

**Marginalisation and fragmentation of collective bargaining in Chile. Impacts
on workers' power resources and income distribution**

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Summary

This thesis examines the fragmentation and marginalisation of collective bargaining in Chile after the Pinochet dictatorship and its impact on political power relations and income distribution. Fragmentation and marginalisation refer to the situation where that only a few workers are covered by a multitude of uncoordinated collective agreements, since negotiation of industry-level agreements is prohibited. Following the taxonomy of the OECD, Chile has a fully decentralised system of collective bargaining.

The focus of the present work lies in the detailed analysis of the situation in Chile. In order to determine the contrast between the Chilean situation and the coordinated negotiation systems, the collective bargaining systems in Uruguay and Germany are also examined.

In this study I have used mixed methods. On the one hand, the qualitative methods are based on 79 in-depth interviews with trade unionists and industrial relation experts conducted in the course of fieldwork in the three countries. On the other hand, the quantitative methods are based on data analysis on income inequality and collective bargaining using descriptive statistics and econometrics. The databases of each country were used for this purpose, as well as the Luxembourg Institute Study and the ICTWSS database.

The work shows in detail how the *Plan Laboral* of the Pinochet dictatorship, which still characterises industrial relations in Chile to this day, systematically made collective bargaining more difficult and only possible at a decentralised level without recognisable effects on the economy as a whole. Some of these effects include: intense rivalry between many competing small unions; high job instability and short-lived unions; low infrastructural power resources of unions; and limited scope for collective bargaining. Furthermore, since unions are not allowed to negotiate at industry level, they are locked into the completely decentralised system with no alternative course of action. Coordination of workers' primary power resources is not possible in this system, which has drastically shifted the balance of power in favour of the capitalists. The comparison with the more inclusive bargaining

systems in Germany and Uruguay demonstrates the need to strengthen collective bargaining at industry level. This is the only way to coordinate the power resources of the trade unions and employees and correct the extremely unequal distribution of market income.

The detailed statistical analysis of various indicators of income inequality in Chile and other countries clearly demonstrates the negative effects of a fully decentralised collective bargaining system, as in Chile, on the income distribution of market incomes even when other factors are taken into account as controls. The result of this decentralised system after over 40 years is one of the highest inequality levels in market incomes in the OECD. Wages are largely concentrated near the minimum wage, which in turn is low.

The analysis of international data, and the comparative case studies in particular, show no examples of low inequality of market incomes in countries with fully decentralised collective bargaining systems. This study adds evidence to the research stream that emphasises the positive correlations between high collective bargaining coverage and a strengthening of the power resources of employees and their unions on the one hand and lower income inequality on the other. Furthermore, increases in collective bargaining coverage lead to a reduction in the capitalists' appropriation of the surplus value, which means that there is a relatively lower degree of exploitation.

At the end of this research, I present a proposal to replace the current fully decentralised system with an inclusive collective bargaining system with coordinated collective bargaining at the industry level and less fragmented trade unions.

Zusammenfassung

Diese Arbeit untersucht die Fragmentierung und Marginalisierung von Tarifverhandlungen in Chile nach der Pinochet-Diktatur und ihre Auswirkungen auf die politischen Machtverhältnisse und die Einkommensverteilung. Fragmentierung und Marginalisierung bedeuten, dass nur wenige Arbeitnehmer von einer Vielzahl unkoordinierter Tarifverträge erfasst werden, da die Verhandlungen auf Branchenebene verboten ist. In Anlehnung an die Taxonomie der OECD verfügt Chile über ein vollständig dezentralisiertes System von Tarifverhandlungen.

Der Schwerpunkt der Arbeit liegt auf der detaillierten Analyse der Situation in Chile. Um den Kontrast zwischen der chilenischen Situation und koordinierten Verhandlungen herauszuarbeiten, wurden auch die Tarifsysteme in Uruguay und Deutschland untersucht.

In dieser Studie habe ich verschiedene Methoden verwendet. Die qualitativen Methoden basieren auf 79 ausführlichen Interviews mit Gewerkschaftern und Experten für Arbeitsbeziehungen. Diese Interviews wurden während der Feldforschung in den drei Ländern durchgeführt. Die quantitativen Methoden beruhen auf der Datenanalyse unterschiedlicher Indikatoren der Einkommensungleichheit und der Tarifverhandlungen mit Hilfe von deskriptiven Statistiken und ökonometrischen Methoden. Zu diesem Zweck wurden Datenquellen der einzelnen Länder sowie der Luxembourg Income Study und die ICTWSS-Datenbank verwendet.

Die Arbeit zeigt detailliert, wie der „Plan Laboral“, der Pinochet-Diktatur, der Arbeitsbeziehungen in Chile bis heute prägt, Tarifverhandlungen systematisch erschwerte und nur auf dezentraler Ebene unter sehr restriktiven ermöglichte, so dass Auswirkungen auf die Gesamtwirtschaft nicht erkennbar sind. Einige dieser Auswirkungen sind: Intensive Rivalität zwischen vielen konkurrierenden kleinen Gewerkschaften, hohe Arbeitsplatzinstabilität und kurzlebige Gewerkschaften, geringe infrastrukturelle Machtressourcen der Gewerkschaften und begrenzter Spielraum für Tarifverhandlungen. Da die Gewerkschaften außerdem nicht

auf Branchenebene verhandeln dürfen, sind sie in dem völlig dezentralisierten System ohne Handlungsalternativen gefangen. Eine Koordinierung der primären Machtressourcen der Arbeitnehmer ist in diesem System nicht möglich, wodurch sich das Machtgleichgewicht drastisch zugunsten der Kapitalisten verschoben hat. Der Vergleich mit den inklusiveren Tarifverhandlungssystemen in Deutschland und Uruguay zeigt, dass die Tarifverhandlungen auf Branchenebene gestärkt werden müssen. Nur so können die Machtressourcen der Gewerkschaften und der Arbeitnehmer koordiniert und die extrem ungleiche Verteilung der Markteinkommen korrigiert werden.

Die detaillierte statistische Analyse verschiedener Indikatoren der Einkommensungleichheit in Chile und anderen Ländern zeigt deutlich die negativen Auswirkungen eines vollständig dezentralisierten Tarifverhandlungssystems auf die Einkommensverteilung der Markteinkommen, selbst wenn andere Faktoren als Kontrolle berücksichtigt werden. Das Ergebnis dieses dezentralen Systems über 40 Jahre hinweg ist eine der größten Ungleichheiten bei den Markteinkommen in der OECD. Die Löhne sind weitgehend in der Nähe des Mindestlohns konzentriert, der wiederum niedrig ist. Die Analyse der internationalen Daten und insbesondere die vergleichenden Fallstudien zeigen keine Beispiele für eine geringe Ungleichheit der Markteinkommen in Ländern mit vollständig dezentralisierten Tarifverhandlungssystemen.

Diese Studie ergänzt die Forschung zu den positiven Zusammenhängen zwischen einer hohen Tarifbindung und einer Stärkung der Machtressourcen der Arbeitnehmer und ihrer Gewerkschaften einerseits und einer geringeren Einkommensungleichheit andererseits. Darüber hinaus führte die Erhöhung der Tarifbindung zu einer Verringerung der Aneignung des Mehrwerts durch den Kapitalisten, was bedeutet, dass es einen relativ geringeren Grad an Ausbeutung gibt.

Am Ende dieser Untersuchung formuliere ich einen Vorschlag, der darauf abzielt, das derzeitige vollständig dezentralisierte System durch ein inklusives System mit koordinierten Tarifverhandlungen auf Branchenebene und weniger zersplitterten Gewerkschaften zu ersetzen.

Introduction

1.1. Research questions

The theme of this thesis is the impact of the marginalisation and fragmentation of collective bargaining on the power relations and the income distribution in Chile. This marginalisation and fragmentation of collective bargaining intensified as result of the institutional changes of industrial relations during the Pinochet dictatorship and are still key characteristics of the Chilean system of industrial relations today.

Marginalisation refers to the fact that around 90% of the employees in the private sector are not covered by a collective agreement ([Durán and Gamonal, 2019a](#)). This mirrors the weak collective voice of employees not only in the labour market but also at the political level, as well as the minor impact of collective bargaining on income distribution.

Fragmentation refers to the legal regulations which ban both multi-employer collective bargaining and agreements which cover entire industries and which split the remaining small pockets of union power into thousands of small trade unions that are only allowed to negotiate at firm level or - if the firms are split into different legal units - even below it. Fragmentation also refers to the legal regulations that encourage the proliferation of multiple small firm level unions even when the legal unit for the employer is the same.

Fragmentation and marginalisation are strongly linked to each other (or: are two sides of the same coin). The fragmentation of collective bargaining prevents union organisation at national and industry level and collective bargaining at a large scale with aggregate and durable effects on the distribution of market incomes and the formation of strong unions which, besides collective bargaining, are also able to influence political decisions relating to taxes and the welfare system, i.e. on the distribution of disposable incomes, the so-called secondary income distribution. Fragmentation is the major instrument to prevent the development of coordinated collective bargaining such as is found in the welfare states of some developed European nations by weakening and containing the power of the labour movement and by marginalising collective bargaining.

The following research questions guide this thesis:

1. Through which regulations have collective bargaining in Chile been fragmented and how are they weakening workers' power resources and marginalising collective bargaining?
2. What is the impact of the fragmented and marginalised system of collective bargaining on the distribution of market and disposable incomes?
3. How should the system of industrial relations and collective bargaining in Chile be changed to reduce the high income inequality, and from which systems of coordinated collective bargaining can Chile learn?

1.2. Theoretical approach

In this thesis, two interrelated theories will be used: the Power Resources Approach (PRA) and Marx's labour theory of value and surplus value.

The PRA ([Korpi, 1978](#); [Strategic Unionism, 2013](#); [Schmalz and Dörre, 2018](#)) provides a comprehensive framework for assessing the power resources of workers and capitalists. It

distinguishes four types of power (organisational, structural, societal and institutional). It will be shown that the marginalisation and fragmentation of collective bargaining is the result of a systematic weakening of all four types of workers' power resources. This approach is relatively new in the Latin American literature and in particular in studies on Chile. In this spirit, this research hopes to make a contribution to the dissemination of this theory with an empirical application.

On the other hand, income distribution is theoretically addressed following the Marxist tradition rather than the neoclassical approach. This theoretical approach is used since mainstream economics and its marginal theory of value fail to explain increasing income distribution problems because the power relations component is absent from their framework. The alternative is then the Marxist approach, where this component is in the core of the argument.¹

1.3. Hypotheses of the study

In this study the following hypotheses are addressed:

1. Establishing a fully decentralised system of collective bargaining which weakens workers' power resources, especially institutional and organisational power, results in the marginalisation and fragmentation of collective bargaining.
2. The corporate strategies to fragment the workforce are especially effective in undermining workers' power resources when all constraints by industry-wide collective bargaining

¹I understand that power resources and income distribution are mediated by social institutions of capitalism and also by the state. As a result, the theoretical approach can be expanded by embedded the analysis with theories of the state and the different stages of capitalisms (e.g. Varieties of Capitalism (VoC), Social Structures of Accumulation (SSA)). In this case, I decided not to expand the theoretical approach as it would have required a much longer period of time for analysis, which is outside the bounds of this PhD. I decided to leave it for future research.

and industry-wide organised unions are abolished and unilateral institutional options for the creation of new legal entities below the firm level are offered to employers.

3. Unions are locked in fully decentralised system of collective bargaining if they are not allowed to negotiate at industry level.
4. In Chile, the state's control over industrial relations has facilitated capitalists' appropriation of surplus value.
5. In a fully decentralised collective bargaining system, it is impossible to achieve high collective bargaining coverage figures (over 70%) or even medium figures (over 40%).
6. Marginalisation and fragmentation of collective bargaining in Chile prevent aggregate effects on the income distribution. Consequently, the distribution effects through collective bargaining are small or absent.

1.4. Previous research and contribution

Recent Chilean research on workers' power have followed international approaches such as the Trade Union Revitalisation Approach and the Power Resources Approach (the latter less developed). At least four doctoral studies can be traced in this stream.

In her doctoral thesis, Indira [Palacios \(2006\)](#) investigated "*the sources of labour union bargaining power and the mechanisms that shape bargaining outcomes at the firm level in contemporary Chile*" ([Palacios, 2006](#), p.2). The author focused on the outcome of the collective bargaining of 53 firm-level unions in four large companies in the banking, manufacturing, retail, and telecommunications industries in 2004. Her main research question was why some firm-level unions have been more successful. Palacios' argument in her qualitative study is that this variation in bargaining performance was a result of differences in the union organisational strength, labour market, product market and workplace conditions. These four variables are closely related to the organisational and structural powers of the so-called

Power Resources Approach and constitute a starting point for the first research question presented in my research.

The doctoral thesis of Fernando [Durán-Palma \(2011\)](#) aimed to analyse and “*explain the similarities and differences in the emergence, form and outcomes of union strategy*” ([Durán-Palma, 2011](#), p.i). For this purpose, a case study of the Chilean mining sector was carried out. The author based his analysis on the Trade Union Revitalisation Approach, which until then had been neglected in the research agendas in the southern countries. One of the main arguments in his qualitative study was that meaningful union strategic choice is possible, even in adverse conditions. Durán-Palma’s research offers a comprehensive analysis of the transformation of Chilean industrial relations with focus on mining.

The doctoral thesis of Pablo [Pérez-Ahumada \(2017\)](#) aimed to “*explain why the labor laws enacted during the Pinochet dictatorship (1973-1990) and systematized in the 1979 Labor Plan have still not been repealed*” ([Pérez-Ahumada, 2017](#), p.xiii). The author relied on a qualitative approach that included interviews with various trade union leaders. One of the key arguments of Pérez-Ahumada is that the persistence of the 1979 labour law is explained “*largely by the power imbalances between employers and workers and, particularly, by [the] employer’s stronger capacity [to] influence the policy-making process*” (xiv). Pérez-Ahumada agreed with other researchers that there were also political-institutional limitations to the first post-Pinochet labour reforms, such as the veto power of right-wing parties in parliament due to some of the dictatorship’s enclaves.

The fourth study is the doctoral thesis of Daina [Bellido de Luna \(2019\)](#). In this research the author aimed to evaluate “*the revitalisation strategies developed by a range of company-trade unions embedded in three company case studies in the food-manufacturing industry in Chile*” ([Bellido de Luna, 2019](#), p.9). The author carried out a case study in the food and beverage industries to understand the de-collectivisation strategies used by employers and the trade unions’ responses. As in the other doctoral research, the study was based on qualitative interviews. To frame the analysis, Bellido de Luna used the Trade

Union Revitalisation Approach. One of the key finding of the author was that the Chilean state aided employers in the implementation of practices to undermine workers' power. This assistance is channelled through the labour code.

Along with these PhD theses, during the last decade, other studies have been performed taking into account the workers' power stream, in particular the Trade Union Revitalisation Approach. Many of these were in-depth case studies of union strategies to contest labour precariousness. The common finding of these studies was the ability of certain unions to overcome the institutional constraints of the labour legislation and successfully implement revitalisation strategies to defend the interests of their members. This can be seen in sectors such as mining (e.g. [Aravena and Nuñez, 2009](#); [Donoso, 2017](#); [Pérez, 2017](#)), forestry ([Aravena and Nuñez, 2009](#)), fishing ([Aravena and Nuñez, 2009](#)), and transport (e.g. [Ayala and Ratto, 2018](#); [Fox-Hodess and Santibáñez Rebolledo, 2020](#)), but also in other much more labour-intensive industries such as the retail trade (e.g. [Bank-Muñoz, 2017](#); [Pérez, 2017](#)).

The above research coincides with this thesis in its critical view of labour relations in post-Pinochet Chile and, as will be seen, share some mutual theoretical resources. However, while recognised in these studies, marginalisation and fragmentation of collective bargaining were not the focus of the analysis as is the case in the present research.

From a global perspective, marginalisation and fragmentation of collective bargaining have received attention through the institutional pressures on and deregulation of multi-employer collective bargaining and the increasing decentralisation of collective bargaining. The departure point were pressures from the employers to gain more room for firm level collective agreements and undermine industry level collective agreements. Authors have labelled a variety of decentralisation experiences: organised, disorganised, controlled, uncontrolled, wildcat, imposed, negotiated, etc. ([Traxler, 1995](#); [Schnabel, 1999](#); [Bispinck, 2004](#); [Haipeter, 2009](#); [Schulten and Bispinck, 2017](#); [Bosch, 2018a](#)). The pressure on the multi-employer collective bargaining has attracted a great deal of attention in the aftermath of the great recession (2008), so much so that in 2016 the DECOBA transnational project (*“Decentralisation of*

collective bargaining during the years of the crisis in Europe. Setups, trends and prospects”) addressed the decentralisation trend in detail for some European countries (Leonardi and Pedersini, 2018). All these research projects were informing this research.

Only a few studies were analysing the impact of the remaining decentralised collective bargaining on the income distribution. Most of the available research on income distribution does not take into account the trade union dimension and are mainly following the Human Capital Theory. The few studies that analyse the impact of collective bargaining focused on the estimation of the collective bargaining premium. The evidence of this research is mixed: some authors estimated the wage premium at between 18 and 24 per cent (Landerretche et al., 2013), which is surprisingly high due to the characteristics of unionisation in Chile, but recent research has discarded the existence of a wage premium (MacAuliffe and Rosselot, 2015).

Ravillard (2020) estimated the impact of trade unions on the so-called wage-productivity gap (different developments between wages and productivity). The main finding is that in the period between 1990-2010, *“there is a gap between productivity and wages across economic sectors, and that this gap can be explained by looking at the characteristics of labour unions”*. This finding illustrates how neoclassical theory fails to meet one of its essential assumptions, namely that wages and labour productivity should exhibit a similar pace.

Finally in my master’s thesis in labour economics (Durán, 2011), I carried out exploratory research to understand the changes in the level of collective bargaining and the impacts on income distribution (disposable incomes) in Chile. Using a Kaleckian specification to analyse income distribution, I showed that decentralisation of collective bargaining increased income inequality. This finding was based on a simple regression model.

In the international comparative research, the impact of collective bargaining on the income distribution has received more attention than in Chile, although it is still relatively undervalued compared to other income distribution streams such as the tax-induced income distribution studies and the Human Capital Theory.

Traditionally, the studies on the impact of collective bargaining on the income distribution analyse the impacts of union density on the wage dispersion of employees. The classic studies on income inequality and trade unions date back to the 1980s, and most of them were conducted in the United States, which has a well known decentralised collective bargaining system. [Freeman \(1991\)](#) and [Card \(1992\)](#) analysed the wages of US male workers during the 1970s and 1980s. Both studies concluded that the fall in union density during those years contributed to the increase in overall wage variance and, through it, to the increase in the income inequality. Similar findings were presented in [Card et al. \(2004\)](#) for the Canadian case (20 per cent of the increase in men's wage inequality can be explained by the decline in union density) and in [Mishel \(2012\)](#), also for the US case, but covering a longer period, 1973-2007.

Along with these studies, which can mainly be labelled as 'measuring research', there is literature that seek to understand the interactions between declining union density and rising income inequality. The research of institutional changes in the labour market is one of the most relevant. In [Hayter and Weinberg \(2011\)](#), the authors distinguished between two schools of thought regarding the arguments behind the impact of collective bargaining on wage distribution. On the one hand, mainstream economics, the so-called 'distortionists', see collective agreements as cartels that *"impeding the workings of labour markets"* (p.142). According to them, unions and collective bargaining improve conditions for insiders but not for outsiders. This means that *"unions through their exercise of monopoly power, raise wages for their members above the competitive ideal"* (p.142). On the other hand, 'institutionalists' view collective bargaining and labour market institutions as key in wage formation, and thus as a means to advance social and economic goals. Susan Hayter and Bradley Weinberg present a review of 49 econometric studies that measure the impact of collective bargaining on wage equality. As Gerhard Bosch commented on the work of [Hayter and Weinberg \(2011\)](#), *"this literature shows that in developed countries collective bargaining reduces wage inequality and that declining in union membership and collective coverage have contributed to rising wage inequality"* ([Bosch, 2012](#), p.136).

In conclusion, the topic proposed for the present thesis, with its specific research questions, and using the mentioned theories, is to the best of my knowledge, innovative using the Chilean example in combining measuring research of the impact of collective bargaining on the income distribution with an evaluation of the impacts of marginalisation and fragmentation of collective bargaining on workers' power resources. The understanding of these interactions has not been developed in-depth so far for the Chilean case and constitutes a research gap to be filled.

1.5. Research design, methods and sources

1.5.1. Case study(s)

This thesis focuses on Chile. There are at least three reasons for this.

First, it was in Chile that the first experiences of neoliberal policies were implemented ([Harvey, 2007](#)). This took place in the late seventies during Pinochet's iron fist dictatorship. These policies, which initially were inspired by the thinking of Milton Friedman and F. A. Hayek ([Klein, 2007](#); [Stackl, 2013](#)) included a radical transformation in the industrial relations system: among other aspects, the marginalisation and fragmentation of collective bargaining which is still very present. As such, Chile is a useful case of long-standing exposure (of 40 years and still running) to an industrial relations system that marginalised and fragmented collective bargaining. In the near past, some countries have considered to copy the policies introduced in Chile; The careful analysis of the long-standing experience of this country can offer a kind of journey to the future to assess its social consequences.

Second, the two entry points to this thesis, the high market income inequality and the marginalisation and fragmentation of collective bargaining, are very vivid aspects of today's Chilean society. Measured by the Gini coefficient Chile is one of the 14 most unequal countries in the world ([World Bank, 2015](#)). It is also one of the unequal countries among

in the OECD and in Latin America, which is known as the most unequal region in the world (World Inequality Database). Regarding collective bargaining, figures show a marginal coverage (less than 10%, see in [Durán and Gamonal, 2019b](#)), and workers who are covered are scattered across thousands of small firm-level unions.

Third, until recently Chile was considered as the positive showcase in Latin America and many international organisations have used it as a model to follow ([International Monetary Fund, 2008](#); [Gaudichaud, 2015](#)). With the combination of an effective control of inflation ([Naudon and Vial, 2016](#)), a reduction of poverty ([Ministerio de Desarrollo Social, 2014](#)), and significant economic growth, Chile became known as the “*South American tiger*” ([Moulian, 1997](#)). In 2010 Chile became a full member of the OECD and in 2012 the World Bank upgraded Chile’s income classification; since then, it has been considered a high-income country.² However, in spite of this, critical views have argued that these good macroeconomic results do not reach all, and that there is a fracture within society between a vast majority who do not have high incomes and a minority who do ([Agacino, 2003](#); [Solimano and Torche, 2008](#)). Finally, at the end of 2019, a turning point occurred: a social uprising took place for the first time since the restoration of formal democracy in 1990. The implicit message in the protests was a questioning of this poster child narrative and to the neoliberal policies ([Matus, 2020](#)). Against this background, the study of the impacts of marginalisation and fragmentation of collective bargaining on the income distribution and the workers’ power resources could bring more understanding to contest the tale of ‘Latin America’s Oasis’³.

Along with a critical analysis of the collective bargaining system in Chile, the other goal of this thesis is to present for public discussion some reform proposals to transform the present marginalised and fragmented in a more inclusive collective bargaining system. For this purpose, the analysis of the Chilean case is complemented by an analysis of two coordinated collective bargaining systems: the Uruguayan and the German cases.

²See <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>

³Chile’s former president Sebastián Piñera used this expression just a few weeks before the riots started.

These two cases have been chosen because both represent more inclusive system of collective bargaining. In Uruguay, the industry level collective bargaining was restored in 2004 and today encompasses around 95% of employees (Velasco, 2019). The industry-wide collective bargaining in Uruguay relies on Wage Councils, which are tripartite bodies organised at the industry level. Their agreements are extended to all industry employees via the *erga omnes* principle. In the German case, industry-wide collective bargaining also predominates. In Germany collective agreements are predominantly negotiated at industry level between the industry level union and the corresponding employers' association. The study of the two cases should be understood not as a copy-paste exercise. These experiences have pros and cons and cannot be transferred 1:1 to Chile. But elements of these more inclusive collective bargaining system can be part of a reform strategy in Chile.

1.5.2. The period of study

The analysis of the Chilean case is roughly divided into two parts. The first part focusses of the pre and the second on the post-September 1973 period (until today).

The study of the pre-Pinochet era is necessary for two main reasons: (i) the industrial relations system is a historical construct and, as such, cannot be truly understood at a given moment in time without taking into account the background that characterises its formation; (ii) between 1965 and 1973, trade union power increased progressively. This period, albeit brief, provides valuable information on the impacts of union power in a specific socio-technical combination. Augusto Pinochet's dictatorship lasted from September 1973 and March 1990. It was in this authoritarian period that the most important contemporary transformations of the industrial relations system occurred (Frías, 2008; Narbona, 2015a; Rojas-Miño, 2016a).

In the cases of Uruguay and Germany, the analysis focuses on contemporary developments in collective bargaining. The main focus is to understand the more inclusive industry-wide collective bargaining in these two countries.

1.5.3. Methods and sources

In this study, quantitative and qualitative methods are combined without a sequential design.

For the analysis of the income distribution in Chile, three quantitative methods were used: i) descriptive statistics analysis, ii) microsimulation models, and iii) econometric analysis. In the comparative cases, techniques (i) and (ii) are used.

Regarding the first method, raw data (e.g. union density) had to be harmonised using conventional procedures; after that, standard descriptive analysis is carried out. This resource supports the answers to all the research questions. Regarding the second method, microsimulation is understood as the application of a set of exogenous rules to an investigated phenomenon and the evaluation of the corresponding results (Merz, 1994), for example, estimating market income inequality instead of total income inequality. This method is used to answer research questions 1 and 2. In the econometric analysis I work with impact evaluation models. In particular, I use the Propensity Score Matching tradition to investigate the statistical association between the variables studied (marginalised and fragmented collective bargaining and income distribution). This method is used to answer research question 2.

Microdata and aggregate data were available from public sources. With regard to the Chilean microdata, about 150 databases were processed. These database are linked to 9 sources including the University of Chile's Employment and Unemployment Survey (EOD) and the National Socio-Economic Characterisation survey (CASEN). With regard to the aggregate data, 8 sources were used, for example, information from the National Accounts or the records of the Directorate of Labour. Data analysis was carried out using Stata software.

Along with data analysis, this thesis draws on 79 semi-structured in-depth interviews. In the Chilean case, 49 interviews were conducted with unionists in Chile (mainly presidents of unions) from diverse industries. These interviews were conducted between December 2019 and February 2020 in Chile. The remaining interviews (5 in-depth interviews) were

conducted with industrial relations specialists between 2019 and 2021 (three in person and two in videoconference). In the comparative case studies, 25 interviews were conducted. From those, 14 interviews were conducted with unionists and specialists in industrial relations in Uruguay in January 2020. The remaining in-depth interviews were conducted in Germany with specialists in industrial relations, including unionists.⁴ All the interviews were analysed with the MAXQDA software.

In addition to data processing and in-depth interviews, this dissertation includes other methodological resources such as the analysis of documents in Chilean archives, the study of related literature, and participant observation. Regarding the archives, documents from two places were reviewed during the fieldwork in 2020 (January and February): the National Library and the National Archive of the Administration (ARNAD). I also draw on the Collective Bargaining Archive of Fundación SOL⁵. My previous experience of more than 10 years as one of the co-founders of Fundación SOL gave me a unique opportunity to understand first hand collective bargaining in Chile. On behalf of Fundación SOL and supporting different trade unions, I was part of a team that engaged in more than 70 collective bargaining processes between 2006 and 2016. This experience (immediately prior to the beginning of the PhD) was a form of participant observation at moderate to active participation level (Spradley, 1980).

⁴In the case of Germany, the fieldwork strategy was different compared with that of Chile and Uruguay. Since the doctoral research has been carried out in Germany, interviews with experts have been a key part of the research not merely during a limited period, but throughout the process of investigation (which began in October 2017). Having a research office at the Institute for Work, Qualification and Training (IAQ) was a great advantage, as it is a research centre where industrial relations are studied in depth.

⁵Fundación SOL is a non-profit institution that, since 2007, has conducted research, workshops, and seminars on the world of work related issues in Chile, as part of a critical development approach. It provides collective bargaining advice to unions. www.fundacionsol.cl

1.6. Structure of the dissertation

Including this introductory chapter, this thesis is structured into 8 chapters.

In Chapter 2, the theoretical approach is presented. The development of Chilean labour relations prior to the structural changes implemented during the Pinochet dictatorship is analysed in Chapter 3. An overview of the different historical phases is followed by a structural analysis of the main institutional pillars. The analysis includes a statistical review of unionisation statistics at the time. The Power Resources Approach is used as the analytical tool. In Chapter 4, the development of the Chilean industrial relations system during the Pinochet dictatorship and its subsequent evolution is shown.

Chapters 5 to 7 constitutes the second part of the thesis: the outcomes of the radical institutional change under Pinochet. In Chapter 5, the impact of the marginalisation and fragmentation of collective bargaining in Chile on workers' power resources is discussed. In this chapter, the 49 in-depth semi-structured interviews with unionists are analysed using the lens of the Power Resources Approach. In Chapter 6, the impact of marginalisation and the fragmentation of collective bargaining in Chile on income distribution is analysed. In this chapter, along with the proposal of a Propensity Score Matching model, descriptive statistics and microsimulations are performed. In Chapter 7, the cases of Germany and Uruguay are analysed. At the beginning of this chapter there is an introductory section on global trends in collective bargaining and trade unions. A combination of quantitative and qualitative methods is used in each case study.

Finally, in Chapter 8 the conclusions of the thesis as a whole and a proposal for changing the marginalised and fragmented collective bargaining system in Chile are presented.

Theoretical approach

2.1. Introduction

To examine how the fragmentation and marginalisation of collective bargaining in Chile affects the income and power distribution this dissertation is conceptually built on two theories: the Power Resources Approach and the Marxist Labour Theory of Value.

These two theories can be used as a tool to understand the income and power distribution by focusing on the sphere of production. On the one side, the Power Resources Approach provides a comprehensive basis for the analysis of workers' power in a specific socio-technical combination. On the other side, the Marxist Labour Theory of Value provides insights to understand some economic problems that other approaches fail to do.

The chapter is organised into two major parts. In the first, the two interrelated theories from which the central argument of the thesis draws are presented. This part includes the explanation of basic categories and the review of the literature. The second part uses key elements taken from the Power Resources Approach and the Marxist Labour Theory of Value and includes a formulation of a conceptual framework to address the particularities of this research.

2.2. Theories

2.2.1. Power resources approach (PRA)

The Power Resources approach was developed by Walter Korpi in the late-seventies. In his 1978 article, Korpi introduced the idea of power resources in the explanation of the formation of welfare states and regulations of the labour market as follows:

“the probability of changes in the economic organization of society depends basically on changes in the distribution of power resources between the contending classes. The power resources of the bourgeoisie are primarily based on capital” (Korpi, 1978, p.317).

Korpi’s approach was influenced by Marx, for whom the limits of the working day, the maximum profit and the minimum wage are matters that are resolved themselves *“into a question of the respective powers of the combatants”* (Marx, 1969, p.30).

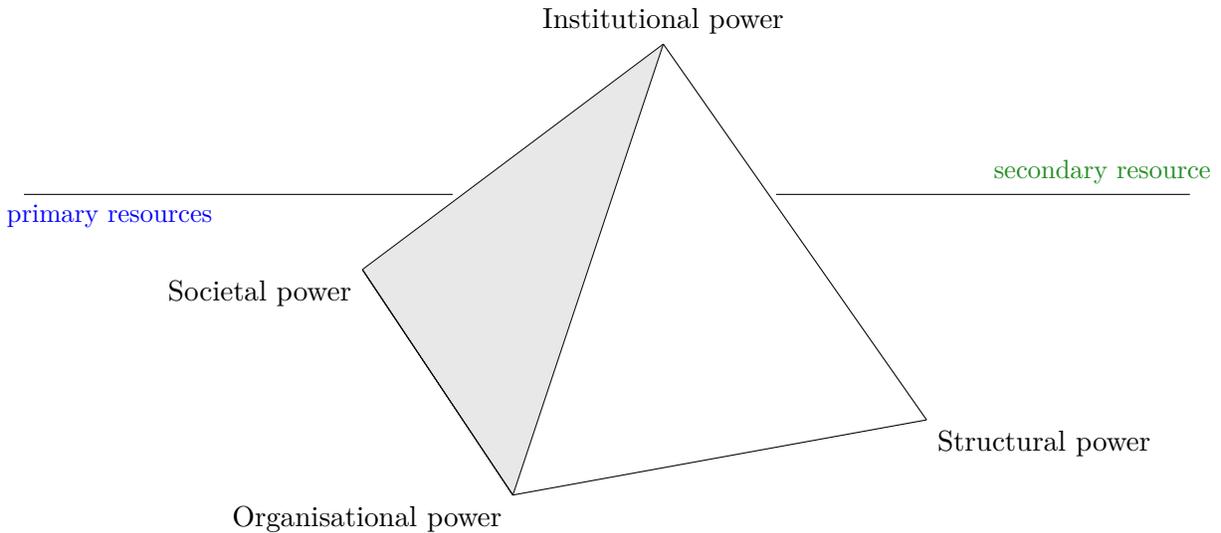
Many scholars have drawn on Korpi’s approach to investigate the development of industrial relations. In this constant flow of ideas, the literature on power resources has been dynamic and in permanent flux. An example is the distinction between *new* and *old* powers resources; while structural and organisational power were traditionally the focus of attention, more recently, societal and institutional power also gained attention (Webster, 2015).

The so-called *“Jena’s power resource approach”* (Strategic Unionism, 2013) of the *“Arbeitskreis Strategic Unionism”*, became one of the most complete conceptual frameworks and research programmes to be based on the PRA.

Arbeitskreis Strategic Unionism developed the pyramid of workers’ power resources which is, in essence, a power relations framework for wage earners.

The pyramid is sketched with four powers resources: structural, organisational, societal, and institutional power.

Figure 2.1: **The pyramid of workers' power**



Source: [Strategic Unionism \(2013\)](#), translated* and amended by [Gallas \(2016\)](#). * The original translation of Organisational Power was Associational Power. Explanation in the text.

This scheme distinguishes two levels of power resources: primary and secondary. Since institutional power can be achieved through the use of societal, structural and organisational powers, it is considered a 'secondary' resource and is placed at the top of the pyramid. This means, following the definition of secondary power of [Jürgens \(1983\)](#), that institutional power is based on the rules emerging from past collective struggles and which cover the state and institutions. The primary power resources appear at the base of the pyramid because the secondary power is a long-lasting process resulting from the interaction of the societal, organisational and structural powers.

2.2.1.1. Structural Power

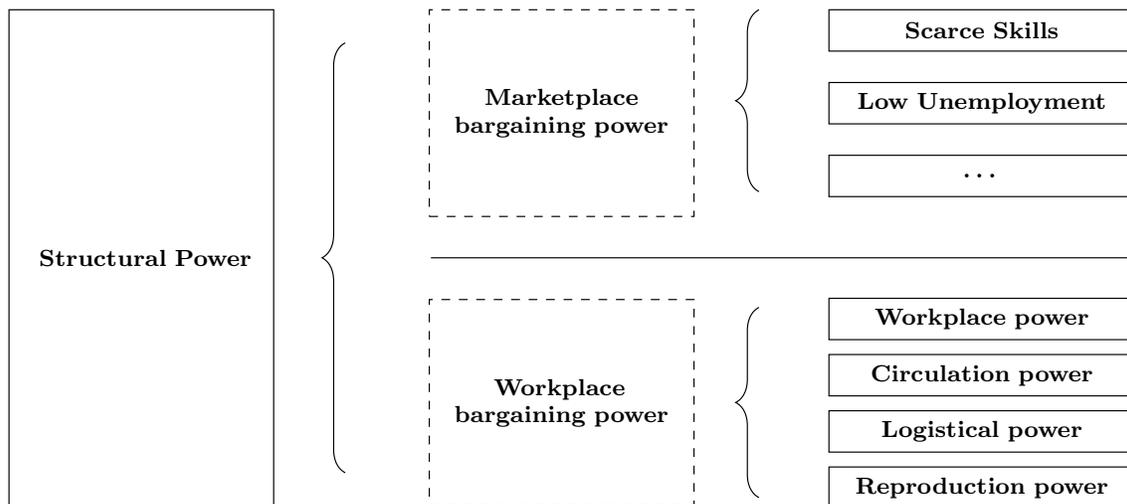
According to the approach of the Jena School, structural power refers to workers' power which arises out of the position they have in the economic system (Schmalz and Dörre, 2018). Position here is understood as 'strategic position'. This quote from John Womack Jr. is particularly illuminating: *"wherever these position may be, shifting as they may, what makes them strategically important is that work there (skilled or not) matters much more than work in other positions (skilled or not), because it holds a division of labour technically together, in production. If work there stops, this forces extensive disruption of work elsewhere. And if the disruption happens in an industry 'strategic' in production at large, this forces disruption across the entire economy, even internationally"* (Womack, 2006, quoted in Olney, 2018, 244). Luca Perrone defines this issue as the *"disruptive potential of workers"*, that is to say, the power *"to interrupt productive process and services far beyond the group's immediate job concerns"* (Perrone, 1983, p.235).

There are two types of power that constitute structural power: *"the power of workers as individuals that results directly from tight labour markets or from the strategic location of a particular group of workers within a key industrial sector"* (Wright, 2000, p.962). Beverly Silver (2003) used the term 'workplace bargaining power' to describe that derived from tight labour markets, and 'marketplace bargaining power' for that derived from a strategic location.

Marketplace bargaining power could take such forms as: *"the possession of scarce skills that are in demand by employers"*, *"low levels of general unemployment"*, and *"the ability of workers to pull out the labour market entirely and survive on non-wage sources of income"* (Silver, 2003, p.13). With increasing unemployment, market bargaining power shrinks since workers can be more easily replaced. In contrast, as Stefan Schmalz and Klaus Dörre exemplify, *"employees can simply change their job without fearing unemployment when marketplace bargaining is high"* (Schmalz and Dörre, 2018, p.2). Marketplace bargaining power may be reduced by the rise of precarious or less stable forms of work, as workers cannot simply change jobs without facing the threat of moving to a worse job.

Workplace bargaining power increases when a work stoppage has strong secondary effects on other workplaces within the company and in the added value chain (Silver, 2003, p.13). Workers have different weapons of workplace bargaining power which can disrupt the labour process and can be exercised in an organised or spontaneous manner against the employer: examples are sabotage, strikes, sit-ins, internal blockades, stoppages, etc. Workers can also organise logistical blocking, overload *choke points*, that is, those “critical nodes in the global capitalist supply chain” (Alimahomed-Wilson and Ness, 2018, p.2) and exercise ‘logistic power’ (Schmalz et al., 2018). In the field of social services, particularly in the field of care, or the reproduction of labour power, workers can obstruct - through their action - the ability of the “customers” to perform their work (Schmalz and Dörre, 2018; Becker et al., 2017).

Figure 2.2: **Marketplace and workplace bargaining power**



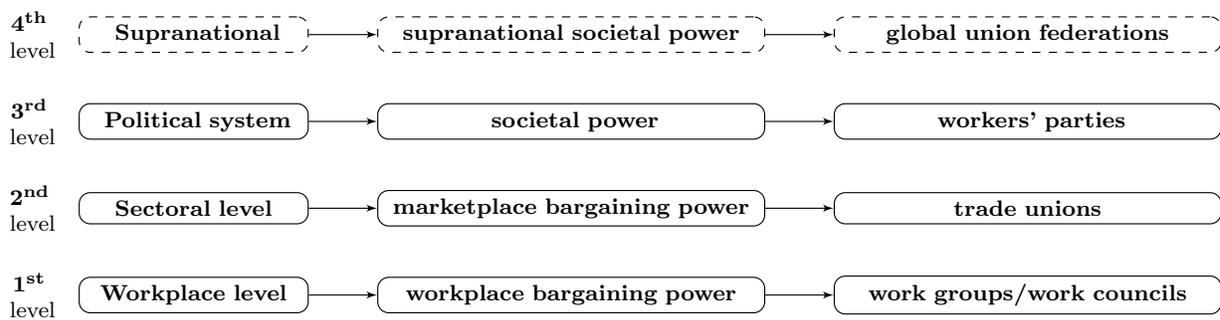
Source: Own schematisation based on Schmalz and Dörre (2018) and Wright (2000).

2.2.1.2. Organisational Power

Organisational power (also called associational power) refers to workers’ capacity to organise themselves in trade unions, works councils, parties, and other forms of organisation (e.g. [Schmalz et al., 2018](#); [Wright, 2000](#)). This power entails not only numerical strength but also the ability to successfully mobilise the organised workers ([Lehndorff et al., 2018](#)). Key to this power, and what differentiates it from structural power, is that it can only be exerted through a “*strategically planned collective action and formal organisation*” ([Dörre et al., 2009](#), p.36).

Erik Olin [Wright \(2000\)](#) describes three levels around which workers’ traditionally exercise their organisational power: at the workplace, at sector level, and at the political system level (quoted in [Schmalz and Dörre, 2018](#)). In addition to the national levels of power, the supranational level is gaining importance, where global union federations or other forms of global actors exist and “*acting transnationally and supporting wage earners above all in countries with weak organisational or institutional resources*” ([Schmalz and Dörre, 2018](#), p.3). This can be summarised as follows:

Figure 2.3: **Three (or four) levels at which workers come into play**

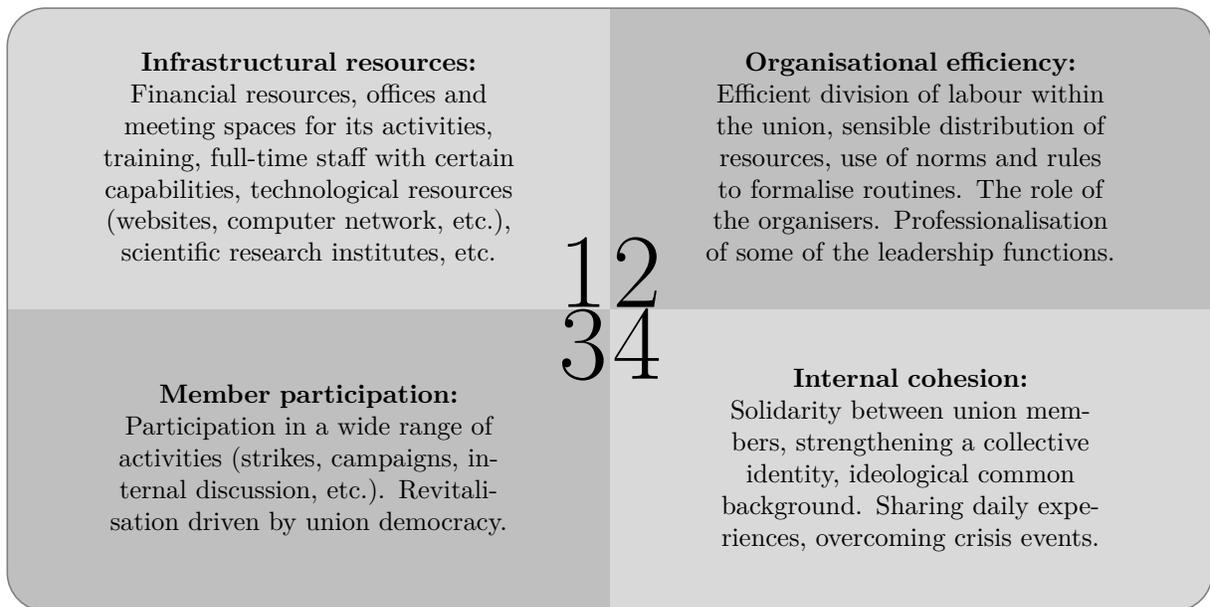


Source: Own schematisation based on [Schmalz and Dörre \(2018\)](#) and [Wright \(2000\)](#).

The highest organisational level (the fourth level in the above figure) is based on what [Frege and Kelly \(2003\)](#) call *international links*. Through this level, trade unions build solidarity networks through which they can exchange information, share experiences, campaign, etc. The so-called “*Doorn Declaration*” in 1998, where trade union confederations from Germany, Belgium, the Netherlands and Luxembourg agreed to coordinate their collective bargaining ([Bosch, 2003](#)), illustrates a concrete case of supranational-level organisation.

Union density is often referred to as the lead indicator of the workers’ organisational power resource. However, along with numerical strength, unions need to learn how to use their power. [Schmalz and Dörre \(2018\)](#) - following [Lévesque and Murray \(2010\)](#) and other authors - refer to 4 resources that play a key role in exercising organisational power effectively: i) infrastructural resources, ii) organisational efficiency, iii) member participation, and iv) internal cohesion.

Figure 2.4: **Interacting resources affecting organisational power**



Source: Own schematisation based on [Schmalz and Dörre \(2018\)](#), [Hyman and Fryer \(1977\)](#), [Lévesque and Murray \(2010\)](#).

If trade unions fail with these interacting resources, they become inefficient to the class they intend to represent (Anderson, 1977). Without financial solvency, it is impossible to raise campaigns in order to increase the union membership, which is an important indicator of organisational power. In some cases, the day-to-day tasks can be so intensive that the ultimate goal of open struggle for more control in the labour process can be completely displaced. Inadequate administration of funds can also heavily damage the reputation of organisations. In addition, without rank-and-file commitment, the union runs the risk of becoming a bureaucratic shell. Lack of solidarity and collective identity may also be regarded as dangerous in the pursuit of a class targeted goal.¹ Finally, institutional inefficacies can also affect - at least in part - the exercise of workers' disruptive potential: without strike funds and active rank-and-file commitment and with little internal unity, it is difficult to imagine their having an impact on workplace bargaining power.

The importance of organisational power resources is at the core of the literature on union revitalisation and "organising" (e.g Kelly, 1998; Frege and Kelly, 2003; Kelly and Badigannavar, 2004; McAlevey, 2016; Kelly, 2018). Explicit in the *organising* approach are the diverse workers' responses to combatting adverse changes in the contested terrain of industrial relations; here is what Müller and Schulten (2019) have called a "*revitalisation from below*", and the role of leaders is usually underlined as central to mobilisation (Kelly, 1998).²

¹In Hyman and Fryer (1977), the authors argued that "*there are four main types of institutional goal which can readily displace the overt objectives of a union: security and stability; financial solvency and strength; unity and cohesion; and administrative efficiency*" (Hyman and Fryer, 1977, p.157). To some extent, these issues can be linked to the 4 factors referred to by Schmalz and Dörre (2018).

²Jane McAlevey (2016) discusses three types of change processes: advocacy, mobilising and organising. While the first is mainly elite-oriented, the second brings in more people to support the cause but within a top-down framework of dedicated activists. On the other hand, the organising approach is rooted in widespread collective action, and the *organic leader*, namely anyone from the rank-and-file that has the capacity to lead and gain the trust of other workers', is critical. By contrast, there is another argument that criticises Kelly's emphasis on instilling the idea of leadership as a central point. That is the view of Maurizio Atzeni, who argued that mobilisation theory cannot explain direct collective action derived from spontaneous workplace-based organisations such as the ones produced in Argentina (Atzeni, 2009, 2010).

2.2.1.3. Societal Power

The third power resource is societal power and encompasses the ability of workers to generate alliances with other organised groups within civil society in order to achieve a common goal. As Edward Webster puts it, societal power . . .

“depends on unions’ ability to frame their struggle in ways that aim at organising a counter-hegemonic force, based on cooperative power through coalition-building with social movements or discourse power through influencing public discourses around issues of justice” (Webster, 2015, p.1)

As such, societal power is related to workers’ ability to go beyond the particular interests of a single group and build, in one specific historical moment, a coalition with other organisations (Cornfield, 2007). This notion of coalition-building with other actors is also commonly referred to as a revitalisation strategy (Frege and Kelly, 2003).

Societal power resource reflects the tactics needed to install the workers’ political project in society; *coalition power* and *discursive power* are posited as its sources (Schmalz and Dörre, 2018). On the one hand, coalition power involves the building of networks of cooperation and solidarity which can be activated in moments of both offensive and defensive movements. In the revitalisation literature, coalition power is also embedded in the strategies that seek to involve communities in working-class affairs (McAlevey, 2016), but is also present when workers seek to establish bridges with political parties and even with governments. On the other hand, discursive power is the ability to intervene in an efficient way in the battlefield of the ideas, through a discourse which makes sense to a large part of society. In this respect, the public image or public perception of trade unions is normally used as an indicator - although not a unique one - of societal power (Schmalz and Dörre, 2018).

Discursive power depends on what Lévesque and Murray (2010) have called *narrative resources* which rely on the workers’ capacity of intermediation, framing, articulation and learning.

