This gives management more room to increase operational and investment costs. Under these conditions employers will be willing to grant concessions in order to avoid stoppages precisely when profits and orders are on the rise, and unions can legitimately ask for pay increases (Rees 1952, Ashenfelter and Johnson 1969, Martin 1992). In contrast, when profits lag firms seek to cut operational costs and downsize business. Under these conditions employers have more difficulties for accommodating everybody and will be willing to grant concessions only to those who actually can disrupt production (Kaufman 1981).

Firm profits also have an indirect effect on union bargaining power. Declining profits can prompt labor rationalization and increase labor flexibility, posing important threats to the labor market power of unions.\(^{13}\)

2.4. Union Organizational Strength

This variable refers to the level of union density and cohesion, both of which affect a union’s ability to mobilize its members and disrupt production.

\(^{13}\) It is important to note here that different forms of firm restructuring have a different effect on the level of job security. For instance, while production relocation means the elimination of unions or its significant reduction, in the case of merger and acquisitions, labor rationalization is in many cases narrowed to trimming merger-induced redundancies and therefore do not necessarily translate into union membership shrinkage.
Union Density and Cohesion

An important factor affecting a union’s ability to disrupt production is its capacity to mobilize members. All things being equal, unions have more power of mobilization when organizational density and cohesion are high. 14 This is the case for two main reasons.

First, when more workers go on strike the costs of substituting labor are higher and the number of workers available to continue production shrinks (Rosen 1969, Calmfors et al. 2001). This gives unions monopoly power. Second, unions with organizational strength not only gain control over many points of production, but also are able to build large financial

14 There is large literature devoted to understanding the structural and agency factors behind the variation in union density and internal cohesion.

For instance, Bluestone and Bluestone (1982) and McKeown (1999) argue that increasing capital mobility and the decline of traditional sectors explains contemporary trends in membership shrinkage. Other scholars argue that union membership has been affected by changes in the characteristics of the rank and file due to new forms of work organization and employment conditions as well as in the global division of labor (Meltz 1993). According to (Piore 1994) flexible production has transformed occupational structures and shifted the geographical location of production at the detriment of what were in the past strongholds of unionism. Other structural variables, such as the socio-economic character of the sector (Kerr and Siegel 1954, Oberschall 1973), workplace solidarity and class consciousness (Fantasia 1988), and institutional variables –such as the level of union centralization, the wage bargaining coverage, compulsory membership, workplace representation and coordination-- (Lange and Scruggs 1996, Ebbinghaus and Visser 1999), also affect unions ability to maintain steady membership and maintain high levels of organizational density. Sanford (1995) argues that union density is contingent on union centralization, the size of the workforce and the political recognition of unions and management policies. Political legacies of militancy/repression (Marks 1989, Robinson 1993, Goldstein 2001) and political ideology (Stepan-Norris and Zeitlin 1991, Stepan-Norris 1997) are also other agency factors that contribute to explain union’s ability to mobilize and generate internal cohesion and discipline.

Internal characteristics of labor organization, such as the capacity of unions to provide with selective incentives (Olson 1965, Carmichael 2004), develop professional resources, strong leadership and sustained financial support (McCarthy and Zald 1973), and foster normative mutual aid organization (Bacharach, Bamberger and Sonnensthul 2001), also help unions to recruit and maintain members, as well as build internal cohesion. More recently, a number of scholars are pointing out that despite structural constraints unions can overcome membership shortage and collective action problems by investing in:

(d) The creation of new agendas that satisfy the needs of new constituencies (Hyman 1999, Hyamn 2004)

resources that give workers the ability to hold out in case of conflict (Blackemore, Hunt and Kiker 1986, Willman, Morris and Aston 1993).

However, mere union density is no guarantee of disruption. In fact, unions that are unable to generate internal cohesion and enforce rank and file discipline or, are divided by internal cleavages (occupational, racial, political, etc.), confront severe difficulties to mobilize large contingents of workers and carry out successful strike campaigns (Korpi and Shalev 1979, Rosswurm 1992, Moene and Wallerstein 1993, Thelen 1993).\textsuperscript{15}

Besides its impact on the micro-mobilization capacity of unions, organizational density and cohesion indirectly affect union power by creating conditions that empower unions to become a political force and enhance the bargaining power of workers outside the firm (Korpi and Shalev 1979, Stephens 1979, Cameron 1984, Rueschmeyer, Stephens and Stephens 1992). According to Visser (1992), high levels of union density also encourage the creation of encompassing organizations that allow for more coordination with employers.

\subsection*{2.5. Political and Institutional Conditions}

This variable refers to sources of bargaining power that lie outside the firm, in the legal framework and political influence of unions at the national level.

\textit{Politics and Influence in Policy-Making}

Union bargaining power is also influenced by the political clout of labor organizations.\textsuperscript{16} Politically powerful unions can influence the creation and development of

\begin{itemize}
\item[\textsuperscript{15}] See Garret and Way (1995) and Lange, Wallerstein and Golden (1995) for destabilizing effects of public sector workers on the labor movement.
\item[\textsuperscript{16}] Among the main factors influencing labor’s political strength are: union capacity for mass mobilization (Korpi 1983, Buchanan 1995), the level of union density, centralization and coordination (Buchanan 1995, Mitchell 1996), grand or partial openings in the structure of political opportunity for mobilization (MacAdam 1982, Tarrow 1994, Cook 1996), the party system structure (Korpi 1983, Martin
the industrial relations framework and labor market policies, and push for macro-economic policies that are more labor-friendly. Unions can do this through two mechanisms. One is through the intermediation of left political parties that take control of the state. The other is through mass mobilization (Stephens 1979, Korpi 1983, Carriere et al 1989, Cook 1996 and 1999, Huber and Stephens 2001).

Politics also affects labor union strength through the ability of states and elites to structure, subsidize, repress or constrain labor (Collier and Collier 1979, Drake 1996) making organized labor more or less able, and willing, to pursue its goals through political means (Marks 1989, Epstein 1989).

As will be discussed in detail in Chapter III, during the 1990s and early 2000s in Chile this variable was low and exhibited little variation at the firm level. This is the case because peak union organizations enjoyed little political influence, and individual unions at the firm level seldom behaved as political organizations. As a result I hold this as a constant.

Collective Bargaining and Labor Union Institutions

The legal institutions regulating collective bargaining and union structure have important effects on union bargaining strength (Dunlop 1949, Clegg 1976, Clark 1989).17

At the firm level, legislation that restricts the right to strike, allows for lockouts or worker substitution during strike campaigns, establishes lengthy and difficult bargaining procedures, and/or fosters union and non-union competition usually tip the balance of power in favor of employers because it decreases the effectiveness of unions in disrupting

17 As already mentioned, labor market institutions also affect union bargaining power. For example, when the law does not protect workers during unemployment, and facilitates the dismissal of workers at low cost workers become more vulnerable to unemployment and unions loose labor market power.
production or decreases employer strike costs. Legislation that allows for corporate secrecy and gives employers ample discretion in the use of labor also negatively affects union bargaining power by making it hard for workers to devise a successful bargaining strategy or gain legitimate control over workplace decisions (Hathaway 1993). In addition, informal rules that give the upper hand to employers during bargaining, weak law enforcement, and low sanctions against unfair labor practices also undermine union bargaining power (Flanders 1975, Craver 1993, Meltz 1993).

At the national level more centralized wage bargaining fosters industrial accommodation and union centralization, giving more bargaining power to unions (Golden 1993, Western 1993, Aïdt and Tzannatos 2002). Similarly, institutions that create favorable conditions for union monopoly allow unions to recruit and maintain membership, concentrate power, and increase the likelihood of strategic success (Kochan and Blalock 1977, Kawanishi 1992, Golden 1993, Murillo 2001).

Formal institutions such as worker co-determination strengthen union loyalty and plant mobilization at the firm level (Turner 1991, Thelen 1992, Gallie, Penn and Rose 1996, Mitchell 1996), while at the national level they increase union ability to influence policy-making and foster coordination (Pontusson 1991). A combination of national coordination and laws that foster local codetermination seems to boost union strength in increasingly decentralized bargaining settings (Turner 1991, Thelen 1992). Finally, according to Western (1993) and Carmichael (2004) institutions that give influence to unions beyond wage bargaining control over labor demand and supply, such as unemployment and pension funds, increase the ability of unions to control selective incentives.
Finally, legal institutions also shape employer and worker attitudes and affect the legitimacy and strategies of each actor (Brown 1983, Servais 2000, Lockwood 2004), by empowering one party at the expense of the other (Goldfield 1986), or striking a balance of power by empowering distinct intra-class factions within labor and capital (Swenson 1989).

According to scholars, cross national and sectoral variation in these and other institutions generate different legacies of labor relations and in the long run shape the trajectory of organized labor strength and voice (Jenson and Mahon 1993, Hyman 1994, Hollingsworth, Schmitter and Streeck 1994, Kaufman 2004). As will be shown in Chapter III, in Chile’s private sector sectoral or firm level institutional differences are nonexistent. As a result I hold this as a constant.

3. The Bargaining Process

The independent variables reviewed affect bargaining outcomes by determining the relative bargaining position of workers and employers previous to the bargaining process. However, a wide variety of scholars highlight that the strategic interaction between unions and management, and among unions where there is union competition, also affect bargaining outcomes (Bacharach and Lawler 1981, Korpi 1998). This is the case because strategies and tactics constitute particular ways in which workers and employers mobilize their pre-existing bargaining power. This deployment entails costs and advantages for both parties.

In fact, through a series of tactics, unions can increase employers’ costs of not negotiating or decrease the costs of granting demands, and vice versa (Chamberlain and Kuhn 1986). For example, successful management intimidation shifts bargaining power to employers by forcing workers to accept the firm’s offer even when objectively workers enjoy
great structural bargaining leverage. Individual unions can also undermine the power of other unions under conditions of high union competition, diminishing the employer’s costs when dealing with those unions. This can give some unions an edge over others in cases of union competition. Structurally weak unions can increase their bargaining leverage by employing less intense and low-cost tactics, such as five-minute work stoppages.

There are two important caveats to note here, however. One is that the particular technological, market, geographical and organizational advantages shape the range of strategic choice that the parties can exploit (Locke 1992). That is, structural bargaining power has an important role in shaping union and employer strategies. The other is that the strategic success of individual unions depends on institutional characteristics of bargaining and when there is union competition on the strategic choices of other unions as well (Murillo 2001, Frege and Kelly 2004). In addition, union strategic success depends on the appropriateness of tactics and the correct calculation of costs and benefits, in a situation characterized by imperfect knowledge.

4. A Theoretical Framework for Understanding Firm-Level Variation in Union Bargaining Outcomes in Chile

The foregoing analysis of the extant literature suggests that union bargaining outcomes depend on the relative power of unions vis a vis employers. It indicates that the bargaining power of unions in their negotiations with management is contingent upon the productive characteristics of the workplace, labor market conditions, product-market conditions, union organizational strength and broader institutional and political conditions.
However, since in the cases studied institutional/political conditions present little sectoral or firm-level variation, the theoretical framework of this dissertation sets this as an exogenous constant. As indicated in Figure 1, I argue that firm-level variation in union bargaining outcomes within and across the companies studied in this dissertation is explained by variation in four independent variables: workplace conditions, labor market conditions, product market conditions and union organizational strength.

**Figure 1: Explaining Firm-Level Variation in Union Bargaining Outcomes in Chile**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variation in workplace conditions</td>
<td>Variation in Firm-level Union</td>
</tr>
<tr>
<td>Variation in labor market conditions</td>
<td>Bargaining</td>
</tr>
<tr>
<td>Variation in product market conditions</td>
<td>Process</td>
</tr>
<tr>
<td>Variation in union organizational strength</td>
<td>Bargaining Outcomes</td>
</tr>
</tbody>
</table>

**Exogenous Background Constant**

- Political/institutional labor relations conditions (Constant at the firm level)

I argue that these four independent variables combined determine the particular bargaining leverage of workers and employers during the bargaining process, affect union and management strategic interactions and ultimately shape differences in union collective bargaining outcomes within and across companies. The higher the value on each independent variable, the greater the bargaining leverage and thus the better the bargaining outcome.
5. Operationalizing the Theoretical Framework

Implementing this framework requires, of course, decisions about how each of these variables will be operationalized and measured at the empirical level. I discuss the dependent and independent variables in turn.

The dependent variable, union bargaining outcomes, is operationalized in different ways in the within-company and across company comparisons. In the within-company chapters I measure this variable by comparing the number and generosity of specific benefits and wage readjustments obtained by different unions in the most recent formal negotiations with management through 2004. In this case, it was never necessary to calculate the actual peso value of the benefits included in the union contract. Some benefits were expressed in pesos, making comparison simple. Even when the value of a particular benefit was expressed in another type of unit (such as a percentage of a worker’s fixed wage) the comparison was still straightforward because the unit of measurement used was constant across the individual union contracts. Thus, I was able to compare the relative value of each union’s contract, even without knowing its absolute cost to the company.

As I explain in Chapter VIII, this method is not feasible in the cross-company comparison, because benefits are measured in different ways. The comparison would thus require calculations of the actual peso value of benefits, which I was not able to do with the information I had access to. In this case, then, I based my comparison on the percentage of unionized workers receiving certain key benefits, whose concession by management was a strong indication of bargaining power.

The four independent variables are measured in the same way throughout the dissertation. I considered workplace power to be high if the core of production was not
subcontracted, and the firm employed just-in-time, network, high performance, or other methods of production that gave workers great ability to disrupt production at low cost. It is considered medium when one of these conditions is absent, and low when both are absent.

I consider labor market power to be high when: (1) at least two-thirds of the labor force is skilled, (2) the firm has not experienced successive waves of massive layoffs in recent years, and (3) employment legacies meant that two-thirds of the workforce enjoy contracts that extend for more than a year and have compensation packages in which at least two-thirds of the wage is fixed. It is medium when at least one of these conditions does not hold and low when two or more do not hold.

Product market bargaining power is high when competition in the product market is moderate and the firm’s economic performance is good. Bargaining power is medium when one of these conditions is absent, and low when both are absent. The final variable, organizational strength, is high when union density is two-thirds or higher and union leaders judge their membership to be highly cohesive. When one of these conditions does not obtain, organization strength is considered medium. When neither obtains it is low.

6. Conclusions

In this chapter I have undertaken an interdisciplinary review of a variety of literatures that can be related to the study of union bargaining outcomes. Based on this review, I have derived a theoretical framework for explaining firm-level variation in such outcomes at the subnational level. This framework is composed of four key independent variables: workplace conditions, labor market conditions, product market conditions and union organizational
strength. I have also discussed the causal mechanisms by which these variables affect bargaining power and operationalized the theoretical framework.

In Chapters IV through VIII I apply this framework to explain labor union bargaining outcomes within and across four companies operating in Chile. The next chapter sets the national background for these cases.
CHAPTER III
LABOR UNION BARGAINING POWER IN CHILE

Once considered one of the strongest labor movements in Latin America, after 1973 Chilean organized labor lost much of its previous bargaining power. Despite a modest recuperation in the early 1990s, between 1993 and 2004 labor union collective bargaining performance followed a trajectory of decline.

What was the real extent and what were the characteristics of the general decline of labor union bargaining power in Chile during the 1990s and early 2000s? What factors explain this decline? This chapter answers these two questions by examining aggregate labor union collective contract outcomes and the main national trends associated with their decline.

In this chapter I argue that, already weakened by the repression and economic restructuring of the 1980s, during the 1990s unions found it difficult to penetrate policymaking circles and organize and mobilize the rank and file. Thus, although the democratic transition opened space for unions it ultimately relegated them to a secondary role. As a result, the labor reforms of the 1990s and early 2000s continued giving employers ample discretion in the use of labor, restricting the right to strike, and favoring union competition and decentralized wage bargaining. The response of Chilean firms to the international financial crises of the mid and late 1990s aggravated this situation by increasing labor rationalization and flexibility in a context of high unemployment. A closer look at
disaggregated evidence shows, however, that despite these general trends, there was significant variation in union bargaining performance.

The chapter is organized in three sections. The first section presents data on union bargaining outcomes between 1990 and about 2004. The second section discusses the most important political, economic, legal and organizational factors behind the decline of labor union bargaining power during the 1990s and early 2000s. The final section summarizes the findings of the chapter.

1. The Decline in Labor Union Collective Contract Outcomes


According to the Dirección del Trabajo (2004: 39), the Chilean equivalent of the U.S. National Labor Relations Board, during this period unionized workers usually achieved higher wage readjustments than non-unionized workers.¹

However, as Table 1 indicates real wage readjustments resulting from labor union collective contracts dropped by more than 80% between 1990 and 2002, and 60% between 1995 and 2002.² In addition, between 1993 and 2004 the total number of collective

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¹ Since unionization tended to be more predominant in large firms, usually wage readjustment varied in direct proportion to firm size (Dirección del Trabajo 2004).

² According to a study by the Dirección del Trabajo (1996: 54) the average readjustment was 50% less when workers went on strike.
bargaining contracts negotiated by labor unions, as well as the percentage of workers covered by them, decreased by 20% and 33%, respectively.³

Table 1, below, shows that after following a positive trend during the early years of the 1990s, the number of collective contracts and their coverage fell steadily during the decade, hitting the lowest levels in 1997-2000. After 2001 both figures stabilized at lower levels than in 1993. Although the decrease was larger for non-unionized bargaining groups, it also affected labor unions. As a corollary, between 1990 and 2004 real wage readjustments resulting from collective contracts also declined, hitting the lowest point in 1999.

### Table 1: Trajectory of Main Collective Bargaining Indicators (1990-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th># of collective contracts (***</th>
<th># of workers covered by all collective contracts (***</th>
<th># of collective contracts negotiated by labor unions</th>
<th># of workers covered by labor unions’ collective contracts</th>
<th>% of real wage readjustments in total collective contracts (***</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>2,399</td>
<td>184,556</td>
<td>1,229</td>
<td>138,737 (**)</td>
<td>3.78% (*)</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>2,810</td>
<td>252,385</td>
<td>1,598</td>
<td>199,781(**)</td>
<td>2.20% (*)</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>2,779</td>
<td>226,445</td>
<td>1,711</td>
<td>178,014</td>
<td>2.59% (*)</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>3,038</td>
<td>255,226</td>
<td>1,810</td>
<td>205,762</td>
<td>2.25% (*)</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>2,701</td>
<td>226,759</td>
<td>1,635</td>
<td>179,736 (**)</td>
<td>1.69% (*)</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>2,762</td>
<td>210,089</td>
<td>1,697</td>
<td>161,202</td>
<td>1.68%</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>2,550</td>
<td>225,659</td>
<td>1,561</td>
<td>172,707</td>
<td>1.43%</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>2,701</td>
<td>192,256</td>
<td>1,648</td>
<td>146,604</td>
<td>1.44%</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>2,674</td>
<td>206,230</td>
<td>1,396</td>
<td>151,062</td>
<td>0.96%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>2,188</td>
<td>161,834</td>
<td>1,375</td>
<td>118,069</td>
<td>0.55%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2,321</td>
<td>182,792</td>
<td>1,296</td>
<td>123,675 (**)</td>
<td>0.85%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>2,097</td>
<td>160,197</td>
<td>1,285</td>
<td>104,561</td>
<td>0.64%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>2,285</td>
<td>175,852</td>
<td>1,455</td>
<td>145,323</td>
<td>0.62%</td>
<td></td>
</tr>
</tbody>
</table>

³ Studies show that although during the 1990s the number of voluntary informal contracts (‘conventions’) increased, during the same period most labor unions resorted to formal collective contracts, usually at the firm level. Voluntary informal contracts were for the most part preferred by inter-firm unions and other bargaining groups in large firms (Asesorías Estratégicas 2000). According to the Dirección del Trabajo (1996) this was explained by the fact that both employers and employees had little knowledge of inter-firm negotiation procedures and a number of small employers did not agree to negotiate at supra-firm levels.

⁴ This figure includes collective contracts negotiated by unions and other collective bargaining groups but represents a good estimate of the collective bargaining trend of unions because between 1990 and 2004 unions negotiated 61% of the collective contracts and represented 72% of the total number of workers negotiating collectively (Dirección del Trabajo n/d2).
These negative trends, according to Ffrench-Davis (2002), explained to a significant extent why during the 1990s overall wages grew at a slower pace than GDP, widening income inequality.5

2. Explaining the Downward Trend of Labor Union Bargaining Outcomes

The factors behind labor union difficulties in improving collective bargaining outcomes during the 1990s and early 2000s were multiple. Some were related to deficiencies in the legal framework, others to the shortcomings of political institutions, others to the negative impact of new forms of work and increasingly high unemployment rates, and yet others to the weakening of union organizational resources. This section discusses the political, legal, economic, and organizational factors that explain the weakening of overall labor union bargaining power in Chile during the 1990s.

2.1 Political Factors

According to Angell (1972) the restrictive 1924 labor legislation, combined with the uncompromising attitudes of employers and the increasing role of the State in setting real wages, created until 1973 a set of incentives for labor union politicization. In fact, during 1924 and 1973 Chilean organized labor sought to compensate its weakness as an economic

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5 According to the Dirección del Trabajo (2004: 31-34) wage dispersion across occupation, gender economic sector, and firm size was high. Workers tended to be better paid when they were more skilled and male, and labored in large firms in less labor-intensive and more unionized industries/firms.
bargainer by developing political affiliations with center-left parties, as well as a strong and autonomous capacity for mass mobilization at the sectoral and national level.⁶

Unlike in the past, between 1990 and 2004 the combination of decentralized collective bargaining and center-left parties in government, some of which had in the past strong ties to unionism, did not translate into high levels of union political mobilization or in any electorally competitive political party taking a pro-labor agenda. With the exception of the public sector, where unionization, union centralization and political influence were higher, across sectors union political leverage tended to be uniformly low.

To explain this situation scholars point to a variety of transformations in the political realm, such as the generalized decline in political participation, the increasing resistance of policy networks to the input of trade unionism, the transformation of left parties into catch-all organizations, state retrenchment, the increasing political organization of business, and the closure of political opportunities for mass mobilization. In this section I argue that the elite-accommodating nature of the 1990 Chilean transition to democracy, the structural transformations in the relationship of labor to other political actors and in the patterns of citizenship participation, as well as the failure of the national union leadership to come up with a clear program and unify the different organizations around it, slowly but cumulatively made it harder during the 1990s and early 2000 to generate substantial labor reform, increase the political clout of peak unions and strengthen labor union capacity for mobilization.

⁶ For studies about the ties between Chilean labor unions and political parties until the 1980s see Ramirez Necochea (1956), Barria Seron (1972), Valenzuela (1976), and Campero and Valenzuela (1984).
According to Valenzuela (1999) the Chilean political system during the 1990s was greatly shaped by the negotiations between opposition party leaders, the military government and party leaders of the right that took place during the late 1980s. These negotiations supposed political leaders’ dual commitment to free markets and a stable electoral democracy (Vergara 1994, Haggard and Kaufman 1995), and were guaranteed by the continuation of institutions that would safeguard the political participation of the right and the military (Drake and Jaksic 1991) and prevent anti-business reforms (Karl 1990).

During the 1990s the terms of this pact were maintained by the ideological preeminence of social consensus and broad partisan alliances, which enforced labor wage restraint and subordinated the demands of labor to the need for elite accommodation (Espstein 1993, Moulian 1997, Weyland 1997). Thus, although political redemocratization constituted an improvement over the repression of the previous two decades, labor unions did not enjoy a prominent position in the new democracy. In particular, studies by Silva (1993), Frank (2002a), and Haagh (2002) present compelling evidence that since 1990, and despite some advances, the negotiated character of the democratic transition kept substantial labor reform off the political agenda.

Changes in the Socio-Political Matrix: Parties, Business and the State

For some scholars changes in the linkages between political actors brought by the transition were part of more permanent changes in the Chilean socio-political matrix. According to Garretón (1994) the transition to democracy laid the foundations for major structural transformations in the character and relations among parties, labor unions, business and the state. Although scholars tend to agree with this analysis, there is no consensus as to
what the most important structural change in the Chilean political setting was and how exactly it affected unions.\footnote{For Roberts (1997) and Drake (2003), for example, the main political change that affected negatively labor unions during the democratic transition was the increasing ideological moderation of the left. According to scholars that agree with this vision, the political moderation of center left parties stemmed not only from political leaders’ evaluation of radicalism as one of the main causes of the Chilean democratic breakdown in 1973 and the failure of the “real socialisms,” but also from the incentives the electoral system created for building bridges between left and right moderate political forces (Fuentes 1999). In contrast, for Uggla (2000) and Angell (2003) unions’ relations with party organization weakened because political parties, despite their endurance and influence in public office, faced as in many other countries a crisis of representation and were not exclusively labor-based parties anymore. It is important to note, however, that according to a study by Luna and Zeichmeister (2005) that Chile and Uruguay stand out in the Latin American context as countries with relatively high levels of political representation.}

What is clear, however, is that, unlike in the past, during the 1990s neither political parties nor unions saw themselves as part of the same entity, but rather as independent actors who not only operated in different spheres and carried out different roles, but also had contradictory interests (Espinosa 1996: 17).

In addition, the structural reforms set in place in the 1980s eliminated many of the state’s regulatory functions in labor markets and labor-management relations. During the 1990s and early 2000s state intervention in wage setting, the determination of working conditions and the resolution of conflict at the firm-level was limited and revolved mainly around law enforcement and guarantees to due process. The law allowed for state arbitration when both parts agreed, but in that event the state was supposed to act as an equidistant goodwill mediator. As a result of its minimum legal role in shaping labor relations, the state’s political efforts in promoting coordinated peak relations between labor and business\footnote{Some examples of this were the “Acuerdo Marco Tripartito” during the Aylwin administration, and the “Foro de Desarrollo Productivo” during the Frei administration.} did not have the necessary continuity to ease the tensions between labor union and employer organizations, and actually contributed to tensions in the relationship between unions and the state (Friás 1995 and 1996, De Giorgi and Dominzain 2000).
At the same time, organized business became increasingly embedded in policy networks (Teichman 2001). According to Arriagada (2004), since the late 1980s business grew, like never before in the history of Chile, ideologically coherent, organizationally united and politically influential, standing out in the early 2000s as one of the strongest business sectors in Latin America (Schneider 2004). One of the clearest examples of the increasing political influence of organized business, vis a vis labor unions, was the effectiveness of organized business in blocking during the 1990s and early 2000s any reform that could potentially increase the costs of labor (Silva 1997, Haagh 2002, and Frank 2002a).

9 For some author, business political preeminence had to do with the fact that structural reforms expanded business capacity, helping to legitimize the role and political importance of organized business and increase its self-confidence (Campero 1991, Bartell 1995, Montero 2000).

For other authors, business preeminence had to do with the incentives that state and political institutions created for business organization. Schneider (2004) argues for example that historically Chilean organized business only invested heavily in peak organizations when it feared that property rights would be threatened. Otherwise, sectoral non-partisan organizations sufficed to reach agreements with centre-left parties around specific policy areas.

Yet other authors argue that the increasing power of business during the transition was rooted in the strategic choice of political actors to appease business as a precondition for electoral stability. According to Espinosa and Abramo (1992) this was the case because business, with a few notorious exceptions, had supported the military regime until the end. According to Rehren (1995) already during the 1988 plebiscite and particularly during the 1989 election, center-left parties had taken steps to develop personal and institutional mutual trust and relationships with business groups and individual leaders.

Finally, other experts emphasize the purposeful action of business leaders and organizational dynamics in explaining the increasing power of business in Chile. According to Arriagada (2004) for example, after the 1982 economic crisis a number of leaders at the peak business organization purposely made important efforts to build a more institutional relation with the state, and moved more aggressively to propose economic policies by dedicating significant resources to universities and think tanks. In addition leadership skills and political deftness of specific leaders, as well as an ideological consensus among entrepreneurs that organized business should have a more important and autonomous corporative political role, and the increasing growth of religious right organizations in elite schools and universities helped to build trust and common interests among entrepreneurs with diverse interests.

10 Indeed, although as a class, Chilean entrepreneurs have been historically characterized as a closed elite bonded through networks of religion, education and family, until the 1980s business lacked strong peak organizations and its political activity varied across sector and firm size (Campero 1991, Arriagada 2004). This changed in the late 1980s.

11 During the early 2000s internal cleavages have separated the more conservative traditional right leaders from the more liberal and compromising leader (Campero 2003). However, according to a liberal business leader (Vergara, personal interview 11-24-2004), above all entrepreneurs share an important commitment to market economy which help unite them around an agenda of “complete labor flexibility.”

12 Business representatives argue that increasing the level of wage bargaining or establishing more protections to workers’ welfare are unnecessary because the early reforms of the 1990s eliminated the
Changes in Patterns of Mobilization and Political Participation

Until 1973 union militancy in Chile was high by all standards (Angell 1972, Zapata 1986). After years of clandestine life, union militancy revived during the mid and late 1980s as part of the re-democratization struggle (Campero and Cortázar 1986).

Throughout the 1990s, however, militancy declined again. After a resurgence of legal strikes between 1990 and 1993 the total number of strikes decreased by around 47% and the number of workers involved in them shrunk by approximately half compared to 1993. A close inspection of the data shows that strike activity recuperated some after 2000, mainly because of the increase in public sector wildcat strikes, but overall levels of militancy remained significantly below their 1990 levels. According to the Dirección del Trabajo (1996) in 1994 around 43.2% of union leaders believed strikes were ineffective. Seventy-two percent of union leaders thought this was the case because employers could easily replace workers. Table 2 shows the trajectory of strikes between 1989 and 2004.

restrictive aspects of the labor law and new regulations introduce undesirable rigidities in the labor market (Lever, personal interview, 03-31-2004). During the early 2000s there were however, some employers that started advocating better labor practices as part of business corporate responsibility. Some of these leaders created their own foundations and think tanks to tackle with new issues, such as philanthropy, modernization of labor relations, and environmental protection. The largest of these organizations in the early 2000s was Acción RSE. According to Vergara (personal interview, 11-24-2004), these efforts represented advances in employer-labor relations but there remained an important gap between the discourse and practice of corporate responsibility.

13 According to Armstrong and Aguila (2003) aggregated data show that the decline in legal strikes during 1990 and 2004 was accompanied by an increase in wildcat strikes. According to Armstrong (personal interview 09-03-2004) this represents a continuity of traditional patterns of militancy in Chile. During the 1990s wildcat strikes concentrated in the construction sector, where unions not only had a strong trade-guild character but also a strong tradition of mobilization within the collective bargaining process, and in public or semi-public service sectors (e.g. dockers, teachers, health workers) where unions had a strong organizational structure and tradition of political mobilization.

14 In comparison to the 1960s, during the 1990s and early 2000s the number of strikes diminished by almost nine times, and the number of strikers and men days lost were significantly lower than the historical levels (Angell 1972:76).

15 Data disaggregated by economic sector for 2000 show that militancy continued to be high in a few sectors. Mining and construction workers were, for example, seven times more militant than the rest (Dirección del Trabajo 2000).
Table 2: Trajectory of Militancy indicators (1989-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Legal Strikes</th>
<th>Number of workers Legal Strike</th>
<th>Number of Days Legal strike</th>
<th>Man Days lost Legal strikes</th>
<th>Man days lost Wildcat strikes *</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>101</td>
<td>17,857</td>
<td>1620</td>
<td>298,561</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>176</td>
<td>25,010</td>
<td>2,643</td>
<td>245,192</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>224</td>
<td>46,215</td>
<td>2,759</td>
<td>730,925</td>
<td>--</td>
</tr>
<tr>
<td>1992</td>
<td>247</td>
<td>26,962</td>
<td>2,975</td>
<td>344,708</td>
<td>--</td>
</tr>
<tr>
<td>1993</td>
<td>224</td>
<td>25,098</td>
<td>2,578</td>
<td>311,979</td>
<td>--</td>
</tr>
<tr>
<td>1994</td>
<td>196</td>
<td>16,209</td>
<td>2,640</td>
<td>229,428</td>
<td>--</td>
</tr>
<tr>
<td>1995</td>
<td>187</td>
<td>24,724</td>
<td>2,324</td>
<td>350,124</td>
<td>--</td>
</tr>
<tr>
<td>1996</td>
<td>183</td>
<td>25,776</td>
<td>1,795</td>
<td>228,772</td>
<td>--</td>
</tr>
<tr>
<td>1997</td>
<td>184</td>
<td>19,483</td>
<td>2,249</td>
<td>250,599</td>
<td>--</td>
</tr>
<tr>
<td>1998</td>
<td>121</td>
<td>12,608</td>
<td>1,204</td>
<td>123,507</td>
<td>1,629,386</td>
</tr>
<tr>
<td>1999</td>
<td>108</td>
<td>10,667</td>
<td>1,308</td>
<td>103,232</td>
<td>157,651</td>
</tr>
<tr>
<td>2000</td>
<td>125</td>
<td>13,227</td>
<td>1,121</td>
<td>114,306</td>
<td>186,090</td>
</tr>
<tr>
<td>2001</td>
<td>86</td>
<td>11,591</td>
<td>803</td>
<td>127,157</td>
<td>102,976</td>
</tr>
<tr>
<td>2002</td>
<td>117</td>
<td>14,662</td>
<td>1,363</td>
<td>207,224</td>
<td>623,419</td>
</tr>
<tr>
<td>2003</td>
<td>92</td>
<td>10,443</td>
<td>802</td>
<td>73,467</td>
<td>--</td>
</tr>
<tr>
<td>2004</td>
<td>125</td>
<td>13,013</td>
<td>1,586</td>
<td>172,858</td>
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</table>

Source: Dirección del Trabajo (n/d3).
(*) Non-published data processed by the Department of Labor Relations. Dirección del Trabajo.

The decline in union militancy was not an isolated phenomenon though. In fact, as I have argued elsewhere (Palacios 2002) after 1993 only a handful of groups, those with relatively strong organizational structures --mainly public sector national unions-- continued engaging in social protest during the late 1990s. 16 At the same time electoral turnout decreased during the 1990s (Navia 2000),17 and fewer Chileans during this period

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16 There were several factors behind the overall decline in mobilization during the 1990s. First, protests were increasingly delegitimized as democratic forms of political participation. In fact, protest was seen as opposed to dialogue and consensus, two essential democratic traits of the transition (Palacios 2002). Second, and tied to the first, the state channelled social mobilization through participation in public social programs and projects. This, according to De la Maza (1999) helped to depoliticized social movements and made them increasingly dependent on state resources. Finally, according to Flores Rojas and Aravena Carrasco (1999), one of the main reasons behind demobilization was the impact that repression and clandestine life had in cutting the transmission of militant memories to younger generations.

17 According to this author the decline in political participation was the result of the public disenchantment with the democratic consolidation and legal disincentives. In particular, the universe of voters decreased as a result of the combination of voluntary registration followed by obligatory voting.
participated in social and political organizations.\textsuperscript{18} According to data produced by CEP, a reputable Chilean research institution dedicated to the study of public affairs, in December of 2004 67.4\% of survey respondents showed low levels of politicization and around 42.6\% evaluated political parties as institutions performing poorly (CEP n/d). This suggests an important change in the predisposition of Chileans to participate in civic life.

\textit{The Politics of Union Leadership}

According to Frias (1991 and 1993) and Espinosa (1996) part of the difficulties organized labor faced in trying to emerge as an important political actor during the Chilean democratic transition was the failure of the national union leadership to come up with a clear program and unify the different organizations around it.\textsuperscript{19}

This failure stemmed, according to Espinosa (1996), from union leaders’ false expectations that the state would immediately respond to their demands, the lack of serious political willingness to strengthen institutional dialogue with business and political parties, missed opportunities to create a national agenda, and the incapacity to incorporate new types

\textsuperscript{18} According to a study by the Interamerican Democracy Network (n/d) released in 2005, in 2004 around 9.3\% of Chilean citizens did not participate in any kind of organization, and only 2\% of those who participated did so in a political organization (2.4\% in labor unions).

The UNDP (2002) Human Development Report states that in 2001 only 63.6\% of Chileans participated in some kind of organization. Already in 1998 the same report had warned about the devastating effects that high levels of insecurity were having in Chileans patterns of sociability and participation (UNDP 1998). The 2002 report pointed also to the increasing cultural irrelevance of traditional collective identities (class, politics and religion). The report argued that the weakening of traditional identities was accompanied by an ascendance of consumer identity and the increasing individuation, which prevented alternative collective identities from replacing the old cleavages. Chileans thought of “the social” as something alien, impenetrable and exhausting (UNDP 2002:190-203).

\textsuperscript{19} After some restraint, in 1994 labor unions leaders at the main national confederation of unions (CUT) embarked on a more militant strategy and left the tripartite commissions negotiating labor reforms (Frias 1994). The year that followed the CUT entered a deep self-critical introspection and attempted to define a line of action and take a more proactive role (Frias 1995). However, as of 2005 the CUT had not been able to come up with a coherent and unifying program for organized labor. Alternative peak organizations like the CAT, MOSICAM and Siglo XXI achieved some public notoriety but their poor membership made of these unions groups of union leaders organized around a set of ideas (Arrieta 2003).
of constituencies. According to Campero (1998 and 1999) the failure of peak union organizations to reach out to a diverse and changing workforce had to do with the extremely centralized structure of those organizations and the leadership’s gender and age biases.

In addition, experts argue, national level labor organizations were unable to shift their focus from their own internal dynamic and adopt a consistently proactive strategy (Frias1998, Arrieta 2003). Referring to the main national labor confederation (CUT) Frank (2002b: 36) argues that:

“[…] The ability to respond adequately to each item or issue with the right answer, the capacity to assess which policy ought to be proposed under given circumstances, the sustained ability to demand concrete answers from the government and employers, the ability to pressure concessions from them, all these element were by and large missing from the CUT’s strategic approach. Perhaps the CUT’s failure was its unwillingness or its inability to become a risk-taker, to throw its full organizational weight behind any action whether confrontational, consensual, or dangerous might seem. Instead the CUT adopted a dual discourse (and few actions), swinging pendulum-like between open confrontation and cooperation with government and employers. This caused the organization to miss a series of opportunities, depriving it of greater negotiating space in which to maneuver.”

Strategic, ideological and personal divisions even among union leaders with similar political orientation and background led to internal strife within peak organizations, the creation of three competing peak organizations, and the lack of serious efforts to generate

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20 According to Frank (2002b), the decrease in the political clout of national union organizations led union leaders to perceive themselves as abandoned and betrayed by the governing coalition and therefore made it difficult for them to participate in coordination effort with employers and the state.

21 With the exception of the period between 1950 and 1973, historically Chilean unionism had been divided across forces that tended toward a more political logic of action and autonomous groups that advocated the rejection of politics and favored revolutionary tactics or mutual aid societies. During the 1990, these three traditions continued to cut across and within peak organizations. The first group tended to favor cooperation and restraint and opted for maintaining a political participation and consultation with employers and the government. A second group was highly critical of the political line and advocated exiting negotiations and fostering mobilization to resist capitalism. A third group corresponded to sectoral organizations, and mutual aid unions, which tended to focus on firm level issues (Rojas Flores and Aravena Carrasco 1999).

22 For the most part, the military regime harshly repressed labor union leaders. However, where repression failed, the regime tried cooptation. Accordingly some unions responded by becoming increasingly radical and politically militant, while other (known as gremialistas) opted for a brand of unionism explicitly apolitical and corporativist, which gained strength in some public and private enterprises.
new union leadership cadres. As the interviews conducted for this dissertation suggest, the series of mutual accusations and criticisms among peak union leaders contributed to cementing a negative perception of labor union leaders among the rank and file. National labor leaders were seen as absorbed in power struggles and lacking capacity for leadership.

Moreover, while peak union leadership remained during the 1990s highly politicized, at the firm level only a few union leadership candidates ran on party tickets. Of course some union leaders were more politicized than others, but, as the interviews for this dissertation show, no firm-level union leader defined her organization as political and few had active political militancy. This is explained partly by the general decline in political participation discussed above, which discouraged union leaders from appearing too political.

All this built a gap between rank and file unions and labor peak organizations and fostered union fragmentation. Individual unions, lacking the support of a strong, unified and effective leadership at the national level, were increasingly left to their own devices; and peak unions lost capacity for mass mobilization.

2.2. Legal Factors

A number of experts on Chilean labor argue that one of the main factors that explain the decline of labor unions during the 1990s and 2000s was the failure to carry out a significant reform of the labor law inherited from the military regime (ILO/OIT 1994, Campero 1998 and 1999, Frank 2004, Dirección del Trabajo 2000, Haagh 2002, Cook 2002).

Although during the 1990s several restrictive aspects of the Labor Code were eliminated, elements such as the level of wage decentralization, limitations on strike activity,  

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23 According to Arrieta (2003: 18) the younger generation of peak union leaders had little cross-sectoral and national experience and tended to have short trajectory of union leadership at the firm level.
union competition, rigid collective bargaining procedures, non-unionized bargaining, and employer flexibility in setting wages and working conditions, remained almost untouched. In this section I argue, following Barrera (1995), Gonzalez Santibañez (1998), Frank (2002a), and Haagh (2002), that the reforms to the labor code fell short in establishing a balance of power between workers and employers.

**Labor Unions**

The 1980 labor legislation made unionization voluntary, allowed for any number of competing unions at the firm level to be formed, established state oversight of union elections and funds, and prohibited public sector workers from forming unions. Unions were stripped of many of their previous functions, including the provision of mutual aid and health services and could only be funded by membership dues.\(^{24}\)

A labor union could form only if at least 50% of workers approved its formation and unions with less than 25 members could be easily dissolved. The law also replaced the traditional rural, plant and craft union categorizations. Instead it established four types of unions: firm-level, inter-firm, seasonal workers’ unions and independent and self-employed workers’ unions, with only the first one entitled to collective bargaining.

The legislation applied to all workers, with the exception of maritime workers and public sector employees.

Since 1990, several legislative changes have sought to promote unionization, guarantee union freedom and favor the organization of non-standard workers across sectors. These reforms simplified the procedures for independent and seasonal workers to constitute unions, diminished the quorum required to form unions in firms with less than 50 workers,

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\(^{24}\) In practice many firms continued making economic contributions to union(s).
legalized peak union organizations, and guaranteed job stability for union leaders, as well as for workers during the collective bargaining process. In addition, they gave legal status to public service unions, and allowed unionization beyond the four types listed in the 1980 law. The labor reforms of the 1990s also extended unionization to any kind of wage earner, augmented the number of leaders on union boards of directors, allowed unions to determine their own statutes, and permitted union amalgamation.

Unions were given again an ample scope of action, including not only collective bargaining, but also legal representation of workers, participation in safety and health committees at the firm level, ability to form mutual aid organizations and health and pension institutions, and participation in employment policies. The law allowed for more economic independence, too. No provision established that unions could not make profits, and the law allowed unions to receive inheritances and donations and establish any other source of income in the individual union statute.

All these elements, helped unions to form more easily (Mizala and Romaguera 2001), and were intended to make unions more attractive to potential members. According to Haagh (2002), however, the new reforms continued to create incentives for union fragmentation and union and para-union competition.25

Collective Bargaining

According to Haagh (2002) the 1980s legal framework continued to place wage bargaining at the firm level, but departed from previous legislation in that it allowed multiple bargaining groups to compete with unions inside individual firms and gave employers ample

25 In fact, between 1991 and 2000 the average size of unions decreased from 91 to 78 members (Dirección del Trabajo 2000: 28).
discretion in the use of labor. The labor code also prohibited unions from negotiating with more than one employer, and permitted non-unionized collective bargaining.

According to Campero and Valenzuela (1984) the 1980 labor legislation allowed management lockouts and imposed various restrictions on strike activity. Collective contracts covered only workers who signed the actual contract document even if they were part of the bargaining group. The bargaining settlement could extend for two or more years. Issues such as working conditions and employment termination were excluded from collective bargaining, which only addressed wages and benefits. The law required majority quorums for labor unions to vote on any decision, required the strict observation of expiration dates in order to avoid tacit acceptance of the employer’s offer, and imposed state arbitration when the firm demanded it.

The labor laws of the 1980s established two collective bargaining procedures. One was the traditional formal collective contract. The other, called “convention,” did not

26 The first labor code was created in 1924 and lasted until 1982. According to Angell (1972) and Barría (1972) this first legislation included many restrictions to union activity and established the level of wage bargaining exclusively at the firm level. However, it also gave the state participation in the collective bargaining procedures and established a series of protections to ensure job security and worker welfare, and gave some groups of workers the possibility to negotiate at the sectoral level.

27 Viveros Lamas (2004) succinctly summarizes the steps of the formal collective bargaining as follow: If a given firm has no previous collective contract or if the previous collective contract is about to expire, unions or other non-unionized bargaining groups can craft a written collective contract project. This must include the list of workers that will be covered, clauses, the expiration period and the name of the bargaining representatives. The employer must sign acknowledgment of reception within 5 days of having formally received the project. If the employer refuses to sign the reception, unions can ask state labor oversight officers to inform the employer within three days after the 5 day period to sign has expired. Employers have 15 days to respond to the project presented by workers, but this period can be extended priori agreement of the parts. The employers’ response must be written and must state whether she accepts or rejects partially or totally the workers proposals and must justify the economic reasons for rejection if that is the case. Then, employers can also propose their own counter-project. If employers do not comply with these procedures they can be fined with 20% of salaries past month and if in 20 days it still does not answer then the workers project is considered accepted by the employer. Workers must respond to the employers’ new offer within a certain period. If the response is affirmative at least one member of the bargaining group committee must sign the new project and send a copy to the state labor oversight office within 5 days. If these procedures are not followed, and workers do not vote a strike it is understood that workers accept the offer of employer.
follow the procedures of the formal collective contracts and, although legally binding, was based solely on the voluntary concurrence of the parts. More important, “conventions” replaced the conditions of the individual contracts only temporarily. After the expiration date the conditions of individual contracts before the convention were again valid. This was different than in the case of the traditional “contract” where the conditions of the collective contract replaced completely the individual contracts. In addition, conventions did not ask for any quorum for representation. As in the case of legislation concerning unionization, collective bargaining laws entailed no cross-sectoral variation.

The labor reforms of the 1990s and early 2000s, introduced a series of modifications to this legal framework. The most important ones were: the obligation of management to negotiate with firm-level unions, the right of unions to negotiate with more than one employer if both labor and management agreed to it, and the extension of collective bargaining to matters such as pay scales, indexation formulas, fringe benefits, incentives and working conditions. The law also improved the protection of workers and unions against unfair labor practices on the part of employers, required voluntary conventions to follow a set of minimum norms, and allowed for state mediation if any of the parts demanded it.

However, some of the most important features of the 1980 labor law continued to regulate collective bargaining. Inter-firm and other types of unions that could eventually

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28 According to Villanueva Lagos (2004: 91-93), under the 1980 labor legislation, conventions were vulnerable to management manipulation because the lack of procedures, rights, prerogatives and obligations for workers undermined the basis of worker representation. In addition, since they only temporarily replaced the individual collective contracts and were voluntary they did not guarantee benefit accumulation.

29 The law allowed non-unionized workers to be covered by a union collective contract if they paid 75% of the membership dues (although only unionized workers can enjoy a union’s internal benefits).

30 This included a minimum of eight workers, the election of a bargaining commission in secret ballot, the obligation of employers to respond by writing and workers’ approval (or not) of the firm’s final offer in secret ballot.
negotiate at the supra-firm level were entitled only to voluntary bargaining and their outcomes were not legally cumulative. Although in theory this allowed supra-firm bargaining, the voluntary character of these negotiations de facto continued to anchor wage bargaining at the firm level and therefore explains why the majority of unions during the 1990s and early 2000s were firm-level unions.

The preeminence of firm-level unions made it difficult for subcontracted workers to unionize or even adhere to formal collective contracts at their workplace, affecting negatively collective bargaining coverage. In addition, unions and other bargaining groups were allowed to negotiate several different collective contracts with the same employer, employers could limit to 35 days the period of collective bargaining, and collective contracts could not limit the sovereignty of employers over the organization and administration of the enterprise. Moreover, collective contracts continued to cover only workers who signed the collective contract document, which could extend for more than two years. In addition, procedures and expiration dates continued to be rigid and complicated, and according to Dinamarca (1994), did not necessarily guarantee unions full access to information and participation during the collective bargaining process. Management determined what kind of information it provided and could withdraw its last offer and simply offer the terms of the last contract, adjusted for inflation. This forced many unions to accept low settlements.

*Strikes and Lockouts*

Although since 1924 the law has limited strike activity, the 1980 Labor Law imposed further restrictions. For instance, it allowed employers to hire substitutes during strikes and fire workers without severance pay if the strike lasted for more than 30 days, allowed individual workers to defect from strikes, and also permitted lockouts if more than 50% of
workers went on strike. Lockouts could extend for the whole duration of the strike. In addition, the collective bargaining procedures forced workers who were not satisfied with the firms’ last offer to either go on strike or accept the last offer, and any decision on strike activity required the presence of the absolute majority of workers involved. The law also eliminated legal or financial consequence for workers defecting from union campaigns.

In the 1990s this legislation experienced some modification. Measures were introduced to temper the impact of strike restrictions on labor union bargaining power when labor and management did not reach an agreement. One of these was the right of unions and management to ask for state mediation when negotiations stall. Another was Article 369. This article allowed labor unions to extend for eighteen months their previous collective bargaining contract when there was no agreement with management and negotiations stalled before the expiration of the collective contract. Although Article 369 could be used as many times as needed, it constituted a temporary alternative to the strike because it excluded any kind of readjustment and eliminated any temporary or one-time clause.

In addition, the law established no limit on the duration of strikes and forced employers to offer inflation readjusted wages if they wanted to use their right to substitute workers. Law 19759 increased the costs of substituting workers during a strike by making employers pay the union a replacement bonus of 4 UF (approximately $150 in 2005) per worker. The total was to be distributed evenly among all workers on strike.

