

## IS COLLECTIVE BARGAINING ADAPTABLE TO ECONOMIC CHANGE?

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A collective bargaining system, at any point in time, is expected to operate in widely differing economic circumstances. As a minimum, the reliance of public policy on collective bargaining in circumstances of significant differences must be expected to produce different results, some of which might either fail to achieve the immediate objectives of a labour policy or might have damaging side-effects. In some situations it might be possible to modify collective bargaining without abandoning its essential elements (1). For instance the conditions of employment by means of a bilateral confrontation between an employer (or a group of employers) and a spokesman for some collectivity of employees. In others some substitute technique may be necessary to balance the objectives of public policy.

Almost in every country, some sectors have experienced high levels of labour organization in fairly healthy economic conditions while some others have fairly low levels of organization or very little effective organization and bargaining. Unemployment may be chronically high, particularly in the lower skill categories. Some employment settings involve small groups of employees, thus complicating the economics of labour organization, whereas others involve quite large units of employees. Some industries are perceived as vulnerable to outside competition from larger and more modern

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(1) See.: Hugh CLEGG, Trade Unionism Under Collective Bargaining, Oxford, 1981, pp. 83-85.

facilities while others can and must make their way in the broader national and even international context. These characteristics are common for almost all countries and are reasonably typical of an economy based heavily on primary industries and attempting to advance into more manufacturing and more highly skilled service industries (2).

The following objectives are valid for labour policies of all countries even if they are face to face with different economic conditions (3).

— an equitable distribution of the incomes from industrial and other economic activities,

— some degree of control for the worker over the rules which guide the activities and dictate the requirements for his performance,

— the avoidance of excessive adverse impact on the broader public or other particular third parties, whether resulting from the techniques of a labour policy (for example the right to strike) or from the results (for example excessive increases in labour costs).

— the maximum individual choice and freedom of action consistent with the institutions necessary to achieve these goals. That is the right of the individual vis à vis his employer as well as vis à vis his union.

The ultimate test of a labour policy must be whether the working individual is better off in the mix of economic and non-economic areas of his concern without making other interests unnecessarily worse off. This of course involves public policy in important value judgements and difficult trade-offs. It should also be noted in passing that labour policy has been made a very important part of social policy by virtue of the emphasis which we have tended to attach to the employment relationship for a significant number of social welfare schemes (4).

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(2) See: Metin KUTAL, «Toplu Pazarlık Düzenimizde Yeni Boyutlar», *Sosyal Siyasetimizde Yeni Boyutlar*, İstanbul, 1986, pp. 109-113.

(3) See: Basil BLACKWELL/Martin ROBERTSON, *Understanding Social Policy*, Oxford, 1982, pp. 48-54.

(4) See: R.A. BATCHELOR/E. BENDIE/B. GRIFFITHS (Edit. Frank BLACKABY), «inflation Unemployment and Reform», *The Future of Pay Bargaining*, London, 1980, pp. 37.

Collective bargaining being as a part of complete labour policy, can not always fulfil the objectives set out above, In the area of low levels of labour organization, collective bargaining might fail entirely to perform its tasks. Even the indirect effects which collective bargaining can have for the unorganized, through the model of collective bargaining settlements being approximated in the terms and working conditions offered to the unorganized employees, are reduced by the high levels of unemployment that sometimes prevail.

It is fair to assess the effectiveness of collective bargaining by how widely it is used or at least how widely its impact is felt. If it is not being used, for any reason, then perhaps it is not an appropriate instrument of public policy. The reasons for the low levels of organization are, however, significant considerations in determining the next steps to be recommended for public policy.

In some areas we felt that relatively minor adjustments would permit organization to occur and appropriate and sometimes special criteria or structures would make it work more effectively and perhaps more efficiently. A number of recommendations were aimed at facilitating the operation of certification procedures and attempting to more effectively restrain unfair labour practices by both labour and management (5).

In other situations, we felt that the uncertainty of employment which results from chronically high unemployment, the fundamental absence of acceptance by some employers of collective bargaining, the very small and scattered units of employees, all militate against the operation of collective bargaining. This atmosphere is occasionally reinforced by a public perception of an industry being in a precarious position and vulnerable to virtually complete displacement by the competition offered from outside the jurisdiction. Collective bargaining in these settings is unsuited, at least temporarily, to the fulfillment of labour policy objectives and other techniques must be found.