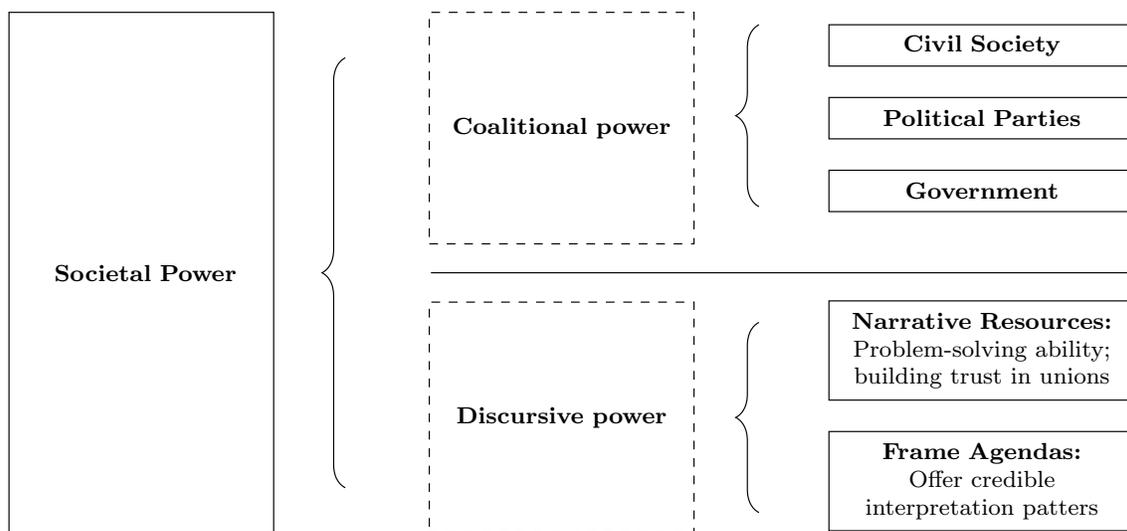
The workers' *intermediation capability* is their ability to mediate between different demands and various networks; for example, in the context of coalition power, workers must be able to handle the tensions arising from relations with groups having different interests.

In turn, workers' *framing capability* is their ability to provide a reference frame for collective action; for example, to define an autonomous agenda.

The workers' *articulation capability* is their “ability to articulate between different levels of action, over time and space” (Lévesque and Murray, 2010, p.342). This capacity entails a balance of top-down and bottom-up approaches.

Finally, the *learning capability* is their ability “within the union to learn and to diffuse that learning within the union” (Lévesque and Murray, 2010, p.344). This capacity is critical to responding to the new challenges of collective representation and for the trade union revitalisation processes.

Figure 2.5: **Societal power**



Source: Own schematisation based on Schmalz and Dörre (2018).

2.2.1.4. Institutional Power

Last but not least among workers' power is institutional power. This refers to the workers' capacity to forge an institutional setting favourable to them, in other words, to institutionalise their power. This setting includes laws (for instance the German Co-determination Act or those the Belgian and Scandinavian Ghent model) but also tripartite bargaining tables (e.g. Wage Councils in Uruguay) and bipartite collective agreements. Through institutional power, workers' organisations are also able to revitalise their power, but *from above* rather than *from below* (Müller and Schulten, 2019).

In the pyramid of workers' power resources (Figure 2.1), institutional power is labelled as the secondary power resource since it *"is usually the result of struggles and negotiation process based on structural and associational power"* (Schmalz et al., 2018, p.121). Against this backdrop, Alexander Gallas argues that institutional power needs to be re-conceptualised because in its original condition, it *"may contribute to the accumulation of capital due to its ordering function"* (Gallas, 2016, p.200). The author argues that,

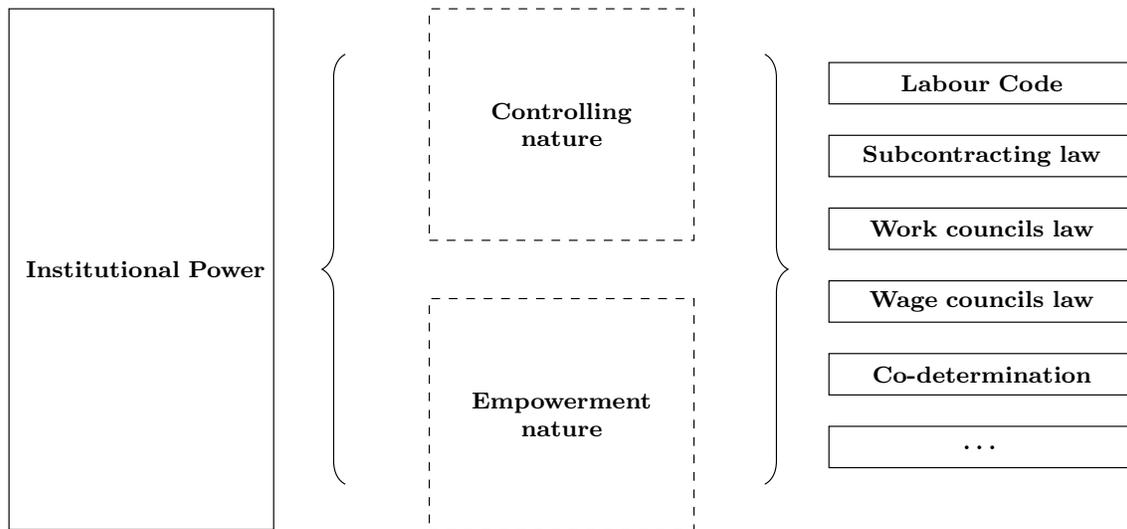
"the institutional framing of labour relations have to be distinguished from the level of the class relations of forces underpinning these institutions; the activities of unions are only instances of the exercise of working-class power if they defend, consolidate or improve the position of the working class" (Gallas, 2016, p.200)

This point deserves further discussion. Since capitalist labour relations are the manifestation of an unequal economic relationship of domination and subordination (Crouch, 1977), it could be said that the institutionalisation of the class conflict has two sides: control and empowerment, that is to say, there is a dual nature of institutional power.

The control side is related to the seeking of industrial peace, and workers' organisations and labour laws can exert control on their discontent (following the traditional argument of Wright Mills). Thus, when there is an agenda to obstruct working-class organisation, the idea of an ordering function gains much validity.

The controlling nature of institutional power refers that, institutions and, in particular, stable institutions, are necessary for capitalists to proceed with relative comfort. This controlling character of institutional power allows capitalists to increase their long-term investment expectations.

Figure 2.6: **Institutional power and its dual nature**



Source: Own schematisation.

The other side of institutional power is empowerment nature. Institutionalisation can empower the organised working-class, which is relatively clear through the workers' conquest of industry-wide collective bargaining. This can be translated into new power relations among the actors and therefore new dynamics of capitalism over time.

Finally, it should be considered that, since institutional power has much to do with legislation, this power resource can be improved or challenged by changing governments. The state can involve itself in different forms of intervention: protective, promotional, and participative forms (Sengenberger, 1994). Yet, the state is not neutral and can improve or weaken these standards. Since institutional power does not last forever (Schmalz et al., 2018),

organised labour has to exert its own political pressure to provoke changes in its interests (Bosch and Weinkopf, 2017).

2.2.2. Marxist approach to income distribution

Before explaining the Marxist approach to income distribution it is useful to present the dominant alternative neoliberal paradigm, the so-called marginal productivity theory, MPT. This theory, in contrast to Marxism, tries to eliminate the concept of power and replace it by allegedly neutral equilibriums between capital and labour in perfect market competition. According to this approach, there are two main production factors, labour (L) and capital (K). The prices of K and L are the result of the point where demand and supply meet and, in the equilibrium point, are determined by their marginal productivity. In MPT, labour and capital are the inputs, and their marginal production is measured “*by the amount of goods or services produced by an additional unit of that input*” (Willis and Wroblewski, 2007, p.6).

According to MPT, agents should base their rational decisions on a framework of marginal costs and marginal benefits. In marginal thinking, the equilibrium point represents the maximum level of benefit, measured in “*hypothetical utils of satisfaction*” (Hill and Myatt, 2010, p.11). Outside this equilibrium point, total benefit is reduced and agents can make an additional profit or, as marginalists put it, ‘maximise benefits’. In this way, according to MPT, the higher the marginal productivity, the higher the factor price. As such, the consequence for wage determination is straightforward: to increase the price of L , a previous rise in labour productivity would be necessary. In other words, wages and labour productivity should have a similar pace of development, which in Milton Friedman’s words means that “*each man gets what he produces*” (Friedman, 1976, p.198). The corollary is that, in a competitive economy framework, exploitation is out of the question because wages cannot be less than the marginal cost of labour for the firm. Thus - following this approach - class struggle does not play a role in the study of the relations of distribution and trade unions interfere with the correct allocation of economic resources. Basically, since the market and, in particular,

individual productivity determine what each worker deserves, in MPT the issue of distribution is depoliticised and no longer depends on the power play between labour and capital.

However, as Joan Robinson (1969) pointed out, exploitation can occur when “*employer has the power to discriminate in buying power*”, that is to say in a situation of non-perfect competition in buying labour. This is the idea of the so-called monopsony, which means that employers have and exert a non-negligible labour market power over their workers by controlling the process of wage setting and therefore “*wages are likely to be below the marginal product of labour*” (Manning, 2003, p.364).³ In this way, neoclassical theory’s failure lies in the assumptions on which it stands.

It has been argued that the statement that ‘a factor gets what it creates’ should be considered “*the fundamental ideological assumption of neoclassical theory*” (Gerdes, 1977, p.41). It is precisely on that point that the main weakness of MPT is found, because of its inability to prove a perfect match between productivity and wages. In a context of class relations, the production and distribution process cannot be isolated from underlying power resources. As the sellers and the buyers of labour power enter into the “market”, power relations emerge and wages can, in fact, be set below the marginal productivity of labour and, therefore, exploitation occurs.

Instead of the mainstream economic analysis, a theory of income distribution seen under the lens of power relations is required. To do this, it is necessary to refer here to some basic although central concepts present in Marx’s economic analysis.⁴

³In the case of monopsony, “one” employer has all the power. In practice, there is more than one employer (a few) who concentrate this power and one refers to an *oligopsony*.

⁴There are other approaches in between like Ricardianism (rental income), Keynesianism (aggregate demand), Kaleckianism (Kaleckian mark-up theory), etc. Despite not being discussed here, these approaches should be mentioned. I use Marxist theory since - in my view -, it allows cover in a better way than the other approaches, the distribution problem in the sphere of production and in connection with the Power Resources Approach, which is influenced by Marx. After more than 150 years of Karl Marx’s *Capital*, the debate on Marxist categories is still open.

In *Das Kapital*, Karl Marx provided a theoretical scheme for understanding the capitalist mode of production. Marx sees three social classes in the Capital Mode of Production: capitalists, landowners and workers. Capitalists own the means of production (such as machinery, facilities, production materials, etc.). The landowners own the land and the working class own its labour power. By selling this labour power to the capitalists, the working class carry out the process of transformation or the metamorphosis of capital in the circuit of value creation. Karl Marx (1976) illustrated such a circuit as follows:

$$M - C - M' \tag{2.1}$$

The capitalist advances capital in the form of money (M), then buys commodities (C) among the which there are raw materials and also labour power. These commodities take part in the production process of surplus value and the money coming back, M' , from the sale of the produced commodities is greater than M . A circuit of re-investment of capital in means of production and labour power leads to a new production cycle of surplus value and the cycle continues. Marx's law of value describes how workers sell their labour power to the capitalists. Once labour power is put into the circuit as a commodity, new value emerges as use values are created. This aspect is critical as, in Marx, only human labour power is able to create new value in the transformation process⁵, and the longer the time of work, the greater the amount of value generated.

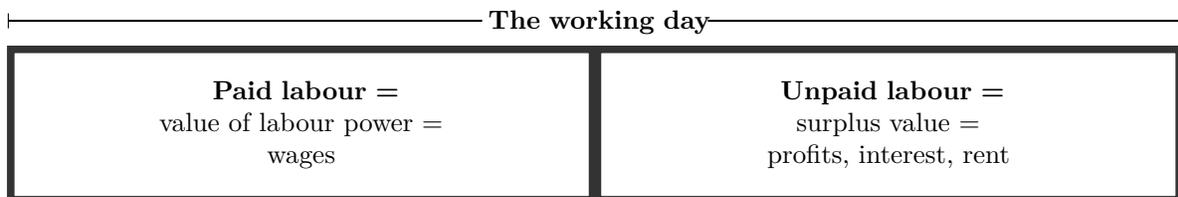
In Marx, labour power (*Arbeitskraft*) should not be equated to labour. By labour power - or capacity for labour - Marx describes:

“the aggregate of those mental and physical capabilities existing in the physical form, the living personality of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind” (Marx, 1976, p.270).

⁵Means of production (dead capital) are not able to create new value by themselves.

In the market, capitalists buy labour power, but pay for only a part of it (in form of its price: wages, which are the exchange rate for these purposes). The unpaid labour time is in essence the major source of the capitalists' profits. In other words, unpaid labour is the appropriation by the capitalists of workers' labour time and value transferred by labour in the production process is the sum of the value of labour power (paid labour) and surplus value (unpaid labour).

Figure 2.7: **Total value in labour time produced by living labour**



Source: Roberts (2018), Marx (1976).

Unpaid labour is defined as the surplus part of a working day (surplus labour time), and Marx (1976) defines the rate of surplus value (*ROSV*) as the surplus value (*s*) relative to necessary labour (*v*). This ratio is also known as the rate of exploitation and represents the extraction and appropriation of labour power by capital.

$$ROSV = \frac{s}{v} \tag{2.2}$$

Surplus value is not only used for private consumption⁶ but also in the expansion of capital through the acquisition of new materials, new machinery, more labour power, etc.

⁶For the capitalist.

The expansion of capital is analysed by Marx in his law of accumulation⁷, where surplus-value is translated into capital in an endless dynamic cycle. In practical terms, the law of accumulation can be seen in the rise of the stock of means of production in relation to total employment as a related-concept called the organic composition of capital (*OCC*). Marx classified capital⁸ as either constant (*c*) or variable (*v*)⁹. The latter is represented by paid labour time, which is the value of the labour power (expressed in wages), and the former, by raw materials, machinery, instruments, equipment, and facilities required in the production process. The *OCC* is therefore defined as the ratio between the constant (*c*) and the variable capital (*v*)¹⁰. According to the law of accumulation, this ratio will rise secularly.

$$OCC = \frac{c}{v} \quad (2.3)$$

In turn, the rate of profit (*ROP*)¹¹ represents how much of the total capital invested by the capitalist is transformed into surplus value (*s*).

$$ROP = \frac{s}{c + v} \quad (2.4)$$

If numerator and denominator are divided by the value of the labour power (*v*), then Equation 2.4 turns into:

$$ROP = \left[\frac{\left[\frac{s}{v} \right]}{\left[\left[\frac{c}{v} \right] + 1 \right]} \right] = \frac{ROSV}{OCC + 1} \quad (2.5)$$

⁷Marx (1976) Chapter XXV.

⁸Marx (1976) Chapter VIII.

⁹It should be noted that this *v* is the same as in Equation 2.2

¹⁰Marx (1959) Chapter XV, Section IV (supplementary remarks).

¹¹Marx (1959) Chapter II.

Equation 2.5 shows the relationship between the rate of profit, the rate of surplus value (*ROSV*), and the organic composition of capital (*OCC*). Since, in the long run, the *OCC* tends to rise secularly, the rate of profit theoretically tends to fall¹². This can be due to, i) the change in *ROSV* being less than the change in the *OCC* or, ii) *ROSV* remaining unchanged while *OCC* grows.

It should be noted that the rate of profit presents a *tendency* to fall, which is not at all the same as stating that it will always fall. As Marx pointed out in Chapter XIV of Capital Vol. 3, there are counteracting influences, which can “*hamper, retard, and partly paralyse this fall*” (Marx, 1959, p.163).

At this point, it is necessary to introduce the link between inequality and the Marxist approach. One of the fundamental pillars of capitalism is the appropriation of surplus value by one class from the other. That is why inequality of salaries, income, and wealth is essential to the nature of capitalism. While neoclassical arguments centre income distribution differences on individual attributes¹³, Marx finds their root cause in exploitation. Therefore, to analyse inequality under the Marxist lens, the rate of surplus value is used.

In Figure 2.8 some of the key concepts discussed above are integrated. The horizontal axis represents the time as a working day, divided between paid and unpaid labour. The vertical axis shows the creation of value. The total cost reflected in both constant and variable cost is presented through lines parallel to the time axis (horizontal axis). Variable cost emerges from basic constant cost. Following Marx, since only labour creates value, the diagonal line with the positive slope only begins once *CV* is present. The Chilean Marxist professor Carlos Pérez Soto applies the *Thales of Miletus Theorem* to conclude that the rate of exploitation can be seen graphically as unpaid time (*upt*) in relation to paid time (*pt*) and as surplus value in relation to variable capital. That is to say:

¹²Marx (1959) Part III, chapters XIII to XV. Also in Marx (1973), the Chapter of Capital, third section, *transformation of surplus value into profit*.

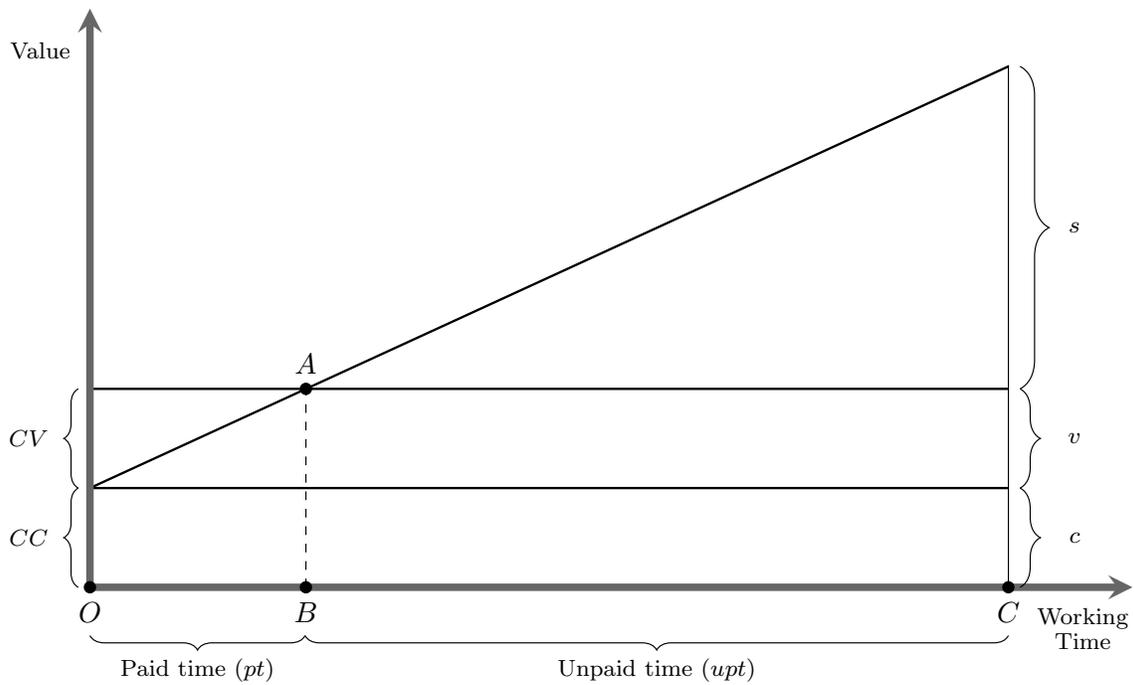
¹³e.g. Human Capital theory of Gary Becker.

$$ROSV = \frac{upt}{pt} = \frac{s}{v} \quad (2.6)$$

In addition, the rate of profit is:

$$ROP = \frac{s}{CC + CV} = \frac{s}{c + v} \quad (2.7)$$

Figure 2.8: Value, paid time, unpaid time and surplus



Legend: CV = Variable capital (also 'v'). CC = Constant capital (also 'c'). s = Surplus value.

Source: Pérez Soto (2020).

Income distribution, defined in Marxist terms, is the result of the battle between capital and labour over the surplus value. In this, organised workers (unions) are pivotal in resisting capitalist exploitation.

2.3. Conceptual Framework

Up to now, the essentials of two theories on which my analysis of the income and power distribution is based have been presented. In the following, I will specify how these theories will be used in this research. Three theoretical issues will be presented: i) employers' power resources (Sub-section 2.3.1), ii) a framework for the analysis of collective bargaining (Sub-section 2.3.2), and iii) the impact of collective bargaining on income distribution (Sub-section 2.3.3).

2.3.1. Contested power resources

Within labour studies the Power Resources Approach often focuses on the workers' perspective. However, it can be also be exploited from the employers' angle, i.e. by understanding the employers' power resources.

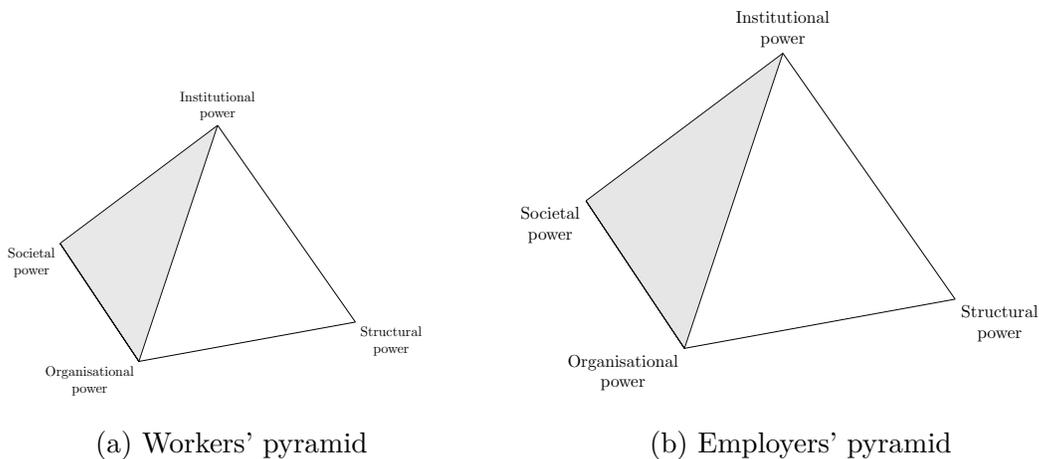
Since employers own the capital (or at least are the representation of that), they can - in most of the cases - decide when to expand or cease production, for example, through investments, relocation, mergers, and absorption of other companies and their workers. By doing so, employers can strengthen their market position as producers as well as buyers of labour power. This being the case, employers can severely impact the *workplace bargaining power* of workers' by "*relocation [of] production sites, changing the way production is organised or through rationalisation measures*" (Harvey, 1990, quoted in Schmalz et al., 2018, p.117). Automation and technological control is a central of concerns employers, especially in relation to logistic links in the value chain (Alimahomed-Wilson and Ness, 2018). Additionally, employers can exert the power of disruption through 'capital strikes' (Young et al., 2018), typically via capital flight, freezing of investments, or massive lock-outs. Such power can be labelled as structural due to the position of market or oligopoly power that companies have in the economy. Capital strikes can in turn severely influence public policies and so

shape government and congress agendas. This being the case, the employers' strike transmits political messages to legislators (lobbying) and consequently is closely related to the societal power of capital.

The mass media are also an effective societal power resource for capital-side interests (Marticorena, 2016) through which capital exercises significant control over public affairs. The business-funded think tanks and media are also a typical example of power resource attached to societal power. The result is that the media and the press present only one side of the story.¹⁴

The outcome of the conflicts between capital and labour will depend of the power relations between capital and labour. The imbalance between the power resources of employers and workers is shown in the different size of the pyramids (Figure 2.9).

Figure 2.9: **Workers' power pyramid vs employers' power pyramid**



Source: Own elaboration. Explanations in the text.

¹⁴Paid advertising, campaigns and other market-based resources to enhance their odds when lobbying in society (McAlevey, 2016) are common employers' societal power resources.

2.3.2. A framework for the analysis of collective bargaining

As discussed, institutional power in particular is a contested power resource between capital and labour. While workers can achieve labour rights to empower themselves, employers can fight back, successfully lobbying for control laws which contain workers' power. In order to study this dual nature of institutional power resources, I propose to focus on three outcomes: i) the level at which collective bargaining takes place, ii) the bargaining units and the degree of co-ordination across them, and iii) the extent of marginalisation and fragmentation of collective bargaining.

i) The level at which collective bargaining takes place

The level of collective bargaining “*has to do with the level at which different issues should be resolved*” (Dunlop, 1973, p.12). The three classical levels are: economy-wide, industry-wide, and firm-level (Figure 2.10).

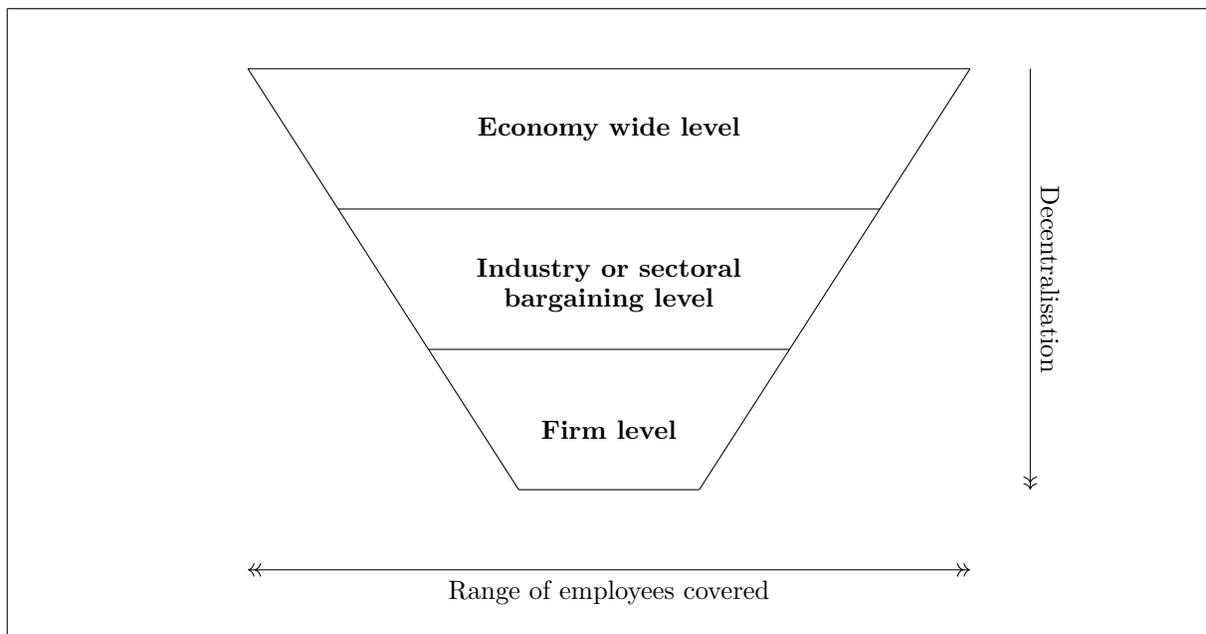
A system is classified as ‘decentralised’ when the negotiation occurs at firm level, and as ‘centralised’ when the negotiation occurs at national level (Cruz Villalón, 2019). Between the two, there are plenty of combinations, and the principle is that the more aggregated is the collective bargaining, the more centralised it is.

Decentralisation of collective bargaining means shifting the level from a central one to a less central one. To illustrate, go from national to industry-wide, or from industry-wide to firm-level. Centralisation is the opposite (Figure 2.10 illustrates this).

During the eighties, Calmfors and Driffill (1988) proposed the “hump-shaped” curve hypothesis, i.e. a non-monotonic concave relationship between the degree of centralisation of collective bargaining and economic performance. According to Calmfors and Driffill’s hypothesis, highly centralised and highly decentralised systems lead to better macroeconomic performance than a semi-centralised combination. In a similar vein, and also evaluating the

impact of the degree of centralisation on economic performance, [Freeman and Gibbons \(1995\)](#) suggested that the degree of centralisation can be illustrated using cost-benefit analysis. Their core argument was that there is a gain in efficiency when the degree of centralisation rises, because rent-sharing, oligopolistic firms lose a degree of their previous control. However, once a certain level of centralisation is reached, associated costs are very high due to losses in flexibility.

Figure 2.10: **Levels at which collective bargaining takes place**



Source: Retrieved from <http://industrialrelations.naukrihub.com/> (accessed on July 19th 2021).

In the past, Calmfors and Driffill’s hypothesis was very influential at the level of policy recommendations. For example, in 1994 the OECD recommended “*decentralising collective bargaining given the impossibility to have full centralisation bargaining systems*” ([OECD, 2018](#), p.80). Today, the discussion has become more complex given the actual dynamics of the diverse collective bargaining systems, and in particular since the role of collective bargaining ‘co-ordination’ has gained relevance ([OECD, 2018, 2019b](#)).

The level at which bargaining occurs can widen or reduce the scope of coordination and economic and political impact. As Kenneth Snellman points out, “*bargaining on the industry level implies that the union can set its demands, taking the profitability of the industry into account*” (Snellman, 2005, p.135). If collective bargaining takes place at national level, “*the state of the economy as a whole and the effects on it are more likely to be considered*” (p.135), but if negotiation occurs at the firm level, the political scope is also reduced to that level. Therefore, by decentralising, the aggregate effects of collective bargaining on issues such as wage determination and income distribution can be minimised and the heterogeneity of the outcomes increased.

In many countries, one can observe the coexistence of two or more levels of negotiation where one dominates the other (Sala-Franco and Goerlich-Peset, 2013). The OECD (2018) proposed a classification of five main types of collective bargaining systems which are closely related to the level at which collective bargaining takes place. These are: i) fully decentralised; ii) largely decentralised; iii) organised decentralised and co-ordinated; iv) predominantly centralised and co-ordinated and v) predominantly centralised and weakly co-ordinated. This taxonomy appears in what the OECD calls ‘the building blocks of collective bargaining’. Agreements at multiple levels of bargaining can be reached and can complement each other, creating a multi-tier arena of negotiations where “*the outcome on a higher level can form a basis for further bargaining on lower levels*” (Snellman, 2005, p.134). From the point of view of unions, the lower bargaining tier aims - as Kenneth Snellman pointed out - to improve the higher level (e.g. industry level) agreement which sets the basic and minimum standards. In other words, the second tier becomes a supplement to first or higher-tier negotiation (Boeri, 2014). To ensure the latter, there is a legal provision called ‘favourability principle’. This principle is a form of workers’ institutional power resource, according to which, the second-round bargaining can only improve the conditions of the first-round agreement.

Over the past 30 years, decentralisation of collective bargaining has become widespread in many countries. Katz (1993) identified two decentralisation patterns from the late 1980s and early 1990s: i) the decline or even abolition of multi-employer agreements, and ii) the

replacement of the higher-level agreements with lower-level ones, for instance in Sweden after 1984 when the industry-level agreements replaced the central agreement, or in the UK, where in some cases, the company-wide agreements were replaced by plant-level agreements.

ii) The bargaining units

Along with the level(s) at which collective bargaining takes place, a second outcome produced from the interaction between capital and labour is the bargaining unit in the negotiations. The bargaining unit is often related with the level, e.g industry-wide trade unions negotiate with employers' associations at the industry-level.

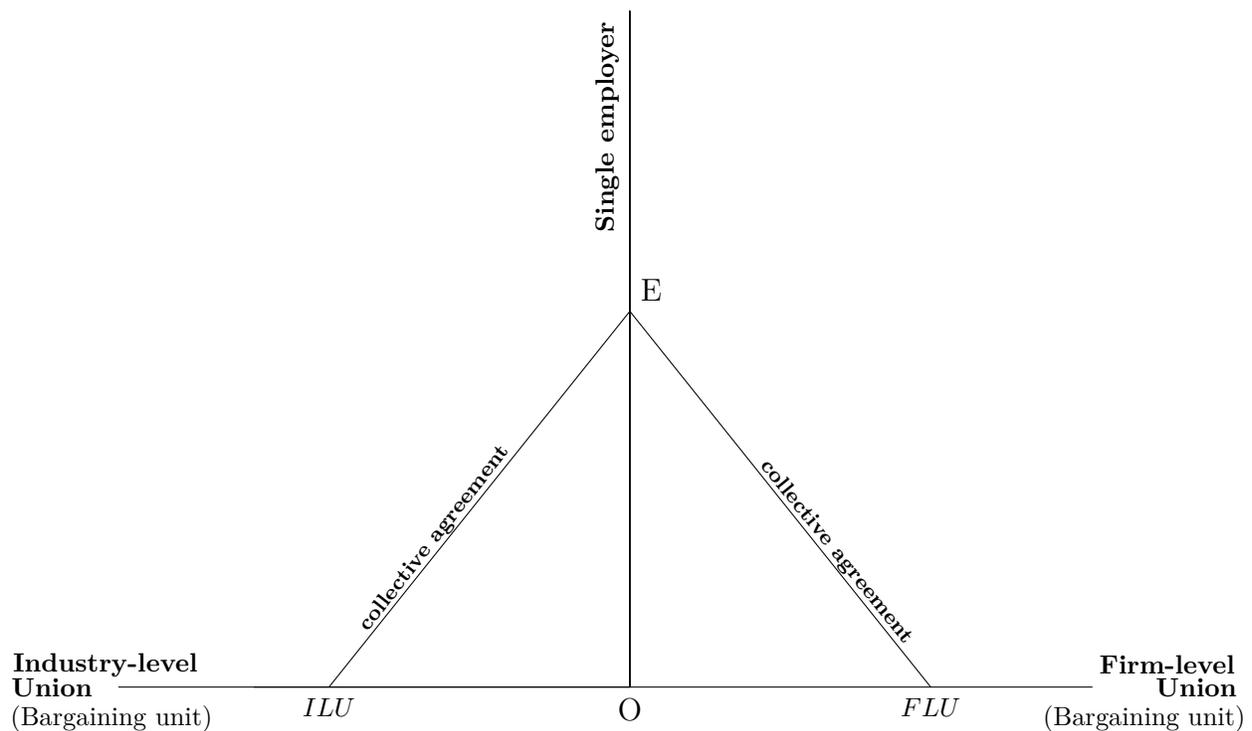
When negotiations take places at the firm-level, this is more blurred. In the case of fully decentralised collective bargaining, the workers' bargaining unit is often a local unit, i.e a firm-level trade union. This is not always the case in not fully decentralised systems where umbrella organisations play a role in local negotiations. For instance, in the case of organised decentralised systems¹⁵, umbrella organisations (e.g industry-wide trade unions) delegate a certain role in firm-level negotiations to local units at plan or firm level (Behrens, 2009), this means that *“decisions take place at the decentralised level, but with the participation of central organisations”* (Morgado, 2015b, p.15) [translation from Spanish].¹⁶ In these cases, collective bargaining occurs between an employer and the related industry-level union. This can be seen in the Figure 2.11 (left-side panel).

¹⁵In Traxler (1995) the author distinguishes between 'organised' and 'disorganised' decentralisation. The first delegates a certain role to local units (at plant or firm level), but within a coordinated intervention by the umbrella organisations which are behind the decision to delegate specific tasks to the lower levels and often have to approve the deviating agreements (Behrens, 2009). In the second, the single-employer agreement has a weak or even uncoordinated intervention from the unions.

¹⁶Normally, in the case of organised decentralisation umbrella organisations are the one to approve or not the use of the so-called opening clauses. This normally occurs by invoking 'hardship clauses', which refer to a proven difficult economic situation and allow specific conditions of the higher level collective agreement to be open to local renegotiation. According to Prof. Gerhard Bosch, *“opening clauses do not generally weaken industry-level collective bargaining. Concessions generally have been negotiated with the unions and may in fact stabilise industry-wide bargaining by avoiding further corporate withdrawals from industry-level agreements”* (Bosch, 2004, p.96).

Across the automotive industry one can see some examples: the Volkswagen Group in Germany, the General Motors Company in the US, or Renault in France. In all these cases, the workers' bargaining unit is the industry-level trade union, IG Metall in the case of Volkswagen, the United Automobile Workers in the case of General Motors, and the *Confédération Générale du Travail (CGT)* in the case of Renault.

Figure 2.11: **Firm-level collective bargaining: industry-level union versus firm-level union**



Source: Own elaboration. Explanations in the text below the figure.

A case where collective bargaining occurs between an industry-level trade union as the bargaining unit for workers, and a single employer as the bargaining unit for management (left-side panel of Figure 2.11), present an important difference from the situation where the collective agreement is reached between a single employer and a firm-level trade union (right-side panel of Figure 2.11), as Emilio Morgado points out:

“the intervention of an industry-level union in the collective bargaining of a company or establishment confers a degree of greater balance between the parties in decentralised collective bargaining, and facilitates the corresponding collective bargaining and confers greater independence of action on the union involved, which, on the one hand, favours the achievement of mutually discussed agreements as equitable, and, on the other, strengthens the assurance that there will be no abusive use of legal norms or jurisprudential precedents that allow the replacement of striking workers” (Morgado, 2015a, p.2) [translation from Spanish].

iii) Marginalisation and fragmentation of collective bargaining

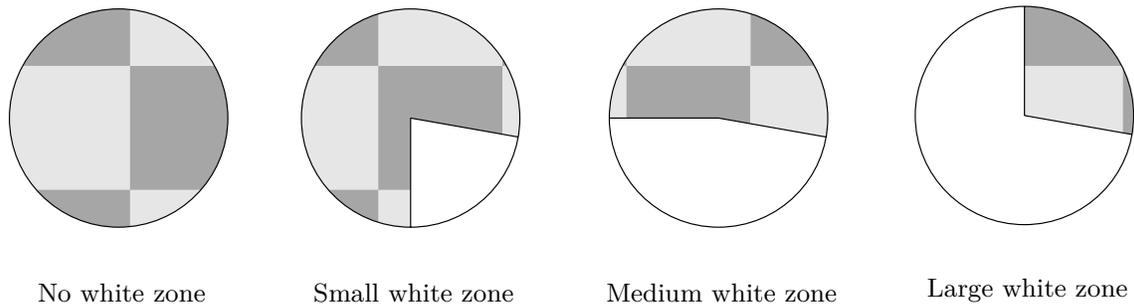
The third but not least outcome produced from interaction between capital and labour is the degree of marginalisation and fragmentation of collective bargaining.

Marginalisation of collective bargaining is understood here as its erosion. In telecommunications, a *white zone* is usually understood as an area with no reception or telephone coverage. This idea can also be applied to collective bargaining.¹⁷ A white zone of collective bargaining can be defined as a zone without collective bargaining coverage.

Figure 2.12 illustrates different degrees of marginalisation of collective bargaining. In some industrial relations systems, most workers are involved in collective bargaining, and white zones are small (left-side pie charts in Figure 2.12). In other systems, one can see medium participation levels (coverage of collective bargaining), and the white zones are consequently higher than in the initial case. There are also systems where collective bargaining is the exception and most workers are not involved in collective agreements, i.e. they comprise large white zones of collective bargaining.

¹⁷I took this metaphor from Gerhard Bosch.

Figure 2.12: **White zones of collective bargaining**



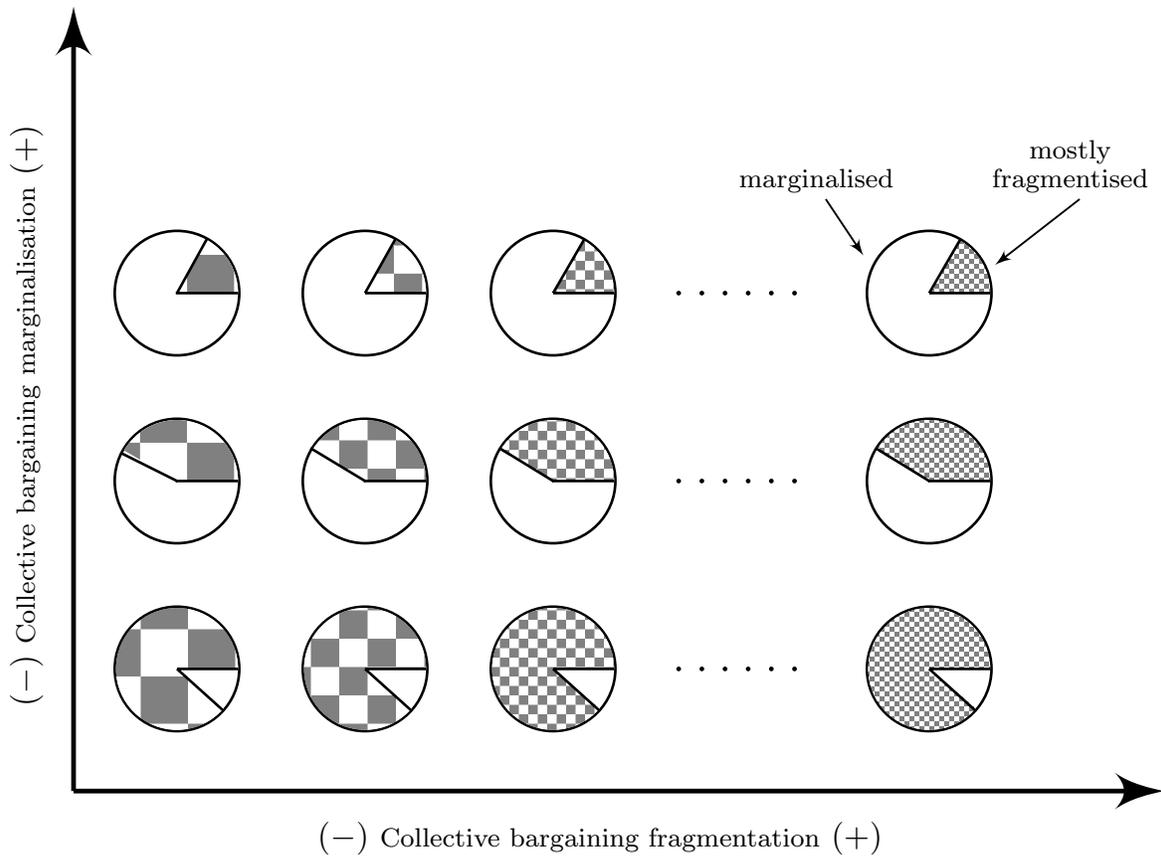
Source: Own elaboration.

In systems with small white zones of collective bargaining, trade union action mostly brings as its consequence aggregate effects that amplify worker's outcomes. In contrast, in systems where white zones of collective bargaining predominate, collective action driven by trade unions has no aggregate effects on critical variables such income distribution. In these cases, one is more likely to see some fragments of power mainly derived from some degree of marketplace bargaining power which is limited to benefiting a small group.

Along with the marginalisation, *fragmentation* of collective bargaining within numerous small bargaining units is another aspect to be taken into consideration.

In Figure 2.13 one can see the various combinations concerning the degree of marginalisation and the degree of fragmentation of collective bargaining. The vertical axis measures the extent of collective bargaining white zones; the horizontal axis measures the amount of fragmentation. The pie at the bottom left represents a case of collective bargaining with high coverage and not particularly fragmented. As one moves upwards, the degree of marginalisation increases (the white area within the pie is bigger) and as one moves to the right, the degree of fragmentation increases (the shaped area inside the pie is more spread out). The pie at the top right represents a case of large white zone of collective bargaining combined with high fragmentation among the few workers who can negotiate.

Figure 2.13: **Marginalisation and fragmentation of collective bargaining**



Source: Own elaboration.

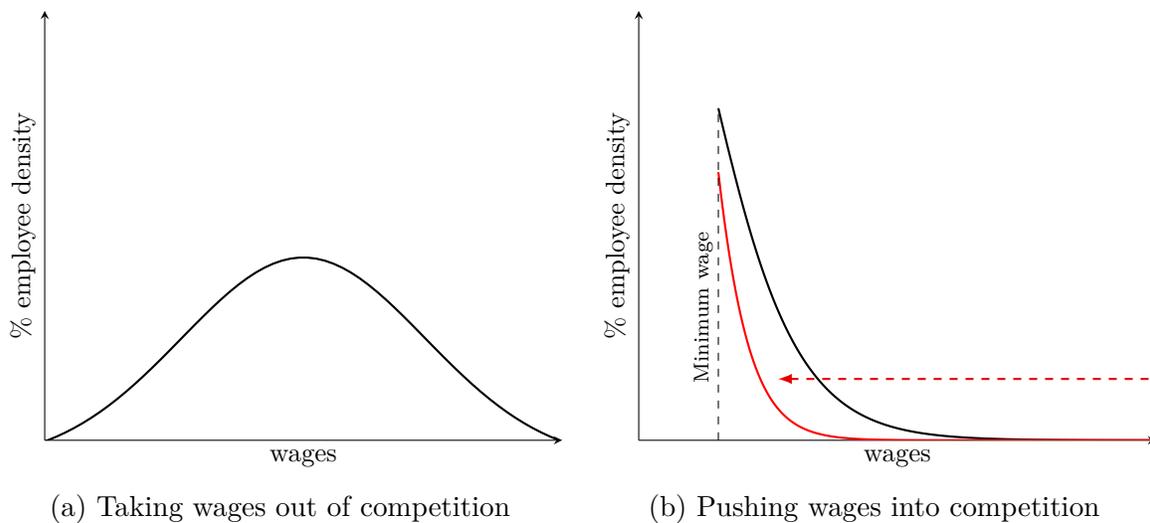
2.3.3. The impact of collective bargaining on income distribution

Theoretically, the relationship between collective bargaining and income distribution can be formulated by using the Marxist theory described in the first part of the chapter.

2.3.3.1. Taking wages out of competition versus pushing them into it

In *The Poverty of Philosophy*, Karl Marx pointed one of the major goals of unions as “stopping competition among the workers, so that they can carry on general competition with the capitalist”. The issue of taking wages out of competition can be illustrated by a flattened Gaussian bell-shaped wage curve. This form indicates that wages, instead of being dispersed, are concentrated towards the centre. In the left-side panel of Figure 2.14 it can be seen that wages are taken out of competition and income distribution is protected by collective agreements.

Figure 2.14: **Theoretical wage curves**



Source: Adapted from Bosch (2019).

Conversely, when the worker’s power resources cannot prevent wages from being pushed into market competition, the result is an asymmetric distribution skewed towards the origin of the Cartesian axes (as illustrated in the right-side panel of Figure 2.14). In this case the wage competition is only limited by the minimum wage.

Taking as reference the framework for the analysis of collective bargaining, it can be said that marginalisation and fragmentation of collective bargaining enable employers to push wages into competition. The opposite outcome, i.e. taking wages out of competition, is the consequence of workers' power resources through industry-wide collective bargaining which stabilises the middle incomes (Bosch, 2003).

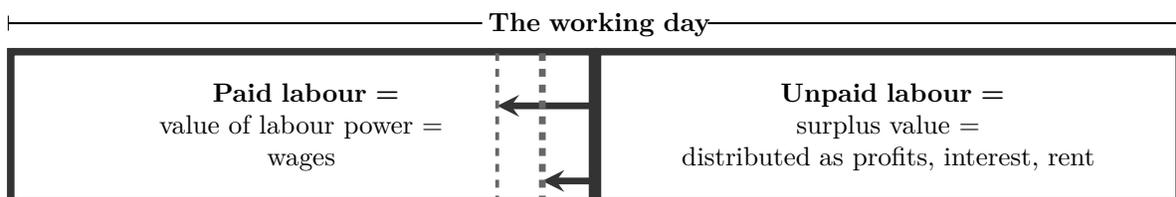
2.3.3.2. Rate of surplus value under different bargaining systems

When wages are taken out of competition, then competition is - as Marx pointed out - focused between workers and capitalists over paid and unpaid labour (see figure below), and consequently the rate of surplus value can be reduced. In contrast, when wages are pushed into competition, then capitalists are able to increase the rate of surplus value.

In the case of marginalised and fragmented collective bargaining, the consequence can be seen as a drop in the value of labour power (income distribution is not protected by collective agreements and pay setting is unilaterally imposed by employers). Now, the fraction of the working day that is paid (pt) is reduced (Figure 2.15), therefore $pt^A > pt^{A'}$:

Figure 2.15: **Total value in labour time produced by living labour**

Effects of marginalisation and fragmentation of collective bargaining



Source: Adapted from Roberts (2018).