Despite these advances, the legislation made little changes in other important areas. For instance, it still determined that once more than half of the workers returned to work the

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31 Although in theory this article covered any type of labor union, it established that the procedure was to be followed when negotiations stalled. Since management was not obligated to negotiate with inter-firm level some interpreted the law as not applying when management refused to negotiate (personal interview 4.3. 08-26-2004). Thus, unions using this article adhered to the collective contract of firm-level unions.
strike had to end, and that, under certain conditions --not difficult to meet for large firms--
employers had the right to substitute workers and fire strikers after 30 days of stoppage. Civil
servants and private workers in strategic economic sectors (e.g. ports) continued to be
prohibited from striking. Instead they were subject to forced state arbitration. In addition, the
law allowed employer lockouts when half of the workers were on strike and sanctioned any
boycott that harmed private property during a strike through the anti-terrorist law. Strikes
were only legal in the context of formal collective contracts and only if they followed the
times and procedures established by law. Workers negotiating “conventions,” or those who
were negotiating formal collective contracts but did not follow properly the negotiating
process, could be fired if they went on strike.

Individual Contracts

According to Haagh (2002) the 1980 labor code facilitated temporary employment
and allowed employers “ample discretion” in organizing working conditions. In particular the
law established that contracts could be terminated unilaterally by employers without stating
the cause and established that severance pay (1 month per year of service) was to be
calculated for a period not extending for more than five years prior to the contract
termination. In addition, it eliminated firms’ subsidiary responsibility in regard to worker’s
health and pension coverage when subcontracted.

According to Mizala and Romaguera (2001) the 1980 Labor Plan made it easier for
employers to fire workers and formalized labor market deregulation. The 1990 reforms
maintained the previous high levels of labor deregulation and flexibility, but advanced in the
protection of workers rights. The labor reforms advances included: measures to boost
transparency and consultation concerning layoffs and job termination, increases in severance
pay and indemnity, increases in fines for employers violating contracts, the obligation of employers to state a cause when they layoff of workers, and faster labor trials.\footnote{32} This legislation applied to all workers.

Law 19759 explicitly guaranteed no discrimination at the workplace and established the right of privacy. It also shortened the workday and disallowed unilateral changes to it, recognized legal obligations of contracting firms over outside and seasonal contracts, doubled the fines for unfair labor practices and increased employer sanctions in case of faking a labor contract. In addition, Law 19666 established that firms had oversight duties regarding the payment of health and pension benefits for subcontracted workers. Overall the most recent reforms recognized the legal validity of part-time and off-site work, reduced the full-time workday, and augmented the number of labor inspectors.

Despite these advances, according to Haagh (2002) the law continued to have an ambiguous wording that allowed employers to terminate contracts very easily, and established the possibility of negotiating labor rights (e.g. maternity leaves) and workday scheduling.\footnote{33} In addition, legislation protecting atypical and seasonal workers and subcontracted workers lagged behind (Henriquez Riquelme 1999, Ugarte Cataldo 2001).\footnote{34} For example, variable income continued to not be considered part of the wage. This

\footnote{32} Other laws approved after 1990 pertaining to issues like labor trials and unemployment insurance, also enabled positive changes for the protection of individual workers.

\footnote{33} According to Echeverria and López (2004: 159-170) the law included nine articles that established specific forms of work protected by the labor law and the extent of protection. Five articles allowed employers to easily terminate employment contracts, three articles allowed employers to unilaterally change or negotiate conditions of work of individual contracts, 18 articles allowed employers to unilaterally change or negotiate the length and characteristics of the workday, and two articles allowed employers to unilaterally change or negotiate workers’ contents of work and workplace structural conditions.

\footnote{34} The Chilean law considers as legally binding only written documents. In cases where a written document do not exist workers need to prove exclusiveness and full-time.
diminished significantly the value of the compensation package for workers paid through sales commissions or on a mix of fixed and incentive based wages.

Finally, although more resources were devoted to law enforcement, fines for violating the labor law continued to be relatively low and complaints involved a legal process that many times discouraged workers from filing a complaint, because of its complexity and the fact that sanctions were relatively low. The understaffing of the Dirección del Trabajo made for weak law enforcement. As a result a good number of workers did not denounce rights violations because of fear of being fired (Dirección del Trabajo 2003:10).  

2.3. Economic Factors

Although by the late 1980s the Chilean economy had recuperated from the deep recession and strong financial crisis of the early part of the decade, by then almost half of all Chileans lived in poverty, median wages were 8% lower than in 1973, and income distribution was highly regressive. This was a great reversal, considering that in the early 1970s Chile had one of the best income distributions in the region.

The economy recuperated in the early 1990s, and Chile was considered again one of the most stable and competitive economies in Latin America (Meller 1999, Ffrench-Davis 2001, De Gregorio 2004). Excellent macroeconomic performance, fiscal restraint and poverty reduction stand out as the most important achievements of the last fifteen years. The GDP grew steadily, inflation was kept in check, and health and education indicators were among the best in the developing world.

35 Despite these difficulties, according to official figures provided by the Dirección del Trabajo (n/d6), between 1990 and 2004 the overall number of fines for violations of the labor law doubled. By 2004 in the service sector the number of fines had grown by almost 18% in comparison to 1990.
Nonetheless, the increasing vulnerability of the Chilean economy to external shocks and high levels of unemployment rates and labor flexibility increased the costs of collective action for workers (Barrera 1998 and Drake 2003), and had a negative effect on collective bargaining outcomes, ultimately explaining the persistently skewed distribution of wealth (Maturana Waidele 1992, Ffrench-Davis 2001). In this section I argue that this is the case because increasing unemployment and labor flexibility augmented job precariousness and insecurity and negatively affected the capacity of unions to recruit members.

Employment

According to figures published by the Chilean National Institute of Statistics (INE), during the 1990s employment grew steadily, particularly in the service sector. This positive trend was however accompanied by significant variation due to business cycles, and sectoral firm-size and occupational differences.

In fact, Chilean employment rates during the 1990s were tremendously sensitive to variations in the business cycle (Escobar 2001). According to Albagli, Garcia and Restrepo (2005) Chilean labor markets were, during the 1990s, among the most flexible in the world, ranking third after Korea and Japan and followed by the USA and Mexico. In particular this study stresses that the Tequila crisis of 1994-1995 and, in particular, the Asian crisis of 1997-1998 had a very rapid negative impact on employment in Chile.

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36 The increase is important when compared with the early 1980s when employment creation was sluggish and unemployment rates reached staggering figures.

37 There were, however, important variations in employment and unemployment across sectors and firm size. According to Rojas Flores and Aravena Carrasco (1999), Henriquez Riquelme (1999), and Pinto, Candina and Lira (1999) unemployment grew more in sectors like manufacturing, construction, and utilities, which were traditional strongholds of unionism, and consequently had a significant negative effect on overall levels of unionization and collective bargaining indicators. Garcia and Granado’s (2005) empirical study provides further evidence that after 1999 wages responded rapidly to this sectoral unemployment variation. In a 2003 study, Aravena Carrasco (2004) found that across sectors smaller firms, predominant in manufacturing and construction for example, were responsible for most of the employment instability of the 1990s because they were the ones that more rapidly respond to external shocks by downsizing labor.
By the late 1990s levels of labor turnover were high (Escobar 2001). Only a quarter of workers held a job for 10 years, and most workers changed jobs every three years (Dirección del Trabajo 2002: 7). Between 1998 and 2000, around 77.9% of the workers had changed jobs in the last two years, labor turnover being particularly intense for young and unskilled workers (MINTRAB 2004: 3). Fourteen percent of employed workers did not have a steady job and moved every three months from one job to another or from one occupation to another (Dirección del Trabajo 2002b: 7). In between jobs, the average duration of unemployment was nine months (Dirección del Trabajo 2002b: 7). Only 75% of wage earners had a stable job (Dirección del Trabajo 2000:16 and 2001).

**Labor Rationalization-Flexibility**

According to Barrera (1993) and Espinosa (1996) in the last two decades Chile experienced technological and productive changes that made more flexible the forms of work and production. This trend accelerated since 1997, when firms were negatively affected by the Asian crisis (Dirección del Trabajo 1999:17-22).

Among the most important changes that challenged labor union bargaining power was the increasing decentralization and technological upgrading of production and the subsequent increase in labor rationalization and flexibility.

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38 These, were contingent on business cycles, and were fostered by labor rationalization, downsizing and business restructuring (e.g. mergers, holdings and conglomerate). According to Aravena Flores (2002) these trends affected mainly the less skilled in small firms.

39 For a systematic study of work trajectories in Chile see Henríquez and Uribe-Echeverria (2002).

40 According to a PREALC/OIT survey, already in 1990 55% of firms were making technological changes and 43% organizational changes. Most innovations were occurring in the export-oriented sector (Herrera 1995: 85).

41 The scope and pace of labor rationalization varied, however, from one firm to another and even within firms. Work reorganization and organizational change tended to be more predominant in industries that were relatively more labor intensive and where forms of production were highly dependent on rhythms imposed
This not only had objective effects on the ability of workers to engage in collective action, but also challenged the collective identities rooted in the workplace, weakened the identification of workers with their jobs/firm/occupation, and debilitated class identity (Abarzúa 1993, Miller Kublock 2004, Stillerman 2004). In some cases labor rationalization translated into massive layoffs. In most cases, however, it became synonymous with outsourcing, part-time work, subcontracting, short-term contracts, variable wages, and workday extension.

According to Ruiz-Tagle (1993) and Espinosa (2003) these forms of employment increased the levels of informality and job precariousness. Workers laboring under these conditions usually lacked the safeguards of a legal contract, tended to be paid less than the minimum wage and received no pension or health benefits. In fact, according to the 2003 Survey of Socio-Economic Characterization conducted by the Chilean Ministry of Planning, around 53% of low income workers had a precarious form of employment, usually in small firms (MIDEPLAN n/d).

According to Montero (2000) the growth in subcontracting is perhaps the most worrisome of these trends in Chile during the 1990s. This is the case for two reasons. First, subcontracting decreases the individual bargaining power of workers because the cost to the firm of terminating employment diminishes. This is because small subcontractors, who usually offer less favorable conditions of work, pay them. Second, the fact that a good number of workers laboring within a firm have an employer other than the firm itself makes it difficult for firm-level unions, the most prevalent in Chile, to represent the majority of

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42 In half of all firms at least 7% of workers were subcontracted (Dirección del Trabajo 2004: 28-29).
workers. Many times, subcontracted and temporary workers are informally contracted by third parties, labor in peripheral, low-skilled areas of the firm, and have difficulties in securing their rights from their direct and indirect employers (Echeverria 2002). These workers typically have more precarious forms of employment (MINTRAB 2002:10-12). In a 1998 survey, most union leaders said that subcontracted workers tended to be non-unionized, and were more confrontational and less disciplined than unionized workers (Dirección del Trabajo 1999:10).

In addition to subcontracting, many Chilean firms, especially in the service and retail sectors, introduced systems of wage flexibility in which wages depend on firm profits, costs of production and/or volume of production. Notwithstanding the fact that variable wages tended to be more predominant in large firms, which usually paid better salaries (Dirección del Trabajo 2004:34), the extent to which variable wages negatively affected workers depended on how productivity was measured, the monetary value of incentives, the conditions of incentives and whether incentives were calculated as part of the fixed wage. According to Vergara del Rio (1998) partially variable wages had a significant impact on workers wages because overtime hours, indemnities, vacation day pay, and tax and benefit deductions were calculated only over the fixed portion of the worker’s income.

43 According to the Dirección del Trabajo (2002) between 1998 and 2002 almost half of firms frequently contracted outside, and in 31.6% employed seasonal workers. Almost a fifth of firms had a yearly labor turnout of more than 30%.

44 In some cases workers had little contact with the company’s workers, but in other cases they worked in the same facilities. This created collective action problems in these firms because it established competing wages and working conditions within firms.

45 In 1998, 37.5% of collective contracts included incentives based solely on volume, 31.2% solely on profits, and 9.4% only on costs of production.

46 At the same time, consumption expectations and possibilities grew as credit became more easily available (Araya Bertucci et al 1996). According to the Chilean Central Bank, after 2000 household’s indebtedness grew more rapidly than salaries (Diario Estrategia Dec-17-2004).
Other trends were the flexibility of time shifts, multitasking and the intensification of work. The effects of these were contingent on the qualifications and characteristics of workers, affecting more negatively the less skilled and women in labor-intensive sectors (Herrera 1995, Yañez and López 1996, Espinosa 1999, Fuentes and Gilchrist 2005).47

Where labor rationalization and outsourcing was intense, it not only created competitive dilemmas for workers (Stillerman 1997), but also physically dispersed them (Rojas Fernández 1993), and increased the levels of stress felt by individual workers and overall levels of conflict (Rojas Flores and Aravena Carrasco 1999).

2.4. Organizational Factors

A number of scholars argue that during the 1990s and early 2000s unions experienced problems of representation, financing, and poor technical bargaining capacity. In this section I argue that unions indeed experienced a significant shrinkage in these areas. Although this was mainly the result of the legal, economic and political factors already reviewed, the depletion of the internal resources and capacities of unions helped to undermine organized labor bargaining power from below.

Unionization

Until 1973 levels of unionization in Chile were comparatively high across economic sectors (30% in general, and 90% in manufacturing), and had, since 1960, followed an upward trend (Zapata 1986, Angell 1972). This situation was abruptly reversed by the 1973

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military coup. After an interlude of seven years in which labor unions were banned from public life, union activity resumed. It did so with levels of unionization (8%) significantly lower than before 1973 (Campero and Cortazar 1986).

With the advent of democracy, the number of unions and unionized workers recuperated from their sharp decline in the 1980s. However, after 1993 unionization tended to decline again.48 By the end of the 1990s unionization rates were still below the levels seen in the early 1990s and significantly below the levels of the early 1970s.49 Between a half and two-thirds of legally existing unions had no actual activity (Morris 1998, Asesorías Estratégicas 2000). According to the Dirección del Trabajo (2004: 56) in most cases decreased participation in unions resulted from workers fearing negative consequences if they joined a union.

As Table 3 indicates, a close inspection of the trajectory of unionization indicates that although during 1991-1993 affiliation experienced an important increase, the trend that followed was, until 1999, one of general decline.50 After reaching in 1999 the lowest point during the decade, unionization experienced a modest recuperation between 2000 and

48 Disaggregated data indicate that affiliation was particularly weak among women and workers with little tradition of unionization. In 2003, for example, men represented 80% of unionized workers (Department of Labor Relations 2004). Most of the unionized workers had more than 10 years of union membership (Arrieta 2003). Data disaggregated by sector for 2000 and 2003 show also that, although the decline in unionization affected strongly large firms within the manufacturing and utility and service industries, unionism in these firms/sectors continued to be higher than in others, such as small firms in retail and construction (Dirección del Trabajo 2000, and Dirección del Trabajo n/d 7).

49 Between 1990 and 2004 the decline in gross union density the decline was approximately 13%. Net union density declined even more, reaching almost 20%. That is, 1.8 and 3.3 points respectively.

50 In historical perspective the decline during the 1990s is perhaps less dramatic than it appears at first glance. First, most analysis tend to compare current figures to those between 1960 and 1973. This period however, according to Angell (2003), represented a special period of mobilization, a golden age of unionism, constituting more an exception than the norm during Chile’s twentieth century. Second, when compared with the previous decade the 1990s figures represented a timid but positive recuperation after the sharp drop in unionization and collective bargaining indicators during the 1980s (Ruiz-Tagle 1985, Campero and Cortázar 1986, and Herrera 1990).
2003. This recuperation was perhaps a result of the macroeconomic recovery after the Asian crisis and was modest in comparison to the pre-1973 membership rates.

### Table 3: Trajectory of Main Unionization Indicators (1990-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Active Unions</th>
<th>Number of Workers in Active Unions</th>
<th>Gross Union Density (*)</th>
<th>Net Union Density (**)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>**</td>
<td>606,812</td>
<td>13.4</td>
<td>16.6</td>
</tr>
<tr>
<td>1991</td>
<td>7,707</td>
<td>701,355</td>
<td>15.1</td>
<td>18.3</td>
</tr>
<tr>
<td>1992</td>
<td>8,323</td>
<td>724,065</td>
<td>14.8</td>
<td>17.9</td>
</tr>
<tr>
<td>1993</td>
<td>7,974</td>
<td>684,361</td>
<td>13.4</td>
<td>16</td>
</tr>
<tr>
<td>1994</td>
<td>7,891</td>
<td>661,966</td>
<td>12.9</td>
<td>15.6</td>
</tr>
<tr>
<td>1995</td>
<td>7,505</td>
<td>637,570</td>
<td>12.3</td>
<td>14.4</td>
</tr>
<tr>
<td>1996</td>
<td>7,476</td>
<td>655,597</td>
<td>12.4</td>
<td>14.3</td>
</tr>
<tr>
<td>1997</td>
<td>7,446</td>
<td>617,761</td>
<td>11.5</td>
<td>13.2</td>
</tr>
<tr>
<td>1998</td>
<td>7,439</td>
<td>611,535</td>
<td>11.3</td>
<td>13</td>
</tr>
<tr>
<td>1999</td>
<td>7,057</td>
<td>579,996</td>
<td>10.7</td>
<td>12.4</td>
</tr>
<tr>
<td>2000</td>
<td>7,659</td>
<td>595,495</td>
<td>11.1</td>
<td>12.5</td>
</tr>
<tr>
<td>2001</td>
<td>7,410</td>
<td>599,610</td>
<td>10.9</td>
<td>12.4</td>
</tr>
<tr>
<td>2002</td>
<td>8,149</td>
<td>618,930</td>
<td>11.2</td>
<td>12.7</td>
</tr>
<tr>
<td>2003</td>
<td>8,867</td>
<td>669,507</td>
<td>11.8</td>
<td>13.4</td>
</tr>
<tr>
<td>2004</td>
<td>9,414</td>
<td>680,351</td>
<td>11.6</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Source: Dirección ajo (n/d4).

Notes: (*) Calculated as a percentage of the total workforce. (**) Calculated as a percentage of the employed wage and salary earners.

At the same time, according to Espinosa (personal interview 03-31-2004), between 1990 and 2004 there was a growing gap between the activity of peak organizations and individual labor unions at the shop floor. According to Arrieta (2003) the CUT organized only around 8.9% of potentially unionized workers and 36.1% of those actually unionized. This had to do, according to Espinosa (personal interview 03-31-2004) with a generalized perception among the rank and file that peak organization was ineffective, wage bargaining highly decentralized, and with the fact that most private sector unions did not have an organic

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51 The positive trend after 2002 was mainly explained by recuperation occurring in unions organizing seasonal and independent workers and inter-firm unions, not precisely the types of unions that organized most workers (Dirección del Trabajo n/d8).
affiliation to more centralized union organizations. Not surprisingly, peak organizations enjoyed little capacity for national mobilization.

Union Finances

With the exception of Morris and Oyadener’s (1962) study of Chilean union affiliation and finances between 1932 and 1959, there are no systematic studies of union financing in Chile. Thus, although it is very likely that the decline in membership and representation during the 1990s was accompanied by a decline in finances it is difficult to know what was the extent of that decline.

There are, however, some references that seem to confirm the economic losses of unions. According to Arrieta (2003:18) the CUT endured during the 1990s and early 2000s severe problems regarding financial resources to cover everyday activities, infrastructure, and member servicing, as well as to provide for continuous education and training for union leaders. Particularly troublesome was the situation of the regional secretariats.

According to Espinosa (1997) in a 1994 survey, 52% of rank and file union leaders stated that the financial situation of their union was good and 30% average, while only 9.3% stated it was very good and 9% said it was bad or very bad. However, this evaluation seemed to refer more to the everyday administration of membership dues than to the financial sustainability of the unions. In fact, in most of the cases union leaders declared that their

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52 In 2000 for example, only 18% of labor unions participated in a national federation and only around 7.8% had national scope. Around 69% of labor unions did participate at the peak national confederation (CUT), but most of them were located in the public sector (Dirección del Trabajo 2001). In 2002 the figures experienced little modification (Dirección del Trabajo 2004).

53 For instance, the CUT called for two demonstrations in 1990, and one in 1992, 1994 and 1998. With the exception of 1990, the police reported low levels of participation (approx. 400 to 500 each time) and incidents between the public and speakers (El Mercurio, August and October 1990, November 1992, July 1994, and August 1998). Besides small isolated mobilizations during 2000 and the traditional Labor Day events, the CUT was unable to draw more than meager numbers of workers to the streets. The figures were significantly better for teachers and health workers, two sectors that retained their previous bargaining power.
union’s funding was exclusively supported by membership dues, while only 16.3% said their union received returns from investments and other sources. Since membership dropped significantly between 1997 and 2000, it was very likely that in the same period union finances were negatively affected.

**Union Technical Capacity for Bargaining**

Specific information about labor union’s technical capacities for bargaining is scarce, and systematic studies do not exist. However, some data suggest that in these area labor unions were also weak. In a 1996 survey by the Dirección del Trabajo (1996) around 30% of union leaders said that their union did not ask for information at the time of negotiations and 26.7% thought that having access to information would not make a difference for collective bargaining outcomes because the union was not prepared to negotiate.

In the cases studied in this dissertation around one fourth of unions were headed by leaders with few years of experience. Most of these union leaders pointed out that lacking formal knowledge or access to assistance and training, most of their collective bargaining skills came from their own limited experience and the advice of other senior union activists.

### 3. Conclusions

In this chapter I have examined the extent and character of the difficulties experienced by organized labor in gaining significant wage and benefit increases during the 1990s, as well as the main factors behind its waning bargaining power. In this section I summarize the findings of the chapter.

The evidence reviewed supports the idea that Chilean labor unions during the 1990s and early 2000s experienced a decline in membership, had finance problems and in many
cases lacked technical abilities for negotiation. They also confronted hostile political, economic and legal environments both at the firm and national level, all of which resulted in poor collective bargaining outcomes and an overall decline in wage readjustments.

Throughout the 1990s low wage bargaining centralization, restrictions on strike activity, and the timid protection of flexible forms of employment created incentives to fragment organized labor and made it difficult for atypical workers to join firm-level unions and for unions to enforce discipline during union campaigns. At the same time, changes in the political linkages between labor, the state and parties, patterns of mobilization, as well as the negotiated character of the democratic transition and the failure of the national union leadership to come up with a clear program and unify the different organizations around it helped decrease the input of labor unions at the national level, alienating labor unions from the sources of national power and diminishing its political legitimacy vis a vis employers. Thus, despite some improvement in the legal and political environment of unions, the positive changes that happened in the period did not strengthen union bargaining power vis a vis employers and had little effect on collective contract outcomes.

The main variable that experienced a sharp deterioration through the 1990s was, however, economics. In fact, the Asian crisis in 1997, and to a lesser degree the Tequila crisis of 1994, increased unemployment rates and accelerated the proliferation of precarious forms of employment increasing workers’ collective action costs and weakening traditions of organization. The modest recuperation after 2000 and the fact that the absolute numbers of unions and unionized workers continued to increase since 1990 suggest that the bargaining crisis of unions signaled a profound process of internal restructuring rather than the disappearance of organized labor and was aggravated by the economic crisis. However,
unions’ political and organizational weaknesses, and the strong consensus around maintaining relatively high levels of labor flexibility, probably indicates that there will be no dramatic reversal at least in the short and medium term in the structural conditions that negatively affected organized labor bargaining power during the 1990s and early 2000s (Campero 1998 and 1999, Frank 2002b). As Table 4 indicates despite this generalized context of decline there was sectoral variation in union bargaining results.

Table 4: Sectoral Union Average Real Wage Readjustment (2002)

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of readjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.79</td>
</tr>
<tr>
<td>Mining</td>
<td>1.12</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.57</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.48</td>
</tr>
<tr>
<td>Construction</td>
<td>1.09</td>
</tr>
<tr>
<td>Retail</td>
<td>0.89</td>
</tr>
<tr>
<td>Telecomm</td>
<td>0.75</td>
</tr>
<tr>
<td>Finance</td>
<td>1.79</td>
</tr>
<tr>
<td>Social and Personal Services</td>
<td>(-)0.10</td>
</tr>
</tbody>
</table>

Source: Dirección del Trabajo (n/d9)

Empirical studies show also that the decline in collective contracts wage readjustments affected more negatively firms in the extractive sector (mining and agriculture) and more recently privatized telecomm and utility industries, which were traditionally sectors with high wage readjustments resulting from collective bargaining (Gonzalez Santibañez 1998: 113 and 114). Still, considering that in some of the emergent sectors less than 7% of the total workforce was actually covered by collective bargaining contracts (Barrera 1995), the situation in the traditional sectors continued to be better, particularly in large firms (Asesorías Estratégicas 2000).
The next four chapters examine the firm-level sources of this subnational variation. They seek to understand individual union’s collective contract performance within and across companies in the banking, manufacturing, retail and telecom sectors.
CHAPTER IV
LABOR UNION COLLECTIVE BARGAINING OUTCOMES
IN A BANKING COMPANY

This chapter examines variation in the collective bargaining performance of thirteen labor unions within a banking holding. Focusing on 2004, it seeks to answer two empirical questions. What was the variation in union formal collective bargaining outcomes within the company? What factors explained that particular variation?

I argue that, due to the character of production and high levels of business integration, there was little variation in union formal bargaining outcomes within this company. In fact, most unions enjoyed highly favorable workplace, labor market, and product market conditions, and were organizationally strong. As my discussion of the bargaining process shows, during the 1990s and early 2000s these factors created a potential for significant upward pressure on collective contracts. To moderate these pressures, during this period management offered an exclusive partnership relationship to unions that delivered bargaining restraint and ignored more militant unions. Since most unionized workers considered satisfactory the settlement achieved by the more accommodating unions, management was able to extend the same exact collective contract to all unions.

The chapter is organized in four sections. The first section offers a brief review of the company’s business, union structure and main developments since 1990. The second section examines the collective contract formal structure and value and the individual unions’ results.
The third section explains the lack of variation in formal collective bargaining outcomes within the company. The final section summarizes the findings.

1. The Company in 2004

1.1. The Business Structure

The company studied in this chapter is a Chilean subsidiary of a European-based multinational bank corporation.¹

As of 2004 the company was organized as a publicly held holding composed of the bank itself, four small investment firms, and one small computer support firm that offered exclusive services to the bank. Each of the firms within the company had national scope, used the same brand name, followed common policies, and was managerially dependent on the same corporate offices.² The holding operated a total of 347 branches and employed roughly 7,380 workers. With profits around 25%, the largest in the industry, it controlled 30% of the Chilean domestic financial market (Confederación de Sindicatos Bancarios y Afines 2004).

1.2. The Union Structure

In 2004 the company had thirteen firm-level unions.³ These organized exclusively workers directly employed by the company, mostly white-collar, and cut across occupational

¹ For a summary of the company’s business history and union structure see Table 1, Appendix A.

² In Chile the European parent company owns insurance, real estate, outsourcing and other related business. These also use the company’s brand name.

³ Only Unions 2, 3, and 12 had inter-firm-status. However, until 2004 these unions de facto organized workers from only one firm and were limited by their own statutes to organizing workers employed by the parent company. Although according to a leader of one of the inter-firm unions, having firm-level status did not represent a major benefit because the bank’s negotiations were already voluntary, strikes costs were high any
lines. Although in theory unions in the company had national scope, the only ones that were really national were Unions 1, 2, 8, 11, 12, and 13. Even in these cases the unions tended to be stronger in some branches than others. The rest of the unions were strong in small departments or particular branches.\(^4\)

According to a company officer (personal interview 3.1. 08-04-2004) as of 2004 only the investment firms were non-unionized. Union density in the organized areas was approximately 80%. According to a union leader (personal interview 3.6. 04-26-2004) the non-unionized contingent was composed of two types of workers, executives at the very top, and outsourced, young, part-time and/or temporary workers.\(^5\)

With the exception of Union 2, which was formed during the 1980s, the thirteen unions studied in this chapter originated in the 1940s-50s in pre-existing banks that were taken over in the 1980s or merged during the 1990s. While Unions 1, 3, 4, 5, 6, and 13 were active in the company since the 1980s, Unions 8, 9, 10 and 11 were incorporated as late as 2002. Unions 7 and 12 have operated in the company since the mid 1990s.\(^6\)

Most unions belonged to one of two competing union federations within the company. In Federation 1, founded in the 1970s, there were five unions. These were Unions

---

\(^4\) For a summary profile of individual unions in this company see Table 1, Appendix B.

\(^5\) Although individual contracts were more modest than the collective contracts and the company did not extend to non-unionized workers the benefits granted to unions, the fact that the law allowed non-unionized workers to adhere to the unions’ collective contracts for a fee lower than the unionized workers created incentives for non-unionized workers covered by union collective contracts to remain unorganised.

\(^6\) The different unions subsumed in the company in 2004 came from different banks. These banks, however, shared many features. They were large banks of national scope that operated in a highly centralized fashion. Within each bank unions had experienced previous mergers that had been followed by the homogenization of collective contract benefits. As a result, in each merger, unions that entered had little variation in their collective contracts.
1, 2, 3, 4 and 5. Federation 2, created at the end of 2003, had three unions. These were Unions 11, 12 and 13. The remaining five unions were non-federated, but they coordinated some of their activities.

Each of these three groups, Federations 1 and 2 and the group of non-federated unions, had a distinctive strategic outlook. Federation 1 stressed social partnership. Federation 2 stressed active militant confrontation within and outside the company and tended to have a strong anti-capitalist orientation. The non-federated unions focused on mutual aid. These strategic differences cut across party lines. In fact, although several union leaders were active party militants and held political positions at the national level, very seldom did party credentials matter in the relationship with the rank and file.

Relations among these three groups were difficult. The leaders of Federation 1 viewed the leaders of Federation 2 as reactionary and non-federated leaders as ignorant (personal interview 3.16. 04-29-2004). Non-federated unions saw Federation 1 as sold out to the company and Federation 2 as out of touch with reality (personal interview 3.11. 07-19-2004). Federation 2 saw all the unions as sold out (personal interview 3.8. 05-13-2004). Both leaders in Federation 2 and the non-federated unions saw Federation 1 leaders as willing to advance their individual agenda at any cost. As will be discussed later, the dynamics of the collective bargaining made some unions more willing to adopt a more confrontational stance against non-allied unions.

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7 In regard to Federation 2 non federated unions leaders argues that its sectarian rhetoric alienated them from other union leaders who shared common views and interests, and, put the individual unions affiliated on a path that was difficult to revert and harmed the capacity of leaders to protect their constituencies (personal interview 3.3. 05-12-2004).
1.3. Business Development since the 1990s

Although the banking industry is a non-tradable sector, since the 1990s increasing global integration of financial markets and trade liberalization has fostered the exponential growth of multinational banks’ overseas operations (Dunn, 2004:138-145). This growth was facilitated by the sector’s worldwide good economic performance (Schull and Hanweck 2001:3-6, The Economist, April-17-2004: 54) and by major deregulatory shifts that generated a wave of mergers and takeovers across and within countries.

Given their increasing internal complexity and sheer size, in recent years banks have faced important challenges regarding the management of their relations with clients and workers, and the establishment of common processes across and within countries. This has generated major internal change. According to Smith and Walter (1998: 34),

“The global financial industry has been buffeted by changes emanating from powerful internal and external forces over the past decade, and is reacting by reorganization, consolidation and streamlining.”

Following the global industry trends our company expanded in the last fifteen years through a series of mergers and acquisitions, upgraded technology, and standarized work procedures (personal interview 3.6. 04-26-2004). The most important expansions during the last fifteen years occurred in 1996 and 2000-02, when the bank merged with two other large banks. Due to the need to trim merger-induced redundancies this meant an increase in layoffs during and immediately after each merger and the rapid extension of common systems and

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8 Only financing services of large multinational corporations and portfolio investments can be considered really international. Otherwise, banks usually offer nationally based services.

9 According to Smith and Walter (1998, pp. 23) between 1985 and 1995 worldwide mergers and acquisitions accounted for approximately 58,000 transactions amounting to $4.5 trillion. More than 44% of this amount was a function of transactions made by financial service firms. According to Enrique Marshall, former Chilean Banks Superintendent and Central Bank Director, “In the period 1995-1999 OECD countries witnessed more than 4,700 mergers and acquisitions. United States concentrated almost 3,585 of these operations, while the Euro zone registered 963 mergers and Japan 141 (Ruiz Arias November-08-2001).
technology to the newly incorporated areas. In addition, since the mid 1990s the company started offering partially variable wages and generous performance incentives.

### 2. The Collective Bargaining Outcomes in 2004

#### 2.1. The Collective Bargaining Framework since the 1990s

Between 1994 and 2004 collective bargaining contracts in the company resulted from voluntary negotiations ("conventions") and expired every four years. Before, collective contracts had resulted from obligatory negotiations and expired every two years.

Federated unions negotiated as a bloc, and non-federated unions negotiated individually. The latter, however, usually coordinated among them for specific matters. In any case, unions negotiated with the same corporate officers, corporate division, and generally around the same time period.

During the 1990s and early 2000s the collective bargaining agenda focused on three dimensions. One was the structure of the collective contract, the other was the total value of the collective contract, and a third was labor rationalization.

In regard to the collective contract structure, the issues at stake were the creation of incentives to compensate for more flexible wage settings and working conditions, and the streamlining of small benefits. These issues were central in the mid 1990s’ formal negotiations. In regard to the collective contract value the issues at stake were the criteria and formula for incentives, wage readjustments, moderate but constant earning increases, and the

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10 According to a company officer, “We try to negotiate earlier and for longer periods of time because it gives us stability and establishes clear rules for a longer period of time. The bank is so big that I cannot be negotiating all the time (personal interview 3.1. 08-04-2004).”
determination of a one-time cash bonus to be paid after each negotiation. These issues permeated the formal negotiations until 2004. According to a company officer,

“Because the structure of benefits in the company is excellent, negotiations revolve around technical small issues and the final cash bonus. The latter is important for us because, although we are willing to give increases, we want to maintain a lean contract. In fact, we do not include the bonus in the collective contract document because we considered it as part of the annual operational costs. This lets us make the bonus variable. The good thing about the bonus is that it explains half of the increases and we fund it just with a month of our profits (personal interview 3.1. 08-04-2004).”

The third issue, labor rationalization never made it to the formal negotiations. However, Federation 1 was successful in informally negotiating participation in the design of layoff criteria and work performance evaluation, and the actual revision of layoff lists.

2.2. Variation in Formal Collective Bargaining Outcomes in 2004

Between 1994 and 2004 unions in the company were covered basically by the same collective contract. This gave the totality of unionized workers: wage readjustments of 1.5 points over inflation, as well as the same increases to performance incentives and awards, and benefits such as vacations, wedding, death and birth bonuses, training, health insurance and severance pay over the legal minimum, child care, housing incentives, and special agreements regarding working conditions. Benefit amounts were exactly the same for all unionized workers in the company.

11 For a summary of the collective contract benefits see Table 1, Appendix C.

12 A couple of unions negotiated special clauses covering only their affiliates. These referred to firm contributions to the administration of longstanding health benefits provided within the company, which in combination with the ISAPRE and FONASA systems covered almost 100% of health insurance, and the protection of co-administered primary health services offered directly by the company.
Despite the fact that during the 1990s and early 2000s the collective contract structure became leaner, its value followed, at least until 2004, a constant growth trajectory. This was the case because, although many benefits were eliminated their value was compensated by higher fixed wages --well above the minimum wage level for the lowest category in the wage scale-- plus incentives and bonuses contingent on individual and team merit. In addition, similar human resource programs replaced some of the benefits eliminated from the collective contract. Benefits related to health and severance pay were not touched and continued to be relatively high.

Although formal outcomes were the same across the bank, unions in Federation 1 enjoyed a series of exclusive and very important informal deals. These included: management contributions to union member servicing systems, easy access to top corporate layers, and as already mentioned participation in the establishment of criteria for layoffs and

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13 The last collective bargaining agreement took place at the end of 2003. Like the two previous rounds it focused on re-shaping the collective bargaining structure, making it leaner and more flexible and levelling up wage and benefits across the bank. On top of this there were moderate wage and benefit readjustments.

Management considered the 2003 negotiation as a success. According to a company officer, “My range of negotiation in the last process was an increase of 2 to 4% and I was able to negotiate a 1.8% increase of the basic structure (a 3% including the one-time cash bonus). The most expensive benefits for us are those related to health insurance; although this time we had troubles levelling vacation benefits because they were really high. The paradox is that although in the end the people originally in the bank were better off, this time we actually spent more money in the people of the new bank (personal interview 3.1. 08-04-2004).”

The union leaders were less sanguine about the results. According to a union leader in Federation 1, although the increases were not exceptional, the results left everybody on a better and fair footing (personal interview 3.1. 08-04-2004, personal interview 3.16. 04-29-2004). For other union leaders, particularly those representing workers recently merged, increases were too modest and workers could have extracted more (collective interview 3.2. 05-10-2004, personal interview 3.6. 04-26-2004). This perception was not strange considering that the collective bargaining contract was slightly better in the incoming bank. Since their benefits were the parameter of levelling their increases were more modest that those of the unions already in the bank.

14 According to a company officer (personal interview 3.1. 08-04-2004) this challenged labor unions capacity to innovate because it weakened their role as providers of workers’ welfare. The human resources department had extensive resources and was highly proactive. The department tasks included health and psychological prevention programs, childcare, social activities, sports, cultural events, training, internal marketing, and collective bargaining and union relations. For managers providing for well-evaluated workers needs and involving unions helped strengthen loyalty bonds with the company and achieve legitimacy.
voice in the list of dismissals in case of labor rationalization.\textsuperscript{15} As will be discussed later in the chapter, differences in these informal agreements played an important role in the strategic success of individual unions during the bargaining process.

3. Explaining Lack of Variation in Formal Collective Bargaining Outcomes

3.1. The Sources of Bargaining Power

\textit{Workplace Conditions}

Unions in this company shared highly favorable workplace conditions. In fact, due to the character of banking services, subcontracting was limited to peripheral functions and production was dependent on client quality service and high performance networks. This gave individual workers across the company a great ability to disrupt production and boosted unions’ workplace bargaining power.

Banking services are dependent on networking, high performance and speed systems because they require complex and delicate tasks. In addition, quality is driven by client satisfaction, and production is dependent on network forms of production. As a result, this company limited subcontracting and outsourcing to peripheral occupations, such as cashiers, and mailing, security and janitorial workers, and unions continued to control the core aspects of production.

In addition, the fact that core aspects of production were dependent on high quality standards and network production gave individual workers and small groups of workers, regardless of their occupation, the ability to delay or void a large number of operations.

\textsuperscript{15} For a complete list of informal benefits per individual unions see Table 1 Appendix D.
applying small pressures at particular points of production. This enhanced the ability of unions to disrupt production by making highly effective low labor-intensive tactics.

**Labor Market Conditions**

With the exception of Union 13, across the company unions enjoyed highly favorable labor market conditions. This stemmed from the fact that the workforce tended to be highly skilled and employment policy legacies gave relative job and wage security to workers.

Since unions usually concentrated in particular areas of the company and organized workers across occupational lines (personal interview 3.7.07-15-2004), individual union membership tended to be homogenously skilled and mimicked the occupational composition of the company, which included a high proportion of skilled workers (70%). The only exception in this regard was Union 13. This union organized almost exclusively non-subcontracted low and semi-skilled administrative workers. As will be discussed later in the chapter, this did not prevent the union from enjoying the same benefits as the other unions.

In regard to job and wage security policy legacies, although during the 1990s and early 2000s there were several layoffs, these were limited to the trimming of merger-induced redundancies. According to a company officer (personal interview 3.1.08-04-2004) each layoff brought a reduction of only 10% of the total workforce. In each case, thanks to union bargaining, workers leaving the company received generous compensations.

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16 Union 1 organized mainly workers in all the branches north of the capital city. Unions 3, 4, 5, and 6 organized branches in particular cities to the south of the capital city, and some departments in the corporate offices in Santiago city. Union 8, 9, 10, and 11 organized workers in the branches incorporated in the last merger. Union 6 and 12 organized workers incorporated in the first merger.

17 Union 2 that organized exclusively workers in the computer firm of the holding, was in 2004 probably the union with the highest proportion of highly skilled workers because most workers in this firm tended to have supervisory status and were highly specialized technicians and professionals. Several of them worked outside of Chile. The union, however, was significantly younger than the rest of the unions, and had taken off slowly only after 1996 (personal interview 3.18.06-04-2004).

18 See Section 3.2 and Conclusion.
In addition, because of the integrated structure of the business and the relatively homogenous skill composition of the union members, layoffs affected individual unions similarly. In fact, although layoffs affected more negatively the newly incorporated areas because workers already in the company had acquired firm-specific skills and been filtered by evaluation procedures, the best-evaluated workers, both already in the company and in the incoming areas were prioritized by the company to be promoted and relocated, offered relative job security and good wages in exchange for high performance, and given the option to retire earlier if they wished to (personal interview 3.1. 08-04-2004, personal interview 3.16. 04-29-2004).

This had two main effects. First, workers across the company trusted that they were not going to be fired if they showed good job performance. Second, the “job security contract” increased the proportion of “well-evaluated” workers increasing the labor market value of individual workers and allowing workers to benefit from performance incentives (personal interview 3.1. 08-04-2004).

The only exception was again Union 13, whose members experienced above average layoffs. Since subcontracting in the company had a strong skill bias and this union traditionally organized low-skilled workers, the union was severely affected by job losses. Few workers were relocated after undergoing re-training programs. This was the case because most union members had comparatively low levels of formal education and needed to invest many years in order to acquire the formal qualifications to apply for semi-skilled or

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19 In 2004 the bank had the most complete standardized form of worker evaluation in the sector. It included qualitative and quantitative indicators known by everybody. Workers were evaluated by their bosses and if applicable by their subordinates and the company took positive (incentive allocations and promotions) and negative (sanctions and layoffs) actions based on these evaluations.
skilled jobs within the company. However, as already mentioned, the union still was able to enjoy the same benefits of the rest.

Finally, as result of these policy/bargaining legacies most workers, with the exception of those subcontracted, shared common wage and contract conditions. Almost 80% of employees enjoyed employment arrangements that exceeded the year, and all workers received compensation packages in which two-thirds of the total wage was fixed.  

*Product Market Conditions*

Product market conditions were favorable for all unions in the company. This stemmed from two facts. First, the company was financially organized as one single business and the decision-making process had a centralized structure. In fact, after eliminating merger-induced redundancies, the bank incorporated the new infrastructure into the existing pyramidal structure of decision-making. The merged banks lost their status as legally independent firms and were subsumed in the existing holding structure. Given the fact that the banks merged were also strong institutions parallel management coexisted, but only for a brief period of time.

Second, the reliance on production networks made it hard for management to single out the exact input of the different areas of the company on each service produced and therefore made it difficult to assess their individual impact on final profits.

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20 Contracts were contingent on a series of well-known minimum work standards and the bulk of variable income came from performance incentives and bonuses.

21 See Chapter VIII pp. 215-216 for a discussion of the firm’s profits and product market competition.
Union Organizational Strength

With the exception of Unions 11, 12 and 13, which enjoyed medium organizational power, unions in the company enjoyed high organizational strength due to relatively high levels of union density and cohesion.

Despite the fact that membership size varied across unions\(^{22}\), differences in size seemed to not have matter much in the collective bargaining process because of two reasons. First, the bargaining process gave artificial weight to a number of small unions. In fact, union leaders believed that union size had little impact on the perceived strength of each individual union. Several interviewees, both from small and large unions, repeated: “what matters in this company is not your absolute weight, but your specific weight (personal interview 3.6. 04-26-2004, and personal interview 3.16. 04-29-2004).” When asked what this meant, union leaders elaborated that since formal outcomes were the same what mattered was how much a given individual union affected the design of the original bargaining project and this depended more on the particular relationship between union leaders and management than on the size of the union.\(^{23}\) As a matter of fact, a number of relatively small unions exercised greater influence in the last bargaining process than larger ones.

Second, despite mergers and other changes, during the 1990s and early 2000s most individual union membership rates experienced little variation. This stemmed from the fact that, due to the homogeneity of their occupational composition, unions experienced comparable membership loses during the mergers and were, thanks to their strong identities,

\(^{22}\) See Table 1, Appendix B.

\(^{23}\) It is important to note, however, that three unions were concerned with union size. In 2004 Unions 6 and 7 were planning a merger, in order to diminish fragmentation and augment membership (personal interview 3.6 04-26-2004, personal interview 3.9. 05-03-2004), and Union 3 had before 2004 adopted an inter-firm status in order to organize non-unionized areas of the firm.
able to retain members (personal interview 3.6. 04-26-2004). The exceptions to this were Unions 11, 12 and 13, which in 2003 lost significant members during the bargaining process.

In addition, union density was, with a few exceptions, homogenous. The fact that smaller unions were concentrated in particular areas gave them high local union density. In some cases individual unions reached even 100% of the total universe of workers susceptible of unionization (e.g. Unions 4, 5, 9 and 10).24 The remaining small unions organized on average 65% of workers in particular areas (e.g. 3, 6, 7). Unions 1, 2 and 8, the three largest unions of national scope organized in total almost 60% of the total number of unionized workers across the bank. Although these unions organized workers across a number of different areas and branches across the country they tended to be stronger in the branches of their original bank. The exceptions were again Unions 11, 12 and 13, all of national scope, which had low union density. In 2004 these three unions combined organized 16% of their potential universe and had lost control over previous strongholds.

Union cohesion was relatively high across the company, too. This stemmed from three factors. First, the existence of strong member servicing systems enabled unions to offer selective incentives to attract and retain members.25

24 The exceptions were Union 2, 6, 11, and 13. Union 2 actually grew thanks to the mergers. This was the case because as of 2000 the company created a small firm to provide the bank with technical assistance in Chile and the rest of Latin America. Since Union 2 originally organized mainly computer system technicians and professionals, it benefited from the creation of this firm (personal interview 3.18. 06-04-2004). In the case of Union 6 membership shrank immediately after 1990 as a result of its leaders’ prominent role in a 1990 mobilization and experienced for a while problems enforcing union discipline and alienation from management and Federation 1. Since the mid 1990s, however, membership remained stable. Union 13, organizing low-rank workers, lost members due to the outsourcing of low skilled jobs. Its membership continued to shrink because its strong blue-collar identity made it difficult for the union to grow in other areas. Union 11 lost membership due to the insistence during the 2003 bargaining process of most of the union leadership in rejecting the company’s offer against members’ wishes. Its subsequent signature of Federation 1 agreement, negative to accept the informal agreements they had already accepted by signing the contract, and purging of dissident members aggravated the situation.

25 The five unions in Federation 1 collected membership dues above the legal minimum and received management contributions, including the sponsoring of many events and activities and in a few cases cash
Second, worker identification with their original bank continued to be strong, even in
the case of the workers merged in 1996. This was especially the case of senior workers who
were precisely the bulk of unionized workers (personal interview 3.16. 04-29-2004). As a
matter of fact, in 2004 each union continued to be informally identified by the name of the
bank in which it was formed and tended to organize workers originally coming from that
same bank. Although in some cases, during mergers, workers coming from the same
company were dispersed throughout the bank, in the branches that was seldom the case, so
by 2004 ex-company identities had not diluted so easily despite the efforts of the company to
generate a corporate identity.

Finally, union cohesion was fostered by the presence of strong leaders who through a
combination of patronage, charisma, and fear enforced union discipline.26

transfers. Most of these resources were spent in providing extensive member servicing on top of what was
offered by the company. The rest of the unions received generous management contributions due to collective
contract stipulations regarding the funding of their own health provision services. Since 2002 there were several
confrontations between these unions and management over this issue because the latter wanted to outsource the
administration, while unions wanted to keep a tight control over it. Until 2004 unions still had their way.

Most unions also counted with pre-existing investments and savings, which allowed them to maintain
historical levels of member servicing even at times of membership shrinkage. Although the individual
generosity of each union member servicing system varied according to union size, union leaders agreed that to a
greater extent union strength in the company was possible because of the strong member servicing system most
unions enjoyed. According to a union leader, “We [the unions] are relatively strong because we have been able
to manage and deliver extra health and pensions to our members (collective interview 3.17. 06-01-2004).”

Even in the case of smaller unions, who could afford only a more limited member servicing, union
leaders sacrificed hiring bargaining advisers and investing in more durable assets in order to provide historical
member servicing commitments (personal interview 3.15. 08-11-2004, personal interview 3.14. 07-27-2004). In
the case of Unions 6 and 7, the leadership managed to create agreements with stores around downtown Santiago
to offer their members substantial discounts and credit. Neither union paid for office space. Union 6 operated in
an office owned by the union and Union 7 in the company’s offices. Thanks to their financial strategies these
unions were able to help members in distress and provide with member servicing. According to one union
leader, although lacking a large member servicing system, Unions 6 and 7 functioned like small local mutual
aid cooperatives (personal interview 3.9. 05-03-2004).

26 In the case of Union 2, for example, discipline enforcement was a function of the strong emotional
and conservative appeal that stemmed from its identity as a Christian union. Its leader enjoyed ample support
because he personally controlled the member servicing system and had a pastor-like style that was well received

In Union 1, its main leader pointed out that there was a mutual tacit understanding with the rank and
file that leadership performance and efficiency in delivering benefits was paramount (personal interview 3.17.
06-01-2004). To achieve results union leaders consulted with management, surveyed workers. The resulting
During early 2003 Unions 11 and 12 experienced severe cohesion problems. During this period these unions adopted a militant strategy in a general context of accommodation. This generated intra union leadership disputes and led to high levels of internal dissent during the bargaining process. The existence of similar unions encouraged members not satisfied with the leadership to emigrate (personal interview 3.2. 05-10-2004, personal interview 3.10. 05-12-2004). As a result, during 2003 more militant leaders regained control of the union. According to a union leader, this allowed the leadership to purge members that persisted in opposition, and accused them of selling out and therefore of being unworthy of staying in the union (collective interview 3.2. 05-10-2004, personal interview 3.4. 05-05-2004). By late 2003 union leaders had restored internal unity and cohesion, but at the cost of losing many members in a few months. In the case of Union 13, a union with a longstanding tradition and mostly composed of senior members, the fact that the union concentrated in occupations under job instability threats helped to maintain union cohesion despite the fact that the union was also highly militant. As will be discussed below, despite these issues these three unions enjoyed the same benefits as the rest of the unions.

bargaining project was afterwards presented to the workers for ratification via assembly, e-mail or any other way deemed appropriate by union delegates. Thus, one of the mechanisms through which leaders in this union enforced union discipline was by limiting collective debate and active involvement in union affairs. The other mechanism was the fact that the leadership had a say in layoffs. Union delegates passed information to Federation 1 leaders, who made a list of well-evaluated workers whose job continuation was under discussion. In Unions 3, 4, 5, 6, 7, 9 and 10 internal discipline was enforced by the fact that members were concentrated in small branches or corporate areas and union leaders cultivated strong ties with the rank and file. Since many of them were located in small towns’ as well, social pressure was stronger because interactions were closer (collective interview 3.17. 06-01-2004).