In recommending other devices for public policy it is not our intent to frustrate the subsequent development of collective bargaining (6). The recommendations dealing with standards legislation

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(5) CLEGG, ..... pp. 56-59.

(6) See.: Bruce E. KAUFMAN, **The Economics of Labor Markets and Labor Relations**, The Dryden Press, Chicago, 1989, pp. 521-524.

are traditional policy instruments in this area. Area Councils may be formed and they can represent unorganized labour, and their employers. They would hear and investigate complaints and attempt to secure compliance. They would inform the Minister of labour, or other administrative bodies, on local conditions and possible revisions.

In addition, these councils might be useful forums for the application of more advanced standards legislation, such as the protection of unorganized employees from dismissal without just cause.

Collective bargaining, to be compatible with the public interest, presupposes an environment of competition surrounding any bargaining relationship. The employees have alternatives. They can attempt strike (7) action and perhaps move to other jobs. The employers have alternatives in the possibility of access to cheaper labour supply if wage demands are unreasonable. The public has the alternative of buying goods and services of the sort involved from other firms so that unreasonable settlements can not be passed on and would therefore not be accepted by an employer unless offset by increased productivity or an acceptable reduction of profit rates. These conditions do not always prevail although their absence is more often a question of degree than of kind.

Failing the existence of this kind of surrounding discipline on the demands and positions of all parties to the bargaining process, the public interest is not assured and government intervention of a more direct kind would become necessary. It would be an unreasonable burden to place on collective bargaining in circumstances of these power blocks in the economy to expect it to adjust its operation to control wages for the benefit of the broader economy. However, a collective bargaining process and structure which finds itself unable to control the development of blocks of power will ultimately find itself subjected to other public policy constraints which substitute for or at least contain the substantive results of the bilateral bargaining process through some form of incomes policy.

We have heard many times about «balance of power» between labour and management in particular bargaining relationships. This is somewhat of a misnomer since there is no measure of power inde-

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(7) CLEGG, ..... pp. 68-72.

pendently of the kinds of results it yields in wages and working conditions. Not a balance of power but a power relationship may give rise to an acceptable outcome. Any policy that attempts to deal with the acceptability of settlements by the indirect route of the structures on each side and the various legal rights and limitations on the activities of each participant has got to be a blunt tool for regulating power relationships (8).

The legal regulations of different countries can be settled on the single employer and all or some appropriate portion of his employees or on a multi-employer unit under some circumstances. This structure escalates the power of employees when compared with their individual power but public policy must then determine what limits are appropriate to that unit attempting to get at its employer indirectly through secondary picketing, boycotts, sympathy strikes, etc. The both parties will obviously be tempted to expand their power and the effectiveness of their economic sanctions. Employers will try to attract the support of other employers to avoid the loss of business and revenues. Unions will attempt to affect the final sales of a manufacturer by picketing outlets, and attempt to recruit the support of other unions in refusing to handle the merchandise of a struck employer. If one party is permitted to unilaterally redefine the relationship in that way, the other must be permitted some retaliation, if we have any confidence in the unit of economic confrontation.

Related to regional disparities, unemployment level is an other important parameter for collective bargaining. Under the conditions of high unemployment, labour organization and collective bargaining and satisfactory wage increases are not easy. Unemployment levels also put a pressure on the welfare system and invite a comparison between welfare payment levels and minimum wage levels (9).

Collective bargaining where reasonably strong despite high unemployment may impede rational resource allocation by an excessive preoccupation of the worker for security of employment. Union security rules, resistance to contracting out, resistance to techno-

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- (8) See.: Kevin HAWKINS, **A Handbook of Industrial Relations Practice**, London, 1979, pp. 234.
- (9) See.: Sean GLYNN/Stephen SHAW (Edit, Bernard CRICK), **«Wage Bargaining and Unemployment»**, Unemployment, London, 1981, pp. 115-117.

logical change, are probably of greater concern in such circumstances. A union with real power will tend to place greater emphasis on these aspects. This means that the weakly organized sectors would tend to bear more of the adjustment to higher unemployment than the more strongly organized. In the long run, labour cost increasing tendencies might lead possibly labour saving production methods.

In respect to both the issue of regional disparity and the level of unemployment, distortions can be created if there were to be power blocks which were insensitive to the economic circumstances of the market involved.

Collective bargaining is inherently a device to shelter workers from the harshness of market economics. It is really a difficult judgement as to when the power becomes too great either in the hands of labour or jointly in the hands of labour and management.