Following Pérez Soto (2020), since the total time is the same, $upt^A < upt^{A'}$:

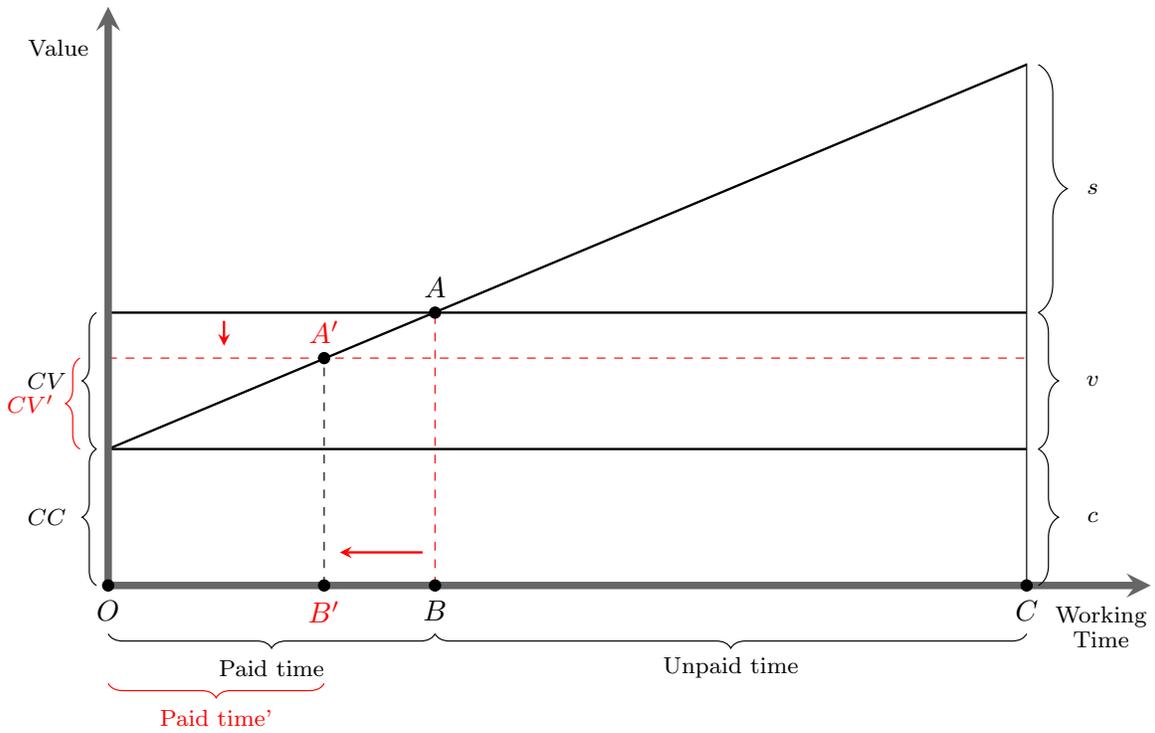
$$\frac{upt^A}{pt^A} < \frac{upt^{A'}}{pt^{A'}} \Rightarrow ROSV^{A'} > ROSV^A \quad (2.8)$$

It is possible to reach the same conclusion by examining the combined change in s and v :

$$\Delta ROSV = \left[\frac{s \uparrow}{v \downarrow} \right] \uparrow \quad (2.9)$$

And the graphical representation would be ...

Figure 2.16: **Pushing wages into competition**



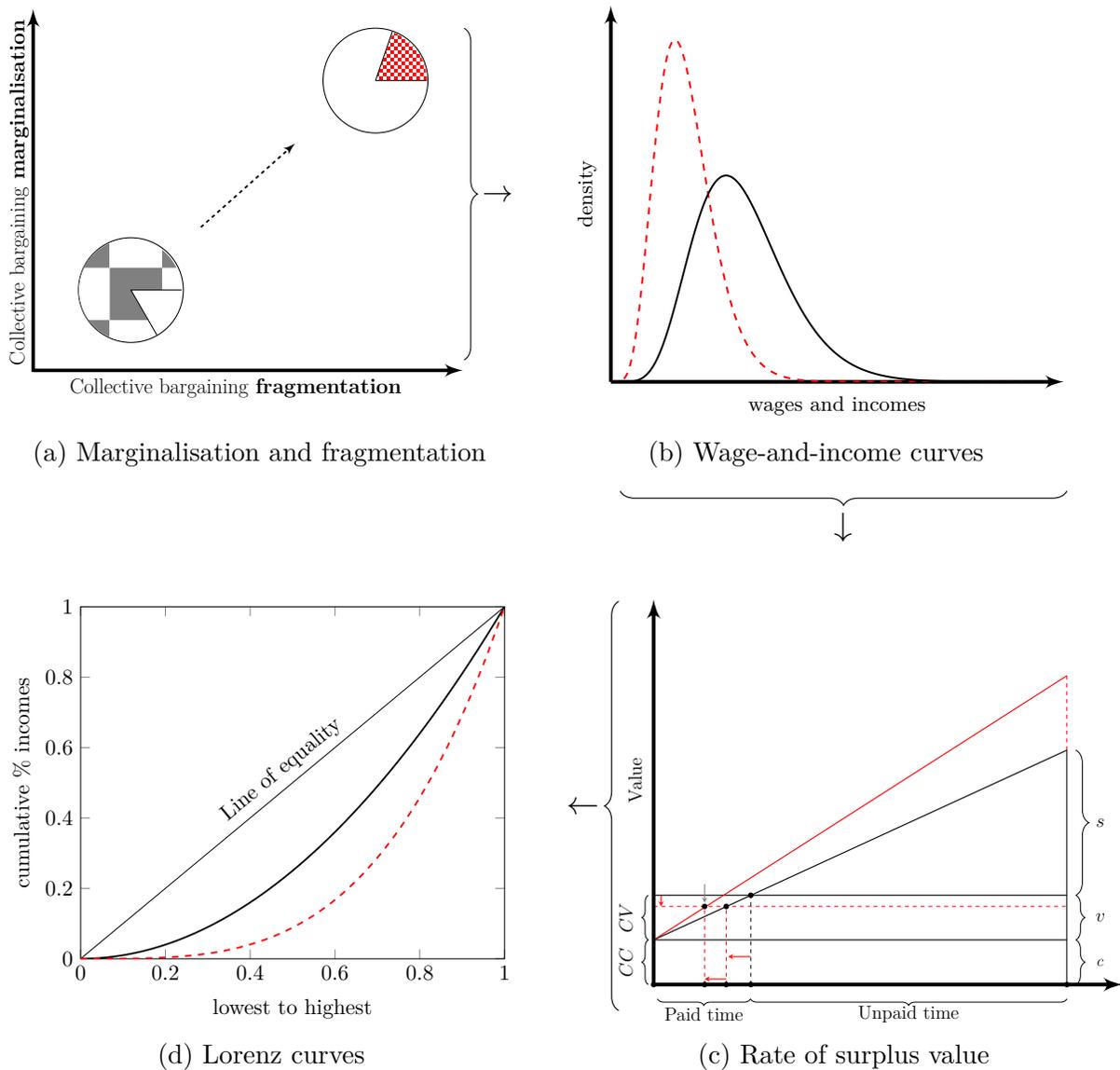
Legend: CV = Variable capital (also 'v'). CC = Constant capital (also 'c'). s = Surplus value.

Source: Adapted from Pérez Soto (2020).

2.3.3.3. Collective bargaining and income distribution: a transmission pathway

Building on the Power Resources Approach and the Marxist Labour Theory of Value, it can be argued that marginalisation and fragmentation of collective bargaining negatively affects the market income distribution. This dynamic can be seen through the following transmission channel (the explanation is provided immediately below Figure 2.17).

Figure 2.17: **The impacts of collective bargaining on income distribution**



The marginalised and fragmented collective bargaining (panel a in Figure 2.17) means low and weak coverage of employees with collective agreements. This leads to positively skewed (or right-skewed) wage-and-income-curves where a significant share of employees are concentrated at or near the minimum wage (red curve in the top-right panel). As wages are less sensitive to collective action, employers can set them unilaterally and increase surplus value (panel c in Figure 2.17). The *greater* the extent of the marginalised and fragmented collective bargaining (compared with a non-marginal and non-fragmented one), the *greater* is the extraction of surplus value.

The marginalisation and fragmentation of collective bargaining disrupts the chances of *aggregate effects* of unionism seeping into the economy and, as a result, the equalising effect of collective bargaining on market income distribution is nullified. This is represented in the last figure, the bottom-left sub-graph, where the Lorenz Curve moves in direction to the right (primary income distribution is more unequal).

2.4. Conclusion

In this chapter, the theories on which the ideas of this research are based have been presented. In the first section, the Power Resources Approach applied specifically to the study of workers' power has been discussed. The meaning of the four powers traditionally developed in the studies was analysed. To summarise, structural power is the power that workers have because of the position they have in the economic system and can take the form of *marketplace bargaining power* (given the possession of scarce skills that certain workers have and that are in demand from employers) and the form of *workplace bargaining power* (given the possession of a job that has a strategic function in a production circuit and whose paralysis can cause a domino effect on the rest of the chain). The second power is organisational power and refers to the capacity of workers to organise themselves in trade unions and other organisations that represent their class interests. The third power is societal power and refers to workers' abilities

to build alliances with other civil society groups to achieve a common goal. Institutional power is the fourth power resource that workers have and refers to labour market institutions such as social and labour laws, collective bargaining agreements, etc. Being dependent on the other three powers, institutional power is traditionally labelled as secondary power, while the rest are labelled as primary powers.

In the second section of the chapter, the essentials of the Marxist economic analysis have been revised. This began by presenting a critique of marginal productivity theory (MPT) which is based on the assumption that the distribution of market incomes depends on politically neutral economic factors and not on the power play between labour and capital. This was followed by a presentation of the basic categories of Marxist economic analysis, such as the rate of surplus value, the organic composition of capital, and the rate of profit. The classical equations were presented, followed by how the analysis of income distribution fits into this framework.

In the third section, an analytical framework for the present research was presented, built on the two theories shown above. Three main lines for analysing a collective bargaining system were identified: level, bargaining unit and co-ordination, and degree of marginalisation and fragmentation. This was followed by the theoretical argument underlying the relationship between marginalising and fragmenting collective bargaining and a deterioration in the market income distribution.

Industrial relations before Pinochet

3.1. Introduction

From 1965 to 1973, Chile experienced an increase in union density as never before in its history. The rise of workers' organisational power resource was the result of a historical build-up with ups and downs over more than 80 years, where the early 1970s represented one of the greatest moments of workers' power. Between 1970 and 1973, during the political project known as the *Vía chilena al socialismo* (Chilean Way to Socialism), organised workers were major actors in the *Unidad Popular* coalition government. Then, in September 1973, a coup d'état reversed this process, abolished the main pillars of the industrial relations system gained by workers' until then and, after a bloody period of repression, the institutional pillars of the current industrial relations system were established.

In this chapter the aim is to analyse the essential features in the historical formation of the organised Chilean working class and the development of the industrial relations system over the twentieth century (up to 1973). The focus is on the organisational power and how this was shaped by unions between 1890 and the 1973 coup. The main institutional pillars of the industrial relations system before September 1973 will be identified in order to assess the institutional power resources of workers during this period.

In the almost 80 years under review, different phases can be observed in the power relations between organised workers and employers. The first phase, often called the “heroic” phase, lasted from the end of the nineteenth century to the mid-1920s. This was a period without labour legislation, with poor working conditions and increasing labour unrest, which employers frequently resolved through workers’ massacres. The second phase, often called the “conflict institutionalisation” phase, began with the first labour laws (1924) and lasted until the mid-1960s. In this phase, the government introduced the first labour code and organised workers adapted to it. This was a time marked by some fragmentation and competition in the workers’ movement and efforts at unity. Finally, from the mid-1960s until the coup d’etat in 1973, the third phase occurred; this phase shall be called here “trade union ascendancy”. It was characterised by a progressive increase of the workers’ organisational, societal and institutional power and was based on a greater unity of the working class.

The analysis in this chapter is based on discussion of documents such as the existing literature, labour laws, trade union archives and analysis of various collective agreements signed between 1935 and 1973. A re-evaluation of trade union statistics was also carried out, including a re-estimation for the union density for the private sector between 1960 and 1972 to make it comparable (as much as possible) with the current figures.

The remainder of this chapter is structured as follows. In section 2, the three above-mentioned phases of the Chile’s industrial relations are described in detail. In section 3, the system’s major institutional pillars up to September 1973 are discussed drawing on the conceptual framework. A review of trade union statistics follows.

3.2. Different phases in the *IRS* pre September 1973

3.2.1. The “heroic” period

As in most countries that were once imperial colonies, the different rulers early on embraced a development strategy based on the extraction and export of natural resources with no particular value added, and led mainly by multinational firms. This development strategy was accelerated after the Saltpetre War (1879-1883) as a result of which Chile deprived Peru and Bolivia of two provinces rich in minerals.¹ At the end of the nineteenth century, the country’s economic dependence on basic mineral exports can be illustrated by the flourishing nitrate industry, which became the most important industry for the economy, generating about 50% of tax revenues from export duties (Vitale, 1979). In this development strategy, the logic of capitalist accumulation envisaged the former imperial colonies as centres of raw materials, but not as spaces for industrialisation, which is why some scholars describe it as a mercantile rather than industrial development strategy (Salazar, 2012).

A modern working class emerged in the north of Chile during the last decades of the nineteenth century, where these mining-rich territories are found (e.g. Jobet, 1955; Ramírez-Necochea, 1956; Vitale, 1961; Barría, 1971; Grez, 1997). It should be noted that mining was not the main source of employment across the whole country, but in the north, it became increasingly important in terms of wage employment, especially after the Saltpetre War. In 1885, waged urban workers represented about 17% of the active population (Godio, 1980). According to Luis Vitale - quoted in Godio (1980) - by 1875, around one-third of the blue-collar workers belonged to the mining industry.

¹*Antofagasta* from Bolivia and *Tarapacá* from Peru.

The saltpetre industry established its system of work in very hostile geographical territories. Mining capitalists often built company towns, which reunited the workers and their families.² Of course, these settlements were controlled by the capitalists, who in many cases issued their own money (truck system). The capitalists paid the workers in tokens which they could only spend in the company-owned shops in the company town (Segall, 1953). Through this system, employers had the monopoly on the supply of goods and workers were forced to pay whatever price the employer chose to charge.

Working conditions were extremely harsh. Low wages and widespread food shortages among the working class were common. Workers worked up to sixteen hours a day (Alba, 1968) in conditions of total insecurity; the use of physical punishment on workers was widespread and social security was non-existent. These factors, combined with the growing intellectual influence of socialist and anarchist ideas (Alba, 1968), help understand the making of the Chilean working class:

“... it was in the mining region of northern Chile, especially in the saltpeter mines, due to the toughest of working conditions and the overt exploitation of the worker, that the future trade union movement, with a well-defined Marxist content, was structured in Chile before the rest of America” (Poblete, 1946, p.126).

Unlike other countries in the region, especially those on the Atlantic coast, in the case of Chile, the extreme dependence of the economy on the mining industry meant (and still does) a special bias, as Adolfo Gurrieri pointed out: *“the saltpetre-workers are located at the core of the national economic system, and therefore their behaviour affects its vital core”* (Gurrieri, 1968, p.6) [translation from Spanish]. This meant that the nitrate workers had a high structural power in their variant of workplace bargaining power. Alongside the mineworkers, the dockworkers also had (and still have) an important structural power given

²The system of the company-town was also applicable, to some extent, to agriculture, but the relationship with the tenants was more individualistic and co-existed with the perpetual threat of their expulsion (Salazar, 2012).

their position in the mineral distribution chain (logistical power). Their strikes paralysed not only the economic activity of the region but also that nationally. The following quote (contextualised in the years 1884-1890) partly reflects this description: “*the strikes of the day labourers of the ports, especially from the North, were feared by the bourgeoisie because they left shipments of saltpetre paralysed*” (Vitale, 1979, p.23) [translation from Spanish].

Against this backdrop, the so-called *Huelga Grande* (the Great Strike) took place in 1890 and marked the milestone at the beginning of the organised workers’ movement (Grez, 2007). Prior to that, the working class movement consisted mainly of occupational trade unions among craftsman such as shoemakers, carpenters, tailors, cigar makers, cabinetmakers, and typographers (Grez, 2007).

During the “heroic” period, and as in most of the Latin American countries, the Chilean labour movement passed through three well defined sub-phases (Poblete and Burnett, 1960). The first was that of the *sociedades de socorros mutuos* (mutual-aid societies), the second, that of the *sociedades de resistencia* (societies of resistance) and the *mancomunales* (workers’ brotherhoods at communal level); finally, the third was the phase of trade unionism.

The mutual-aid societies, as the name suggests, sought self-help or mutual-aid as their main goal (Garcés, 2003). They aimed to establish a social security system for their members (which was non-existent at that moment) and workers’ aid banks, as well as offering their members various different recreational, cultural, and educational activities. Occasionally they supported strike activity (Godio, 1980; Alba, 1968). The first mutual-aid societies date from around the mid-1850s (Alba, 1968; Melgar, 1988); they increased rapidly, totalling 76 by 1890 (Poblete and Burnett, 1960). However, and despite the fact that these organisations played an important role, they did not have on their strategic horizon any ways to solve a variety of “*new problems which workers faced with the surge of twentieth-century industrialism*” (Poblete and Burnett, 1960, p.15).

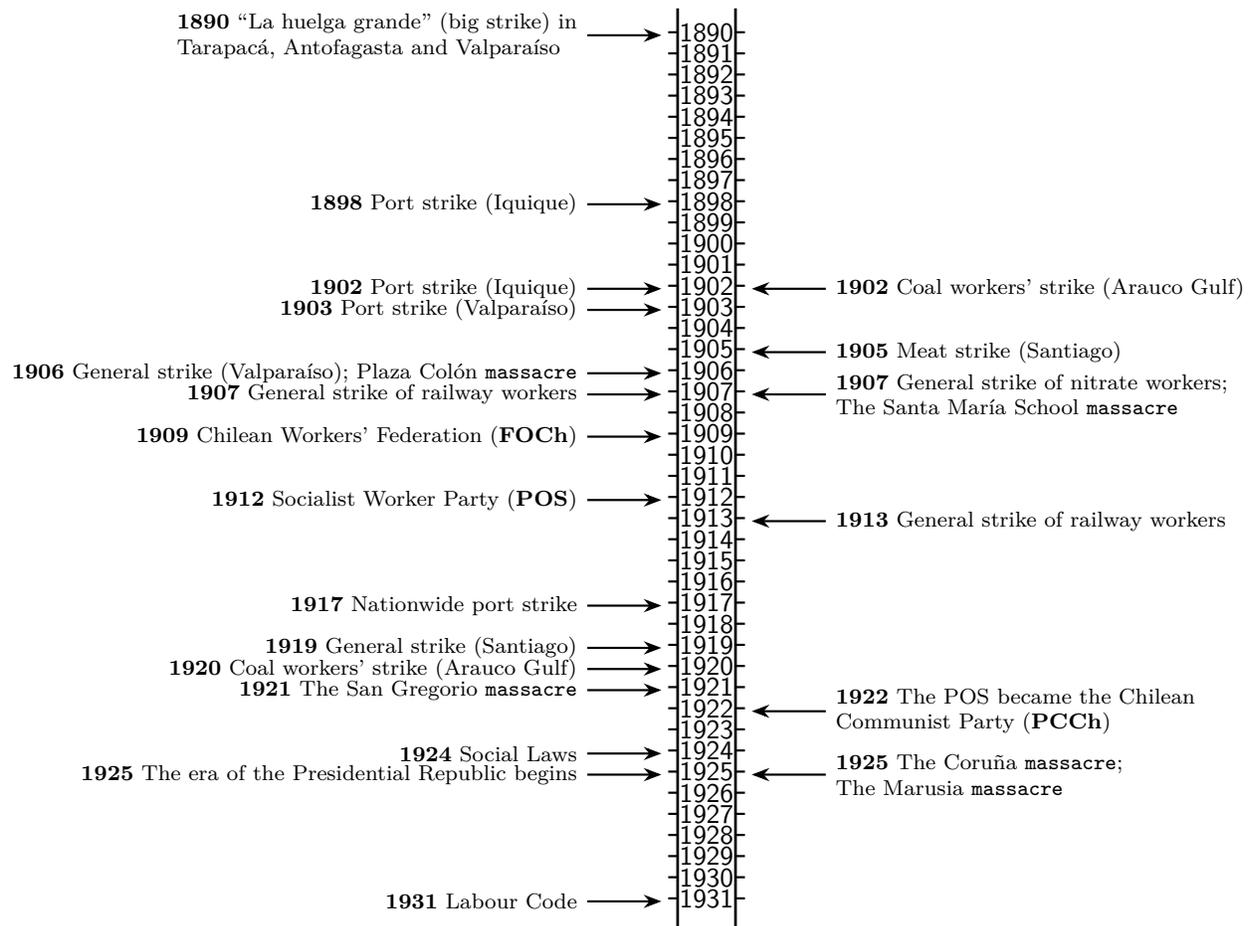
The resistance societies arose in the last years of the nineteenth century and were greatly influenced by the ideas of Anarcho-Syndicalism (Alexander, 1962; Angell, 1972; Vitale, 1979). Unlike the mutual aid societies, resistance societies sought a direct confrontation with capital. They took their name from the idea of resistance, from “*their dedication to combating capitalism openly*” (Poblete and Burnett, 1960, p.59). While the mutualists sought to solve the social problems deriving from exploitation by expending mutual aid, the resistance societies sought to confront the capitalists and “*take away from them the part, that by justice, belonged to the workers*” (Garcés, 2003, p.142) [translation from Spanish]. To do so, they developed a different form of action - the strike -, whether at the industry or local level (Grez, 2000; Poblete and Burnett, 1960). The first resistance society was established in 1898 “*among metal workers in the State Railway Yards of Santiago*” (De Shazo, 1979, p.147). According to Alan Angell, “*the resistance societies declined with the decline of anarchism and they tended to be replaced either by a more professional non-political type of unionism on mutual lines, or by politicized Marxist unions*” (Angell, 1972, p.17).

Then, during the first years of the twentieth century, another type of worker organisation arose, representing a form of synthesis between mutual-aid societies and resistance societies (Garcés, 2003). They were called the *mancomunales* (brotherhoods) and, unlike the other two types of workers organisations, were local (Rojas-Flores, 2004). They first appeared in 1901 in the port city of Iquique, one of the main bastions of workers’ struggle (Garcés, 2003) they then spread throughout the country, especially to large cities (Santiago, Valparaíso, Antofagasta).

The “heroic” phase was characterised by various organisations growing freely, flourishing and fighting for both better material conditions and more political power. In this context, the ruling class reacted immediately. Between 1890 and 1930, capitalists in alliance with governments brutally crushed labour unrest arising from massive strikes and led by the resistance societies, brotherhoods and, later, unions. For the state, the strikes were considered to be public order problems and to restore such order, they use military power repression to smash strikers and their families in multiple episodes of bloodshed, including many massacres.

The massacre in the *Escuela Santa María de Iquique* in December 1907 was considered one of the most bloody. According to the figures published by the authorities, 126 workers died (Gre^z, 2001); however, according to Vitale (1979), various authors estimated an approximate figure of 2,000. Labour unrest was common during the first years of the twentieth century as well the working class massacres, as the figure below illustrates.

Figure 3.1: **Selected milestones related to workers struggles, 1890 to 1931**



Source: Own compilation, based on Barriá (1971), Compa (1973), Grez (2000), Grez (2007), Poblete and Burnett (1960), Valenzuela (2013), Vitale (1979).

At that point, by the beginning of the twentieth century, the capitalist class had high organisational power mirrored in 4 industry-wide associations, the so-called *Sociedad Nacional*

de Agricultura (National Agricultural Association [SNA], established in 1837), the so-called *Cámara Nacional de Comercio* (National Chamber of Commerce [CNC], 1858), the so-called *Sociedad de Fomento Fabril* (Society for Manufacturing Promotion [SOFOFA], 1883), and the so-called *Sociedad Nacional de Minería* (National Mining Association [SONAMI], 1883). These business associations are³ based on sub-associations representing the interests of specific industries.

In 1909, the first organisation of workers at the national-level emerged and took the name of *Gran Federación Obrera de Chile* (Great Chilean workers' federation). Its acronym was GFOCh (renamed FOCh in 1917). After that, workers founded a political party (in 1912, Socialist Worker Party)⁴ to strengthen their societal power resource.

In the beginning, the FOCh was a mutual-aid society with a moderate programme (Poblete, 1946) but it then adopted a genuine class identity, and after the triumph of the Russian Revolution in 1917 and with the foundation of Third International, it aligned itself with revolutionary socialism⁵ (Rojas-Flores, 2004). After its foundation, the FOCh rapidly became the most representative working-class organisation and “*it served as the principal spokesman for labour for fifteen years*” (Poblete and Burnett, 1960, p.59). According to James Petras and Maurice Zeitlin, “*the FOCh, the largest national union, contained an estimated 136,000 members, of which 10,000 were coal miners and 40,000 nitrate miners - miners accounting for almost 37 percent of all union members*” (Petras and Zeitlin, 1968, p.237).

³All of them exist to this day.

⁴Here, the role of Luis Emilio Recabarren as one of the main organisers was critical. Recabarren was clear in identifying the strike as a formidable weapon in the fight against the organised capitalist class (Recabarren, 1912). With regards to the conquest of political power, for Recabarren, not only the economic effect of unions was important but so too was their impact on class consciousness. Here, he was thinking of educational, moral and cultural activities.

⁵According to Julio Godio (1983) by 1919 the main Chilean union organisation (FOCh) was the only one in which the hegemonic ideology was classified as Bolshevik revolutionary Marxist. In the other countries of the region, Anarcho-Syndicalism was the dominant labour philosophy.

As an umbrella organisation, the FOCh supported and organised the struggles⁶ and developed political programmes to improve the living conditions of the working class.

“...between 1920 and 1922 the FOCh considered social legislation as a point of support for workers to negotiate their demands in better conditions with their employers” (Mellado, 2017, p.2) [translation from Spanish].

In October 1921, the FOCh presented the *Contrato de Socialización Industrial* (Industrial Socialisation Contract) which proposed to establish a co-determination system in factories with more than 10 workers (Silva, 2013; Rojas-Miño, 2016a). The government dismissed this idea and turned its attention to two rival projects presented by the elite: the Conservative and the Liberal projects. On the one hand, the first proposed an industrial relations system in which firm level union and firm level collective bargaining would be predominant. In this project, unions would be entitled to receive a percentage of the firm's profits. Rural workers would not be entitled to organise under the conservative proposal. On the other hand, the liberal project proposed a system where workers would be organised in professional unions, and there would no right to receive a percentage of the firm's profits. Collective bargaining would be allowed above the firm level. In addition, employees of the public administration would not be entitled to organise under this project.

A fundamental difference was therefore the level at which workers were organised and at which collective bargaining took place. The main concern of the conservative sector was to exert control over workers through decentralisation of unions and collective bargaining. Following Gurrieri's interpretation: *“a system of unconnected shop-floor unions controlled by the respective employers reduced this danger [danger of agitation] since the agitators found their institutional base in the umbrella organisations”* (Gurrieri, 1968, p.18) [translation from Spanish].

⁶For instance, the 1917 (July) strike of the port workers' (58 days), the strike of the coal mining workers (87 days), the strike of the refrigerator workers in *Tierra del Fuego* (Fireland) in 1919, or the national strike on 3rd and 4th December 1919 (Muñoz, 1970).

In 1924, after many massacres, the first social and labour laws were passed, among them the trade union laws.⁷ In the end, the laws were an expression of both projects, and contrary to the proposals for an Industrial Socialisation Contract, the 1924 laws did not introduce any workers' co-determination and were, rather, the response of the elite to guarantee public order:

“...the legislation was the result of compromises between various elite groups which did not include labour representatives nor have much contact with labour. Labour leaders were, in fact, opposed to the new code” (Landsberger, 1967, p.261).

“...this new form of unionisation, which departs somewhat from the principle that enshrines freedom of association, obeyed a conservative approach, fearful of the independent action of free trade unions” (Poblete, 1946, p.46) [translation from Spanish].

3.2.2. Conflict institutionalisation phase. The first decades.

The introduction of the social and labour laws marked the beginning of a second phase in the industrial relations system. From then on, trade unions were required to be “legal”, i.e. recognised as such before a competent authority.⁸ The law disregarded the hitherto existing forms of free organisation (mutual-aid societies, resistance societies, and brotherhoods) and instead recognised two types of trade unions: professional and plant unions. These rules emerged in the mid-1920s and were codified in 1931 with the promulgation of the first labour code. The latter did not mean that the workers' organisational power was only within the framework of what the law dictated. There were also unions not legally recognised (Bussey,

⁷Law 4053 on Labour Contract; Law 4059 on White-Collar workers; Law 4055 on Accidents at work; Law 4057 on the organisation of the Industrial Trade Union; Law 4054 on Sickness, Disability and Occupational Accident Insurance.

⁸By obtaining a legal registration identification number.

1956; Angell, 1972) which were reluctant to ‘accept’ the norms of the labour code, and opted to remain out side legality and enter into *de facto* negotiations with employers (Muñoz, 2013).⁹

During the first decades of legal unionism, there were important divisions within the labour movement in Chile. In 1933 the Socialist Party was founded and a new socialist movement emerged. In this context, major disagreements arose between the trade unions and the FOCh was irreversibly being weakened (Zapata, 1974). In 1936, a new nationwide workers’ organisation, the so-called Chilean Confederation of Workers (CTCh) was founded and in sharp contrast to the FOCh of 1919, the CTCh “*did not embrace the political objective of replacing capitalism with socialism*” (Faúndez, 1988, p.41) and instead participated in the government when the winning coalition, the Popular Front, came to power in 1938 (Zapata, 1974).

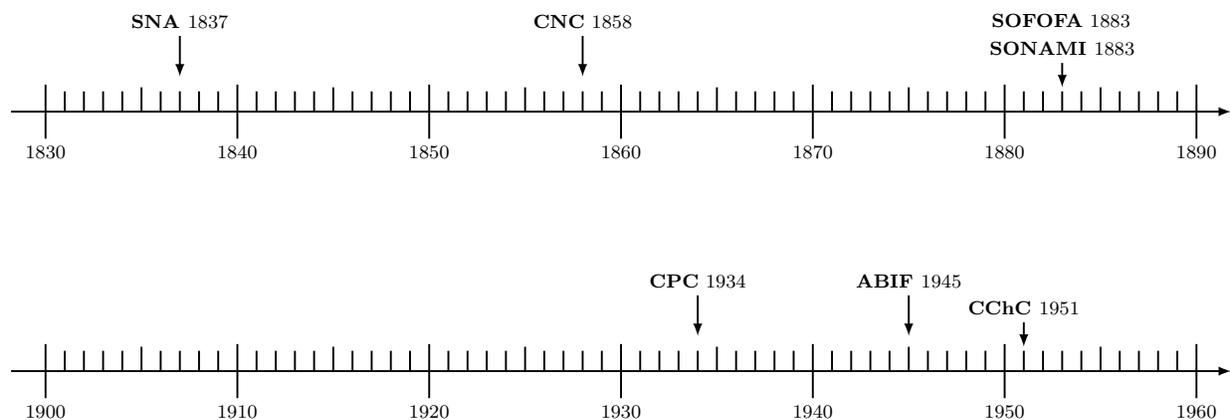
In 1946, as a result of disagreements over political strategy between the Popular Front parties, the CTCh then divided into two factions, communist and socialist, and then practically disappeared. Between 1948 and 1958, the Communist Party was declared illegal in Chile by law (the so-called Law for the Defense of Democracy) and as a consequence communist union leaders were marginalised from taking an active part in union affairs (Bussey, 1956).

While the working class was re-articulating after the ‘legalisation process’ of trade unions, and then splitting as a result of internal conflicts, the business class was consolidating and continuing to grow on a sectoral basis, but also by establishing an economy-wide business association. The *Confederación de la Producción y el Comercio* (Confederation of Production and Commerce [CPC]) was established in 1934 “*as a response to a stronger Chilean labour movement and an increasingly interventionist state in the 1930s*” (Bull, 2008, p.206). The CPC then became the only nationwide business organisation. The *Asociación de Bancos*

⁹e.g. Anarchist-oriented workers organisations.

e Instituciones Finacieras (Association of Banks and Financial Institutions [ABIF]) was founded in 1945 and the *Cámara chilena de la Construcción* (Chilean Chamber of Construction [CChC]) in 1951.

Figure 3.2: **Business associations and year of establishment**



Source: Own elaboration, based on Bull (2008) and business organisations' Web sites.

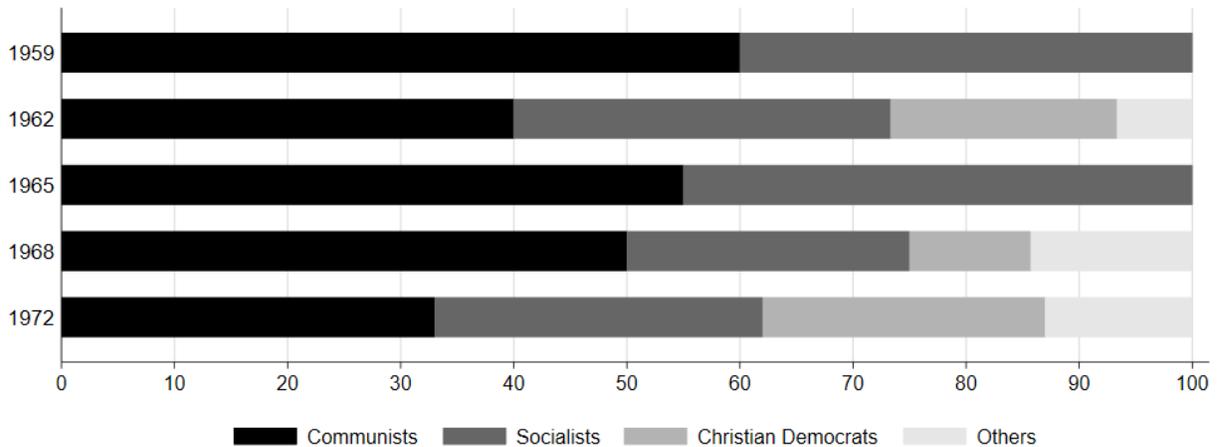
In 1953, in an effort to re-establish the unity of the working class, a new nationwide workers' federation was founded, the *Central Única de Trabajadores, CUT* (United Central of Workers). The CUT endorsed a Marxist political programme closer to the programme of the FOCh rather than its predecessor, the CTCh. However, “*unlike the FOCh, the CUT programme sought to keep the trade-union movement free from political intervention by parties and government alike*” (Faúndez, 1988, p.118).

The freedom from political intervention did not mean a veto on political militancy; in fact, the executive committee of the CUT was fully composed by union leaders who at the same time were also militants in political parties (Figure 3.3). Alan Angell summarised the difference between party orientations as follows:

“Generally in the CUT the Socialists echo the party’s insistence on revolutionary action (though likewise in a rather vague way); the Radicals and Christian

Democrats struggle to make their more moderate, if conflicting, views of unionism prevail; and the Communists, with a fair degree of success, attempt to act as brokers between the others” (Angell, 1972, p.217).

Figure 3.3: CUT executive seats (1959-1972) by political parties (%)



Source: Own elaboration based on Angell (1972) and Faúndez (1988).

The idea behind the CUT’s independence and autonomy from political parties was to create a broad umbrella organisation which integrated members with different political orientations and avoided the divisions inside the CTCh of the past; the consequence was a policy of non-commitment in electoral campaigns and not pursuing the particular electoral party line of its leaders (Zapata, 1974). Autonomy was also reflected in the non-affiliation of the CUT to international organisations with defined political flags (Bussey, 1956).¹⁰

Until 1971, the CUT was an extralegal organisation without conferred legal status. Like the CUT, many other workers’ federations and confederations were illegal. Indeed, in the case of the 49 federations affiliated to the CUT in 1967, only 13 were legally recognised,

¹⁰However, this was true - following Muñoz (1970) - only up to a point, because the CUT had strong ideological and funding links with the World Federation of Trade Unions (WFTU).

and of those federations which were not affiliated, 10 were ‘free organisations’ and 9 ‘legalised’ (Zapata, 1974). By 1970, around 65% of trade unions were affiliated to the CUT (Valenzuela, 1986).

3.2.3. Trade union ascendancy phase

In the mid-1960s, the third and final phase of the pre-Pinochet period took place. This period is referred to here as the *union ascendancy phase* and, as the name suggests, its distinguishing feature was the progressive increase of workers’ organisational power. From 1965 to 1972, the union density (private sector) rose from 17% to 42.7%.¹¹

In 1957 the so-called Popular Action Front (FRAP) was created by communists and socialists as a strategic alliance to enter government. Socialists aimed at the idea of a ‘working people’s front’ and communists at a broader ‘popular front’ (Raptis, 1973; Silva, 2013). One year after its creation, in 1958, the FRAP ran for the presidential elections with Salvador Allende as a presidential candidate. The FRAP lost only by 33,416 votes, behind the elected president Jorge Alessandri (right-wing). In 1964, the FRAP and Allende lost again, this time against Eduardo Frei Montalva of the Christian Democratic Party, who was elected president (1964-1970). It was within this political context that a wave of labour strikes took place, both in the city and the countryside (Silva, 2013). Most of the strikes were illegal¹² (Petras, 1969) and although this did not signify a major difference with previous years, their intensity was higher (Petras, 1969).

In 1967, the Rural Unionisation Act was passed and, in consequence, a considerable number of agricultural workers joined trade unions. This law replaced the 1947 law that had recognised rural trade unions but was considered to be an obstructive law (Díaz and Gálvez, 2017).

¹¹See Section 3.4 for a comprehensive analysis of figures.

¹²This meant not following the rules of the labour code.

The quest for unity was clear during this phase and the CUT was in favour of a centralised struggle against *‘the isolated forms to obtain particular advantages’*, it also sought the organic unity of the trade union movement.

“The CUT is against all wage earners who fight in an isolated way to obtain particular advantages, because they weaken the solidarity of the workers’ movement, they are exposed to ‘co-optation’ by the employers and because they waste their energies (their power to fight) in countless isolated clashes that do not even result in the satisfaction of their limited aspirations” (Noé, 1971, p.49) [translation from Spanish].

In 1970, the left-wing coalition *Unidad Popular* won the national elections and Salvador Allende became the first Marxist president in Chilean history. Allende’s victory would bring, in theory, a six-year period of government, that is, from November 3, 1970 to November 3 1976, but in reality the government served less than half of its term. With the new coalition in the power, Chile set out on a “peaceful road to socialism”, known as the *vía chilena* (Chilean road). During this period, workers invigorated the organisational power of trade unions and overcame some legal provisions that had previously constrained their activities.¹³

During these years, workers won much institutional power and direct participation in the decision making process (both in politics and in companies). Once the Popular Unity won the elections, many union leaders were appointed to government positions.¹⁴ In this sense, as Valenzuela (1976) pointed out, the triumph of the *Unidad Popular* was a victory for the workers as a class.

¹³Just between 1970 and 1972 union membership grew by 40% [Derto (1977), own calculations].

¹⁴However, the union-government relationship was not without tensions. This was quite clear in the case of the mining workers of *El Teniente* and the defence of their interests (Valenzuela, 1976).

The sixties and seventies were highly politicised decades (Silva, 2006) where the labour movement, led by the CUT, played an important role (Angell, 1972). In fact, the support of the working class in general and of the trade union movement in particular was considered critical for the victory of Allende and the coalition that he represented (Drake, 2003; Angell, 2010).

3.3. Understanding the main institutional pillars

Between 1931 and 1973, the institutional framework of the industrial relations system was mainly defined by the labour code of 1931 that according to Goldenberg (1967), was the most detailed of all Ibero American countries.

In order to characterise the industrial relations system from an institutional point of view, the following main pillars will be proposed: 1) different classes of employees as defined by law, 2) collective bargaining, preferably at the firm level, but without totally prohibiting collective bargaining above this level, 3) tripartite wage councils to set minimum wages, and 4) strong state intervention. From 1970, a fifth pillar can be added: an embryonic system of co-determination.

3.3.1. Different classes of employees as defined by law

During this period, the law distinguished between *obreros* (blue collar or manual workers) and the *empleados* (white collar or intellectual workers). This distinction meant that these two groups of workers were covered by different sub-regimes, each with their respective social security systems, safety provisions, unionisation laws and, last but not least, differences in social status (Barría, 1978). Although this distinction existed (and still exists) in many countries, in the case of Chile it was sharper, as Robert Alexander (1962) pointed out.

The *empleados* enjoyed higher benefits and opportunities than the *obreros* (Butt, 1962). For instance, the *empleados* were entitled to receive *gratificaciones*, which is a profit share scheme¹⁵; in the case of the *obreros*, they were not entitled to receive it unless they joined to the plant union. The minimum pay for the *empleados* was called *sueldo vital* (living wage), for the *obreros* it was the ‘minimum wage’. The living wage was determined according to an algorithm that included sufficiency criteria regarding living needs. The minimum wage did not consider such criteria, and as a rule, it was lower than the minimum wage. Social security also worked with differentiated systems, providing better benefits for the *empleados* (Morgado, 2020). The termination causes were also different for the *empleados* versus for the *obreros*.¹⁶ According to Emilio Morgado, “*there was a desire among workers to move from the category of the ‘obreros’ to that of the ‘empleados’, even if it meant earning the same salary. Feeling ‘empleado’ in those years was a social promotion; it was a higher status*” (Emilio Morgado, personal interview) [translation from Spanish]. This higher status, for example, enabled white collar workers to apply for loans to obtain credit to buy a house of their own or to obtain a current account in a bank.¹⁷

Despite this legal differentiation of the workers, the *obreros* had the possibility to raise an official grievance requesting a change of status (to *empleados*). To succeed in this, the *obreros* needed to prove their case in front of an ad-hoc commission, the Classification Board.¹⁸ Most of the demands were made on an individual basis, but there were also cases conducted by trade unions. When this happened, unions hired the services of specialists to study the cases, request information from the employer, and defend the cases of the people that sought to change category. This was the case of Emilio Morgado, labour lawyer, who was hired by the electricians’ union to defend a claim for a change of category from *obrero* to *empleado*. This case illustrates how the process worked: at time of the application, the

¹⁵See a critical review of the Gratificaciones System in Durán (2009a).

¹⁶Emilio Morgado, personal interview.

¹⁷Emilio Morgado, personal interview.

¹⁸Arts. 111 - 114, 1931 labour code.

electric firm recognised less than 100 electricians as *empleados*. After the dispute process was completed, the firm was able to classify more than 1,000 workers as *empleados*. Morgado reminds himself that “*the increase in money was not much, but feeling empleado was a triumph in itself*” (translation from Spanish).¹⁹

The blue and white collar distinction meant discrimination against the former group. The consequence for the workers’ organisational power resource was to contain solidarity between workers and reduce the scope for trade union action. The immediate objective for the *obreros* was to win the rights and benefits held by the *empleados*.

Along with the difference between blue and white collar workers, there was the distinction between private and public sector employees, with separate labour laws (also common in comparative terms) governing these two groups ever since. In the public sector, it has been estimated that, unlike in the private sector, there is no conflict of interest between the parties (workers and the state as employer), or in other words, there are converging interests on both sides (Varas, 2017). This seems to be the reason why, in Chile, public sector employees have an ad-hoc labour code in which collective bargaining as well as strikes are prohibited. However, despite this, as Varas (2017) argues, workers have exercised *de facto* collective bargaining and strike rights. This means that collective bargaining takes place through a multi-level structure, including extension of collective agreements.

¹⁹Personal interview with Emilio Morgado. Interview was conducted using Zoom accompanied by Karina Narbona and Vicente Mellado. Interview date: 4th June 2021.

3.3.2. Collective bargaining at the firm-level but also above it

To understand collective bargaining, first it is necessary to see the differences between the types of unions that existed during this period.

The labour code of 1931 recognised two general types of trade unions, the *sindicato industrial* (plant union) and the so-called *sindicato profesional* (professional union)²⁰. While the former was exclusively for the *obreros* (blue-collar or manual workers), the latter was conceived for both categories, the *obreros* and the *empleados* (white-collar workers).

On the one hand, the *sindicato industrial* was defined as a firm-level trade union and, to establish one, the firm had to employ more than 25 manual workers and the approval of 55% of all blue-collar was required.²¹ Once the union was established, affiliation became compulsory for all blue-collar workers.²² In addition, according to Robert Alexander, “*if one employer has various establishments in different cities or towns, the workers may form industrial unions in each plant, but if there are several plants of the same employer in the same town, all must be in one industrial union unless special permission is obtained from the Directorate General of Labor*” (Alexander, 1962, p.286).

On the other hand, the *sindicato profesional* could be established above the firm level, with a minimum of 25 workers required for its constitution.²³ This type of union was, therefore, an alternative for workers who worked in plants with less than twenty-five workers. Professional status meant that affiliates belonged to the same profession or had similar jobs or skills. White-collar workers as well blue-collar ones were allowed to join such unions. Unlike the *sindicatos industriales*, affiliation to professional unions was voluntary.

²⁰Also translated as craft union (Angell, 1972; Bussey, 1956) - or occupational union - in Butt (1962).

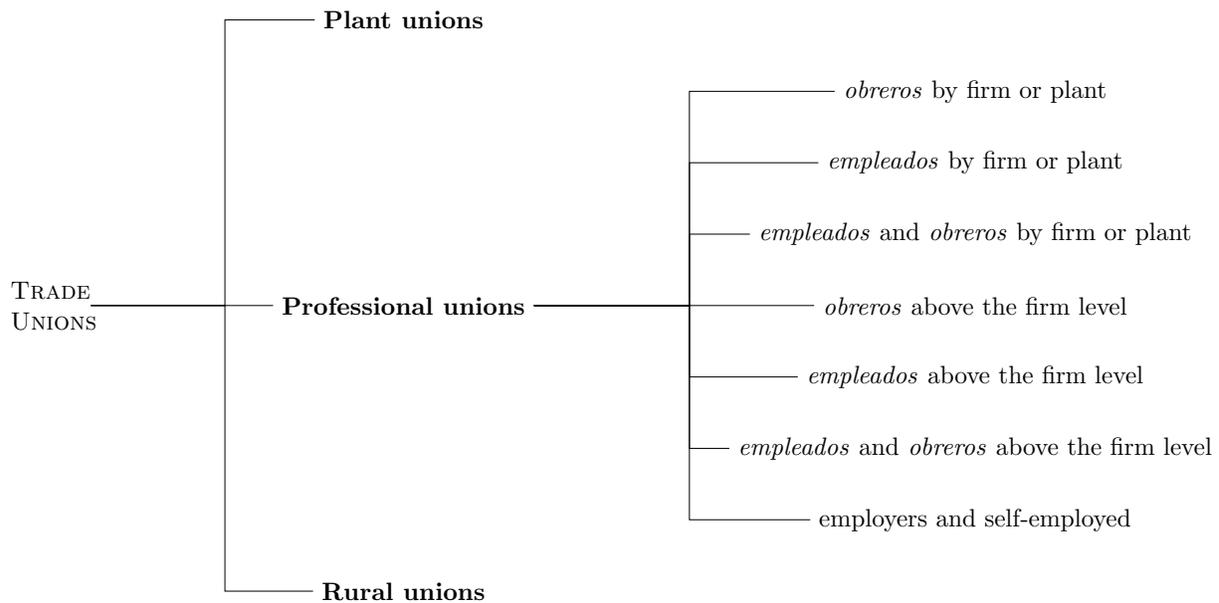
²¹*Sindicato Industrial* should not be translated as Industrial Union (which is the literal translation from the Spanish). While in Chile *sindicato industrial* meant a union at the firm level, in the general language use an industrial union is a organisation that embraces workers in industry. This is the reason why Troncoso (1957) claimed that the Chilean nomenclature was erroneous.

²²1931 labour code Art. 382.

²³1931 labour code Art. 408.

Professional unions were diverse as can be seen from the statistics classification used by the Ministry of Labour. As indicated in Figure 3.4 there were seven types of professional unions: i) manual workers at the firm or plant level, ii) white collar workers at the firm or plant level, iii) mixed (manual workers and white collar workers) at the firm or plant level, iv) manual workers above the firm level, v) white collar workers above the firm level, vi) mixed above the firm level, and, vii) employers plus self-employed²⁴. Professional unions can be established within the limits of a company or expand their scope to city, department, province, or regional levels or indeed throughout the country (Derto, 1977).

Figure 3.4: **Types of unions**



Source: Own elaboration based on Derto (1977) and Angell (1972).

²⁴Since the available statistical sources do not allow breakdown of the ‘Employers and Self-Employed’ professional unions, it is not possible to estimate the precise weighting of the employers in the professional unions; however, based on the decomposition of the employment status, it can be hypothesised that the majority were self-employed.