According to a union leader, during 2003 discipline was for a very brief period relatively low in Union 8 because its sheer size and geographic dispersion made it hard for union leaders to be everywhere campaigning (personal interview 3.10. 05-12-2004). The union was able to overcome this by fostering democratic internal procedures. During the 2003 collective contract process for example, union leaders signed the document even if they did not want to because an important number of members started sending signals that they would defect from the union. To re-gain the rank and file confidence some union leaders quickly arranged an assembly and voted the issue, after impeaching the president, accused of not following the assembly’s mandate.

27 As one of the leaders in Union 11 stated: “People who did not have enough dignity had to leave our unions and it is better this way because we want only the brave (collective interview 3.2. 05-10-2004).”
3.2. The Bargaining Process Between 1990 and 2004

The previous sections presented evidence that the lack of variation in union bargaining outcomes in 2004 in this company was explained by unions’ similar bargaining leverage. In this section I explain why it is that unions, including Union 11, 12 and 13, enjoyed exactly the same collective contract. I argue that to avoid significant upward pressures in the collective contract and streamline the collective contract structure, during the 1990s management offered union leaders that delivered bargaining restraint key and exclusive informal benefits, such as voice in layoffs and management financial contributions to the member servicing systems of the unions. As a result these unions were granted satisfactory concessions relatively easily. Forced by the rank and file to accept the same conditions, more militant union leaders ended up signing exactly the same the collective contract as Federation 1.

By the late 1980s the company made its first moves toward labor rationalization and a system of flexible wages and promotions based on merit. In addition, in the 1990 bargaining round it offered very modest wage readjustment. As had been the case for the last four years, unions responded to management demands by going on a strike, the first in the country after the democratic transition. This lasted seven days, and, according to media reports involved around 84% of the total workforce in the company (La Epoca 11-01-1990: 16). Negotiations started the first day, with management’s partial acceptance of the union demands, but the unions kept rejecting the company’s successive offers.\(^\text{28}\) By the sixth day the company

\(^{28}\) In retrospect union leaders that participated in the events argued that besides real grievances due to intense wage and work reorganization, job losses, and important changes to the collective bargaining framework, the strike was clearly a cathartic reaction to an extremely tense organizational climate and a response to the new opportunities brought by the early stages of the democratic transition (personal interview 3.6. 04-26-2004, personal interview 3.16. 04-29-2004).
withdrew its last offer, and according to a union leader (personal interview 3.6. 04-26-2004), summoned a small number of union leaders, now the leaders of Federation 1, into a secret meeting. After this meeting these union leaders successfully called off the strike. Workers extracted a generous cash bonus as an end to the conflict, but the company’s original proposals stayed.

The larger meaning of the meeting between these leaders and management became clear over time: bargaining restraint in exchange for a strategic partnership with management based on permanent bargaining consultation, active involvement and participation in the design and implementation of the company’s human resources policies, and easy access to every layer of management. The strategic alliance with management also gave the leaders of these unions privileges that no other leaders enjoyed in the company, such as full readjustable pay with complete dedication to union activity and easy access to corporate

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29 More specifically the company’s original proposal offered workers negotiation every three years and a reconfiguration of the wage scale making partly variable, plus wage readjustments benefiting only the lower ranks, and incentives variable according to merit. Labor unions in turn did not want to negotiate beyond a two years period and wanted the readjustments to be calculated over an average minimum fixed wages (El Mercurio, 11-07-1990, C11). In addition, unions were asking for larger readjustments for all workers, plus increases in bonuses and different benefits. The company responded offering an incremental adjustment by wage ranges (La Epoca, 11-01-1990, pp.16). In November 3, the union leadership rejected a new proposal that included a medium ground between what union leaders were asking and what the company wanted. Until November 7 there were intense negotiations and finally the company withdrew its proposal leaving things as they were at the very beginning (La Nación, 11-7-1990, pp.17).

30 According to a union leader, during the strike leaders divided strategic functions. While a group was exclusively in charge of mobilizing the workers, another focused on the negotiations with management. It was precisely the latter group who attended the alleged secret meeting (personal interview 3.6. 04-26-2004).

31 The 1990 strike and its aftermath made it clear the individual union loyalties lay (personal interview 3.6. 07-26-2004). Every interviewee mentioned this strike as a turning point for the company and the banking sector at large. Not only before the strike a pro-business type of unionism had been marginal, but also it provided union leaders with important lessons for the future. First, the strike showed that in the new legal scenario militancy could not defeat a strong company that could play unions against unions. Second, it showed that close labor management relations might be a good alternative for weaker unions because it provided them with an artificial weight in decision-making, especially if unions had no interest in coordinating. More objectively, within the company the strike’s aftermath meant a total change in the union structure. While most existing unions remained in Federation 1, the previously strongest union exited Federation 1. As a result it was significantly debilitated.
information, plus personal perks and recognition (personal interview 3.6. 04-26-2004, personal interview 3.16. 04-29-2004). More important, however, it gave them a say in layoffs and exclusive participation in the early stages of the company’s collective bargaining design.³² Although in a few cases these partnership conditions were written down in the form of letters of commitment signed by the company or attached as special clauses in the collective contract, they were for the most part unwritten. They were, however, widely known and regarded as being as institutionalized as the collective contract document.

As a result, Federation 1 emerged in the early 1990s as “the” worker organization that jointly with management shaped the negotiation floor for all unionized workers, the areas not susceptible to change, the benefits to be prioritised with readjustments and increases, specific and conditional job security and compensation deals for more skilled and well-evaluated workers, and set the union bargaining agenda.³³ Since most unionized workers considered the settlement negotiated by Federation 1 satisfactory, and the company was willing to extend the same contract to all unionized workers, union leaders outside Federation 1 had no choice but to accept the same exact collective contract.

This situation did not go unchallenged, but Federation 1 and management were successful in protecting this pact. In 1996 one of the two recently merged unions did not join Federation 1 and, along with the marginalized union already in the bank, tried to come up

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³² In contrast, and although they also had easy access to corporate authorities, Unions 6, 7, 8, 9, and 10 did not have participation in layoff decisions or in the early stages of the collective contract project crafting and did not receive regular firm economic contributions. Unions 11, 12 and 13 received no firm economic contributions, had more difficulties dealing with everyday problems of the affiliates, and had no say in layoffs or in the early stages of bargaining negotiation.

³³ Leaders in Federation 1 were conscious that, although partnership represented a successful strategy it also made them vulnerable. According to one of Federation 1 leaders if the management style were to change significantly the union might have to return to its previous militant style and that would mean important efforts to remobilize the base (personal interview 3.16. 04-29-2004).
with an alternative bargaining project (personal interview 3.9. 05-03-2004). However, given the fact that the non-federated unions were small and weak, Federation 1 continued to monopolize the collective bargaining without challenge until 2002 and the same collective contract was extended to all unionized workers (personal interview 3.5. 05-05-2004).

In 2000 the bank experienced its largest merger. The new bank was already one of the three largest in the country and had undergone several mergers. It had a strong tradition of union militancy and an amalgamated union that in 1997 had achieved the best collective contract in the industry (collective interview 3.2. 05-10-2004, personal interview 3.10. 05-12-2004). The other unions were powerful mutual aid organizations.

Most incoming union leaders were critical of Federation 1. Federation 1’s leaders were perceived as having no qualms about advancing their individual agendas at the expense of the rest or without any consideration about common interests across unions (personal interview 3.16. 04-29-2004). Moreover, during initial conversations they came across as defending their personal privileged position and offering inclusion in Federation 1 under conditions of subordination rather than cooperation.

As a result, with the sole exception of Union 2, all refused to join Federation 1. Leaders of Unions 6 and 7 made efforts to join with the new unions in an alternative federation. However, these efforts ended in nothing. Although the reasons were not altogether clear, apparently a small union tried to negotiate separately with the company and ended up accelerating negotiations before the non-federated unions finally decided on how to organize into a federation (personal interview 3.10. 05-12-2004). The non-federated unions maintained, however, instrumental links among them.
Being outside of Federation 1 left the newly incorporated unions in an uneasy position during the 2003 negotiation.\textsuperscript{34} This was the case because they had been in the company for barely six months, and by 2003 most of the CEOs and managers that came with them had left.\textsuperscript{35} Labor unions were not familiar with management or the informal rules of collective bargaining, and were for the first time negotiating on their own. Moreover, according to some union leaders, members had a hard time adapting to the new organizational culture because work demands and pressures of the bank were perceived as significantly greater than in the original banks (personal interview 3.11. 07-19-2004, personal interview 3.16. 04-29-2004, and personal interview 3.12. 07-14-2004).

As a result, and despite several unions’ efforts to generate alternative bargaining projects, union leaders outside Federation 1 were unsuccessful in changing the conditions of collective bargaining so as to have a more meaningful role in its final shape. One by one each of the unions ended up signing the collective contract negotiated by Federation 1.\textsuperscript{36} Union 11, the largest and most militant of these unions was the last. Having resisted for nearly three

\textsuperscript{34} According to a union leader, “We [Union 10] with Unions 8 and 9 did not want just to go ahead and sign the agreement negotiated between Federation 1 and management but the company just denied us. They told us to present our project, which we actually did. But, when we went to discuss the project they had their own document there for us to sign. They added a few clauses that we wanted in there, particularly regarding the administration of our welfare but we did not like how the company acted (personal interview 3.12. 07-14-2004).” Something similar happened to Unions 6 and 7. Unions in Federation 2 tried not to sign the document, but in the end also had to do it in the face of massive membership flight. According to a union leader of Federation 2, “The last collective bargaining process was really nasty. It was bad for the newcomers but we were all pushed around and our people pressured. We were able to confirm that the bank only recognizes unions compatible with them and alienates people who think different or whose union style was more autonomous (personal interview 3.4. 05-05-2004).”

\textsuperscript{35} Each merger meant for newly incorporated unions several challenges: surviving the layoffs --which usually exceeded the layoffs facing workers already within the bank--, initiating a relationship with management and other unions, and getting used to new informal and formal labor relations practices. The newcomers’ vulnerabilities fostered defensive attitudes. In addition, the company’s union environment encouraged new union leaders to take sides between opposing views of what unions should do.

\textsuperscript{36} In a few cases unions were able to introduce small clauses covering only their affiliates. These clauses were not new benefit, but rather protections to pre-existing benefits.
months the union lost many members and faced leadership divisions over the collective bargaining strategy. Reluctantly union leaders signed the agreement as well.37

According to a union leader (personal interview 3.6. 04-26-2004), the pact with Federation 1 allowed the company to create the social peace necessary to carry on business restructuring by re-shaping the union structure so as to create artificially centralized negotiations. It also allowed the company to level benefits, gain more information about workers, and “sell” organizational changes to workers. According to a company officer:

“We estimate that in every firm there is always 5% of people that are discontent. Unions can be useful to channel that 5% and help promote the changes we are making. The union can tell the worker to stop moaning and get to work and if the people trust the union it is good for us. In addition, union leaders can scan the field and help us know what is going on at the bottom of the company. It is great when union leaders return from their tour outside Santiago and they tell you everything is going well but there are these problematic people which we need to sack. We appreciate that partnership (personal interview 3.1. 08-04-2004).”

The pact increased Federation 1’s influence in the collective bargaining process and most labor related policies, and helped its main leaders gain access to information from top corporate layers, in addition to personal perks and recognition.

The pact had more mixed effects on individual unions outside Federation 1. On the one hand it eliminated wage and benefit differentials, giving all unionized workers important earning increases and, by Chilean standards, relatively generous health, housing, education, and severance pay benefits. This benefited even Union 13, which was the only union that enjoyed relatively low workplace and labor market leverage. On the other hand it debilitated

37 Previous to the 2003 negotiation some unions had a more adversarial disposition toward the company. Union 11 was traditionally one of the most militant unions in the sector. In 1997, it mobilized successfully, achieving one of the best negotiations in decades in the banking sector (collective interview 3.2. 05-10-2004). Encouraged by this previous experience, the union took a more confrontational stand when it entered our bank, but encountered the opposition of management and Federation 1. Many leaders then became very angry with the company even before the collective bargaining process began (collective interview 3.2. 05-10-2004, personal interview 3.10. 05-12-2004). In the case of Unions 12 and 13 the process of 2003 was a climax in a series of incidents in which the union leaders felt they were being mistreated by the company and pushed around by the leaders of Federation 1.
overall union mobilization capacity by generating inter and intra union leadership strife.\textsuperscript{38} This affected particularly Unions 11, 12 and 13, which, nonetheless, ended up enjoying the same benefits as the rest of the unions due to the dynamics of the bargaining process.

In fact, after a series of leadership disputes within Federation 1, in 2003 Unions 12 and 13 left that federation and joined by Union 11 created Federation 2. This constituted an opposition movement to Federation 1 and the autonomous unions, which they viewed as accomplices of management’s efforts to curtail union freedom and workers benefits (collective interview 3.2. 05-10-2004). According to a union leader in Federation 2,

> We are not willing to yield even if they murder us. What do the other unions achieve? Nothing. There is no collective bargaining at this company. The difference between them and us [the rest of labor unions in the company] is that we are the moral reservoir here and we have to fight the other unions to achieve unity and we are doing that by strengthening the collective consciousness versus individualism. We give information, we unveil and denounce so everybody will know who is who (personal interview 3.8. 05-13-2004).”

As of 2004 Federation 2 remained highly militant and had particularly sour relations with management. During 2004 it accused the company of unfair labor union practices during the 2003 negotiation, sued it for funds allegedly owed to workers,\textsuperscript{39} and organized mobilizations in front of the corporate offices.

Despite the fact that the irregularities allegedly committed by the company were unclear or difficult to prove, lawsuits yielded partial gains (personal interview 3.5. 05-05-2004). The company lost in the first trial because it failed to comply with certain dates due to an administrative error, and was obliged by the courts to pay the members of these unions the amount of money demanded by union leaders. However, in a series of memos and letters that

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\textsuperscript{38} The divide became not only strategic, but also personal and crossed ideological and party lines, preventing more coordination among unions.

\textsuperscript{39} According to leaders of Union 12 --which pertained at the time of the 2003 negotiations to Federation 1-- their collective bargaining signature was invalid because they never gave a formal attorney power to Federation 1 to sign for the union. For Union 13 nowhere in the collective contract document was there a word that the new contract replaced the previous contracts immediately, since several clauses stated the specific times in which the new system would kick in. Union 11 sued the company for unfair practices.
circulated in the bank’s intranet, management made it clear that it viewed workers accepting that money as taking advantage of the fact that many things were done verbally, and that accepting the money was like getting paid twice for the same benefits. The company stated it was going to appeal the trial and sue individually those workers who actually cashed the checks the courts ordered the company to distribute (internal letter from Federation 2 04-22-2004, internal memo response from management 04-22-2004). In addition, management vetoed any of the union leaders participating in these lawsuits, leaving these unions with no significant direct communication with management outside the courts (collective interview 3.2. 05-10-2004). According to a company officer,

“We are well predisposed toward the unions in Federation 1 and the autonomous unions because we know they are gentlemen we can trust. The unions in Federation 2 are another story because they are not fighting for their people. They are fighting to destroy the company. They don’t offer us anything and they keep bothering us because leaders want to keep their posts to avoid working or to secure their jobs (personal interview 3.1. 08-04-2004).

According to the leader of Union 13, although unions were favored in the courts so far, the costs were perhaps too high.

“After we brought a lawsuit against the company for the last collective bargaining irregularities I realized that the company had forbidden us the use of an office I had been using as a union meeting space. I had to sue the company for the stuff that was lost in the process, particularly furniture. We need to be here and now we are wandering clandestinely, without space to work and are considered pariahs by the company and this makes us look bad with the people (personal interview 3.4. 05-05-2004)”

Leaders in the non-federated unions, Federation 1, and even some disgruntled board members of Union 11 argued that Federation 2 had broken the norms of trust in the company because they were asking for monies that everybody understood had been informally negotiated.40 According to one of the leaders of the autonomous unions (personal interview

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40 According to a disgruntled union leader in Federation 2, “There are negative leaders in Federation 2. They have a strong discourse that has negatively affected our affiliates. Organizations like ours have been destroyed not because of confrontation, because we need confrontation at times, but because leaders are unable to keep their word with the company and even other unions. The breakage of trust polarizes the situation generating a dark environment. This is aggravated by the fact that as in the other federation, leaders in our
3.7. 07-15-2004), these unions although essentially right in denouncing unfair labor practices, were wrong in taking advantage of the fact that many things in the company were done informally. According to a union leader,

“We all know that unions in Federation 2 signed the document knowing what it was about and now they are trying to deny what they did and taking advantage of the company. That shows that they are untrustworthy for the company and for us too (personal interview 3.7. 07-15-2004).”

This, plus the aggressive rhetoric ended alienating Federation 2 from the rest of the unions and eliminated the possibility of creating a unified counter power to Federation 1. As a result, Federation 1 continued exercising monopoly over the collective bargaining process.

4. Conclusions

In this chapter I have discussed the collective bargaining situation of thirteen unions in a banking holding company. In the first section I presented the company’s main characteristics, including its business, union structure, and main developments since 1990. In the second section I examined the formal structure and value of the collective contract and the individual unions’ results. The third section focused on the explanatory factors behind the lack of variation in union formal collective bargaining outcomes within the company. This section summarizes the empirical findings.

As Table 5 indicates, the evidence suggests that within the company there was little variation in individual unions’ workplace, labor market, and product market conditions, and organizational strength. This stemmed from the character of bank services and the highly integrated business organization. Since values on these independent variables were not only

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federation are very undemocratic and personalistic. The bank has also nourished this by persecuting leaders who try different paths and favoring too much the ones akin to management (personal interview 3.3. 05-12-2004).”
homogenous but relatively high as well, unions in general enjoyed bargaining power vis a vis the employer. As a result, during the 1990s management tried to encourage bargaining restraint on the part of unions by offering union leaders in Federation 1 an exclusive partnership relation, and ignoring more militant unions. Since most unionized workers found satisfactory the settlement achieved by this federation, union leaders outside Federation 1 were forced to accept the same conditions and management was able to extend the same exact collective contract to all unions. This benefited even members of Union 13, which had low labor market power and medium organizational power, and members of Unions 11 and 12, which enjoyed only medium organizational strength.

Table 5: Summary of Main Arguments. Banking Company.

<table>
<thead>
<tr>
<th>Unions</th>
<th>Workplace power</th>
<th>Labor market power</th>
<th>Product market power</th>
<th>Organizational power</th>
<th>Formal Bargaining Outcomes</th>
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<td>1</td>
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CHAPTER V
LABOR UNION BARGAINING POWER
IN A MANUFACTURING COMPANY

This chapter examines variation in the 2004 bargaining performance of eight labor unions within a manufacturing holding company. It poses two questions. What was the extent of variation in the formal collective bargaining outcomes of labor unions within the company? And, why did some unions perform better than others?

I argue that this company exhibited significant variation in union formal bargaining outcomes. Differences in the character of the final products across the different areas of the company and in the pace and intensity of changes in technology across old and newly merged firms, plus high firm-level management decentralization, gave unions in some individual firms of the company significantly more workplace, labor market, product market and organizational leverage. This created variation in the bargaining dynamics of each of the firms in the company and explains why particular labor unions performed better than others.

The chapter is organized in four sections. The first section gives general information about the company, its business, union structure and main developments since the 1990s. The second section examines the formal structure and value of the collective contract, and the individual unions’ performances. The third section explains this variation. The final section summarizes the findings and arguments.
1. The Company in 2004

1.1. The Business Structure

The company under review in this chapter is a Chilean subsidiary of a European multinational corporation operating in the chemical and food industries.

In 2004 the company was organized as a holding composed of four individual firms. Each of these was, legally speaking, a privately held autonomous business, independently managed. One of these firms belonged to the personal and home care division, while the rest were part of the food division. Despite the company’s high level of decentralization, marketing and some administrative functions such as accounting were centralized at the corporate level and there were common standards of production supervised by the division heads of the holding. Overall the company employed approximately eight hundred workers and was among the top chemical and food companies in the country.

Firm 1 was created in the 1920s, but acquired by the holding in the 1960s. It produced personal and home care products for domestic and regional markets in plants located in one large manufacturing center. As of 2004 it employed 300 workers. This firm was the headquarters for the management of the home and personal care division.

Firm 2 was created in the 1950s. It was incorporated into the holding in 1995 thanks to a merger between the parent company’s existing food division and a multinational corporation specialized in processed food. Its plants, all located in one manufacturing center, produce packaged processed food for domestic and regional markets. The firm expanded in the late 1997 due to the closure of several other food

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1 For a detailed summary of the business history and union structure of each firm see Table 2, Appendix A.
processing plants within the company. As of 2004 it employed roughly 250 workers. This firm was the headquarters for the management of the food division.

Firm 3 produced tea beverages, mostly, although not exclusively, for domestic consumption. The firm originated in the 1950s, but was acquired by the holding in 1997 through an international acquisition. As of 2004 the firm concentrated its production in one plant and employed 215 workers.

Founded in the 1960s as part of the holding’s food division in Chile, Firm 4 produced ice cream for domestic consumption. In 2002 the firm closed its plant. However, the company retained the brand and outsourced production to another local company. As of 2004 this firm only distributed and stocked products. It employed 34 workers, many on a seasonal basis. Only five enjoyed full-time contracts.

1.2. The Union Structure

In 2004 there were eight unions in the company. Two of them were located in Firm 1, three in Firm 2, two in Firm 3, and one in Firm 4. Unions in Firm 1 dated from the 1930s-40s. With the exception of one white-collar union founded in 1998 in Firm 2, unions in the other firms originated in the 1950s-60s.

All the unions in the company were organized at the firm level. Although their own statutes gave them national scope, the decentralized structure of the holding and the fact that production was geographically concentrated meant that in practice each union organized one manufacturing center.  

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2 For a summary profile of individual unions in this company see Table 2, Appendix B.

3 Besides the legal advantages of firm-level unions there were other reasons behind the predominantly firm-level status of unions in this firm. One of them was that the holding maintained wage
Within the four firms, unions ran along occupational lines. In Firm 1 for example there was one blue-collar and white-collar union. In Firm 2 there were two white-collar unions and one blue-collar union. In Firm 3 there was one white-collar and one blue-collar union. In Firm 4 there was one non-occupational union.

Despite differences in union size, unionization reached almost 100% of the workers directly hired by the company in each firm. With some variation across the holding, this excluded janitors, cooks, security guards, and some technicians, who were usually subcontracted.

According to union leaders (collective interview 1.4. 03-23-2004), the company was historically characterized by an old-fashioned benevolent paternalistic management style. Bosses knew workers by name, and snapped at workers caught engaging in petty theft without firing them, and recognized unions as workers’ main representatives.

Since in the end labor relations tended toward some kind of accommodation, unions developed as strong mutual aid organizations characterized by low levels of militancy. This picture was of course tainted by a few strikes that made visible once

and benefit differences across its different firms. Another was that, although workers had a great pride and identification with its parent company, the fact that across the holding firms traditionally recruited along family lines and had a paternalistic management style helped solidify strong local loyalties within each particular firm (collective interview 1.4. 03-23-2004).

4 The union structure was the result of the legal distinction between blue and white-collar employees that existed at the moment when union were formed. The company retained a strong occupational character due to traditions of unionization and differences the company itself created, such as having different dining cafeterias for blue-collar, white-collar and management personnel, and granting larger benefits to white-collar employees. According to a union leader, “Although plant conditions are the same for all, at this firm blue-collar and white-collar workers organize in two different unions. Not only the collective contract benefits different for each union, but the treatment is also different. The family is quite divided. The company is like that, it makes class differences and that has divided workers (personal interview 1.12. 04-06-2004).”

5 For an excellent study of worker and union radicalization in another manufacturing firm during the Allende period see Peter Winn (1986). See Lira’s (1996) on the links between a participatory labor relation’s framework and the notorious apoliticism of unions in a sugar firm prior to 1973.
in a while the contradictory interests of labor and management. Levels of politicization were also low. Not even in the early 1970s, under the socialist government of Allende, when union activity was effervescent, did any of the unions engage in politics.⁶

Some of this had slowly started to change since the late 1990s. In 2004 there was a growing sense that industrial relations were based on a series of institutional rights and obligations. At the same time collective bargaining required more technical abilities from union leaders because the arguments became more economically oriented (collective interview 1.4. 03-23-2004).

Some things, however, had not changed much by 2004. At the shop floor level for example, the company was dominated by a patriarchal culture, and old class distances continued to exist. Collective bargaining was guided by the same old routine set of rules and behavior. In fact, union leaders characterized collective bargaining as,

“[…] a matter between trusting ‘gentlemen,’ who occasionally fight, but who also have a tacit understanding of how things must be done, follow traditional codes and fulfill a set of mutual obligations (personal interview 1.8. 04-07-2004).”

With a few exceptions, unions continued to be headed by longstanding leaders⁷ Although a number of these had clear political sympathies, few had active political militancy and union elections continued to be run without reference to partisan politics.

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⁶ A senior union leader pointed out that urban dweller activists of the surrounding area tried during the early 1970s to occupy one of the plants but were repelled by workers (personal interview 1.3. 04-02-2004). Another senior labor union leader recounted that after the 1973 coup there were rumours of workers and union activists disappeared or murdered. However, the military representative that intervened the company during the September and December of 1973 gave a public speech asserting that he did not care if there were communists in the company if they weren’t troublemakers. Workers who were more involved in politics went into hiding and some of them weren’t seen again. Most workers returned to work quietly. In the 1980s political militancy was exclusively individual and only a few were known to be actively engaged in opposition activities (collective interview 1.5. 04-02-2004).

⁷ The few cases of leadership renewal included a crisis of legitimacy stemming from strike failure or high intra union strife.
Moreover, the company’s union structure was characterized by both low union competition\(^8\) and low union cooperation.

This was the result of the de-integrated structure of the company. In fact, although in the 1990’s a series of mergers meant the extension of the holding’s existing procedures and standards to the newly incorporated firms, these remained as separate entities with their own management and existing unions. Where mergers meant plant closures, unions in the downsized areas disappeared completely. As a result, by 2004 unions maintained membership monopoly within each firm.

At the same time, the business structure did not generate incentives for inter-union articulation across the holding. Labor union leaders acknowledged that although common political and partisan sympathies could potentially bring them together, differences in class identity and firm interest were salient and explained why efforts to create more coordination across the holding failed (collective interview 1.4. 03-23-2004). This local anchorage of unions also explained why, with the exception of the blue-collar union at Firm 1, no union was affiliated with a peak union organization.

1.3. Business Development since the 1990s

During recent decades, outside of Asia, manufacturing industry growth has been sluggish. This has been particularly the case of many companies operating in Latin

\(^8\) In the early 1990s the number of labor unions in the company was approximately twenty-six. As the company narrowed its brand portfolio and sold firms, labor unions in the trimmed firms had disappeared (collective interview 1.4. 03-23-2004).
America and developed countries, which have had difficulties coping with serious competitive challenges from Asia prompted by greater trade openness.⁹

To improve lagging profits and competitiveness, manufacturing companies have pruned plants, reorganized business structures, upgraded technology, and relocated production.¹⁰ The changes have affected industrial employment,¹¹ as well as the scope and influence of unions.

In this context, according to some analysts, the chemical and food industries, our company’s sectors, have been affected by: “slowing sales, rising costs and waning pricing power” (The Economist, February-05-2005: 63). These problems seem to have been the result of insufficient investment in marketing, hard competition from retailers, unattractiveness of some products, lack of innovation, and difficulties to adapt due to business size or structure.¹²

Since the 1990s our company has responded to the industry’s crisis by concentrating on a leaner portfolio of brands. Since 2000, it has cut its worldwide

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⁹ In 2000 the manufacturing industry contribution to GDP (MVA) in China was 35%. The 2000 MVA for most OECD countries was 20%. From 1985 to 2000 the MVA in the European Union declined from 26% to 21% and in the USA and Australia fell from 19% to 16% and 17% to 13% respectively (Australian Bureu of Statistics 2004). In Chile, between 1989 and 1995 the MVA fell from 18.1% to 16.8%. In 1995 it grew only by 6.5%, two points below the national average and below the telecommunication and retailing industries, which grew at a rate of 12.3% and 10.6% respectively (Agacino, 1996:77). In 1997 the manufacturing industry MVA grew by 4.7, while in 1998 and 1999 fell by 2.3 and 1.3 respectively. In 2000 the industry grew by 4, but in 2001 dropped by 0.3 (INE 2002: 194).


¹¹ According to ILO, employment in the manufacturing sector declined between 1990 and 2001 for all economies for which data are available (ILO'OIT n/d1). In 1986 the manufacturing industry concentrated 13% of the Chilean employment. Between 1987 and 1994 it increased to 17%, but in 1995 it started to descend again. Since 2000 the manufacturing employment rate has been 14% (Central Bank of Chile n/d1).

workforce by 33,000 and closed more than 100 plants. In addition, the company streamlined its corporate governance. In Chile it sold businesses not related to the core industries of the company (packaged processed food and home and personal care products), concentrated production in fewer plants, \(^{13}\) decentralized management, and upgraded into more capital-intensive technology. \(^{14}\) In some cases production was relocated or shifted to outside contractors. \(^{15}\) In addition, across the company, management introduced wage flexibility systems and tied incentives and benefits to performance and productivity. \(^{16}\)

2. The Collective Bargaining Outcomes in 2004

2.1. The Collective Bargaining Framework since 1990

Between 1990 and 2004, unions negotiated with two different bargaining teams depending on whether the firm was part of the food or personal and home care division. Each collective contract ran for two years, and the particular period of negotiation for each union varied according to the expiration date of its collective contract.

\(^{13}\) In Firm 4, for example, the plant closure in 2002 meant a decrease in the total workforce from roughly 400 to 34 in a very short span of time (personal interview 1.13. 04-03-2004).

\(^{14}\) For example, as 2004 storage and distribution systems were operated through modern digitalized processes that allowed for permanent monitoring and for the delivery of just-in-time products.

\(^{15}\) According to a union leader, from the perspective of management the Chilean product market was too small and the isolated geographical conditions increased distribution costs to the rest of Latin America. However, since Chile offered a good business climate the company was going to continue using Chile as a business platform for the region (phone communication 1.14. 02-23-2005).

\(^{16}\) The idea that was usually conveyed to workers is that they needed to increase productivity if they wanted to improved wages. In one of the firms, management organized daylong campaigns in which groups of workers compete to achieve the maximum production in the shortest amount of time. A group of proud winners worked continuously for ten hours in exchange for management recognition and a generous extra bonus. This intensified work because many workers felt pressured and tended to overwork in order to get more overtime hours, show the company that they were committed to the job, or just increase productivity (personal interview 1.6. 04-15-2004).
Across the holding, labor unions and management avoided formal negotiations.\textsuperscript{17} There was in fact a tacit understanding between unions and management that nobody should be “potentially forced” to do something. This was the case because strikes were seen as expressions of betrayal on the part of unions or management and a violation of normal labor relations, and management always tried to avoid negative publicity (collective interview 1.4. 03-23-2004).

It sounds counterintuitive that firm-level unions, which by law were the only organizations entitled to obligatory bargaining and had the right to strike, would prefer voluntary negotiations, which did not guarantee the accumulation of benefits and depended on the good will of the company. However, according to union leaders, the law made formal negotiations unappealing because weak labor unions had to either accept the last offer made by the company or go on strike whether they were prepared for it or not and strong unions could extract concessions through more accommodating methods (personal interview 1.8. 04-07-2004).\textsuperscript{18}

Hence, paradoxically formal negotiations in the holding signalled union inability to reach accommodation before the legal expiration of contracts, and therefore lack of bargaining leverage. Two facts seem to confirm this. Unions that negotiated formal agreements had the worse collective contracts. Unions that negotiated formal agreements experienced major strike defeats.

\textsuperscript{17} In workers’ jargon this was known as “avoiding the date,” and referred to the fact that the labor law established that if negotiations were cleared a certain time before the expiration of the collective contract this had the status of a voluntary convention.

\textsuperscript{18} Although the law contemplated mediation procedures, these were fairly new. According to a study of the Dirección del Trabajo 65.3\% of all cases in which workers and management asked for mediation had ended successfully for the parts (Arroyo et al. 2003).
With the exception of 1999, when a new wage scale was negotiated, since 1990 the formal bargaining agenda revolved mainly around the negotiation of benefit readjustments and the inclusion of some benefits amounts as part of fixed earnings. Although the benefits obtained through voluntary conventions were not cumulative, there was a mutual understanding that the negotiation floor was the last contract.

In recent years however, union leaders felt they spent too much energy in defending “the floor” (personal interview 1.9. 04-07-2004). Across the holding, labor union leaders acknowledged that although management was “straight” it had become harder to beat in collective negotiation because, although in the majority of the cases everything was worked out, negotiations always started with management refusing any concession and trying to reduce benefits (collective interview 1.4. 03-23-2004, personal interview 1.9. 04-19-2004). However, all acknowledged that in the end the company always sought accommodation.

2.1. Variation in Formal Collective Bargaining Outcomes in 2004

Unions’ collective contracts had a common baseline across the holding. This included in 2004: a 1% over inflation wage readjustment, a percentage of profits according to what the Labor Code stipulates in its Art. 46, and the same benefits in overtime conditions, work shifts, work clothing, as well as lunch, transportation, education fellowship, and bonuses in case of wedding, birth, or death of the worker or

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19 Informally some unions negotiated extra benefits or one-time deals, as well as union involvement in firm managed services such as training, medical and childcare services.
an immediate relative. All unions also received one-time bonus cash after the union accepted the company’s last offer. The amount of this bonus was fairly standard.\(^{20}\)

Despite the fact that the baseline structure was practically the same for workers across the company, collective contracts included specific clauses that decreased the value of the contract for workers hired after 1999.\(^{21}\) Although several productivity clauses compensated this, in 2004 some senior workers were paid a little more for performing the same functions as younger workers. In addition, across the company, and with one exception, white-collar collective contracts were slightly more generous than those of the blue-collar workers.

The main variation in union collective contracts occurred, however, across individual firms. In 2004, unions in Firm 1 had the most generous collective contracts of the company. The least generous collective contracts were those of the blue-collar union in Firm 3 and the union in Firm 4.\(^{22}\) Union collective contracts in Firm 2 and the white-collar union in Firm 3 were in between.

Unions’ collective contracts in Firm 1 included, on top of the basic structure: early voluntary retirement with generous compensation, severance pay and health insurance beyond the legal minimum, extra bonuses for overtime, additional seniority

\(^{20}\) For a summary of individual unions’ informal agreements see Table 2, Appendix D.

\(^{21}\) Since the majority of workers were in the company before 1999 union leaders did not have serious pressures of their constituencies to refuse this condition. Nonetheless, according to a union leader it generated some friction among workers at the shop floor level (personal interview 1.6. 04-15-2004).

\(^{22}\) See Appendix C for a summary of individual union benefits in the holding.
and productivity incentives, and saving and housing subsidies. Amounts in all benefits were superior to those of unions in the rest of the company.23

The collective contracts of the three unions at Firm 2, plus the white-collar union at Firm 3 included, in addition to the baseline, benefits regarding housing, early retirement with severance pay above the law, and/or the company’s payment of a whole funeral service in case of the death of the worker or any of his close relatives and extra vacation days.24 Unlike the unions at Firm 1 the collective contracts of unions at Firm 2 lacked either extra health insurance coverage or extra incentives regarding productivity and seniority.25 The collective contract of the white-collar union at Firm 3 did not include housing and saving benefits or severance pay above the legal minimum, but included a generous health insurance program. Some benefit amounts were lower than in the previous case, but they were still above the remaining cases.

The remaining unions’ collective contracts had the baseline, plus other minor benefits. These unions’ collective contracts excluded both health insurance and

23 In the case of the white-collar union the collective contract included clauses offering extra training and education benefits. In the case of the blue-collar union the collective contract included a subsidy for each union member, as well as a formula for promotion, and wage and working conditions. These unions also negotiated informal agreements not included in the collective contracts. Some, like full paid dedication to union activity for all labor leaders, were customary. Others were sought to be a one-time informal agreement. For instance, the blue-collar union negotiated informally in 2003 a review of members’ wages to determine whether the wage corresponded to the functions performed. Two hundred workers out of 300 got significant wage and compensation packages increases. This helped push younger workers wages up to those of senior workers. The union had also informally negotiated no subcontracting within the plant.

24 The blue-collar union major achievement in the last negotiation previous to 2004 was a change of wording in the contract. This established that wage readjustments had to be calculated over the whole compensation package and not only from fixed earnings.

25 At the informal level these unions were, at least until 2004, able to stop outsourcing of production. According to the leader of the blue-collar union, they convinced management that training and specialization were fundamental to meet quality standards and only workers already in the firm met those standards (personal interview 1.8. 04-07-2004).
severance pay above the law and the seniority incentives enjoyed by other unions. Benefit amounts were in general lower than in the previous cases.

3. Explaining Differences in Formal Bargaining Outcomes

3.1. The Sources of Bargaining Power

Workplace Conditions

Although across the company just-in time and high performance systems of work rendered the company highly vulnerable to stoppages, differences in the extent of subcontracting generated firm-level variation in unions’ workplace leverage.

In particular, in Firms 1 and 2 subcontracting was limited to peripheral functions (collective interview 1.4. 03-23-2004, personal interview 1.8. 04-07-2004).\footnote{In Firm 2 for example labor leaders claimed they had stopped outsourcing and subcontracting by claiming safety issues (personal interview 1.8. 04-07-2004). In Firm 1 unions claimed they had stop outsourcing by threatening to mobilize workers (personal interview 1.1. 03-25-2004).} In Firm 3, in contrast, subcontracting reached core aspects of production (collective interview 1.11. 04-06-2004). In Firm 4 the plant’s closure meant the complete outsourcing of production (personal interview 1.13. 04-03-2004).

As a result, unions in Firms’ 1 and 2 enjoyed high workplace leverage, while unions in Firms 3 and 4 enjoyed only medium workplace leverage.\footnote{Across the company work organization fitted nicely what has been called lean production and was pretty standard across the firms. For a more detailed discussion see Chapter VIII pp. 205-206}

Labor Market Conditions

Although, wage and contract conditions were pretty standard and favorable across the company,\footnote{For details see Chapter VIII, pp. 212.} the level of skill of the workforce and legacies of massive
layoffs varied across the various firms of the company. As a result, the labor market leverage of unions in Firms 1 and 2 was high, while the labor market bargaining power of unions in Firms 3 and 4 was low.

In fact, in Firms 1 and 2 around 70% of workers were skilled (collective interview 1.4. 03-23-2004). In contrast in Firms 3 and 4, the proportion of skilled workers was, according to union leaders, between 10 to 20% lower than in Firms 1 and 2 (personal interview 1.10. 04-14-2004).

There were at least two reasons for this. First, since Firms 3 and 4 were subordinated to the management team in Firm 2 many of the higher ranking administrative jobs were relocated to that firm. Thus, although most blue-collar workers were skilled, the proportion of semi-skilled and low rank administrative workers was relatively higher in comparison to the other firms. Second, production was less sophisticated in Firms 3 and 4. In Firm 3 for example production consisted mainly in the packaging and categorization of tea leaves and powder. In addition, at least until 2004, the bulk of production was oriented toward the most popular and cheap tea beverages and only a small proportion was gourmet or seasonal products (collective interview 1.11. 04-06-2004). In the case of Firm 4 although production itself was more sophisticated, the fact that the firm outsourced production and as of 2004 only stocked and distributed products, meant that less than three quarters of the 34 workers still directly hired by the company were relatively low skilled.

In addition, between the late 1990s and 2004 Firms 3 and 4 had experienced a series of massive layoffs, while Firms 1 and 2 had not yet experienced massive layoffs.
This stemmed from the fact that labor rationalization and downsizing had been more gradual and narrow in the cases of Firms 1 and 2.

In Firm 1, for example, at least until 2004 layoffs were gradual and discussed in advance with the labor unions. Workers dismissed were offered early retirement or severance pay above the law and others were relocated within the company. Moreover, it was not until after 2004, when the company relocated part of its Chilean production to Mexico and Brazil, that layoffs were truly massive.

This was the case for several reasons. First, the firm historically accounted, according to union leaders, for almost 60% of the company’s profits and as of 2004 continued to be the leading firm in its sector in Chile, which diminished the pressures for downsizing that area (collective interview 1.4. 03-23-2004). Second, and partly thanks to the relatively high level of organization, unions had always been able to stop subcontracting and outsourcing and negotiate layoff conditions. Third, the firm’s ownership remained almost intact since 1960 and, despite changes there was continuity in management policies. Thus, until late 2004 there were no important downsizing moves other than the constant adaptation of the workforce to technological needs.29

In the case of Firm 2, until 2004, layoffs were also comparatively mild because the majority of merger-induced job losses were concentrated in the firms taken over by the holding (collective interview 1.4. 03-23-2004). In addition, the fact that all the processed food production was concentrated in this firm meant that, while other firms were shrinking, Firm 2 actually increased production. Hence, although technological

29 This trend experienced some change at the end of 2004-2005, when part of production was relocated outside Chile. This time workers were told only a few months before. However, as usual the firm granted layoff conditions above the collective contract stipulations (which were already well above the legal minimum) and workers negotiated the non-closure of other areas in jeopardy in exchange for wage cuts.
upgrading and labor flexibility was more rapid than in Firm 1, layoffs were compensated by the creation of a modest number of new job posts (personal interview 1.8. 04-07-2004).

In contrast, by the time it was acquired by the holding, Firm 3 had experienced little technological upgrading and work reorganization. Hence, as soon as it was incorporated it experienced rapid and massive restructuring, which was more forcefully implemented after 2000 (collective interview 1.11. 04-06-2004). By early 1997, several functions were already outsourced and new technology replaced many workers on the assembly line. Associated to these changes were two massive layoff waves in the late 1990s and early 2000s. In the case of blue-collar workers almost a third of workers were dismissed. In the case of many white-collar workers, job posts were reduced by almost 90% due to pervasive subcontracting and outsourcing (collective interview 1.11. 04-06-2004, personal interview 1.12. 04-06-2004).

Since the incorporation into the holding meant also important management changes, unions found it difficult to negotiate layoffs. A union leader recalled that just after the merger, dismissals started at 5:00 am and workers in every shift were given notice at the plant’s entrance if they were to continue working. Union leaders had no idea until they began their shift, and thereafter had difficulties in figuring out how to respond (collective interview 1.11. 04-06-2004).

The situation in the sole union at Firm 4 was worse. After the plant closed unexpectedly, the holding maintained only a minimum number of workers to provide basic technical assistance and stocking. According to union leaders, workers in the firm feared that they could be dismissed at any moment (personal interview 1.13. 04-
03-2004). In this case, an important number of workers were hired to work only on a seasonal basis.

*Product Market Conditions*

Within its two divisions the company faced different product markets and within the food division particular products enjoyed more favorable market conditions and yielded more profits than others. These differences followed clear firm lines and explain why unions in Firm 1 enjoyed high product market leverage, while unions in Firm 3 had medium product market bargaining power, and unions in Firms 4 low product market leverage.

For instance, although in Chile around fifty companies competed in the personal and home care product market, at least until 2004 Firm 1 controlled over 70% of local production and marketing and monopolized the local production of detergents. In 2004 the firm was responsible for 35.3% of personal care exports and received 74% of the local industry’s total revenues. Firm 2 also faced a moderately competitive market, composed of six multinationals (Cardemartori 2001, pp. 91-92). However, the firm had a less dominating position. Although in both cases many products were consumer goods (e.g. shampoos, face and body creams and lotions, toothpaste, mayonnaise, ketchup, marmalade), the most popular products (e.g. soaps, oil, and butter) had relatively inelastic demand, which boosted labor bargaining power.

Although competition was also moderate, in the case of Firms 3 and 4 the market share was even lower than in Firm 2, and product competition was increasing, while the product demand remained relatively elastic. In the case of Firm 3, new competitors entered the market with similar products, while at the same time tea
products diversified and became more sophisticated. The firm lagged behind in
gourmet products, the most profitable products in the submarket, and its most popular
products had a relatively elastic demand. According to union leaders:

“The previous owners targeted the masses with cheap products. The new
owners instead have tried to diversify into more sophisticated products, where other
firms have entered aggressively. Thus, although the profits are good, competition is
higher than in Firm 1…so the firm adjusts its labor costs (Collective interview 1.11.
04-06-2004).”

In the case of Firm 4, the lack of innovation, the elasticity of the product
demand, and the market dominance of the firm’s main competitor explain why, despite
a moderately competitive product market, the firm did not perform particularly well,
and therefore had little ability to give concessions. According to a union leader,

“The problem in this firm came from several fronts. On the one hand, the
marketing campaigns were bad. For example, a promotion based on the soccer
championship came out two months after the championship had finished. On the other
hand, the firm’s main competitor has been able to maintain a monopoly in ice creams
because it has better and more diversified products. The firm’s products are instead the
cheapest on the market and there are no surprises. This is an issue because the ice
cream market is seasonal so you have to come up rapidly with new attractive stuff
(personal interview 1.13. 04-03-2004).”

Since the holding was a privately held company, its profit figures were not in
the public domain. This makes it impossible to assess systematic differences in profit
across the firms. However, according to union leaders, during the 1990s and early
2000s Firm 1 contributed 60% of the company’s total revenues and was followed by
Firm 2 (collective interview 1.4. 03-23-2004).30 Considering that market conditions
were more unfavorable in Firms 3 and 4 and that these firms seemed to have yielded
the lowest profits, it is reasonable to assume that there were smaller surpluses to share
in these firms.

30 Although union leaders in the other firms did not give a figure, the general perception was
that Firm 1 yielded the largest profits in the holding, followed by Firm 2.
Union Organizational Strength

There were also significant differences in union organizational strength across the company. Unions in Firm 1 enjoyed high union density and cohesion. In Firm 2, two unions also enjoyed high union density and cohesion. A third union enjoyed high union cohesion, but due to its small size had low union density. In Firm 3, despite significant differences in union size among the white-collar and blue-collar union, density was high in both cases. Unfortunately, however, union cohesion was low in both cases too. Finally, in Firm 4 union density and cohesion were low.

Although the number and size of unions shrunk during the 1990s, with the exception of the parallel white-collar union in Firm 2, union density across the holding was still relatively high in 2004. According to a union leader:

“Our world is a bubble. As soon as a worker enters the company the first thing he wants to do is join the union (collective interview 1.4. 03-23-2004).”

In Firms’ 1, 2 and 3 the blue-collar unions organized 100% of employees (collective interview 1.4. 03-23-2004, personal interview 1.8. 04-07-2004, personal interview 1.12. 04-06-2004). These unions had on average 150 members. In Firm 1 the white-collar union organized around 80% (collective interview 1.5. 04-02-2004). This union had 100 members. In Firm 2 one white-collar union organized more than 95% of white-collar employees, the other organized the remaining 5% (personal interview 1.9. 04-19-2004, personal interview 1.10 04-14-2004). These unions organized 100 and

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31 Since unions in the holding were organized at the firm level, external workers were not eligible to become part of the existing unions.

32 An important number of the non-unionized were top executives and professionals.

33 In the case of the parallel white-collar union, the size and level of unionization was lower because of its particular origins and characteristics. Although originally a non-occupational union formed by workers in a firm that was merged with our company, once in Firm 2 this union became a
21 members, respectively. In Firm 3 the white-collar union organized all workers employed on a constant basis (collective interview 1.11. 04-06-2004). The union organized 37 members. The same was true of Firm 4 (personal interview 1.13. 04-03-2004). In the latter case, however, the union had only five members. None of these unions sought to organize subcontracted workers.

The generally high levels of unionization in 2004 had historic roots. Until 1973 the law established compulsory membership for industrial unions and occupational separation between white collar and blue collar workers. This helped to maintain high levels of membership, and to homogenize unions internally. In addition, the law made it obligatory for industrial unions to provide for worker welfare. The paternalistic managerial style of the company and family recruiting policies also conspired in strengthening the union culture even in the absence of those laws. As a result, unions developed strong member servicing systems that continued to operate until 2004.34

predominantly white-collar union, organizing accountants and mid-managers. The union had competed unsuccessfully with the original white-collar unions, but had not suffered member shrinkage either.

34 In 2004, the blue-collar union at Firm 1 for example had a bank account bordering $80,000, vacation facilities, a large clubhouse located in front of the firm’s headquarters, and generous health service provision that complemented FONASA and ISAPRE systems. Besides providing with a generous servicing to members economic resources enabled the union to access external resources, such as economic advisers, and reach out to other organizations, enlarge knowledge resources, and achieve a role in national politics. In fact, this blue-collar union was the only one in the company actively engaged in the National Confederation CUT, with one of its members as delegate to the assembly. Another blue-collar worker union in other firm used many of the services of the CAT an alternative social democratic peak labor union that gave access to economic and law advisory, but was not affiliated.

The fact that union members’ contribution more than doubled regular contributions and that there was a strict auditing control over assets helped retain the notion that union resources were cooperative (collective interview 1.4. 03-23-2004). In fact, thanks to this the union maintained a strong identity as a family, a cooperative, and a mutual aid organization. According to one of the leaders: “We have a solid image. We are a large and well-formed institution…My father in law brought me to the company and since he was unionized I joined too. Now this is part of me. We have vacation facilities. Members can borrow our headquarters to celebrate weddings or other social events. The union has financing agreements with many stores. We negotiate collective health plans. When a workers’ relative passes away there is the union, helping with the first monies. This makes it something special and we have the structure and patrimony to make it sustainable over time. Workers join this union then because of social reasons. More than a union we are almost a cooperative. Members contribute with money and
These resources were so valued by members that during layoffs one of the concerns was to protect the organization’s assets (phone communication 1.14. 02-23-2005).

Despite relatively high and homogenous levels of unionization, in 2004 there was variation in the levels of union cohesion across the holding. This had to do with the difficulties of enforcing discipline in firms that experienced recent massive layoffs, with the strength of the leadership, and the level of activation of members.

The blue-collar union at Firm 1, for example, had high levels of union cohesion. According to union leaders, members tended to be passive and, particularly in the case of the oldest, were not predisposed toward militancy; however when the assembly made a decision the union acted as a single body (personal interview 1.1. 03-25-2004).

With the exception of the parallel small white-collar union at Firm 2 and the union at Firm 4, the remaining unions, at a smaller scale, also delivered many services to its members (e.g. vacation facilities, training courses, etc). Membership dues were lower, the bank account more modest, and the unions had little to no annual returns from long-term investments. The white-collar union and the original white-collar and blue-collar unions at Firm 2 operated in spaces borrowed from the firm. Several unions received however firm contributions. As a result, the unions still provided members with a safety net and multiple sport and social activities.

There were internal reasons why these unions had a smaller organizational infrastructure in comparison with the blue-collar union at Firm 1. In the case of unions in Firms 2, 3 and 4 due to previous incidents of corruption union leaders tried by the end of the year to return every penny their members put in, and hopefully with interest and therefore had little long-term assets. In the case of the white-collar union in Firm 1, the lack of long-term investment had to do with the fact that in the last decades the leadership’s strategic outlook was to endow members with “portable” individual resources in case of layoffs (personal interview 1.6. 04-15-2004). According to a union leader, “Management is in charge of running the company, not the union. What we can do though is open training areas. We think that one of the ways workers can protect themselves, whether they stay in this company or not, is through multi-functional vocational training. The other way is to be efficient. If the company wants to outsource everything we cannot do anything, but we can help our people to enter the job market better prepared (collective interview 1.5. 04-02-2004).” In the case of the parallel white-collar union at Firm 2 the union was so small that membership dues were insufficient to cover any operation. The union had, however, a small bank account that, which with the unanimous approval of members was completely devoted to hire collective bargaining advisers and lawyers (personal interview 1.10. 04-14-2004). In the case of the union at Firm 4 the union offered no member servicing, because, according to its leader, the organization was only a way for the remaining workers to keep control over the unions’ large bank account and distribute it among the members once the union dissolved (personal interview 1.13. 04-03-2004).

35 During my field research work I was able to witness this. During 2004 rumours started to circulate that the company would outsource the plant so labor leaders called an assembly on Sunday midday. The local was packed and attendance reached almost 100%. The animated discussion centred on
Union discipline in this union was high because traditions of unionization and familial ties connected members through strong bonds of loyalty and the leadership enjoyed a strong backing because of its performance.³⁶ According to union members,

“They [the union leaders] are well prepared, know what our rights are and are tough. That’s why we are with them (collective interview 1.7. 03-25-2004).”

Politically diverse from right to left, the union leadership also managed to deal with internal differences by defining democratic decision-making procedures and a strict separation of functions between union leaders with a stress on accountability.³⁷

The parallel union at Firm 2 also had, despite its small size, strong union cohesion. According to leaders in other unions, this union acted like a single body and members were very active (personal interview 1.8. 04-07-2004). According to its main leader (personal interview 1.1.0. 04-14-2004) this white-collar union had comparatively higher levels of participation than the other union in Firm 2 because undergoing a traumatic merger gave members a strong sense of identity based on their perceived vulnerability, their friendship ties, and the fact that the majority of affiliates were founding members.

³⁶ A board of directors composed of two well-respected senior union leaders and two younger labor leaders conducted the last two negotiations of the blue-collar union at Firm 1. The latter had previous organizational and leadership experience in unions, political parties, and social organizations, as well as technical and vocational post secondary education and ample participation in union training seminars and courses provided by NGO’s, and peak union organizations. The senior leaders also had more than 20 years of trajectory in the union.

³⁷ The latter was important since this board stepped in after a couple of former leaders were accused of fraud in union assembly, ousted from their positions and fired by the company. The new board seemed to enjoy credibility and support from all members (collective interview 1.7. 03-25-2004).
Leaders of the white-collar union at Firm 1, as well as those of both the blue-collar and the original white-collar union at Firm 2, pointed out that union discipline was okay. However, union cohesion seemed to have been lower than in the other cases, although not necessarily critical. In fact, although most leaders did not complain about the past they were less sure about how the rank and file would respond to a mobilizing campaign in the future. This evaluation stemmed from the recognition of high levels of internal dissent and rank and file demobilization.38

Union cohesion was significantly lower in Firm 3. Union leaders in Firm 3 characterized members as having little commitment both to the union and the leadership. Leaders of the white-collar union pointed out that they had to be very careful when pushing confrontational strategies because based on previous experience they might lack the proper backing, as the failure of the last strike campaign showed (collective interview 1.11. 04-06-2004).39 Although the union was internally

38 In the case of the white-collar union at Firm 1 leaders pointed out that the rank and file although passive stood together despite recent hardship. However, the inability of the union to stop layoffs helped create opposition within the union and workers were divided in factions represented in the board of directors (collective interview 1.5. 04-02-2004).

In the case of the blue-collar union at Firm 2, its main union leader pointed out that despite the fact that union discipline was fine, union solidarity was not because of the demobilization of the rank and file and the existence of an opposition group to the incumbent leadership. A union leader pointed out that in the past no union member had defected from a union campaign, even when going on strike was in the horizon, but was less sanguine about what to expect in the future (personal interview 1.8. 04-07-2004).

In the case of the original white-collar union there was little union activity between negotiations or major events. According to its main union leader, workers attendance at meetings tended to be low and a small opposition was highly vocal. So, to avoid problems, the leadership brought few issues to the assembly discussion in order to get things done. However, the leadership pointed out that until 2004 at least once a course of action was decided, group pressure was strong against those not complying with the majority’s decision (personal interview 1.8. 04-07-2004).

39 An example of this occurred during the last collective bargaining round. After the assembly had voted a strike, leaders went ahead with the preparations. However, the day of the strike however everybody worked as usual.
homogenous and leaders were experienced, layoffs generated important union shrinkage and made it hard for union leaders to overcome collective action problems.40

In the case of the blue-collar union at Firm 3, union cohesion had been negatively affected by the behaviour of white-collar workers. In 2002 this union went on strike to protest job losses, but the strike ended in a complete failure precisely because many workers returned to their jobs in the midst of the mobilizations. According to a union leader, workers felt pressured to return to work because white-collar workers were substituting them from day one and thus the strike failed to stop production (collective interview 1.11. 04-06-2004).

In the case of the union at Firm 4, in 2004 the size of the union was so small that decisions were taken collectively and there were no real issues concerning internal cohesion or discipline. In this case, plant closure had devastating effects for the union, which was almost on the verge of extinction. As will be discussed in detail in the next section, however, before the plant closure union cohesion had weakened due to a significant gap between the previous union leadership and the rank and file.

3.2. The Bargaining Process between 1990 and 2004

In this section I argue that differences in bargaining leverage and bargaining agenda explain differences in unions’ collective contracts across the firms of the company. In particular I argue that, although none of the unions lost benefits, unions in

40 Although the union faced a similar membership situation than the white-collar parallel union at Firm 2 this unions had serious union cohesion issues absent in the other case. A possible explanation for this is that the uncertainty of members and leadership about their future was higher in this firm. Workers in the other white-collar union tended to be in higher positions in the company and were in a more consolidated firm.
Firms 1 and 2 were the most successful. In contrast, as a result of poor leverage, unions in Firms 3 and 4 mounted strike campaigns that ended in significant bargaining defeats.

Although unions in Firm 1 experienced during the late 1990s some changes in their collective contract, the two unions, through different means, were able to maintain wage readjustments, gain increases in some benefits and negotiate better working and layoff conditions, as well as informally stop or delay subcontracting and labor rationalization (collective interview 1.4. 03-23-2004, collective bargaining 1.5. 04-02-2004). This made their collective contracts the most generous in the company.

Although since the 1980s the blue-collar union at Firm 1 had never gone on strike, as of 2004 it had the reputation for being a militant organization. Union leaders argued instead that the union used different strategies and tactics according to the company’s structure and the situation.

This dual strategy allowed the union to thrive despite some setbacks. In 1999, for example, the previous leadership negotiated a new wage scale that meant wage freezes for many workers. The idea was to avoid wage cuts and labor downsizing. However, by 2002 a new leadership was able to informally negotiate wage increases for almost 80% of the workers by claiming that many blue-collar employees’ actual work exceeded the job description. This allowed the union to catch up with the white-collar union and even surpass its benefits in some areas.

During 2004 the union had weekly negotiations over many issues, which according to union leaders were being resolved to the satisfaction of the two parts. However, when the firm insisted on subcontracting some functions within the plant the
union threaten with a strike in order to stop subcontracting. The strike never materialized, but the union succeeded.

By the end of 2004 the firm informed workers that it was closing some areas. Through a series of transnational and outside alliances the unions were able to sue the company in international tribunes for unfair labor practices. As a result, unions were able to negotiate severance pay above the collective contract stipulation, which were already way above the legal minimum, and were able to minimize the extent of layoffs by allowing workers to negotiate individually wage cuts and freezes (personal communication February 2005). Union leaders were, however concerned about the impact of these changes on union strength, in particular the economic resources of the firm (personal communication February 2005).

In the case of the white-collar union in Firm 1, since the 1990s the leadership negotiated modest readjustments and had accepted the elimination or shrinkage of a series of benefits for workers entering the company as of 1999. However, since 2000 it had expanded its agenda of negotiation. This was possible through the development of a partnership with management regarding safety issues and training programs, readjusted wages, and maintained benefits that already were in the collective contract.

The union’s leaders believed that structural conditions weakened the capacity of the union to protect jobs and benefits and therefore the task of union leaders resembled that of a social worker who had to establish amicable relations with management to try to avoid conflict and achieve some redistribution (collective interview 1.5. 04-02-2004). In particular the union was able to gain involvement in every decision concerning workplace organization and the co-determination of some services provided
by the company, such as child-care and health. According to union leaders, some misunderstood this:

“A lot of people believe we have sold out and that hurts. With all our problems in the company we still have historical privileges that are unsustainable today…We have done what we can. People get disenchanted because they don’t see solutions, but they don’t understand. Sometimes we cannot even sleep. People say that if we cannot secure jobs then, what is the point of the union? I don’t know, maybe we are wrong. But, we are struggling against the almighty capital of the developed countries. We need to be realistic. Firms will not distribute wealth and revolutions don’t work (collective interview 1.5. 04-02-2004).”

In Firm 2 unions were able to protect previous gains, readjust the contract by inflation, and informally stop and delay subcontracting and outsourcing and improve working conditions. However, they proved incapable of gaining new benefits or increasing the value of the existing ones. Since the collective structure inherited from the previous company was very similar to that of the unions in Firm 1 this meant mainly differences in the value of benefits and the absence of one or two benefits.

Firm 2’s original white-collar union bargaining history resembled the white-collar union in Firm 1. However, since the firm experienced ownership changes, the collective contract wage and benefit readjustments had at times been postponed for more immediate concerns regarding job security and others that were informally negotiated (personal interview 1.8. 04-07-2004, personal interview 1.9. 04-19-2004). The union worked with management through a series of bipartite committees with specific agendas and working meetings in which workers beyond the union leadership participated and had been able to improve working conditions and informally stop outsourcing, while at the same time protecting existing benefits and readjusting by inflation the collective contract.

In the case of the parallel white-collar union founded in 1998, in 2004 the union had only negotiated twice. However, it had gained many of the benefits and wage
increases of the original white-collar union and managed to loose none of the benefits workers already had inherited from the previous company. This was due to two factors. First, given the fact that the union organized most of the firm’s accountants, management agreed to start negotiating over the floor these workers had in the previous collective contract they enjoyed as members of a union that disappeared during the merger. This was similar to the contract of the existing white-collar union, although slightly leaner. Second, the union was more combative. According to a union leader (personal interview 1.10. 04-14-2004) the relationship with management was tighter than in the rest of the unions. For one thing this union, unable to resort to strikes because of its size, adopted a judicial path to deal with the company. Over time relations with management improved because although making resort to the courts had proven ineffective for the union, management wished to avoid any publicity associated with it (personal interview 1.10. 04-14-2004).

The blue-collar union bargaining record in Firm 2 resembled its counterpart in Firm 1. This union also had a reputation for being more militant. However, the last strike occurred in 1987. Its leader argued that relations with management were less close than in the case of the unions at Firm 1 or the original white-collar union at Firm 2, but they enjoyed easy access to management (personal interview 1.8. 04-07-2004). During recent years the union voted a strike by unanimous vote in at least two instances (personal interview 1.8. 04-07-2004). In one case the strike lasted a few days, and in the other the strike never materialized. The issues were finally worked out with management (personal interview 1.8. 04-07-2004). As a result, the union had been able

41 According to a union leader, this strategic choice was a response to the fact that management originally did not take them seriously because of their small size and did not seem to want union competition (personal interview 1.10. 04-14-2004).
to defend and readjust their collective contract and negotiate informally the lack of outsourcing of production (personal interview 1.8. 04-07-2004).

The situation was strikingly different in Firms 3 and 4. Unions in Firm 3 could not extract significant concessions and were barely able to defend pre-existing benefits. Since the collective contract structure inherited from the previous firm was leaner than in the previous two cases, this meant that the unions lacked many of the benefits of the union in Firms 1 and 2 and had less generous benefits.

According to a union leader (personal interview 1.12. 04-06-2004) since 2000 the unions had experienced two complicated collective bargaining rounds in which they were asked for wage and benefit cuts (collective interview 1.11. 04-06-2004, personal interview 1.12. 04-06-2004). Since the firm merged only in the late 1990s union leaders had little experience bargaining with management, which took many decisions unilaterally. According to another union leader:

“This firm discriminates against us. We don’t know why. But it might have to do with the fact that our arrival coincided with managerial changes. Now the idea is to push down benefits and that is possible only in parts of the company that are less consolidated (collective interview 1.11. 04-06-2004).”

To fight management, unions went on strike, but failed to achieve concessions. For instance, the blue-collar union had a three-day wildcat strike in 2000. This was the case because from day one white-collar workers from the same firm substituted workers\textsuperscript{42} and several blue-collar workers did not join the stoppage. The strike was finally called off without extracting any concession. A number of activists who were sanctioned for participating in this strike were “pardoned,” and the company just deducted the non-worked days from the workers’ salaries.

\textsuperscript{42} According to a union leader, this accentuated differences between white-collar and blue-collar workers and created a leadership crisis within the latter (personal interview 1.12. 04-06-2004).
After the strike, the leadership strategy to improve the relationship with management was to restrain rank and file militancy. Nonetheless, massive layoffs and rapid technological change made it impossible for the leadership to “avoid the date.” According to its main leader (personal interview 1.12. 04-06-2004), this sent a mistaken signal of no compromise to the firm’s management, while at the same time scaring some workers. Thus, although communication improved, the relation between the union leadership and management did not change substantially.

As a result, layoffs continued, subcontracting spread and the collective contract was only readjusted by inflation and experienced some minor streamlining. The white-collar union also voted a strike during 2000-02 but had to call it off the first day because several members defected before making it effective. To avoid collective action problems the union leaders opted for a judicial strategy, which proved successful in three cases and brought the union significant concessions in the area of health insurance and allowed it to protect its benefits and gain some modest readjustments in some benefits. According to the union leaders this strategy paid off with some mild concessions, but strained the relationship with management and did not help to improve union discipline (collective interview 1.11. 04-06-2004).43

In the case of Firm 4 during the plant closure in 2000 most workers did not receive compensation and were not relocated within the company (personal interview 1.13. 04-03-2004). Apparently when the firm closed, management offered workers early retirement and many other benefits. Several workers wanted, however, to defend their jobs. According to the union’s current leaders, supposedly highly militant leaders

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43 In addition, the fact that the union was relatively small made it easier for management to grant concessions because the costs were lower (collective interview 1.11. 04-06-2004).
alienated from their rank and file ended up accepting generous severance payments and left workers who wanted to resist changes to their own devices. This meant that many of management’s promises never came through and several workers ended up negotiating termination conditions individually (personal interview 1.13. 04-03-2004).

In this context of disarray the union continued alive after the closure because the remaining five members rapidly elected a new leadership. Since the collective contract was about to expire, only a month after these events the union had to start a new collective bargaining process. Given its weakness the new leadership had to accept the company’s offer without really negotiating (personal interview 1.13. 04-03-2004). Not surprisingly, the union was barely able to maintain its pre-existing benefits. Workers only achieved an inflation readjustment of the wage. The union had no future collective bargaining goal and was being preserved only to protect unions’ collective assets. As one of its leaders stated:

“We have achieved some things but change is a reality and the organization is here to extract as many benefits as possible when total closure becomes a reality. We do not know if the firm will eventually close. It seems like last year they did well so, who knows. What we try to do is to keep alive. That is better than loosing everything we have, which is not little (personal interview 1.13. 04-03-2004).”

4. Conclusions

In this chapter I have discussed the collective bargaining performance of eight unions in a manufacturing company. In the first section I presented the company’s main characteristics, including its business and union structure in 2004 and main developments since 1990. In the second section I examined the collective contract formal structure and value, and the individual unions’ results. The third section focused
on explaining individual unions’ formal collective bargaining outcomes. This section summarizes the empirical findings.

The evidence provided in this chapter shows that, according to their collective bargaining performance, unions were divided into three clusters. One cluster, formed by the unions at Firm 1, had the most generous collective contract. A second group was composed of the unions at Firm 2 and the white-collar union at Firm 3. These unions had a collective contract with a similar structure to that of the unions in Firm 1, but lacked either extra severance pay or health insurance clauses. The third group, composed of the blue-collar union at Firm 3 and the union at Firm 4, had the least generous collective contracts, with no severance pay and health insurance coverage above the legal minimum, and lacked any other comparable benefit.

As Table 6 illustrates at the end of this section, this particular variation was positively associated with variation in workplace, labor market, product market conditions and organizational strength across the different firms of the company. This stemmed from the fact that each firm had a completely different final product, that in old and recently merged firms the pace and intensity of firm restructuring and technological upgrading was different, and that the management of individual firms was quite decentralized.

In Firm 1, unions organized highly skilled workers, who were not only organized and cohesive, but also enjoyed relative job and wage security, controlled the core of production, and until 2004 faced a lower threat of layoffs. In addition, the product demand was more inelastic, the firm operated in a moderately competitive market with monopoly zones controlled precisely by the firm, and contributed the
largest profits to the company. Thus, unions enjoyed high workplace, labor market, product market leverage and were organizationally strong. As a result they had been able to protect previous bargaining conquests, readjust the collective contract by inflation, gain increases in some benefits and add a couple of new ones, and negotiate better working and layoff conditions, as well as informally stop or delay subcontracting and labor rationalization.

Unions in Firm 2 also organized a skilled workforce that enjoyed control over production, relative job and wage security, low layoff threats, and high levels of union density and cohesion. However, although several products had a relatively inelastic demand, the firm did not enjoy the almost monopolistic edge of Firm 1, and seemed to have contributed lower profits to the company. Thus, these unions enjoyed high workplace, labor market and organizational leverage, but had only medium product market bargaining power. As a result, although unions in this firm were able to protect previous gains, readjust the contract by inflation, and informally stop and delay subcontracting and outsourcing and improve working conditions, they proved unable to gain new benefits or increase significantly any of the existing ones, and therefore enjoyed less generous collective contracts than unions in Firm 1.

In Firm 3, the last to be merged, although union density was high and workers enjoyed favorable contract and wage conditions, the workforce was relatively less skilled, subcontracting was pervasive, layoff threats were large, and the firm faced a more competitive labor market, a more elastic product demand and seemed to have lower profits. As a result, unions had medium workplace and organizational bargaining leverage, and low labor and product market leverage. Thus, they were unable to extract
any significant concession, beyond the inflation readjustment of pre-existing benefits. Since the collective contracts inherited from the previous company were leaner than in the case of the unions in Firms 1 and 2 this meant less generous collective contracts.

It is important to note here the particular situation of the white-collar union at Firm 3. This union shared similar outcomes as the unions in Firm 2, but experienced the same unfavorable structural conditions as the other union in Firm 3. This contradictory situation is explained by the fact that this union organized a workforce that was relatively more skilled than its blue-collar counterpart. More important, however, was its relative success in a series of labor disputes. This and its small size enabled the unions to extract a very generous health coverage clause in the last negotiation before 2004. Its structural weakness, however, makes it unclear whether this union will in the future continue to cluster with the unions at Firm 2 in terms of bargaining outcomes. I tend to think that this union’s outcomes in 2004 can be considered temporary.

In Firm 4 bad economic performance and unfavorable market conditions led to the complete subcontracting of production and the plant closure. This meant massive layoffs and left the union on the verge of extinction. Hence, the union had little bargaining leverage and extracted no significant concession.

Table 6: Summary of Main Arguments. Manufacturing Company.

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CHAPTER VI
LABOR UNION BARGAINING POWER
IN A RETAIL COMPANY

This chapter examines the 2004 collective bargaining performance of nineteen unions in a department store chain. It asks two questions: What was the extent of variation in the formal collective bargaining outcomes of labor unions within the company? And, why did some unions perform better than others?

The evidence presented in this chapter shows that there was significant variation in union formal bargaining outcomes within this company. Since workplace power was constant across the company, I argue that variation in individual union bargaining outcomes was mainly the result of variation in labor and product market conditions and organizational strength. Variation in these independent variables was associated with differences in the age of the different firms within the company. The older the firm, the higher the value of the independent variables. All this, plus high level of management decentralization, explain why, despite the fact that the company was willing to extend more or less the same collective bargaining structure across the company the particular bargaining dynamics in each firm led to significant differences in the value and development of union collective contracts.

The chapter is organized in four sections. The first section examines the company’s business and union structure, and main developments during the 1990s. The second section
examines individual labor union bargaining outcomes. The third section explains differences in union bargaining performance. The final section summarizes the findings.

1. The Company in 2004

1.1. The Business Structure

The company under study in this chapter is a Chilean family-run multinational department store chain.1

As of 2004 the company was structured as a holding organized in two divisions. One commanded the Chilean operations, the other the international operations. This chapter focuses on the Chilean division alone. This employed approximately 6,000 workers, operated around 24 firms, 30 stores, and 260,000 credit cards, and generated profits of around 18%.2

Most firms within the company were retail stores. However, three firms were credit-related businesses. One issued credit to retail clients, another evaluated credit risk and the last collected judicial fines. Although all firms operated under a central corporate command that controlled the general management strategies in every area, each firm was legally independent and relatively autonomous in regard to the everyday management. The following table shows the firm’s history and union structure, as well as the date of origin, characteristics and location of each firm and the union(s) within it.

1 The company started operating in 1956 as a small men’s tailor business in downtown Santiago, Chile’s capital city. At the time it employed only four employees. In 1964 the company opened a larger store targeted to a low-income market, which offered both male and female clothing and exclusive credit and financing to clients. In 1985 these stores started offering home care products and electrical appliances and credit. A year later the company closed its tailor shop, started selling imported clothing, and opened several new stores many targeting medium-income markets. Since 1993 the company opened new stores and expanded its operations in high-income markets, entering neighboring countries, and increased its credit offer.

2 Twenty-one stores were each a firm. The remaining nine stores belonged to Firm 1.
Table 7: Firm History and Union Structure. Retail Company (2004).

<table>
<thead>
<tr>
<th>Firm</th>
<th>Origin</th>
<th>Characteristic/location</th>
<th>Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1979</td>
<td>Six stores outside malls, corporate offices, distribution. Across Chile</td>
<td>Union 1 + union not considered in this study</td>
</tr>
<tr>
<td>2</td>
<td>1993</td>
<td>Store in high-income mall. Santiago</td>
<td>Union 2</td>
</tr>
<tr>
<td>3</td>
<td>1994</td>
<td>Store in medium-income mall. Santiago</td>
<td>Union 3</td>
</tr>
<tr>
<td>4</td>
<td>1995</td>
<td>Store in medium-income mall. Outside Santiago</td>
<td>Union 9</td>
</tr>
<tr>
<td>5</td>
<td>1996</td>
<td>Store in low-income mall. Santiago</td>
<td>Union 7</td>
</tr>
<tr>
<td>6</td>
<td>1997</td>
<td>Issues credit cards. Across Chile.</td>
<td>Union 5</td>
</tr>
<tr>
<td>7</td>
<td>1997</td>
<td>Store in high-income mall. Outside Santiago</td>
<td>Union 10</td>
</tr>
<tr>
<td>8</td>
<td>1997</td>
<td>Store in high-income mall. Outside Santiago</td>
<td>N/d</td>
</tr>
<tr>
<td>9</td>
<td>1998</td>
<td>Store in medium-income mall. Outside Santiago</td>
<td>Union not considered in this study</td>
</tr>
<tr>
<td>10</td>
<td>1998</td>
<td>Store in low-income mall. Outside Santiago</td>
<td>Union 12</td>
</tr>
<tr>
<td>11</td>
<td>1998</td>
<td>Store mall high-income, Santiago</td>
<td>No union</td>
</tr>
<tr>
<td>12</td>
<td>1999</td>
<td>Store in high-income mall. Outside Santiago</td>
<td>Union 8</td>
</tr>
<tr>
<td>13</td>
<td>1999</td>
<td>Store in high-income mall. Outside Santiago</td>
<td>Union 17</td>
</tr>
<tr>
<td>14</td>
<td>1999</td>
<td>Evaluates credit risk. Across Chile</td>
<td>Union 6 + Union 13</td>
</tr>
<tr>
<td>15</td>
<td>1999</td>
<td>Collects debts and fines. Across Chile</td>
<td>Union 4</td>
</tr>
<tr>
<td>16</td>
<td>2000</td>
<td>Store in high-income mall. Santiago</td>
<td>Union 11</td>
</tr>
<tr>
<td>17</td>
<td>2001</td>
<td>Store outside mall high-income. Outside Santiago</td>
<td>Union 16</td>
</tr>
<tr>
<td>18</td>
<td>2002</td>
<td>Store in medium-income mall. Outside Santiago</td>
<td>Union 18</td>
</tr>
<tr>
<td>19</td>
<td>2002</td>
<td>Store in medium-income mall. Outside Santiago</td>
<td>Union 19</td>
</tr>
<tr>
<td>20</td>
<td>2002</td>
<td>Store in high-income mall. Santiago</td>
<td>Union 14</td>
</tr>
<tr>
<td>21</td>
<td>2002</td>
<td>Store in low-income mall. Santiago</td>
<td>Union 15</td>
</tr>
<tr>
<td>22</td>
<td>2003</td>
<td>Store in high-income mall. Outside Santiago</td>
<td>Union not considered in this study</td>
</tr>
<tr>
<td>23</td>
<td>2003</td>
<td>Store in high-income mall. Santiago</td>
<td>Union not considered in this study</td>
</tr>
<tr>
<td>24</td>
<td>2003</td>
<td>Store in medium to low income. Santiago</td>
<td>Union not considered in this study</td>
</tr>
</tbody>
</table>

Sources: Personal and Collective interviews to union leaders. Company’s web page information.

1.2. The Union Structure

As of 2004 the holding had twenty-four firm level unions. This chapter focuses only on nineteen of them. With the exception of Union 14, these were mainly cross-occupational organizations. Unions 1, 4, 5, 6, and 13 had national scope. The rest each organized workers laboring in a particular facility.

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3 Of the unions not considered in this study three had never negotiated prior to 2004. In the remaining cases, leaders in one union declined the interview, and in the other were impossible to locate. The union that declined the interview was the parallel union in Firm 1. This union had the same base as the original union in the firm and enjoyed the same exact collective contract because the firm extended the benefits negotiated by the original union to all workers. The rest of the unions were located in medium to high-income stores outside Santiago. According to a union leader (personal interview 2.4. 06-01-2004) they resembled Unions 9 and 10.

4 For a summary profile of individual unions in this company see Table 3, Appendix B.
In 2004 the union structure across and within firms in the holding was mostly non-competitive.\(^5\) On average, unionization was around 40 to 50% of the total workforce. However, only 60% of the workforce was directly hired by the company and therefore susceptible of being unionized in the already formed firm-level organizations.\(^6\) The unions’ collective bargaining coverage tended, however, to be larger than the unionization rates, around 70%. This was the case because many non-unionized workers directly hired by the company and enjoying more stable forms of employment adhered to unions’ collective contracts (collective interview 2.1. 05-10-2004, personal interview 2.4. 06-01-2004). In the two cases where there was union competition, the firms extended the same collective contract to all the unions.

With the exception of Unions 1 and 2 most unions in the holding were formed during the late 1990s and early 2000s. Thus, in 2004 union activity revolved mainly around organizing the unorganized. Organizing in the company usually proved extremely difficult. In many cases activists did not have any prior experience in organizing activity, did not know what a union really was, or even had a bad perception of unionism (collective interview 2.1. 05-10-2004 and collective interview 2.3. 05-26-2004). In addition, according to labor union leaders, management usually oppose the formation of unions\(^7\) and a substantial proportion of

\(^5\) The exceptions were Union 1 in Firm 1, and Unions 6 and 13 in Firm 14.

\(^6\) These figures are coherent with aggregated data in the sector. Between 1995 and 2000 firm-level unions organized approximately 45.5% of the retail workers (Aravena Carrasco 1999: 66, Dirección del Trabajo 2000:10-13).

\(^7\) Union leaders that participated in the initial stages of organizing a union experienced the process as dangerous and even exciting (collective interview 2.12. 05-27-2004). Since workers perceived that failed attempts at forming a union meant losing their job in almost all the cases organizing was a clandestine activity. The most colorful case is that of Union 8, which according to one of its leaders started as an initiative of 27 people who met secretly guarded by a lookout, and used a series of formulas to disguise potential spies (collective interview 2.16. 05-28-2004).
the workers had little disposition toward collective bargaining because of high labor turnover (collective interview 2.1. 05-10-2004).

The typical story of union formation then ran along the following lines. The first individual contracts in new stores only established the system of wages and sales commissions and defined a three or six month contractual relationship. According to several union leaders, the company’s low wages, plus strict systems of behavior control, and mistreatment on the part of supervisors generated a sense of injustice and violation of rights (collective interview 2.13. 05-18-2004).

After three months to a year, depending on the firm, workers with the best sales records got a yearly contract, and after one or two years the best evaluated enjoyed a tenured contract. Usually at the end of the first year of the firm’s operation a group of workers with more stable contracts joined secretly and came into contact with other union leaders, lawyers, state agencies and even the church in order to organize a union. Usually the first attempt failed because of activists’ inexperience and workers’ reluctance to participate. Only after the second or third attempt were union organizers successful.

Although union leaders pointed out that once a union was formed management had no problem recognizing it as its bargaining counterpart (perhaps because they were firm-level organizations entitled to obligatory bargaining), young unions still faced many collective action problems. People were fearful or did not have time to engage in activism, several workers were subcontracted and could not join the firm-level unions, other workers had temporary contracts and felt that joining the union could work against their desires to achieve

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8 This was the case, because information about union organization filtered toward management who pressured workers to not join the union, or simply because not enough workers showed up the day of the legal constitution of the union and therefore the justice of peace could not complete the process.
a more permanent contract,\(^9\) and many workers shifted in and out of unions at their economic convenience (collective interview 2.1. 05-10-2004, personal interview 2.4. 06-01-2004, collective interview 2.3. 05-26-2004, collective interview 2.13. 05-18-2004). In addition, according to some union leaders the formation of the union initially made relations with management more difficult (personal interview 2.18. 05-18-2004).

As a result in 2004, not only unionization, but also rank and file active involvement in union affairs, tended to be low. Hence, mobilizing workers and expanding union leadership was hard.\(^10\) Moreover, since most unions were created as a tool to curb labor rights violations, collective bargaining was not seen as the main priority for many unions.

According to a union leader,

“The union is a necessity in this company. The people know that we can oversee their labor rights and negotiate a little for those with less precarious contracts (collective interview 2.1. 05-10-2004).”

Union politicization was generally low. Despite the fact that many union leaders had clear political identification, few were active politically, union elections were not run on party tickets and political rhetoric was absent.\(^11\) Some center-left politically active union leaders participated in national sectoral federations and confederations, which were much more politicized and militant than the individual firm-level unions. However, although union

\(^9\) To avoid problems with management, and generally under the advise of union leaders themselves, most temporary or part-time workers preferred to join the union or adhered to the collective contract only after been hired on a more stable basis.

\(^10\) According to union leaders, few workers wanted to serve on union boards (collective interview 2.1. 05-10-2004). Union leaders tended to remain in office for several years. New leaders arrived in three ways, but usually under crisis. They developed as an assembly opposition to incumbent leaders, came into office by chance or were recruited by senior activists (collective interview 2.3. 05-10-2004).

Almost half of union leaders were women. Although this was particularly the case in the weakest organizations, in 2004 one of these women leaders was elected as president of one of the industry’s national federations and several other women leaders in the company became delegates to the national peak union organization, the CUT.

\(^11\) During the interviews some union leaders acknowledged partisan politics ranging from left to right, but most declared they were apolitical.
activity at this level was valued by labor unions leaders as yet another instrument to carry out their duties at the firm-level (personal interview 2.2. 05-24-2004, personal interview 2.19. 09-02-2004), there was little connection between the activity at that level and the union activity at the shop floor because tactics at the more aggregated level tended to engage little rank and file mobilization.12

In 2004 the majority of union leaders believed that unions needed more centralized organizations at the workplace (personal interview 2.9. 05-20-2004). For stronger unions being federated allowed them to align younger unions “under their protection” and mobilize them at critical moments of conflict with the company. For younger unions being federated could be a source of training, advisory and even economic resources. Thus, with some exceptions,13 labor unions grouped into two different federations.

Each federation had a predominant logic of confrontation and frame of reference. Federation 1 organized eleven young unions. The organization was led by women and young men and had a more horizontal and team-like style of work. These unions’ activity focused on oversight and labor law enforcement. This federation was formed in the late 1990s.

Federation 2 organized the two oldest unions and seven young unions. The leadership was in the hands of two senior male leaders who had strong influence over younger leaders of average strength unions. Unions in this federation focused on collective bargaining and had a pragmatic take in regard to the law. The logic of these unions was that although the employer had managerial prerogatives it was possible to negotiate compensations for

12 In general, national retail federations and confederations used lobbying, tripartite participation and short and small, and highly visible demonstrations at malls only when counting with the presence of a house and senate representatives who could lure the press (personal interview 2.2. 05-24-2004).

13 Non-federated unions were either in the very early stages of formation or had broken away from one of the federations after a big fight with other union leaders. Only two of the unions reviewed in this chapter were in this situation (Union 3 and Union 14).
workers when changes affected them negatively. For example, certain rights could be waived, with the acceptance of workers, if that meant improving job security. This federation was formed during the early 2000s as a result of leadership disputes within Federation 1.

There were also other cleavages between the federations. First, newly formed unions tended to participate in the federation that included union leaders and activists who helped in the union’s formation or had given them aid. Second, there were leadership differences and disputes at the level of the industry’s national federations that permeated down to the local unions (Union 12 and Union 7 versus Union 1, and Union 14 versus Union 2). This was especially important in two cases where union leaders also held important posts at that level (Union 12 versus Union 1). Thus, federations were personal networks and therefore constituted strong visible referents of who was who.

Despite their rivalry, the two federations had little contact between them. According to a union leader:

“In regard to the federation, at some point we had troubles with the other federation and there were also internal divisions in ours. But now we know each other better and we do not argue with the other federation because finally the truth comes out and the important thing for us is to do things well. In that way the unions within each federation tend to have a clear line and we can focus on strengthening ourselves (personal interview 2.14. 05-17-2004).”

1.3. Business Development since the 1990s

Despite market volatility, in recent years retailers have enjoyed high profits and the industry has become one of the most dynamic sources of employment. At the same time,

14 Leadership at this intermediate level had strong media visibility too, so competition for union posts was important for union leaders with partisan affiliation or ambitions at the national level.

15 In 2004 for example, Tesco had a pre-tax profit of $8 billion, with sales up by 12% in comparison to the previous year (The Economist April-16-2005: 54). Wal-Mart who manages 3,000 stores worldwide, made in 2003 about $256 million (The Economist April-17-2004: 67). In Chile between 1990 and 1997 the retail industry contribution to GDP was among the highest (Diaz et al. 2000:16). Since 1997 the industry had -- excepting 1999-- continue to grow, but at a slower pace (INE 2002:194)
retail companies have seen mounting criticism for offering working conditions with low labor standards and precarious forms of employment, and unfair labor practices.\textsuperscript{17}

In Chile, despite small business downturns in 1999 and 2002 (Central Bank of Chile n/d\textsuperscript{2}) retail’s share of the total workforce grew without interruption from 17\% in 1990 to 19\% in 2004 (Central Bank of Chile n/d\textsuperscript{1}).\textsuperscript{18} In fact, during the 1990s our company experienced very rapid employment growth. Since 1993 it expanded successfully to high-income markets, opened stores all over and outside Chile, and created a recognizable brand.

Most of the jobs offered were, however, temporary and included few benefits. In fact, retail --a sector that traditionally employed large numbers of women-- was one of the first to experiment with temporary, part-time and sales commission formulas, as well as with subcontracted workers. The fact that Chilean law left almost unregulated non-standard forms of employment meant that during the 1990s flexibility became synonymous with job precariousness. So, even though between 1990 and 2005 the company trimmed its workforce at least three times, layoffs did not mean the elimination of job posts since most contracts did not extend beyond one year and usually the company re-hired a similar amount of workers during peak seasons.

\textsuperscript{17} For instance, the Union Network International, a federation of 900 unions from 150 countries has targeted Wal-Mart for unfair labor practices and supported a unionization campaign in that company (The Economist August-27-2005: 51).

\textsuperscript{18} Although in 1997 Chilean retailers engaged in massive layoffs, according to a labor survey conducted by the Dirección del Trabajo in 1998 35\% of retail companies actually offered new jobs under flexible contracts with low wages (Dirección del Trabajo 1999:20 and 33). According to union leaders (personal interview 2.4. 06-01-2004, collective interview 2.1. 05-10-2004) job losses in the industry concentrated in storage, factoring, and financing, which were technologically upgraded and in some cases outsourced. However, in the sales department the number of temporary, part-time, or subcontracted workers grew, and so did the number of workers under wage settings increasingly based on sales commission.
Two other developments occurred since 1990. First, the company went back and forth between different forms of organizing the sales workforce and setting the wage. In regard to work organization, for example, during the 1990s and 2000s the company tried two formulas. In the early 1990s it made each sales-commission worker responsible for all the functions involved in a sale, from helping select the product, to selling and packaging it. By the early 2000 it established in some stores fix salaries calculated as the average of earnings a regular salesperson would make in a year divided by month, separated cashier and sales functions, and transformed salesperson functions into store consultancies about products and brands at clients demand (personal interview 2.5. 07-19-2004).

Second, the company also changed its business organization from a more centralized and integrated structure to a more decentralized structure, and at different times restructured the linkages between its credit and sales divisions. In the latter case, for example, workers in the sales credit division were divided into three different firms and many shifted from working wholly totally outside the firm’s stores, to working inside the stores and, finally, to a mixed system.

2. The Collective Bargaining Outcomes in 2004

2.1. The Collective Bargaining Framework Since the 1990s

Workers bargained collectively for the first time usually through loose non-unionized bargaining groups, which were usually summoned by management. These non-unionized bargaining groups negotiated legally binding two-year conventions, or voluntary agreements (collective interview 2.1. 05-10-2004). 19

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19 Since workers had little organization at this point, these agreements were seldom negotiated. As a result the very first collective contracts were poor.
However, once a union was in place it became the sole representative of workers during the bargaining process. This was the case because unions enjoyed a firm-level status that obliged the company to negotiate, and because management and unions sought to work on a daily basis to prevent conflict. But more important perhaps was the fact that not in a single case did a union under-perform a non-unionized bargaining group.

On average, union collective contracts expired every three to four years. The timing of union negotiations followed the collective contract’s expiration dates with the exception of a few unions that chose to voluntarily negotiate earlier. In only half the cases did unions (usually the oldest) negotiate voluntary conventions. All the unions formed after 2000 negotiated using formal procedures. Union collective bargaining occurred at the firm level (not at the holding level) and was conducted in parallel with the local and corporate management, with the latter having a “last resort” type of role.

2.2. Variation in Formal Collective Bargaining Outcomes in 2004

As of 2004 the basic structure of the collective contract across the company established a fixed salary (on average, less than half a minimum wage and usually indexed to inflation), sales commissions, profit sharing, holiday and sales event bonuses, birthday, wedding and funeral aid, transportation, lunch, cashier insurance, uniform, a cash bonus for ending collective bargaining negotiations, and access to loans and store discounts.

\footnote{This benefit was the result of the separate mobilization of several unions. The company argued originally that each store/firm had its own balance account and it could not grant workers the legal profit sharing when firms exhibited negative profits. Separately unions sued to the company and were able to demonstrate that all firms and stores were centrally administrated and profits redistributed across the company. In 2004 even the weakest unions enjoyed profit sharing clauses in their collective contracts. The importance of profit sharing lies not only in the fact that it means more cash for workers but also that legally it is considered as part of the fixed minimum wage and therefore its inclusion elevates the compensation package value.}
However, despite having this common collective contract blueprint, there were significant differences among individual unions’ collective contracts.\textsuperscript{21} Some unions had a larger and more generous structure of benefits, and there were differences in the wage setting and how benefits were calculated. This negatively affected the final value of some collective contracts. For example, clauses expressed as percentages were significantly more modest in cases where unionized workers’ final earnings were almost entirely variable.\textsuperscript{22} This was the case because the law established that the compensation package, as well as vacations and over time, had to be calculated only considering the fixed portion of the wages.

In 2004 Unions 1 and 2, the two oldest unions in the company, enjoyed the most generous collective benefits. Their collective contracts included on top of the blueprint benefits: a basic fixed salary corresponding to one minimum wage, seniority and productivity bonuses, severance pay above the legal minimum, extra health and child-care provisions, clauses regarding the negotiation of work shifts and sales commissions, as well as education grants, home insurance, and special indemnities. The amounts of these benefits were also the most generous in the company.

The collective contracts of Unions 3, 4, 5, 6, 7, 8, 9, 10, 11, 13 had, on top of the basic structure, education grants, productivity and seniority incentives, and modest fixed wage increases. For workers on sales commission formulas, the collective contracts of these unions guaranteed at least 25% of the final wage. In addition, these unions had either health insurance coverage or severance pay above the legal minimum, or other benefits, such as

\textsuperscript{21} For a summary of individual unions formal bargaining outcomes see Table 3, Appendix C. For a summary of individual unions informal bargaining outcomes see Table 3 Appendix D.

\textsuperscript{22} According to Diaz et al. (2000) around 50% of retail workers have a basic salary plus sales commissions, 11.5% are paid almost exclusively on sales commissions, and only 38% have a traditional fixed salary. Workers under wages based entirely on sales commissions usually have low compensation packages.
homeowners’ insurance. In general, these unions had one-time bonuses similar to the unions with the best collective contracts and in a few cases higher sales commissions. In comparison to the best collective contracts, workers in this category lacked many benefits, and several clauses were less generous and applied only to full-time workers.

Unions 12, 14, 15, 16, 17, 18, and 19 had the basic structure, in addition to which these unions negotiated soft loans and access to store discounts. The benefits of these unions were also the least generous in the holding and in several cases did not cover part-time workers or seasonal workers.

3. Explaining Differences in Collective Bargaining Outcomes

3.1. The Sources of Union Bargaining Power

Workplace Conditions

Across the company subcontracting was pervasive, production lacked any type of technology that could enhance the ability of unions to disrupt production and the spatial configuration of retail stores made difficult the logistics of a stoppage. As a result all unions had low workplace leverage.

High levels of de-integration and decentralization of production across and within firms minimized union capacity for disrupting production even for those located in areas of the logistic chain that were potentially more vulnerable. For instance, in the credit-related firms, for example, workers were dispersed throughout the company and operated fairly separately from the sales division. In the case of the stores, unions faced logistic problems controlling four floors and more than eight entrances (personal interview 2.9. 05-20-2004). In
addition, the large number of subcontracted workers made it difficult for unions to make a visible impact on clients. Even during strikes most stores continued functioning normally.

**Labor Market Conditions**

Although no union enjoyed highly favorable labor market conditions because most workers were low skilled and the firm experienced massive routine layoffs, there was some variation in this variable due to differences in contract and wage policy legacies. As a result, Unions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 enjoyed medium labor market leverage while Unions 12, 13, 14, 15, 16, 17, 18 and 19 had little bargaining power in this area.

On average, approximately 20% of the workforce was skilled (collective interview 2.1. 05-10-2004). In the credit-related firms, however, the proportion of skilled workers was slightly higher than the average because the administrative character of the job required in some cases skills more akin to a banking firm, such as computer operation, and credit evaluation (personal interview 2.6. 06-03-2004). Something similar occurred in the case of Firms 1 and 2. In the case of Firm 1 the proportion of skilled workers was among the highest in the store division because that firm hosted the corporate offices (personal interview 2.4. 06-01-2004). In the case of Firm 2 the store was strict in recruiting workers with higher levels of educations, sales skills, and even better looks than in other stores. According to one union leader (collective interview 2.21. 05-28-2004) this was the case because the store was located in the first and most successful high-income shopping mall in the country.

However, the proportion of skilled members tended to be similarly low. This is the case because more skilled workers tended to have low rates of unionization in all the firms. Thus, within unions the occupational structure was biased toward less skilled workers.
In addition, although new jobs were being offered constantly, during the 1990s and early 2000s the firm engaged in routine massive layoffs that affected principally workers with the worse sales records, but reached every part of the company to the same degree. According to union leaders, the criteria for job loss was not clear to workers and in many cases management decisions were perceived as arbitrary or affecting particularly unionized workers (personal interview 2.5. 07-19-2004).

Despite these similarities, differences in labor market conditions varied across the company. Job insecurity legacies were more critical in Unions 12, 13, 14, 15, 16, 17, 18, and 19, precisely where unions had the worse collective contracts. In these cases almost 70% of workers enjoyed contracts that did not extend beyond a couple of weeks or months.23 Forty to fifty percent of these temporary workers were hired by outside firms. With the exceptions of Unions 12, 13, and 17, these unions were located in the youngest firms of the company (less than three years of existence). In half of the cases, firms were so new that most workers did not meet the company’s time requirement to be hired under more stable contracts and unions were still in the process of formation (collective interview 2.13. 05-18-2004, collective interview 2.18. 05-18-2004).24 More than two-thirds of workers in these firms

23 Unless they were explicitly mentioned in the collective contract, unions did not negotiate for these workers. This was usually considered to be a protective device against anti-union managers.

24 Union 12 was located in a low-income store in an area of the city that had lost commercial edge to cheaper retailers. In the case of Union 13, although the union was one of the oldest in the company and was located in one of the credit-related firms, the union organized mainly blue-collar workers who verified in the field the credit information. Although workers in the firm enjoyed relatively low levels of job precariousness, they faced continuous and massive layoffs and had been told that their functions were going to be eliminated by the company and replaced by outsourced field services and online cross data verification (personal interview 1.7. 05-17-2004). Union 17 was located in a high-income mall. However, the store not only did not lead sales in the mall, but also after a strike in 2003 most workers under temporary contracts were not rehired on a more stable basis and even workers with indefinite contracts were fired (collective interview 2.15. 05-19-2004).
labored under a strict system of sales commissions, in which close to 90% of total earning was variable.

In contrast, in Unions 3, 7, 8, 9, 10, and 11 only 40 to 50% of workers were under temporary contracts. Half of these workers were hired by outside firms. Most workers in these firms also enjoyed a partially variable wage, but a third of total earnings was fixed. This was the case mainly because these stores had more than four years of existence and unions had undergone at least three bargaining rounds.

In the case of Unions 1, 2, 4, 5 and 6 both subcontracting and temporary contracting was closer to 30%. In these cases fixed earnings represented almost a half of the total wages.

Product Market Power

Differences in product market conditions varied significantly across the company’s firms. This stemmed mainly from geographical and income conditions, as well as the age of the firm, and explained why Unions 1, 2, 3, 4, 5, 6, 8, 9, 10, 11 and 13 enjoyed high product market leverage, while Union 7 and 12 enjoyed only medium product market bargaining power. The rest of the unions had low product market power.25

Unions 1, 2, 3, 4, 5, 6, 8, 9, 10, 11 and 13 were located in the more profitable firms of the company. In the case of Union 1 initial market conditions were not very favorable because the firm organized the oldest stores in low-income sectors. However, according to union leaders, Firm 1 was indeed the most profitable in the holding because it imported and distributed the products across the chain’s stores, and was the basic link in the holding’s

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25 Since stores carried the same products and the credit-related firms offered the same exact services the level of the product demand elasticity was similar across firms. Since most products and services were not basic consumer goods in general the demand was elastic. However, this was compensated by the fact that products and services were numerous and of varied character.
logistic chain and received cash flows from every other part of the company (personal interview 2.14. 05-17-2004, collective interview 2.11. 05-19-2004).

Unions 2, 3, and 11 were located in mall stores opened before 2000 in Santiago, the capital city. Unions 8, 9, and 10, were located outside the capital city but in high-income malls. Each of the firms was also one of the main anchors in their respective mall. Unions 4, 5, and 6 were credit related firms. As of 2004 these three firms operated around 260,000 credit cards. These firms were not only the fastest growing areas of the company, but also were highly profitable (collective interview 2.3. 05-26-2004).