Another difference between the *sindicato industrial* and the professional union was the fact that the former was entitled to receive a percentage of the firm's profits (as proposed in the conservative project)²⁵ which was the main funding for these organisations (Valenzuela, 1986). This meant an important incentive for the *obreros* to opt for this type of union, to the detriment of the professional union which did not have this right.²⁶

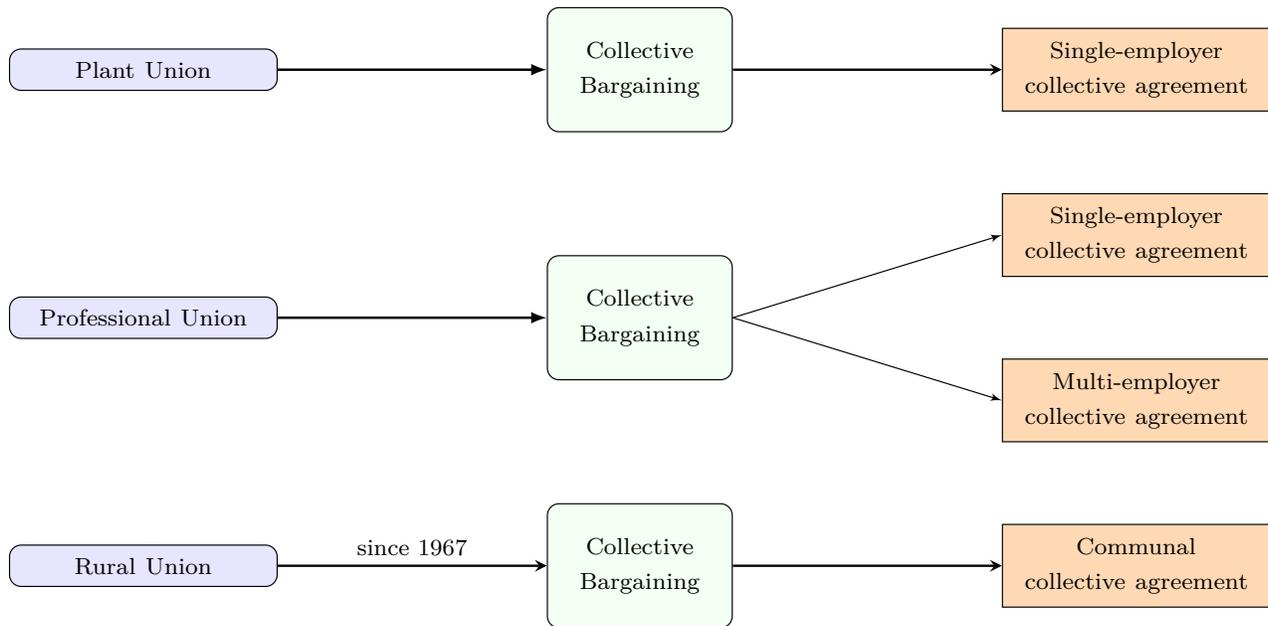
Rural unions were nominally allowed from 1947 alongside the plant and professional unions. However, they were only fully permitted from 1967 after the approval of the Rural Unionisation Act. Prior to that year, “*several legal and political obstacles kept rural unions small in number, isolated, and legally restrained from collective bargaining*” (Singelmann, 1981, p.161). The 1947 law was an ineffective law because, as Díaz and Gálvez (2017) argue, it required 50% of peasant union members to be able to read and write, considering that at that time illiteracy was widespread in Chile's countryside. Another known obstacle of the Law of 1947 was the fact that unions were only recognised at the *fundo* level (farm level) and a large number of constituents were required for this foundation. All these obstacles made the creation of rural unions almost impossible. For these reasons, the 1947 law is known as a hindering law, while the 1967 peasant unionisation law is known as a ‘dignifying’ law.

With the Rural Unionisation Act of 1967, rural unions were able to negotiate above the farm level, at the communal, provincial, and also national level (Angell, 1972; Díaz and Gálvez, 2017). In the case of plant unions, they were able to negotiate collective agreements at the firm level, but not (legally) above it. Finally, professional unions were allowed to negotiate agreements at the firm level and also with multiple employers. A summary can be seen in the figure below.

²⁵1931 labour code Art. 402-406.

²⁶Personal interview with Emilio Morgado (4th June 2021). Interview along with Karina Narbona and Vicente Mellado.

Figure 3.5: **Collective bargaining institutional setup, 1931-1973**



Source: Own presentation.

Professional unions were allowed to form federations and confederations and, with them, also to engage in collective bargaining on a larger scale (above the firm level). In the case of the plant unions, although they were allowed to form federations and confederations, there was a legal provision that prevented them from engaging in collective bargaining at a higher level than the company.²⁷

In practice, most of the professional unions negotiated at the firm level (Angell, 1972; Alexander, 1965; Rojas-Miño, 2016a), establishing a decentralised bargaining structure (Valenzuela, 1976). However, multi-employer collective bargaining, although less frequent, also existed, and not merely anecdotally as a study from the US Department of Labour pointed out:

²⁷1931 labour code Art. 384.

“The growth of successful bargaining on the broader scale of occupational federations and their concomitant employer groups has been significant, thereby taking the negotiation out of the narrow confines of the single plant” (Butt, 1962, p.42).

Industry-wide negotiations were exercised by the powerful Copper Workers’ Confederation, giving them *“tremendous leverage during the strikes between the 1940s and the 1960s”* (Miller Klubock, 2003, p.256).²⁸ Other industry-wide collective bargaining experiences were seen in the cases of the National Federation of Leather and Shoe Workers, the Confederation of Flour Mill Workers of Chile, the Bakers’ Confederation, the Sugar Workers’ Confederation, and the Maritime Confederation (Butt, 1962; Angell, 1972; Barría, 1967; Goldenberg, 1967; Alexander, 1962, 1965; Muñoz, 2013).

Experiences of multi-employer bargaining carried out by professional unions (rather than federations and confederations) are to some extent unclear in most of the literature. From the present author’s own analysis of the *Actas de Avenimiento* (Minutes of Settlement) of the province of Santiago, some instances were identified: the radio workers’ and the hog farming workers’ cases.²⁹ In the first, the ‘professional union of radio controllers and broadcasting operators’ negotiated a single agreement with a consortium of more than 20 radio firms; in the second, the ‘professional union of hog farming industry workers’ (*Sindicato profesional de obreros de chancherías*) negotiated a multi-employer collective agreement with a consortium of 11 firms established in Santiago.

Finally, collective bargaining could also be conducted (at the firm level) by contingent groups of workers (non-unionised bodies, which disappeared once the collective agreement was signed), but that case was only feasible in the absence of trade unions. Therefore, the contingent workers’ group was not considered a parallel union organisation (Narbona, 2015a).

²⁸They prevailed in the Copper Worker’s Statute (1956). *“According to the provisions of this statute, the Cooper Workers’ Confederation was granted legal recognition and the employers were obliged to bargain with it as the representative of the copper workers”* (Alexander, 1962, p.300)

²⁹Fieldwork at *Archivo de la Administración* (ARNAD), Santiago de Chile 2020 (January).

3.3.3. Tripartite wage councils

The third pillar in the system was the tripartite negotiation of the so-called minimum ‘tariffs’, namely the basic wage that was established for the value of labour power according to various industry-specific criteria at the provincial level. They were known as the *tarifados* (Tariff System) approved by mixed minimum wage commissions. The legal provision was included under the 1931 labour code, but only for blue-collar workers (Narbona, 2015a), and then, from 1937, also for white-collar.

“For the establishment of the minimum wage in each industry, a Joint Commission of employers and workers of the respective industry will be designated (...) A special regulation will determine the operation of this Commission and the formalities for setting the minimum wage. If the employer is missing from the Commission of the minimum wage, he will be replaced by the mayor of the commune” (1931 labour code. Art. 44) [translation from Spanish].

Workers were represented by unions as Robert Alexander pointed out:

“The employees representatives on the ‘Comisión Mixta de Sueldos’ [wage mixed commissions] were elected by the white collar workers’ unions in the province covered by the ‘Comisión’, one vote being cast for each hundred members of a Union. The representatives of the employers were chosen by the ‘Cámara de Producción y Comercio’ [umbrella business association] or other responsible employer’s groups” (Alexander, 1962, p.343) (brackets and underlining added).

Although tripartite on paper, in most cases workers and employers reached an agreement without the intervention of the third party (Rojas-Miño, 2016a).

The Tariff System was part of the wage-setting system in Chile; however, it is a matter of debate whether or not it was part of the collective bargaining framework. This is mainly because it was a tripartite body in which the state had the right to vote (Rojas, 2016).

This discussion is to great extent present in the Uruguayan industrial relation system where state is one of the three actors in the so-called Wage Council System (Barretto Ghione, 2018). Recognising that there is a discussion, in this chapter the view that the former Chilean *tarifados* were part of the collective bargaining system, although they were not the main part, is taken. In this sense, the results of each *tarifado* were to some extent comparable to the agreements reached by the Wage Councils in Uruguay today. For example, in 1948 the Valparaíso printing industry established a tariff, valid for 18 months, which set the maximum working day and 52 classes of minimum hourly wages.³⁰ In 1970, the printing industry of Santiago tariff was valid for one year and established 122 minimum hourly wages for the different occupations within the sector.³¹ Other examples of tariff agreements were the hotel industry (*Industria Hotelera y Similares*), shoemaking (*Industria del Cuero y Calzado*), electricians, the printing industry establishments of Valparaíso, and construction workers (Barría, 1967; Narbona, 2015a; Muñoz, 2013; Rojas-Flores, 1993).³²

The existence of the Tariff System in an specific industry depended on the organisational power resources of the workers. This meant that, although they were recognised in the labour code, the applicability of the *tarifados* depended on the pressure of the unions. This is why some industries had a Tariff System for a certain number of years and then not, but then, after a while, the Tariff System appeared again.

The Tariff System worked according to the favourability principle, that is, it expressly stated that wages could also be freely agreed at local level between workers and employers but only above the minimum standards.

³⁰This meant a whole wage grid and not just a minimum wage. See *Tarifado de de la Industria Gráfica, sección Valparaíso*. Available in the *Biblioteca Nacional de Chile* (National Library of Chile).

³¹See *Tarifado de Salario Mínimo para la Industria Gráfica de Santiago (1. de Septiembre 1970 - 31 de Agosto 1971)*. Available in the 'Biblioteca Nacional de Chile' (National Library of Chile).

³²The history of the Tariff System in the construction is also available on the website of the main union in the construction sector (<http://www.sindicatosintec.cl/historia-del-movimiento-obrero-en-la-construccion/>), the so-called 'Sindicato Nacional de Trabajadores de la Construcción, Montaje y Afines, SINTEC' (National Union of Construction, Assembly and Related Workers). Accessed on 18.10.2019.

“It is established that this Tariff covers the minimum wage; higher wages may be freely agreed between employers, technical employees and workers” (1970 Printing Workers of Santiago *Tarifado*. Art. 5) [translation from Spanish].

Those wages that were higher than the level agreed in the Tariff at the date of approval could not be reduced.

“Salaries that at the date of approval of this Tariff are higher than the level agreed may not be reduced” (1970 Printing Workers of Santiago *Tarifado*. Art. 8) [translation from Spanish].

On the last day of 1968, the workers gained Law 17074. This law, known as the *Tarifados Law* [1968 Tariff System], was especially tailored for deepen the application of the Tariff System. From then on, the old Tariff System was centralised and changed from industry-wide at the province level, to industry-wide at the national level.³³ In addition, the call to bargain was then a faculty of the executive power instead of a matter of union pressure.

“The President of the Republic is empowered to create tripartite commissions composed of representatives of Confederations, Federations or Unions of Workers, or in the absence of those, representatives of employers’ organisations and representatives of the Government, in order to set minimum wages and working conditions, by industry, and regulate their constitution and operation” (Law 17074. Art. 7) [translation from Spanish].

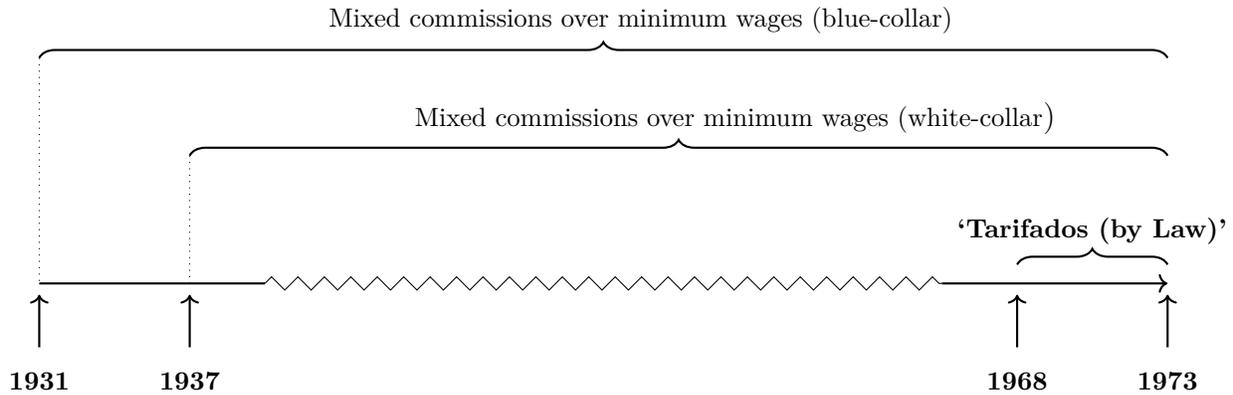
The 1968 Tariff System was explicitly highlighted as the preferred level for the collective bargaining,³⁴ which produced a much more inclusive wage-setting system.

³³Prior to Law 17074 there were some experiences of nationwide sectoral wage agreements (such as in the construction sector (Decree 270 (17.08.1965)), but many other cases were agreements at the province level.

³⁴Law 17074 which established Tripartite Commissions for wage determination on industry basis (Art.7).

The following scheme illustrate the different forms of *tarifados* (1931-1973):

Figure 3.6: **Industry-wide minimum wage bargaining through commissions**



Source: Own elaboration based on different laws.

An example of *tarifados* under the system based on Article 7th of Law 17074 can be seen in the garment industry-wide collective agreement, which included almost 30 articles referring to working conditions, 141 minimum hourly wages, and 12 minimum weekly wages. Other agreements, such as the shoe salesmen’s agreement, concerned not only basic wage scales but also other wage components, such as commissions. The *tarifado* of the workers in delicatessens and rotisseries (commercial area) contained in the Resolution 2 of the 28th August 1972 was also an example. The latter was agreed by the tripartite commission for private commerce (established in February 1971). Although some discrimination still persisted, the new tariffs covered both white and blue-collar workers and joint collective agreements were forged at the industry level.³⁵ Under the 1968 Tariff System, on the side of the workers, the bargaining unit was the most representative union in each industry.

³⁵See for instance *Resolution 2, 29th September 1972 which covers minimum salaries and working conditions nationally for the printing industry*. Other examples are: *Resolution 1, 25th August 1972 which covers wage rises and working conditions for shoe salesmen*; *Resolution 7, 5th April 1973. which covers minimum salaries and working conditions for textile manufacture in the private sector*. Available on-line in Ley Chile. Accessed on 25.10.2019.

3.3.4. State intervention system

The fourth pillar was the strong state intervention in the system. Since the 1924 social laws and the 1931 labour code, the state was able to legally intervene in a wide range of union activities (Manríquez, 1964; Valenzuela, 1976; Narbona, 2015a,b; Rojas-Miño, 2016a). State intervention was common throughout Latin America, where labour codes “*directed their attention to controlling almost every aspect of labour unions’ organisation and procedure*” (Poblete and Burnett, 1960, p.25).

As Alberto Armstrong pointed out, this control was almost absolute:

“Everything that workers and trade unions can and cannot do is determined by law: their objectives and methods of action, what they can and cannot do with their funds, the number of leaders in office is established and, in general, the state, on the basis of legislation, controls and determines the birth, life and death of the trade union” (Armstrong et al., 1975, p.31) [translation from Spanish].

The labour code explicitly stated that trade unions were to be collaborating institutions.³⁶

“Trade unions constituted in accordance with the provisions of this Title shall be institutions of mutual collaboration between the factors contributing to production and, consequently, organisations whose procedures interfere with the discipline and order of labour shall be considered contrary to the spirit and norms of the law”. (1931 labour code. Art. 364) [translation from Spanish].

The control of union funds was particularly critical as it directly affected the deployment of organisational power strategies. The law prohibited unions from accumulating resistance funds for strikes or other purposes:

³⁶Article 364 of the labour code, cited by Narbona (2015a).

“In no case may union funds be invested for resistance purposes or in any other activity that directly or indirectly harms the interests of the firm to which the union belongs”. (1931 labour code. Art. 364, also quoted in [Narbona, 2015a](#)) [translation from Spanish].

Collective bargaining and strikes were also under tight state control. Trade unions were only able to call a strike after participating in a state-organised dispute settlement procedure. This procedure was called *Juntas de Conciliación* (Conciliation Boards). In these boards, a representative of the state had the role of chairman but no voting rights. In the case of unions and employers failing to reach an agreement, unions were able to call a strike. This meant that when a strike was declared by bypassing the conciliation boards, it was considered a wildcat strike and the consequence thereof was the removal of the union’s legal personality, i.e. its exclusion from the legal system:

“All organizations which declare strikes or walkouts without first going through proper conciliation procedure are considered «contrary to the spirit and the letter of the law» and are subject to dissolution by the government” ([Alexander, 1962](#), p.293)

Although, on paper, this mechanism aimed at tightly controlling strike action, in practice many unions bypassed it and, as a result, many strikes were considered illegal. The removal of legal recognition of the unions as a result of such was practised but not very often ([Alexander, 1962](#)).

State control over workers was also reflected in specific laws and decrees. One example was the anti-inflation laws (Act 7295 and Act 12006). From 1945 to 1965, due to high inflation, white-collar workers were unable to negotiate wages within the framework of bipartite collective agreements ([Rojas-Miño, 2016a](#)). Instead, wage setting was only possible through decrees and minimum wage commissions (which were also tightly controlled by the state). This meant that the *empleados*, and also the *obreros* (through the Act 12006, year

1956), could not benefit from the main function of collective bargaining.

“a law that substantively restricts collective bargaining by limiting the percentages of wage increases in both the private and public sectors of the national economy” (Barría, 1967, p.40) [translation from Spanish].

3.3.5. Embryonic co-determination system (1970-1973)

The fifth institutional pillar can only be seen for a short period of time: 1970 - 1973. At the end of 1970, just 2 months after Allende took his office, a formal agreement was reached between the CUT and the government (Zapata, 1976). This agreement, which was known as the CUT-UP agreement, opened the doors to the process of direct workers’ participation in the control of the productive process (Wijnant and Wood, 1971), which was considered a remarkable milestone of the industrial relations system at that time (Raptis, 1973; Espinosa and Zimbalist, 1978).

The agreement established the basic norms of workers’ participation in both the so-called *Área Social* (Social Area) and Mixed sectors (public-private owned companies).³⁷

The CUT-UP agreement proposed co-management or co-determination with a significant degree of workers’ control. An administrative council was the highest decision-making body, with composition equally split between representatives of the state and the workers, plus a representative of the president of the republic.³⁸ Unions with more infrastructural

³⁷The political programme of the *Unidad Popular* considered three types of property relations in order to transform the economy: state (social), mixed, and private. A list of of private companies to be nationalised was also part of the social area. This included: large-scale mining of copper, nitrates, iron, coal; the financial system; foreign commerce; large-scale enterprises and monopolies in the field of distribution among others (Sweezy and Magdoff, 1974). The so-called *area social* “was conceived as the embryo of the future socialist economy” (De-Vylder, 1974, p.114).

³⁸All details appear in the official documents on participation and self-management. In particular, in the “Basic norms of participation by the working-people in the social and mixed sectors”. A copy of such documents appear in Raptis (1973).

power resources were more suited to assume the administrative duties that demanded the co-determination system.

Co-determination was seen by many workers as a step towards self-management or self-determination (Raptis, 1973; Silva, 2013) and, after a while, tensions arose between the leaders of the *Unidad Popular* and a segment of the trade unions and workers who, while playing an important role in supporting the triumph of the government, also sought to accelerate the process of social change.³⁹ Against this backdrop, the question of whether socialism was “from above” or “from below” gained lot of attention (Gaudichaud, 2016).⁴⁰ Some workers organised themselves into trade unions, but others spontaneously joined together beyond the strict limits set by law, forming so-called *Cordones Industriales* or “industrial belts”. The *cordones* were created directly by the rank and file and pursued radicalisation of the UP program.⁴¹ The belts were territorial organisations based on industrial areas with high concentrations of workers and where organisational power reached above the level of the economic sector because it covered an entire micro-territory (hence its name).

The experiences of self-management were exerted mainly (but not only) after the so-called “*bosses strike*” (Angell, 2010), which sought to paralyse the economy, firstly through a lorry owners strike⁴² and then through attempts at company lock-outs. The workers did not permit such lock-outs and took over their workplaces (Zimbalist and Stallings, 1974). At the end of 1972, different industrial belts managed to take over companies with a view to establishing self-management (Raptis, 1973; Silva, 2013; Henríquez, 2014; Gaudichaud, 2016).

³⁹The UP sought to forge the basis of real workers’ participation and as such studied two cases, Federal Republic of Germany and Yugoslavia (personal interview with Pedro Guglielmetti, former chief of the mission to intervene the firms of the mixed and social area during the Government of Salvador Allende and Raptis, 1973).

⁴⁰According to Salvador Allende: “. . . *We know that popular power is built from the base upwards*” (Mann, 1980, p.20).

⁴¹This topic (the Industrial Belts or *Cordones Industriales*) has gained much attention from contemporary authors such as: Miguel Silva (Michael Stanton), Franck Gaudichaud, and Renzo Henríquez among others.

⁴²October 7th 1972 - November 6th (Campero, 1984).

In 1972, the government prepared a law for the self-management system whose objective was to accelerate the process of control of the economy by workers, but the bill failed in Congress.⁴³

3.4. The quantitative picture of industrial relations

The focus in Section 3.3 was on understanding the essential features of the industrial relations system from the end of the nineteenth century until 1973. In this section, the focus will be on a quantitative picture of industrial relations, mainly on the unionisation figures.

To study the historical development of trade union membership in Chile it is necessary examine and process⁴⁴ the official data collected by the Labour Directorate since 1932.⁴⁵

⁴³See the bill project in <https://www.marxists.org/espanol/allende/1972/julio15.htm>

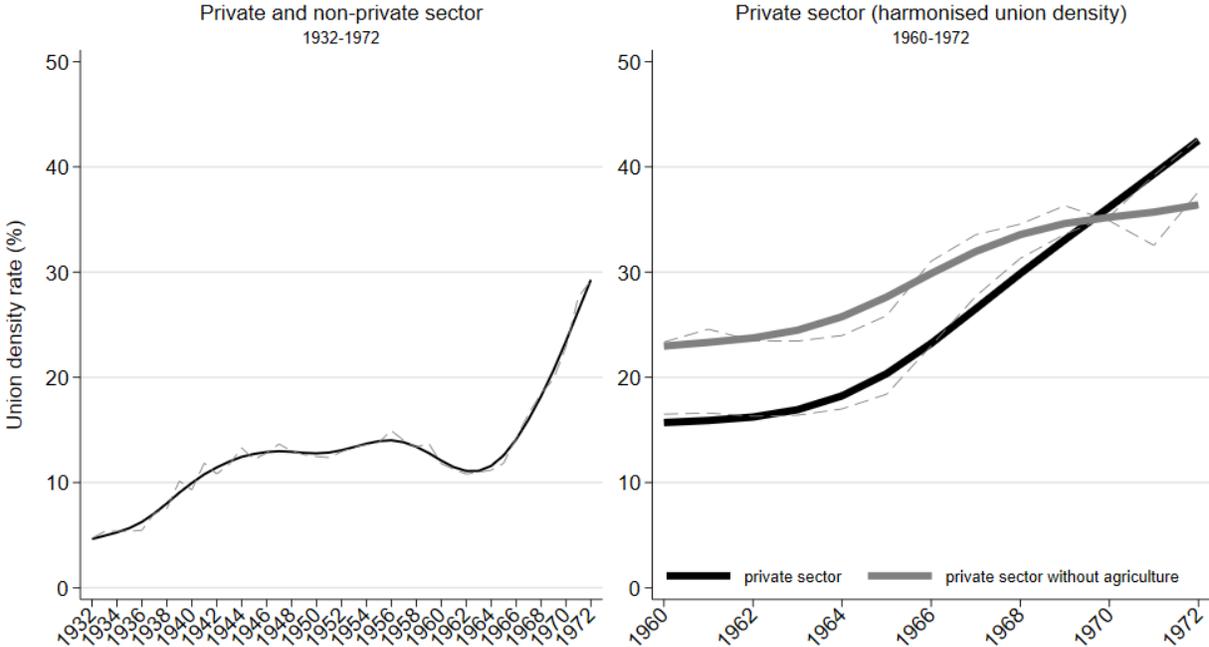
⁴⁴I have harmonised the trade union density of the period (1960-1972) to make it comparable with current figures. Harmonisation method in Appendix A.1.

⁴⁵During the first years, while the Labour Directorate collected administrative records, other institutions disclosed statistics through technical reports. One of the first reports of union membership was [Morris and Oyaneder \(1962\)](#) of the then Institute of Management (INSORA) of the Universidad de Chile. The authors presented a processed version of the information collected by the Labour Directorate for the period from 1932 to 1959, including a characterisation of the state of trade unions and their affiliates at the national level, broken down by industries and territories. In 1977, the Department of Labour Relations and Organisational Development (DERTO) of the Faculty of Economic and Administrative Sciences of the Universidad de Chile, published another report - [Derto \(1977\)](#) - which extended the Morris and Oyaneder series up until 1972. Later still, in 1978, a third investigation carried out by professionals from DERTO ([Isla et al., 1978](#)), completed the historical record of trade union statistics for the period between 1932 and 1977. These three technical reports constitute - to the best of my knowledge - the statistical heritage of trade union membership in Chile until the late seventies and have been for many years a valuable source of data for many studies. Other significant contributions which covered transitional periods (between the years mentioned above), were [Blest \(1968\)](#), [Zapata \(1968\)](#), [Blest \(1973a\)](#), and [Blest \(1973b\)](#).

3.4.1. Union density

An overview of trade union density between 1932 and 1972 reveals three clearly established trends that are consistent with those for the overall quantity of trade unions. The first, from 1932, during the inter-war period was, as [Angell \(1972\)](#) points out, marked by the rise to power of the Popular Front coalition government. It was a period of moderate growth in trade union density. In the 1940s, and coinciding with a phase of divisions within the trade union movement, union density maintained the level it had reached, but fell at the beginning of the 1960s. After that, in the middle of that decade, the third trend begins, which can be represented as a J-shaped curve (the same shape as that exhibited in relation to the number of trade unions).

Figure 3.7: **Union density (%)**



Source: Own elaboration based on [Derto \(1977\)](#); [Díaz et al. \(2016\)](#). The thick solid lines represent the trend component drawn from a Hodrick-Prescott filter.

In particular, between 1964 and 1970 (preceding the period of the *Vía chilena al socialismo* [Chilean Way to Socialism]), the trade union density in the private sector increased from 17% to 42.7% (harmonised figures) which is an historic high water mark in Chile. In affiliates, it meant a growth from 261,000 to almost 726,000.⁴⁶

The common argument for understanding this explosive increase was the role played by rural trade unions due to the enactment of the Rural Unionisation Act of 1967. That point was very important, as the right-hand panel of the previous figure reveals. However (and also illustrated in the same panel with the thick grey line), union density rose sharply (from 24% in 1964 to 35% in 1970), even excluding the membership to rural unions. This finding is somewhat indistinct in the literature. [Angell \(1972\)](#) devoted little more than a page of his well-known book to analysing trade union growth up to 1969; he offered the following commentary on non-rural trade union growth “*even in the non-rural sector, with no dramatic change in the law, there was a increase of 12% in 1967 alone*” ([Angell, 1972](#), p.54). Another important work analysing trade union statistics is [Zapata \(1968\)](#). In this case, the author presented a significant amount of figures, but the focus was on analysing the trade union structure (share analysis) and there was no comprehensive look at the evolution of non-rural trade unionism post-1964.⁴⁷ Other works, such as [Barría \(1971\)](#), [Barría \(1978\)](#) and [Barrera \(1980\)](#), also skipped over offering any comprehensive understanding of this phenomenon.

The following is my own understanding on the basis of a revision of the literature and the analysis of the union statistics.

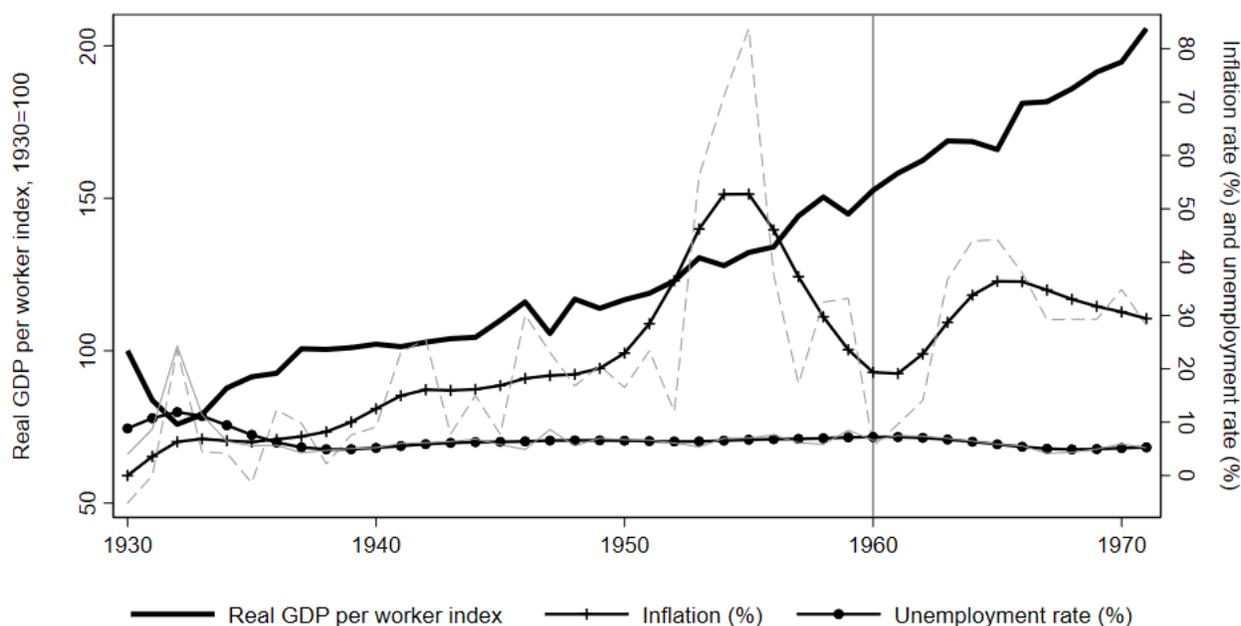
⁴⁶It has been widely said that the peak union density in Chile was 33.7% in 1973. That figure embraces all membership, including the employers and the self-employed unions. In addition, as [Frías \(1993\)](#) argued, such a number includes membership of the non-active trade unions. Harmonisation method in Appendix A.1.

⁴⁷[Zapata \(1968\)](#) analysed trade union density, but the focus was on the year 1967 and the seven-year period 1960-1967 (not disaggregated).

First, it seems that the state's control function over trade unions reduced workers' interest in joining them when anti-inflationary laws were in force. This can be seen in the development of the union density between 1945 and 1965 (Figure 3.7 left panel). Inflationary pressures were not eased by these laws, so the government hired an international commission to provide recommendations⁴⁸. The hired commission delivered harsh recommendations to the working class, which resulted in strike actions and a growing propensity to unionise.

Second, during the 1960s, workers encountered high bargaining power due to a combination of low unemployment and rising labour productivity that was especially driven by industries such as mining, manufacturing and construction (Reyes-Campos, 2017).

Figure 3.8: **Real GDP per worker index, unemployment (%) and inflation (%)**



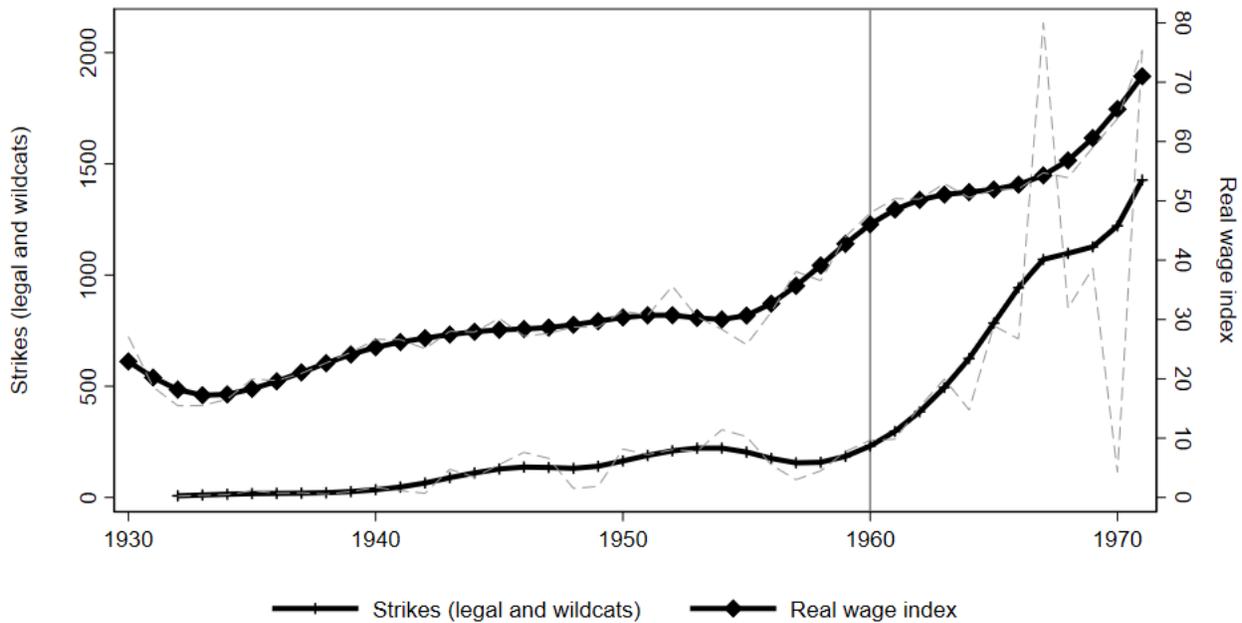
Source: Own elaboration based on Díaz et al. (2016). Thick solid lines (in the case of inflation and unemployment rate) represent the trend component after a Hodrick-Prescott filter. Thin dashed lines represent the real value.

⁴⁸The so called Klein-Saks Mission (which operated between 1955 and 1958).

Presumably, this high level of bargaining power prompted workers to join unions. Moreover, the effects of the persistent high inflation and also of the policy recommendation fostered workers to raise their levels of organisational power. Of course these events were also influenced by the organising efforts of the CUT and the emergence of the FRAP.

Against this backdrop, a marked increase in the number of strikes occurred in the early 1960s and lasted throughout the rest of the analysed period. The rise in strikes was closely related to the increase in real wages, which suggests that the economic effectiveness of industrial action probably drove more and more of the rank and file to join unions.

Figure 3.9: **Strikes and real wage index development**



Source: Adapted from [Reyes-Campos \(2017\)](#). Thick solid lines represent the trend component after a Hodrick-Prescott filter. Thin dashed lines represent the real value.

Third, one can see a sharp change in the composition of the workforce. From 1960 to 1972, agriculture reduced its share of total employment from 31.4% to 23% and manufacturing increased from 20% to 26%. Personal services fell from 24.2% to 18.7% and commerce increased

from 6.3% to 10.8% (Derto, 1977). In urban unions, the increase in manufacturing employment share pulled the national unionisation figures up. From mid-sixties it is possible to see a sharp increase in the white-collar workers' share. Presumably, this increase had an effect on the number of professional unions (which increased) since anti-inflationary laws restricting wage setting through collective bargaining lasted until 1965.

Table 3.1: **Share of the total employees by blue and white collar breakdown**

Year	white-collar	blue-collar
1958	40%	60%
1959	42%	58%
1960	43%	57%
1961	47%	53%
1962	46%	54%
1963	48%	52%
1964	43%	57%
1965	44%	56%
1966	45%	55%
1967	46%	54%
1968	50%	50%
1969	50%	50%
1970	52%	48%
1971	59%	41%
1972	60%	40%
1973	61%	39%

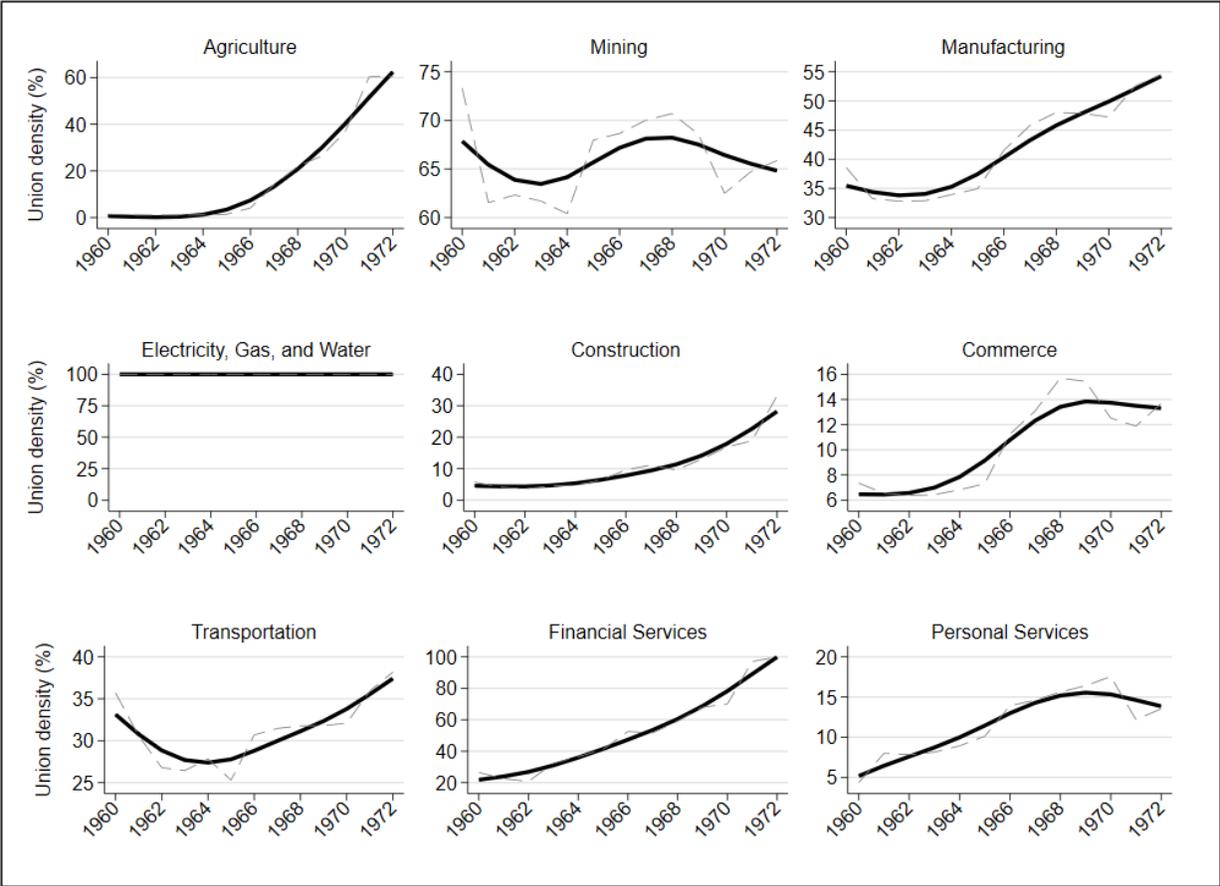
Source: Own elaboration based microdata EOD Survey.

Last but not least, there is the role of rural-urban migration (especially strong during the 1960s). Until 1967, rural workers were at a disadvantage compared to urban workers in building their organisational power. This meant that rural-urban migration brought many rural workers the possibility of joining trade unions.

Figure 3.10 shows that union density was, between 1960 and 1972, very different across industries. Agriculture, mining, manufacturing, electricity, gas, and water, and financial services were, in the late 1960s and early 1970s, the industries with the highest union

densities. Eight out of nine industries increased their union density between 1960 and 1972. Of these, agriculture saw an explosive increase from 1.5% to 61%. Another significant change occurred in financial services (from 26.4% to 100%) and construction (from 5.7% to 33%). Manufacturing, the well known stronghold of the Chilean trade union movement, rose from 38.5% to 55%. Mining was the only sector that did not experience a significant change and maintained its relatively high density.⁴⁹

Figure 3.10: **Harmonised union density (%), industry-level breakdown, private sector**



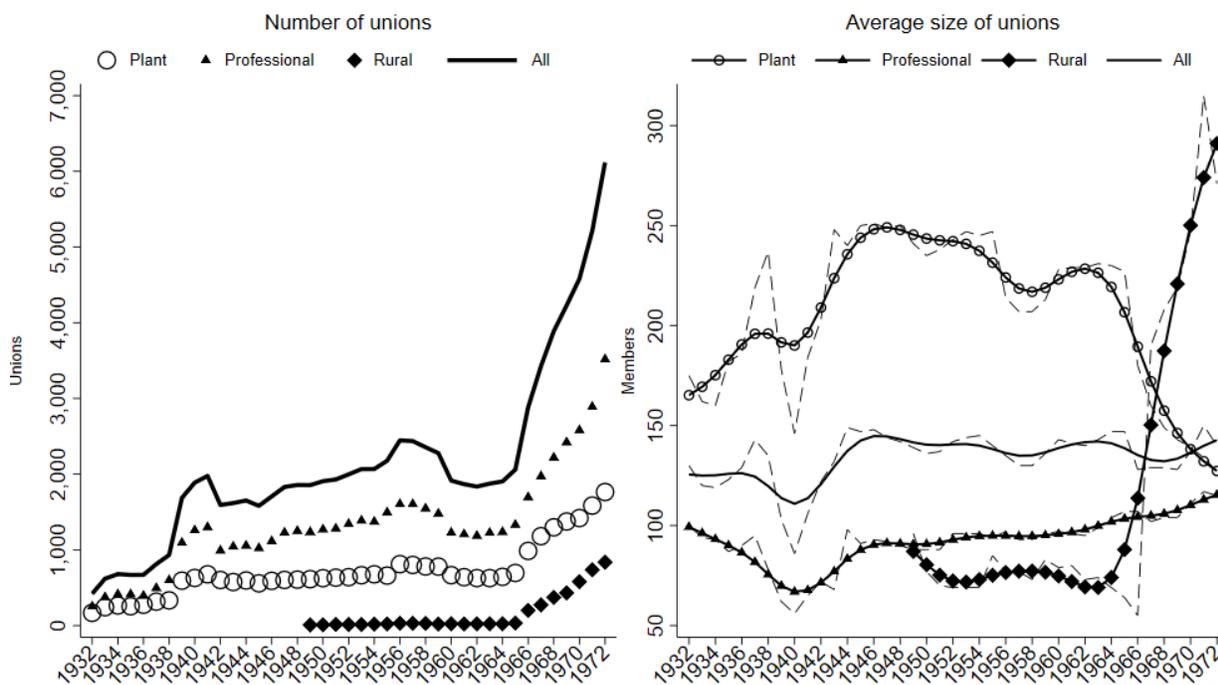
Source: Own elaboration based on [Derto \(1977\)](#); [Díaz et al. \(2016\)](#). The thick solid lines represent the trend component drawn from a Hodrick-Prescott filter. Dashed lines are the observed value. Harmonisation method in [Appendix A.1](#).

⁴⁹The same trends and conclusions can be drawn directly from [Derto \(1977\)](#).

3.4.2. Quantity and size of unions

Figure 3.11 shows the development in the number of trade unions between 1932 and 1972. It can be seen that, during these years, the Chilean system of industrial relations was already fragmented. This, as already posited, was related with the rules for the formation of trade unions established by the labour code of 1931 (Armstrong et al., 1975). If one looks closely at the trend curves in the left-hand panel of the graph below, it can be seen that the year 1964/65 marks a turning point. From 1965 onwards, the number of trade unions increased significantly, especially professional ones which rose from 1,331 to 3,814. Additionally - by looking the right hand panel of the graph below - it can be seen that unions in Chile were always particularly small (on average), and after 1965, even smaller in the case of plant unions. The same argument presented for the union density applies here.

Figure 3.11: **Number of unions and average size**

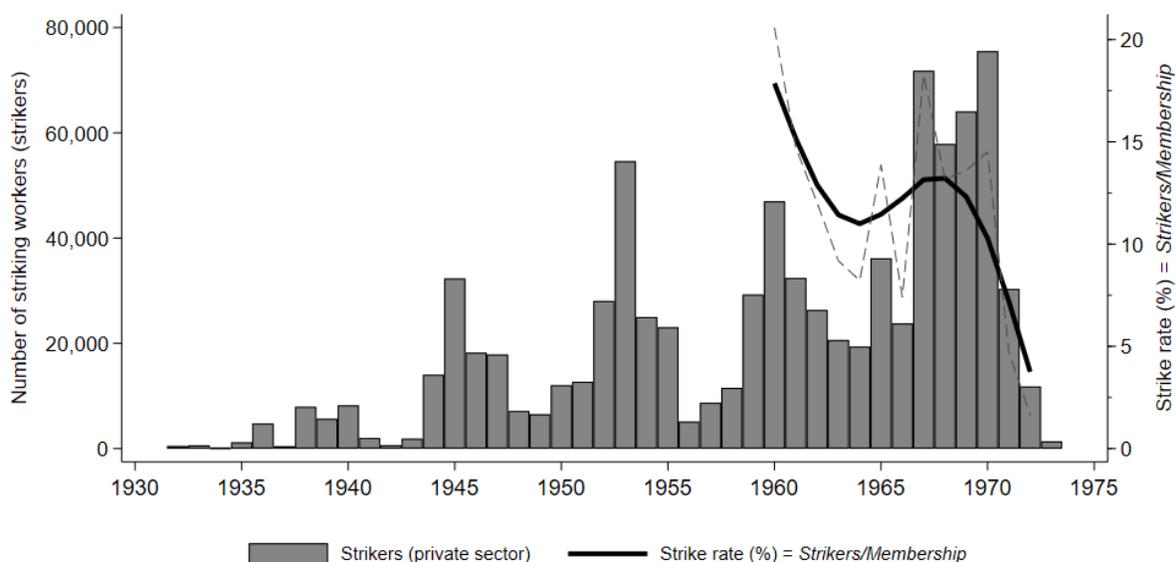


Source: Own elaboration based on Derto (1977) and Armstrong (2012). Right hand panel: the thick solid lines represent the trend component drawn from a Hodrick-Prescott filter. All membership.

3.4.3. Strikes

Figure 3.12 shows the development of the workers involved in ‘legal’ labour strikes between 1930 and 1973. The bars represent the total workers and the black line strike rate, defined here as the ratio between the workers engaged in strikes and the total membership in the private sector. It can be seen that the number of workers in strikes was much higher during the sixties than in the previous decades. When the strike rate is calculated, it can be seen that, as a proportion of the number of union membership, the number of strikers fell towards the end of the 1960s (from 20% to about 5%).

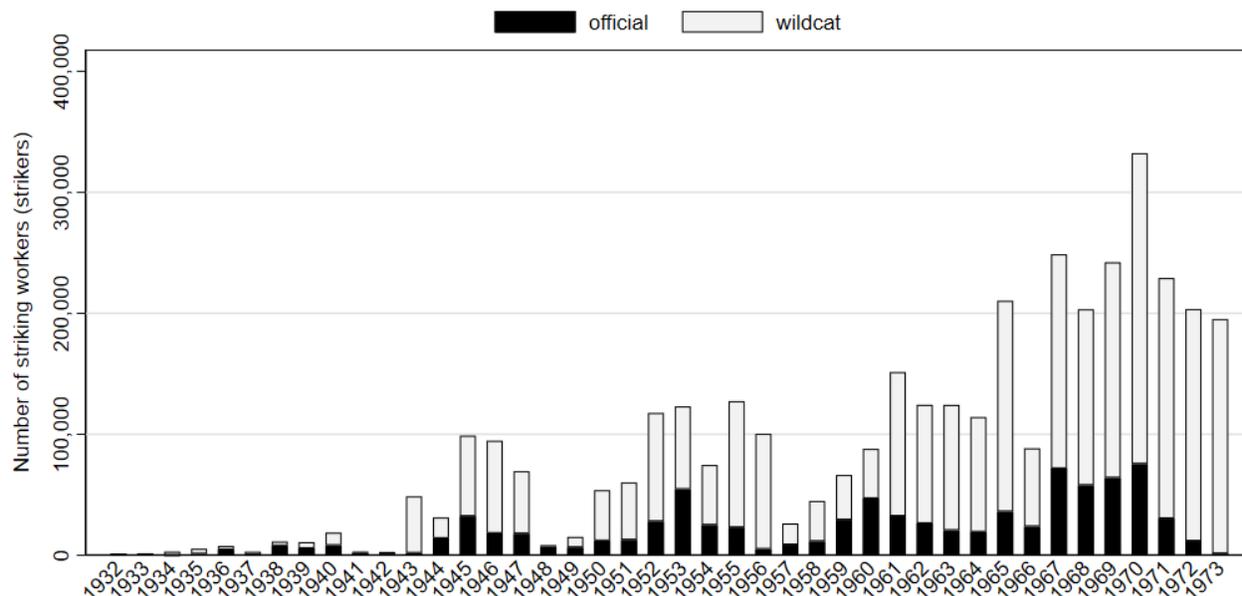
Figure 3.12: Number of striking workers (legal strikes) and strike rate (%)



Source: Own elaboration based on Loveman (2001), Petras (1969), Angell (1972) and Alberto Armstrong data compilation - available in Méndez (1980). Private sector.