Union 13, which enjoyed a moderately generous collective contract, also was located in one of the credit related firms. However, the fact that the union organized blue-collar workers being eliminated from that firm rendered the variable irrelevant.

In contrast, Unions 7, 12, 14, 15, 16, 17, 18, and 19 faced less favorable product market conditions. While Unions 7 and 12 were located in firms that had less profit potential than the previous unions but still yielded profits, the rest of the firms were still immature and as of 2004 had not yet yielded profits at all.26

Union Organizational Strength

Organizational power in the company varied significantly and was closely associated with the age of each firm. Unions 1 and 2 had high union density and cohesion, while Unions 3, 4, 5, 6, 7, 8, 9, 10 and 11 had low union density but enjoyed relative union cohesion.

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26 Union 7 operated in a low-income store mall. The firm was located in the first mall downtown, and although originally did very well it had proved low growth potential (personal interview 2.14. 05-17-2004). Union 12 was located in a store opened before 2000, but the firm was in a low-income geographical area. The firm was located in a low-income neighborhood in one of the regions that had the highest unemployment and poverty indicators in Chile. Union 14 was located in a high-income mall. However, the mall was located in the outskirts of Santiago in a suburban area that developed very recently and opened only in 2002. Union 15 was located in Santiago in a low-income neighborhood and had also opened in 2002. Unions 16, 17, and 18 were located in a medium and high-income malls. These malls were, however, outside Santiago, and with the exception of Union 19 located in a mining town, they were in summer touristy destinations.
Hence, Unions 1 and 2 enjoyed high organizational strength and Unions 3, 4, 5, 6, 7, 8, 9, 10 and 11 only enjoyed medium organizational strength. Finally, in the cases of Unions 12, 13, 14, 15, 16, 17 and 19 union density and cohesion were low. These unions thus had low organizational strength.

Unions 1 and 2, the oldest and largest unions, organized approximately 1,350 and 400 members, respectively. With the exception of Union 13, which only had 16 members, the rest of the unions organized between 100 and 200 members, depending on the firm’s size. Most members were workers hired on a more permanent basis and with full-time contracts.

Unions 1 and 2, the two oldest, were the largest organizations in the company. Facing the competition of a parallel union not considered in this study, Union 1 organized around 60% of its potential universe (personal interview 2.4. 07-19-2004). Union 2 organized around 90% of its potential universe (personal interview 2.9. 05-20-2004). In both cases the potential universe of workers excluded subcontracted workers (approximately 40% of the total workforce in each firm).

According to a leader of Union 1, although the competition of the parallel union undermined internal union solidarity, previous experience indicated that the rank and file stuck to assembly decisions (personal interview 2.4. 07-19-2004). According to the main union leader in Firm 1:

“There is constant turnover between this and the other union. In fact, there is a little group of people that shift every six months from one to the other and in that way opt for benefits in both unions. It affects us in regard to their commitment but not in terms of numbers because new people are entering all the time, and we have a core of very loyal people who stick to what they say (personal interview 2.5. 07-19-2004).”

In the case of Union 2, its main leader (personal interview 2.9. 05-20-2004) pointed out that the fact that the rank and file was very young and had little tradition of union militancy and turnover in the store was high helped lower union solidarity. Since rank and
file attendance at union assemblies was also relatively low, union leaders devised surveys to diagnose problems and drafted the collective bargaining project without demanding more rank and file participation beyond involvement in social activities. This helped enforce union discipline because the union proposed goals and strategies in strict accordance to those surveys. According to its main leader, union decisions were almost always unanimous in the final vote and no more than three or four members defected from union campaigns (personal interview 2.9. 05-20-2004).

There was consensus among union leaders across the holding that Unions 1 and 2 were the strongest organizationally. The reason for this, I would argue, was that these unions were the oldest. By 2004 these two unions were significantly more consolidated than the rest. In fact, they were the only ones that offered comprehensive member servicing, including collective health insurance coverage, emergency aid, and/or childcare. The leadership of these unions also the most bargaining experience in the holding (more than ten years) and in the case of Union 1 a longstanding political trajectory and college education. In addition, these union leaders were pivotal in the emergence of many other unions.

27 In these cases membership dues were flat and unions received firm contributions. In the case of Union 2 firm contributions were generous and compensated for relatively low members dues. To take advantage of extra health coverage workers could contribute more money but this was optional (personal interview 2.9. 05-20-2004). Both, Unions 1 and 2, counted with collective bargaining advisers, but while Union 1 paid for those services Union 2 had signed an agreement with the national federation to freely access a team of advisers during the collective bargaining process. Union 1 also had a relatively sizable bank account and some properties and financial investments, which Union 2 lacked.

28 In Union 1 the leadership had been in office since the 1980s. Several members of the board had college education. Its main leader was a well-known center-left militant, a lawyer too, who held union posts of national importance at one of the industry’s federations, an inter-industry confederation, and the main peak national union organization. In the case of Union 2 the leadership had headed the union for its entire ten years of existence. These leaders had participated in numerous sales technical training courses and collective bargaining seminars (personal interview 2.9. 05-20-2004). Unlike the leadership in the other union, leaders in this union declared that they were explicitly apolitical. However, in order to overcome their isolation, lately even these leaders had started to pay attention to the industry’s union Confederation and Federation, which required political militancy. In 2004 the main leader ran unsuccessfully as an independent on a partisan ticket to be a delegate to the National Confederation of Retail and Service Unions.
Unions 3, 4, 5, 6, 7, 8, 9, 10, and 11 also targeted a potential universe of around 60% of the total workforce. In these cases the average union density was around 68%, ranging from 30% to 90%. When asked about union discipline most labor leaders stated that they had no complaints. However, the interviews suggested that members’ active involvement and loyalty in most unions was not particularly high. Only union leaders in Unions 7, 8, 10, and 11 pointed out that they could count on the support of the rank and file, and said union cohesion was comparatively high.

Union leaders gave several explanations for the mediocre levels of unionization and union cohesion in these unions. According to a union leader (personal interview 2.6. 06-03-2004) the majority of the non-unionized were precisely those with more permanent contracts, because they tended to be in supervisory and managerial positions and therefore could not join the union. Others said that workers were just not interested or had a negative perception of unions because they were white-collar employees. Another union leader argued that many workers were non-unionized because workers were scattered across the country and union leaders did not have the resources to have a strong presence everywhere (collective interview 2.11. 05-19-2004). In the case of Union 3 unionization was higher in the past but many workers left the organization because of the internal strife (collective interview 2.11. 05-19-2004). In the case of Union 9, density increased greatly due to changes in leadership (collective interview 2.19. 09-02-2004).

29 In the cases of Unions 3 and 9, union density was the lowest. In the case of Union 3 unionization was higher in the past but many workers left the organization because of the internal strife (collective interview 2.11. 05-19-2004). In the case of Union 9, density increased greatly due to changes in leadership (collective interview 2.19. 09-02-2004).

30 For instance in the case of Union 9 where the main union leader was, as I could witness personally, liked by the rank and file, union leaders pointed out that this was a personal following that did not necessarily entail commitment to the union (collective interview 2.19. 09-02-2004).

31 For instance, the leaders of Union 11 proudly pointed out that every activity, even the more combative, counted with 100% of workers directly employed by the firm (collective interview 2.21. 05-28-2004). A leader of Union 10 stated that people were extremely loyal (personal interview 2.10. 09-02-2004). In the case of Unions 7 and 8, discipline was a function of the union leadership. According to fellow union leaders, in the case of Union 8 its main union leader charisma and democratic style helped to foster union discipline, and the group of young leaders that surround him enjoy total support from the rank and file (collective interview 2.1. 05-10-2004). According to one of the younger leaders in this union, “We’ve put a lot of emphasis on augmenting membership loyalty and there our tool has been to be sincere and always consult the assembly. In that way the member feels he is participating, and is supported and will then fight for us as well. Our success in this area also has to do with […] personal charisma and the love people profess him (collective interview 2.16. 05-18-2004).”
Finally, other union leaders stated that, although a good number of workers were contracted directly by the company and enjoyed stable contracts, wages in his firm were low. Many workers left the firm in short order because they were more skilled workers who could find better paying jobs (personal interview 2.20. 05-14-2004).

I argue that, although these explanations are plausible, in each of the cases there was another more powerful explanation. With the exception of Union 13, which was disappearing due to labor rationalization, these unions were all formed between 1995 and 2000. Thus, although they had already overcome many of the initial problems of union formation they were still in the process of consolidation. These unions, for example, provided their members with some kind of servicing, but this was significantly more modest than in the cases of Unions 1 and 2. The union leadership also had less experience. Although a number of union leaders had headed their unions since their foundation, in the cases of Union 3, 6, and 9 consolidating leadership was difficult because of inexperience or difficulties between the leadership and the rank and file. In addition, none of the union leaders in these cases had previous experience in collective bargaining, and the union had undergone fewer bargaining rounds than other unions. However, compared to the unions discussed below, these unions tended to have more educated union leaders, more union experience, or the support of senior leaders in other unions.

32 Leaders of Unions 4, 5 and 6 had on average between four and eight years of experience in union affairs. These unions also counted with the special support of the main union leader at Firm 1 and had run for sectoral union posts.

In Union 7 the leadership had 10 years of experience. In the case of Union 8 most of the leadership was inexperienced but its main leader was an old ex-engineer that had previous experience in supervisory positions and had already participated in a union, although not in a leadership position. In the case of Union 9 leaders had several years of experience heading the union. The leadership enjoyed the support of the oldest union leader in the company who had an active involvement in devising the union strategy toward management. I witnessed this during a workshop organized by Federation 2.

In the case of Union 10 the leadership had college education and the support of one of the senior union leaders in the company. During 2004 its main leader was elected as delegate to the CUT. In the case of Union 11
In contrast, Unions 12, 13, 14, 15, 16, 17, 18 and 19 tended to be smaller (on average around 100 members), and their potential universe was only 30% of the total workforce due to high levels of subcontracting. Of their potential universe these unions organized less than 50%, all workers with more stable contracts (collective interview 2.1. 05-10-2004). In addition, two unions (Unions 13 and 17) lost membership due to other issues. Union 13 organized primarily blue-collar workers facing massive layoffs. Union 17’s membership shrunk after a failed strike. According to its leaders:

“Our strike was very problematic. Several workers who participated were fired afterwards and the organization shrunk because a lot of people exited the union. Those who remain find that the union works in an orderly fashion but still because of the strike the union is very unappealing to workers. We have tried to throw parties and give more benefits but still the people do not trust us (collective interview 2.15. 05-19-2004).”

With the exception of Unions 13 and 19, all these unions enjoyed relatively low levels of discipline. This was the case because the organizations were very young (one to

the leadership had some previous organizing experience and accounting skills and all the leaders had some kind of post secondary education. They were also helped by the collaboration of one of the strongest labor leaders in the company and the assistance of external advisers. This was more important during the formation of the unions because the union leadership was quite independent and had over time followed its own path, which was more combative than its mentor, Union 2.

In the case of Union 3 the leadership had no external aid and its leaders had technical post secondary education. This union had faced continuous leadership crises. Finally, at Union 7 although most of the leadership had no previous experience in union activity its main leader had ten years of trajectory as union leader and previous experience organizing a youth organization, as well as a long standing relationship with negotiator advisers in well known pro-union NGOs. This leader had a very important role in the formation of the younger unions and was pivotal in the development of the first federation in the company.

In the cases of Union 4, 5, 6, 9, 10, and 11 many of the leaders counted with the support of the more respected leaders in Unions 1, 2, 7 and 12 who could pull external resources (political in the case of Unions 1 and from ngo’s and labor lawyers in the remaining cases) to help in collective bargaining and other issues.

These two unions exhibited relatively high levels of union discipline. However, in 2004 Union 13 had only 16 members, and Union 12 discipline was high because the leadership did whatever the assembly’s mandated. According to one union leader, “After our second negotiation we’ve improved some our collective contract, but not as much as we would have liked it. People always ask for soft loans and does not care about anything else. We know that that diminishes our bargaining power vis a vis the company. So, usually after the collective bargaining process is over and while the rank and file celebrates we cry. We know we cannot push them further because people whine a lot but does not want to get wet because our region has the highest rate of unemployment in the country personal interview 2.2. 05-24-2004)” The unions also were older than the rest of the unions in the group.
two years of existence), and therefore faced management resistance, a less cohesive workforce and less experienced leadership (collective interview 2.1. 05-10-2004).

In the case of Unions 12, 14, 15, 16, 17, 18, and 19 membership dues were usually calculated as percentages over the final wage (collective interview 2.1. 05-10-2004). Thus, the final amount depended on workers’ wages, and the number of workers unionized, or that could adhere to the collective contract. Since most workers in these unions were low paid and temporary, the dues collected were modest, and much of the money went to the federations, who put it in a common fund and returned it to individual unions in the form of bargaining and legal advisory. As a result, member servicing in these unions was more modest, in many cases consisting only of discount agreements with local stores. These unions did not receive firm contributions.

Most leaders in these unions had little former experience. With the exception of Unions 12 and 8, union leaders had less than four years of experience in union affairs and none had the special support of a senior union leader in the company. For many union leaders

35 For instance, Union 15 leaders had no special complaints regarding union discipline but pointed out that they did what the assembly mandated (collective interview 2.12. 05-27-2004).

In the case of Union 17 a strike during 2003 showed the leadership that it was difficult to enforce union discipline: “During the 2003 negotiation we voted a strike. However, it was really the women who participated actively. We had a kitchen soup and everything was planned to increase the damage to the company, even the timing. Our idea was to force the company into a legal procedure of state mediation. The strike was actually more of a catharsis. It was very emotional. But men and part of the union leadership were passive. We had scabs and were unable to stop the store (collective interview 2.15. 05-19-2004).”

At Unions 16, 18, 19, and 14 internal leadership problems had turned off members. Several workers had exited the unions although continued to adhere to the collective contracts. But, in general members were fearful of collective action because its low wages had pushed them into a great deal of indebtedness and the majority had temporary contracts. As a leader in one of the unions clearly summarized, “It is hard to organize people because turnover is high. In addition, many contracts are temporary and workers are under a lot of pressure to achieve more secure contracts. …Everything here is hard work. There is a lot of persecution. Management watches people through cameras, the treatment is discriminatory and people who want to join the union or already joined the union are harassed by management. Some of them have been plainly asked to exit the union; others are shifted to sections of the store where sales commissions are lower or sales slower. Since in our store almost 100% of the wage is made by sales commission this scares people who need to make ends meat and thus many do not comply with the collective decisions (collective interview 2.13. 05-18-2004).”
the federation helped them gain more experience and knowledge and provided them with advisors they could not afford on their own. According to one union leader:

“The federation allows us to see what others have and get some minimum agreement. The federation is also a necessity for unions because it allows us to face the incredible fragmentation of the company and the rights violations and it provides leaders with a school (collective interview 2.1. 05-10-2004).”

With the exception of Unions 12 and 13, all these unions were formed after 2000. Although Unions 12 and 13 were older they had similarly weak organizational power because of internal difficulties, problems with management, and labor rationalization.

3.2. The Bargaining Process between 1990 and 2004

Differences in bargaining power explain the trajectory of union collective contracts across the firms during the 1990s and early 2000s, as well as the success of individual unions in deploying small advantages in a general context of great management leverage.

For instance, although in recent negotiations Unions 1 and 2 had some difficulties in increasing wages and benefits, they were able to negotiate better conditions of labor flexibility and job security than the rest of the unions, expanded the coverage of some collective contract clauses to part-time workers with indefinite contracts, and gained severance pay above the legal minimum.36

According to the main leader of Union 1,

“We are the oldest, largest, politically visible, and most respected union in the company because when we want to make trouble we do it. That does not mean we are conflictive. There are unions that make a fuss about everything. If some things do not work we first negotiate and then use the law. You always need to know what it is that you want if you want to defend workers. Confrontation is harsh and is very costly especially for the rank and file that does not have the privileges of the leadership. We know that there is the law, but

36 In addition, these unions enjoyed several informal agreements to speed up resolution to workers’ complaints, increase compensation for workers laboring over hours and holidays, increase management communication of changes regarding work organization, and union leaders had been granted by the company complete paid dedication to union activities.
some times rigidity can bring problems. We seek our own solutions, some good some bad but we’ve been relatively successful (personal interview 2.5. 07-19-2004).”

Union 2 had inherited the collective contract of a previous union in the company, which given its location in a high-income mall was offered a similar, although slightly less generous first collective contract than Union 1. A highly accommodating union that had a partnership relationship with management, Union 2 had steadily augmented its structure of benefits and added several clauses regarding working conditions and benefit readjustments. Throughout the late 1990s and 2000s this union enjoyed monthly and even weekly meetings with store management, as well as regular meetings with corporate management every two to three months. According to the main union leader:

“We are always open and this has brought us benefits. We do not hit for the sake of it. We always prefer the lesser evil. The judicial path doesn’t work because what I win here I loose there. In the end we wear ourselves out…To insist on resisting [issues where the law favors the company] is to trick people, because more rigidity means more unemployment. It’s too costly and the benefits are dubious…We have a good relationship with management despite the fact that people think they’re anti-union. There have been lots of things that have deteriorated the power of unions, but union leaders haven’t been able to modernize, either. We need to be modern and try to centralize negotiation more. The problem is the law and the lack of capacity, vision and interest of unionists. Some of them are pretty backward. We need a leadership and strategic alliances (personal interview 2.9. 05-20-2004).”

In the case of Unions 3, 4, 5, 6, 7, 8, 9, 10, and 11 the bargaining record was similar to Union 2 but unions had had less successful bargaining rounds. Unions 3, 7, and 9 experienced significant bargaining defeats in their early years, mainly associated with failed strikes. However, during 2000 union leaders had worked hard to improve labor relations.

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37 The previous union disappeared because of internal strife and corruption allegations. Union 2, formed as a parallel union opposed to the original union, was able to capitalize on those problems and ended attracting most of its membership.

38 For instance, in the case of Firm 9, the union leadership had after the strike made deliberate efforts to open communications with the company. The most important of which was to participate in the local chamber of commerce to deal with labor and firm productivity issues. This helped the union leadership develop “respectability” in its community. Since management was local, as it tended to be the case outside Santiago, it reconciled with a union that reinvented itself as modern and non-confrontational. The union was in permanent contact with the store management and a couple of times a year met with the corporate management (collective interview 2.19. 09-02-2004).
As a result during 2000 these unions were able to expand their collective contracts structure and gain some readjustments and increases.

In the case of Unions 4, 5, 6, 8, 10, and 11, either management style was more accommodating,\textsuperscript{39} or unions were successful in lawsuits against the company.\textsuperscript{40} It is important to note also that Unions 4, 5 and 6 were given in 1999 a collective contract identical to Union 1 because their members had until recently been part of Firm 1, and the company respected the collective contract of Union 1 as the negotiating floor.

The remaining unions had had little success in the bargaining process and, with the exception of Unions 12 and 13, had less than two rounds of union collective bargaining.

Unions 14, 16, and 17, the high-income stores in this group, went on strike and experienced bargaining defeats because they were unable to stop production and enforce discipline throughout the stoppage campaign. In addition, since in many cases workers participating in strikes were dismissed without apparent reason and managers --especially in

\textsuperscript{39} An example is Union 11. This union tried quick mobilization tactics and lawsuits, but at the same time nurtured close communication with management. They met on demand and regularly with the store management and had almost no meetings with corporate management. In fact management style was quite different in this firm. The only manager the store had until 2004 was young and had a horizontal style of work.

\textsuperscript{40} This was the case of Union 7. This union had a strong reputation for defending and enforcing individual and collective workers rights at the workplace, and its leader had pushed other unions in the company to participate in federate and confederate union organizations and lobby the congress in regard to labor laws affecting the industry. The union had been successful in suing the company on several occasions. According to this union’s main leader, “We have been able to build autonomy having arguments, resisting and easing the firm. So, for example, the first great problem we had was that many workers were having no Sundays. The firm was bluntly violating Art. 45 of the labor code. With a fellow union we started talking to management about this. After dialogue bore no fruits finally we got 170 workers to sign the lawsuit. The first reaction of the firm was to threaten people. But we realized they were just threats. The company learned that if we do not agree then a third party will arbitrate and the law was clearly in our side. The Company made a mea culpa and fired the manager who was unable to negotiate this matter with us (personal interview 2.14. 05-17-2004).”
the north of Chile-- were retired military who resented the trouble, the situation post-strike was one of great deterioration of labor relations (personal interview 2.8. 07-07-2004, personal interview 2.13. 05-18-2004, personal interview 2.15. 05-19-2004). By 2004 in all these cases, union leaders had little access to management even at the store level, and complained of systematic unfair practices, stating that labor rights violations in their firms were higher than in the rest of the company. To gain some leverage in 2004 these unions started to ask for more labor law enforcement through state oversight.

In the case of Union 12 leaders argued that although they reached agreements with management, management respected the accords only after being pushed by the courts (personal interview 2.2. 05-24-2004). Something similar occurred in Union 15. However, labor leaders pointed out that their strategy was to avoid lawsuits. They preferred to develop a more accommodating style. In this way they believed they could build more trust with management (collective interview 2.12. 05-27-2004). Union 13 had had significant success in the past, but by 2004 had been reduced to only 16 members as a result of the elimination of its members’ job posts.

In general the company initially offered an inflation readjustment, and afterwards easy access to soft loans and a cash bonus to end the negotiation. The rank and file demands prompted a resolution from leadership, which was pushed to accept management’s first offer. According to a union leader:

“There is always a lot of pressure from the people to go ahead and accept the first offer. People are interested in the cash and have little interest in the long-term benefits because there is a lot of turnover, and people are indebted and need cash. So we have to accept, but we let the company think we won’t. In the end we got a decent voluntary contract for four years.

41 According to union leaders, Unions 16, 18 and 19 were located in firms where management had little experience in human resources and managers usually resented the existence of the union (collective interview 2.13. 05-18-2004).
The company always wants to do it this way because they have it all planned out; they are light years ahead of us and want to know their fixed costs (personal interview 2.20. 05-14-2004).”

This meant for weaker unions the acceptance of the firm’s offer with little modification. Most unions were able to add a minor clause here and there and readjust benefits by inflation. Most of the negotiation, however, was spent on the one-time cash bonus (personal interview 2.4. 06-01-2004, collective interview 2.1. 05-10-2004).

4. Conclusions

In this chapter I have reviewed the collective bargaining outcomes of nineteen labor unions within a Chilean retail holding. In the first section I presented the company’s main characteristics, including its business and union structure in 2004 and main developments since 1990. In the second section I examined the formal structure and value of the collective contract, and the individual unions’ results. The third section explains variation in individual unions’ formal collective bargaining outcomes. This section summarizes the arguments.

The findings show that according to the bargaining outcomes there were three different groups of unions. One group, composed of Unions 1 and 2, had the best collective contract outcomes. A second group, composed of Unions 3, 4, 5, 6, 7, 8, 9, 10, 11, and 13, had the second best collective contract outcomes. Unions 12, 14, 15, 16, 17, 18 and 19 had few benefits. As indicated in Table 8, since workplace conditions were constant across the company, these differences are explained by variation in labor market, and product market conditions and union organizational strength.

Unions 1 and 2 were the oldest in the company. These unions had better bargaining outcomes because, although they had little workplace power and were affected by routine layoffs, a higher proportion of workers enjoyed more stable contracts and wages, firms were highly profitable, and workers had developed relatively high union density and cohesion. As
a result, unions enjoyed medium labor market bargaining power, and high product market and organizational leverage. Thus, these unions were able to steadily augment the benefit amounts and even cut informal deals regarding flexibility compensation.

In the case of Unions 3, 4, 5, 6, 7, 8, 9, 10, 11, and 13 most unions were formed in the late 1990s. Relative to Unions 1 and 2, these unions had a lower proportion of members enjoying more stable employment and wage arrangements and had weaker union density. Still, most unions organized workers laboring in profitable firms and had developed relative union cohesion. This gave most unions, medium organizational strength and labor market leverage, and generally high product market bargaining power. By 2004 these unions had gained modest increases and gained some of the more substantial benefits enjoyed by the previous two unions.

It is important to note that Unions 7 and 13 were a little different. Union 7 differed in that it had medium product market power due to the fact that it was located in a mall that, although initially had done well, by 2004 was experiencing declining sales. Union 13 differed in that it had low labor market and organizational power. This union, a strong organization in the past, was severely affected by massive labor rationalization in recent years and lost most of its members. In 2004 it was the smallest union in the company and was going to disappear soon because it organized exclusively a category of workers that was being eliminated due to technological upgrading.

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42 Although relatively young time had helped these unions overcome many of their initial weaknesses and failures.
In the remaining cases unions had little leverage of any kind because they were located in firms opened after 2000.\textsuperscript{43} In these cases only a small proportion of union members enjoyed relatively stable employment arrangements. In addition, workers had not yet developed union cohesion and were negotiating with firms that had not yet yielded profits. Thus, these unions negotiated small readjustment and increases and were in the initial stages of creating a collective bargaining structure.

### Table 8: Summary of Main Arguments. Retail Company.

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</table>

\textsuperscript{43} The only exception was Union 12. This union was the only one in this group to be located in a store created before 2000. However, unlike other stores created during the same period, this firm was never very profitable and therefore product market conditions were only slightly better than the newer ones that did not yield any profits yet as 2004.
This chapter examines variation in the 2004 bargaining performance of thirteen unions within a telecom company. It asks two questions. What was the extent of variation in formal bargaining outcomes across unions in the company? What factors explained this particular variation?

Although at first glance the fact that some unions enjoyed more generous collective contracts than others suggests that these unions performed better, a closer look at the evidence shows that there was no significant variation in individual union bargaining power. In particular, I argue that during the 1990s and early 2000s increasing technological upgrading, labor downsizing and market liberalization generated unfavorable workplace, labor market, product market and organizational conditions across the company.

By the early 2000s unions enjoyed only medium workplace power and low labor market and product market leverage, and, with the exception of a few unions that still enjoyed medium organizational strength, most were organizationally weak. Thus, after 2003 many unions finally accepted the wage and benefit cuts management had been pursuing since 1999. Unions that did not accept the cuts used an article of the labor law to unilaterally extend their last collective contract. By 2004 these unions enjoyed the best collective contracts in the company. However, high union competition and continuing and intensified
management intimidation explain why these unions experienced significant membership losses, which rendered their collective contract temporary and contingent on the job continuity of a few members.

The chapter is organized in four sections. The first section discusses the company’s main features, including its business and union structure, and main developments since the 1990s. The second section examines the structure and value of the collective contract, and the individual union results. The final section summarizes the findings.

1. The Company in 2004

1.1. The Business Structure

The company under study in this chapter is a large provider of local and long distance residential and business telecom services, and a publicly held subsidiary of a European-based multinational corporation.1

In 2004, the company operated as a local holding organized in a pyramidal integrated structure with one matrix firm and three subsidiaries. The parent company focused on local residential service, two subsidiaries provided long distance and a third offered services to corporate clients. The holding employed 3,744 workers, 70% of whom worked at the matrix.

1.2. The Union Structure

In 2004 the company had a total of twenty-three legally existing unions. This chapter covers only thirteen of them. Of the rest, according to labor unions leaders and a company

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1 For a summary of this company’s business history and union structure see Table 3, Appendix A.
officer, five unions had little to no activity. There were five other unions that declined to be interviewed for this dissertation. With the exception of Union 3, the unions considered in the study had national scope and were organized along occupational lines.

Unlike any of the other three companies under study in this dissertation, in this company several unions were organized as inter-firm organizations. Among the cases studied this was the rule, with the exceptions being Unions 1, 3, 6, 7, and 9.

Unions 1, 2, 4, 5, 6, 7, 8, 11 and 13 were longstanding institutions formed before 1973. The oldest was Union 8, founded in the 1930s. Union 9 was formed in the 1980s. The remaining four unions (Unions 3, 5, 10, and 12) were formed after 1990.

In 2004 approximately 60% of the company was unionized (personal interview 4.11, 09-24, 2004). This rate represented a significant shrinkage, considering that in some areas unionization was by the late 1990s and even early 2000 almost 90%, but was still higher than in the retail company, for example (personal interview 4.9. 08-12-2004).

As of 2004, unions organizing white-collar professionals competed little among themselves, because through the 1980s and 1990s each specialized in a particular

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2 Three of these unions had between 15 and 20 members. Of the remaining unions, one had no members and the other registered only one member. These unions were blue-collar and white-collar that had split during the late 1990s from other unions.

3 These unions were organized in one federation, which in 2003 adhered to the collective contract of Union 1, covered in this chapter. One had near 100 members. The rest had between 15 and 30 members. They were longstanding blue-collar local unions organized in selected areas outside the capital city. Their performance and features were very similar to that of Union 1, but smaller in scale.

4 For a summary profile of individual unions in this company see Table 4, Appendix B.

5 External firms contracted the majority of non-unionized workers, but a number of workers directly contracted by the company defected unions after a failed strike in 2002 (personal interview 4.9. 08-12-2004).
occupational group(s). In contrast, union competition among blue-collar unions was higher. This resulted from increasing union fragmentation.  

The company’s union structure was characterized by little coordination among the unions. When and where it existed, union coordination tended to be loose, instrumental to short-term goals, and fragile (personal interview 4.3. 08-26-2004, personal interview 4.8. 08-23-2004). Among the unions studied here, there was only one federation, organizing Unions 9, 10, 11, 12 and 13. Although Union 8 did not belong to this federation it coordinated with it on specific actions. In 2004 this federation had been in existence for less than one year.

Politics in this company had a more important role than in the rest of the companies studied in this dissertation. Historically characterized by nationally visible, strong, large, and autonomous worker organizations, this company had union elections that, until 1973, had a strong partisan tone. Unions tended to have relatively high and homogenous levels of militancy. During the military regime politics continued to be important but militancy receded in the face of repression. After 1973 union leaders did not run on party tickets anymore. However, even until 2004 there were clear political differences among the union leaders, which shaped individual unions’ responses to external changes.

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6 The number of unions in the company grew because between 1994 and 2004 at least three unions (Unions 5, 10 and 12) were formed as the result of successive splits due to internal leadership disputes, and a new union (Union 3) was formed in 1998 in one of the company’s subsidiaries.

7 Among the unions not considered in this study, five were federated since the 1970s. These unions were all strongly local, and organized mainly blue-collar and low rank white-collar workers outside Santiago.

8 During 1970-1973 Union 8 had a very important role in national politics as the most powerful firm-level union supporting the government’s socialist program. Within the company it was pivotal in pressuring the government to confiscate the company and hand management to a board composed of union leaders and workers. At the same time, several new unions were formed precisely as partisan reactions against the socialist line of Union 8. Given its high level of politization, during the 1973 coup the company had a strong military presence. The new management fired leftist activists and the military intervened unions. Some well-known activists disappeared or were killed (personal interview 4.12. 08-25-2004, personal interview 4.9. 08-12-2004).
1.3. Business Development since the 1990s

Prompted by market liberalization and shifts toward wireless and digital technologies, the telecom industry experienced, in recent years, important transformations that made it difficult for many companies to maintain their previously dominant position in the market. According to Cohen and Early (2003), traditional firms in the sector succumbed to aggressive competition, high-cost borrowing, and excess capacity. In the United States alone, between 2000 and 2003, shareholder value losses in the sector were estimated at $1 trillion.

One of the ways in which traditional telecom companies responded to declining profits was to downsize labor and streamline benefits and wages. Companies did so by “flattening” managerial structures, outsourcing and subcontracting functions, making the organization of work, contracts and wages more flexible, and pruning their workforces. In many cases these changes happened over the resistance of previously strong unions, which in the process often lost much of their previous bargaining power.

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9 Many traditional companies lost monopoly niches to small and flexible firms, which took the lead in the sector (The Economist September-3-2005: 56).

10 Other ways were mergers and acquisitions, and innovation. According to The Economist (September-3-2005: 56) during 2005 the industry experienced a second bubble prompted by firms’ expansion into the entertainment business (videogames, music, television, etc).

11 “Leveling or flattening” management means reducing the number of layers separating top management from the shop floor, usually resulting in increasing power centralization (Dubb 1999:30).

12 Overall, between 2000 and 2003 global job losses in the sector exceeded 500,000 (Cohen and Early 2003). In Chile for instance, unemployment in the communication and transport sector doubled between 1995 and 2003 (ILO/OIT n/d2).

13 In Britain, one of the worldwide strongholds of telecomm unionism, the net union density in the sector decreased between 1989 and 1997 from 80% to 50% (Ebbinghaus and Visser 2000:719). According to Willman, Morris and Aston (1993), telecommunications unions in that country had significant financial difficulties as well.
Our company, a monopoly until the 1990s, faced a similar scenario and experienced difficulties in regaining competitiveness in an increasingly liberalized telecom market. This resulted from two factors: technological shifts and regulation (Rivera Urrutia 2003: 335).

The most important technological shift was the introduction of a communication system based on data subsumed voice traveling through networks of broadband optic fiber (The Economist Feb-05-2005: 58). This increased the speed of telecommunication traffic, allowed firms to provide different services using the same infrastructure, and diminished significantly the costs of long, local, and wireless communications.

Although the company had been upgrading technologically since the 1980s, in the early 1990s it made the shift to optic fiber. Given the size of the company, this process was not only expensive, but also relatively slow. By the early 2000s the company was still implementing the last phases of the program.

In addition, a series of regulatory changes liberalized the sector in a relatively short time. Although already in the late 1980s the two main companies were divided into several local and long distance firms and ownership was completely privatized, the main push to liberalize the market came in 1994. That year a law was approved allowing any firm to get access to licenses for long distance and mobile communications and created a multi-carrier system that gave consumers multiple possibilities to directly dial long distance numbers. The new framework established subsidies for firms bringing in new technologies.\[14\]

\[14\] According to Rivera Urrutia (2003:332-342) the results of the 1994 legislation were mixed. On the one hand, increasing competition reduced telephone rates by 60%. On the other hand, the legislation did little to eliminate monopoly behavior. This was the case for two main reasons. First, national and international long distance rates were established above efficient values. This allowed our company, the main owner of telecommunications infrastructure, to increase profits by overcharging other companies that needed to connect their lines to underground circuitry. Second, the very fact that our company had most of the infrastructure meant that its long distance carriers could use it without paying and therefore were able to offer prices below the market. As a result, various firms offering long distance services accused our company of predatory pricing.
In 1999 Congress passed a new law. This one sought to regulate mobile telecommunications and eliminate some of the deficiencies of the 1994 law. The legislation was mainly a response to our company’s refusal to pay the costs of connecting local traditional calls to mobile networks, which meant that mobile users had to pay both when they made a phone call and when they received one. The 1999 legislation established that service providers should pay one single and fixed rate to connect to available infrastructure and established a “calling party pays system.” It also created a new set of policies that allowed companies to use their own lines in combination with others at reasonable prices and increased the oversight powers of SUBTEL, an independent state agency in charge of overseeing telecom markets and services. More recently, SUBTEL established price ranges instead of the fixed rates to allow companies more flexibility.

The company resisted these changes. Throughout the early 2000s it sued the state unsuccessfully for business discrimination and financial losses, and lobbied intensively, but also unsuccessfully, to roll back the regulatory framework.

Facing serious financial difficulties by the late 1990s, in 1999, 2000 and 2002 the company engaged in massive layoffs that affected every area of the company and every workgroup in it. This meant the elimination of 5,476 jobs, half the company’s workforce.15 In addition, since 1999 the company offered new employees partially variable wages, contingent on firm performance (personal interview 4.10 08-19-2004, personal interview 4.12. 08-25-2004), moved to cut wages of senior workers by 30%, and sought to streamline the collective contract structure and value.

15 A little more than 1,800 workers left the company due to the fact that their firms were sold, but there were other 3,654 layoffs for workers due to labor rationalization.
2. The Collective Bargaining Outcomes in 2004

2.1. The Collective Bargaining Framework since the 1990s

Historically, during the collective bargaining process workers in the company, whether unionized or not, were represented at the bargaining table by groups of labor unions. Each group, referred to by labor union leaders as a bloc, negotiated one common collective contract. Blocs were occupational, political or strategic, and their composition varied significantly from one collective bargaining process to the next according to shifts in union leadership alliances. Table 9 summarizes the blocs’ composition in the 1998 and 2003 collective contract negotiations.


<table>
<thead>
<tr>
<th>Group</th>
<th>1998</th>
<th>2003</th>
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<tbody>
<tr>
<td>1</td>
<td>Unions 2, 12 and 13 + Union 15 *</td>
<td>Union 2</td>
</tr>
<tr>
<td>2</td>
<td>Union 3</td>
<td>Union 3</td>
</tr>
<tr>
<td>3</td>
<td>Unions 4 and 8 + Union 14*</td>
<td>Unions 8, 9, 10, 11, 12, and 13</td>
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<tr>
<td>4</td>
<td>Union 11</td>
<td>Union 4</td>
</tr>
<tr>
<td>5</td>
<td>Union 1</td>
<td>Union 1 and 7 + Unions 19, 20, 21, 22, 23 *</td>
</tr>
<tr>
<td>6</td>
<td>Unions 5 and 6</td>
<td>Unions 5 and 6 + Union 14 *</td>
</tr>
<tr>
<td>7</td>
<td>Unions 7 and 9</td>
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</tbody>
</table>

Note: (*) Not included in this study
Sources: Collective contract documents.

Since the 1990s, when many unions shifted from firm level to inter-firm level organizations, the collective contracts adopted the form of voluntary conventions. These expired every four years and tended to concentrate in the same period of time.

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16 During 2002 and 2003 some workers organized in non-unionized bargaining groups, but these never lived enough to actually negotiate.

17 During the late 1980s for example unions were divided in three bargaining blocs. One bloc was led by Unions 8 and 4 and was considered a left political coalition, another bloc was conformed by almost all unions organizing professionals and specialized technicians, and yet a third group was conformed by unions pro the military government (personal interview 4.12. 08-25-2004).

18 The main reason for this was that during the 1990s the company sought to re-negotiate prior to the expiration of the contracts.
Until the late 1990s the collective contract baseline included generous benefits that were routinely readjusted, and wages and benefits experienced some modest increases. The bargaining agenda focused on the appendices of the collective contracts. These were usually special concessions regarding working conditions, union privileges, and above average readjustments or increases in selected common benefits. In addition, unions negotiated performance assessment criteria and in several cases one-time severance pay deals that compensated the impact of technological upgrading on employment.

This changed rather brusquely after 1999. Not only were wage and benefit readjustments and increases not guaranteed anymore, but management sought aggressively to streamline the structure and value of individual and collective contracts. Health insurance, severance pay and a new wage scale were particularly contentious issues. The health plan was not only one of the earliest conquests of the unions in the company, but also gave workers 100% of coverage without co-pay. Severance pay was also a critical issue because of the recent massive layoffs and because the benefits were quite generous for senior workers, the main constituency of unions. In addition, the company asked for 30% wage cuts and made them partially variable depending on the company’s overall performance. These issues were highly resisted by unions and tainted the negotiating agenda in 1998-2004.

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19 The 2002 new wage scale was based on the average market wages other companies pay, with a maximum and minimum range in each wage category. Since the company’s wages were way above average this meant that wage cuts and freezes could go as high as 30%.
2.2. Variation in Formal Collective Bargaining Outcomes in 2004

According to union leaders unionized workers in the company historically enjoyed extensive benefits and tenure stability and were among the best paid in the sector (personal interview 4.10. 08-19-2004).

In fact, until 2003 most unions in the company shared a generous common collective contract blueprint. This included: wage readjustments above inflation, incentives, lunch, uniform, housing and family subsidies, transportation, education grants, child care, life insurance, and health insurance coverage and severance pay above the legal minimum. The common structure also contained the wage setting and occupational scale.

Specific appendices established the amounts and conditions of benefits in the areas of education, health and severance pay, and incentives, and stipulated special conditions and changes in working conditions, permits and vacations, safety issues, retraining and continuing education, as well as special privileges for union activity, and other benefits.

Thus, although the basic structure and value of the contracts was fairly similar, there were differences in the value of specific benefits. This was the case because, due to the strong occupational characteristic of the union structure, particular unions tended to favor some benefits over others.

In 2003 this changed because the five largest unions (Union 1, 2, 3, 4, and 5) and some small unions that adhered to the former’s collective contracts (Union 6 and 7, plus other five unions not considered in this study) accepted important cuts in what were the common health benefits and severance pay and accepted important modifications to the wage setting.20 The more important changes were: the introduction of a new wage scale of partially

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20 It is important to note that management was advocating these changes since 1999 and only in 2003 succeeded in making them happen.
variable wages that established a minimum and maximum range for each position, significant increases in health insurance co-payment, the outsourcing of the previously firm-owned subsidized health and dental services, cuts in severance pay, and a new incentive system that in addition to individual productivity took into account very strongly the firm’s economic performance. Most of these unions also eliminated several small benefits.

Although the 2003 negotiations did not include job security deals in exchange for the cuts, some individual labor unions sought to compensate the cuts by increasing training and education benefits, eliminating small benefits and passing their value to fixed earnings so as to have a higher value compensation package, making cuts gradual or delaying them as much as possible through transitory clauses, and increasing the weight of individual productivity, rather than the company’s overall performance, in incentive formulas.

In contrast, Unions 8, 9, 10, 11, 12, and 13 did not accept any of these changes and used Article 369 of the Labor law to unilaterally extend their last collective contract (1998 negotiation). As a result, in 2004 they apparently enjoyed more generous collective contracts.

However, these results were not only temporary, but also deceptive. First, in 2004 these unions were very small. The largest had 50 members, and the smallest two. The rest had between 15 and 30 members. This represented an important shrinkage, considering that in 2003 these unions had an average of 100 members each, and some had several hundred. In terms of union density the picture was abysmal, as well. In 2004, these unions combined organized around 4% of the total universe of unionized workers, mostly senior workers about to retire or subcontracted workers (personal interview 4.3. 08-26-2004). Second, these unions extended their collective contracts by means of the ability of Union 9, a union with only two members, to use Article 369. Thus, the sustainability of the collective contracts in the future
was highly contingent on the survival of the smallest union in this group. Furthermore, since Article 369 did not allow unions to readjust benefits by inflation or renew temporary benefits, the collective contract of these unions lost value compared to 1998. Finally, as will be explained later, these unions had a very conflictive relationship with management, which refused to meet with these unions unless they accepted the cuts. Thus, these unions were unable to negotiate at all.

In sum, although there were two groups of collective contracts, one more generous than the other, the precariousness and extremely limited scope of the unions with better formal outcomes suggests that the more generous collective contracts were only temporary and that these unions were endangering their own survival. Moreover, one way or another, the value of all the collective contracts was reduced.

3. Explaining Similar Collective Bargaining Outcomes

3.1. The Sources of Bargaining Power

Workplace Conditions

Across the company unions enjoyed low workplace leverage for two main reasons. First, subcontracting reached core aspects of production. Second, upgrading into digital technology made the company less vulnerable to stoppages because it allowed management to access the control of production remotely.

As the 2002 strike made clear, this impeded unions from stopping production even when the majority of unionized workers was on strike. Only white-collar workers in charge of logistic chains saw their power to disrupt production increase. However, many of these

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21 For a summary of individual unions’ formal bargaining outcomes see Table 4, Appendix C. For a summary of individual unions’ informal bargaining outcomes see Table 4, Appendix D.
workers enjoyed managerial status and therefore were not able to join the unions (personal interview 4.10 08-19-2004).

The growth of wireless technology also limited the ability of workers in this company to have more power of disruption. According to some union leaders, during the 2002 strike, not only did most services operate normally. Where problems arose, the company provided its customers with wireless service and cell phones operated by other firms.

_Labor Market Conditions_

Across the company unions enjoyed medium labor market bargaining power. This was the case because, although two-thirds of the workforce was skilled, employment policy legacies were mixed. Most workers directly hired by the company had indefinite contract arrangements, but workers had experienced three massive waves of labor rationalization in recent years. In addition, the fixed portion of the wage had decreased and the variable portion was contingent on firm economic performance.

Unions 2, 4, and 5 organized exclusively white-collar skilled professionals. The rest organized predominantly blue-collar skilled workers. Union 1 also organized many administrative workers at the corporate offices who, although they often did not perform extremely complex functions, were knowledgeable of firm-specific procedures.²²

Despite educational differences, almost 70% of workers had sector/firm specific skills. Although technological upgrading had rendered many previous skills obsolete, the fact that many of those workers were dismissed helped maintain more or less stable the historical level of skill in the workforce.

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²² The level of skill across the company increased more or less evenly in recent years for all unions in the company. This had to do with the subcontracting or elimination of less skilled administrative and blue-collar jobs in the 1990s, and the fact that during the 2000s massive layoffs affected in the same proportion all occupational categories of workers.
According to union leaders, despite homogenously high levels of workforce skill, management seemed to be more willing to negotiate with unions that organized professionals, just because union leaders and management officers shared similar wages, level of education and socio-economic status, and even the same language and mindset (personal interview 4.10. 08-19-2004). According to a company officer,

“The unions that have done better [Unions 1, 2, 3, 4 and 5] are the ones in which the leaders have a vision and accept the changes that are taking place in the industry, the business and the company…. That obviously has generally to do with the level of education (personal interview 4.4. 09-30-2004).”

Differences in the treatment of professional white-collar workers relative to skilled blue-collar workers, if they existed, however, did not affect the labor market bargaining leverage of unions. There were two reasons for this.

First, between 1998 and 2002 there were three massive layoffs, and in between smaller and more focused dismissals. According to union leaders, proportionally speaking layoffs affected every workgroup equally because management sought to reduce personnel in each work category by the same exact percentage (personal interview 4.13. 07-22-2004). Since blue-collar workers were more numerous, unions organizing them were more hard hit by job insecurity in absolute terms (personal interview 4.12. 08-25-2004).

In addition, white-collar unions had not experienced previous to 1999 a massive exodus due to firm restructuring and technological upgrading. The blue-collar unions in turn had not only negotiated in 1994 and 1996 massive early retirement deals with generous compensation which reduced their size (although not the level of unionization), but also lost many members due to previous firm downsizing, technological upgrading and outsourcing.23 Thus, adding previous downsizing to the massive layoffs of 1998-2002, between 1990 and

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23 Unions 2, 3 and 5 were not offered massive early retirements in 1994, and Union 4 decided to pass on the offer because the majority of members were young.
2004 several blue-collar unions shrunk approximately 80-90%. In contrast, in Unions 1, 2, 3, 4 and 5 overall shrinkage since 1990 was on average 50%. Since in the past blue-collar unions had traditionally been the largest unions in the company, this diminished the gap in union size, and changed the membership share of the total universe of unionized workers.

Second, wage and contract legacies were also fairly standard across the company. Most workers directly hired by the company enjoyed indefinite employment. However, these were a comparatively small proportion of the total workforce because of outsourcing and subcontracting. Many of these workers were easily dismissed anyway because the firm could legally reduce personnel by alleging economic hardship.

Moreover, a little less than two-thirds of the wage was fixed and variable income was dependent on a series of issues outside the control of workers, because in most cases incentive formulas gave an important weight to the company and department performance over individual productivity.

Product Market Conditions

Despite the apparently de-integrated structure of the business, the increasingly tight control from the corporate offices and the pyramidal structure of decision-making explain why not even the most modern areas of the company escaped from the economic impact of

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24 Union 7, which organized operators, was affected as early as 1986 by massive layoffs and after 1991 experienced constant job losses. This was the case because of the expansion of direct long distance carriers and major outsourcing of calling-centers. Union 6, which organized plant level blue-collar workers, was also one of the first unions affected by layoffs in the company. In 1991 after a major technological upgrading of the plants to fibre optical and digital technology many workers lost their jobs because fewer workers were needed.

Unions 8, 9, 11 and 13 lost many members in 1994 and 1996, after many of their members accepted a generous offer for early retirement to avoid being affected by major layoffs. Unions 8 and 9 accepted the offer as a negotiated alternative to layoffs. Unions 11 and 13 accepted the offer because a good number of their members were almost retiring. Union 12, founded in 1995, accepted a similar deal in 1996. Union 10 was only hit by the 1998-2002 layoffs because it was founded in 2002.

25 Union 1, a blue-collar union, was originally the most affected by the layoffs in this group, which might explain why the union, comparatively non-militant by the company’s standards, had a prominent role during the 2002 strike.
unfavorable market conditions and plummeting profits in the late 1990s (personal interview 4.15. 08-27-2004). As a result, product market leverage was consistently low among all unions in the company.

To confront its economic crisis, during the late 1990s management started to downsize all of its areas in order to cut operational costs. Even in the long distance firm, where profits have grown since 1994 and the organizational culture was more dynamic and horizontal than in the matrix, workers were hit hard by cuts and job insecurity (personal interview 4.15. 08-27-2004).

The wireless communications division, the most profitable, was sold to the parent company in 2003-04 and subsequently merged with another multinational corporation. This injected new cash into the company and allowed it to pay many of its most pressing debts in 2004-05. Since the wireless services had the greatest potential for growth, this sale decreased the product market leverage of unions.

This downsizing strategy is explained by the fact that the company could not increase the prices of telecom services because the regulatory framework established these, and even if the company could increase prices the elasticity of the product market and increasingly aggressive competition could worsen the economic situation.

Union Organizational Strength

There were some differences in organizational power among unions. These stemmed from the fact that, although in general union cohesion was low, some unions enjoyed more density than others. As a result, Unions 1, 2, 3, 4, and 5 had medium organizational strength, while the rest scored low on this variable.
Until 2002 union density across the company was almost 100% among the workers directly hired by the company. Union cohesion across unions tended to be high, too. This was the result of three factors. First, unions had strong leaders and clear occupational and political identities. Second, there was a long union tradition, and, because of the company’s strategic importance, unions had a strong national presence and mobilization capacity comparable to some national federations and confederations (personal interview 4.13. 07-22-2004). Third, most unions had strong member servicing and long-term assets.