As has already been seen, a cycle of labour strikes took place during the sixties. The magnitude in the private sector can be seen in Figure 3.13.

Figure 3.13: **Number of striking workers by type of strike, private sector**



Source: Own elaboration based on Loveman (2001), Petras (1969), Angell (1972) and Alberto Armstrong data compilation - available in Méndez (1980). Private sector.

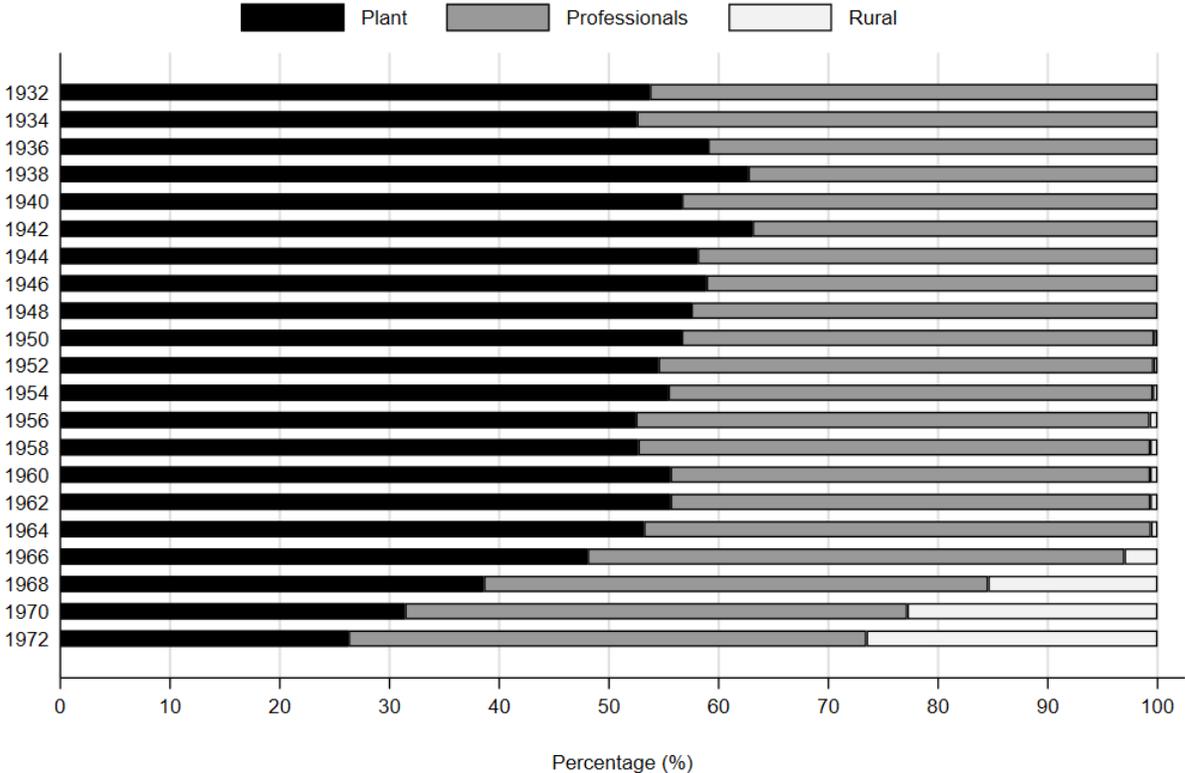
In this case, the number of striking workers is differentiated by type of strike, legal or ‘official’ and wildcat. It can be seen that wildcat strikers were present already from the 1940s and reached a peak in 1970. In 1961/62 the country was hit by the foreign exchange crisis and the government considered devaluing the currency (Stallings, 1978). The unions’ response was to strike, mostly wildcatting.⁵⁰

⁵⁰The strike rate increases significantly when the statistics for wildcat strikes are considered. For instance, in 1967 and 1970 they accounted for about 65%, and in 1972, about 30%.

3.4.4. Composition of the union membership

Figure 3.14 shows that until 1964 plant unions were the ones with the highest share of the total membership. Then, during the trade union ascendancy phase, the share of the total membership in rural unions rose considerably and reached 26.5% in 1972. In the case of professional unions, after 1966 they reached the majority of the total membership and in 1972 they accounted for 47.2%. The plant unions, which had during more than 3 decades an absolute majority of the total membership, reached 26.3% in 1972.

Figure 3.14: Share of total membership by type of union



Source: Own elaboration based on Derto (1977). This visualisation considers all membership.

Table 3.2 focuses only on the urban workers' organisations, that is, plant and professional unions, both in the private sector. It shows clearly the change in the share of the total membership by type of union. In previous research such as Zapata (1968), Blest (1968), Barría (1971), Angell (1972), Blest (1973a), and Barrera (1980), this change has been little commented upon.

Table 3.2: **Share of total membership by type of union (urban)**

Year	Plant	Professional
1960	63%	37%
1961	64%	36%
1962	64%	36%
1963	62%	38%
1964	61%	39%
1965	60%	40%
1966	57%	43%
1967	55%	45%
1968	52%	48%
1969	51%	49%
1970	48%	52%
1971	45%	55%
1972	42%	58%

Source: Own elaboration based on Derto (1977). Private sector.

During the whole period of 1960 to 1972 - only in 2 out of 8 industries (excluding agriculture) did the plant unions count more affiliates than the professional unions (mining and manufacturing).⁵¹ However, and this is similar to the nationwide figures, in most industries (mining and manufacturing included) there were increases in the share of membership in professional unions.

⁵¹As will be seen shortly, manufacturing was the union stronghold industry.

The re-configuration of membership between plant and professional unions at the national level should not be misinterpreted as a predominance of the white-collar workers (traditionally associated with professional unions) as the backbone of the rank and file towards the late sixties and early seventies. As was seen in the previous section, the internal composition of professional unions was mixed (Figure 3.4) and this was far from a compact bloc (Angell, 1972). To illustrate, in 1967, following the work of Zapata (1968), it is possible to see that blue collars (the *obreros*) had at least 33% of the share of the total membership in professional unions. This meant that the summed membership of the *obreros* (in plant and professional unions) was at least 66% of the total affiliation in 1967 (plant unions membership plus 33% of professional ones, considering neither rural nor independent workers). Presumably, this percentage was increasing towards 1972.⁵²

Construction is an example of this clarification. There, most of the membership had joined professional unions; however, most of the construction workers were in fact blue-collar workers.⁵³ Transport also serves as an example because in 1972 almost 90% of union membership was in professional unions, but less than 60% of workers in the sector were white collar (Derto, 1977).

All in all, taking these statistics into account, it can be said that after 1967 most of the membership joined unions were able to legally negotiate above the firm level. This meant that most of the membership was affiliated to professional and rural unions. This finding raises the question of why this was not the case - why collective bargaining above the firm level was not predominant.⁵⁴

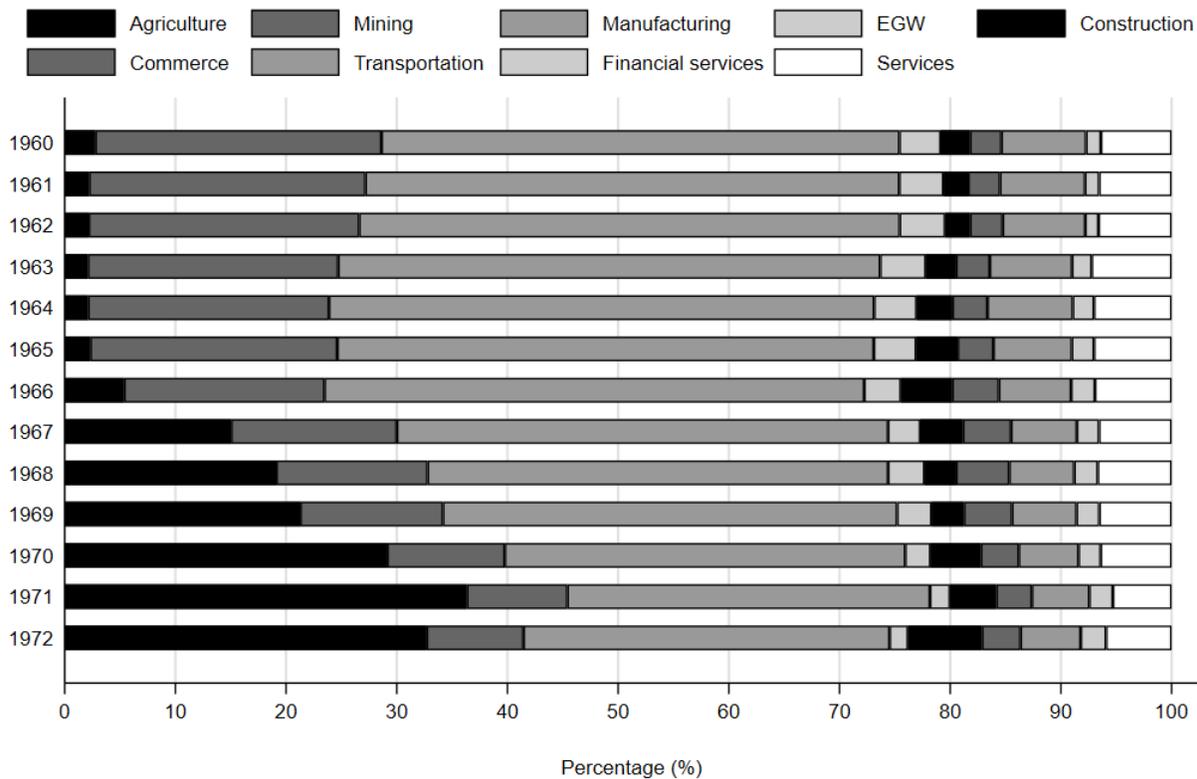
⁵²Unfortunately, Zapata's work is the only one that could be found with a breakdown of the membership of professional unions according to the seven categories used by the Labour Directorate (Alan Angell's work was based on Zapata's figures in this specific matter). In Derto (1977), as well as in Isla et al. (1978), such breakdowns were not available.

⁵³Circa 90% according the figures reported in Derto (1977).

⁵⁴So far, existing literature has failed to provide a reasonable understanding. The answer to this question is beyond the scope of this thesis and will be addressed separately in a collaborative project with Karina Narbona and Vicente Mellado.

Along with the breakdown of membership by type of union, the industry breakdown appears to be relevant. Figure 3.15 shows this development for the period 1960-1972. The manufacturing industry contributed the largest share of the private sector total membership. This was followed by mining. Commencing in 1967, with the ‘peasant awakening’ (Barría, 1971), rural unions changed this picture. In 1960, agriculture represented 2.8% of union membership, but then, 12 years later, its share stood at 32.7%. Mining, accounted approximately for a quarter of the total membership in 1960, but declined to 8.7% by 1972. Manufacturing also declined in terms of its share during the period 1960-1972.

Figure 3.15: **Share of total membership by industry breakdown**



Legend: EGW is electricity, gas, and water industries. This visualisation considers the private sector.

Note: From left to right, industries appear in the order of the list. The first industry is Agriculture, and the color is black. Construction appears fifth on the list, and it is also black.

Source: Own elaboration based on Derto (1977).

3.5. Conclusions

In this chapter, the historical formation and development of the organised working class in Chile, as well as the industrial relations system between the late nineteenth century and the early 1970s, have been examined.

It can be concluded that the formation of the organised working class and the subsequent passing of labour laws were clearly interconnected. Some of the *free* trade unions (during the pre-legislation era) sought to formalise their organisational and institutional power primarily related to collective bargaining, and in 1921 the FOCh presented the so-called Industrial Socialisation Contract. The state and the elite, with the intention to contain the workers' movement, first prepared and later introduced different labour laws which, in 1931, were codified into the first labour code. This code did not provide any immediate power resources for workers.

In this chapter, four main institutional pillars have been proposed as the essential features of the industrial relations system for the period 1931-1973: i) the existence of different classes of employees with different sub-systems for social security and unionisation rules, ii) a collective bargaining system that took place mainly at the firm level, iii) the existence of mixed commissions or tripartite wage councils for determine minimum wages, and iv) the tight state control exerted over the trade unions.

From the 1930s, with the legalisation of trade unions, collective bargaining took place predominantly at the firm level. This means that the fragmentation - characteristic of the current Chilean system - finds its roots already in the first industrial relations system. However, as discussed, there was no "absolute" commitment to collective bargaining at the firm level, and that is an important difference when the institutional power resource of workers is assessed. As will be seen in the next chapter, fragmentation was to become more severe after the changes introduced under the dictatorship of Augusto Pinochet, which dismantled bargaining arenas above the firm level.

In contrast to other interpretations, in this chapter it has been argued that the so-called Minimum Wage *tarifados* [Tariff System], as tripartite bargaining bodies, should also be considered to be part of the pillars of the historical collective bargaining system. Both the *tarifados* and other collective bargaining experiences above the firm level (through federations and confederations, but also single professional unions) provided workers with (formal) institutional power that grew and improved over time as a result of the unions' exercise of organisational and societal power. This is far from saying that collective bargaining above the firm level was the central pillar, but it also does not mean, as some scholars argue, that it was insignificant. In the case of the Tariff System, it can be seen that in practice it took place in those industries where workers enjoyed greater power resources. An analysis of the content of the *tarifados*, as well as of the collective bargaining agreements above the firm level, leads one to conclude that they were a relevant precedent for Law 17074, which in 1968 established in Chile the basis of a collective bargaining system based on industry level agreements.

The controlling function of the state in industrial relations can be observed since the first labour legislation in Chile, although with objectives that, as will be seen in the following chapter, were not exactly the same as those sought in more recent history. The first labour legislation (in force until 1973), sought to contain organisational power but did not strongly marginalise trade unions either. One expression of this was the constitution rules of the *sindicatos industriales*, which in fact meant a pseudo-automatic unionisation for blue-collar workers. However, marginalisation was still present in some groups, such as rural workers, until 1967.

Industrial relations after 1973

4.1. Introduction

In 2018, Chile had around 9,000 trade unions spread across more than 1 million companies (Dirección del Trabajo, 2020). This high number of unions does not reflect a high union density. In fact, in 2018, almost 80% of private-sector employees were not unionised and were not covered by collective bargaining. In Chile, trade unions are concentrated in large companies, where it is common to find several competing unions in the same workplace.¹

To understand this marginalisation of collective bargaining coupled with the fragmentation into mostly tiny unions, which negotiate only in small bargaining units, it is necessary to explain the current industrial relations system and its historical gestation after the major transformations during the Pinochet dictatorship.

In this chapter the essential features of the Chilean institutional framework that fragments and marginalises organised industrial relations in general and collective bargaining in particular are explored.² This fully decentralised, neoliberal-oriented industrial relations

¹ENCLA 2019.

²This purpose, following PRA, has not been addressed by scholars so far.

system was introduced in 1979 under the military rule and, after the end of the dictatorship, has only been slightly changed, although it still forbids as in the dictatorship, autonomous collective multi-level bargaining trade union activity.

Following the Power Resources Approach, it is argued that the fragmentation and marginalisation of both industrial relations and collective bargaining undermine the organisational power resources of workers and contains the development of autonomous union strategies. As a consequence, the content and level of collective bargaining and the scope of union action are highly restricted. In addition, the employers take advantage of multiple legal loopholes to restrict the scope of negotiations and weaken unions at will. Their main aim is to deprive from the workers' movement of any political content and to limit its action to negotiation on a small number of issues at a decentralised level. With this legal framework of industrial relations the Chilean state is not enabling autonomous collective bargaining but proactively restricting and controlling it.

In the following, the post-1973 industrial relations system (IRS) is divided into three phases: the first, immediately after the coup, will be called "*the period of repression*", and is basically represented by the murder and persecution of many union leaders and left-wing militants. Here the destruction of most of the institutional power resources gained for and by the workers during the late 1960s and early 1970s occurred. From 1979 up to 1989 the second phase will be called the "*Plan Laboral and its immediate implementation*". In 1979 a re-institutionalisation of industrial relations following a neo-liberal orientation, in the sense of containing the trade union impact in the context of a free-market society, took place. This re-institutionalisation adopted the form of a set of decrees (known as the *Plan Laboral* [Labour Plan]) which contains the labour conflict through an extremely fragmented and depoliticised system without much room for aggregate effects at the level of whole economy and society. From 1979, collective bargaining was allowed once again and workers began to re-organise themselves into trade unions, but within a completely different institutional framework from the one that existed before the coup. Since then, from 1990 to the present day, the third phase will be called the "*period of peripheral reforms of the neo-liberal model*". During these years,

fragmentation and marginalisation of collective bargaining system proceeded further since the many companies (the larger ones, where there is more room for bargaining) fragmented firms into small bargaining units or legal entities at the employer's complete discretion.

The analysis of the development of industrial relations in these three periods is based on a review of the literature and an analysis of the respective labour laws. An analysis of trade union data is also carried out, and I harmonised the time series for union density from 1980 to 2018 to make it comparable with the data presented in the previous chapter.

The remainder of this chapter is divided into 5 sections. In the first section the different phases of the development of the present institutional framework for collective bargaining and unions from the repression period after the coup d'état to the *Plan Laboral* in 1979 and its cosmetic adjustments up to the present day are analysed. This is followed by a more in-depth description of the main pillars of the *Plan Laboral*. The third section illustrates the corporate strategies that have been used by large companies to fragment workers' organisational power. The fourth section reviews the overall unionisation figures'. Finally, the fifth section concludes the chapter.

4.2. Different phases in the *IRS* post September 1973

4.2.1. The period of repression

On 11th September 1973 a military and right-wing led coup d'état overthrew the democratically elected government of Salvador Allende. Soon after, the new dictatorship banned collective bargaining.³ This roll back ended industry-wide collective bargaining in Chile which was flourishing under the Allende government. Left-wing political leaders, militants of Allende's coalition and many union officials who did not leave the country were persecuted, incarcerated, sent to detention camps, tortured, and in many cases executed⁴ or sent into exile ([Buchanan, 2008](#); [Durán Palma et al., 2005](#); [Miller Klubock, 2003](#)).

From September 1973 on, the surviving unions that remained active were controlled by the regime through at least three channels ([Narbona, 2015a](#)). Firstly, the dismissal of leaders and militants who had participated in illegal strikes before the coup was allowed. Secondly, once the trade union movement was decapitated by the removal of its Allende-era trade union leaders, often the oldest workers in each company were appointed to be the union leaders.⁵ Thirdly and finally, union leaders, in general, were only allowed to be active with the permission of the military commanders of each zone. The responsible military commanders gave this permission only to trade union officials who abstained from any political activities.

During the first years in power, the commander in chief of the military government, General Augusto Pinochet, held some sympathy for the corporatist approach of unionism taken by Franco, Mussolini, Hitler and other fascist governments which sought to incorporate

³Military order 36, documented in [Narbona \(2015a\)](#) and DL 670 (1st October 1974).

⁴According to Gonzalo Falabella, the majority of them were young leaders (blue collar workers under 30 years old). Interview with Gonzalo Falabella was conducted by Zoom along with Karina Narbona and Vicente Mellado (date of interview 25th June 2021).

⁵It was assumed that the younger leaders had Marxist ideas while the oldest workers in each company were considered less belligerent. This was the idea of the trade union 'gerontocracy'.

unions into the institutions of an authoritarian state with a centrally planned economy. Through this approach, the regime expected that the pro-coup workers, among them allied union leaders, who at the beginning of dictatorship was sympathetic to Pinochet, would act as a “bridge” between the military and what “*remained of the trade union movement, to legitimate a strategy that would solve the economic need without subverting the order and labour discipline*” (Narbona, 2015a, p.13) [translation from Spanish]. However, this strategy of embracing and integrating of the unions did not succeed. Up until 1975 the dictatorship’s macroeconomic policies worsened the conditions of the workers, which conflicted to such an extent with the allied leaders that this provoked critical questioning from the workers and in consequence also from many of the tolerated trade union officials. Additionally, in 1975 a group of economists, the so-called “Chicago Boys”, were given strategic positions in the government.⁶ As a result the internal battle of ideas between traditional strategies of fascist corporativism and neo-liberal ideas ended with the triumph of the later (Klein, 2007; Narbona, 2015a).

For the Chicago Boys, the basic idea was making industrial relations compatible with a decentralised market economy.⁷ Collective bargaining was allowed only at the level of the firm or below to avoid any market ‘distortions’ by industry-wide collective bargaining which instead of the market could set the price of the labour power. The function of the state was to guarantee that collective bargaining was made possible only at this level.⁸ The market powers would take tight hold of the reins of the remaining collective bargaining. At least in a perfect competition model, the unions could not negotiate pay above the market wages without being punished by unemployment. To avoid higher wage increases in firms with market power (oligopoly or monopoly) the companies were given the option to fragment union

⁶This is how the Chilean economists educated in the United States are known, particularly those who were trained at the Chicago School of Economics, with Milton Friedman as their mentor.

⁷The area of industrial relations was one element within the shock therapy program designed by the Chicago Boys. Other areas were social security, health and care provision, education, municipal control, agriculture, and the judiciary (Alemán, 2010).

⁸Strategic planing action of workers’ above this level was explicitly prevented in the design of the new laws (Alemán, 2010).

power and strikes were highly restricted in order to avoid income distribution. Founded in this economic thinking, in 1979, the *Plan Laboral* was promulgated and collective bargaining and strikes were again allowed in highly restricted forms.

4.2.2. The *Plan Laboral* and its immediate implementation

After the first phase of repression of unions, suspension of collective bargaining and the attempt to establish a corporatist approach, the second phase of establishing a new controlled regime of industrial relations started in 1979 with the *Plan Laboral*.

The mastermind behind the *Plan Laboral* was the former minister of labour and social affairs during those years, José Piñera⁹, who, generally speaking, could be classified as a Chicago Boy¹⁰, Milton Friedman and Friedrich Von Hayek¹¹ being his main inspirations (Stackl, 2013; Silva, 2006). In this neo-liberal thinking, autonomous collective bargaining which could interfere in market processes was seen as a detrimental distortion of the competitive market. The aim was to make sure that collective bargaining was subordinated to the market and should be allowed it only at the firm, plant, or even lower level. The plan was to make sure that the unions could not shape markets but had to negotiate within the limits of the constraints set by markets upon the company. The plan was to contain union power by prohibiting collective bargaining and collective actions (strikes) above the firm level. Additionally, collective bargaining was only allowed about specific companies issues. The articulation of joint interests and collective action above the firm level, such as the industry or national level, was strictly forbidden. In addition, the further fragmentation of bargaining units at firm level was legalised to prevent strong company unions who could set standards for

⁹According to Piñera, “the ‘*Plan Laboral*’ was an effort to dream of something that has never existed and to realise it” (Piñera, 1990, p.15) [translation from Spanish].

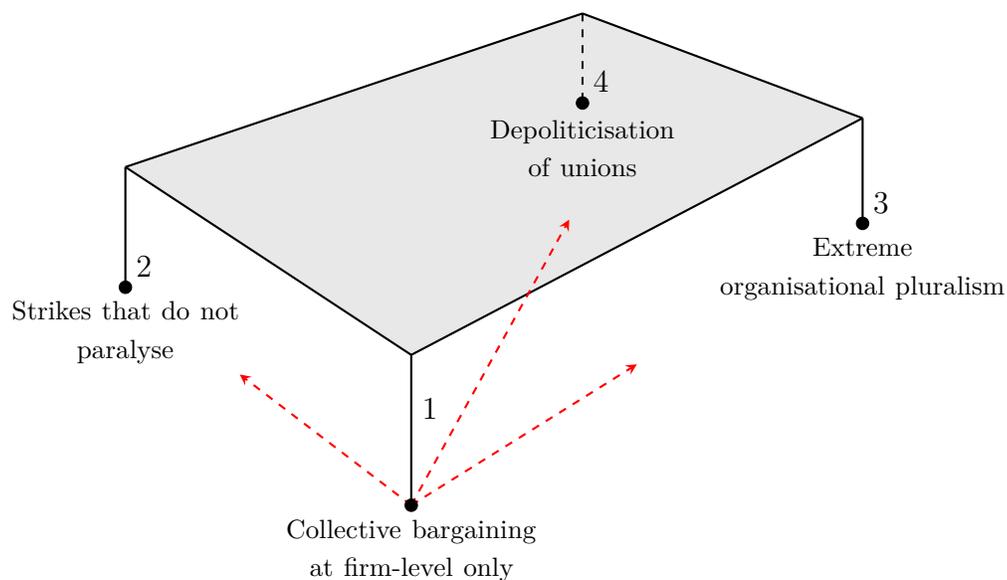
¹⁰Not because he studied in Chicago (he gained his PhD at Harvard), but for his undergraduate training at the Catholic University of Chile’s School of Economics, which by that time was closely associated with Chicago, both through the exchange of students and professors and also in the approach promoted.

¹¹Hayek and Friedman, both Nobel laureates (in the 1970s) had contact with Pinochet (Robin, 2012).

pattern bargaining. The intention was also to nip any political role of unions in the bud. In this neo-liberal philosophy, the state does not play the role of enabling autonomous collective bargaining and leaves it - as the ILO conventions say - to the social partners to determine the content and the level of collective bargaining. Instead of an enabling role, the state is supposed to play a restrictive and authoritarian role to ensure that the social partners do not overstep the bound of the narrowly defined playing field.

The former minister described this process as a ‘labour revolution’ (Piñera, 1990) and presented his *Plan Laboral* as ‘a table with four legs or pillars’ (Narbona, 2015b).

Figure 4.1: **Four pillars of the *Plan Laboral***



Source: Adapted from Narbona (2015a). Explanations in the text.

Following Narbona (2015a), the first pillar was the restriction of collective bargaining to the firm level or below; the second, the legalisation only of strikes that do not paralyse economic activities; the third pillar was the admission of competing unions as well as the admission of non-union bodies which also had the right to negotiate collective agreements;

finally, the fourth pillar aimed at the depoliticisation of union officials and the rank and file. Although, in the metaphor of the table, each pillar should have the same importance, it seems that the one related to the collective bargaining level is the central pillar that reinforces the effect of the other three. In the following section, these four pillars will be described in more depth.

During the 1980s, the workers' movement was formed by the survivor unions from the period of repression as well by the new trade unions which were set up under the *Plan Laboral* era (1979 onwards). Although many of these unions were founded under the dictatorship, this did not necessarily mean that they supported Pinochet. Unlike in the preceding sub-period of 'repression', in the period of 'implementation' (the eighties) the focus of the dictatorship was not on destroying the trade union movement but on marginalising, fragmenting and controlling it. In fact, as Araya (2017) pointed out, the trade union movement - through a newly formed de facto umbrella organisation¹² - soon become in a key player in the struggle for democracy, for example, by articulating the anti-Pinochet forces and calling for massive popular protest.¹³ In 1988, and although the labour code did not envisage its legal recognition, the national umbrella organisation, the CUT, was re-founded.¹⁴

¹²*Comando Nacional de Trabajadores* (National Workers Command).

¹³The umbrella organisation *Comando Nacional de Trabajadores* was formed in the year 1983. According to Páginas Sindicales, "there is a consensus that 1983 will be remembered as a break from the nine years that preceded it, as it marks the definitive end of a social and political situation controlled by the regime. The year 1983 is the year of the loss of fear and the irruption of the people on the national scene to express their discontent and demand social and political changes" (Páginas Sindicales, 1984, p.3) [translation from Spanish]. For an analysis of the union movement under the dictatorship see the contributions of Guillermo Campero, Patricio Frías, Gonzalo Falabella and more recently Rodrigo Araya, among others.

¹⁴CUT is the acronym of *Central Unitaria de Trabajadores* which differs slightly from the old acronym (1953-1973), *Central Única de Trabajadores*. In January 1991, after the passing of the law that recognised the umbrella union organisation the CUT was legalised. This law recognises that umbrella organisations such as federations, confederations, and the *centrales sindicales* (Workers Central) can function legally, i.e. with a legal personality. The law does not entitle these organisations to be workers' representatives in collective bargaining processes. In Chile, a trade union federation is understood as a coalition of 3 or more trade unions. A confederation is the joining of 3 or more federations or 20 or more trade unions. A *central*, on the other hand, is the highest body, and requires that its base organisations (federations of unions and base unions) represent at least 5% of the membership. It should be stressed that, as Peter Winn says, "the new CUT was very different from the old" (Winn, 2004, p.47). The main difference lay in its declaration of principles, in which references to a perspective of moving beyond the capitalist system and to the class struggle were omitted.

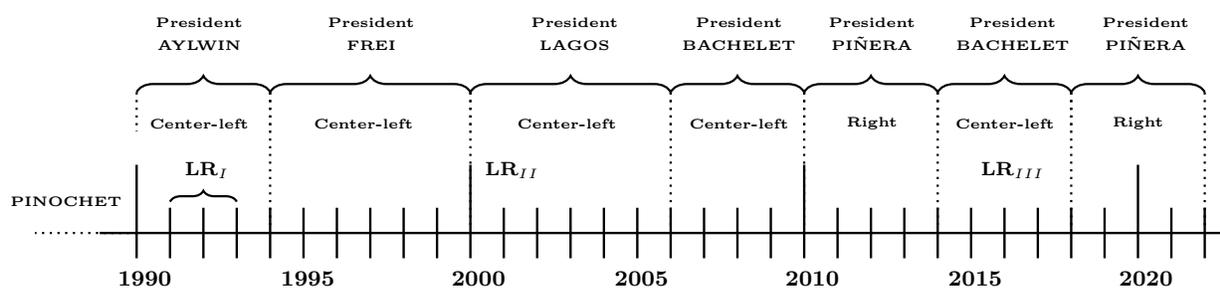
4.2.3. The period of peripheral reforms of the neo-liberal model

Pinochet’s dictatorship lasted 17 years and was considered one of the most violent in Latin America (Gazmuri, 2001). In 1988 a referendum - which was stipulated in the 1980 Constitution (Pinochet’s Constitution) - was called to decide whether Pinochet would remain in power for another 8 years. By a majority of nearly 12 percent points (55.99% as against 44.01%), the dictator was defeated, and a contested presidential election took place in 1989. On 11 March 1990, Pinochet left office and an elected Christian Democrat became the first president of the post-dictatorship era.¹⁵

The return to democracy led many to assume that the *Plan Laboral* would be removed. However, this did not happen and as Volker Frank wrote in 2002, the Pinochet labour legislation “remains one of the most elusive goals of democratic Chile” (Frank, 2002, p.54).

Once the dictatorship ended, three different labour reforms were enacted by the subsequent governments.

Figure 4.2: Labour reforms after the dictatorship



Source: Own elaboration. LR = labour reform.

¹⁵After his defeat, Pinochet enjoyed impunity and continued as Commander-in-Chief of the Chilean Army until 1998, at which point he assumed a position as senator-for-life as established by the Constitution Act. However, in that year he was arrested in the United Kingdom for violation of human rights (due to an international arrest warrant) but in March 2000 he was released for health reasons and returned to his position as senator. Although he faced investigations, he was never tried and died in Chile at the age of 91 in 2006.

The scope and results of the first two reforms were only peripheral. Feres (2008) pointed out that the reforms of the early 1990s and 2001 concentrated on the less controversial dimension of freedom of association “referring to the autonomy of trade union organisations and protection against anti-union practices” (Feres, 2008, p.32) [translation from Spanish]. The 2010 Human Rights Report of the University Diego Portales also illustrated this point:

“labour relations are still the same as those designed under the Pinochet regime no matter how many reforms have been introduced afterwards (...) labour reforms have been peripheral and do not modify the centre of the problem” (UDP, 2010, p.384) [translation from Spanish].

In 2016, after almost 40 years of exposure to Pinochet’s industrial relations system, a third labour reform was approved. However, even in this reform which was announced to be the most important since the *Plan Laboral*, many scholars and union representatives have severely criticised the limited scope and also significant setbacks in many matters (Arellano et al., 2016; Gamonal, 2016; Ugarte, 2016; Arellano, 2017). Therefore, including the 2016 labour reform, the above mentioned conclusion by UDP (2010) is still valid.

Table A6 summarises the main points of these labour reforms so far. Among other issues, the labour reform of the early nineties re-established the right to organise national workers’ federations but without the right to negotiate collectively, introduced some anti-union and unfair practices in collective bargaining, reduced the minimum number of workers to form a union, and extended the right to organise to workers in the agricultural sector but without right to negotiate collective agreements.¹⁶

¹⁶I thank María Ester Feres Nazarala the uncountable personal talks about the labour reforms in Chile. The usual caveats apply.

Table 4.1: Summary of main reforms to collective labour law

	1994 labour code	2001 Labour Reform	2016 Labour Reform
Unions	<p>Re-established the right to organise national federations.</p> <p>Allowed to organise unions in the first year of business existence.</p> <p>Extended right to organise to workers in agricultural sector, in the newly privatised pensions and health care system; and to those employed for less than 6 consecutive months.</p> <p>Granted protection to union leaders, prohibiting their dismissal without approval by a labour court.</p> <p>Reduced minimum number of workers required to form a union.</p> <p>Established new rules and increased sanctions for employers' unfair labour practices and facilitated access to labour courts.</p>	<p>Reduced further requirements to form confederations (minimum of three federations).</p> <p>Extended right to organise to previously excluded public enterprises dependent on the Defence Ministry.</p> <p>Established a promotional norm in firms with less than 50 workers allowing 8 workers to form a union and to complete the minimum requirements within one year.</p> <p>Reinforces Labour Office's powers regarding unfair labour practices.</p> <p>Unfairly dismissed workers for unfair labour practices allowed to choose between reinstatement or compensation.</p>	<p>Guaranteed women presence in the leading positions of trade unions.</p> <p>Granted the right to organise and bargain collectively to fixed-term and job-specific workers but without the right to strike.</p> <p>Bargaining groups only proceeds in cases where there is no union in the company. [This part of the reform was declared unconstitutional by the Chilean Constitutional Court. There is a legal vacuum].</p> <p>Inter-firm unions can only be formed under the auspices of labour inspectors.</p> <p>The number of delegates (quasi-union leaders) with immunity is reduced in the case of inter-firm unions.</p>
Collective bargaining	<p>Voluntary collective bargaining beyond enterprise level permitted if employers agree.</p> <p><u>No bargaining rights</u> for agricultural workers.</p> <p>Issues excluded from bargaining reduced while maintain in clause about <i>"all matters that may restrict or limit the employer's exclusive right to organise, lead and manage the firm, and those external to the firm"</i></p> <p>If benefits gained in a contract by the union are extended by the employer to non-union members, the latter must pay 75% of union contributions throughout the duration of the contract.</p> <p>Introduced free mediation procedures.</p>	<p>Employer must provide the union with information about the firm's financial situation and labour costs.</p> <p>Introduced some procedural regulations to collective conventions.</p> <p>Modified duration of collective contracts and conventions: minimum two years and maximum four years.</p>	<p>Eliminated the unilateral power to extend the benefits secured during collective bargaining to non-unionised workers.</p> <p>Regulated the right of information of trade unions when engaging in collective bargaining with the company.</p> <p>Enlarged the matters that are allowed to be bargained collectively to include arrangement of the working week for work-life balance and child care, equality in the workplace, training agreements, and assistance in the productive retraining of workers when needed. Clause about <i>"all matters that may restrict or limit the employer ..."</i> is maintained.</p> <p>Established minimum conditions for negotiation (negotiations can only offer improved benefits, not decreased).</p> <p>Mandatory collective bargaining in inter-firm unions (medium and large size firms). The level remains firm-level.</p>
Right to strike	<p>Revoked the maximum of 60 days for strike and set no time limit for their duration.</p> <p>Striking workers entitled to individually dissociate themselves from the strike and to negotiate individually after 15 days.</p> <p>Strikes can be automatically called off after 50% of striking workers return to work.</p> <p>Striker replacement permitted from day one of the strike if employer complies with certain conditions.</p>	<p>Striker replacement prohibited in principle unless employer does not comply with certain conditions, among them, compensation payment to the union.</p>	<p>Striker replacement prohibited.</p> <p>Introduced minimum services in case of strike.</p> <p>Introduced the possibility for the main company to replace the subcontractor in the case that the latter's workers go on strike.</p> <p>During the strike, the union must vote (under the auspices of labour inspectors) on new proposals made by the employer.</p> <p>A local magistrate can order the resumption of operations (and the consequent termination of the strike).</p>

Sources: 1994 labour code and 2001 labour reform, the text is fully drawn from tables 5.3 to 5.5 in Durán-Palma (2011). 2016 labour reform: the text is drawn from table 6 in Bellido de Luna (2019) and is supplemented by Rojas-Miño (2016a), Durán and Gamonal (2019b), Brega and Gálvez (2016), Frias (2019) and Law 20940.

Regarding the scope of collective bargaining, as [Rojas-Miño \(2007\)](#) pointed out, the reform of the early nineties abolished several of the subjects that were not allowed to be negotiated but maintained the pivotal limitation that “*all matters that may restrict or limit the employer’s exclusive right to organise, lead and manage the firm, and those external to the firm*” were not subject to collective bargaining.

The 2001 labour reform (Law 19759), extended trade union immunities and fines against anti-union practices. It granted access to firms’ financial information (albeit very basic) to trade unions for collective bargaining purposes and established a maximum of four and a minimum of two years for the duration of collective agreements. It included more requirements for collective bargaining in non-union groups in order to limit collective agreements between non-union bargaining groups and employers, which were clearly imposed entirely by the latter. Instead of abolishing the practice of striker replacement, a compensation to the union for each worker replaced during the strike was introduced.

Finally, the 2016 labour reform (Law 20940, last column in [Table A6](#)), among other things, abolished the striker replacement, but introduced the so-called ‘minimum services’ instead, which means compulsory emergency teams during any strike (the explanation follows in the next section). This reform extended collective bargaining rights to all the types of firm-level unions. It enlarged the information rights for unions because of collective bargaining. As in the labour reform of the early nineties, it broadened the matters to be collectively negotiated but the infamous article about “*all matter that may restrict or limit the employer . . .*” was maintained.

To sum up, the following table outlines the main institutional features of the three labour reforms passed during the third phase (1990 onwards). This table was designed on the basis of tick symbols in order to allow the reader to appreciate the continuing relevance of the main institutional pillars from the dictatorship up to the present time. The year 1972 has been included for purposes of reference and to understand the changes.

Table 4.2: **Main institutional characteristics in the industrial relations system**

Indicator	Y ₇₂	Phase 1	Phase 2	Phase 3			P
		Y _{73(9)/78}	Y _{79/89}	LR ₁	LR ₂	LR ₃	
+Industry-wide collective bargaining	✓	-	-	-	-	-	1
+Firm-level collective bargaining	✓	-	✓	✓	✓	✓	1
+Labour code includes a definition of enterprise	-	-	✓	✓	✓	✓	1
+Company-wide collective bargaining	✓	-	-	-	-	-	1
+Collective bargaining (CB) with right to strike	✓	-	✓	✓	✓	✓	2
+CB without right to strike	-	-	✓	✓	✓	✓	2
+Replace of strikers	-	-	✓	✓	✓	-	2
+Minimum services in all strikes	-	-	-	-	-	✓	2
+Extension of the agreement to future members	✓	-	-	-	-	-	2
+Types of unions	3	3	4	5	5	5	3
+Multi-unionism at the firm level	-	-	✓	✓	✓	✓	3
+Non-union bodies competing with unions	-	-	✓	✓	✓	✓	3
+Compulsory unionisation (blue-collar)	✓	✓	-	-	-	-	4
+Co-Management	Ⓓ	-	-	-	-	-	4
+Self-Management	Ⓓ	-	-	-	-	-	4
+Main activity outsourcing is allowed	-	-	✓	✓	✓	✓	-
+Relatively flexibility to dismiss	-	-	✓	✓	✓	✓	-

Sources: Own compilation based on Narbona (2015a,b); Rojas-Miño (2016a); Winn (2004); Angell (1972) and laws.

Y=Year; P=institutional pillar; ✓=presence; -=without presence; Ⓓ=embryonic; LR_i=labour Reform.

Phase 1: *The period of repression (1973/September - 1978).*

Phase 2: *Implementation period of the labour plan (1979 - 1989).*

Phase 3: *The period of peripheral reforms of the neo-liberal model (1990 onwards).*

Labour reforms: 1991/93, 2001, 2016.

Types of unions: (3) = Plant union, Professional union, Rural union. (4) = Firm-level union, Inter-firm union, Seasonal workers' union, Self-employed workers' union; (5) = (4) + Shop-floor union.

Despite the fact that President Patricio Aylwin's government programme proposed “*a profound modification of the labour legislation of the military regime*” (Rojas-Miño, 2016a, p.298) [translation from Spanish], and the fact that between 1990 and 2016 many labour laws were changed, the present system of industrial relations remains anchored to the *Plan Laboral* and the workers' institutional power resource remains so far very limited.

Why did post-dictatorship governments not promote and achieve ‘profound changes’ in the industrial relations system? One possible entry point to understand this is to analyse the role played by the actors: workers, employers, and government.

As the only national representative organisation, the CUT was invited in 1990 to participate in a tripartite social dialogue called by the incoming government. As a consequence of this, the *Acuerdos Marco* (framework accords) were signed. Such tripartite national accords can not be considered collective bargaining but rather a political dialogue that sought to establish points of agreement on its future development. While workers aimed for a counter-reform with profound change of the *Plan Laboral* (Frias, 2019), the employers only sought minimal alterations. The government, meanwhile, pursued social participation and consensus building for the new ruling coalition. René Cortázar the former Ministry of Labour in the first post-Pinochet government, argued: “*A stronger social consensus would also need to be forged in a society that had been highly polarized during previous decades*” (Cortázar, 1997, p.246)

In total there were four tripartite national agreements between 1990 and 1993 that set out the roadmap to be followed by the government and the other social parties. In the agreements there were concrete elements such as the increase in the minimum wage, but also a great deal of declarative content, such as “...*the government the CUT and the CPC [the acronym of the topmost business association] agree to set up a tripartite body to analyse the following labour issues of common interest ...*” (Third clause of the third *Acuerdo Marco* (1993), text available in Cortázar, 1993, p.156) [translation from Spanish]. At the end of the process, the goal of dismantling the *Plan Laboral* with a programme to eliminate its main pillars, could not be agreed upon. These four agreements signed in the early years of the new democracy were the only ones reached at this level between 1990 and 2021. The *acuerdos marco* were the formal process through which the unions theoretically had a chance to participate and shape institutional power to conform to their interests.

According to Barría et al. (2012), the consensus policy pursued by the first post-dictatorship governments meant that each one of these governments “*committed itself to respecting the neo-liberal economic program and maintaining the human rights amnesty that benefited the military*” (Barría et al., 2012, p.88). In the sphere of industrial relations, the emphasis of the government on more labour flexibility to improve international competitiveness mirrors the commitment to the economic model adopted by Pinochet (Barrett, 2001). The

following statement by the Minister of Labour at that time exemplifies the point:

“The design of collective bargaining rules must reflect this need to bring the purchasing power of workers’ wages closer to their contribution to companies... decentralisation is the most appropriate way forward when it is about reflecting productivity in companies where prices are determined by international competition.” (Cortázar, 1993, p.35) [translation from Spanish, underlining added].

It has been argued that by signing the *acuerdos marco*, the CUT adopted a conciliatory position in the context of the capital-labour conflict, endorsing the ideological perspectives of the government and, through them, the neo-liberal economic model (Campusano et al., 2017a; Osorio and Gaudichaud, 2018; Frank, 2015). Following this non-confrontational position against employers, the CUT decided to refrain from mass mobilisation in order to protect the democracy it just had won (Gutiérrez, 2016). In addition, as Drake (2003) points out, the 1990s were a period in which the CUT suffered divisions and debated internally whether to confront or collaborate with the governments in power.

Against this backdrop, labour reforms of the early 1990s and early 2000s were in practice the domain of the government and parliament with the former ‘representing’ the trade unions and their aspirations, as Paul Drake has pointed out:

“In contrast to the re-democratisation in Brasil, Argentina and Uruguay, the first post-transition government in Chile represented the trade unions and their aspirations. And it promised not only democratisation, but also social and labour reforms.” (Drake, 2003, p.152) [translation from Spanish, underlining added].

This idea that the government acted on behalf of the trade union movement in the discussion of labour reforms shows not only a strategic choice by the CUT but also a weakness when it comes to evaluating the results obtained.

Borzutzky and Hecht Oppenheim (2006) highlight the role played by the so-called dictatorship's *leyes de amarre* (tie laws), for example, with the quota of military-designated senators¹⁷. This hypothesis, which ultimately points to the power relations within parliament, is also frequently put forward to explain the difficulty of substantive change.

The recent research of Pablo Pérez-Ahumada (2020) offers fruitful ideas for further discussion. The author focussed on the 2016 labour reform and asked the question '*Why is it so difficult to reform collective labour law?*'. In contrast to previous labour reforms, in which the 'fragility of democracy thesis' played a role, in 2016 this argument was no longer the focus of attention and the author put the emphasis on the organisational power resource of workers and employers. One of the main arguments is that "*when business power is strong and centre-left governments are unable (or unwilling) to pursue pro-labour agendas, the linkages between labour leaders and parties can be prejudicial for labour as such linkages become a threat to working-class unity*" (Pérez-Ahumada, 2020, p.24). This conclusion underscores the importance of carrying out analysis that combines the different power resources. This particular case shown the interaction between workers' organisational power resource and the workers' societal power resource, in particular with coalitional power.

¹⁷A senator is a member of the Senate of Chile, "*which is the upper house of Chile's bicameral National Congress*" (Wikipedia).

4.3. Understanding the main institutional pillars

4.3.1. Restriction of collective bargaining to the firm level or below

The first institutional pillar of the *Plan Laboral* which is - still in force - is the restriction of collective bargaining to the firm level or below.

In many countries, collective bargaining does also take place at the firm level, but in the Chilean case higher levels are outright not allowed institutionally (e.g. industry-level collective bargaining). In the original version of the *Plan Laboral* the following statement appeared: *“It is absolutely forbidden for one or more employers to negotiate with workers from more than one company, either through the negotiation procedure set out in this law or in any other way”* (Art.4, D.L 2758) [translation from Spanish].

This issue was quickly recognised by employers as a gain in institutional power resource. The following historical quotes are drawn from *Páginas Sindicales* a worker’s digest during that time:

“This is an innovative plan that changes the rules of the game that have governed for many years” (Rafael Cumsille, business leader in trade industry, [Páginas Sindicales, 1979](#), p.12) [translation from Spanish].

“The best part of the plan is the implementation of collective bargaining at the firm level rather than by industry” (Jorge Cheyre, business leader in the metal industry, [Páginas Sindicales, 1979](#), p.12) [translation from Spanish].

“We fully share the criteria of the plan, and we are very happy that, in the end, negotiation at the industry-level has been ruled out” (Juan Correa, business leader in the agriculture industry, [Páginas Sindicales, 1979](#), p.12) [translation from Spanish].

In 1979, Manuel Valdés, head of the main economy-wide business association in Chile, said that the *Plan Laboral* was very positive, and that a significant fraction of members from the association he represented agree with collective bargaining at the firm-level.

The following quote of José Piñera, explaining to Pinochet one of the advantages of the decentralisation, adds more information about the political aim of the plan:

“... decentralised collective bargaining tends to replace the class struggle (labour against capital) by the inter-company struggle (labourers from one company against labourers from another that compete with them), which is effective for a free-market economy” (quoted in [Narbona \(2015a\)](#), original source is, [Piñera, 1990](#), p.108) [translation from Spanish].

To restrict collective bargaining to the firm-level or below, the dictatorship incorporated into the *Plan Laboral* an ad-hoc definition of firm [enterprise]:

“An enterprise means any organisation of personal resources, tangible and intangible, arranged under direction for the achievement of economic, social, cultural or charitable purposes, endowed with a particular legal individuality” (Art.4 labour code 1987 edition, Art.3 labour code 2018 edition, translated from Spanish in [Morgado \(2020\)](#), underlining author’s own).

Other countries generally have a definition of firm as a part of the company laws that regulate how to organise and run business, but in Chile, as Emilio Morgado pointed out, the referred definition of firm *“is only applicable to the effects of labour and social security legislation”* ([Morgado, 2020](#), p.84).¹⁸

The inclusion of what an enterprise is within the labour code is not accidental. It links directly with the notion of an employer: *“the natural person or legal entity which makes*

¹⁸To other ends, there is another definition of firm which is part of the company law in Chile.

use of intellectual or material services of one or more persons under an employment contract” (Art.3 labour code 2018 edition, translated from Spanish in [Arellano, 2020](#)).

Thus, the law allows a firm to be divided into different legal entities which, for example, can be a plant, or even a department within a plant. This creates the appearance that each legal entity corresponds to a firm ([Rojas-Miño, 2016a](#)), or more specifically, it creates what [Ugarte \(2013\)](#) has called the ‘apparent employer’.

Within this institutional framework, it is up to the employer to fragment as much as possible into many *apparent employers* and thereby fragment the unions and collective bargaining:

“It is enough for an employer to set up two legal entities - even if they operate together, belong to the same proprietor, have the same line of business, and their workers work together - for them to be considered two separate firms and for workers to be unable to bargain together.”([Maturana and Mac-Clure, 1992](#), p.141) [translation from Spanish].¹⁹

Once the employer decides to fragment, there are legal constraints for unions to reach a collective agreement at a higher level. Emilio Morgado explains this as follows:

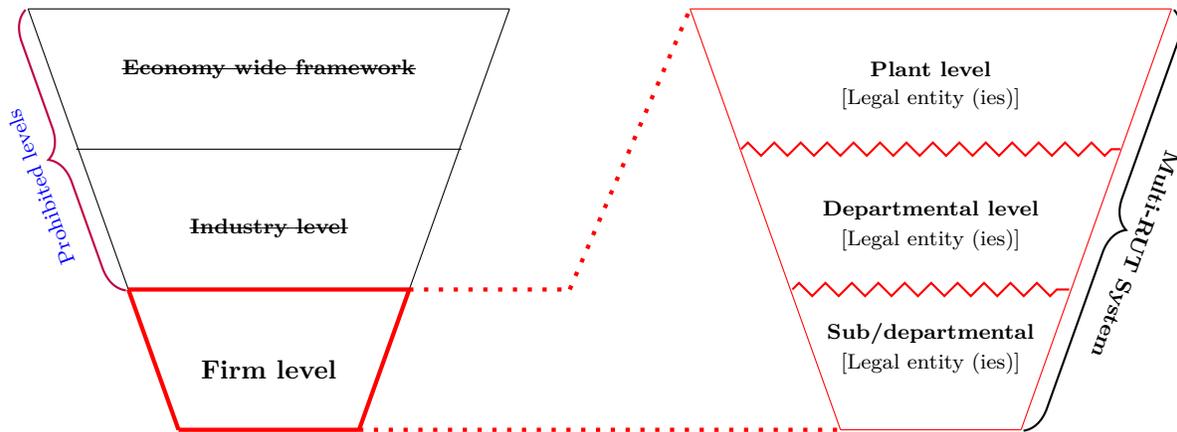
“In many cases the expression ‘endowed with a particular legal individuality’ has been also used as a tool to make possible a formal enterprise’s divisions and subdivisions with different aims from those really based on the enterprise’s needs to be adapted to national and international changes taking place in technological and economic spheres. Commonly, those formal divisions and subdivisions do not correspond to real facts. The resulting multiplication of enterprises - commonly known in Chile as the Multi-RUT System - produces varied labour effects having in common a limitation or practical nullification of the plain exercise of many

¹⁹Quoted also in [Rojas-Miño \(2001\)](#).

individual and collective labour rights, especially if it is remembered that in legislation there are no provisions about enterprises groups or related enterprises” (Morgado, 2020, p.84).

This Multi-RUT System can be illustrated by adapting the collective bargaining levels’ representation scheme from Chapter 2. Through this system, capitalists can split a firm - for example - into three legal entities (three employers in one firm), one for the plant level, one for the departmental level, and one for the sub-departmental level:

Figure 4.3: **The firm-level if the owner uses more than one legal entity**



Source: Own elaboration.

In Figure 4.3 each legal entity is considered a different employer ‘for collective bargaining purposes’. Since multi-employer collective bargaining is not possible according the legal framework, a corporate strategy of splitting the firm into different legal entities operates as an ‘exit option’ for employers which allows them to avoid strong company unions and more inclusive collective bargaining (following the nomenclature and argument of Bosch et al., 2010).

Against this backdrop, an increase in the union density does not necessarily translate into increasing union power since bargaining levels are highly fragmented.

In 2014, after years of use of the Multi-RUT System (mainly by large firms), trade unions lobbied parliament, which passed the so-called Multi-RUT Act. With this law, different enterprises that have common labour management can be considered as only one employer for the purposes of labour and social security obligations. As a consequence:

“Workers of all enterprises considered as only belonging to one employer can constitute one or more trade unions or maintain their own existing organizations. They can also collectively bargain with all the enterprises considered as only one employer, or separately with each of them . . . ” (Morgado, 2020, p.85).

Although the Multi-RUT Act is usually posited by government and parliament as a law that strength the workers’ institutional power, there are some key features that should be cautiously analysed. The main point is that the Multi-RUT Act actually does not ban the Multi-RUT System per se. What this law does is provide an institutional way forward for those unions which can prove in front of a labour judge that the Multi-RUT System exists in an specific case (Rojas-Miño, 2016b; Morgado, 2020).

Put in these terms, this law is far from closing the loopholes that lead employers to marginalise and fragment collective bargaining of their own free will. It has at least two questionable premises: firstly, the assumption of trade union presence (if not, there is no investigation and therefore no trial in a labour court); secondly, and more importantly, the assumption of balance of power between labour and capital that would be mirrored in equal infrastructural power resources to conduct research and defend the case in the court.

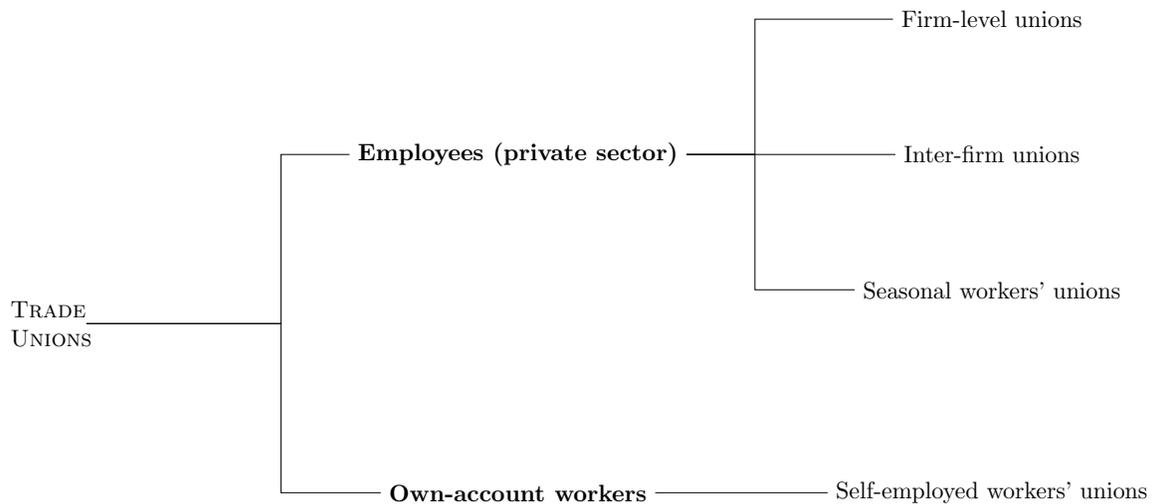
Along with the use of the Multi-RUT System, collective bargaining can be fragmented by the union will. To illustrate this, it can be a case where there is no Multi-RUT System and all internal levels of the firm (plant, departmental, sub-departmental) are legally represented by one entity. In that case, there are no legal provisions impelling the union(s) to negotiate a collective agreement at a more decentralised level, i.e. at the plant level or at a department’s level within a plant. However, this choice does not mean any kind of distinction between

decentralised levels (it being incompatible to bargain for general standards at the firm level and specific standards at the plant floor level). This is not possible as a worker can only be covered by one collective agreement at a time.

This backdrop of what is defined as a firm for the purposes of ‘labour and social security’, helps in understanding the different types of trade unions since 1979.

The *Plan Laboral* recognised four types of trade unions, all of them still correspond to the union structure to this day: firm-level unions, inter-firm unions, seasonal workers’ unions and self-employed workers’ unions (Figure 4.4).

Figure 4.4: **Types of unions since the *Plan Laboral***



Source: Own elaboration based in Chilean labour laws. Seasonal workers’ union was originally termed *sindicato de la construcción* (construction union). The own-account workers can also create unions by using the self-employed workers’ unions. Since the nineties, there is a fifth type of union which is the *Sindicato de Establecimiento* (Shop-floor union).

Unions that survived the period of repression were forced to adapt to the new rules. In the presence of several legal entities in the same firm, the so called ‘firm-level union’ would be the one that is constituted in each of the legal entities. In the same context, an inter-firm trade union would be one that brings together workers from more than one legal entity,

although it is not necessarily restricted to the legal entities of the same economic unit; it can also have workers from firms which are owned by another capitalist.

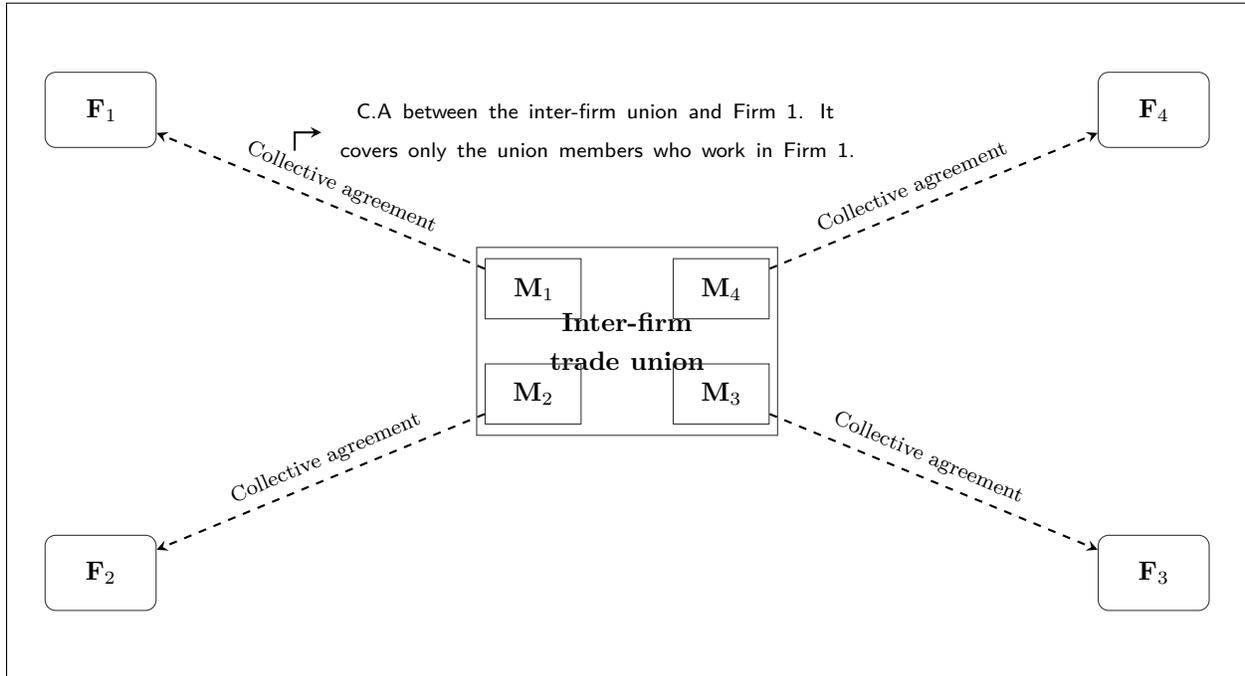
Having clarified the ‘definition of firm’ under the Chilean labour law and presented the types of trade unions that can be established, it is necessary to return to the core of the first institutional pillar: *the restriction of collective bargaining to the firm level or below*. It might be thought that inter-firm unions are the exception, but this is not the case.

During the period from 1979 to the early 1990s, inter-firm unions had no right to bargain. Then, the first labour reform introduced a quasi-right to negotiate for them, but dependent on the express agreement of each of the employers involved. In addition, even when the employers accepted the call to bargain, and despite the fact that the inter-firm trade union can organise workers from different firms, negotiations and collective agreements take place only at firm-level, ‘employer by employer’ and without the right to strike.

In 2016, with the third labour reform after the *Plan Laboral*, inter-firm unions gained the right of collective bargaining without depending on the approval of the employers (in the cases of medium and large companies). Based on that, some commentators have argued that law opened the door “*to an industry-wide collective bargaining system in Chile*” (Cox, 2017, p.46) [translation from Spanish]. This previous argument is, however, based on a misunderstanding of how collective bargaining in the case of inter-firm unions is allowed to work. Indeed, while most unions demanded industry-wide collective bargaining, the government, which was the promoter of the reform, systematically rejected this idea, giving many inconsistent answers (Durán, 2015): “*Chile was not prepared*”, “*it was unconstitutional*”, “*the workers did not want it*”. Each of these sentences was denied, either by the unions themselves or by experts in labour and constitutional law. In the end, the government argued that industry-wide collective bargaining would put the economy at risk, following the line of the IMF and its Article IV report that encouraged maintaining the level of collective bargaining intact for Chile (IMF, 2015).

Figure 4.5 illustrates inter-firm collective bargaining. In this case, collective agreements are reached between each single employer and the inter-firm union: Firm 1 (F_1) with the inter-firm union, Firm 2 (F_2) with the inter-firm union, and so on:

Figure 4.5: **Inter-firm trade unions and their collective bargaining**



Legend: M = Union members linked with a specific firm. C.A = Collective agreement.

Source: Own elaboration.

It should be noted that the inter-firm collective bargaining presented here is different than the principle to negotiate collective agreements under the old industrial relations system (pre-Pinochet), in which case, professional unions (as well as federations) could have affiliated workers from different firms and bargain collectively on behalf of all of them in a coordinated manner (above the firm level), not on an 'employer-by-employer' basis. This is a significant difference in terms of organisational and institutional workers' power resources.

4.3.2. Strikes that do not paralyse

The second institutional pillar is the strike that do not really paralyse. As in the first pillar, in this case there are many elements that require explanation.

From 1979 onwards there have been two types of collective agreements. The first is the so-called collective contract (*contrato colectivo*) and its main feature is that it can be negotiated with a limited right to strike and contemplates an immunity period for participants; the second is called the collective convention (*convenio colectivo*) and unions pursuing this agreement have no right to strike and no immunity for their participating members.

A feature common to both types of collective agreements is that they represent only the workers involved in the bargaining, who have to be enumerated in a list which is attached to the agreement. In other words, the terms and conditions apply only to the signatories, not to newcomers who join the union once the collective agreement has been signed. To be included, these new members have to wait for the next round of bargaining in order to enjoy the benefits of the agreement. Because of this, [Maturana and Mac-Clure \(1992\)](#) have argued that the collective agreement is in fact an organised set of individual contracts, and they add:

“if labour turnover is high, it will be the case that at the end of the contract only a small percentage of the initial employees will be still covered by the collective agreement” ([Maturana and Mac-Clure, 1992](#), p.142) [translation from Spanish].

The *contrato colectivo* results from a hyper-regulated procedure that requires the fulfilment of obligations and deadlines already defined in law. In a sense, it is a minefield. Non-compliance can lead to sanctions by the state. By setting precise deadlines, the employer can know the starting date of a possible strike (the surprise factor is eliminated). Some of the deadlines are a date for the presentation of the collective agreement project (by the union), a date for the company to respond it, a date for starting with the face-to-face negotiations, a date for the employer to make the last offer, and a date for voting on such a proposal. Voting

is also regulated in terms of place, time, and propaganda and requires a state official. There are two options: accept the ‘last offer of the employer’ or reject it which means approve the strike but not necessarily conduct it.

Since the 2001 labour reform, once the union approves the strike, there is an additional compulsory negotiation period which can be requested by any of the parties and includes the participation of the Labour Directorate as a ‘mediator’; this process of compulsory mediation is called *Buenos Oficios*. If this extra time for negotiation is requested, there are two options: reach the agreement or, once the period ends, conduct the strike. According to López (2009), the 58% of cases that participated in the *Buenos Oficios* reached the signature of an agreement and avoided striking. During the strike there are deadlines for strikers to voluntarily opt out and return to work individually. Strikes are only contemplated during the final phase of the collective bargaining process, i.e. any strike outside the framework of collective bargaining is considered illegal.

Regarding the strike, the *Plan Laboral* introduced a critical issue: it allowed strike-breakers. By doing this, the effectiveness of the strike was to a great extent nullified, as was argued by union leaders already in 1979 (Páginas Sindicales, 1979):

“The strike has traditionally been a weapon of pressure and from the moment that the companies can continue working, this weapon will lose all its strength and effectiveness” (Carlos Flores, union leader from the CMPC Puente Alto plant union, Páginas Sindicales, 1979) [translation from Spanish].

“Strikes cannot be won if companies are allowed to continue working” (Carlos Rivero, union leader from the Cinzano plant union, Páginas Sindicales, 1979) [translation from Spanish].

The voices of these union leaders in 1979 must be placed in the context indicated by Volker Frank, according to whom, in the pre-Pinochet system, *“if the union started a legal strike, the firm was not allowed to continue production”* (Frank, 2015, p.183).

Until the third labour reform (2016), during the greater part of the so-called period of ‘peripheral reforms of the neo-liberal model (1990-2020)’, the rule of strikebreakers maintained its essence. The first labour reform in the early nineties introduced a condition: replacement would be possible only if “*the employer had offered at least the same benefits as those existing under the old collective agreement, adjusted for inflation*” (Cortázar, 1997, p.249). In 2001, a compensation from employers to trade unions in the event of replacing strikers was introduced. The amount: 100 US Dollars per replaced worker.²⁰ However, since workplace occupation during a strike is prohibited, strikers usually exercise their range of action outside the company’s perimeter; therefore, identifying strikebreakers was often a hard task which allowed companies to avoid payment. Only in 2016, after almost 40 years, was the replacement of striking workers eliminated.

As a compensation for the prohibition on replacing strikers, employers won (also in the 2016 labour reform) the so-called Minimum Service Clauses that cushioned their losses and put limitations on the exercise of the right to strike. According to this stipulation, in any strike, the union must provide an emergency team to deliver the minimum services. Those trade unionists who are part of the emergency team must return to the workplace and work during the strike. The Labour Directorate, a government agency, must determine before the start of collective bargaining the characteristics of the emergency team (mainly the number of workers) on a case-by-case basis.²¹

The *convenio colectivo* is the second type of collective agreement and is the result of a more flexible procedure, without most of the deadlines and dates set out in the collective contract procedure, and without the right to strike. Furthermore, workers are not protected against dismissal during the bargaining period, and agreements do not have after-effects:

²⁰This was the amount in 2001 and was automatically indexed to the increase in prices.

²¹This has not been without criticism from trade unions because the Labour Directorate has taken much longer than stipulated to determine the characteristics of the minimum services. In some cases, this has led to significant delays in collective bargaining. See for instance: <https://www.fesumin.cl/2018/11/fesumin-por-demora-en-definicion-de.html> (accessed on 10.07.2021).

“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.” (Palacios, 2006, p.60).

It is not uncommon to find in comparative experiences cases where the right to strike is excluded from collective bargaining due to protection of vital needs. These practices echo the ILO Commission of Experts on the Application of Conventions and Recommendations and the ILO Committee on Freedom of Association (Morgado, 2020). In the Chilean case these cases are also contemplated by law and are decided every two years *“by a joint resolution of the following three Ministers: i) Labour and Social Prevention, ii) National Defense, and iii) Economy, Promotion and Tourism, upon request of a party”* (Morgado, 2020, p.313).²² However, the *convenio colectivo* is a different thing, it does not concern exclusion from the right to strike due to vital needs of the population. The *convenio colectivo* can be reached by any trade union of its own free will. As a general rule, trade unions are free to choose the type of collective agreement they want to negotiate.²³ It is obvious that employers push to negotiate *convenios colectivos*.

In the eighties, the Federal Labour Court in Germany took a position that understood the strike *“as a means of pressure absolutely necessary in collective bargaining”* (Weiss, 1995, p.158), and that without the possibility of striking, collective bargaining would be nothing else but ‘collective begging’. Following the same logic, Maturana and Mac-Clure (1992) have called collective bargaining without the right to strike *“no pressure bargaining”*.

²²Art. 362, 2017 labour code. Some examples are: electricity, water, and gas companies.

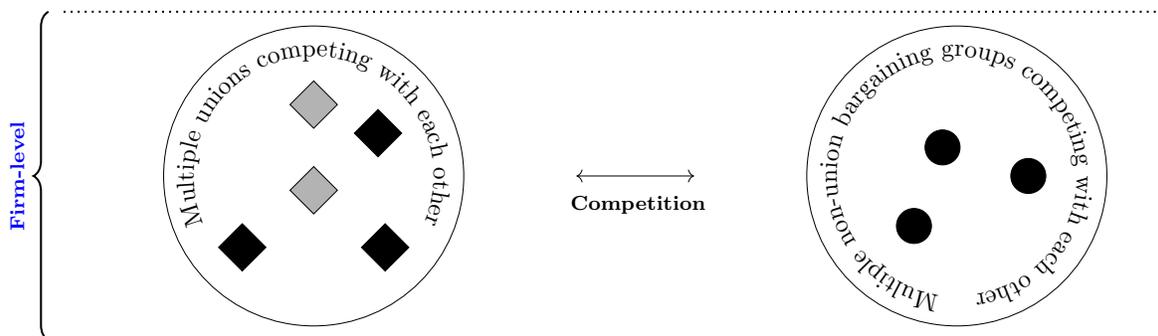
²³There are some exceptions. For instance, inter-firm unions between early 1990s and 2016 could only negotiate *convenios colectivos*.

4.3.3. Extreme organisational pluralism

The third institutional pillar relates to what the dictatorship called the “trade union monopoly” (Piñera, 1990). As discussed in Chapter 3, in the pre-Pinochet industrial relations system, most unions were also formed at the firm level. Still, they had no competition, they were single unions, which in the view of Pinochet and those who designed the *Plan Laboral*, represented a dangerous concentration of power.

To break the so-called monopoly and bring ‘freedom to workers’, the principle of multiple representative bodies with the right to bargain collectively was established (all of them with voluntary membership). This principle was implemented not only by allowing competing multiple unions but also by allowing competing multiple unions with multiple non-union bargaining groups. Figure 4.6, illustrates this.

Figure 4.6: **Extreme organisational pluralism**



Source: Own presentation. black squares: Firm-level unions; gray squares: Inter-firm unions; black circles (small): non-union bargaining groups

Unlike trade unions, bargaining groups’ existence is limited to the duration of the collective bargaining round (one or two months), after which the group is dissolved (it requires a minimum of 8 workers to establish a group).

By allowing multiple collective agreements to be signed by multiple firm-level trade unions, multiple inter-firm unions and multiple groups of workers, the “*military regime enabled employers to pursue a divide and conquer strategy vis-a-vis workers*” (Alemán, 2010, p.117).

When the *Plan Laboral* was decreed in 1979, union leaders soon understood the new rules’ meaning.

“We reject it because it tends to atomise and minimise union organisations by creating ‘little baby-unions’ with workers from up to 10% of the company. These little baby-unions do not have any collective bargaining power” (Roberto Arredondo, the *Grupo de los Diez*, quoted in [Páginas Sindicales, 1979](#)) [translation from Spanish].

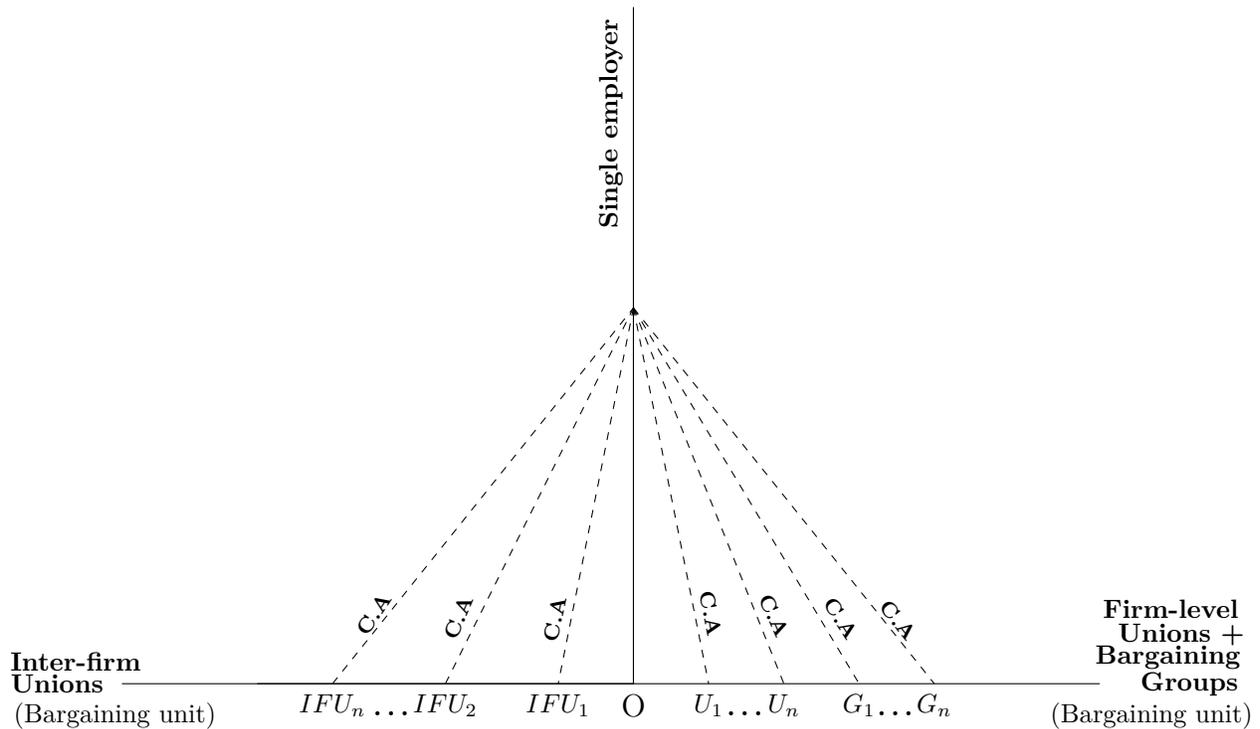
“We workers now know that the government wants to divide and atomize us into thousands of small, weak and underfunded unions, so that there can never be a strong, united and representative trade union movement” (the *Grupo de los Diez*, quoted in [Páginas Sindicales, 1979](#)) [translation from Spanish].

The labour reforms of 2001 and 2016 limited the scope of action of bargaining groups. In addition, reforms altered the quorums to establish firm-level unions, without eliminating the possibility of multi-union competition.

Figure 4.7 illustrates how the third institutional pillar fragments collective bargaining. It shows a graph where the horizontal axis represents the bargaining unit on the workers’ side and the vertical axis represents the firm as the bargaining unit on the capital side. The left panel represents collective bargaining between the inter-firm unions and a single employer. Until 2016, employers had the right to refuse the call to bargain from the inter-firm unions. In addition, an inter-firm union, although could be considered in some specific cases an industry trade union in Chile (e.g. SINTEC in Construction) often has competition, as in the case of the firm-level trade unions. Therefore, the employer can sign as many collective agreements as the number of inter-firm unions coming to bargain. In turn, the right panel shows the

fragmentation of collective bargaining but within workers' bargaining units which are located exclusively at a specific firm (firm-level unions as well bargaining groups).

Figure 4.7: **Multiple firm-level workers representation**



Legend: C.A = Firm-level collective agreement. IFU = Inter-firm union. U = firm-level union. G = bargaining group.

Source: Own elaboration.

4.3.4. Depoliticisation of unions

The fourth pillar is depoliticisation of unions. A snapshot of what the *Plan Laboral* would look like in this regard can be seen in the opening speech of Colonel Sergio Badiola in the context of a trade union school in 1977, organised by the dictatorship during the repression period: *“we want the union leader to be concerned with the problems of his union, with concerns about working conditions, including economic issues, and not be worried, of course,*

with the political problems, of fixing Chile and the world” (Gazut, 1977) [translation from Spanish].

The colonel’s statement, filmed in a Swiss television documentary, contained a questioning of the political role of the unions. By arguing that unions should not bother to fix Chile and the world, the colonel made clear a political view completely different from the role that unions had had under Allende, where they were seen key actors in transformation of society.

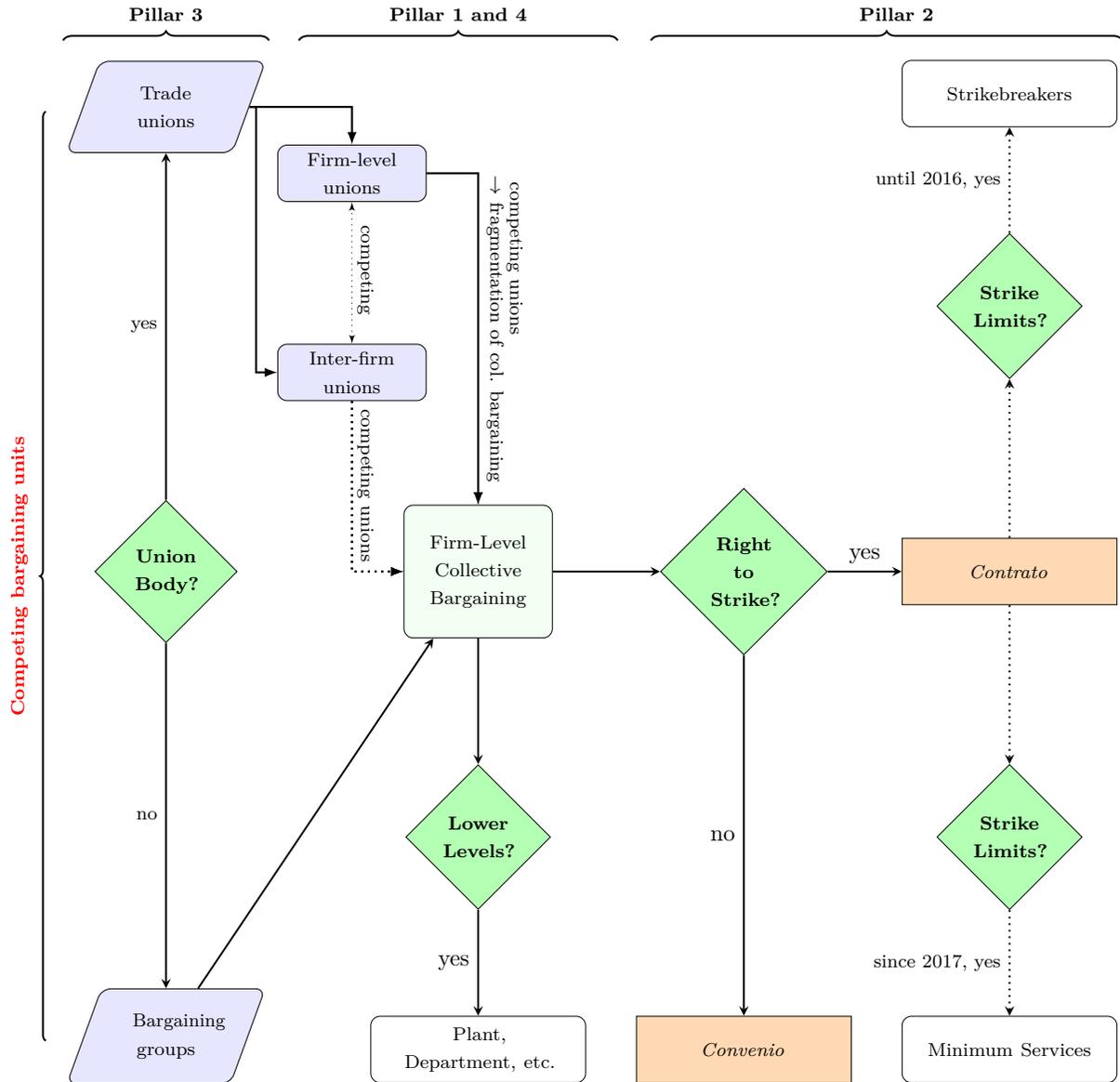
A main instrument to downgrade the role of the trade unions in society was the restriction of collective bargaining to the firm level. While multi-employer bargaining, *“aggregates the interests of employees and employers to negotiate other issues besides wages at the industry or national level” (Bosch et al., 2010, p.99)*, fragmented bargaining at the firm level alone reduces the content of what is possible to discuss, and as a result the voice of the workers becomes weaker in shaping and influencing labour policy.

With the *Plan Laboral*, numerous issues were excluded from bargaining including *“all matters that may restrict or limit the employer’s exclusive right to organise, lead, and manage the firm, and those external to the firm” (Durán-Palma, 2011, p.123)*. Negotiations over other issues such as working time, health and safety, the organisation of the working process, etc., were from then on not allowed and unions lost the possibility to influence the work organisation and work process.

The depoliticisation of trade unions was also the result of society’s exposure to the dictatorship’s shock policy of repression against politicised trade unionism. The diagnosis of Volker Frank in this regard is that, *“unions were forced to rely much more on their own ideas, creativity and negotiating skills. This reduced the level of politicization within the labour movement and among rank-and-file union members and individual unions at the workplace” (Frank, 2015, p.184) (underlining added)*. Instead of a positive caveat [the idea of their own creativity], the quote reflects a critical issue: since trade unions could only move within a straitjacket, such a creative and political thinking was in fact severely restricted.

The following diagram summarises the four institutional pillars discussed so far.

Figure 4.8: **Operationalisation of the pillars 1, 2, 3 and 4**



Source: Own presentation.

4.3.5. Other important pillars

Alongside the four ‘original’ pillars described above, there are at least three other pillars whose origins also date back to the period when the *Plan Laboral* was decreed and which are also legal exit options for employers seeking to challenge the bargaining power of workers.

4.3.5.1. Outsourcing at all levels

The first is outsourcing, specifically the **outsourcing of the main activity**. In 1979, Pinochet repealed Law 16757 (in force since 1968) which “*prohibited work inherent to an enterprise’s main and permanent production from being carried out by contractors*” (Narbona, 2015b, p.21) [translation from Spanish]. That law also included a prohibition on subcontracting the maintenance of the equipment (Echeverría, 2006). The repeal of Law 16757 fully liberalised subcontracting, both in terms of type (auxiliary and main activities) and location (on-site subcontracting is allowed). During 1979, Law 16624, which ensured equal pay, working conditions, and social rights between permanent and outsourced workers in the mining sector was also repealed (Pérez, 2020).

At the end of 2006, as a reaction to the events that had taken place with the subcontracted workers’ unions and the state-owned mining enterprise *Codelco*, Law 20123 to regulate subcontracting was enacted. Since then, companies that subcontract work are ‘jointly and severally’ liable for the social security and occupational safety obligations of outsourced workers. Temporary employment agencies were then included in a national directory to tighten state control over them. Although it was requested by the trade unions, this law did not re-incorporate the legal provisions abolished in 1979 to prohibit subcontracting of the main activity, but instead promotes the use of the outsourced labour within a specific legal framework (Pérez, 2020).

While there is a global tendency to fragment the workforce (Weil, 2014), what seems to be particular to the Chilean case is the combination of these forms of fragmentation and the legal constraints related to the level at which collective bargaining takes place and the other main institutional pillars.

4.3.5.2. High flexibility for employers to dismiss

The second is **high flexibility for employers to dismiss**. In 1978, Law Decree 2200 repealed the law on relative job stability and introduced free dismissal without cause. In addition, Law 18018 (1981) eliminated the severance payment of “*one month for every year’s service*” (without limit of years) and introduced a threshold of 5 years for severance payments (Narbona, 2015a).

After the end of the dictatorship, discretionary dismissal was repealed and, in exchange, Law 19010 (1990) allowed dismissal for just reasons, one being the so-called “*economic necessities of the enterprise*” (Art. 161, 2017 labour code).

In relation to the severance payment, during the first years of the '90s, the post-dictatorial government increased the threshold up to 11 year of service.²⁴

Although present in other countries, in Chile the cause ‘economic necessities of the enterprise’ is considered by Frank (2002) to be a vague ground allowing firms a relatively high degree flexibility to dismiss workers. Employers merely need to argue that dismissal was necessary.

²⁴If employer invokes ‘necessities of enterprise’ as the sole reason for dismissal, the severance should increase by 30%, which, compared to the increase obtained for the other causes, is the cheapest one (Rojas-Miño, 2020).

4.3.5.3. Collective bargaining rights denied to certain workers

The last but not least important institutional pillar is **the exclusion of certain workers from collective bargaining**. There can be both explicit and implicit exclusion. Regarding the former:

1. Collective bargaining is prohibited in micro and small firms that have been in operation for less than 18 months. “*This period is reduced to 12 months in the case of medium size enterprises, and 6 months for large enterprises*” (Morgado, 2020, p.255).
2. Workers with labour contracts by task or specific services (the so-called *contratos por obra o faena*) are entitled to participate in collective bargaining only when the task or the specific services last more than 12 months (Art. 365, 2017 labour code). If so, they can only negotiate *convenios colectivos*, i.e. they have no right to strike (see figure 4.8). Since the labour code allows employers to split the firm level into different legal entities (see sub-section 4.3.1), they can ‘cut’ a project into different phases (lasting less than 12 months) and assign each phase to a different legal entity²⁵ and, in this way, can exclude workers from collective bargaining.
3. In firms where there are special laws prohibiting it.²⁶

Regarding implicit exclusion, this refers mainly to, the unrealistic rules for establishing unions in micro and small firms.²⁷ In these cases, for the formation of a trade union, the labour code establishes a quorum of at least 8 workers representing 50% of the workers in the firm (Art. 227, 2017 labour code). The second implicit exclusion refers to the fact that the

²⁵ “*This is a very common fraud in practice that neither the pronouncements of the Labour Directorate nor the repeated verdicts of the Supreme Court have been able to put a stop to*” (Durán, 2016, p.6) [translation from Spanish].

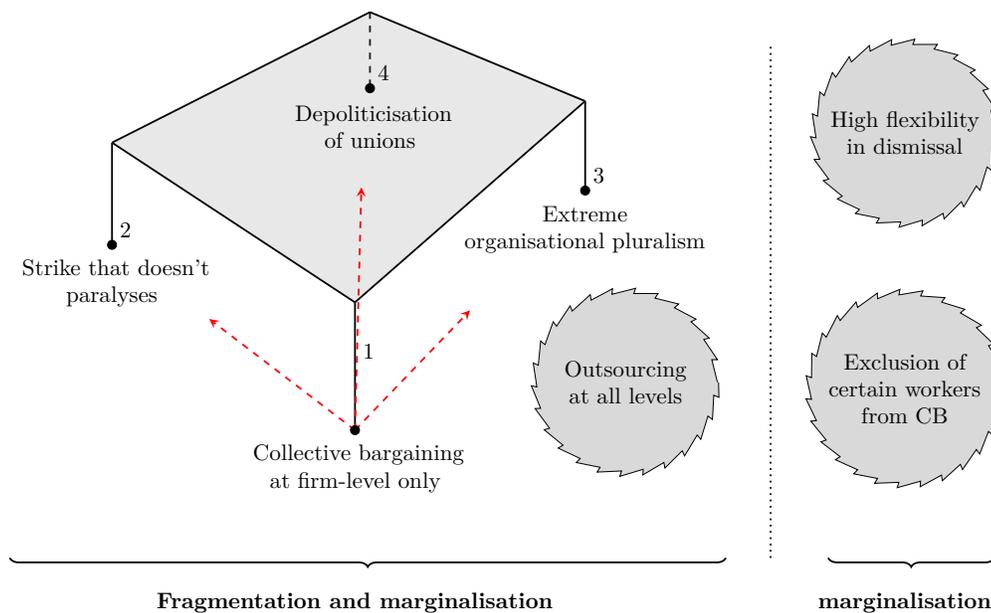
²⁶The labour code leaves open the possibility of such a prohibition. However, it makes no reference to pre-existing laws prohibiting it.

²⁷Here, less than 50 workers.

labour code allows the client firm to terminate the civil contract with contracting company in the event of a strike by workers of the latter. As Emilio Morgado pointed out, “the reformed labour code states that collective bargaining in a contractor or subcontractor shall not affect the management powers of the principal enterprise, which may execute, either directly or through a third party, the provision of the subcontracted work or service which has ceased to in the event of a strike” (Morgado, 2020, p.256). This represents an implicit exclusion because subcontracted workers threatened with losing their jobs (due to a strike called by the union) may refrain from joining unions.

The following diagram summarises what I have described so far the main institutional pillars of the Chilean industrial relations system which, in the light of the above analysis, represent institutional power resources of employers to limit the workers’ power resources. A distinction is made between pillars tending to yield fragmentation and marginalisation and those yielding mostly marginalisation of collective bargaining.

Figure 4.9: **Fragmentation and marginalisation of collective bargaining (CB)**



Source: Own presentation. Explanation in the text.

4.4. Corporate strategies to fragment the workforce

In Chile, as in most capitalist countries, large workforce can be fragmented by employers through the use of a variety of corporate strategies (Weil, 2014). For the Chilean case, at least 3 corporate strategies can be identified: i) through daughter firms (subsidiary companies) that undertake the whole business at a geographical level, ii) through daughter firms that undertake specific functions of the business, and iii) through outsourcing practices.

In the first case, a firm with activities dispersed across different geographical locations (e.g. different stores) is divided into different legal entities geographically established. The usual way to do this is via the holding-subsidiaries model. Customers perceive the company as one entity. The company is actually composed of many legal entities. Since the firm is defined (under Chilean law) as a legal entity, employers can fragment collective bargaining at their will in territorial legal entities.

A flagship example of this type of corporate strategy could be seen until the year 2011 in a well-known supermarket chain in Chile called *Lider*. In that case, a different legal entity was used for each store, which belonged to the same holding company (Durán and Kremerman, 2007). By doing so,

“the same corporate policies decided by the firm apply to all those workers employed by these different legal entities. The legal entities do not have a different policy, it is the same policy of one centralised firm. We are not talking about many firms, we are talking about many different legal entities belonging to a single firm” (Arturo Martínez, quoted in Cámara de Diputados de Chile (2007) [translation from Spanish]).

Research conducted in 2007 detected more than 50 legal entities of this company in Santiago de Chile alone (Fundación SOL, 2007).

The second corporate strategy to fragmenting the workforce is ‘functional fragmentation’. As in the first strategy, capitalists hold the property rights to the legal entities, avoiding the outsourcing of main activities. However, in contrast to the first strategy, this case is based on functional division: within a same geographical space, one finds different legal entities.

Usually, the owner creates two or more legal entities at the same level, such as an establishment, to implement functional fragmentation (Fundación SOL, 2007). The owner uses one of the entities to hire workers and bargain collectively (eventually); the other entity establishes the commercial relationship with customers and other stakeholders. Sometimes the employees are split up into separate entities according to the function, e.g. warehouse workers, sales-room workers, office workers, etc.

A representative example is the case of the retail company *Cencosud* (Fundación SOL, 2007; Brega et al., 2014). This holding company runs supermarkets and department stores. *Santa Isabel* is one of the brands used by *Cencosud* for the small and medium-sized supermarkets. In each of *Santa Isabel*’s stores, *Cencosud* uses at least two entities: for customer relations, it uses *Cencosud Retail S.A.*; for relations with its workers, it uses 4 entities depending on the geographical area where the stores are located: *Santa Isabel Administradora Norte Limitada*, *Santa Isabel Administradora Centro Limitada*, *Santa Isabel Administradora Limitada*, *Montecarlo Administradora Limitada*.

Another example is the case of *Supermercados Unimarc* in the year 2007. In this case, fragmentation was carried out through many legal entities within the same store (Durán and Kremerman, 2008b). This example corresponds to the *Vitacura* store, operated by *Unimarc* through 13 legal entities (all of them owned by *Unimarc*). According to the trade union leaders, small supermarket personnel groups were employed by each entity (depending mainly on the function of each worker). For instance, there were four entities for the checkouts, another for security, another for client attention, another for warehouse facilities, etc.

Given the difficulties that this corporate strategy generates in the workers’ organisation, José Luis Ugarte, a professor of Chilean labour law, has stated:

“... the purpose of this fraud is obvious: to divide workers so that they cannot bargain collectively in a single process with strength and unity despite working for the same employer” (Ruay-Sáez, 2018, p.175) [translation from Spanish].

The third corporate fragmentation strategy is outsourcing fragmentation. The key aspect of this strategy lies in the outsourcing of the core business, usually on-site. Outsourcing is understood here as following a broad definition, *“a process in which a company purchases from outside firms goods and services which the company might otherwise have employed its own staff to produce” (Magnani and Prentice, 2009, p.460).*

The on-site outsourcing of the main activity has been recurrent in telecommunications (Kremerman, 2005), copper mining (Servicio Nacional de Geología y Minería, 2018) and the forestry industry (Durán and Kremerman, 2008a). In retail industry, an example of this strategy was revealed in 2003 when a department store was discovered by the Labour Directorate to be using more than 150 subcontracting companies in one of their store shops in Santiago (Skoknic, 2008). The case of subcontracted workers in the Coca-Cola distribution chain in Santiago de Chile is an illustrative example of this strategy. There, the entire distribution process is outsourced by *Transportes Andinas Refrescos Ltda* (which is a daughter legal entity of the Coca Cola bottling company in Chile [*Embotelladora Andina S.A*]) to small contractors who, in turn, subcontract their work to a second layer of subcontractors.

If one takes into account the combination of this fragmentation strategy with the institutional pillars of the industrial relations system described in Section 4.3, a serious challenge for unions can be seen.²⁸ Since multi-employer collective bargaining is banned, the bargaining structure at the firm level may be extremely fragmented. Besides, taking into account Pillar 3 - *extreme organisational pluralism* - a single workspace can have multiple unions linked to core workers plus multiple unions linked to outsourced employees, plus multiple bargaining groups hired both directly by the firm and by contractor companies.

²⁸In the case of the Coca Cola workers, Ayala and Ratto (2018) describe some of the resistance strategies.

4.5. The quantitative picture of industrial relations

The above analysis of the main institutional pillars of the industrial relations system as well as of the corporate strategies used to fragment the workforce, has thus far shown that the new institutional framework under the Pinochet regime condition marginalised and fragmented collective bargaining. Thereby the Chilean state did not support the building of strong and unified unions. Quite the contrary: it reduced the scope of trade union action by allowing only company-based collective bargaining and increased the competition experienced by the already weak unions to weaken them further. One would naturally expect such a restrictive institutional framework to have strong impacts on the union density and the number and size of unions. This section will empirically review the developments seen in those indicators during the last four decades. To better understand the quantitative picture of trade union organising power, the end of the section also examines the composition of trade union membership and its evolution over the years.

4.5.1. Union density

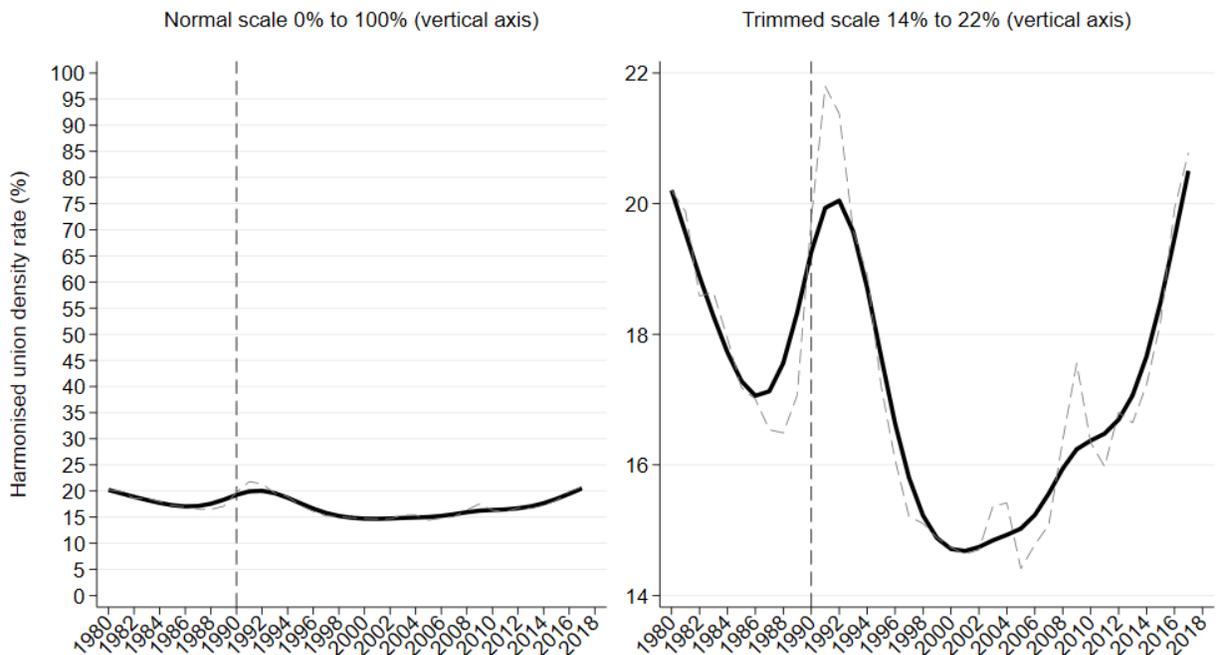
The 1973 coup d'état ended the phase of rapid increase in trade unionism membership (mid-1960s until 1973). Pinochet suspended collective bargaining immediately upon taking power, and although unions were not formally forbidden, they remained mostly inactive until 1979 due to the repression period. In the 1980s, once the *Plan Laboral* established the new labour institutional framework, union membership fell to just under half of the 1972 figure, to 328,874 members, which was equivalent to a trade union density of 20.2% (private sector).²⁹

²⁹Private sector employees represent between 85 and 90% of all employees (own calculation based on CASEN 2017) and are the group directly exposed to the main pillars of the industrial relations system.