As will be discussed in detail later in the chapter, in the aftermath of a 2002 strike, and especially during 2003, the organizational power of individual unions shifted very rapidly. Union 1 for example, previously an average size union, reached in 2004 almost 56% of the total union workers and organized most of the blue-collar workers. Unions 2, 3, 4, and 5 continued to be small because of their exclusive professional status, but maintained high levels of union density.

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26 Although since 1990s most union leaders had socialist militancy, whether blue-collar or white-collar, strong intra party factionalism accentuated political and personal differences among union leaders. Because of the national relevance of the company and the high proportion of skilled workers union leaders were usually well educated and/or had longstanding national presence.

27 The only exceptions were Union 2, whose well-paid members did not place so much interest in union benefits; and Unions 5, 10 and 12 who originated in the 1990s. Unions 6 and 7 had no member servicing because they had less than ten members.

28 In the case of Union 2, the union actually organized a higher proportion of professionals than in the past. This was due to the fact, that until the late 1990s the union targeted solely engineers. During the 2000s the union opened to all professionals in the corporate offices. Thus, psychologists, social workers, lawyers and other professionals joined the union (personal interview 4.10. 08-19-2004). Union 4 lost many members between 2002 and 2003, but after 2003, when it adopted a more conciliatory stance, recuperated members who had de-unionized or moved temporarily to Union 1. As of 2004 these union organized the majority of the in the field engineers. Union 5 organized the rest of those engineers, particularly those outside the capital city. Union 3 was the sole non-occupational. However, its constituency was mainly white-collar. Since it organized workers in one the younger areas of the company, a small subsidiary, layoffs and changes, although important these were comparatively milder.
In stark contrast, Unions 6, 7 and 8, the largest unions in the past saw their membership shrink dramatically.\(^{29}\) In 2004 these unions organized a minimal percentage of blue-collar workers (on average less than 1% each). Unions 8, 9, 10, 11, 12 and 13 had always been medium to small unions, but had shrunk as well. In 2004 on average they organized also less than 1% of unionized workers.

In many cases membership losses were due to layoffs. However, since those layoffs affected similarly all unions, shifts in blue-collar union density have to be explained mainly by the successful competition of Union 1, which in 2003 received the defecting members of the predominantly blue-collar unions that did not accept that year’s cuts (personal interview 4.9. 08-12-2004).\(^{30}\)

In sum, Union 1, mainly a blue-collar and low rank white-collar union, was the largest union, with 1,473 members. This union organized 56% of all unionized workers in the holding. Unions 2, 3, 4 and 5 organized professionals and had between 100 and 200 members. These unions combined organized 31% of the rest of unionized workers, each sharing between 4 and 8% of that universe. The rest were blue-collar and organized around 25 to 50 members, each organizing 1 to 2% of the unionized workers.\(^{31}\)

\(^{29}\) Unions 8 and 13 used their inter-firm status to recuperate membership in other companies in the sector. In 2004, Union 8, for example, represented 300 non-unionized workers in a calling-center. The union offered these workers, mostly under temporary contracts, collective bargaining representations without any membership dues or obligation to unionize. The union intended to increase representation and unionization in more precarious areas of telecommunications and focus on recruiting and organizing previously non-unionized workers. According to a union leader, “We are all weaker, but what happened to Union 8 is terrible because until very recently it was one of the largest and most powerful unions in Chile. Although it has been able to survive somehow in other firms it lost its “specific weight” because the workers it organizes now are under very precarious contracts (personal interview 4.14. 09-28-2004).” Union 13 also recovered members who had originally left the union, but most of them intended to retire during the next four years (personal interview 4.7. 08-31-2004).

\(^{30}\) Because of its strong presence in the corporate edifice, Union 1 was also initially able to lure defecting members of Union 4. However, these members returned to the union as soon as it accepted the cuts.
With a couple of exceptions, union leaders attributed the extreme weakening of previously strong blue-collar unions to management intimidation after these unions did not accept cuts in 2003. Several union leaders sued the company for unfair labor practices and in some cases were successful. However, labor trials were lengthy and economic sanctions relatively small.

In 2004 Unions 6, 7, 8, 9 and 10 were living off their savings and investments, since after 2002 they had not collected membership dues. Unions 11, 12 and 13 collected membership dues and had some savings, but most of this money was spent on legal fees. As a result these unions provided little to no member servicing. None of the unions in this group received firm contributions. As a result, in 2004 most of these unions were loosing much of their previous infrastructure and savings. In addition, the increasing isolation of these unions due to their more militant strategies explained the difficulties they faced when trying to maintain internal discipline. Since most unions in the company tended to have relatively undemocratic internal relations, opposition usually ended in the defection of members opposed to union leaders’ strategic orientation. The exceptions were Unions 6, 7, 10, which during the 2000s had so few members that union decisions were usually unanimous.

In contrast, Unions 1, 2, 3, and 4 still had as of 2004 an extensive member servicing or bank account. In the case of Union 1, although membership dues were not particularly high, the union received firm contributions and cash returns from investments. Union 4 in turn received no firm contributions but membership dues were high, and like Union 1, had

31 According to union leaders (personal interview 4.11, 09-24-2004, personal interview 4.12. 08-25-2004), the situation in 2004 represented an important departure from the past, when membership was more even and Unions 6, 7 and 8 organized most of the blue-collar workers (personal interview 4.10. 08-19-2004, personal interview 4.12. 08-25-2004, personal interview 4.9. 08-12-2004).

32 Since the 1980s the union profited from a dental clinic, invested in stocks and acquired property.
savings and investment that produced annual returns. Both unions provided extensive member servicing. In the case of Unions 2 and 3 membership dues were high, but the unions did not receive firm contributions and had more modest investments or savings. Both unions devoted most of their resources to preparing for collective bargaining and had more modest member servicing systems (personal interview 4.10. 08-19-2004, personal interview 4.15. 08-27-2004). According to a company officer:

“Unions that organize professionals tend to be less fixated on benefits, whether given by the firm or the union. This is the case because in general their members enjoy higher salaries that allow them to buy good quality services in the market (personal interview 4.4. 09-30-2004)”

Union 5, which also organized a number of professionals, had the most modest member servicing in this group. Due to the fact that it was founded only in 1998, in 2004 the union had no savings or investments. In addition, the union did not receive firm contributions and asked for modest membership dues. Its resources were divided between some member servicing and preparations for the collective bargaining process.33

Only in 2003-04 did Unions 1, 2, 3, 4 and 5 overcome cohesion issues. Unions 1, 2 and 4 leaders experienced problems between 2000 and early 2003. In these cases, the unions saw members defecting from union campaigns, particularly between 2002 and early 2003 when the leadership oscillated between maintaining Article 369 and negotiating.

According to its main leader, the strong discipline in Union 1 after 2003 was due to the fact that members were constantly asked for their input through surveys. Action was based on the results of these surveys (personal interview 4.9. 08-12-2004). In the case of Union 2, one of its leaders pointed out that the union worked through technical committees that offered alternatives to the assembly, which voted on the best option, and this helped

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33 Since the leaders worked outside Santiago, most of the union resources were spent traveling to the company’s headquarters and preparing to negotiate.
boost union cohesion (personal interview 4.10. 08-19-2004). In this case, union solidarity was high also because of internal geographical and occupational homogeneity (personal interview 4.11. 09-24-2004). In the case of Union 4, the leadership pointed out that the rank and file had always been quite undisciplined. However, during 1996 and 1998 disgruntled members left the union giving it a more politically homogenous composition. Since 1998 the union had become more disciplined and after it left Article 369 in 2003, the leadership had even fewer problems enforcing union discipline (personal interview 4.12. 08-25-2004).

Finally, in the case of Unions 3 and 5, leaders argued that they never had severe problems enforcing union discipline. In the case of Union 5, however, union cohesion did not seem to be particularly high. This union had always been small and workers tended to be passive and scattered in different cities. Thus, they seldom challenged union leaders’ strategies (personal interview 4.14. 09-28-2004). Also, since the union did not participate in the 2002 strike and was formed after the massive layoffs, workers had not faced an imminent threat that could create more difficulties in regard to union discipline.

In the case of Union 3, strong discipline had to do with the fact that workers in the firm had relatively high levels of union solidarity despite the increasingly high levels of turnover. This was due to three factors. First, most workers in this union had medium to high levels of education, were relatively young, and labored exclusively in one of the firm subsidiaries of the company. Thus, member composition was more homogenous than in other cases. Second, since the beginning, management at this firm subsidiary had a completely different organizational culture. According to a union leader:

“Our firm emerged as a modern, dynamic area in our company. Thus, it tended to be less hierarchical and more efficient. The firm was small and we had a lot of work, but the environment was dynamic, and there was a sense of trust and autonomy (personal interview 4.15. 08-27-2004).”
Finally, this union did not go on strike in 2002 because it had already negotiated. These three factors generated conditions that increased interactions among workers and fostered an environment of greater trust among workers and between workers and management (personal interview 4.15. 08-27-2004).

3.2. The Bargaining Process between 1990 and 2004

In this section I argue that because of the economic situation of the company, management accelerated during the late 1990s a streamlining trend that had started early in the decade. By 2004 changes in the organization of work had severely damaged the structural power of unions and, less visibly, weakened them organizationally. Thus, despite their historical strength, during the early 2000s unions all across the company suffered important defeats in their attempts to pressure management by stopping production. This meant that in 2003 many unions ended up having to accept cuts.

Between 1990 and 1998 the labor relations framework tended toward more accommodation.\textsuperscript{34} If during the 1980s all unions --with the exception of Union 8-- had equal access to negotiations, between 1990 and 1994 Union 8 enjoyed a predominant role in an agreement between labor unions and management to exchange wage restraint for labor union involvement in managerial decisions. Thus, not only did the most militant unions become

\textsuperscript{34} Before 1990 relations with management were difficult. This, combined with relatively high levels of politization and significant state intervention in the sector, led to a routine of small and short strike campaigns that usually ended in the company granting concessions (personal interview 4.9. 08-12-2004). Although militancy within the company declined in the 1980s, Union 8, the main union until 1973, started playing again an important role in national politics, conforming with other ten unions the first political coalition publicly opposing the military government (Campero and Cortázar 1986). This union led massive oppositional campaigns. During this time the internal labor relations framework became even less accommodating. However, unions achieved important collective contract gains. This stemmed from the fact that collective bargaining never really stopped (personal interview 4.9. 08-12-2004), and that the firm, state-owned at the moment, wanted to avoid massive strikes (Labor Union 8 memories). In 1986 workers won an arbitration process that was positive for workers and included many of the clauses for which workers went to strike in 2000 (personal interview 4.12. 08-25-2004).
more restrained, but also political and ideological issues receded as more technical issues, such as merit evaluation, safety and retraining, relocation and severance pay gained importance (personal interview 4.13. 07-22-2004 and Union 8 Internal Memo n/d pp.3). Labor union leaders perceived this agreement as establishing a system of co-governance (personal interview 4.10. 09-24-2004, personal interview 4.9. 08-12-2004, and personal interview 4.12. 08-25-2004).\textsuperscript{35}

Despite the fact that increasing partnership between unions and management pushed up the collective contract structure (personal interview 4.12. 08-25-2004) and facilitated union coordination, it generated splits within unions. Several leaders, especially from Unions 4 and 8, became increasingly hostile toward a model of partnership labor relations because, they argued, labor unions were giving up job security without fighting. These leaders also pointed out that the system allowed for mere consultation rather than co-government and the preference given to some unions was a managerial strategy to divide organized labor (personal interview 4.3. 08-26-2004).\textsuperscript{36}

The honeymoon between unions and management ended after 1998. In that year, and despite some small differences in the collective contract, labor unions negotiated collective contracts considered to be the best since 1986 (personal interview 4.7. 08-31-2004, personal interview 4.10. 08-19-2004, personal interview 4.12. 08-25-2004, and personal interview

\textsuperscript{35} Despite this, during the 1990s individual unions continued engaging in short strikes. Nonetheless, militancy was tempered by conciliatory movements and seemed to have represented a ritualistic behavior (personal interview 4.9. 08-12-2004).

\textsuperscript{36} After 1994 several of these disgruntled leaders left their unions. Accompanied by small groups of followers, they formed new unions. These younger unions, mostly blue-collar, ended enjoying the same generous collective contracts than the older unions because the company recognized their previous collective contract as the negotiating floor. Moreover, since unions negotiated in blocs, weaker unions teamed with more consolidated unions.
4.13. 07-22-2004). As a result, even until the early 2000s workers were well-paid and enjoyed extensive benefits and tenure stability (personal interview 4.10. 08-19-2004).

However, things started taking a bad turn for unions in 1999. That year the corporation’s European headquarters was completely privatized and the Chilean management suffered a complete change.

The new management had a mandate to improve the financial situation of the company. The style of the new management was also quite different from its predecessor. It focused on cutting operational costs through labor and wage rationalization. In a signal of what was to come, no unions were invited to discuss the conditions of the downsizing and unions were offered the exact same conditions. More important for workers was the fact that between 1999 and 2002 management delayed the pay of the extra compensations considered in the 1998 collective contract and undertook three massive rounds of layoffs, offering no compensation beyond the legal minimum (personal interview 4.7. 08-31-2004). While most labor unions fiercely opposed any cut, the company’s president personally campaigned for them in the corporate building, asserting that changes were inevitable because the company wanted to avoid bankruptcy. Union leaders, he argued, knew this but opposed the changes because of political and personal motivations (personal interview 4.7. 08-31-2004).

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37 The 1998 negotiation raised many benefits and levelled wages so that all workers in the same occupational category shared the same salary. It also established a fund of $13 million to cover the whole value of the collective contracts across the company. On top of this, blocs of unions negotiated specific benefits to be appended to their individual collective contracts. These were very similar across unions, but the amounts and conditions varied, since some benefits were more important than others depending on the occupation and the characteristics of the constituency. For instance, collective contracts of less skilled workers had an important focus on severance pay, while the collective contracts of professionals were stronger in health provisions, and less skilled white-collar workers contracts in education and retraining.

38 The new management team arrived with a reputation for hampering unionism (personal interview 4.7. 08-31-2004, personal interview 4.8. 08-23-2004 and personal interview 4.12. 08-25-2004). The new president had been the head of a major utility company just after it was privatized. When he left that company in 1999, previously strong had been reduced to the minimum (personal interview 4.12. 08-25-2004).
Union leaders viewed this as a betrayal (personal interview 4.7. 08-31-2004). Very quickly more militant positions gained greater support. Given the refusal of management to withdraw the cuts and unions to accept them, unions founded the first company-wide articulation,\(^39\) and as part of the 2002 collective bargaining process, called a massive strike. This lasted 28 days and captured the media’s attention.

However, the strike was a failure. First of all, workers were unable to stop the company from functioning normally.\(^40\) Second, the company began unlawfully hiring substitutes from day one\(^41\) and offered customers experiencing difficulties new cell phones and other forms of compensation. Furthermore, during the strike several labor leaders were investigated by the police under allegations of having sabotaged the company’s infrastructure, a crime prosecuted under Chile’s anti-terrorist law.\(^42\)

As days passed, the company continued to maintain an inflexible position and seemed willing to absorb any loss to avoid giving in to workers’ demands (personal interview 4.7. 08-31-2004). The confrontation with the company was so harsh that a significant number of

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\(^{39}\) Only two unions under review in this chapter were outside this coordination, Union 3 because it had already negotiated and Union 5 which actually opposed it and whose workers substituted workers on strike (personal interview 4.14. 09-28-2004).

\(^{40}\) In 2002 the company had already outsourced and subcontracted functions related to the maintenance of the infrastructure and the provision of customer services, as well as digitalized the plants. Thus, most of the daily provision of services could be done remotely or was actually performed by other firms. During the strike the control of the residential lines, for example, was operated from Brazilian facilities owned by the European parent company (personal interview 4.2. 09-27-2004). In addition, not only some unions (Union 3, 5, 6, and 7) had not adhered to the strike because they had already negotiated, but also members of Union 5 actually substituted workers during the strike.

\(^{41}\) For this behavior the company was sanctioned by the courts and paid fines. Since by law the fines cannot exceed 20 UTM (around $ 1000 in 2005) the costs for companies for violating the law were not particularly damaging.

\(^{42}\) The main leaders of Union 8 were interrogated for almost 24 hours, and state officials publicly condemned the strikers for terrorist conduct (personal interview 4.10. 08-19-2004). One leader recalled off the record that leaders of Union 8 were interrogated by the police who had them naked during the interrogations and that afterwards detectives followed several union leaders.
individual workers became weary and afraid, and halfway through the strike returned to their jobs (personal interview 4.13. 07-22-2004, personal interview 4.9. 08-12-2004). Union 2 was the first organization to defect and was followed quickly by Union 1.

On the 28th day, union leaders called off the strike to avoid the possibility of workers being fired by the company as the law permitted. By then, Union 2 had already opened new negotiations with the company. The rest of the unions decided to extend their previous collective contract under Article 369 of the labor law and not accept the cuts. After the strike, management made it clear that the company was determined to not give in to any of the unions’ demands, making union’s acceptance of the cuts a precondition for further negotiation (personal interview 4.4. 09-30-2004). Since most of these unions had inter-firm status, this meant in practice the firm’s refusal to negotiate. This was very dangerous for unions because since they negotiated voluntary conventions if the collective contract expired all the provisions were automatically wiped out.

In 2003 Unions 1, 2, 3, 4 and 5 accepted the cuts and negotiated a new leaner collective contract.43 By late 2004 these unions accounted for the majority of the unionized workers. Unions 6 and 7, with less than seven members each, adhered to the collective contracts of Union 1 and 5, respectively. Despite some compensation, the 2003 negotiation was an important setback for workers in these unions.

In contrast, Unions 8, 9, 10, 11, 12, and 13 decided to continue extending unilaterally their 1998 collective contract under Article 369, rather than accept the cuts.

43 This was even the case for unions that sided with management during the strike. According to the main leader in Union 5, “The strike was harsh. Our members showed the company their loyalty working even 24 continuous hours to keep the facilities running. In the end, we have gained the recognition of the company, which has engaged us in negotiation despite the fact that we are small but we were unable to maintain our benefits and even job security (personal communication 4.14. 09-28-2004).”
Since 2002 these unions have settled all of their demands through the courts (personal interview 4.4. 09-30-2004). According to union leaders, despite the judicial gains,\textsuperscript{44} most workers (almost 90\% of the membership in cases like Union 8) left these unions terrorized by the company and moved to Union 1, the only blue-collar union that was on good terms with management (personal interview 4.1. 08-30-2004, personal interview 4.7. 08-31-2004 and personal interview 4.8. 08-23-2004).

For labor unions the risk of employing the Article 369 against the company’s wishes was the possibility of extinction. However, many union leaders thought that Article 369 also represented the possibility of survival. For some union leaders, it was a way to protect the old structure of benefits. Since its structure was more generous than that of the unions that accepted cuts, these unions could eventually lure members back to the union (personal interview 4.3. 08-26-2004). For other union leaders it was a way of preserving a tie rather than accepting outright defeat (personal interview 4.7. 08-31-2004 and personal interview 4.8. 08-23-2004).\textsuperscript{45} Yet for others, the fact that collective contracts could be renewed indefinitely under the Article 369 offered the possibility of maintaining a generous collective contract structure as a point of departure for negotiating with future managers more positively predisposed toward them (personal interview 4.7. 08-31-2004).

In any case, in 2004 the particular situation of these unions was one of survival. According to a union leader:

\textsuperscript{44} In 2005, these unions were awarded by the courts a reimbursement of the part of the $13 million the company had not paid.

\textsuperscript{45} According to a senior union leader, “Here [at the company] the worker is the weakest link and the 369 is like spitting in their [management] face. They want everything or nothing. We thought that it was possible to achieve a balance but as it turns out it was all a lie to weaken us before hitting us. And…we believed it (personal interview 4.8. 08-23-2004).”
“We will maintain the 369 as long as we can and as long as it does not mean economic loss for workers. In the meantime we are suing the company for funds it owes us and for unfair labor practices. We do not know if we will be able to recompose things, but the 369 gives us time to show workers that it is possible to defeat the company judicially because they have wronged workers. Maybe we will all be fired but we won’t give up (personal interview 4.3. 08-26-2004).”

According to another leader:

“We are in a very critical moment. We have the hope that we will recuperate but it will be a titanic labor to be achieved over time and we don’t even know if we will be able to succeed (personal interview 4.8. 08-23-2004).”

The events since 2002 signalled a turning point for all the unions. To some union leaders, the events after 1999 showed that the company did not care about workers at all, so unions were right in trying to extract as much as possible from the company, even if it meant forcing it into bankruptcy. 46 This logic was predominant among unions operating under Article 369. To other union leaders, the strike and subsequent events showed that the company was more powerful than the workers, and was determined to and capable of crushing any opposition. Since workers were being negatively affected anyway, it was better to negotiate the conditions of change. This was the logic of Unions 1, 2, 3, 4 and 5.

The 2002 strike also negatively affected the general organizational culture. According to union leaders, massive layoffs and wage cuts had, in combination with perceived firm inflexibility, generated an organizational environment that made workers feel highly controlled and stressed by management, distrustful of unions, and insecure about job continuation (personal interview 4.8. 08-23-2004). In addition, authoritarian practices tended to be very common and the general attitude in the workplace was “one of accept it or leave it” (personal interview 4.10. 08-19-2004). According to a union leader:

“The problem here with labor relations has to do with two things: trust and management style. Because job insecurity is always hanging over your head, people want to...”

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46 During the 2000s these unions won two millionaire trials against the company (personal interview 4.8. 08-23-2004)
please their bosses rather that do the job well so we’ve become more inefficient (personal interview 4.10. 09-24-2004).”

In the words of a company officer:

“The company has shifted away from a culture of benefits where what the firm gives to workers matters the most, to one in which workers’ attitudes, collaboration with the company and trust makes a difference. This means transforming the internal mindset of workers. We are thus informing workers and new recruits about the shift from tenured job to “employability.” We highlight that workers’ wages will be based on internal equity and external wage competitiveness (personal interview 4.4. 09-30-2004).”

This had several consequences. First, it fomented an adversarial attitude among unions that did not accept cuts and those who had. Second, it made management unwilling to negotiate with unions that had not accepted the cuts. According to a company officer,

“A lot of unions continue to exist just for the sake of union leaders’ job security [by law union leaders cannot be fired]. We have invited the ones that diverge from us and the little ones to negotiate, but they do not want to. Unfortunately the law does not allow us to request their dissolution (personal interview 4.4. 09-30-2004).”

According to a union leader:

“The current management was set in place to eliminate jobs, cut wages and destroy the union leadership. This would shift the balance of power toward the firm and make it possible in the future to leave workers at the mercy of business (personal interview 4.8. 08-23-2004).”

Third, it gave Union 1, a union that had a leading role in the 2002 strike but was the only blue-collar organization to negotiate in 2003, a strategic, although informal and contingent advantage, over its counterparts. According to its leader:

“We had suffered three massive layoffs and a huge strike. We also realized that the 369 is unsustainable over time and we had to talk with management. If not we were going to die. We also thought we could do something with regard to job security. So, we accepted the changes. Although we have not been able to secure jobs we have been able to give input into the company’s labor policies in order to protect the welfare of our members and in better times recover some outsourced jobs. We’ve been able to grow because those who have not done like us have been wounded more than us (personal interview 4.9. 08-12-2004).”

As of 2004 Union 1 enjoyed particularly good relations with management (personal interview 4.10. 08-19-2004). In fact, this union was the only one whose leaders met regularly
with management and received firm contributions. According to all other union leaders interviewed for this work, Union 1 enjoyed a strategic alliance with management that allowed it to undermine the more militant or autonomous strategies of the rest of the unions and gain an advantage over competing blue-collar unions. This created a rift between this union and the rest. Although this helped the union to gain membership and become the largest union in the company, it is unclear what real and tangible extra benefits the union had actually secured for its members.

4. Conclusions

In this chapter I have discussed the collective bargaining situation of thirteen labor unions in a Chilean subsidiary of a multinational telecommunications corporation. In the first section I presented the company’s main characteristics, including its business and union structure in 2004 and developments since 1990. In the second section I examined the formal structure and value of the collective contract, as well as individual union results. The third section focused on the factors behind variation in individual union bargaining outcomes. This section summarizes the empirical findings and arguments.

The findings of this chapter suggest that, despite the fact that a number of collective contracts appeared to be more generous, since 1998 not one union in the company was able to negotiate propitious conditions. Moreover, in 2003 most unionized workers lost historic collective contract gains because the largest unions at the time accepted wage and benefit

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47 Of the remaining unions, Unions 2, 4 and 5 enjoyed access to management, but the relationship was more difficult (personal interview 4.10. 08-19-2004, personal interview 4.12. 08-25-2004). Union 3 met regularly with its firm management, which had a more open style than the parent company, but had similar access as Unions 2, 4 and 5 to corporate management. The rest had little communication with management.
cuts and many previously strong blue-collar unions that did not accept cuts were on the verge of extinction. As Table 10 illustrates the overall bleak picture was the result of four factors.

First, due to pervasive subcontracting of production and technological upgrading, throughout the 1990s unions across the company lost their capacity to disrupt production. Second, gradual but constant upgrading into labor-saving technologies throughout the 1990s, and massive layoffs affecting all categories of workers in the late 1990s and early 2000s, generated high job and wage insecurity. Thus, although the skill level of the workforce remained relatively high, unemployment was a real menace for workers, many of whom had firm-specific skills. Third, extremely bad firm economic performance decreased to almost zero the product market power of unions because despite its de-integrated structure, profits were consolidated at the matrix, which overall showed economic losses since the late 1990s. Finally, the failure of the 2002 strike not only made visible these weaknesses, but also, in the context of strong union competition and management inflexibility, weakened the organizational power of unions. This affected particularly blue-collar unions, previously the strongest labor organizations in the company. Thus, during the early 2000s unions in the company enjoyed only medium workplace, low labor and product market leverage, and medium to low organizational power. This was an important departure from the past, when the situation was considerably more favorable in all four areas.

Between 1999 and 2004 unions experienced important management pressures regarding the streamlining of collective contracts, as well as across the board wage cuts. These pressures were successful after 2002, when a massive strike proved unable to stop production. In 2003 the white-collar unions plus one blue-collar union finally accepted the
cuts. The remaining blue-collar unions decided to not accept the cuts, and extended once more their last collective contract unilaterally, using Article 369 of the labor code.

The particularly nasty management-labor relations that developed during 2002-2004 ended up alienating unions that persisted in rejecting cuts. Although management intimidation is illegal in Chile and sanctioned as an unfair labor practice, all interviewees mentioned it as one of the reasons why Article 369 had had such severe negative consequences for union membership. Although throughout the early 2000s unions filed several lawsuits against management, as of 2004 few cases had been resolved positively for unions and economic sanctions for the company were relatively moderate.

Although unions in this company lost a great deal, due to their previous strength they were still alive in 2004. First, around 60% of workers continued to be unionized. This represented a decline of almost 40% in unionization compared to 2000, but still was high in sectoral comparative perspective. Second, the original cuts proposed by the company included a complete elimination of benefits and greater variability of wages, and represented 30% cuts in real wages for all workers. Unions that negotiated in 2003 reduced and delayed those cuts for most workers. On average, workers in these unions accepted a 10% cut in real wages over a three-year period and were able to secure generous education benefits. Unions that did not negotiate also had an important role in showing workers and management the persistence of worker organization amidst a hostile environment.
Table 10: Summary of Main Arguments. Telecomm Company.

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<th>Unions</th>
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Note:
* Temporary results in 2004 covering only 6% of all unionized workers. Outcomes achieved at the expense of individual unions significant membership losses and weakening of union organization.
CHAPTER VIII
LABOR UNION BARGAINING POWER ACROSS COMPANIES

This chapter examines variation in labor union collective bargaining outcomes across the companies reviewed in the previous four chapters. It seeks to understand whether, in 2004, the number of unionized workers covered by generous collective contracts was higher in some companies than in others and, if so, why?

I argue that the banking company had the highest proportion of unionized workers enjoying generous collective contract benefits, followed by the manufacturing, retail, and telecom companies in descending order. This variation was positively associated with differences in my four independent variables. In the banking company, on average, unions enjoyed high workplace, labor market, product market and organizational leverage. As a result, during the 1990s and early 2000s all unionized workers in this company were able to increase significantly the value of their collective contract. In the manufacturing company, although unions were organizationally strong, on average they enjoyed only medium workplace, labor market, and product market leverage. Hence, on average unionized workers were only able to protect pre-existing benefits and negotiate small readjustments.

In the retail case, although unions enjoyed high product market leverage they had low workplace, labor market and organizational bargaining power. Thus, although unions’ collective contracts had an upward trajectory, increases were generally very modest in absolute terms for most unionized workers. Finally, in the telecom company, on average
unions enjoyed medium workplace power, but had low labor market, product market and organizational leverage. As a result, in 2003 most unionized workers lost health insurance and severance pay, collective benefits that they had enjoyed in the recent past.

The chapter is organized in three sections. The first section discusses the methodological approach of this chapter and ranks the companies according to their value on the dependent variable. The second section provides evidence to answer the questions of the chapter. The final section summarizes the findings.

1. Measuring Labor Union Bargaining Power across Companies

Despite some basic commonalities, labor union collective contracts across the companies studied varied significantly in terms of their value and structure.

Perhaps the most obvious way to compare bargaining outcomes would be to examine the overall monetary value of the collective contract. However, the information needed to assess this is quite detailed and in some cases was simply not available.

For instance, benefits were sometimes expressed as percentages over the fixed portion of an individual worker’s wages, in others as a percentage over the worker’s total earnings, and yet in others as lump sums. In some cases different methods for calculating different benefits even coexisted within the same collective contract. Calculating the overall value of the contract thus required converting everything to a comparable unit (Chilean pesos). This meant having access to each worker’s individual contract, as well as to their actual earnings disaggregated by fixed and variable wages, and in some cases information on productivity and profits. In two cases I was able to gather most of this information, but in the other two it was not in the public domain and management denied my requests for access.
In addition, calculating the overall contract value required estimating the actual number of workers covered by the collective contract. Since Chilean law allows unions to represent non-unionized workers in exchange for 75% of the union fees, and the collective contract covered only workers that signed it, the real number of workers covered by the collective contract could only be assessed with the list of workers actually covered. In most cases collective contract documents did not include an appendix with the names of the workers covered. Most unions and employers kept independent records and the information was also deposited at the Dirección del Trabajo. However, I was unable to gain access to this information, because, in the interest of protecting workers’ privacy, none of these parties was willing to release it.

A second way to approach this question would be to compare the nominal value and the structure of benefits offered by the different companies. I took this approach in the chapters that explore variation within the different companies. However, implementing it across companies presented major difficulties. The central reason was that the companies offered very different types of benefits, the value of which, again, was hard to compare without some information about their monetary value. This problem could be bypassed in the within-company comparisons because unions bargained over the same basic menu of benefits, whether they received them or not, and each benefit was expressed in the same unit.

To avoid these problems, this chapter takes a different approach. Based on an assessment of general trends in collective bargaining, I assume that in recent decades most employers have moved to streamline collective contracts. My own fieldwork suggests that in Chile the main target of employers’ cuts were the most expensive of the collective contract
clauses, health benefits and severance pay,\(^1\) key benefits that most labor unions aimed to maintain or improve.\(^2\) Thus, I argue that the ability of unions to maintain or augment these clauses is a good indicator of labor union bargaining power.

To control for the number of unions, union size, adherence of non-unionized workers, and variation in the benefit structure within each company I operationalize the dependent variable as the percentage of unionized workers that, during 2004, were covered by severance pay and health benefit clauses above the legal minimum. This percentage, I believe, is a relatively faithful reflection of the overall bargaining power of unions in a particular company. The following table ranks the four companies under study according to their value on the dependent variable.

**Table 11: Labor Union Bargaining Outcomes across Companies (2004)**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Company</th>
<th>% of unionized workers covered by health and severance pay collective benefits above legal minimum over total unionized workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking</td>
<td>3834 out of a total of 3834 100%</td>
</tr>
<tr>
<td>2</td>
<td>Manufacturing</td>
<td>499 out of a total of 730 67%</td>
</tr>
<tr>
<td>3</td>
<td>Retail</td>
<td>1350 out of a total of 4512 30%</td>
</tr>
<tr>
<td>4</td>
<td>Telecom</td>
<td>148 out of a total of 2614 6%</td>
</tr>
</tbody>
</table>

Sources: Interviews and active collective bargaining documents by 2004.

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\(^1\) In the United States the main collective contract clauses in dispute were pensions (William Walsh 2006). This was not the case in Chile where the pension system was completely privatized during the 1980s.

\(^2\) Because of the strong means tested character of Chilena social policies, cuts in these benefits resulted in important decreases in workers’ final earnings and affected negatively the future welfare of workers in case of labor downsizing.
2. Cross-Company Comparative Analysis

2.1. The Sources of Union Bargaining Power

Workplace Conditions

Workplace conditions were different across the companies. In the banking case on average unions enjoyed high bargaining power because production was highly integrated and dependence on speed and high performance made the company vulnerable to stoppages. In the manufacturing company, on average, unions enjoyed medium workplace power because, although the work organization rendered the company vulnerable to stoppages, in several areas of the company core aspects of production were subcontracted. In the retail company workplace was low because work organization limited considerably the ability of unions to disrupt production. In the telecom company, workplace leverage was medium because pervasive subcontracting and technological upgrading shielded the company from stoppages.

In the four companies subcontracting and outsourcing of production were a reality, but levels of de-integration varied.\(^3\) In fact there were significant differences in what was being subcontracted, the extent of subcontracting, and its impact on the ability of unions to disrupt production. In addition, productive structural conditions generated a great variation in the work organization and type of technology employed across the companies, and their level of vulnerability to worker disruption.

In both the banking and manufacturing companies, levels of de-integration were lower than in the telecom and retail companies. In fact, in these cases most of the subcontracted workers were low skilled and labored in peripheral functions (personal

\(^3\) Consistently across the companies around 40% of workers were subcontracted. In only very few cases inter-firm unions represented these workers.
interview 3.7. 07-15-2004, collective interview 1.4. 03-23-2004). This allowed unions in these companies to maintain control over the core of production, as well as increase the occupational homogeneity of members and the proportion of skilled workers. However, in the manufacturing company half the company had subcontracted core aspects of production.

Systems of production in both cases were dependent on high performance and client demand rhythms. Because production in both companies stressed quality, employers were sensible to boycotts and strikes. In addition, in the banking case network methods were very important and gave an additional boost to union bargaining power.

In the retail company, on average in every area of the company half the workers were subcontracted. This included both peripheral and core jobs. In addition, the company had not yet introduced Wal-Mart style pull distributional systems, which digitally monitor product demand and stock the store accordingly. As a result, the company was not vulnerable to massive stoppages.

In the telecom company, although many subcontracted workers were low skilled, the proportion of specialized blue-collar workers subcontracted was close to 50%. In addition repairs and service provision and other key aspects of production were almost completely outsourced (personal interview 4.2. 09-27-2004, personal interview 4.10. 08-19-2004). Although outsourcing affected specialized workers as well, a few highly specialized white-collar workers gained more bargaining power because they were given control of complex

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4 The only exception within the company was Firm 3, which had also subcontracted parts of the production process.

5 Most of these changes occurred, with few exceptions, all along the 1990s, but after 1999 were accelerated and applied to every part of the company (personal interview 4.12. 08-25-2004, personal interview 4.6. 09-07-2004 and personal interview 4.2. 09-27-2004). The exceptions were blue-collar and white-collar low skilled functions, which were already subcontracted or eliminated during the mid 1980s. For instance, when in 1984 the company automatized operator services approximately 60% of workers performing those functions were dismissed (personal interview 4.10. 08-19-2004)
internal and external logistic networks that required high levels of skill. Since several of these workers enjoyed managerial status and therefore could not join the unions, these leverage advantages did not translate into union bargaining power. In addition, digital technology allowed for remote control of services. As a result, the company was able to resist union stoppages.

Labor Market Conditions

Labor market conditions also varied across companies. They were more favorable in the banking company, where the workforce was highly skilled, and workers did not feel threatened by legacies of massive layoffs and were guaranteed relative job and wage stability in exchange for good job performance. In the manufacturing company unions enjoyed medium labor market power because, although the workforce was also highly skilled and wage and contract conditions were stable, in some areas workers had experienced massive layoffs due to firm downsizing and restructuring. In the retail case labor market power was low because workers tended to be low skilled and had flexible and precarious employment and wage arrangements, and the firm undertook periodic cuts to the workforce. Finally, in the telecom case labor market power was also low. This was the case because although the workforce tended to be skilled, unions experienced massive layoffs and although most employees were still hired under indefinite contracts, wages were becoming increasingly unstable and variable.

According to its annual report, in 2004 around 70% of the bank’s workers were white-collar employees performing financial activities. Forty-six percent of them were professionals with technical or college education, and 24% white-collar workers with firm-specific skills. The remaining 30% were semi-skilled and low skilled administrative workers.
The high proportion of skilled workers in the company is explained by the fact that bank operations include complex administrative and financial operations, and workers, despite their level of education, must undergo extensive training in internal operations and bank procedures. These operations need to be conducted in a relatively short span of time and meet common quality standards set by the European parent company. To achieve this, the bank provided workers with a handbook of guidelines, made forms and procedures easily available through intranet and undertook periodic training programs to up-skill workers.

More recently, the proportion of skilled workers grew in the company because of technological upgrading and the establishment of a new system of wages and promotion tied to constant upgrading and high performance, both of which led to increasing re-skilling of the best evaluated workers and the layoff of workers unable to upgrade. Increasing subcontracting of less skilled workers also helped increase the proportion of skilled workers.

On average in the manufacturing company 62.5% of the workforce was skilled (collective interviews 1.4. 03-23-2004, personal interview 1.10. 04-14-2004). More than half of them were highly specialized blue-collar workers, the rest were white-collar professionals with some kind of specialization.

The average company’s workforce skill composition had to do mainly with the fact that quality was an essential component of the final products and production was capital intensive. According to union leaders production entailed a series of firm-specific skills,

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6 Bank operations include handling money, evaluating clients, making sure that operations are lawful, coordination between different departments, as well as digital knowledge.

7 This average was calculated based on information presented in Chapter V pp. 117.

8 In 2004 the company had state of the art storage facilities and sophisticated digital machines that were operated by few workers. This allowed workers to control the amounts of each product and evaluate the quality of products according to safety standards. The system of work emphasized worker responsibility, multitasking, autonomy, and involvement in the company’s productive development. The company had several
such as operating complex machinery, preventing operational problems, controlling the volumes in the use of raw materials, as well as the timing and speed of production, etc. Since the skill needs of the company were highly specific, management offered training on a permanent basis and at no cost to workers (collective interview 1.4. 03-23-2004). Thus, blue-collar workers were extensively trained. Although some white-collar workers performed semi-skilled administrative duties, most were professionals in the areas of accounting, management, logistics, human resources, and research. More recently, the proportion of skilled workers grew due to the increasing subcontracting of less skilled workers, and the fact that the introduction of lean production systems re-skilled many blue-collar workers, and gave specialized blue-collar workers more control over production.

Although sector wide estimates suggest that around 65% of retail workers have more than secondary education (Diaz et al. 2000:32), on average in the retail company only 20% of the workforce performed skilled jobs (collective interview 2.1. 05-10-2004). The skill level of the workforce in this company had to do mainly with the fact that the bulk of jobs required stocking and inventory, providing basic assistance to clients, packing and operating cash registers. These skills did not require extensive training and were abundant in the market.

According to its annual reports, in the telecom company around 68% of the workforce was skilled. Half of the workers were professionals, the other half highly specialized technicians and blue-collar workers. The relatively high proportion of skilled workers was largely explained by the capital intensity of the sector. However, during the 1990s, quality circles and joint workplace committees that dealt with security and working conditions at the shop floor level, and production tended to be tied to individual and group targets.

9 According to the OECD Science, Technology and Industry Scoreboard 2001, retail is typically a labor-intensive industry with a high proportion of low skilled jobs (OECD n/d).
technological upgrading allowed for controls and repairs to be done remotely and by fewer workers.\textsuperscript{10} This had several consequences for the skill composition of the workforce. First, the proportion of highly skilled white-collar workers increased to the detriment of high-skilled blue-collar workers. Second, the gap between white-collar and blue-collar workers with similar levels of specialization increased because white-collar workers were easily able to re-skill, while blue-collar workers were deskilled. Since subcontracting affected equally high and low skilled workers the proportion of specialized workers did not increase significantly despite technological upgrading.

Similarly, differences could be observed in regard to employment policy legacies. In 1990 the banking company was the first in the sector to introduce, not without the initial resistance of workers, variable wages tied to productivity, as well as tenure, career enhancement and incentive policies tied to constant skill upgrading and overall merit (El Mercurio, 11-7-90 C11).\textsuperscript{11} Throughout the 1990s high performance became increasingly associated with competitive and high paid employment and low performance with loss of employment or lack of promotion.\textsuperscript{12}

Accordingly, although during the 1990s labor rationalization was relatively high due to the trimming of merger-induced redundancies most workers did not fear arbitrary and

\textsuperscript{10} According to a union leader (personal interview 4.2. 09-27-2004), if in the past there was one person per 1000 lines, and each plant managed 10,000 lines, by mid 1990s around six workers managed the whole system from a central computer. During a strike in 2002 these workers proved unable to stop the provision of services because the control was transferred to facilities in Brazil owned by the European parent company.

\textsuperscript{11} Worker evaluations were ongoing, and involved monitoring from above and below according to standard indicators of achievement, pro-activity, and team work capacity, as well as other quality indicators.

\textsuperscript{12} According to union leaders, the dark side of the system was self-exploitation and extreme competitiveness, which in many cases generated stress and family problems and undermined collective solidarity (personal interview 3.4. 05-05-2004). This was also diagnosed by the company, who in the early 2000s launched a project that sought to make compatible work and family and lower stress levels through a number of measures including four alternative shifts, shorter Fridays, casual attire for workers who were not in contact with the public, and one day a week in which workers can bring their children to work.
massive job losses (personal interview 3.16. 04-29-2004). In general, labor rationalization affected newly incorporated workers, and senior workers were offered voluntary early retirement generously compensated. The best-evaluated workers who wished to stay in the company were in turned offered relative job stability, competitive wages, and training programs, and had priority to fill other vacant positions when their jobs were eliminated. Workers unable to upgrade or having consistently bad evaluations were laid off.

In general, the company offered its employees indefinite contracts, of course contingent on their meeting minimum work performance standards. Although wages were partly variable, fixed earnings accounted for more than two-thirds of the total wage. Two-thirds of variable income came from incentives and bonuses.

Although during the late 1990s there was a slow move toward a high performance tenure system, in 2004 in the manufacturing company job security was still associated with seniority (collective interview 1.4. 03-23-2004). Since the late 1990s, however, job security was threatened by firm downsizing, production relocation, and technological upgrading. Between 1997 and 2005 there were six plant closures in the food division that led to massive layoffs, which according to union leaders reduced by half the total workforce of the company. Most of the people laid off were senior blue-collar workers with firm specific skills (collective interview 1.4. 03-23-2004). However, since the company operated as a holding of independent firms and there was little coordination among unions and workers across different areas of the holding, until 2004 most workers in the home and personal care

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13 According to a union leader the successive mergers in the 1990s were accompanied by the trimming of approximately one fourth of the total workforce, including the newly merged firms (personal interview 3.16. 04-29-2004). Another union leader estimates that approximately half of the workforce incorporated in each merger was dismissed (personal interview 3.6. 04-26-2004).

14 In the majority of the cases these workers were offered early retirement or compensations above the legal minimum because they were part of the same unions as the workers who remained in the company.
division had experienced little job insecurity and gradual technological upgrading. Thus, on average the threat of layoffs was medium.

In regard to the contract and wage setting the situation in this company resembled that of the bank. In fact, across the company workers were offered relative job security unless they committed improper acts, or were negligent, and variable earnings accounted for only a third of the total wage.

In the retail case, on average job security was extremely low. Although during the 1990s and early 2000s retail was one of the most dynamic sectors in the creation of employment, on average around 47% of the employment offered was temporary and part-time. Labor turnover was also high, and approximately half of those enjoying more stable contracts were re-hired yearly according to their sales record (collective interview 2.1. 05-10-2004, personal interview 2.2. 05-24-2004). In some stores a number of workers were hired under apprenticeship contracts subsidized by the state (collective interview 2.1. 05-10-2004). In addition, a number of workers were under probation contracts or under three-month basis rehiring (personal interview 2.2. 05-24-2004). Even when workers enjoyed tenured and full time contracts, thanks to a series of provisions in the individual and

15 According to Diaz et. al (2000:36, 39) 21.1% of workers in the industry were part time, substitute, or workers supplied by external companies. Only 78.8% of workers in retail had a regular yearly-based contract. A labor survey conducted during 2002 by the Dirección del Trabajo found that approximately 30% of these were not renovated (Dirección del Trabajo 2003:21).

16 According to Aravena Carrasco (1999:67-70), retailers used flexible arrangements to hide employment relations, avoid paying legal benefits, and harm collective action.

17 Around 40 to 50% workers in the different companies were subcontracted, and from those directly contracted by the company an important number were seasonal or part-time.
collective contracts, they could be dismissed easily if for more than three months they exhibited poor sales.18

High job insecurity in this company resulted then mainly from the fact that the amount of labor required by the company was highly variable over time and, because of the low skill of the labor force, workers were easy to replace and shift from one position to another. In addition, since the mid 1990s the company had undertaken routine massive layoffs. Four hundred workers lost their jobs in each of the three waves of dismissals. Most of the jobs were not lost completely since the company hired new workers under more flexible employment arrangements.

Job insecurity was bolstered by the fact that wages were almost entirely based on sales commissions, and therefore were not only quite variable across location and season, but also did not include compensation packages for most workers (Diaz et al 2000 pp.22, 41-46, and collective interview 2.1. 05-10-2004). To compensate for low wages and benefits, workers tend to be highly indebted (personal interview 2.2. 05-24-2004). Since until 2004 retail companies offered their employees easy access to credit cards, as well as substantial discounts and soft loans, many workers owed their own employer large sums of money.19

In the telecom company job insecurity was also high, but for different reasons. Between 1990 and 1999 an estimated 20% of job posts were eliminated due to the introduction of labor-saving technologies, and after 1999 management embarked on a

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18 The company’s policy was to “subsidize” workers who haven’t been able to make the minimum wage two to four months a year depending on the collective contract. Beyond that, the worker was dismissed.

19 In 2005 the company agreed with a bank to consolidate employee’s debts, and pledged to become stricter about the credit capacity of its employees (personal interview 2.20. 05-14-2004). Labor unions had been pushing this all through 2004 because they saw it as one of the most important obstacles to develop autonomous collective action (personal interview 2.2. 05-24-2004). For an interesting study on how increasing consumerism and indebtedness had undermined class solidarity see Stillerman (2004).
massive process of labor rationalization triggered by the plummeting profits of the company (personal interview 4.2. 09-27-2004, personal interview 4.6. 09-07-2004). From 1999 to 2004 the company pruned two-thirds of its total workforce. These layoffs affected every workgroup and reached even skilled and well-evaluated workers (personal interview 4.13. 07-22-2004). The logic of labor downsizing was to reduce each department by the same percentage. The actual list of workers to be laid off was left to the discretion of department heads and other supervisors.20

In regard to wage and contract conditions, most workers directly hired by the company enjoyed indefinite employment, unless they engaged in inappropriate conduct or the head department suggested job termination. About two-thirds of the wage was fixed. Variable income, however, was dependent on a series of issues outside the control of workers, because in most cases incentive formulas gave an important weight to the company and department performance over individual productivity.

Product Market Conditions

Across companies there was also significant variation in product market conditions. In the cases of the banking and retail companies, product market leverage was high due to favorable product market competition and high profitability. In contrast, in the manufacturing and telecom companies product market leverage were medium and low, respectively. In the manufacturing case this stemmed from moderate but increasing product market competition and lagging profits. In the telecom case this stemmed from the fact that both market competition and profits were highly unfavorable.

20 According to a union leader (personal interview 4.10, 08-19-2004), at the height of layoffs in 1999, 2000 and 2001 the name of those workers remaining in the company was announced publicly at the end of each week. This generated intense anxiety and resentment among workers.
Our banking company operated in an increasingly concentrated market composed of a small number of banks (Cifuentes 2004). Nonetheless, the market was reasonably competitive because of a strong regulatory framework that limited credit risks, eliminated state insurance for large clients and investment accounts, imposed limits on bankruptcy, sanctioned monopolistic behavior, and facilitated investment abroad and non-traditional financial transactions (Held and Jiménez 2001, Budnevich 2000). In addition, although the Chilean domestic financial market was limited, banks had profited from the country’s good macroeconomic performance. This gave employers great ability to grant concessions even if product demand was relatively elastic.

According to the bank’s Annual Reports, our bank grew steadily during the last decade. In 2004 profits after net operations grew by 5.3% in relation to the previous year, and turnover rose by 22.8%. According to the Confederation of Bank Unions (Confederación de Sindicatos Bancarios y Afines 2004) the bank’s profits exceeded by more than five percentage points the average profits of Chilean banks, which during 2003 were approximately 20%. Risk-assessment firms, such as Standard and Poor’s, Moody’s, and Fitch rated the firm as one of the most solid in Chile. These results stemmed not only from the country’s good and stable macroeconomic performance and strong regulatory framework, but also from the fact that after a series of successful mergers and acquisitions the bank was one

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21 Of the 41 banks operating in 1990, there were 29 left in 1999 (García et al. 2003) and only 26 in 2005 (SBIF n/d).

22 Growth during the 1990s expanded the consumption possibilities of the average Chilean, who, because of low inflation, could find cheaper goods. When wages were insufficient to provide for those goods, workers, especially after the country’s recuperation from the Asian crisis, did not hesitate to indebt themselves, trusting that the economy will continue to fare well (Bertucci et al. 1996).