The graph below shows the development of the union density in the private sector from 1980 to 2018. Two versions are presented for the same dataset: the first, with the original scale on the vertical axis, shows relative stability at a low level. The second (right-side panel), with a modified scale, allows the reader to zoom into the narrower range of variation and shows a period of decline and then a period of revitalisation.

Between 1985 and 1992, union membership almost doubled in the private sector. It increased from 309,541 to 602,435 members; however, since employment also nearly doubled, the union density did not change substantially (17.2% vs. 21.4%).

Figure 4.10: **Harmonised union density (%), private sector**



Source: Own elaboration based on [Espinosa \(1996\)](#); [Salinero \(2006\)](#); [Díaz et al. \(2016\)](#); [Dirección del Trabajo \(2019a\)](#). The thick solid black line is the trend component drawn from a Hodrick-Prescott filter. Harmonisation method in [Appendix A.1](#).

Some authors ([Radrigán, 1999](#); [Dussailant, 2008](#)) suggested that this increase was especially linked to the end of dictatorship and the prevailing idea of more democratisation.

“The prevailing idea in those years was that democratisation was achieved through participation, a more equitable Chile will be built, ‘happiness is coming’, etc.” (Radrigán, 1999, p.10) [translation from Spanish].

From 1992 until 2001, the union density, however, systematically decreased from 21.4% to 14.6%. The following factors should be considered in order to understand this decline.

First, the decrease was related to the defeat of the CUT in the tripartite social dialogue organised by the government. In this tripartite dialogue, the employers refused any profound change in labour legislation and the CUT, the highest body representing workers, subordinated itself to achieving ‘what is possible’ (Radrigán, 1999). As a consequence, Salinero (2006) points out about the increasing use of anti-union practices, especially in relation to the dismissal of union leaders and organisers.

Second, there was a structural change in the sectoral composition of economy. The return to democracy meant a shift towards a service-oriented economy, though keeping the condition of being an exporter of raw materials. As a consequence, union membership, which was traditionally associated with male-dominated industries, shifted towards service industries, which became progressively more female-dominated. The shift towards a service-oriented economy was boosted through an aggressive commercial policy effected through the signing of a myriad of free trade agreements that increased competition between companies, both in the internal and the external markets (Dussillant, 2008). Capital reaction to increased competition was to move towards higher shares of market concentration and process fragmentation (Radrigán, 1999).³⁰ With the main pillars of the *Plan Laboral* still in force, company process fragmentation meant union and collective bargaining fragmentation.

Third, the decrease was also related to inflation control. By 1995 inflation was close to 7%, an historical low record for Chile. To some extent, this outcome set a new frame

³⁰Arturo Bronstein (1995) found similar developments in other South American countries: the return of democracy meant better conditions for unions while increased competition meant the opposite.

for union action, the implicit message for workers was: ‘one of the main goals of the trade union movement is now (finally) solved by the Central Bank, which in turn has become independent of the governments in office’. This implicit message contrasted sharply with one of the historical roles of Chilean trade unionism, which had always been to recover the purchasing power of wages in the face of high inflation.

Fourth, from 1990 until 1998, the country stood out for a high economic growth rate that averaged 7.1% (French-Davis, 2014) while the poverty rate declined considerably (from 68% in 1990 to 42.1% in 1996 and 36% in 2000)³¹. In this context, union leaders encountered a working class culture more devoted to individualism and consumerism (real wages rose for the first time since the early 1970s), which pushed out class solidarity values (Drake, 2003) and plunged workers into deep depoliticisation (Radrigán, 1999). In all of this it is impossible to ignore the role of two pillars of the industrial relation system: collective bargaining restricted to the firm level or below, and depoliticisation of unions.

Fifth and finally, the Asian financial crisis and its impacts on unemployment (market place bargaining power) contributed to job instability, which has a correlate in lower unionisation, as suggested by Salinero (2006).

Around 2004, a boom in the price of raw materials began, particularly in copper mining, where the traditional stronghold of the trade union movement in Chile is located. With a high price of raw materials, about 2006, a series of strikes in ‘strategic’ sectors of the economy took place. Their distinctive feature was that they were not organised by the core workers but by marginalised and precarious groups, such as the copper subcontractor workers’ movement (2007), dockers (2004, 2012), outsourced forestry workers (2008), and salmon workers (2008).

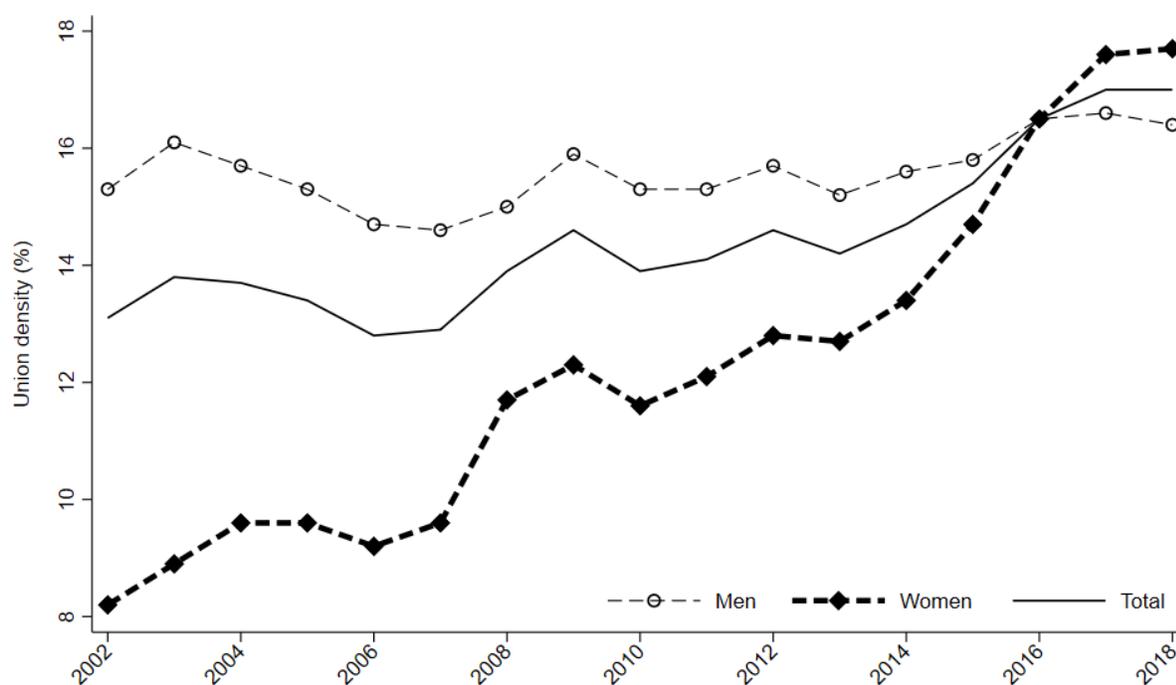
The cycle of labour strike revitalisation began in 2006 and lasted for almost 10 years (with varying intensities at industry level). The bulk of literature agrees on revitalisation

³¹Updated figures (UNDP, 2017).

being a union-induced rather than institutionally-induced process (e.g. labour reforms).³² This means that the moderate union revitalisation lay in organisational power rather than institutional power resources during this phase.³³

The evolution of union density between 2002 and 2018 shows marked differences between men and women. For men, union density increased marginally (Figure 4.11). By contrast, union density for women grew considerable between 2002 and 2018 (from 8% to around 18%).

Figure 4.11: **Union density (%), total and by sex**



Source: Own elaboration based on [Dirección del Trabajo \(2019a\)](#). Here, private and non-private sector. Private sector by sex was not possible to obtain.

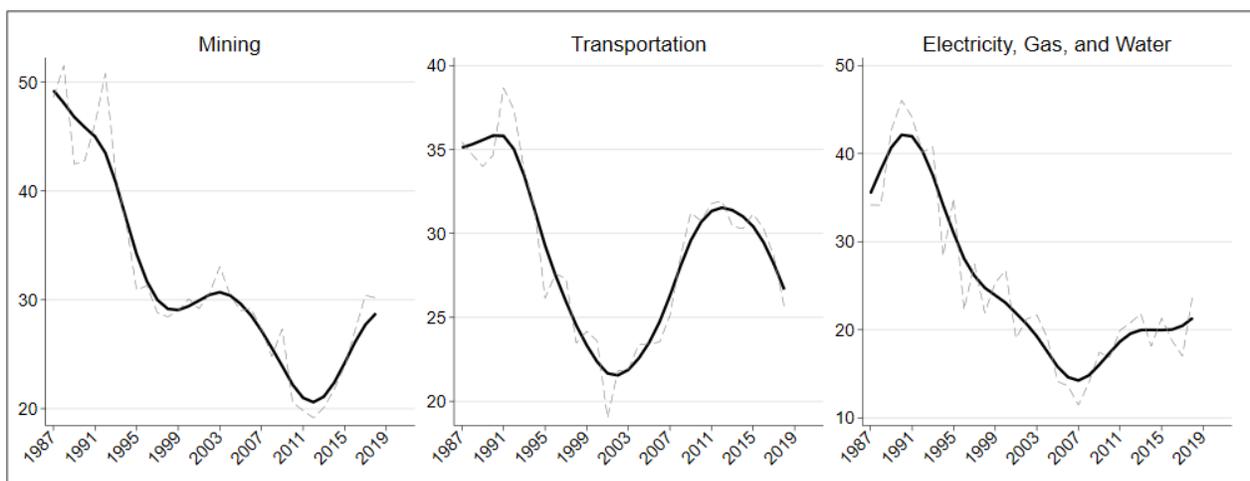
³²Union revitalisation has been studied from different angles in different industries. Among others, some of the works include, [Calderón \(2008\)](#) [outsourced mining workers], [Aravena and Nuñez \(2009\)](#) [mining, forestry and salmon workers], [Muñoz-Bank \(2017\)](#) [Walmart workers], [Ayala and Ratto \(2018\)](#) [Coca Cola loading and unloading workers], [Pérez \(2019\)](#) [Mining and Supermarkets workers].

³³It should also be mentioned that during this phase and until the global financial crisis of 2008, workers increased their marketplace bargaining power due to a general reduction in the unemployment rate.

This catch-up path in terms of union densities reveals differences in the propensity to join unions between men and women. It seems that new women entrants into the labour market were more likely to join unions (compared to new men entrants). This may be related to the relatively worse working conditions of women (Brega et al., 2015; Barriga et al., 2020) and also to the fact that the organising power of unions was more effective in women than in men.

Along differences between men and women, Chilean figures show heterogeneity between industries. In 2018, mining, transportation and ‘electricity, gas, and water’ exhibited union densities above the national average. These three industries share as a common feature that their workers enjoy greater workplace bargaining power compared to other industries. This structural power resource was exerted by workers during the strike cycle resulting in state intervention to re-establish the supply chain. Surprisingly, in all three sectors it can be seen that even with the cycle of strikes, there was a drop in union density during this phase. For the moment, it can be hypothesised that the restricted institutional framework combined with the use of corporate strategies were counteracting factors.

Figure 4.12: **Harmonised union density (%), private sector, selected industries**



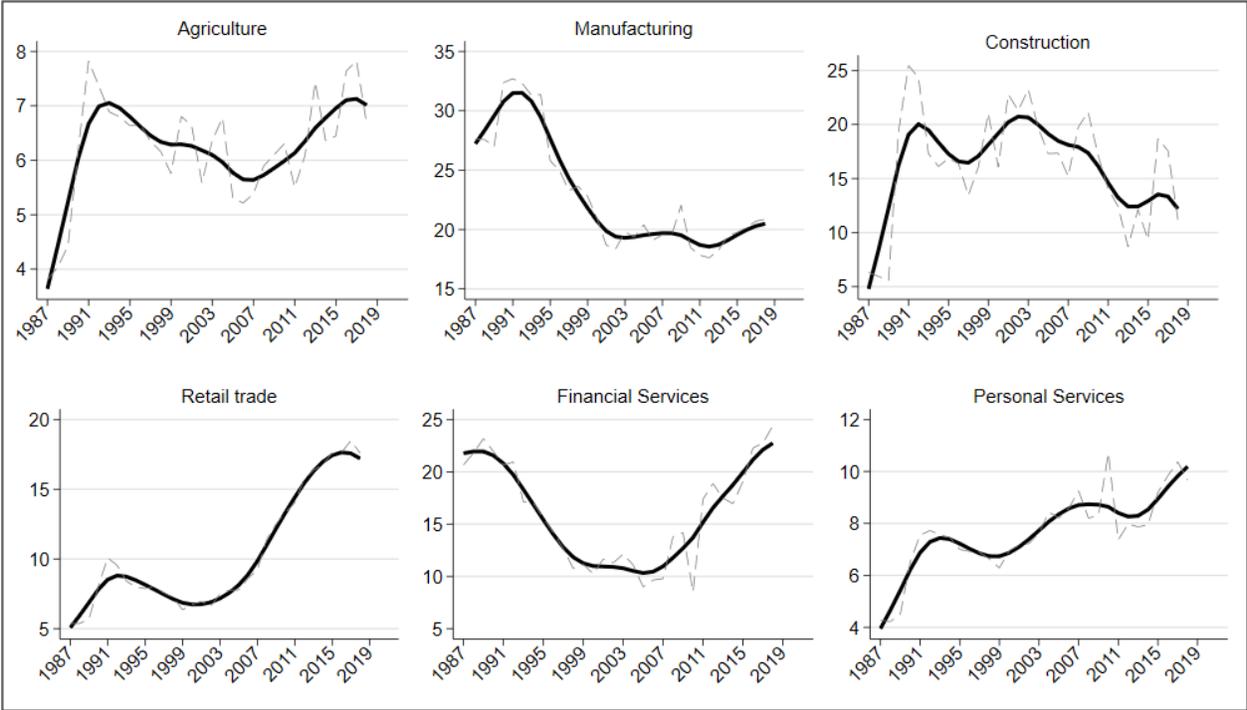
Source: Own elaboration based on figures from Labour Directorate, National Employment Survey and Díaz et al. (2016). The thick solid black line is the trend component drawn from a Hodrick-Prescott filter.

In its turn, agriculture showed less than 10% of union density in 2019, without significant fluctuations during the last three decades. In this case, the institutional framework explicitly marginalised workers from collective bargaining. Only in the 2016 labour reform did workers in agriculture gain the right to negotiate collectively, nonetheless without the right to strike.

Between 2000 and 2019, manufacturing stood at around 20%. Construction showed around 15% union density in 2019, and a downward trend.

Retail trade, financial services, and personal services seem to be the three main drivers of the trade union revitalisation which started in mid-2000s. Since nothing special happened in terms of the institutional power resources for the workers in these industries, it is evident that the root of such revitalisation was a gain in organisational power resources and especially in the organising of women.

Figure 4.13: **Harmonised union density (%), private sector, selected industries**



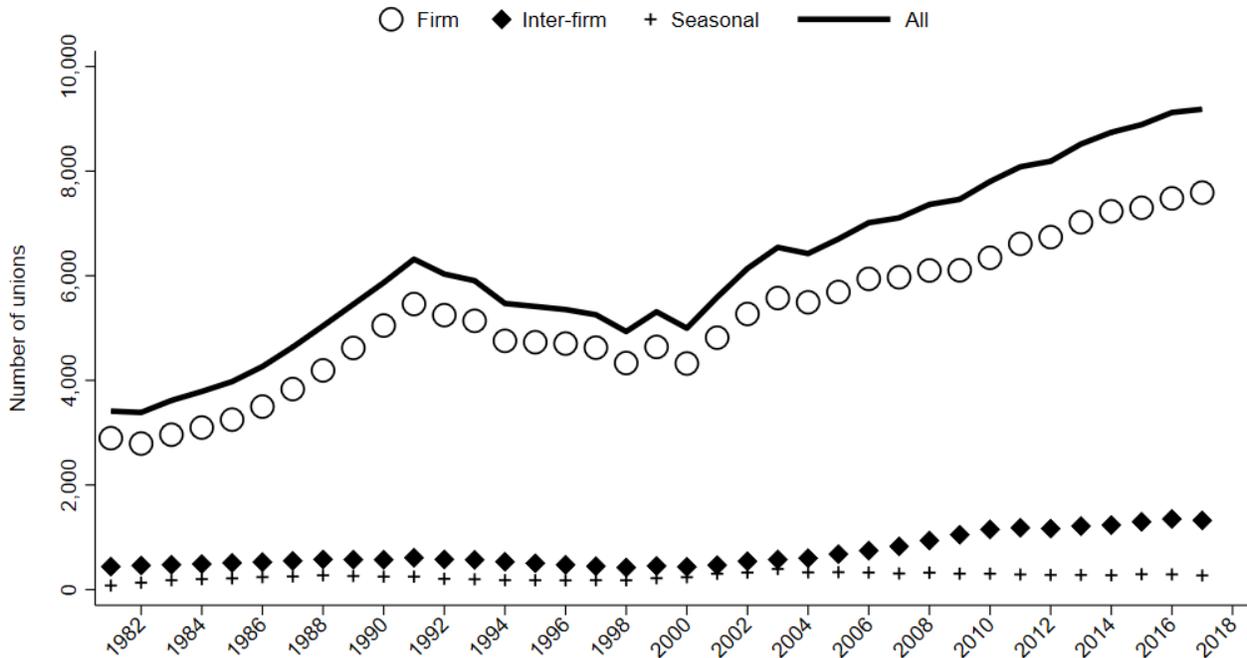
Source: See Figure 4.12. The thick solid line is the trend component drawn from a Hodrick-Prescott filter.

4.5.2. Quantity and size of unions

Union density is an important measure of organisational power resources of workers but gives a broad picture of it. In this way, the number of unions and their size can add valuable insights.

Figure 4.14 shows that between 1981 and 2018 the total number of trade unions increased from 3,412 to 9,184 (see thick black line for the total). Since union density was nearly the same in 1981 and in 2018, this expansion in the number of unions meant an increase in trade union and collective bargaining fragmentation. Three trends can be seen. The first, from 1981 to 1990, where unions grew as part of the phase of implementation of the *Plan Laboral*, then, between 1991 and 2002, the number of trade unions decreases slightly and from the 2000s to 2018 can be seen the third trend, this time upward.

Figure 4.14: **Number of trade unions by type of union, private sector**



Source: Own elaboration based on Frías (1993) and Dirección del Trabajo (2019a).

One can see in Figure 4.14 that a turning point occurred in the speed of union fragmentation at the beginning of the 2000s. One can see that between 2001 and 2005, when trade union density grew marginally (almost unchanged), the number of unions grew significantly.

The backdrop to this increase is the 2001 labour reform, in particular the introduction of legal provisions limiting collective bargaining for the non-unionised group of workers (not banned but limited, Art. 314 bis, Law 19759). Thus, while during the 1990s, the competition between unions and bargaining groups meant that around 40% of all collective agreements were signed by the non-union bodies (in 1990 it was around 50%), after the reform, it was close to 20% (Table 4.3). As a consequence, many bargaining groups became firm-level unions, explaining part of the growth in the number of unions for this period.

Table 4.3: **Share of collective agreements by type of bargaining unit**

Year	Bargaining groups	Trade unions
1985	43%	57%
1990	49%	51%
1995	40%	60%
2000	38%	62%
2001	44%	56%
2002	23%	77%
2005	28%	72%
2010	21%	79%
2015	18%	82%
2016	17%	83%

Sources: Own elaboration based on Frías (1991) and Dirección del Trabajo (2019a).

The 2001 labour reform reduced the number of workers needed to form a union, which also increased the propensity of workers to fragment unions.

Analysis of the size of trade unions and the distribution of their membership is possible by processing the SIRELA database.

In 2018, trade unions have a size ranging from fewer than ten members to a maximum of around 13,000 affiliates. However, the vast majority have fewer than 100 workers, with a median of 43. Around a quarter of unions report 100 or more members (Table 4.4).

Table 4.4: **Trade unions distribution by size, private sector**

Membership	Unions	Percent	Cum.
1 to 49	5,037	55%	55.3%
50 to 99	1,875	21%	75.9%
100 to 199	1,113	12.2%	88.2%
200 to 499	752	8.3%	96.4%
500 to 999	205	2.3%	98.7%
1,000 to 1,999	90	1.0%	99.7%
2,000 to 4,999	22	0.2%	99.9%
5,000 and more	9	0.1%	100%
Total	9,103	100%	-

Sources: SIRELA database; processing by the author. Microdata extracted on August 2018.

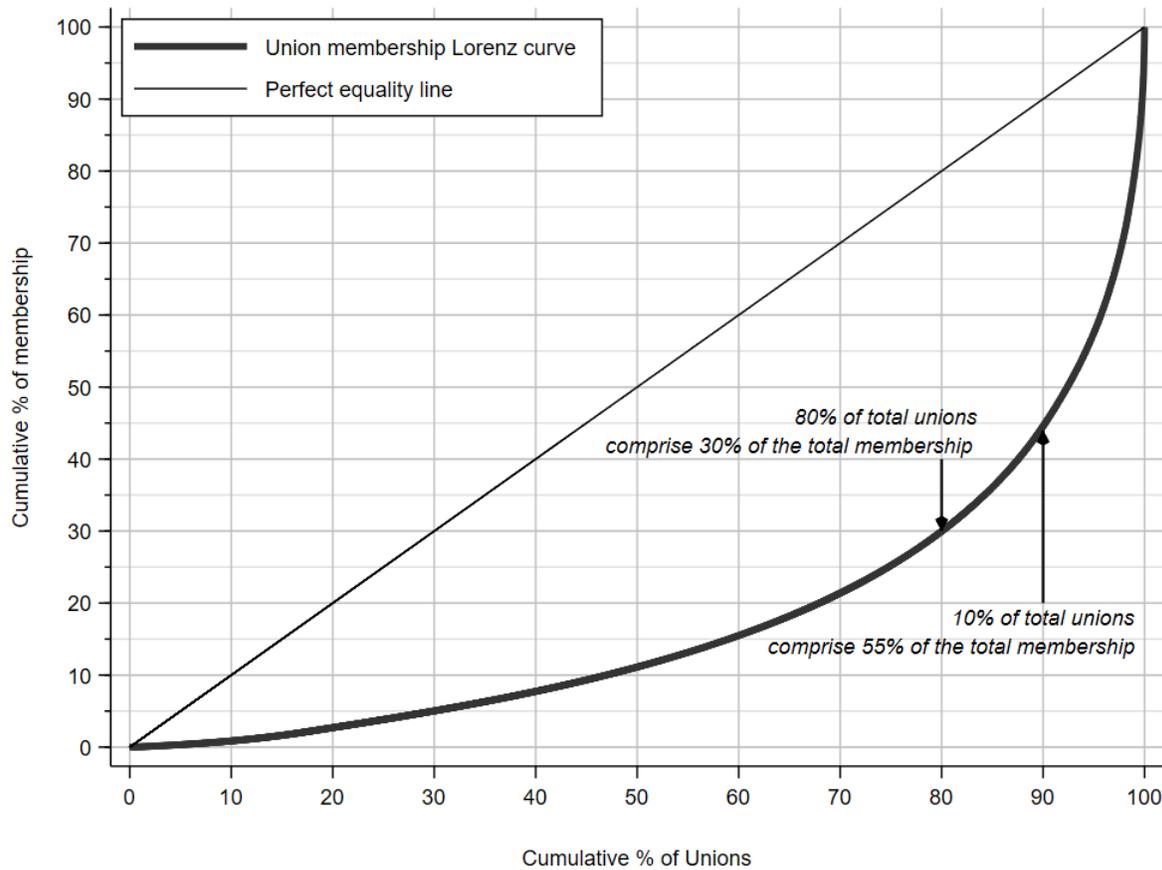
Only 120 out of the 9,103 unions³⁴ count more than 1,000 members, which equates to less than 1.5% of total unions. Furthermore, just nine unions (0.1%) account more than 5,000 associates, and from these nine organisations, four belong to the wholesale and retail trade.

It is evident from these figures that the vast majority of unions in Chile are small or tiny unions.

Figure 4.15 shows the Lorenz curve for union membership. This curve compares the cumulative percentage of membership against the cumulative percentage of unions.

³⁴This total is for August 2018, while the total presented in Figure 4.14 is for the whole year.

Figure 4.15: Unequal distribution of union membership in Chile



Source: SIRELA database; processing by the author. Microdata extracted on August 2018 - Only private sector membership.

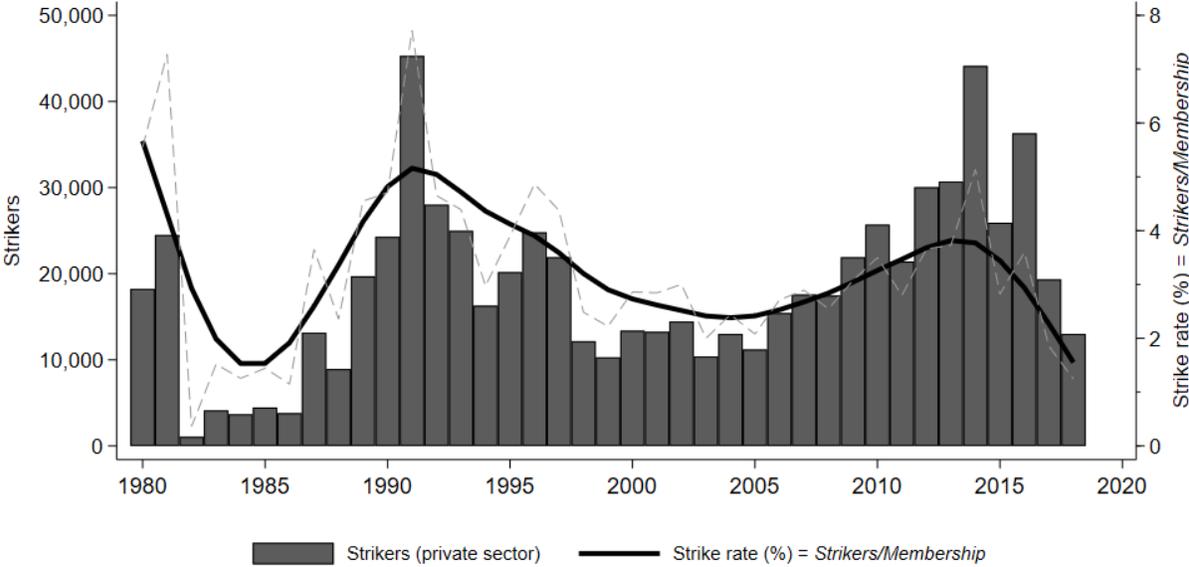
The diagonal line is the theoretical representation of perfectly equal fragmentation of trade unions. In other words, every 1% of the membership is represented in 1% of the unions. The curved line is the visualisation of the real results, i.e. the Lorenz curve. It shows that, considering the 9,103 unions in the private sector registered in August 2018, the bottom 50% have 11.1% of the total union membership, and the upper 20% of unions have 70% of the membership. This result indicates that one needs only the upper 10% of unions to have 55% of the total union membership in Chile. This finding, new to Chilean literature, suggests that along with a atomised union landscape, it is possible to see that a few unions explain most of

the national membership. This means that union membership is unequally distributed across unions. It is an uneven fragmentation.

4.5.3. Strikes

Alongside workers’ numerical power (traditionally represented by union density), [Schmalz and Dörre \(2018\)](#) point out that real membership participation plays a role as a precondition for such a numerical indicator. Strikes, and workers’ participation in them, are one way of measuring real participation.

Figure 4.16: **Strikers (legal strikes) and rate of strikers (%)**



Source: Own elaboration based on OHL database, and figures from Labour Directorate. Thick line represent the trend component after a Hodrick-Prescott filter. Dashed line represents the real value.

Figure 4.16 shows the development of strikes between 1980 and 2018 based on two indicators, the number of workers involved in strikes and the rate of strikers defined as the number of strikers out of the total membership.

These figures of strike action exhibit a similar pace of change compared with the union density for the private sector. It should be noted that the mass of workers participating in ‘legal’ strikes (those regulated by the labour code) was low and did not exceed 6% of the total number of unionised workers (the rate of strikers can be seen in the right side axis of Figure 4.16).

Chile had during the nineties, a low level of labour conflict compared with other South American countries (Bronstein, 1995) and also compared with many developed countries (Cortázar, 1995). This was taken by the government as a sign of success (Narbona, 2015a).

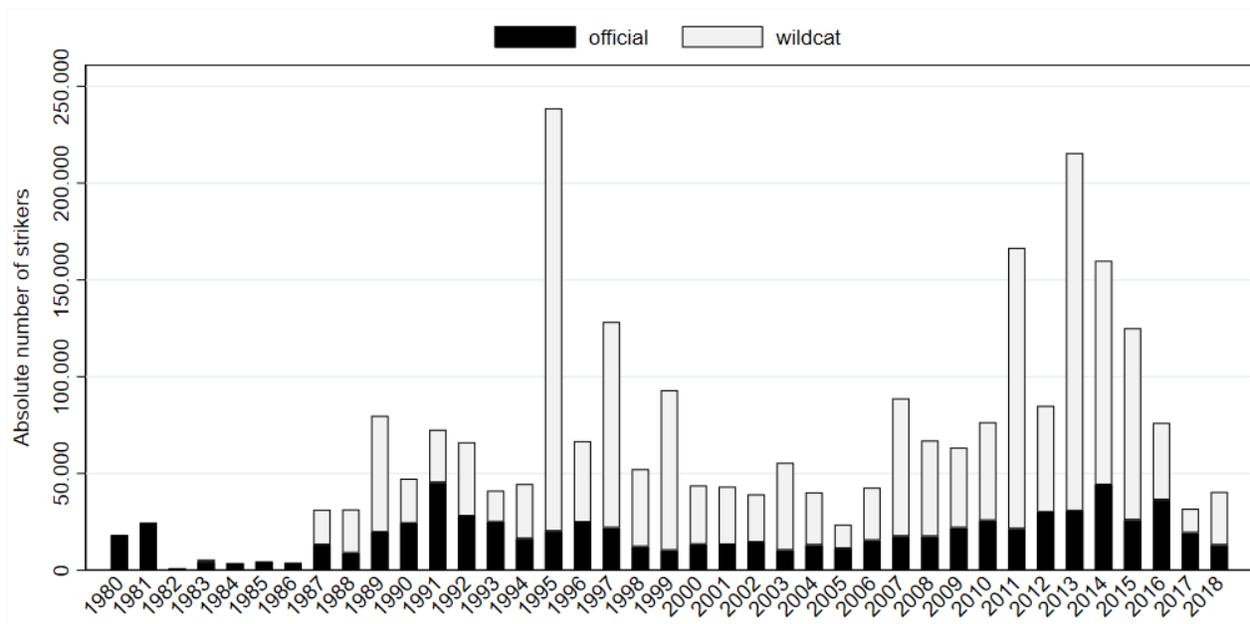
In Figure 4.16 one can also see the impact of the three major economic crises in terms of the structural workers’ power resources. In both the 1982 and 1999 crises, marketplace bargaining power was weakened (because of the increase in the unemployment rate) and this was reflected in a reduction in the strike indicators presented here. However, in the 2009 crisis, the statistics do not reflect a similar impact. This can be understood in part as due to the cycle of strike revitalisation starting in the mid-2000s.

With the return of democracy in 1990, wildcat strikes (or those carried out outside the framework of collective bargaining with the right to strike) also returned.³⁵ Wildcat strikers (also in the private sector) displayed a similar trend to that of strikers engaged in legal strikes.

Figure 4.17 shows that most of the participants in labour strikes were workers who did so outside the procedure regulated by law (Gutiérrez et al., 2020). These figures should be interpreted with caution. The high participation in wildcat strikes is far from uniform throughout all industries. This can be seen in Figure 4.18.

³⁵Wildcat strikes are not new and, as seen in the previous chapter, they also occurred before 1973.

Figure 4.17: **Strikers by type of strike, private sector**

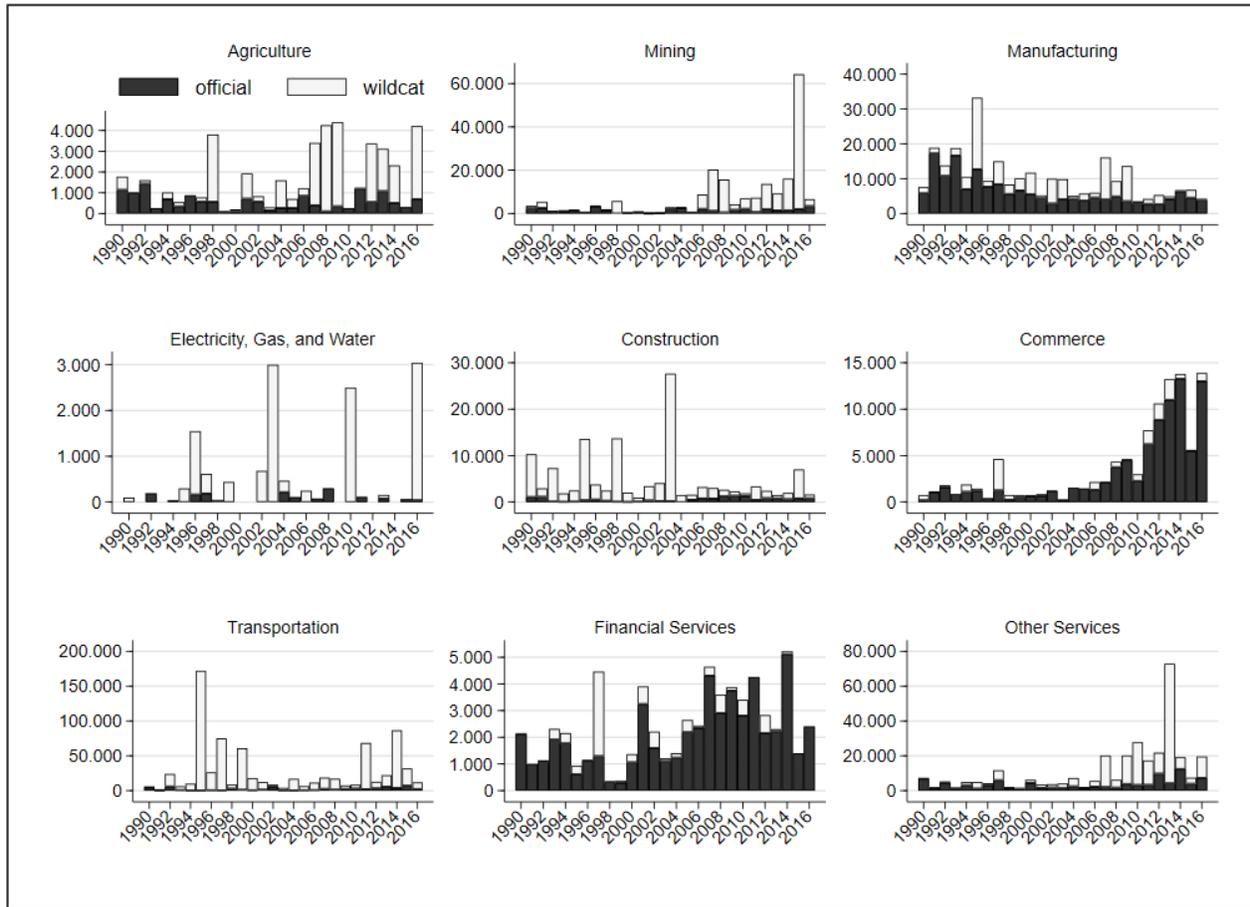


Source: Own elaboration based on OHL Database.

In the mining industry, in transportation, in construction, in electricity, gas, and water, and in certain personal services sub-industries there is a higher share of workers involved in wildcat strikes. Some of these industries have in common that organised workers can exert a high degree of structural power. In mining, this power has been exercised in the past through route blockades (e.g. in 2007 in the case of the state-owned enterprise *Codelco*). In transportation, dockworkers have been exerting a high degree of ‘marketplace bargaining power’ (because of the difficulty of obtaining workers with the same skills).

A common feature of the strike cycle was that most of them were led by inter-firm unions which, as seen in previous sections, were unable (until the 2016 labour reform) to negotiate collective agreements with the right to strike, i.e. they were unable to pursue *contratos*. By exerting structural power, these workers transgressed the limits of the controlling labour law.

Figure 4.18: **Strikers by type of strike and industry, private sector**



Source: Own elaboration based on OHL Database 2018 (Observatorio de Huelgas Laborales).

Although high relative to total strikers, wildcat strikers in the labour intensive industries such as retail, personal services, financial services, and even manufacturing, were still a minority (Figure 4.18), which indicates that Pillar 2 of the *Plan Laboral* has still strong consequences for the vast majority of the unionised.

Still, although the wildcat strikes have not destabilised the institutional pillar of the non-paralysing strike, some authors have argued that its manifestation has had a political impact “*energising the political debate on labour and raising trade union consciousness around working conditions*” (Pérez et al., 2017, p.158) [translation from Spanish].

4.5.4. Collective bargaining coverage

The percentage of employees covered by collective agreements is usually posited as a institutional power resource indicator ([Lehndorff et al., 2018](#)). In the case of Chile where collective bargaining takes place at the firm level or below, coverage should not be greater than the union density in the private sector (since there are no extension mechanisms).

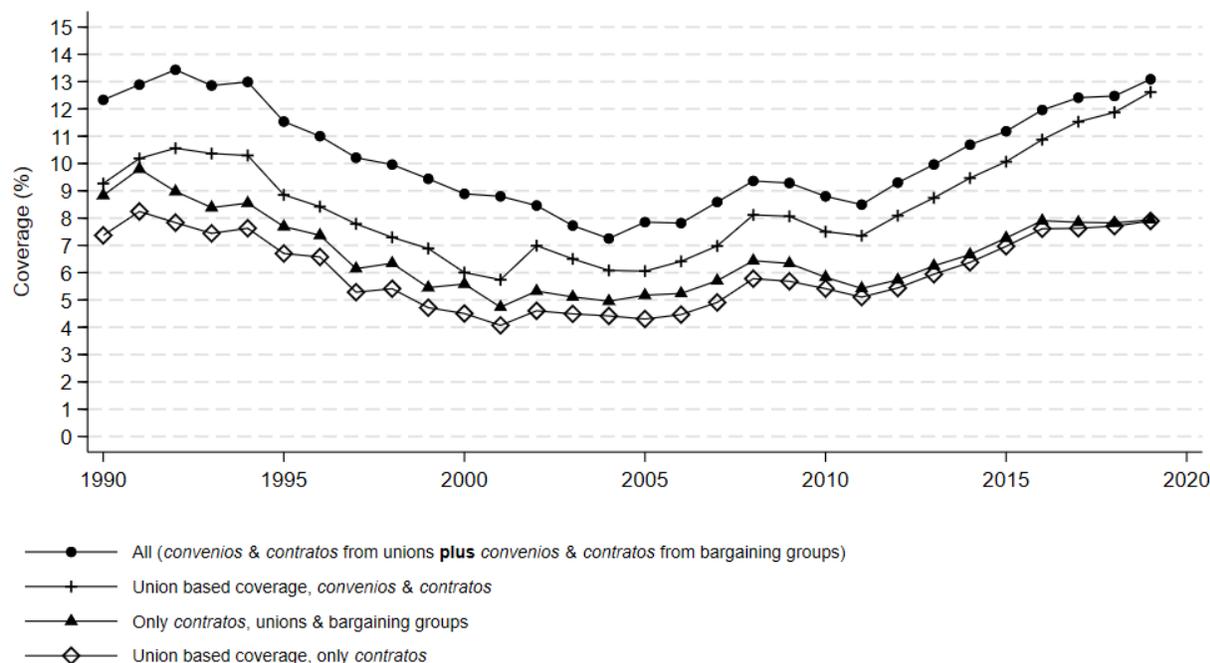
In terms of collective bargaining coverage, in contrast to the figures for trade union density, the Labour Directorate does not give a consistent official time series for collective bargaining coverage for the 1990s onwards, and instead only began publishing the number of workers who would be covered by collective bargaining as of 2010. Between 1990 and 2010, the Labour Directorate only reported the number of workers covered by collective agreements published in each year, but not the number of workers covered by all existing collective agreements. This meant that between 1990 and 2010 reported figures underestimated the actual coverage. In [Durán and Gamonal \(2019b\)](#), the authors proposed a method to estimate the collective bargaining coverage for the period (1990-2015). In their proposal, [Durán and Gamonal \(2019b\)](#) consider also [Maturana and Mac-Clure \(1992\)](#) warning to consider turnover for a more accurate measurement. Figure 4.19 summarises the results.

Figure 4.19 shows that up until the mid-2000s collective bargaining coverage had a downward trend and then a revitalisation phase. This means that the trend was similar to the union density for the private sector in the same period. In the figure can be seen not only one but four different estimations of the coverage. This is because of the fragmentation of collective bargaining introduced since 1979 in the *Plan Laboral*.

The highest curve corresponds to the joint coverage achieved by both bargaining groups and trade unions, and in both *convenios* and *contratos*. It is therefore a rough estimate that does not accurately reflect the institutional power resources of unionised workers. The second highest estimation corresponds to the coverage generated only by collective agreements signed by trade unions. To measure the impact of collective bargaining without the right to strike,

which is a central aspect of the new institutional framework born under the dictatorship, it is necessary to exclude the coverage associated with the *convenios colectivos*. This is reflected in the last two estimates (triangles and rhombi). The difference between the two is that one again includes bargaining groups (triangles) and the latter only considers trade unions.

Figure 4.19: **Collective bargaining coverage (% of private sector employees)**



Source: Own elaboration based on administrative data from Labour Directorate ([Dirección del Trabajo, 2019a](#)) and following the methodology proposed by [Durán and Gamonal \(2019b\)](#).

Collective bargaining coverage (Figure 4.19) was lower than union density (Figure 4.10) between 1990 and 2019. This is because of at least two factors: i) the high degree of job instability and ii) the institutional restrictions on collectively bargaining for some unions in the private sector.

The first point affects collective bargaining coverage relatively more than union density. In Chile, until 2017, the turnover of collective agreements was between 2 and 4 years. This meant that once a collective agreement was signed, new members had to wait 2, 3, or up to 4

years before gaining coverage. If job instability is high, while new workers can join the union, they can not automatically join the existing collective bargaining.

4.5.5. Composition of the union membership

Throughout the period, the majority of union members were affiliated to firm-level unions (around 80%); union members affiliated to inter-firm unions represented around 15% of the total membership. The remainder were union members affiliated to seasonal unions.

Table 4.5: **Share of total membership by type of union, private sector**

Year	Firm level	Inter-firm	Seasonal
1985	81%	15%	4%
1990	81%	14%	6%
1995	81%	14%	6%
2000	78%	14%	8%
2005	75%	17%	8%
2010	77%	18%	5%
2015	81%	16%	3%
2018	81%	16%	3%

Source: Own elaboration based on Frías (1993) and Dirección del Trabajo (2019a).

After 2004, when the revitalisation phase began, firm-level and inter-firm level unions gained most of the new members. In 2018, the distribution of membership by type of union was quite similar to that observed in 1982.

The breakdown of trade union membership by industry shows that, compared to 1972, the composition of the membership changed significantly. While in 1972 members in manufacturing and agriculture counted for two thirds of the total membership, the share of these sector dropped to 37% in 1990 and to 16% in 2018 (Figure 4.6). At the same time, the share of the membership in the tertiary sector increased substantially (for example, commerce only had a share of 3.5% of the total membership in 1972 and in 2018, 22%). These

changes mean that the classic strongholds of Chilean trade unionism, the male-dominated manufacturing and mining sectors, were overtaken by the growing mass of female-dominated trade unionists in the tertiary sector.

Table 4.6: **Share of total membership by industry breakdown, private sector**

Industry	1985	1990	1995	2000	2005	2010	2015	2018
Agriculture	5%	4%	6%	8%	5%	4%	3%	3%
Mining	16%	12%	8%	7%	6%	6%	6%	6%
Manufacturing	33%	33%	30%	25%	22%	16%	14%	13%
EGW	4%	3%	3%	3%	2%	1%	1%	2%
Construction	3%	7%	8%	8%	10%	9%	5%	6%
Commerce	6%	8%	9%	10%	12%	19%	24%	22%
Transportation	16%	13%	13%	14%	13%	15%	14%	14%
Financial services	7%	6%	7%	6%	6%	5%	11%	12%
Other services	10%	14%	16%	20%	23%	24%	21%	22%

Source: Own elaboration based on *Anuarios Estadísticas Sindicales (Capítulo Sindicatos) años respectivos*. EGW is Electricity, gas, and water industries.

Between 1985 and 2018, 30% of the net growth³⁶ (ca. 700 thousand members) took place in commerce and 27% was gained by ‘other services’. If the focus is on the net growth between 2005-2018 (ca. 400 thousand members), commerce won 35% and ‘other services’ 20%. These results simply show that commerce and ‘other services’ have been the most dynamic sectors in organising new members. Showing the opposite, agriculture won only 1% of the net growth in the period 2005-2018.

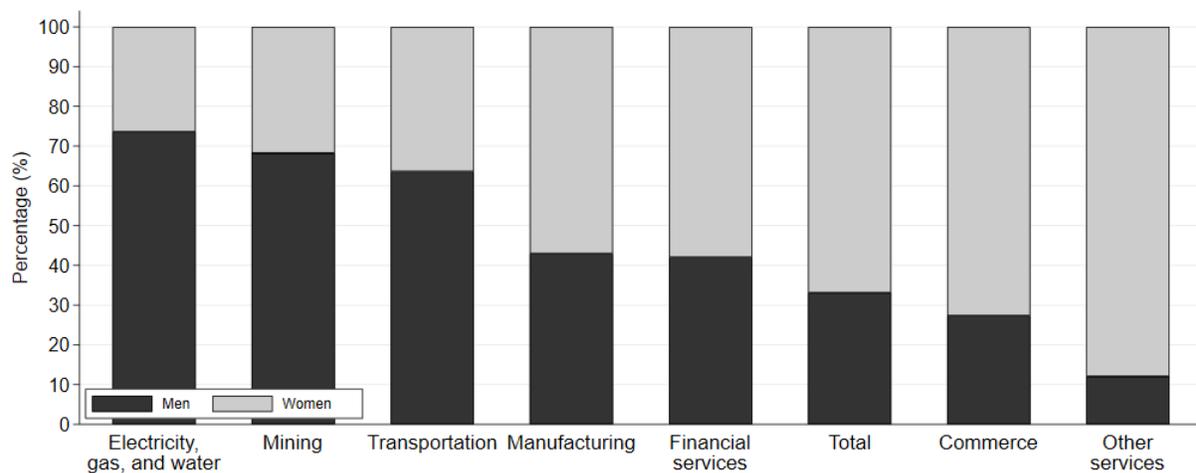
As mentioned earlier, compared to men, women have been more dynamic in organising new members. While in 2002, only 2 out of 10 members were women, in 2018 the ratio was 4 in 10. Between 2002 and 2018, union membership increased by 90 per cent, or ca. 550 thousand members (net growth).³⁷ Of this total, 33% was gained by men and 67% by women.

³⁶Including new members, retirement, deaths, dismissal, etc.

³⁷These calculations (gender breakdown) includes workers affiliated to self-employed trade unions). No further breakdown (gender plus sectoral breakdown in private sector) could be found.