23 The local success of the company was coupled by the stellar results of its European parent company. During 2004 the company’s worldwide profits increased by 20.1% and, after its last merger and acquisitions, the company was considered among the ten best-valued stocks in the world.
of the largest in the country. As of 2005, the company controlled 30% of the Chilean domestic financial market, and operated 315 branches in all the regions of the country.

The manufacturing company’s local market was more concentrated and there were differences in the level of product market competition across the firms of the company.\textsuperscript{24} Within Chile the company competed in the food industry with six multinational corporations (Cardemartori 2001:91-92). In the home care division our company controlled over 70% of the local production and marketing, and 35.3% of personal care exports. Although in 2004 in Chile there were around fifty companies competing in the personal and home care product market, our company plus two others shared 74% of its total revenues. This had to do with the fact that the industry was capital intensive and the demand for some products relatively inelastic.\textsuperscript{25} In sum, on average the company operated in an oligopolistic market.

Despite estimated revenues close to $46 billion,\textsuperscript{26} the company’s profits had declined since the late 1990s due to the industry’s mediocre performance in terms of product innovation. Since the company was privately held its books were not in the public domain. However, figures for Latin America suggest that operational profits grew in the late 1990s only by 1%, due to lack of innovation and growing international competition. Following the

\textsuperscript{24} In the global market the food business company’s main competitors were six large multi-national corporations. In Latin America, the company was one of the five food companies with the largest profits in the region (Gudyna, 2003). In the personal care industry our company competed with five prestigious multinational corporations. In the home care industry our company competed with five other multinational corporations.

\textsuperscript{25} It is important to note that although in Chile competition was moderate worldwide the company faced increasing competition from retailers’, which offered similar but cheaper generic products At the same time, the sector faced increasing market pressures from consumers to improve environmental and labor standards. In the personal care industry, animal testing had many detractors, and in the food industry advocacy groups were asking for stricter labelling on genetically modified products. Multinational corporations like our company were accused of paying lower wages and harnessing unionism in developing countries. In response to these pressures our company had generated its own internal code of ethical conduct, and had subscribed the UN Global Compact and the OECD guidelines for multinational corporations.

\textsuperscript{26} According to abrands an internet profiling company worldwide the company was number one in ice cream, margarine, tea, personal wash, prestige fragrances and deodorants and the third largest food company.
guidelines of its European parent company, the company in Chile sought to increase profits by producing high quality recognizable brands targeted to specific market segments at increasingly competitive prices. To do so, and particularly after 1997, our company closed several plants, concentrated production, digitalized plants, reorganized production according to geographical comparative advantages, restructured the wage setting, sold businesses not directly related to its core brands, and rationalized labor (collective interview 1.4. 03-23-2004). Drastic changes were introduced first in the newest and more peripheral areas of the company. Meanwhile, until 2004, in the core and oldest parts of the company change was more gradual (collective interview 1.11. 04-06-2004). All this affected differentially individual unions across firms.

The retail company operated in the most concentrated market of the cases analyzed. There were only five department store chains in Chile, and only three were large. The latter controlled around 80% of the local market. Our company was one of these three. Market concentration in the sector had to do with the fact that no international company had been able to penetrate the Chilean market, and that the largest companies had almost eliminated small retailers by importing cheaper goods from Asia and even going global themselves opening new ventures in the surrounding region. In addition, aggressive takeovers and

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27 Three large Chilean family-run conglomerates, one of which was our company, controlled the market. The leader in the sector had 32 stores in Chile, eight in Peru, seven in Colombia, and five in Argentina. In Chile it had control over several specialty stores and its own retail bank. In 2003 this company controlled around 50% of the sales in the Chilean retail sector (Ruiz Tarre 2004). Our company controlled around 23% of the total market. There were other two smaller participants. Both controlled around 30% of the market.

28 During the 1990s Sears, J.C. Penny, Disco-Ahold, Home Depot and Carrefour abandoned the Chilean market, and Wal-Mart had not ventured at all in the country despite having presence in the region. According to some analysts, Chilean companies were successful over foreign ones because of their close relations with providers and consumers, which allowed them to develop streamlined logistic chains and products adapted to Chilean tastes and culture (Bianchi n/d).
expansions on the part of supermarket retailers impeded the emergence of new chains. Paradoxically, it was supermarkets, which provided them with more competition by offering clothing, electrical appliances, and home care products. These retailers had a strong emphasis on cheaper generic products, and provided insurance and consumer credit.

Despite increasing competition and relative product demand elasticity, competition was still low in 2004, and our company fared very well. In the 2003-2004 period for example, it increased its operational profits by 18%, with sales growing by 11.3%. Although the youngest of the three dominant companies in the sector our company was the fastest growing. According to experts the main factors that explain our company’s fast growth are its ability to bridge retail and finance, and its joint ventures with retail construction and real estate firms, which allowed the company to penetrate high income markets.

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29 According to specialists, the department store chain market was the most aggressive in the sector (Nixon n/d). Frequent price wars as well as hostile takeovers and CEO movement across the three most important companies were common.

30 These companies followed a Wal-Mart business model. During 2004 they saw sales increase by 7.9% and in some regions of Chile by 44.5% in regard to the previous year (La Tercera, Negocios, 02-28-2005). The leading department store retailers reacted aggressively and supermarket business groups did not lag behind. The supermarket controllers was exploring the possibility of opening its own department store chain. In the banking front department store chain retailers employed less hard-core tactics, but grew aggressively. Our company for instance, started offering more traditional bank services to high-income groups and small and medium size firms. Since 2004 and with the authorization of the Superintendent of Banks also offered factoring and commercial credits to selected clients. The company also hired a former executive from a traditional large Bank that specializes in risk management. As of June 2004 the bank started to show an appreciation of its business risk, moving from an A- to an A.

31 Our company was one of the first department stores in Chile in the 1980s. Its growth however did not start until the 1990s with its penetration in malls and its incursion in middle and high-income markets. Permanently reinvesting in new stores, in ten years our company became one of the three largest companies in its sector and transformed itself into a conglomerate of industries that cuts across industries. By the late 1990 the company had opened operations in neighboring countries transforming itself in a multinational corporation.

32 The company offered their clients credit cards under the department store chain brand. These could be used at the chains’ stores and other selected business, and allowed clients to get cash advances and perks. Although the other companies in the sector offered the same, our company’s strong hold in middle and low-income groups explained why its credit card coverage augmented so rapidly. The profits allowed the company to open a small retail bank and constantly open new stores. The system also helped increase turnover and profits because of the great synergy between the retail and personal credit business. Database management allowed
In contrast, the telecom company faced an increasingly competitive market. In 2004 our company, was one of six large providers and competed against thirteen firms in local services, five in mobile services, two in satellite communications, 28 in long distance and 45 in internet (SUBTEL n/d).

Although in 2004 the company still controlled 73% of the traditional local lines, it only controlled 44% of national long distance, 31% of international long distance, 47% of data base communications, 40% of broadband and 30% of mobile communications.

Strong state price regulation, increasing market liberalization and product demand elasticity explain why the company dropped between 1997 and 2001 from first place to last in the ranking of the 400 most profitable publicly held companies in the country, published every year by the prestigious Chilean business newspaper Estrategia. In 2003, its operational profits dropped by 16.4% relative to the previous year. The situation has mildly improved since then, but the company continued to have financial difficulties until 2004.33

According to experts the main reason behind this situation had to do with the new characteristics of market competition, which favored younger and smaller high-tech firms and the fact that the company had not been able to cope with competition due to organizational features that affected its capacity to try new markets (Rivera Urrutia 2003:335 and Tanner 2003:3). For instance, when the company entered mobile communication there were already three other large companies that offered those services, and when it converted

companies a first hand knowledge of its consumers spending patterns and facilitates direct marketing. Credit based sales allowed companies to expand their markets during tight economic times or to groups that might no had access to the regular banking system. This was the case because department store chain’s credit cards required clients to demonstrate just a minimum income. At the same time, retailers boosted profits by adding credit interests to the traditional sale. Finally, the system strengthened consumer loyalties, making the company’s consumer base attractive to other firms, and fostered advertising alliances and joint ventures.

33 This mild recuperation was due to revenues coming from the sale of the company’s internet and mobile service businesses, most of which were used to pay debts.
into optic fibre a couple of cable companies were already offering internet and other multimedia services. In addition, the regulatory framework allowed many companies to rapidly enter the market. The company’s insistence on predatory tactics, such as charging other providers excessively while providing outdated services, subjected it to major fines from Chilean courts.

To improve lagging profits the company sought to streamline business and downsize labor in a short amount of time. In 2005 it sold its mobile and Internet services to its European parent company, which merged those businesses with other large companies operating in Chile. The revenues allowed the company to pay some of the most pressing debts and, since the new firms continued operating under the company’s brand, helped it to benefit from the synergy of its different products.\(^3^4\) However, by then the company had downsized two-thirds of its workforce in five years, cut wages by 10 to 30% and streamlined the severance pay and health benefits included in the unions’ collective contracts.

\(\textit{Union Organizational Strength}\)

Across companies, variation in union organizational strength also affected variation in union bargaining outcomes. In particular, in the case of the banking and manufacturing companies union density and cohesion was high, while in the retail and telecom companies both union density and cohesion were low.

In the banking company union density was 80% (personal interview 3.1. 08-04-2004), and few leaders complained about lack of union cohesion. This resulted from four main factors. First, the banking sector was characterized by early traditions of craft mutual aid

\(^3^4\) The company, however, defaulted in its 1998 collective contract promises. Only in 2004-05 it was forced by the courts to pay the monies owed to workers.
organizations. Second, over time, and thanks to the development of an impressive sector-wide system of member servicing controlled by one labor federation, levels of unionization in the sector peaked early and remained constant. Third, individual unions in the sector had strong identities, due to long traditions, a strong mutual aid orientation, etc. Fourth, many unions had informal agreements with management that granted the entire union board total dedication to union activity with guaranteed complete pay by the company. This helped most unions survive the outlawing of unions between 1973 and 1979, the collapse of the banking system in 1982, and the wave of mergers during the 1990s without critical shrinkages in membership and with a relatively strong rank and file following. In addition, although union size varied, the existence of coordination among unions allowed smaller organizations to boost their mobilizational capacity and negotiating leverage.

In the manufacturing company unionization was 100% (collective interview 1.4. 03-23-2004, collective interview 1.5. 04-02-2004) and it was only in the case of one union, which was heavily affected by labor rationalization, that leaders complained about having difficulties enforcing discipline. As in the banking company, unions had a long tradition. Levels of unionization peaked early in the twentieth century because until 1973 the labor law established compulsory unionization for blue-collar workers once 55% of them had agreed to form a union. After 1973, density remained high because unions, according to their individual economic capacity, continued to offer generous member servicing and many of the

35 The existing unions were formed between 1930 and 1945.

36 In 1980 the military regime confiscated most of the assets of the banking federation, but by then firm-level unions had also developed generous individual member servicing systems.

37 Although cohesion and discipline declined in comparison with the 1970s and 1960s, when around 60% of industrial workers were active unionists (Valenzuela 1976:137-138), according to all union leaders in the company it was still comparatively high.
social activities at the workplace were channelled through union organizations. Union cohesion was also high. Until 1973 cohesion was favored by the fact that industrial unions organized blue-collar and white-collar workers separately and obliged unions to provide for member welfare (Valenzuela 1976). Moreover, union leaders argued that, because the company until recently recruited workers along family lines, and union leaders cultivated close relationships with the rank and file, the union had ties that went well beyond the workplace and economic gain (collective interview 1.4. 03-23-2004).

Although strong class and firm differences across the company also helped boost internal union cohesion, they prevented the creation of any form of coordination among unions. Thus, although several unions retained an important capacity for mobilization, the lack of coordination hampered the overall ability of unions to disrupt production.

In the retail company average levels of unionization were between 40% and 50% (collective interview 2.1. 05-10-2004). The relatively low levels of union density compared to the banking and manufacturing companies were explained by three elements. First, all the unions were firm-level organizations that did not cover subcontracted workers. Since the latter were a substantial proportion of the workforce, this negatively affected unionization rates. Second, to avoid problems with management, unions advised workers to not join the

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38 The latter was reinforced by the fact that in the largest cities of Santiago and Valparaiso, where our company operated, industrial unions had an important mutual aid tradition. According to Ramirez Necochea (1956) and Barria Seron (1971), labor organization in the manufacturing sector initiated in the late XIXth century in mutual aid societies and trade organizations usually of sectoral and trade scope. According to De Shazo (1983) many of these, particularly in the two main cities Santiago and Valparaiso had an anarcho-syndicalism orientation that made them more inwardly oriented. After 1927, when union activity was legalized, some of these organizations transformed themselves into labor unions.

39 There was, however, an ample range of variation, from 30% to 70% in some cases.
unions until they had stable contracts, which usually were granted after a year or two of working at the company. \(^{40}\) Third, the average age of unions was only five years.

In addition, most union leaders complained about the difficulties of enforcing internal discipline and fostering cohesion. The main culprits were the high levels of worker turnover, indebtedness, and job insecurity (collective interview 2.1. 05-10-2004). Union leaders argued also that there was little tradition of unionization. This was the case not only because the company had expanded only in the last decade, but also because most workers were young and had little knowledge about what a union was and what purpose it served. \(^{41}\) This was reinforced, according to union leaders, by management, which resisted union formation by actively trying to deter workers from forming unions.

As of 2004, in the telecom company unionization was around 60% and most union leaders complained that the rank and file was not dependable (personal interview 4.11. 09-24-2004). This situation represented a stark contrast with the situation previous to 2002, when union density was close to 100%.

\(^{40}\) According to Aravena Carrasco (1999) widespread labor flexibility and geographical dispersion of workers within these companies inhibited subcontracted and other atypical workers who were not susceptible of firm-level organization, to join unions. This maintained overall levels of unionization low and made it difficult for young unions to overcome collective action problems.

\(^{41}\) According to union leaders (collective interview 2.16. 05-28-1004), the fact that most workers were born during or after the Pinochet regime and had little involvement in public affairs or organizations and interest in politics made them uninterested in union activity. In addition, most of the union activity in the sector had in the past concentrated in sectoral and federal associations at the expense of workplace organization. Because most retail companies were small and family owned, retail employers sought to increase their own bargaining power, and avoid price wars by organizing into large associations. Their disposition to negotiate sectoral agreements created incentives for workers to strengthen union organization of sectoral and trade character at the expense of firm-level unions (personal interview 2.4. 06-01-2004, and Leiva 2002).
In fact, although like the banking and manufacturing companies, unions in this company had a long tradition and managed an extensive system of member servicing, unlike those companies --at least since the 1970s-- unions experienced important intra and inter-union factionalism due to leadership and partisan disputes, as well as occupational differences (personal interview 4.12. 08-25-2004, personal interview 4.8. 08-23-2004). By the early 1970s there was one large union and a few small local unions outside the capital city. In 1973 the large union split into more than four different unions. In the 1980s some of these unions experienced subsequent splits, and during the 1990s at least four new unions formed as a result of new splits in the existing unions. Thus, most union leaders had difficulties in fostering union cohesion and enforcing discipline. In addition, since most unions were splinters from other unions, inter-union relations were difficult. Unions however, historically coordinated in blocs to negotiate.

Since 2002, unions in this company had also suffered important membership setbacks. At least 25% of members had left the blue-collar unions, and a great proportion of new workers, including those subcontracted, were non-unionized (personal interview 4.9. 08-12-2004). The main reason for this was the strong resistance of management to unions not willing to comply with the company’s policies, and, as will be discussed later in this chapter, the failure of the long and massive strike of 2002. Those unions that after the strike persisted in militancy lost almost 90% of their members to more accommodating unions. Thus, by 2004 not only had union density dropped by 40%, but several of the previously strongest unions were on the verge of extinction.

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42 Originally formed in the 1930s and 1940s in the current company, most unions emerged as plant-level industrial unions.
2.2. The Bargaining Process between 1990 and 2004

In this section I argue that variation in the bargaining leverage of unions across the four companies explains the trajectory of the bargaining outcomes. In the banking company the collective contract had been constantly readjusted, had increased steadily in value, and unions were able to protect pre-existing benefits. In the manufacturing case, unions across the company were able to protect longstanding benefits and readjust them by inflation, but only in a few cases were unions able to gain new benefits. In the retail company, although unions’ collective contracts had an upward trajectory, most unions had only undergone a few bargaining rounds. As a result, the majority of unions in this company were still building the foundations of the collective bargaining structure and the union itself. In the telecom company it was the other way around; unions had had a longstanding tradition of bargaining, but had experienced significant setbacks in recent years that led most unionized workers to loose many of the most expensive benefits.

During the 1990s, in order to moderate upward pressures on the collective contract, management in the banking company offered a group of unions a strategic partnership. These unions received preference in the collective bargaining process in exchange for bargaining restraint. Since the settlement reached by these unions was satisfactory for most unionized workers in the company this allowed management to extend the same exact collective contract to all unions. As a result, all unionized workers gained the same increases and were able to maintain pre-existing benefits, which were set at the same level.

In the case of the manufacturing company, between 1990 and 1999 the collective bargaining structures experienced very little modification, but on average unions were able to increase the amounts a little over inflation in each bargaining round and protect pre-existing
benefits. This dynamic negatively affected newly merged areas, where unions had leaner collective contracts. However, because union bargaining performance in the oldest areas of the firm was significantly better, on average the value of the collective contracts was not reduced and union members experienced, previous to 2004, no wage and benefit cuts. At the same time, however, on average increases were modest.

In the retail case, most unions had, due to their short trajectory, few and modest benefits. Although during the late 1980s and until the mid 1990s the oldest union’s collective contract had grown steadily, since the late 1990s the union has basically protected pre-existing benefits and achieved readjustments a little over inflation. During the same period, most unions were beginning to build a basic collective contract structure and also reached modest readjustments. Since the improvement of working conditions was one of the top priorities of these unions, most focused on enforcing labor laws at the workplace and on internal issues, such as increasing unionization, strengthening union solidarity, and improving bargaining skills (collective interview 2.9. 05-20-2004, personal interview 2.13. 05-18-2004, personal interview 2.17 05-18-2004).43 With regard to collective bargaining, most unions sought to achieve the benefits already enjoyed by the oldest union. However, the generally low union bargaining power meant that, although in many cases unions were

43 In the 1990s retail was also the sector with the most fines for violating labor rights, the most claims for labor rights violations, and the most workers in that condition (Dirección del Trabajo n/d6). This included workday extensions beyond the law, changes in shifts under extremely short notice, shortened lunch time periods, elimination of holidays and Sundays, and enforcement of workers compliance to participate in sales events through assistance lists (Diaz et al. 2000:58-72).

In the company under study many workers saw long lived labor rights, such as rest in the workplace and freedom to organize collectively violated, and resented the extreme surveillance control to which they are subjected and the fact that workers’ are summarily dismissed without the right to appeal. According to a union leader, “In this company many managers mistreat workers. This happens more often outside the capital because there is less corporate oversight. There are for instance problems with the security of the cashiers. Money gets stolen often and workers are desperate because they have to pay for any money stolen or lost and there is a never an investigation. In the end people get fired for petty thievery… In some stores people are persecuted for forming or joining a union (collective interview 2.3. 05-26-2004).”
successful in doing so, victory was very slow and had little cash attached. As a result, on average, wage and benefit increases were modest.

Among the cases studied here, the telecom was the only one that has experienced a dramatic downward push in collective contracts since 2002. Between 1990 and 1998 the company built a more accommodating labor relations framework through the establishment of partnership relations between management and unions and gave unions significant voice. However, after 1999, under a new management team and pressured by an extremely complicated financial situation, the company moved to streamline the wage scale and the health and severance pay benefits. Between 1999 and 2004 it undertook three massive waves of layoffs. Unions were unable to achieve compensations above the legal minimum during those layoffs or to have any participation in the allocation of job losses. In order to avoid wage and benefits cuts, in 2002 unions coordinated a massive strike that lasted 28 days. Due to the technological transformations of the company, the pervasive subcontracting of the more skilled functions, and union divisions, the strike ended with massive worker defections.

To protect the collective contracts, unions used Article 369 of the labor law to unilaterally extend the collective contracts for eighteen months. Relations with management soured. The company had already modified the individual contracts of non-unionized workers and offered newly hired workers lower wages and benefits. The organizational climate deteriorated and the company refused to negotiate if the unions did not accept the cuts.44 In addition, the company was willing to pay the relatively small fines imposed by the courts for unfair labor practices. Thus, in 2003 to mend relations with management and in the face of massive union membership defection several unions accepted the cuts and

44 The latter was possible due to the fact that --unlike in the other companies where unions were predominantly set at the firm level-- almost all the unions in this company were inter-firm organizations, which, according to the law, allowed them to negotiate only if the employer voluntarily agrees.
abandoned Article 369. Most blue-collar unions, however, rejected the cuts and maintained the 369 strategy by adhering to the collective contract of one of the two legally existing firm-level unions. Strongly resisted by management, these unions lost on average 90% of their members and in 2004 were composed of a small core of senior members.

3. Conclusions

This chapter focused on explaining variation in labor union collective bargaining outcomes across four companies in the banking, manufacturing, retail, and telecom sectors. In the first section I discussed the dependent variable. In the second section I examined the factors explaining the particular value of each of the companies on the dependent variable. In this section I summarize the main findings in comparative perspective.

As indicated in Table 12 the evidence in this chapter supports the idea that variation in the number of unionized workers covered by generous collective contracts was positively associated with variation in the average workplace, labor market, product market and organization leverage of unions within each of the companies.

The banking company was the only case where all unionized workers were covered by generous collective contract clauses. This was the case because most unions organized a highly skilled workforce that controlled production, and members enjoyed relative job and wage security in exchange for high job performance. In addition, production was highly vulnerable to small stoppages due to its high level of integration and reliance on speed and high performance, layoffs were reduced to the trimming of merger-induced redundancies, and union density and cohesion were high. As a result, unions enjoyed high workplace, labor market, product market and organizational leverage. This, plus the fact that the dynamics of
the bargaining process enabled management to extend the same exact collective contract to all unions, explains the fact that this company was the only one of the cases studied where all unions saw real increases in the value of their benefits, and maintained longstanding generous benefits.

In the manufacturing case sixty-seven percent of unionized workers were covered by generous collective contracts. Here, although unions enjoyed high organizational strength, the workplace, labor market and product market leverage of unions was medium. This was the case because subcontracting and layoffs were high in some firms, and on average the firm’s economic performance was mediocre. On average this meant that unions were able to protect pre-existing conditions and readjust the collective contract by inflation, but gained very little increases. This negatively affected unions in recently merged areas with leaner collective contract structures, which were unable to expand their benefits and catch up with the oldest unions in the company.

In the retail company thirty percent of workers enjoyed generous collective contracts. This was the case because, despite the excellent economic performance of company and moderate product market competition, most of the workforce performed unskilled functions, production was highly de-integrated, and an important number of workers experienced wage and contract insecurity and were affected by routine massive layoffs. In addition, workers were only recently organized and therefore unions were organizationally weak. As a result, although unions in this company enjoyed high product market leverage, they had little workplace, labor market and organizational leverage. Thus, although unions’ collective contracts had an upward trajectory since 1990, on average wage and benefit increases were usually modest and expanding the collective contract structure proved slow.
Finally, only six percent of unionized workers in the telecom company enjoyed generous collective contracts. This was a recent situation. In fact, during the late 1990s and early 2000s although the workforce was highly skilled and generally enjoyed indefinite contracts, workers experienced pervasive subcontracting, declining union density and cohesion, massive layoffs, and wage variability, and the company suffered from declining profits and increasing product market competition. As a result, unions in this company enjoyed only medium workplace power, and low labor market, product market and organizational leverage. This, plus management pressure, finally led many unions to accept significant cuts in 2003. Unions that did not accept the cuts experienced continuing and intensified management intimidation and lost most of their members to more accommodating unions. As a result, most unionized workers in the telecom company had by 2004 experienced significant wage and benefit cuts.

Table 12: Summary of Main Arguments. Cross-Company Comparison.

<table>
<thead>
<tr>
<th>Companies</th>
<th>Workplace Power</th>
<th>Labor Market Power</th>
<th>Product market power</th>
<th>Organizational Power</th>
<th>% of unionized workers covered by generous collective contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>100%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>67%</td>
</tr>
<tr>
<td>Retail</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>30%</td>
</tr>
<tr>
<td>Telecom</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>6%</td>
</tr>
</tbody>
</table>
CHAPTER IX
CONCLUSION

This dissertation has sought to broaden the understanding of labor union bargaining performance in a context of high wage bargaining decentralization and labor market deregulation. It has done so by bringing into the analysis the firm level, and paying attention to management-union and inter-union interactions, as well as structural conditions sustaining labor bargaining power. At the empirical level, it has focused on explaining within and across firm variation in the 2004 union bargaining outcomes of four companies operating in Chile in the banking, manufacturing, retail and telecom sectors.

In this final chapter I address three tasks. First, I summarize the main findings. Next, I discuss the broader implications of these findings for the study of labor unions and collective bargaining and propose a research agenda based on those findings. Finally, I discuss general trends in labor union power and collective bargaining in Chile relative to the United States. This comparison is set at the national level and its purpose is to discuss the general trends and prospects in labor union bargaining in both countries and put the Chilean case in a more comparative perspective.
1. Summary of Findings

In the theory chapter I argued that variation in firm-level union bargaining outcomes is explained by variation on four independent variables: workplace conditions, labor market conditions, product market conditions and union organizational strength.¹ These four factors combined determine the particular balance of power between workers and employers during the bargaining process, affecting union and management bargaining interactions and ultimately shaping differences in union collective bargaining outcomes within and across companies. The higher the value on each of the independent variables, the greater the bargaining leverage of the union and thus the better the bargaining outcome.

The variable “workplace conditions” refers to the power that accrues to workers as a result of the organization of work and the technological/productive characteristics of the firm. It includes the level of integration of production, and the characteristics of the production process and work organization that render the company vulnerable to worker disruption. I considered this variable to be high if the core of production was not subcontracted, and the firm employed just-in-time, network, high performance, or other methods of production that gave workers great ability to disrupt production at low cost. I considered it to be medium if one of these conditions was absent and low when two or more were absent.

The variable “labor market conditions” refers here to the level of skill of the workforce and employment policy legacies.² I considered this variable to be high when two third of the workforce was skilled, workers enjoyed contracts that covered them for more

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¹ It is important to note that although constant at the company level, political and institutional factors had, as the literature suggests, an important background effect.

² For a discussion of this particular approach to labor market conditions see Chapter II, pp. 27-31.
than a year and received compensation packages in which at least two thirds of the wage was fixed, and had not experienced massive layoffs. I considered it to be medium when one of these conditions did not hold and low when two or more did not hold.

The variable “product market conditions” refers to the bargaining power that accrues to unions as a result of the market conditions of the products their firms’ produce. Concretely, it includes the competitiveness of the product market and the economic performance of the firm. I considered this variable to be high when product market competition was moderate and economic performance was good, and medium when one of these conditions was absent. It was considered to be low when both conditions were absent.

The final variable, “union organizational strength,” refers to the level of union density and cohesion. I considered organizational strength to be high when union density was about two-thirds or higher, and union leaders considered their membership to be highly cohesive. When one of these conditions did not obtain, organizational strength was considered medium. When neither obtained it was judged to be low.

Chapter III offered a background discussion of labor union bargaining power in Chile since 1990, setting the backdrop for the individual cases. Its goal was to explain why during the 1990s and early 2000s aggregate labor union bargaining outcomes in Chile continued the pattern of decline of the previous decades.

In this chapter I argued that, already weakened by the repression and economic restructuring of the 1980s, during the 1990s unions experienced difficulties in penetrating policymaking circles and organizing and mobilizing the rank and file. Thus, although the democratic transition opened space for unions it ultimately relegated them to a secondary role. As a result, the labor reforms of the 1990s and early 2000s continued giving employers
ample discretion in the use of labor, restricting the right to strike, and favoring union competition and decentralized wage bargaining. The response of Chilean firms to the international financial crises of the mid and late 1990s aggravated this situation by increasing labor rationalization and flexibility in a context of high unemployment.

Disaggregated evidence shows, however, that within and across firms there were significant differences in union bargaining performance. Chapters IV, V, VI, VII and VIII examined this variation at the firm level.

Chapter IV sought to explain variation in bargaining outcomes within a bank holding. I argued that, due to the character of bank services and high levels of business integration, within this company there was no significant variation in union formal bargaining outcomes and unions enjoyed highly favorable workplace, labor market, and product market conditions, and organizational strength.

As the development of the bargaining process during the 1990s and early 2000s showed, these factors created a potential for significant upward pressure on collective contracts. To avoid this during the 1990s management offered an exclusive partnership relationship to unions that delivered bargaining restraint. Since most unionized workers found that more accommodating unions reached a satisfactory settlement, management was able to expand the same exact collective contract to all unions.

Chapter V examined the case of a manufacturing holding company operating in the chemical and food industries. The evidence of this chapter suggested that there was significant firm-level variation in union bargaining performance within the company. This variation was positively associated with variation in my four independent variables. This was the case because differences in the character of the final products across the individual firms
of the company and the pace and intensity of changes in technology and work organization across old and newly merged firms, and high firm-level management decentralization generated variation in structural conditions across the different firms of the company.

In Firm 1, unions organized highly skilled workers, who were not only highly organized and cohesive, but also enjoyed relative job and wage security, controlled the core of production, and until 2004 faced no massive layoffs. In addition, the product demand was more inelastic, the firm operated in a moderately competitive market with monopolistic zones controlled precisely by this firm, and contributed the largest profits. Thus, unions enjoyed high workplace, labor market, and product market leverage and were organizationally strong. As a result they were able to protect previous bargaining conquests, readjust the collective contract by inflation, gain increases in some benefits and add a couple of new ones, and negotiate better working and layoff conditions, as well as informally stop or delay subcontracting and labor rationalization.

Unions in Firm 2 also organized a skilled workforce that enjoyed control over production, relative job and wage security, and high levels of union density and cohesion, and had not experienced massive layoffs. However, although several products had a relatively inelastic demand, the firm did not enjoy the almost monopolic edge of Firm 1, and seemed to have contributed lower profits to the company. Thus, these unions enjoyed high workplace, labor market and organizational leverage, but had only medium product market bargaining power. As a result, although unions in this firm were able to protect previous gains, readjust the contract by inflation, and informally stop and delay subcontracting and outsourcing and improve working conditions, they proved unable to gain new benefits or
increase significantly any of the existing ones, and therefore enjoyed less generous collective contracts than unions in Firm 1.

In contrast, in Firms 3 and 4 unions faced more unfavorable conditions. In Firm 3, the last to be merged, although union density was high and workers enjoyed favorable contract and wage conditions, the workforce was relatively less skilled, subcontracting was pervasive, layoff had been massive, and the firm faced a more competitive labor market, a more elastic product demand and seemed to have produced lower profits. As a result, unions had medium workplace and organizational bargaining leverage, and low labor and product market leverage. Thus, they were unable to extract any significant concession, beyond the inflation readjustment of pre-existing benefits. Since in this firm the collective contracts inherited from the previous company were leaner than in the case of the unions in Firms 1 and 2 this meant less generous collective contracts

It is important to note here the particular situation of the white-collar union at Firm 3. This union shared similar outcomes as the unions in Firm 2, but experienced the same unfavorable structural conditions than the other union in Firm 3. This contradictory situation is explained by the fact that this union organized a workforce that was relatively more skilled than its blue-collar counterpart. More important, however, was its relative success in a series of labor disputes. This and its small size enabled the unions to extract a very generous health coverage clause in the last negotiation before 2004. Its structural weakness, however, makes it unclear whether this union will in the future continue to cluster with the unions at Firm 2 in terms of bargaining outcomes. I tend to think that this union’s outcomes in 2004 can be considered temporary.
In Firm 4 bad economic performance and unfavorable market conditions led to the complete subcontracting of production and the plant closure. This meant massive layoffs and left the union on the verge of extinction. Not surprisingly the union had little bargaining leverage and had extracted no significant concession, beyond the inflation readjustment of pre-existing benefits.

Chapter VI examined the case of a department store chain. In this chapter I argued that there was significant variation in union bargaining performance within the company. Since workplace power was constant across the company I argued that variation in bargaining outcomes within the company was mainly the result of variation in labor and product market conditions and organizational strength across its different firms.

One group, composed of two unions, had the best collective contract outcomes. These unions were located in the oldest firms of the company. These unions had better bargaining outcomes because although they had little workplace power and were affected by routine layoffs, a higher proportion of workers enjoyed more stable contracts and wages, firms were highly profitable, and workers had developed relatively high union density and cohesion. As a result, unions enjoyed medium labor market, and high product market and organizational leverage. Thus, these unions were able to steadily augment the benefit amounts and even cut informal deals regarding flexibility compensation.

In the case of Unions 3, 4, 5, 6, 7, 8, 9, 10, 11, and 13 most unions were formed in the late 1990s. Relative to Unions 1 and 2, these unions had a lower proportion of members enjoying more stable employment and wage arrangements and had weaker union density. Still most unions organized workers laboring in profitable firms and had developed relative

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3 Although relatively young time had helped these unions overcome many of their initial weaknesses and failures.
union cohesion. This gave most unions, medium organizational strength and labor market leverage, and generally high product market bargaining power. By 2004 these unions had gained modest increases and gained some of the more substantial benefits enjoyed by the previous two unions.

It is important to note that Unions 7 and 13 were a little different. Union 7 differed in that it had medium product market power due to the fact that it was located in a mall that, although initially successful, by 2004 was experiencing declining sales. Union 13 differed in that it had low labor market and organizational power. This union, a strong organization in the past, was severely affected by massive labor rationalization in recent years and lost most of its members. In 2004 it was the smallest union in the company and was going to disappear soon because it organized exclusively a category of workers that was being eliminated due to technological upgrading.

In the remaining cases unions had little leverage of any kind because they were located in firms opened after 2000. In these cases only a small proportion of union members enjoyed relatively stable employment arrangements. In addition, workers had not yet developed union cohesion and were negotiating with firms that had not yielded profits yet. Thus, these unions negotiated small readjustments and increases and were in the initial stages of creating a collective bargaining structure.

Chapter VII examined the case of a telecom holding. Although at first glance the fact that some unions enjoyed more generous formal collective contracts suggested that these

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4 The only exception was Union 12. This union was the only one in this group to be located in a store created before 2000. However, unlike other stores created during the same period, this firm was never very profitable and therefore product market conditions were only slightly better than the newer ones that did not yield any profits yet as 2004.
unions performed better, a closer look at the evidence shows that there was no significant variation in individual union bargaining power.

I argued that increasing outsourcing of core functions during the 1990s, bad economic performance, and massive layoffs during the late 1990s and early 2000s, debilitated the workplace, labor market, and product market power of unions across the company. In addition, the failure of unions to disrupt production during a massive strike campaign in 2002 and management intimidation ended up weakening workers’ organizational power.

As a result, after 2003 many unions finally accepted wage and benefit cuts. Unions that did not accept the cuts used an article of the labor law to extend their last collective contract unilaterally. By 2004 these unions enjoyed the best collective contracts in the company. However, continuing and intensified management intimidation explained why these unions experienced significant membership losses to more accommodating unions, which rendered their collective contract temporary and contingent on the job continuity of a few members.

Chapter VIII examined aggregate variation in union bargaining outcomes across the four companies reviewed in the previous chapters. I argued that the banking company exhibited the best bargaining performance, followed by the manufacturing, retail and telecom companies, in that order. Variation across companies was related to differences in my four basic independent variables.

The banking company was the only case where all unionized workers were covered by generous collective contract clauses. This was the case because most unions organized a highly skilled workforce that controlled production, and members enjoyed relative job and wage security in exchange for high job performance. In addition, production was highly
vulnerable to small stoppages due to its high level of integration and reliance on speed and high performance, layoffs were limited to the trimming of merger-induced redundancies, and union density and cohesion were high. As a result, unions enjoyed high workplace, labor market, product market and organizational leverage. In addition, the dynamics of the bargaining process allowed the company to extend the same exact collective contract to all unions. As a result, bargaining trends were characterized by the general improvement of the value of the collective contract and the equalization of individual unions’ benefits.

In the manufacturing case sixty-seven percent of unionized workers were covered by generous collective contracts. Although production was also vulnerable to small pressures, product market conditions were moderately competitive and workers were in control of production and had contract and wage stability, on average less than two-thirds of the workforce was skilled, the threat of layoffs was medium, and profits were lagging. As a result, although unions enjoyed organizational strength, they only had medium workplace, labor market and product market leverage. On average, unions protected pre-existing benefits and readjusted the collective contract by inflation.

In the retail company thirty percent of workers enjoyed generous collective contracts. This was the case because, despite the excellent economic performance of the company and moderate product market competition, most of the workforce performed unskilled functions, production was highly de-integrated, and an important number of workers experienced wage and contract insecurity and were affected by routine massive layoffs. In addition, workers were only recently organized and therefore unions were organizationally weak. As a result, although unions in this company enjoyed high product market leverage, they had little workplace, labor market and organizational leverage. Thus, although on average the
collective bargaining trend was positive for unions, wage and benefit increases were modest and expanding the collective contract structure was slow.

Finally, only six percent of unionized workers in the telecom company enjoyed generous collective contracts. This was a recent situation. In fact, although the workforce was highly skilled and generally enjoyed indefinite contracts, it had experienced pervasive subcontracting, declining union density and cohesion, massive layoffs, and wage variability associated with the company’s overall financial performance during the late 1990s and early 2000s. In addition, the company suffered from declining profits and increasing product market competition. As a result, unions in this company enjoyed only medium workplace power, low labor market, product market, and medium to low organizational leverage. This, plus management pressure, finally led many unions to accept significant cuts in 2003. Unions that did not accept the cuts experienced continuing and intensified management intimidation and lost most of their members to more accommodating unions. Thus, the percentage of unionized workers covered by key and expensive benefits, such as health insurance and severance pay above the legal minimum, was the lowest among the companies studied.

2. Implications and Future Research Agenda

The empirical evidence and theoretical findings of this dissertation suggest a series of issues that problematize the understanding of labor union collective bargaining, and highlight future research directions.

The first issue for the discussion is the interrelation between the national and the firm level. Although this research held constant national institutions the cases show that the legal framework and state infrastructure affected and was used by individual unions in different
ways. For instance, while some unions used more state resources, such as the courts, legal assistance, and training, other unions found it difficult to do so. In a similar vein while some unions experienced the legal framework as a shortcoming for other unions it offered opportunities for survival and tactical innovation.

In fact, the relationship between individual unions and the world outside the firm was mediated by: the conditions the union leadership enjoyed at the firm level, the experience and strategic outlook of the union leadership, the effectiveness of institutionalized forms for solving conflict within the company, and the organizational strength of the union. In other words, the same legal framework offered a different range of strategic action for unions depending on the particular situation within and across firms, and the union traditions and memories available to organized workers.

A second issue that stems from this dissertation is the impact of the union structure on individual union outcomes. The literature points to the significant positive impact of union concentration versus competition on individual union strength. The firm-based approach taken in this dissertation indicates that although union competition was the same for all

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5 In the manufacturing company some union leaders pointed out that they did not have enough time to run errands because the paid hours assigned by the law were insufficient due to the fact that the company was far from the city offices (personal interview 1.8. 04-07-2004, personal interview 1.9. 04-19-2004), other stated that they did not know exactly where to ask for help (personal interview 1.12. 04-06-2004), and finally others stated that they had gone to the state oversight agency and had not received help (personal interview 1.9. 04-19-2004, personal interview 1.13. 04-03-2004). According to some union leaders, because it was possible to reach and accommodation, in general unions in this company felt no urgency in going outside for help (collective interview 1.4. 03-23-2004).

In the retail company several union leaders argued that thanks to union training organized by their respective federation they were able to access help from ngos, the state and the church that otherwise they wouldn’t have known about and made an important difference in their bargaining performance (collective interview 2.1. 05-10-2004).

6 In the telecom company Article 369 of the Labor Code helped more militant unions maintain previous collective contract benefits in a context of extremely difficult relations with management (personal interview 4.3. 08-26-2004, personal interview 4.7. 08-31-2004, personal interview 4.8. 08-23-2004). In the retail company several unions gained legitimacy by legally representing workers and overseeing law enforcement (collective interview 2.1. 05-10-2004).
unions in the same bargaining unit, it affected the tactical choices of individual unions in very different ways. For instance, in the banking and telecom companies, cases in which there was significant competition, the militancy of some unions allowed other unions to exploit more accommodating strategies vis a vis management. Although this situation benefited some individuals unions, it generally served to weaken unions as a whole.

A third important point that comes out of this work is the need to bring into the analysis of union collective bargaining a renewed view of the firm. This means putting the firm in its larger national, sectoral and even global context. It requires understanding how firms operate productively, how they are organized as a business, how firm restructuring occurs within firms (what areas does it touch and how does it affects different workgroups and collective action), and why and how unions restructure (or not) in order to adapt to evolving external conditions.

Finally, this dissertation shows the importance of history in understanding how the dynamics of the bargaining process affect bargaining outcomes. Collective bargaining outcomes were in the cases analyzed the result of a history of interactions, representing the present and past balance of power between labor and capital. This suggests that despite the generally cumulative character of the collective bargaining experience, at critical junctures major changes (strikes, deregulation, mergers, bankruptcy, etc) altered the bargaining power of workers and employers for the future. These turning points might seem unexpected but could have been predicted by looking at more subtle changes in structural conditions.

The empirical evidence also hinted to three important areas of study that this dissertation did not examine in depth or systematically. These were: the relationship between
the non-unionized workers and labor unions, the relationship between union leaders and the rank and file, and changes in the bargaining agenda of unions.

**Unions and Non-Unionized Workers**

The relationship between unions and non-unionized workers is a particularly relevant issue because in many countries the proportion of unionized workers has declined. In the Chilean case for example as of 2004 only 13% of employed workers and 11% of the total workforce was unionized, mostly in large firms.

What the case studies in this dissertation suggest is that in Chile relations between unions and non-unionized workers were simultaneously an opportunity and a threat for the former in regard to the bargaining process. In particular, the existence of an important contingent of non-unionized workers generated collective action problems, but at the same time created new opportunities during bargaining because many non-unionized workers could adhere to unions’ collective contracts in exchange for a fee. This was the case despite the fact that many of the most generous provisions in the collective contracts were not applicable to subcontracted workers, the bulk of the non-unionized. This paradox raises several questions. Why, in cases where it was possible, did non-unionized workers covered by union collective contracts not join the unions? To what extent did the union collective bargaining agenda consider the particular needs of the non-unionized workers covered by it? Why, how and to what extent did non-unionized workers organize in parallel bargaining organizations? How effective were those organizations? What effects did non-unionized individual and collective action have on union collective bargaining and vice versa? What kind of variation in this regard can be observed across countries, sectors and firms?
Union Leaders and the Rank and File

According to Regini (1992) the upsurge in rank and file militancy in the 1960s and 1970s put the relationship between union leaders and the rank and file at the center of labor studies. However, the scholarship in the subsequent decades shifted attention, first to the relationship between unions and the state and second to the relationship between unions and firms, as concertation and flexibility became central issues in the public debate.

The empirical evidence presented in this dissertation suggests the need to bring back into the analysis of collective bargaining the role of union leaders in mobilizing and activating members and creating union solidarity, as well as the impact of particular forms of decision-making on bargaining outcomes. As the theory chapter showed, a number of studies have approached these issues from the perspective of the success of union strategies in boosting membership. However, there is insufficient scholarship on how exactly relations within unions affect bargaining outcomes both through their impact on the organizational power of unions and on the bargaining process itself.

Partnership and the New Bargaining Agenda

In many instances wage decentralization has generated successful experiences of micro-concertation. The case studies of this dissertation showed that unions that embrace partnership relations with management tended to be better off than those who did not.

Partnership allowed unions to cut informal deals and negotiate conditions of firm restructuring and expand the bargaining agenda from wage and benefit readjustment to the negotiation of labor flexibility and employee involvement. This opened negotiations to new issues such as shift and time flexibility, childcare, subcontracting, standards for performance incentives and work evaluation, non firm-specific training, layoffs criteria, etc.

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7 See Chapter II pp. 34-35
However, the cases also suggest that partnership was not exempt from problems. First, in cases of high union competition union partnership worked as a divisive cleavage among unions and generated incentives for some unions to gain bargaining power at the expense of more militant unions. This was the case when management used partnership as a way to co-opt or undermine powerful unions. Second, partnership relations sometimes debilitated unions that conceded strategic issues that undermined control over the workplace and weakened the structural basis of worker power. In addition, when it involved little participation from the bottom, partnership strategies deactivated the rank and file. In this case relations between leadership and rank and file deteriorated into clientelistic patterns void of real internal solidarity. In both cases leadership continuity became very vulnerable to either the willingness of management to be part of the partnership relationship or the bargaining performance and ability of union leaders to deliver instrumental gains.

3. Chilean Unions Present and Future in Comparative Perspective

Having enjoyed great political bargaining power in the past, Chilean organized labor during the 1990s and early 2000s appeared fragmented, unable to grow and extract significant concessions, and afflicted by serious representational problems. At the firm level unions operated in a highly decentralized wage bargaining setting ruled by a series of procedures that made collective bargaining difficult. Not surprisingly, the trajectory of union collective bargaining outcomes followed a steep trend of decline between 1990 and 2004.

The case studies in this dissertation showed that at the firm-level older individual unions conceded many previous conquests, particularly in the health and severance pay areas, while younger unions had difficulties expanding benefits. Where firms were unable to cope
with increasing global competition unions also experienced massive layoffs and wage and benefit cuts. This affected workers’ wages and welfare, and created significant collective action problems for most unions, which proved unable to stop these trends.

In cases where unions were able to build some kind of partnership with management, workers extracted concessions that compensated many of the changes and allowed unions to maintain organizational strength, and resist or negotiate successfully some changes. However, in a context of high union competition, individual unions’ partnership strategies had negative effects on more militant unions and in many cases supposed the sacrifice of significant historical conquests that weakened unions’ workplace and labor market bargaining power.

Thus, even for unions enjoying structural advantages the last decade of bargaining was rough. First, management was in the forefront of changes in industrial relations, proposing new agendas, offering fewer initial concessions than in the past, trying to streamline previous commitments, and making more technical the practice of collective bargaining. Second, business itself changed as result of mergers, downsizing, and technological upgrading. The firm became more de-integrated, flexible, and global in nature. This generated new challenges that required new negotiating skills and strategic approaches to bargaining and union organizing. Third, increasing global competitiveness took a toll on many industries and firms, leaving employers with smaller economic surpluses to share with employees. At the same time, state retrenchment from collective bargaining left unions at the firm level with few outside sources of power.

In the process many unions did not survive the pressures. The ones that survived experienced important strategic dilemmas that will determine their future prospects. The case studies in this dissertation showed that the fluidity of the collective bargaining process has
generated a moment of great uncertainty and change where the strategic capacity of unions and management to exploit small advantages seems particularly crucial. In fact, while some weak unions disappeared others grew. The same held true for stronger unions, some of which continued enjoying relatively good health, while other collapsed in a few months.

The picture looks very familiar for students of labor unions in the United States. According to Voos (1994) since the 1980s American wages and benefits have been reduced and increasingly tied to productivity and firm economic performance. This author argues that during the last decades employers have set the bargaining agenda in diverse industries and gained leverage in these negotiations through a combination of four factors: the structural ability to relocate, high unemployment, high wage bargaining decentralization, anti-strike provisions, and unions’ declining membership. In addition, the labor law has made it easy for employers to blatantly engage in unfair labor practices, including anti-union practices.

Labor unions in the United States never enjoyed the kind of political power and autonomy that both at the national and firm level their Chilean counterparts once did. Historically, Chilean unions were also significantly more militant, partisan and ideological. The only similitude was that union concentration and centralization of authority in both countries were short-lived, and coordination with employers temporary and usually sectoral.8

Today, however, the experience of Chilean unions is more akin to that of American labor unions, particularly in three areas: unionization, union fragmentation and bargaining decentralization, and employers’ attitudes toward labor organization.

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8 According to Money (1992: 95-96), the 1935 U.S. legislation allowed for bargaining at every level. However, since requirements to negotiate at a more centralized level were tough most unions constituted in very small bargaining units, making firm-level bargaining the core of the American industrial relations. Until the 1980s inter-firm bargaining occurred only in the automobile, steel, communications and transportation industries. The 1924 Chilean legislation, valid until 1973, centered bargaining at the firm level. However, in the mining, utilities, steel, and telecom industries, highly protected sectors, and in retail and particular manufacturing sectors where employers had strong peak organizations unions reached inter-firm settlements.
Trends in Unionization

According to Chaison (2006: 56) union density in the United States has declined since the 1980s by 46.12%. Almost eighteen percent of that decline occurred between 1990 and 2004. Data disaggregated by sector suggest that between 1990 and 2004 the manufacturing and telecom sectors, previously strongly unionized sectors were the most affected by this decline.\(^9\) In 2003 total unionization was over 13% and private sector unionization around 8.5%.\(^10\)

Although official Chilean data suggest that union density in that country increased between the 1980s and 2004 by almost a third, most of the recovery occurred between 1990 and 1993. In fact, since 1993 and despite some net union gains, union density in Chile has declined by approximately 20%. In a larger historical perspective the decline is more accentuated because union density in 2004 was approximately a half of what it used to be in the early 1970s. This decline was most accentuated in the manufacturing and utilities sectors, previously strongholds of unionism.\(^11\)

Thus, during the 1990s the decline in union membership in the two countries was comparable. Unions in both countries had important drops in union density, which were driven mainly by the debilitation of previously stronger unions and insufficient growth in newly unionized sectors.


\(^10\) See Bronfenbrenner (2003)

Trends in Wage Bargaining Decentralization and Union Fragmentation

In both countries wage bargaining is highly decentralized. During the late 1980s and 1990s in the United States, almost four-fifths of workers covered by collective contracts in firms with more than 1000 employees were covered by firm-level agreements (Money 1992: 95). In addition, scholars consider the US labor relations system among the most decentralized in the world. According to Rogers (1993: 53) the low control that central organizations exert over members, the distribution of resources across different levels of organization and the number of unions constitute evidence of the high level of union decentralization and explain the lack of effective coordination with employers.

In Chile, in 2003 60% of unionized workers were covered by firm-level settlements (Dirección del Trabajo 2003). Moreover, during the 1990s the number of unions increased by around 20%, with only a few affiliated to peak labor organizations.12 This generated, as in the United States, a scenario of low bargaining centralization and union fragmentation, and explained the failure of organized labor to be part of tripartite negotiations regarding labor reform and to develop a coherent and broad agenda during the 1990s.

Trends in Employers Offensive against Unions

In the United States there is considerable evidence that during the 1980s and 1990s employers’ negative attitudes toward labor organization helped make collective bargaining confrontational. According to several authors since the 1980s in that country employers have actively tried to debilitate unionism, both at the national and firm levels (Pontusson 1992, Goldfield 1986, Voos 1994).

12 See Table 1 in http://www.dt.gob.cl/documentacion/1612/article-62614.html and Chapter III pp.73
According to Goldfield (1986) between 1955 and 1980 there was a six fold increase in employers’ dismissals of workers engaged in union activity, and management actively tried to decertify unions, resist new organizing and keep non-union workplaces union free. The situation has not changed much after 1980. According to Chaison (2006:61-62) about 80% of employers hire consultant firms to run campaigns against union organizing drives and give antiunion messages to its employees, and nearly one third of employers discharge activists during union organizing campaigns.

Employers have been successful in opposing unions because private sector law has been for many decades unfavorable to unions. Current U.S. labor laws ban secondary boycotts and mass picketing, impose mild sanction against employers concerning the discharge of union activists, and grant employers the right of “free speech” during certification election campaigns. The latter has made of union certification elections virtual forums for employer opposition (Chaison 2006: 63). Even if one considers that the law is not particularly unfavorable to unions, due to increasing employer organization and the growth of union-busting consulting firms, the implementation of the law usually favors employers.

Although legislation has advanced in creating provisions to safeguard the implementation of norms regarding individual and collective rights at the workplace that did not exist in the past, in the Chilean case experts argue that during the 1990s management usually ignored previous agreements, publicly discredited union leaders and verbally abused and threatened union leaders (Espinosa 1997).13

Between 1994 and 2002 the number of complaints regarding the illegal layoff of union leaders grew by 10%. In a Dirección del Trabajo 1994 survey of union leaders, around

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13 For an in-depth study of the characteristics, causes and consequences of unlawful layoff of union leaders in Chile see Salineros B. (2004).
54% of respondents stated that layoffs increased after a collective bargaining round or a union constitution and 31% respondents stated that in their firm management was hostile to unions. (Dirección del Trabajo 1996). According to the same agency a good number of workers do not denounce rights violations because of fear of being fired. Procedures for suing employers are lengthy and costly and include fines that can very easily be paid by a large corporation (Dirección del Trabajo 2003:10). 14

As in Chile, however, some American unions have remained more powerful than others due to firm and sector-level differences in structural economic, organizational and productive conditions (Voos 1994). In these cases unions have been able to retain their capacity to disrupt production and firms have surpluses to share with employees. In several, but not all cases, these conditions have facilitated instances of employee involvement and micro concertation that have allowed structurally stronger unions to extract concessions and compensations (Voos 1994). However, these experiences are plagued by union strife and collective action problems and by a lack of institutionalization that does not guarantee its sustainability in the future.

The worrisome lesson of all this is that prospects for labor unions in highly decentralized collective bargaining settings like Chile and the United States depend mainly on firm conditions and the balance of power between workers and employers at that level. The fluidity of firm change in the face of higher market volatility and exposure to global forces makes the future highly uncertain for labor union collective bargaining, especially because unions in these countries lack real multilevel bargaining and political clout.

Although a growing literature on union renewal shows that some particular individual American unions are on the rise, especially in terms of membership growth and community

14 For an interesting qualitative study of illegal dismissal of union leaders in Chile see Salineros (2004).
mobilization (Clawson and Clawson 1999, Bronfenbrenner and Hickey 2004) and a few cases in this dissertation show tactical innovation and/or relatively high and steady membership rates in the Chilean case,\textsuperscript{15} the empirical evidence suggests that union renewal continues to be partial and uncertain. Unions will continue to exist and exert some influence. In the retail case examined here, for example, the growth of unionism has clearly provided important new benefits for workers. In other firms, unions that organize more skilled workers and operate in more profitable areas have also been able to deliver solid benefits to their members. However, the overall trends suggested in this dissertation point to continuing union weakness. Only political shifts that change the basic institutional conditions of union bargaining would have a chance to revert this situation. At the firm level such changes would allow unions to shift from a defensive, short-term strategy to a longer-term strategy that focuses on improving the structural conditions for organizing and asserting union influence.

\textsuperscript{15} These include labor oversight and short stoppages in the retail case, transnational coordination in the manufacturing case, and innovative use of the labor law in the telecom case.
**APPENDIX A: SUMMARIES OF BUSINESS HISTORY AND UNION STRUCTURE**

(Note that the table that corresponds to the retail company can be found within Chapter VI, pp. 140)

Table 1: Business History and Union Structure Banking Company (2004)

<table>
<thead>
<tr>
<th>Years</th>
<th>Mergers</th>
<th>Unions negotiating with the company’s management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>The company opens an office in Chile</td>
<td>No unions</td>
</tr>
<tr>
<td>1982</td>
<td>The company acquires Bank 1</td>
<td>Union 1, 3, 4, 5, 6 and 13</td>
</tr>
<tr>
<td>1989</td>
<td>The company renames Bank 1 and starts using its current brand</td>
<td>N/a</td>
</tr>
<tr>
<td>1993</td>
<td><em>Merger of Banks 2 and 3. Bank 3 maintains brand</em></td>
<td>N/a</td>
</tr>
<tr>
<td>Circa mid 1990</td>
<td>The company opens investment businesses</td>
<td>No unions</td>
</tr>
<tr>
<td>1994</td>
<td><em>Merger Banks 4 and 5. Bank 5 maintains brand</em></td>
<td>N/a</td>
</tr>
<tr>
<td>1996</td>
<td>The company takes over Bank 3</td>
<td>Union 7 and 12</td>
</tr>
<tr>
<td>1997</td>
<td><em>Merger between Banks 5 and 6. Bank 6 maintains the brand</em></td>
<td>N/a</td>
</tr>
<tr>
<td>1999</td>
<td>Merger between the company and Bank 6. Both brands maintained but management control in our firm’s</td>
<td>Union 2, 8, 9, 10 and 11</td>
</tr>
</tbody>
</table>

**Sources:** Interviews of labor union leaders and the company’s Labor Relations Vice-President.

Table 2: Business History and Union Structure Manufacturing Company (2004)

<table>
<thead>
<tr>
<th>Firm</th>
<th>Origins</th>
<th>Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Firm 1</strong></td>
<td>Founded in the 1920s. Acquired by the company during the 1960s.</td>
<td>1 blue collar + 1 white-collar union from the original company</td>
</tr>
<tr>
<td><strong>Firm 2</strong></td>
<td>Founded in the 1950s. Acquired by the company through an international merger in 1995. Between 1995 and 2005 the production of two other firms of the company was relocated in this firm.</td>
<td>1 blue-collar + 2 white-collar union. Two from the original company and one (white-collar) from one of the firms merged</td>
</tr>
<tr>
<td><strong>Firm 3</strong></td>
<td>Founded in the 1950s. Acquired by the company around 1996-1997.</td>
<td>1 blue-collar + 1 white-collar union from the merged firm</td>
</tr>
<tr>
<td><strong>Firm 4</strong></td>
<td>Founded in the 1950s. Plant closed during 2000.</td>
<td>1 union from the original firm</td>
</tr>
</tbody>
</table>

**Sources:** Personal and Collective interviews to union leaders.
Table 3: Business History and Union Structure Telecomm Company (2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Development</th>
<th>Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880-1930</td>
<td>Foundation of the firm as an American joint venture</td>
<td>Unions not considered in this study.</td>
</tr>
<tr>
<td>1930-1970</td>
<td>Firm is acquired by an American multinational corporation</td>
<td>Unions 6 and 8</td>
</tr>
<tr>
<td>1970-73</td>
<td>Firm is expropriated by the government</td>
<td>Unions 1, 2, 4, 7, 11 and 13</td>
</tr>
<tr>
<td>1980s</td>
<td>Firm is re-privatized. Divided to avoid monopoly</td>
<td>Union 9 +Unions not considered in this study</td>
</tr>
<tr>
<td>1990-1994</td>
<td>Control of the firm is acquired by present owners</td>
<td>--</td>
</tr>
<tr>
<td>1994-1999</td>
<td>New anti-monopoly laws</td>
<td>Unions 3, 5 and 12</td>
</tr>
<tr>
<td>1999-2004</td>
<td>Firm reorganization</td>
<td>Union 10</td>
</tr>
</tbody>
</table>

Sources: Interviews to union leaders and firm’s web page
# APPENDIX B: INDIVIDUAL UNION PROFILES (2004)

## Table 1: Individual Union Profiles Banking Company

<table>
<thead>
<tr>
<th>Union</th>
<th>Year of Origin</th>
<th>Base of the Union/Strategic Orientation</th>
<th>Size</th>
<th>% of unionized</th>
<th>% of Shrinkage 1990-2004</th>
<th>Trajectory of Contract during the 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1960s</td>
<td>White-collar Skilled Firm-Level More accommodating</td>
<td>738</td>
<td>19%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>2</td>
<td>1990</td>
<td>White-collar Skilled Inter-firm level More accommodating</td>
<td>707</td>
<td>18%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>3</td>
<td>1960s</td>
<td>White-collar Skilled Inter-firm-level More accommodating</td>
<td>300</td>
<td>8%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>4</td>
<td>1960s</td>
<td>White-collar Skilled Firm-level More accommodating</td>
<td>115</td>
<td>3%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>5</td>
<td>1960s</td>
<td>White-collar Skilled Firm-level More accommodating</td>
<td>66</td>
<td>2%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>6</td>
<td>1950s</td>
<td>White-collar Skilled Firm-level Relatively accommodating</td>
<td>100</td>
<td>3%</td>
<td>90% before 1994 None after 1994</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>7</td>
<td>1950s</td>
<td>White-collar Skilled Firm-level Relatively accommodating</td>
<td>150</td>
<td>4%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>8</td>
<td>1945</td>
<td>White-collar Skilled Firm-level Relatively accommodating</td>
<td>810</td>
<td>21%</td>
<td>Grew</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>9</td>
<td>1950s</td>
<td>White-collar Skilled Firm-level Relatively accommodating</td>
<td>130</td>
<td>3%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>Firm</td>
<td>Year of Origin</td>
<td>Base of the Union/ Strategic Orientation</td>
<td>Size</td>
<td>% of Potentially Unionized</td>
<td>% of Shrinkage 1990-2004</td>
<td>Trajectory of Contract during the 1990s</td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
<td>------------------------------------------</td>
<td>------</td>
<td>---------------------------</td>
<td>--------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>10</td>
<td>1945</td>
<td>White-collar Skilled Firm-level Relatively accommodating</td>
<td>110</td>
<td>3%</td>
<td>Less than 10%</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>11</td>
<td>1960s</td>
<td>White-collar Skilled Firm-level More militant</td>
<td>267</td>
<td>7%</td>
<td>85% after 2000</td>
<td>Extension/Modest Growth</td>
</tr>
<tr>
<td>13</td>
<td>1960s</td>
<td>Blue-collar Low skilled Inter firm-level More militant</td>
<td>211</td>
<td>6%</td>
<td>20%</td>
<td>Extension/Modest Growth</td>
</tr>
</tbody>
</table>

**Sources:** Interviews to union leaders

**Table 2: Individual Union Profiles Manufacturing Company**

<table>
<thead>
<tr>
<th>Firm</th>
<th>Year of Origin</th>
<th>Base of the Union/ Strategic Orientation</th>
<th>Size</th>
<th>% of Potentially Unionized</th>
<th>% of Shrinkage 1990-2004</th>
<th>Trajectory of Contract during the 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm 1</td>
<td>1930s</td>
<td>Blue-Collar Skilled Firm-level More militant</td>
<td>150</td>
<td>100%</td>
<td>50%</td>
<td>Extension/compensated cuts</td>
</tr>
<tr>
<td>Firm 1</td>
<td>1940s</td>
<td>White-Collar Skilled Firm-level More accommodating</td>
<td>100</td>
<td>100%</td>
<td>50%</td>
<td>Extension/ compensated cuts</td>
</tr>
<tr>
<td>Firm 2</td>
<td>1950s-1960s</td>
<td>Blue-Collar Skilled Firm-level More militant</td>
<td>150</td>
<td>100%</td>
<td>50%</td>
<td>Extension/ compensated cuts</td>
</tr>
<tr>
<td>Firm 2</td>
<td>1950-1960s</td>
<td>White-Collar Skilled Firm-level More accommodating</td>
<td>100</td>
<td>100%</td>
<td>50%</td>
<td>Extension/ compensated cuts</td>
</tr>
<tr>
<td>Firm 2</td>
<td>1998</td>
<td>White-Collar Skilled Firm-level Relatively militant</td>
<td>21</td>
<td>100%</td>
<td>0%</td>
<td>Extension/modest growth</td>
</tr>
<tr>
<td>Firm 3</td>
<td>1950</td>
<td>Blue-Collar Semi-Skilled Firm-level More militant</td>
<td>178</td>
<td>100%</td>
<td>50%</td>
<td>Extension/modest growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union</th>
<th>Year of Origin</th>
<th>Base of the Union</th>
<th>Size</th>
<th>% of Potentially Unionized</th>
<th>% of Shrinkage 1990-2004</th>
<th>Trajectory of Contract during the 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1971</td>
<td>White-collar From skilled to low skilled Firm-Level Relatively accommodating</td>
<td>1350</td>
<td>60% (other 40% parallel union)</td>
<td>50%</td>
<td>Extension/Modest growth</td>
</tr>
<tr>
<td>2</td>
<td>1996</td>
<td>White-collar low-skilled Firm-Level More accommodating</td>
<td>410</td>
<td>90%</td>
<td></td>
<td>Grew</td>
</tr>
<tr>
<td>3</td>
<td>1995</td>
<td>White-collar low-skilled Firm-Level Relatively militant</td>
<td>260</td>
<td>60%</td>
<td></td>
<td>Grew</td>
</tr>
<tr>
<td>4</td>
<td>1999</td>
<td>White-collar Skilled to semi-skilled Firm-Level Relatively accommodating</td>
<td>178</td>
<td>55%</td>
<td></td>
<td>Grew</td>
</tr>
<tr>
<td>5</td>
<td>1996</td>
<td>White-collar Semi-skilled Firm-Level Relatively accommodating</td>
<td>167</td>
<td>55%</td>
<td></td>
<td>Grew</td>
</tr>
<tr>
<td>6</td>
<td>1999</td>
<td>White-collar Skilled to semi-skilled Firm-Level Relatively accommodating</td>
<td>300</td>
<td>65%</td>
<td></td>
<td>Grew</td>
</tr>
<tr>
<td></td>
<td>Year</td>
<td>Type</td>
<td>Level</td>
<td>Rel. Approach</td>
<td>Value</td>
<td>Change</td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
<td>-----------------------</td>
<td>-------------</td>
<td>-------------------</td>
<td>-------</td>
<td>--------</td>
</tr>
<tr>
<td>7</td>
<td>1997</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>200</td>
<td>90%</td>
</tr>
<tr>
<td>8</td>
<td>2001</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>270</td>
<td>87%</td>
</tr>
<tr>
<td>9</td>
<td>1996</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>168</td>
<td>65%</td>
</tr>
<tr>
<td>10</td>
<td>1999</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>80</td>
<td>60%</td>
</tr>
<tr>
<td>11</td>
<td>2001</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>284</td>
<td>81%</td>
</tr>
<tr>
<td>12</td>
<td>1999</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>154</td>
<td>60%</td>
</tr>
<tr>
<td>13</td>
<td>1996</td>
<td>Blue low-skilled (de facto)</td>
<td>Firm-Level</td>
<td>More</td>
<td>16</td>
<td>100% of blue-collar 3% total</td>
</tr>
<tr>
<td>14</td>
<td>2003</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>More</td>
<td>60</td>
<td>40%</td>
</tr>
<tr>
<td>15</td>
<td>2003</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>More</td>
<td>170</td>
<td>50%</td>
</tr>
<tr>
<td>16</td>
<td>2003</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>Relatively</td>
<td>100</td>
<td>50%</td>
</tr>
<tr>
<td>17</td>
<td>2001</td>
<td>White-collar low-skilled</td>
<td>Firm-Level</td>
<td>More</td>
<td>87</td>
<td>35%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union</th>
<th>Year of Origin</th>
<th>Base of the Union</th>
<th>Size</th>
<th>% of unionized</th>
<th>% of Shrinkage 1990-2004</th>
<th>Trajectory of Contract during the 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1973</td>
<td>Blue-collar</td>
<td>1473</td>
<td>56%</td>
<td>Lost average 10% since 1998 Grew after 2003 to pre-1998 levels.</td>
<td>New/ Non-compensated Cuts</td>
</tr>
<tr>
<td>2</td>
<td>1973</td>
<td>White-collar</td>
<td>189</td>
<td>7%</td>
<td>Grew after 1998</td>
<td>New/ Non-compensated Cuts</td>
</tr>
<tr>
<td>3</td>
<td>1995</td>
<td>Non-occupational</td>
<td>219</td>
<td>8%</td>
<td>20% shrinkage since 1998</td>
<td>New/ Non-compensated Cuts</td>
</tr>
<tr>
<td>4</td>
<td>1973</td>
<td>White-collar</td>
<td>190</td>
<td>7%</td>
<td>83% since 1992. Started growing again in 2003 to pre-1998 levels</td>
<td>New/ Non-compensated Cuts</td>
</tr>
<tr>
<td>5</td>
<td>1998</td>
<td>White-collar</td>
<td>111</td>
<td>4%</td>
<td>None</td>
<td>New/ Non-compensated Cuts</td>
</tr>
<tr>
<td>6</td>
<td>1969</td>
<td>Blue-collar</td>
<td>2</td>
<td>0%</td>
<td>Between 1991 and 1998 98%. Some previous losses in 1980s</td>
<td>New/ Non-compensated Cuts</td>
</tr>
<tr>
<td>7</td>
<td>1971</td>
<td>White-collar</td>
<td>7</td>
<td>0%</td>
<td>98% since 1980. Most early 1990s.</td>
<td>Same as Union 1</td>
</tr>
<tr>
<td>8</td>
<td>1930s</td>
<td>Blue-collar</td>
<td>24</td>
<td>1%</td>
<td>98% after 1996 Most between 2000-2003</td>
<td>Same as Union 5</td>
</tr>
<tr>
<td>9</td>
<td>1982</td>
<td>Blue-collar</td>
<td>4</td>
<td>0%</td>
<td>After 1996 98%</td>
<td>Extension/ Unchanged</td>
</tr>
</tbody>
</table>

Sources: Interviews to union leaders
<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Type</th>
<th>Level</th>
<th>Rank</th>
<th>Percentage</th>
<th>Change</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>2002</td>
<td>Blue-collar</td>
<td>Skilled</td>
<td>16</td>
<td>1%</td>
<td>None</td>
<td>Extension/Unchanged</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inter-firm level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>1971</td>
<td>Blue-collar</td>
<td>Skilled</td>
<td>23</td>
<td>1%</td>
<td>88%</td>
<td>Extension/Unchanged</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inter-firm level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Most between 2000-2003</td>
</tr>
<tr>
<td>12</td>
<td>1996</td>
<td>Blue-collar</td>
<td>Skilled</td>
<td>31</td>
<td>1%</td>
<td>10%</td>
<td>Extension/Unchanged</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inter-firm level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>1973</td>
<td>Blue-collar</td>
<td>Skilled</td>
<td>50</td>
<td>1%</td>
<td>88%</td>
<td>Extension/Unchanged</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inter-firm level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Most between 2000-2003</td>
</tr>
</tbody>
</table>

**Sources:** Interviews to union leaders
APPENDIX C: UNIONS FORMAL BARGAINING OUTCOMES 2004

Table 1: Individual Unions Formal Bargaining Outcomes Banking Company

<table>
<thead>
<tr>
<th>Collective Contract Benefits*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunch</td>
</tr>
<tr>
<td>Night over hours</td>
</tr>
<tr>
<td>Transport</td>
</tr>
<tr>
<td>Food bonuses for workers in over hour shifts</td>
</tr>
<tr>
<td>Education (dependants)</td>
</tr>
<tr>
<td>Vacation bonus</td>
</tr>
<tr>
<td>Family Bonus</td>
</tr>
<tr>
<td>Emergency assistance bonus</td>
</tr>
<tr>
<td>Academic excellence award (dependants)</td>
</tr>
<tr>
<td>Emergency aid in case of family death (only Union 11)</td>
</tr>
<tr>
<td>Wedding and birth bonuses</td>
</tr>
<tr>
<td>Excellence award. Dependant got top scores University admission exam</td>
</tr>
<tr>
<td>Child care</td>
</tr>
<tr>
<td>Kindergaten</td>
</tr>
<tr>
<td>Moving Expenses</td>
</tr>
<tr>
<td>Uniform</td>
</tr>
<tr>
<td>Christmas Party</td>
</tr>
<tr>
<td>Christmas Gift</td>
</tr>
<tr>
<td>Cashier Insurance</td>
</tr>
<tr>
<td>Food box</td>
</tr>
<tr>
<td>Days Off</td>
</tr>
<tr>
<td>Emergency/ mortgage/ other loans</td>
</tr>
<tr>
<td>Vacations of personnel in extreme geographical zones</td>
</tr>
<tr>
<td>Risk bonus</td>
</tr>
</tbody>
</table>
Fellowships (dependants)

Fellowship (workers)

Extra insurance coverage

Special holiday bonus

Extra severance Pay

Readjustments

**Note:** * Unions share the same benefit amounts.

UF: Financial Index adjustable by daily inflation.

**Sources:** Collective Bargaining Document

<table>
<thead>
<tr>
<th>Union</th>
<th>Highest Benefit Amounts</th>
<th>Medium Benefit Amounts</th>
<th>Lowest Benefit Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue-Collar Firm 1</td>
<td>Profit sharing, education grants, wedding bonuses, birth bonuses, extra health insurance coverage, insurance in case of accident or death related to work, extra severance pay, over hour pay, special bonuses, housing subsidy, savings subsidy, seniority awards, and others.</td>
<td>Wage readjustment, lunch, transportation, aid in case death, food basket, holiday bonuses, uniforms, and firm contributions to union.</td>
<td>None</td>
</tr>
<tr>
<td>White-Collar Firm 1</td>
<td>Profit sharing, education grants, wedding bonuses, birth bonuses, extra health insurance coverage, insurance in case of accident or death related to work, extra severance pay, over hour pay, special bonuses, housing subsidy, savings subsidy, seniority awards.</td>
<td>Wage Readjustment, lunch, transportation, aid in case of death, food basket, holiday bonuses, uniforms, and firm contributions to union.</td>
<td>None</td>
</tr>
<tr>
<td>Blue-Collar Firm 2</td>
<td>None.</td>
<td>Wage readjustment, lunch, transportation, aid in case of death, food basket, holiday bonuses, uniforms, firm contributions to union, profit sharing, education grants, wedding bonuses, birth bonuses, extra health insurance coverage, insurance in case of accident or death related to work, extra severance pay, over hour pay, special bonuses, no savings subsidy.</td>
<td>No savings subsidy.</td>
</tr>
<tr>
<td>Category</td>
<td>Firm</td>
<td>Benefits</td>
<td>Notes</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>White-Collar (1)</td>
<td>Firm 2</td>
<td>None. Wage readjustment, lunch, transportation, aid in case of death, food basket, holiday bonuses, uniforms, firm contributions to union, profit sharing, education grants, wedding bonuses, birth bonuses, extra health insurance coverage, insurance in case of accident or death related to work, extra severance pay, over hour pay, special bonuses, housing subsidy, and seniority awards.</td>
<td>No savings subsidy.</td>
</tr>
<tr>
<td>White-Collar (2)</td>
<td>Firm 2</td>
<td>None. Wage readjustment, lunch, transportation, aid in case of death, food basket, holiday bonuses, uniforms, education grants, wedding bonuses, birth bonuses, extra health insurance coverage, insurance in case of accident or death related to work, extra severance pay, over hour pay, special bonuses, and housing subsidy.</td>
<td>Profit sharing, housing subsidy----<strong>No savings subsidy, no special bonuses, no seniority awards, and no firm contributions to union.</strong></td>
</tr>
<tr>
<td>Blue-Collar</td>
<td>Firm 3</td>
<td>None. Wage readjustment, lunch, transportation, aid in case of death, food basket, holiday bonuses, uniforms, firm contributions to union, education grants, wedding bonuses, birth bonuses, and insurance in case of accident or death related to work.</td>
<td>Profit sharing, education grants----<strong>No housing subsidy, no savings subsidy, no special bonuses, no seniority awards, no extra health insurance coverage, no severance pay above the legal minimum, and no over hour paid over legal minimum</strong></td>
</tr>
<tr>
<td>White-Collar Firm 3</td>
<td></td>
<td>Profit sharing, extra health insurance coverage.</td>
<td><strong>No housing subsidy, no savings subsidy, no special bonuses, no seniority awards, and no over hour paid over legal min, no severance pay over legal minimum</strong></td>
</tr>
<tr>
<td>Single Union Firm 4</td>
<td></td>
<td>None. Wage readjustment, lunch, transportation, aid in case of death, food basket, holiday bonuses, and uniforms.</td>
<td>Profit sharing, education grants-----<strong>No housing subsidy, no savings subsidy, no special bonuses, no seniority awards, no over hour paid over legal min, no extra-health insurance coverage, no severance pay above</strong></td>
</tr>
</tbody>
</table>
the legal minimum, no over hour paid, no firm contributions.

Sources: Collective bargaining documents.

Table 3: Individual Unions Formal Bargaining Outcomes Retail Company

<table>
<thead>
<tr>
<th>Union Firm</th>
<th>Highest Benefit Amounts</th>
<th>Medium Benefit Amounts</th>
<th>Lowest Benefit Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (a)</td>
<td>Clause regarding sales commissions and work shifts, monthly fixed cash compensatory bonus, inventory and sales special event bonus, seniority bonus every 5 years, indemnity, early retirement for workers with more than 10 years in the company, extra severance pay, extra vacations according to seniority, job security in case of draft and extra off days in case of death of a relative, firm pay of taxi if work extends until 11pm, cashier insurance, productivity bonus, extra health coverage and childcare provisions, firm contributions to union, union leaders extra permits, over time pay.</td>
<td>Inflation wage readjustment every 6 months, for tenure contracts guarantees a monthly minimum wage, profit sharing, holiday bonus, wedding, birth and death bonuses, education grants, transport, lunch, uniforms, home insurance, travel grants, food basket, soft loans, minimum wage twice a year store discount, moving expenses.</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Clause regarding sales commissions, profit sharing in any event for workers with more than 2 years in the company, extra days off in case of death of any relative, transport, individual productivity bonus, extra child care provisions for workers with more than 2 years in the company, over time pay.</td>
<td>Inflation wage readjustment every 6 months, holiday bonuses, lunch according to type of contract and seniority, cashier insurance, uniforms, food basket, monthly fixed cash compensatory bonus, soft loans for workers with more than 2 years in the company, union leaders extra permits, extra vacations, store discount and a smaller discount on other chains of the company, extra breastfeeding permits.</td>
<td>Guaranteed monthly fixed earning (also for part-times) depending on seniority, one time seniority bonus after more than 10 years in the company, wedding birth and death bonuses, education grants excluding part-time workers, inventory and sales event bonus, firm covers workers who did not make a minimum wage twice a year------No extra health provision, no home insurance, no early retirement, no extra severance pay, no travel expenses, no contributions to union, no extra indemnity, no clause on work shifts.</td>
</tr>
<tr>
<td>Page</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>3</td>
<td>None</td>
<td>Inflation wage readjustments every 6 months, profit sharing, monthly fixed guaranteed salary, seniority bonus, holiday bonuses excluding part-times, lunch, cashier insurance, uniforms, food basket, sales commissions, soft loans, extra child care provisions, union leaders permits, extra vacations, extra maternity benefits, special sales event and inventory bonuses, over time pay, store discounts.</td>
<td>One time cash compensatory bonus, wedding birth and death bonuses, education grants, transport---------No seniority bonus, no extra indemnity, no extra-health or child care provisions, no home insurance, no travel expenses, no productivity bonus, no early retirement, no extra severance pay, no travel expenses, no moving expenses, no contribution to union, no union leaders extra permits, no clause over work shifts or sales commissions, no extra over time pay, no productivity bonus, firm covers workers who did not earn sales commission twice a year.</td>
</tr>
<tr>
<td>4</td>
<td>Firm guarantees a final earning of a minimum wage 4 times a year</td>
<td>Inflation wage readjustment every 6 months, monthly fixed guaranteed salary, profit sharing, holiday bonuses, wedding birth and death bonuses, education grants, transport, lunch, cashier insurance, uniforms, food basket, sales event and inventory bonuses, one time cash compensatory bonus, productivity bonus, soft loans, store discounts.</td>
<td>No seniority bonus, no extra indemnity, no extra health and child care provisions, no home insurance, no travel expenses, no early retirement, no extra severance pay, no travel expenses, no moving expenses, no extra permits for union leaders, no clause on work shifts or sales commissions, no firm contribution to union, no extra vacations, no maternity extra provisions, no extra over time pay.</td>
</tr>
<tr>
<td>5</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, monthly fixed guaranteed salary, holyday and vacation bonuses, education grants, lunch, cashier insurance, uniforms, food basket, sales event and inventory bonus, soft loans, one time cash compensatory bonus, firm guarantees a minimum sales commission 3 times a year.</td>
<td>Productivity bonus, wedding birth and death bonuses, transport, store discounts------No seniority bonus, no extra indemnity, no extra health and child care provisions, no home insurance, no travel expenses, no early retirement, no extra severance pay, no moving expenses, no contribution to the union, no clauses on sales commissions or work shifts, no extra vacations, no extra maternity provisions, no extra over time pay, no extra permits for union leaders.</td>
</tr>
<tr>
<td>6</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing at any event but with a ceiling, monthly fixed guaranteed salary</td>
<td>No extra indemnity, no extra-health or child care provisions, no productivity bonus, no early retirement, no</td>
</tr>
<tr>
<td></td>
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<tr>
<td>---</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>depending on seniority, seniority bonuses every five years, holiday bonuses, wedding birth and death bonuses, lunch, transport, cashier insurance, uniforms, home insurance, travel expenses, food basket, inventory and sales event bonuses, store discounts, soft loans, extra union permits, education grants, one time cash compensatory bonus.</td>
<td>clause in regard to sales commissions or work shifts, no travel expenses, no moving expenses, no extra severance pay, no contributions to union, no extra vacations, no extra maternity provisions, no extra over time pay, firm covers workers who did not earn sales commission twice a year.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, monthly fixed guaranteed salary, profit sharing, holiday bonuses, wedding birth and death bonuses, education grants, transport, lunch, cashier insurance, uniforms, food basket, sales event and inventory bonuses, one time cash compensatory bonus, productivity bonus, soft loans, store discounts.</td>
<td>No seniority bonus, no extra indemnity, no extra health and child care provisions, no home insurance, no travel expenses, no early retirement, no extra severance pay, no travel expenses, no moving expenses, no extra permits for union leaders, no clause on work shifts or sales commissions, no firm contribution to union, no extra vacations, no maternity extra provisions, no extra over time pay.</td>
</tr>
<tr>
<td>9</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, cashier insurance, uniforms, food basket, inventory bonus, one time compensatory cash bonus, the firm cover workers minimum wage as total earning three times a year, soft loans, store discounts.</td>
<td>Monthly fixed guaranteed salary depending on seniority, holyday bonuses, wedding birth and death bonuses, education grants, transport, lunch, home insurance, travel expenses, inventory and sales event bonus, productivity bonus—No seniority bonus, no extra indemnity, no early retirement, no extra severance pay, no extra health or child care provisions, no travel expenses, no moving expenses, no extra permits for union leaders, no clauses on work shifts or sales commissions, no contributions to union, no extra vacations, no extra maternity provisions, no extra over time pay.</td>
</tr>
<tr>
<td>11</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 month, profit sharing, holiday bonuses, wedding birth and death bonuses, extra days off in case of relatives death education grants, cashier insurance, uniforms, food basket, special sales event and inventory bonus, productivity bonus, sales</td>
<td>Monthly fixed guaranteed salary, home insurance, transport, lunch, compensatory cash bonus, store discounts—No seniority bonus, no indemnity, no extra severance pay, no extra health and child care provisions, no early retirement, no extra severance.</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, holiday bonuses, wedding birth and death bonuses, education grants, cashier insurance, uniforms, home insurance, food basket, inventory and sales event bonuses, one time compensatory cash bonus, productivity bonus, firm covers worker minimum wage three times a year, soft loans, store discounts,</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>13 (a)</td>
<td>None</td>
<td>Inflation wage readjustment every 6 months, profit sharing, monthly fixed guaranteed salary, seniority bonuses only for those with tenured contract, extra indemnity, holiday bonuses according to seniority and only for tenured contracts, wedding birth and death bonuses only for tenured workers, transport depending occupation, lunch depending type of contract, uniforms, home insurance only for tenured contracts, travel expenses, food basket, early retirement only for tenured contracts, soft loans, store discount.</td>
</tr>
<tr>
<td></td>
<td>13 (b)</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, monthly fixed guaranteed salary, seniority bonuses, early retirement for workers with more than two years in the company, holiday bonuses according to seniority, wedding birth and death bonuses, education grants, transport, lunch, uniforms, food basket, monthly cash compensatory bonus for some workers, productivity bonus, soft loans, travel expenses, union leaders extra permits, over time</td>
</tr>
<tr>
<td></td>
<td>Pay, store discounts.</td>
<td>No extra over time pay, firm covers workers who did not earn sales commission twice a year.</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>----------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, monthly fixed guaranteed salary, seniority bonuses every five years, holiday bonuses, wedding birth and death bonuses, education grants, transport, lunch, cashier insurance, uniforms, home insurance, travel expenses, food basket, one time cash compensatory bonus, soft loans, store discounts, over time pay. No extra indemnity, no extra-health or child care provisions, no inventory or sales event bonus, no productivity bonus, no early retirement, no extra severance pay, no clause in regard to sales commissions or work shifts, no travel expenses, no moving expenses, no contributions to union, no extra vacations, no maternity extra provisions, no extra over time pay, no extra permits for union leaders, firm covers workers with low sales record twice a year.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, holiday bonuses, wedding birth and death bonuses, holiday bonuses, wedding birth and death bonuses, holiday bonuses, wedding birth and death bonuses, education grants, transport, lunch, cashier insurance, uniforms, home insurance, travel expenses, food basket, one time cash compensatory bonus, soft loans for workers with more than 2 years in the company, extra union leaders permits, extra vacation, transport, inventory and special sales event bonuses, extra child care provisions for workers with more than 2 years in the company, over time pay, one time compensatory cash bonus, store discounts. Guaranteed monthly fixed earning for part-times depending on seniority, one time seniority bonus after more than 10 years in the company, wedding birth and death bonuses, education grants excluding part-time workers, firm covers workers who did not make a minimum sales commission twice a year. No extra-health provision, no home insurance, no early retirement, no extra severance pay, no travel expenses, no firm contributions to union, no extra indemnity, no clause on sales commissions or work shifts.</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, holiday bonuses, wedding birth and death bonuses, holiday bonuses, cashier insurance, uniforms, food basket, soft loans, store discount. Monthly fixed guaranteed salary depending on seniority, transport, lunch, inventory and special sales event only for tenured contracts-- No seniority bonus, no extra indemnity, no extra severance pay, no early retirement, no extra over time pay, no education grants, no extra health or child care provisions, no home insurance, no travel expenses, no productivity bonus, no moving expenses, no extra</td>
<td></td>
</tr>
<tr>
<td>Page</td>
<td>None.</td>
<td>None.</td>
<td>None.</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>17</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, wedding birth and death bonuses, holyday bonuses, cashier insurance, uniforms, food basket, soft loans, store discount.</td>
<td>Monthly fixed guaranteed salary depending on seniority, transport, lunch, inventory and specials sales event only for tenured contracts. No seniority bonus, no extra indemnity, no extra severance pay, no early retirement, no extra over time pay, no education grants, no extra health or child care, no home insurance, no travel expenses, no productivity bonus, no moving expenses, no extra permits for union leaders, no agreements on work shifts or sales commissions, no union contributions, no extra vacations, no extra maternity provisions.</td>
</tr>
<tr>
<td>18</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, wedding birth and death bonuses, holyday bonuses, cashier insurance, uniforms, food basket, soft loans, store discount.</td>
<td>Monthly fixed guaranteed salary depending on seniority, transport, lunch, inventory and specials sales event only for tenured contracts. No seniority bonus, no extra indemnity, no extra severance pay, no early retirement, no extra over time pay, no education grants, no extra health or child care provisions, no home insurance, no travel expenses, no productivity bonus, no moving expenses, no extra permits for union leaders, no clauses in regard to work shifts or sales commissions, no union contributions, no extra vacations, no extra maternity provisions.</td>
</tr>
<tr>
<td>19</td>
<td>None.</td>
<td>Inflation wage readjustment every 6 months, profit sharing, holyday bonuses, lunch according to type of contract and seniority, uniforms, food basket, soft loans for workers, firm covers workers who did not make a minimum wage twice a year, transport, inventory and special sales event bonuses, one time guaranteed monthly fixed earning depending on seniority, wedding birth and death bonuses, education grants excluding part-time workers cashier insurance, one time cash compensatory fixed bonus. No extra health or child care provisions, no home insurance, no early retirement.</td>
<td></td>
</tr>
</tbody>
</table>
compensatory cash bonus, store discounts

retirement, no extra severance pay, no travel expenses, no firm contributions to union, no extra indemnity, no clause on sales commissions or work shifts, no extra union leaders permits, no extra vacation, no extra over time pay.

20 None. Inflation wage readjustment every 6 months, profit sharing, sales commission and work shifts agreement, firm covers 2 to 3 minimum wages per year, lunch according to seniority, wedding birth and death bonuses, store discounts, Soft loans, extra over time pay, food basket, holyday bonuses, uniforms, extra child care provisions, extra breastfeeding provisions, special events and inventory bonus.

Monthly fixed guaranteed salary depending on seniority, transport, cashier insurance, education grants-----No seniority bonus, no extra permits to union leaders, no extra severance pay, no extra indemnity, no early retirement, no extra over time pay, no extra vacations, no contribution to the union, no home insurance, no extra health provisions.

Note: The monthly minimum wage in Chile is approximately $250
Sources: Collective bargaining documents.

Table 4: Individual Unions Formal Bargaining Outcomes Telecomm Company

<table>
<thead>
<tr>
<th>Union</th>
<th>Highest Benefit Amounts</th>
<th>Medium Benefit Amounts</th>
<th>Lowest Benefit Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lunch, transport.</td>
<td>Cuts in wages, incentives, extra severance pay and extra health insurance coverage. Readjustment of education grants, housing and family subsidies, uniforms, permits and vacations, childcare, and other specific benefits.</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Incentives, education grants.</td>
<td>Cuts in wages, incentives, and extra severance pay and health insurance coverage. Readjustment of housing and family subsidies, uniforms, permits and vacations, childcare, safety issues, lunch, transport and other specific benefits.</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>Incentives, education grants.</td>
<td>Cuts in wages, extra severance pay and health insurance coverage. Readjustment of lunch, transport, housing and family subsidies, uniforms, permits and vacations, childcare, safety issues, lunch, transport, and other specific benefits.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Education grants.</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>---</td>
<td>------------------</td>
<td>------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Cuts in wages, incentives, elimination of extra severance pay</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>and health insurance coverage. Readjustment of incentives, lunch,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>transport, housing and family subsidies, uniforms, permits,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>vacations, childcare, safety, and other specific benefits.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Education grants.</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cuts in wages, incentives, extra severance pay and health</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>insurance coverage. Readjustment of incentives, lunch, transport,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>housing and family subsidies, uniforms, permits, vacations,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>childcare, safety, and other specific benefits.</td>
<td></td>
</tr>
<tr>
<td>6 (**)</td>
<td>Education grants.</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cuts in wages, incentives, extra severance pay and health</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>insurance coverage. Readjustment of incentives, lunch, transport,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>housing and family subsidies, uniforms, permits, vacations,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>childcare, safety, and other specific benefits.</td>
<td></td>
</tr>
<tr>
<td>7 (**)</td>
<td>Lunch, transport, and other specific benefits.</td>
<td>Cuts in wages, incentives, extra severance pay and health insurance coverage.</td>
<td>Readjustment of education grants, housing and family subsidies, uniforms, permits and vacations, childcare, and other specific benefits</td>
</tr>
<tr>
<td>8</td>
<td>No cuts in wages and extra severance pay and health insurance coverage.</td>
<td>Readjustment of uniforms, vacations, childcare, and safety issues</td>
<td>No readjustment of education grants, housing and family subsidies, permits, incentives, lunch, transport, and other specific benefits.</td>
</tr>
<tr>
<td>9</td>
<td>No cuts in wages and extra severance pay and health insurance coverage.</td>
<td>Readjustment of uniforms, vacations, childcare, and safety issues</td>
<td>No readjustment of education grants, housing and family subsidies, permits, incentives, lunch, transport, and other specific benefits.</td>
</tr>
<tr>
<td>10</td>
<td>No cuts in wages and extra severance pay and health insurance coverage.</td>
<td>Readjustment of uniforms, vacations, childcare, and safety issues</td>
<td>No readjustment of education grants, housing and family subsidies, permits, incentives, lunch, transport, and other specific benefits.</td>
</tr>
<tr>
<td>11</td>
<td>No cuts in wages and extra severance pay and health insurance coverage.</td>
<td>Readjustment of uniforms, vacations, childcare, and safety issues</td>
<td>No readjustment of education grants, housing and family subsidies, permits, incentives, lunch, transport, and other specific benefits.</td>
</tr>
<tr>
<td>12</td>
<td>No cuts in wages and extra severance pay and health insurance coverage.</td>
<td>Readjustment of uniforms, vacations, childcare, and safety issues</td>
<td>No readjustment of education grants, housing and family subsidies, permits, incentives, lunch, transport, and other specific benefits.</td>
</tr>
<tr>
<td>13 *</td>
<td>No cuts in wages and extra severance pay and health insurance coverage.</td>
<td>Readjustment of uniforms, vacations, childcare, and safety issues</td>
<td>No readjustment of education grants, housing and family subsidies, permits, incentives, lunch, transport, and other specific benefits.</td>
</tr>
</tbody>
</table>

**Notes:** (*) Under 369.  (**) Adhere to other union collective contract.  
**Sources:** Collective contract documents.
APPENDIX D: UNION INFORMAL BARGAINING OUTCOMES 2004

Table 1: Individual Unions’ Informal Agreements Banking Company

<table>
<thead>
<tr>
<th>Union</th>
<th>Informal Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Co participation in the firms drafting of the collective bargaining project, prompt resolution of everyday problem, easy access to corporate layers, negotiation of working conditions and layoffs, firm economic contributions and sponsoring of union activities. Union leaders hours/promotions.</td>
</tr>
<tr>
<td>2</td>
<td>Co participation in the firms drafting of the collective bargaining project, prompt resolution of everyday problem, easy access to corporate layers, negotiation of working conditions and layoffs, firm economic contributions and sponsoring of union activities. Union leaders hours.</td>
</tr>
<tr>
<td>3</td>
<td>Co participation in the firms drafting of the collective bargaining project, prompt resolution of everyday problem, easy access to corporate layers, negotiation of working conditions and layoffs, firm economic contributions and sponsoring of union activities.</td>
</tr>
<tr>
<td>4</td>
<td>Co participation in the firms drafting of the collective bargaining project, prompt resolution of everyday problem, easy access to corporate layers, negotiation of working conditions and layoffs, firm economic contributions and sponsoring of union activities.</td>
</tr>
<tr>
<td>5</td>
<td>Co participation in the firms drafting of the collective bargaining project, prompt resolution of everyday problem, easy access to corporate layers, negotiation of working conditions and layoffs, firm economic contributions and sponsoring of union activities.</td>
</tr>
<tr>
<td>6</td>
<td>Prompt resolution of everyday problem, negotiation of working conditions.</td>
</tr>
<tr>
<td></td>
<td><strong>No firm economic contributions and sponsoring of union activities, no easy access to corporate layers, no negotiation of layoffs, no co participation in the drafting of collective bargaining project.</strong></td>
</tr>
<tr>
<td>7</td>
<td>Prompt resolution of everyday problem, proposal of specific clauses in the collective bargaining contract, negotiation of working conditions.</td>
</tr>
<tr>
<td></td>
<td><strong>No firm economic contributions and sponsoring of union activities, no negotiation of layoffs, no easy access to corporate layers, no co participation in the drafting of collective bargaining project.</strong></td>
</tr>
<tr>
<td>8</td>
<td>Prompt resolution of everyday problem, proposal of specific clauses in the collective bargaining contract, negotiation of working conditions.</td>
</tr>
<tr>
<td></td>
<td><strong>No firm economic contributions and sponsoring of union activities, no negotiation of layoffs, no co participation in the drafting of collective bargaining project.</strong></td>
</tr>
<tr>
<td>9</td>
<td>Prompt resolution of everyday problem, proposal of specific clauses in the collective bargaining contract, negotiation of working conditions.</td>
</tr>
<tr>
<td></td>
<td><strong>No firm economic contributions and sponsoring of union activities, no easy access to corporate layers, no negotiation of layoffs, no co participation in the drafting of collective bargaining project.</strong></td>
</tr>
</tbody>
</table>
Prompt resolution of everyday problem, proposal of specific clauses in the collective bargaining contract, negotiation of working conditions.

No firm economic contributions and sponsoring of union activities, no easy access to corporate layers, no negotiation of layoffs, no co participation in the drafting of collective bargaining project.

Sources: Personal and collective interviews to union leader and company’s Labor Relations Vice-President

Table 2: Individual Unions’ Informal Agreements Manufacturing Company

<table>
<thead>
<tr>
<th>Union</th>
<th>Informal Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue-collar 1</td>
<td>No subcontracting in the plant, severance pay above the collective contract. Union leaders hours.</td>
</tr>
<tr>
<td>White-collar 1</td>
<td>Severance pay above the collective contract, funds for training and up-skilling (not necessarily firm-specific skills). Union leaders hours</td>
</tr>
<tr>
<td>Blue-collar 1</td>
<td>No subcontracting in the plant.</td>
</tr>
<tr>
<td>White-collar 2 (1)</td>
<td>Funds for training and up-skilling (not necessarily firm-specific skills)</td>
</tr>
<tr>
<td>White-collar 2 (2)</td>
<td>None</td>
</tr>
<tr>
<td>Blue-collar 3</td>
<td>None</td>
</tr>
<tr>
<td>White-collar 3</td>
<td>None</td>
</tr>
<tr>
<td>Union 4</td>
<td>None</td>
</tr>
</tbody>
</table>

Sources: Interviews to union leaders

Table 3: Individual Unions’ Informal Agreements. Retail Company. 2004

<table>
<thead>
<tr>
<th>Union Firm</th>
<th>Informal Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Working conditions, shift changes, training</td>
</tr>
<tr>
<td>2</td>
<td>Working conditions, shift changes, training</td>
</tr>
<tr>
<td>3</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>None</td>
</tr>
<tr>
<td>5</td>
<td>Working conditions</td>
</tr>
<tr>
<td>6</td>
<td>Working conditions</td>
</tr>
<tr>
<td></td>
<td>Criteria for evaluating individual worker performance</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>9</td>
<td>Working conditions</td>
</tr>
<tr>
<td>11</td>
<td>None</td>
</tr>
<tr>
<td>12</td>
<td>None</td>
</tr>
<tr>
<td>13 (a)</td>
<td>None</td>
</tr>
<tr>
<td>13 (b)</td>
<td>None</td>
</tr>
<tr>
<td>14</td>
<td>None</td>
</tr>
<tr>
<td>15</td>
<td>None</td>
</tr>
<tr>
<td>16</td>
<td>None</td>
</tr>
<tr>
<td>17</td>
<td>None</td>
</tr>
<tr>
<td>18</td>
<td>None</td>
</tr>
<tr>
<td>19</td>
<td>None</td>
</tr>
<tr>
<td>20</td>
<td>None</td>
</tr>
</tbody>
</table>

**Sources:** Interviews to union leaders

### Table 4: Individual Unions’ Informal Agreements. Telecomm Company. 2004

<table>
<thead>
<tr>
<th>Union</th>
<th>Informal benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Informal agreement regarding firm sponsorship of union activities and economic contributions to the union and easy access to management</td>
</tr>
<tr>
<td>2</td>
<td>Informal agreements regarding union easy access to management.</td>
</tr>
<tr>
<td>3</td>
<td>Informal agreements regarding union easy access to management.</td>
</tr>
<tr>
<td>4</td>
<td>Informal agreements regarding union easy access to management.</td>
</tr>
<tr>
<td>5</td>
<td>Informal agreements regarding union easy access to management.</td>
</tr>
<tr>
<td>6</td>
<td>Informal agreements regarding union easy access to management.</td>
</tr>
<tr>
<td>7</td>
<td>Informal agreements regarding union easy access to management.</td>
</tr>
<tr>
<td>8</td>
<td>None</td>
</tr>
<tr>
<td>9</td>
<td>None</td>
</tr>
<tr>
<td>10</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Sources</td>
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<tr>
<td>---</td>
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<tr>
<td>11</td>
<td>None</td>
</tr>
<tr>
<td>12</td>
<td>None</td>
</tr>
<tr>
<td>13</td>
<td>None</td>
</tr>
</tbody>
</table>

**Sources:** Interviews to union leaders
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