By industry, in the same period, 73% of the net growth in commerce union membership was won by women (Figure 4.20). If the membership of women in commerce is compared between 2002 and 2018, there can be seen an absolute increase of 422% (28,694 unionised women in 2002 against 149,708 in 2018, not shown in the graphic). In the case of personal services, almost 90% of the net growth in membership between 2002 and 2018 was won by women (last column in Figure 4.20).

Figure 4.20: **Gender share within the net change in industry-level membership**
Net change between 2002 and 2018



Source: Own elaboration based on [Dirección del Trabajo \(2019a\)](#). Not shown: construction (not significant variation), agriculture (negative variation). In this figure, all membership is included.

4.6. Conclusions

The focus in this chapter has been on understanding the marginalisation of collective bargaining coupled with the fragmentation of mostly tiny unions, which only negotiate in small bargaining units.

The analysis of the institutional framework of collective bargaining in the post Pinochet period has shown that what is known in Chile as ‘firm-level collective bargaining’ needs to be

carefully addressed. What seems particular to the Chilean case is the combination of the classic forms of fragmentation such as subcontracting and creation of multiple subsidiary companies with a legal framework that prevents collective bargaining above the firm level. The fragmentation of bargaining units is through a multiplicity of competing unions within these bargaining units.

There has been developed a straitjacket full of legal constraints that reduces workers' organisational power. Some companies have developed sophisticated architectures of fragmentation of collective bargaining as shown in the examples from the retail trade in Chile, or the endless subcontracting chains in the distribution channels of Coca Cola.

The firm level is considered to refer to the organised economic activity that takes place under a common capitalist command and to be the decentralised level of collective bargaining. In Chile, however, the normal case is that collective bargaining takes place at lower levels such as the plant, establishment, department, office, group of workers, etc.

The main institutional pillars of this neo-liberal industrial relations system represent a legacy of the dictatorship to this day, and in this chapter, the factors that have led to this have been discussed. It was pointed out that the workers who organised under the umbrella organisation CUT decided to renounce mass mobilisation in the early 1990s in order to reach agreements with employers and did not challenge the extremely restrictive institutional framework. The labour movement has suffered from the effects of the *Plan Laboral*, which encouraged rivalries, ruptures and divisions of unions. In this sense, the old saying *divide et impera* ['divide and conquer' in English], applies perfectly. Also, the political parties of the ruling coalitions did not intend to abolish this legacy from Pinochet and allow free collective bargaining at any and every level. This is more than surprising since for the first 20 years after the dictatorship the governments were formed by political parties that had opposed the dictatorship and its policies.

The three labour reforms changed the details but did not challenge the main institutional pillars of the *Plan Laboral*. This opens up further questions, for example: how do this

fully decentralised collective bargaining system affect the workers' societal power resources? This question can be partially answered by looking at the permanence of the fourth pillar of the *Plan Laboral*, the so-called "depoliticisation of trade unions" pillar.

It can be shown how strong the impact of the *Plan Laboral* was on unions. In spite of the return to democracy and after three labour reforms, trade union density stagnated and remained below 20% in the private sector. Despite a revitalisation of union activity towards the mid-2000s (nationally, as well as in many industries) this might not have been reflected in an increase in organisational workers' power resources because of growing fragmentation and its impacts on quality of collective bargaining and the general outcomes of unions' collective action.

These conclusions open the space for a more in-depth analysis, focusing on the voice of trade union leaders. This will be discussed in the next chapter.

Impacts on Power Resources

5.1. Introduction

In this chapter, an analysis is undertaken of Chilean trade union leaders' views on the fragmented and marginalised collective bargaining system and its impact on the power resources of organised labour. This analysis is based on 49 semi-structured personal interviews which were carried out in Chile between December 2019 and February 2020.

The responses were convergent and showed a clear common thread. For the interviewed trade union leaders, the institutional framework of industrial relations has the following 7 implications which emerged from coding the interviewees' scripts: i) the marginalisation of trade unions and collective bargaining, ii) fragmentation of collective bargaining, iii) conflict between unions, iv) job instability, v) low infrastructural resources of unions, vi) low collective bargaining scope, vii) depoliticisation of the working-class.

The interviews helped to improve the statistical analysis on trade union membership. In particular, the responses of the interviewed helped in re-examining the trade union databases and enabled me to present new quantitative findings.

The rest of the chapter is organised as follows: I start with a description of the methodology, which includes the selection of the sample, the questionnaire for the interview,

and the methodology of the analysis, such as the construction of codes. Then, the seven implications are presented and underlined with quotes from the interviews. This is followed by the conclusions.

5.2. Methodology interview sample

49 in-depth semi-structured native-language interviews were conducted in Chile. In total, 58 persons were interviewed since in three interviews more than one union leader participated. Also analysed is participant observation at a union meeting between port sector unions and forestry sector contractor workers held in the commune of Curanilahue, which brought together around 25 people.

Non-probabilistic sampling was used, to make sure that the diversity of experiences of Chilean trade union leaders were represented in this study.

In the 49-person sample (Table 5.1), 17 were women and 32 were men. Interviews were conducted in 5 cities: in Santiago (42 interviews), in Rancagua (70 minutes south of Santiago, 1 interview), in Valparaíso (90 minutes west of Santiago, 1 interview), in Talcahuano (6 hours south of Santiago, 3 interviews), and in Curanilahue (7 hours south of Santiago, 2 interviews). The following industries were represented: construction, retail, logistic industry, pharmaceuticals, mining, oil industry, ports, forestry, beverage industry, water, gas, communications, metal industry, financial services, health, education, transport, informatics, textiles, agriculture, restaurants, food industry, and social services. 2 interviewees were representatives from the United Central of Workers (CUT), 8 from union confederations, 7 from federations, 29 from base-level unions, and 3 were former union leaders (one of them with experience only in base unions and two with experience also in confederations). At least 10 of the interviewed represented the voice of subcontracted workers. In most cases, union leaders held ‘presidential’ rank, meaning that they were the top leaders of their organisations.

On average each interview lasted 75 minutes; all were fully recorded with formal permission. Since all the interviewees agreed to identify themselves, their names were included (see Table 5.1).

The selection of a pre-sample that meets the above-mentioned eligibility criteria was facilitated by my previous experience for more than 13 years as part of Fundación SOL (a pro-union NGO that conducts research, organises trade union schools, and participates in collective bargaining by supporting different local unions). The support of Fundación SOL was crucial for the recruitment of the interviewees. It helped me firstly to identify the names of potential interview partners and to contact them directly, mostly through WhatsApp and in a few cases by email. Secondly, the entire sample was familiar with the work of the Foundation and considered it “serious”, which facilitated the trust building necessary for the interviews.

The interviews took place in Chile between December 2019 and February 2020. Coincidentally, those months were ones of high social and political unrest in Chile and particularly in Santiago, the capital. This was after the beginning of the 2019 social upheaval, in Spanish *la revuelta social*, the most serious political crisis since the dictatorship ([The New York Times, 2019](#)). The *revuelta* began on 18 October 2019 and lasted circa 5 months (interrupted due to the COVID-19 pandemic). During this period, the whole country witnessed massive street protests carried out by ordinary people. It is recognised that one of the main drivers of this was the huge and persistent inequality of income and political power ([Centro de Estudios Públicos, 2019](#); [Barozet et al., 2019](#)). In this context, trade union leaders, albeit always tight for time, sought to find the space to offer these interviews.

All interviews were conducted in the company of PhD candidate Ms Karina Narbona, who is also a member of Fundación SOL and researcher of the Chilean labour movement between 1990 and 2020. Our two thesis focus on different problems, but it was possible to integrate all the questions into one interview.

Table 5.1: Interview sample

N	Date	Sex	Interviewed	Min.	Organisation	Sector
1	09.12.19	M	Jorge Hernández	65	SINTEC	Construction
2	10.12.19	M	Sergio Fuentes	70	Sindicato Nacional Jumbo	Retail
3	12.12.19	F	Leslie González	80	Sintrabos Sodimac	Logistics
4	13.12.19	F	Juana Figueroa	65	Sindicato Fasa	Pharmaceutical
5	13.12.19	M	Edward Gallardo Bassay	230	Federación Nelsón Quichillao	Mining
6	16.12.19	M	Carlos Contreras (*)	75	FENATRASUB	Oil Industry
7	16.12.19	M	José Aguayo	74	SEPSV	Ports
8	17.12.19	M	Jaime Cabrera	45	SEPSV	Ports
9	17.12.19	M	Sergio Parra	100	SEPSV	Ports
10	17.12.19	-	Participant Observation	137	Forestry and dock workers' meetings	Forestry / Ports
11	17.12.19	M	Ariel Jara	32	Sindicato Minera Santa Ana	Mining
12	17.12.19	M	Luis Jara	30	Federación Rodrigo Cisternas	Forestry
13	18.12.19	M	José Salinas	90	Sindicato 2, Paris Alto Las Condes	Retail
14	19.12.19	M	Alejandro Silva	60	Sindicato 2 de ventas ECUSA	Beverage Industry
15	19.12.19	M	Cristhian Riveros	80	SITIC	Retail
16	20.12.19	F	Claudia Muñoz	80	Sindicato Prof. y Técnicos Aguas Andinas	Water
17	20.12.19	M	Maximiliano Benito	40	Sindicato de Profesionales Chilectra	Electricity
18	21.12.19	M	Jorge Schumacher	70	Sindicato 1 Minera Escondida BHP	Mining
19	23.12.19	M	José Mazzo	90	SINATE	Communications
20	23.12.19	M	Horacio Fuentes	70	CONSTRAMET	Metal Industry
21	23.12.19	F	Mirian Campuzano	75	Sindicato Lider Buenaventura	Retail
22	24.12.19	M	Jorge Peña	100	SITECO	Mining
23	26.12.19	M	Cesar Alvarado	70	former trade union leader	Informatics
24	26.12.19	F	Sandra Neida	74	Sindicato 1 Lider Matucana	Retail
25	27.12.19	M	Gerardo Foquett	65	FENASIPEC	Logistics
26	27.12.19	M	Simón Bousquet	60	Sindicato Centro Cultural Gabriela Mistral	Culture
27	30.12.19	F	Tamara Muñoz	73	FETRACALL (Callcenter Workers Federation)	Communications
28	30.12.19	M	Sergio Rojas	90	Sindicato Farmacias Ahumada	Pharmaceutical
29	02.01.20	M	Rodrigo Escobar	53	Sindicato Luniben	Logistics
30	02.01.20	M	William Muñoz	82	Sindicato Nacional Komatsu Reman	Metal Industry
31	03.01.20	M	Iván Mezzano	66	FETRA TV (Television workers' federation)	Communications
32	03.01.20	F	Pamela Henríquez	40	Confederación Bancaria	Financial Services
33	06.01.20	M	Andrés Giordano	75	Sindicato Starbucks Coffee Chile	Restaurants
34	07.01.20	M	Cristian Cuevas	80	former trade union leader	Mining
35	07.01.20	F	Clara Moya (**)	90	Sindicato Interempresas Intregamedica	Health
36	07.01.20	M	Leandro Cortéz	35	FESER (Ripley) and CONFECOVE	Retail
37	07.01.20	M	Francisco Álvarez	35	CONFECOVE	Retail
38	08.01.20	F	Cristina Quezada	40	Sindicato Universidad Alberto Hurtado	Higher Education
39	08.01.20	F	Cintia Rodríguez	41	Sindicato 1 LAN Express	Transport
40	09.01.20	F	Patricia Coñoman	65	former trade union leader	Textile
41	10.01.20	M	Nolberto Díaz	76	CUT	Multi-sectoral
42	11.01.20	M	Pablo Klimpel	190	SDTTEPV	Ports
43	13.01.20	F	Andrea Riquelme	110	Confederación Bancaria	Financial Services
44	13.01.20	F	Carolina Espinosa	63	CONFUSAM	Health
45	14.01.20	F	Bárbara Figueroa	90	CUT	Multi-sectoral
46	15.01.20	F	Francisca Rodríguez	80	ANAMURI	Agriculture
47	31.01.20	M	Jorge Gómez	67	CONFEDACH	Food Industry
48	03.02.20	F	Jimena Aguirre	140	Sindicato INDH	Social Services
49	06.02.20	F	Paula Órdenes (***)	80	Sindicato 1 METROGAS	Gas Industry
50	25.02.20	M	Luis Mesina	90	Confederación Bancaria	Financial Services

Min.: Duration of the interview (in minutes). **Acronyms** (in original Spanish and translation): SINTEC: *Sindicato Interempresa Nacional de Trabajadores de la Construcción, Montaje Industrial y Afines* (National Inter-firm Union of Construction, Industrial Assembly and Allied Workers); FENATRASUB: *Federación Nacional de Trabajadores Subcontratistas* (National Federation of Sub-Contractor Workers); SEPSV (not official acronym): *Sindicato de Estibadores del Puerto de San Vicente* (Port of San Vicente Dockworkers' Union); SITIC: *Sindicato Interempresa Nacional de Trabajadores Subcontratados de la Industria y el Comercio* (National Inter-firm Union of Industrial and Commercial Subcontracted Workers); SINATE: *Sindicato Interempresas Nacional de Telecomunicaciones* (National Inter-firm Telecommunications Union); CONSTRAMET: *Confederación de Trabajadores Metalúrgicos de la Industria y Servicio* (Metalworkers' Industry and Service Confederation); SITECO: *Sindicato Interempresa de la Gran Minería y Ramas* (Inter-firm Union of Large Mining Companies and Branches); FENASIPEC: *Federación Nacional de Sindicatos de Peonetas de Coca Cola y Ramos Conexos* (National Federation of Coca Cola and Allied Truck Loaders Unions); FESER: *Federación de Sindicatos Empresas Ripley* (Federation of Ripley Firms Trade unions); CONFECOVE: *Confederación de Trabajadores del Comercio* (Commerce Workers' Confederation); SDTTEPV (not official acronym): *Sindicato de Trabajadores Transitorios Estibadores Portuarios de Valparaíso* (Union of Transitory Dockworkers of Valparaíso Port); CONFUSAM: *Confederación Nacional de Funcionarios de Salud Municipalizada* (National Confederation of Municipal Health Workers); ANAMURI: *Asociación Nacional de Mujeres Rurales e Indígenas* (National Association of Rural and Indigenous Women); CONFEDACH: *Confederación de Federaciones de Empresa Alimenticias y Afines de Chile* (Workers' Confederation of Federations of Food and Related Firms in Chile). (*) in company of Marcelo, Iván, Gonzalo, Rodrigo, Victor and Juan; (**) in company of Catherine Mujica and Pablo Leiva; (***) in company of Guillermo Rodríguez.

Semi-structured interviews were conducted in face-to-face mode at a location determined by the participants. The majority of the interviews in Santiago were conducted at the headquarters of Fundación SOL (at the express request of the interviewees), while others were at the offices of the respective trade unions. Each interview was organised around five general questions: i) origins of the interviewed persons in the union, ii) experiences and position regarding trade unions, iii) impacts of institutional pillars of industrial relations system on union activities, iv) experiences of resistance to marginalised and fragmented collective bargaining, v) envisioning industry-wide collective bargaining (aspirations, difficulties, knowledge).

The interviews totalled 65 hours, which were fully transcribed according to the verbatim transcription method. The result of this task was a document with more than 1,000 pages of trade union voices.¹ The texts were coded and analysed using MAXQDA Analytics Pro software. All the interview quotations presented in this chapter were translated from Spanish into English.

¹Verbatim transcript of interviews was made by Victoria Cortés, Andrea Riveros, Karina Narbona, and by myself.

5.3. Findings

5.3.1. The marginalisation of trade unions and collective bargaining

In Chile, in only 6.7% of firms with 10 or more workers have one or more trade unions been formed ([Dirección del Trabajo, 2019b](#)); the rest, the vast majority of firms, belong to a large white zone without collective bargaining. This marginalisation of trade unions and collective bargaining is the first implication that emerges in the responses of trade union leaders.

Which reasons do union leaders identify as contributing to the marginalisation of collective bargaining? In their responses, participants identified three main problems: (i) workers fearing to unionise and to participate, (ii) difficulty in meeting the legally required quorums, and (iii) disinterest of workers in union affairs. While these factors are not new², the leaders' stories provide concrete examples useful for a better understanding.

5.3.1.1. Fear of dismissal and reprisals

In 1996, Aliro Rosenfeld published *Estado actual de las Organizaciones Sindicales en Chile* (The current state of trade union organisations in Chile), an essay that gives an idea of the many difficulties that existed in the early 1990s in setting up trade unions. The first difficulty, says Rosenfeld, is surviving dismissal for even thinking about forming a union. The second difficulty is the fear that the employer may discover that a worker (in this case, a union organiser) is making concrete coordination arrangements with an official of the Labour Directorate who is required to attend the union's founding meeting. The third difficulty occurs at the phase of organising, when the union is still not formed and organisers pursue recruit workers to found the union: it must do all this covertly. It is also known that there

²On a comparative level, one can see some of this in Lane Windham's text for the USA ([Windham, 2017](#)), and in Chile through the studies and surveys of the Ministry of Labour (to name a few).

are ‘whistle-blowers’ who operate as agents within the company to prevent the formation of trade unions. The fourth difficulty, Rosenfeld points out, occurs in the act of forming the union (the ceremony), which, as a rule, takes place outside working hours and outside the company, *“there has to be the number of workers specified by law; otherwise, the union does not come into being”* (Rosenfeld, 1996, p.7) [translation from Spanish]. Rosenfeld argues that the low institutional power (given by a law that imposes a minefield of inconveniences) and the fear of reprisals by employers were the main reasons for the marginalisation of trade unions.

The responses in the interviews support the arguments of Rosenfeld. Forming a trade union within a firm is seen as a high-risk activity for workers:

“There had been a few attempts before in the firm to establish a trade union. One that I consider [as] having been real, but the news leaked out, and the comrades were fired” (Rodrigo Escobar, president of the Luniben Union [Cold storage and logistics industry]).

“I can trust my friend a lot and tell him: ‘comrade, you know we are forming a union, do you want to be part of it?’, and it happens that later, that ‘friend’ in whom you trusted, ends up informing the company and all those who were trying to organise are fired, that has happened many times” (Sergio Rojas, president of the FASA No.1 trade union [Pharmaceutical industry]).

“Every time we went to constitute a union, the company knew about it, and they fired all of them. This is something that happens to this day” (Tamara Muñoz, president of the Call Centre Trade Union Federation).

“In SONDA, the company where I used to work, the management use to tell the workers: ‘if you sign for the union, you will last a couple of months and then you will leave, so don’t do it’. That’s how it was” (Cesar Alvarado, former union leader at SONDA company [IT industry]).

These impressions illustrate part of the classic tactics of employers' in response to attempts to build workers' organisational power. The few workers who have managed to participate in the founding of trade unions and remain in the company tend to remember these moments as "heroic" acts carried out in contexts of "*intense trade union persecution*". Clara Moya, president of the inter-firm union Integramedica company [health centres], remembers that:

"We created the union on 30 April 2009, very hidden; for us to remember it is a milestone because, in those conditions in which we did it, where trade unionism was very persecuted and very badly looked at inside the company, it was truly a heroic act, we knew that the people who were getting involved in this struggle and this cause, we were exposed to being fired" (Clara Moya).

All interviewees agree that dismissal for attempting to create union power is a common business practice in Chile, the consequence of which is to spread a sense of insecurity or fear, which is a widespread feeling among workers, as described for example by Cristina Quezada, union leader in the education industry:

"I would say that there is something general, which is the fear that workers in Chile have, a fear of losing their source of employment" (Cristina Quezada).

The results of the IX Labour Survey (abbreviated ENCLA 2019) support this thesis of fear, indicating that, in those companies where there are no trade unions but there was an attempt to form one, "*fear is configured as the main reason (49.5%)*" ([Dirección del Trabajo, 2019b](#), p.155) [translation from Spanish].

In the case of those unions that do manage to form, reprisals such as subsequent dismissals also emerge as experiences of those interviewed, this being a factor that promotes fear of unionisation in those who have not yet done so, as commented by Sergio Fuentes, president of the national union of Jumbo [supermarket chain]:

“The dismissals have a strong impact on the trade union environment, as it becomes more difficult to encourage workers to demand their rights, to seek collective bargaining, as the priority is to protect their jobs... many are afraid of being the next ones to be fired” (Sergio Fuentes [Retail industry]).

The reprisals include so-called blacklisting, especially for organisers, dismissal of workers during in the period around collective bargaining, as well as post-strike dismissals once the immunity period associated with collective bargaining ends.

From the perspective of the Power Resources Approach, one can say that employment destabilisation constitutes a strategy of employers to weaken workers’ power resources. Under the capitalist relations of production, in absence of trade unions, those who sell their labour depend entirely of the employer, who can unilaterally decide how and when the contractual relationship ends.

“Since the dictatorship, the fear of losing a job has been installed in the private sector as a fundamental element. . . before 1973, employers could not simply dismiss their workers, but during the dictatorship, Article 161 was installed in the labour code, which allows them today, in some way or another, to dismiss for anything! Over time there have been attempts to improve; for example, the law has added something like ‘look, you, the employer, have to effectively demonstrate that you are no longer going to occupy that job, if not the dismissed worker must be rehired’, that is a lie, in the end, there is no job reintegration” (Horacio Fuentes [metal industry]).

While there are legal provisions that aim to discourage the use of anti-union practices, their effectiveness is limited, *“especially on a cost/benefit basis,”* where firms consider the fine to be a minor cost (Gamonal, 2017). The mismatch between the cost of the fine for those who carry out an anti-union practice and the financial capacity of the companies can be exemplified in the words of Andrés Giordano, president of the Starbucks Chile union. In

his view, *“it is more profitable for companies to commit anti-union practices and pay the fines”*. In the case of Starbucks, Andrés commented this:

“The company resorted to all kinds of practices: illegal replacement of workers, dismissals, threats, manipulation of information, defamation of union leaders ...they did this in the first collective bargaining, and we defended ourselves strongly, but the bosses aimed to destroy the union, and we went from having 280 members to 30” (Andrés Giordano).

The experience of ENAP subcontracted workers [oil industry] in the city of Talcahuano also reinforces the idea that even with anti-union condemnations, companies do not change their behaviour, which favours marginalisation:

“In recent years, a company that is still providing services here committed anti-union practices [and] was denounced and condemned by the Supreme Court, but ENAP, as a state company, does not set an example concerning this type of company either, it still has it here, the company continues to award some contracts! So other contracting companies see this as an example, that is, if they commit anti-union practices, absolutely nothing will happen to them” (Victor, union leader of FENATRASUB).

Andrés’ and Victor’s experiences illustrate cases of overt anti-union practices. Still, alongside these, other tactics by employers also emerge (sometimes in combination with the above) that seek to marginalise workers from collective bargaining through “more subtle” methods (Narbona, 2012). The BCI bank’s ‘Employee Benefits Book’ case is a tool that the company has used for many years to inhibit workers from joining unions (Pamela Henríquez, president of one of the BCI trade unions). This book, which appears as a concession from the company, seeks to reproduce the benefits that unions achieve through collective bargaining, but for all workers, without the need to pay union dues; the non-unionised worker gets the same as the unionised worker, thus discouraging union membership.

In many companies the creation of a union is seen - from a management point of view - as a failure of human resources policy. Andrés Giordano remembers that when he co-founded the union at Starbucks (in 2009), the employer's attitude was one of *“disappointment due to the lack of trust”* and that *“problems can be solved in other ways”*.

However, the fear of dismissal is not seen as an indisputable factor; in fact, Andrés himself acknowledges that, through the strengthening of organisational power, they managed to rebuild membership and that, at the time of the interview, the union had around 400 members. There are also experiences where the unions succeed through their societal power resources in limiting the employers power of dismissal and reprisals. Such is the case of the Call Centre workers, where the federation of unions sponsored a bill that was finally passed in Congress in 2019 (after about 7 years).³

“When the bill began to move in Congress and legislative work began, we met with all the senators, we did a lot of lobbying, we met with all the legislators, one by one, we gave them our positions to the bill, we spoke with their lawyers. In the end, our points remained in the bill” (Tamara Muñoz [call centres]).

Through this, although collective bargaining is still highly marginalised, workers can enjoy better labour standards based on general law.

³<https://cut.cl/cutchile/2019/09/03/rige-ley-consagrando-derechos-de-trabajadores-de-call-center-que-nunca-antes-pudieron-negociar-con-sus-empleadores/>

5.3.1.2. Quorums

Along with the fear of dismissal, the difficulty of reaching quorums to form a union is another significant factor in the building of organisational power and marginalises workers from collective bargaining. According to the ENCLA 2019, lack of quorums accounted for 30% of the reasons why unions are not formed in Chile, a higher percentage in smaller companies.

“In Chile, it is complicated to build trade unions because of the quorum required”
(Iván Mezzano, president of Canal 13 trade union [Television industry]).

As an alternative, the inter-firm union⁴ although helpful, is not an effective solution in the view of the interviewees:

“To negotiate via inter-firm unions, you have to meet the quorum in each firm. That’s what it costs” (Claudia Muñoz, president of Aguas Andinas Profesional workers trade union [Water services industry]).

And Edward Gallardo Basay, a union leader in the subcontracted mining sector, adds:

“Today it is much more difficult to reach the quorums, given the fragmentation of the firms, because many of them have twenty-five workers, twenty, fifteen workers... but the quorums have to be completed in each firm to elect delegates to represent the workers in the inter-firm union. That is complicated” (Edward Gallardo Basay).

The marginalisation of trade unions and collective bargaining also emerges indirectly in service contracts between main firms and subcontractors. These service contracts are obtained by the subcontracting firms through tendering. José Mazzo, president of SINATE trade union, points out that with tendering:

⁴the functioning of which was explained in the previous chapter.

“The main firm seeks to get rid of the union and pass all the «problems» to the external firm” (José Mazzo).

Cintia Rodríguez, union leader in one of the LATAM trade unions [Aeronautical industry], endorses this view:

“Through outsourcing, the main firm saves all the cost of having a trade union, that is, all the extra payments it has to make concerning unionised workers” (Cintia Rodríguez).

According to union leaders, outsourcing companies avoid unions because strikes could put the contract with the main firm at risk. In mining, for example, there are known cases where the main firm has terminated a contract with a contracting firm because the latter had a militant union (interview with Edward Gallardo Basay). The 2016 labour reform institutionalised this power for employers by introducing in the labour code the possibility for the main firm to replace the contracting firm in the event that the union(s) in that firm go on strike. Jorge Schumacher, union leader at Minera Escondida (MEL) trade union [Mining industry], comments:

“In practice, contractors do not have the right to strike, in practice I repeat, because legally they do, but in practice, they do not, because after the labour reform the principal firm can replace them. They [contractors (their workers)] declare a strike, and the main firm finds another company to do the job, which means that the contractor with the union on strike loses the civil contract. So, in practice, there is no right to strike for contractors” (Jorge Schumacher).

These narratives of union leaders show once again that the tactics exercised by employers combine structural power with institutional power. Structural power is expressed in the complete freedom to divide the processes of organising production at will, and institutional power in the impossibility of collective bargaining above the firm level.

5.3.1.3. Disinterest

The third major problem identified by the interviewees concerns the lack of interest that workers have in participating in trade unions. Part of this will be a consequence of a lack of associative spirit due to the prevailing socio-economic system which is “based on the individual”. Iván Mezzano’s [Television industry] commented this:

“The young people who joined the firm, what they said was: ‘well, but what do I gain from being in the union, what do I gain, what do I get?’ They have the matrix of individualism and of saying how much you gain in exchange, it is not a question of principles, nor of pursuing collective goals” (Iván Mezzano).

In the older generation of workers, it is common to hear among the reasons for not unionising, fears of the horrors committed during the dictatorship against the trade unions. Among part of the workers, this fear remains, as Iván comments:

“I think that fear still exists, especially among the older ones. When a father tells his son: ‘don’t get involved in trade unions, don’t go to the protest’ there is a culture of fear, which is imposed, which has been difficult to shake off, let’s say, it has been difficult, and this has affected generations, what happened during the dictatorship was horrendous. Today you can still see it; you can still see some of it in the actions of the police” (Iván Mezzano).

In the answers of interviewees it can be seen that disinterest is often related with fear. This is what Leslie González commented:

“There are people who do not like to be or participate in a trade union, I have met many people who say: ‘no, I come, I work and I leave’ and I say to them: ‘yes, but, look, check your settlement, maybe they are not paying you as they should be’, and they answer: ‘no, why am I going to complain, if I trust the management’. In the end, they say: ‘no, because they can fire me or leave me on the black list’.

Unbelievably, there are still [in the presence of abuse] people who prefer to do nothing” (Leslie González [Logistics industry]).

In ENCLA 2019, it is reported that in those firms without trade unions and where there have been no attempts to establish one, 42% of the workers indicate as the main reason for their disinterest in trade unions, *“because they do not see the usefulness of trade unions”* (Dirección del Trabajo, 2019b, p.46) [translation from Spanish].

The interest of workers in organising in a trade union may be woken up by a convincing demonstration of the discursive power of unions. Building trust in (and interest in) trade unions in an environment of extreme marginalisation and fragmentation is a difficult task for union leaders. Furthermore, the mass media, which is supposed to be an amplifier of society’s interests, is very much controlled by business interests, so that the blockade of trade union voices is quite evident. Nolberto Díaz, general secretary of the CUT at the date of the interview, uses an example of the period immediately after 18 October 2019, which is recognised as the starting point of the social revolts in Chile.

“During the first 90 days of the social unrest, Bárbara Figueroa [president of the CUT at that date] was invited twice to television channels, and if I add my own so that we try to be more generous with the example, we add two more, four in total. Of the four times we have been invited to channels, three are pay-TV channels and only once have we been invited to a live channel [free-to-air television]. This is not a matter of ego, what I want to say, is that there is also permanent intentionality in the media not to cover those of us who have uncomfortable positions” (Nolberto Díaz).

The employer counterpart also promotes disinterest in trade unionism through unilateral extensions of benefits such as those mentioned in the case of the BCI bank or Starbucks, where the purpose is to make union gains invisible and to instil the belief that workers can obtain the same benefits without belonging to the union (Baltera and Muñoz, 2017). The

analysis also needs to introduce other factors that operate simultaneously and reinforce each other, for example, job instability and lack of infrastructural resources, both of which will be reviewed below.

5.3.2. Fragmentation of unions and collective bargaining

The second implication of the Chilean industrial relations system on workers' power resources, which is clearly pointed out in the interviews, is the "*exaggerated trade union fragmentation*" - as Luis Mesina, the general secretary of the Chilean bank workers' trade union confederation calls it.

For most interviewees, trade union fragmentation is expressed in the existence of multiple trade unions within the same firm or common workspace (where more than one firm may converge).

Andrea Riquelme, union leader in one of the trade unions in Banco de Chile [Banking industry], remembers that by 2005 when she became a union leader, there were already several unions in the firm where she works:

"Already at that time, Banco de Chile was very fragmented, we were the union with the most members, but apart from that, there were 5 other unions, 4 unions were from the region, and there were no more than 200 workers. They were very weak in their bargaining strength" (Andrea Riquelme).

In mining, for example, in the mining state-owned firm *Codelco*, it is possible to identify about 30 unions.⁵ In the port sector, with a workforce of almost 10,000 workers, there are around 120 trade unions, according to Gonzalo Díaz, trade union advisor of the

⁵Source: Own processing of the SIRELA database, 2018.

Port Union, as of 2021.⁶ In the Port of San Antonio alone, there are 32 unions, and in the Port of San Vicente, 8 (Gonzalo Díaz).

Tamara Muñoz reports that, in the telecommunications sector, in the specific case of call centres, “*you have firms where there are many unions, but they are small, with few members... in general, in this sector, there is no such thing as a single union per firm*”.

The case of Walmart (retail) illustrates an extreme example of fragmentation. In contrast to this supermarket chain in the US, where the obstruction of unionisation is notorious (Gariazzo, 2007), in Chile:

“Walmart does not make it difficult when someone wants to form another union; it gives every assistance, they [Walmart] say it is to not go against the law, the truth is that it is good for them that we workers are more fragmented. For example, in the Santa Amalia store, workers have five unions! in one store, ... it’s a single store, that’s horrendous” (Mirian Campuzano, president of Walmart Buenaventura store union).

Mirian Campuzano indicated that, by the end of 2019, the *Federación Nacional de Sindicatos Walmart* (National Federation of Walmart Unions) had around 112 associated unions. A second federation of Walmart unions is the *Federación de Sindicatos Autónomos Walmart* (Walmart Federation of Autonomous Unions), which by 2020 had 20 unions.⁷ All in all, there are about 140 unions in Walmart.

⁶Webinar: *Cogestión en las empresas. Mitos y realidad de la experiencia en Alemania ¿Es viable en Chile?* (Co-determination in firms. Myths and reality of the German experience: Is it viable in Chile?), organised by Talleres Sindicales, 09.04.2021.

⁷Information was provided to me by Cristián González, legal advisor of the Federation, in personal conversation (08.04.2021).

5.3.2.1. Fragmentation as a consequence of corporate strategies

The fragmentation of unionisation and collective bargaining is also a consequence of the corporate strategies to divide the production processes by subcontracting and through the use of multiple legal entities owned by corporations. An example was by the president of the Integramédica inter-firm union, Clara Moya:

“Unfortunately, the law allows a firm to change the RUT [Tax Identification Number] representing the employer in employment contracts. They can do this unilaterally, so they can create several RUTs and distribute the workers, and with that, they atomise us. To put in simply: instead of being 2,000 workers, we are 500 or 600, who are hired under different RUTs” (Clara Moya [health centres]).

Among the interviewees, the information provided by William Muñoz, a young union leader at the Japanese firm Komatsu in the machinery industry, stands out. William pointed out that at Komatsu, union fragmentation - driven by the strategy of multiple legal entities - meant that *“before 2017, it was the multinational firm with the most collective agreements at the national level: 90 agreements”*.⁸

The responses of trade union leaders show that, although Congress passed a law in 2014 that sought to end the negative effects of the Multi-RUT system (the corporate strategy based on the division of the same economic unit into multiple legal entities, see Chapter 4) against the formation of workers’ organisational power, practical problems continue to occur. The president of one of the trade union confederations in commerce, gives clues to understand this situation:

⁸In the case of Walmart, even though there are more unions than at Komatsu, they have managed to negotiate in a coordinated way among the unions affiliated to the different federations, which has reduced - in part - the fragmentation of collective bargaining (this is heard in the stories of Sandra Neida, Mirian Campuzano, Cristián González).

“That law [the Multi-RUT Law] was nothing, basically what that law did was to say: ‘the firms that have a different human resources manager will be considered different firms’, so what do the firms do? they put a manager in each legal entity, and that’s it, there is no Multi-RUT” (Francisco Álvarez [Retail industry]).

Leandro Cortéz, president of the Feser Ripley Federation, as well as Paula Órdenes and Guillermo Rodríguez, union leaders of Metrogas union 1, add:

“For us and for any trade union in Chile, it is very expensive to sue for Multi-RUT, it is very difficult. . . ” (Leandro Cortéz [Retail industry]).

“To determine that the Multi-RUT system exists in a firm, all work necessary for the lawsuit must be carried out by the union, the provision of information, the demonstration, everything” (Paula Órdenes and Guillermo Rodríguez [Gas industry]).

In mining, the use of subcontracting is common and fragments collective bargaining. While in 1985, barely 5% of mining workers were subcontracted, in 2018, the figure reached 70.5%.⁹ In 2018, in mining, around 9 out of 10 union members were affiliated to a union competing with at least one other union. This was the highest rate compared to other industries.¹⁰ Edward Gallardo Basay comments:

“Employers make your work extremely precarious with subcontracting, and they generate first and second category workers; they pay less, with fewer benefits and fewer rights. Why fewer rights? the other day I was arguing with a comrade; he said, ‘Why fewer rights?’ Yes, I said, you have fewer rights because what subcontracting does is atomises everything, it atomises the trade union movement and its power” (Edward Gallardo Basay [Mininig, subcontracted workers]).

⁹*Anuarios de la Minería SERNAGEOMIN* and Leiva (2009).

¹⁰Own calculation based on SIRELA. See Appendix A.2 for industry breakdown.

5.3.2.2. Fragmentation driven by ‘internal’ differences

Fragmentation as a consequence of disputes between union leaders and between union leaders and rank-and-file are widely underlined in the interviews. In the first case, these are irreconcilable ruptures at the leadership level of an existing union where dissident factions choose to create a parallel union. These differences may be due to divergent union projects, but also just because of ‘ego’ of the union leaders.

The disputes between union leaders and the rank-and-file can lead to fragmentation. Leslie González, the president of the SINTRABOS union [Logistic sector], recalls that her current union was formed because the union leaders of the former unions did not take any action when the company built a centralised distribution and logistics centre.

“We belonged to two unions, but the bulk of the members worked in the retail sector, not in logistics. So, when we moved there [to the new distribution centre], nobody from the unions came, none of the union leaders came to explain all this change to us, our union leaders failed us and we were unable to know if we had to sign anything if we had to read anything, pay attention to anything, nothing. As a result, the company introduced new provisions that were not favourable to us”
(Leslie González).

In addition to fragmentation as a result of strategic differences and neglect of duties by union leaders, respondents also emphasise union fragmentation deliberately driven by employers through the creation of pro-management unions, which instead of giving workers power, ends up interfering. One of the union leaders’ told the following story: the employer promoted the formation of a union parallel to the existing one, and for this purpose, the employer rented buses so that the organisers could transport the workers who would be founding the new union from the workplace to the place where the founding assembly would take place (Paula Órdenes and Guillermo Rodríguez, Gas Sector). In contrast to common practice, in this case, the anti-union measures described in the previous section did not occur.

This is what happened:

“Other workers tried to set up the parallel union, but the quorum was not reached, and the employer dismissed no workers. Then they tried again and succeeded. Nothing bad happened to them. But in normal situations, they fire everyone if they try to create a union” (Paula Órdenes and Guillermo Rodríguez).

José Salinas, union leader in one of the many trade unions of a well known retail chain in Chile (Paris Cencosud Department Store), commented this case:

“The leaders of union number 2 were somehow chosen by the firm to compete with union number 1, which at that time was more rebellious. The leaders were strategic allies of the firm” (José Salinas).

Attempts to corrupt union leaders by employers were also mentioned. Sandra Neida (Walmart) recounted two direct experiences where the employer had tried to “buy her off”:

“Once the manager told me: ‘Sandra, what if we give you a bonus, ehmmm, a corporate bonus’, he said, and I said: ‘You tell me that again and I’ll sue you’. The second time was in 2012, when another manager told me: ‘I’ve come to offer you something, I want to raise your salary to 800,000 Chilean Peso (€932)’ and I said: ‘ok, I accept it, but yes, for all the people I represent’, at that time the union had about 500 members, and he told me: ‘no, then no’ [laughs]” (Sandra Neida [Retail industry]).

The buying off of union leaders often results in the signing of employer-friendly collective agreements, where the workers involved “have zero chance of going on strike as they generally negotiate ‘convenios’ [collective conventions] and not ‘contratos’ [collective contracts]” (Sergio Rojas [Pharmaceutical industry]).

The ‘yellow union’ is the term used by workers to refer in general to unions aligned with the employer’s interests or directly managed by the employer. They may have been

created with the help of employers, or they may be led by union leaders who have collusive links with the firm's management. Also labelled as 'yellow' are unions which adopt a position of non-conflict agendas and which gave up representing the genuine interests of the working class. Often, yellow unions negotiate *convenios colectivos* (collective conventions [collective agreements without the right to strike], see Chapter 4), which give rise to what is known in the United States as a 'Sweetheart contract', i.e. as defined by a specialised agency for legal services in the United States (USLEGAL), "*a contract made through collusion between management and labor representatives which contains terms beneficial to management and unfavorable to union workers*"¹¹. In the Chilean case, Carolina Bank Muñoz exemplifies this with the Walmart SIL union (Bank-Muñoz, 2017, p.73), the largest private sector union in Chile.

The yellow unions, in addition to fragmenting, often undercut the collective bargaining standards of the other unions that coexist at the firm level, as reported by Leslie González,

"There are unions that are practically controlled by employers. These unions are the first to negotiate, so when we see the result of that union's negotiations, we already know if we are going to do very badly or if we are going to do better or worse. . . the yellow union is the one that determines a large part of the other negotiations" (Leslie González [Logistics industry]).

Rodrigo Escobar adds:

"When there is parallelism, there are unions that the workers set up, but there are also unions that the employer sets up, and that is obvious, to be a clear counterweight to the power that workers' organisation can generate" (Rodrigo Escobar [Cold storage and logistics industry]).

¹¹<https://definitions.uslegal.com/s/sweetheart-contract/>

The defence of the interests of capital by pro-management unions is also exposed in the example provided by Pamela Henríquez,

“...at Banco Santander, there is a super yellow union, it’s embarrassing, it’s practically like a part of the human resources department of the company. In fact, for the day of the general strike on 12 November 2019, it sent a statement to the rank and file where it made clear its position against the action, it was unacceptable” (Pamela Henríquez [Banking industry]).

Alongside fragmentation induced by strategic disputes between leaders, by rank-and-file splits, and by employers’ intervention, union leaders’ narratives also mention fragmentation *“promoted by union advisors”* and *“corrupt union leaders”*.

For some interviewees, the fragmentation of collective bargaining represents a lucrative business opportunity which runs counter to the union’s spirit. The greater the fragmentation, the greater the economic benefit that a trade union advisor can obtain by multiplying his or her fees according to the number of unions with which he or she works. It can see an example of this in José Salinas’ description of his experience with an advisor who *“set up unions, where there were already many unions, he organised small unions to increase his profits”*.

In the case of fragmentation driven by corrupt union leaders, the motivation for fragmentation is economic. Through fragmenting rank-and-file into small unions, the number of union leaders increases. Jorge Hernández and Sergio Rojas commented as follows:

“Unfortunately, many people here have seen a business in the inter-firm unions, for example, by selling privileges, by maintaining organisations, practically, as family businesses, with union dues managed without any supervision, also through the payment of salaries through union dues and, unfortunately, these experiences are not rare, they are the vast majority” (Jorge Hernández [Construction]).

“This is the case in many companies, the union leaders have the big salary and for that, ‘if I can divide the workers even more, so much the better!’, this is the way of thinking” (Sergio Rojas [Pharmaceutical industry]).

Finally, although less mentioned, the distance factor is another element to be taken into consideration. Chile is recognised as the longest country in the world, with 4,250 km from north to south, equivalent to the distance between Tripoli, capital of Libya, in North Africa, and North Cape, ‘the northern end of continental Europe’, located in Norway¹², or, from a West-East perspective, to the distance between Lisbon and Moscow.

The distance factor is related to the ‘neglect of duties’ described by Leslie González and the case of SINTRABOS [logistics industry]. Sandra Neida, president of the Walmart union at Matucana Store in Santiago and president of the Walmart Federation of Autonomous Unions, clarifies that the union policy she promotes is the creation of unions at the level of establishments, which are then coordinated by a federation:

“The reality of workers in all areas of the country is different; I am a leader of the Matucana local in Santiago. I can visit another local, but I’m not always going to be there. Among them [unions at the local level], they choose the most combative leaders, who are good. Those unions manage their own resources” (Sandra Neida).

5.3.3. Conflicts

The third implication of the industrial relations system for workers’ power resources is that it shapes an internally contested, non-unitary union territory. Conflict and rivalry between unions and union leaders emerge as recurrent feature that weakens workers’ power resources.

¹²Calculated based on geographical coordinates using the Latitude/Longitude Distance Calculator. <https://www.nhc.noaa.gov/gccalc.shtml>

As noted in reviewing the PRA literature, the organisational power resource is especially sensitive to rivalry and conflict between organisations seeking to represent workers' interests. Fragmentation disrupts the internal cohesion of the trade union movement as a whole.

Drawing on the interviews, it is possible to distinguish between two types of rivalries: i) within-firm and ii) between-firm rivalries. The first arises from the presence of multiple unions within the same firm. The second corresponds to rivalries between unions in different firms, but where the selling of labour occurs in the same physical space (the classic example is on-site subcontracting).

With the within-firm rivalry, the internal cohesion of all unionised workers and solidarity is compromised, and, in its place, a clientelist logic takes hold:

“It is the logic of clientelism, of being a client, everything is supply and demand, and that regulates. So, the worker reasons, here, this union charges me two thousand pesos and they don't give me a lawyer, over there, that other union, two thousand pesos and with a lawyer” (Horacio Fuentes [Metal industry]).

Claudia Muñoz adds:

“With the fragmentation of workers' union power... obviously, there is a competition between us for who has better stewardship. What is happening a lot, especially among younger people, is: what benefit does the union offer me versus the dues I pay. So, we have competition, even in the union dues that we pay!” (Claudia Muñoz [Water services industry]).

With the clientelist logic, the union's agenda tends to focus on the very short term, on providing solutions to small day-to-day problems. This means that union leaders are more like the human resources staff in a typical firm (as Pablo Klimpel, Port union leader, explains). In this way, the clientelist logic bureaucratizes and depoliticizes trade union action, emptying it of its class content (Pablo Klimpel).

José Mazzo [Telecommunications] commented that in his sector he has seen unions totally emptied of an agenda for change or critical content:

“There are unions without a union headquarters, with leaders who are hardly seen, and who at the end of the year organise a big party in a five-star hotel like the Sheraton and give the members a Gift Card, with the money that they themselves have been paying in month after month in dues!” (José Mazzo).

The leadership disputes among union leaders are part of everyday experience and undermine the necessary ties of unity and articulation required to build effective organisational power. This is what an experienced union leader commented:

“Among our peers [union leaders], nobody wants to lose their leading role. That is to say, for example, there are a hundred unions and there are unions that are tiny, and they are not willing to merge with another union or join another union in a federation because, given their small size, they will hardly have the leadership of the federation, they will hardly have the prominence they are looking for” (Alejandro Silva [Beverages industry]).

Mistrust among peers is also a typical feature, as Cintia Rodríguez points out:

“Look, the truth is that we are very suspicious about this aspect [alliances with other unions]. I know a lot of people in the trade union world. The truth is that I am very active, I know Codelco leaders, I know leaders from all sectors, in Iquique [a city in northern Chile] I know almost all the leaders, but what happens? It happens that there are some who talk nice, they talk super nice, with great and nice speech, but agreements cannot be reached, because there are ego differences, it is typical to see attitudes such as: ‘put me first in the letter’ ‘no, my union has to appear, because my union, they are my workers, no, because I contribute more’, so, no, finally, it is not possible to reach an agreement” (Cintia Rodríguez [Aeronautical industry]).

The egotism to which Cintia refers also generates a lack of transparency in the flow of information between trade unions. For example, in the context of collective bargaining, there is little dissemination of collective agreements among trade unions. The norm is that copies of collective agreements are kept as internal material, not to be shared. Unlike in countries such as Argentina¹³ and Uruguay¹⁴, where the respective ministries of labour publish each collective agreement, in Chile there is no such public archive of collective bargaining agreements.

Trade union rivalry within the same firm can be seen, for instance, in the multinational Walmart, which has hundreds of unions in Chile. In January 2021, the Walmart Federation of Autonomous Unions, which includes several unions, published an announcement on its Facebook fan page¹⁵ aimed at recruiting more members:

“Comrades, it is time to know that there are other trade union organisations, and the SIL union does not represent us, because like you, we are tired and bored of the SIL story and all its lies (WE WAKE UP). We stopped believing these yellow unions, Mr Moreno¹⁶ and company a long time ago. We are recognised for the BEST BONUS in the FIRM, also the BEST COLLECTIVE CONTRACT with Walmart, we hold meetings or visits to the stores and our leaders are obliged to answer doubts and queries from our members”. (The Walmart Federation of Autonomous Unions, Internal Announcement) [translation from Spanish].

This announcement highlights a union vision of rupture with the firm’s hegemonic union labelled as a yellow union. Furthermore, it underlines the economic advantages of belonging to a union associated with the Walmart Federation of Autonomous Trade Unions.

¹³<https://convenios.trabajo.gob.ar/ConsultaWeb/Aviso.asp>

¹⁴<https://www.gub.uy/ministerio-trabajo-seguridad-social/tematica/consejos-salarios-negociacion-colectiva>

¹⁵<https://www.facebook.com/federacionautonomawalmart/> Accessed 09.04.2021.

¹⁶Mr Moreno is Juan Moreno, a trade union leader, president of the *Sindicato Interempresas Lider (SIL)*, which is one of the largest unions in the country.

Inter-union conflicts tend to undermine internal cohesion, a necessary condition for the organisational power resources. Juana Parra [Pharmaceutical industry] commented that her union is in permanent fight against a yellow union.

“In our case, there is a parallel union that is yellow, and that is always bending over backwards, in that union, the union leaders always sign, or call to sign, everything that the employer asks for, we don’t, we call on our members not to sign, the important thing is that each issue is studied and only then is it signed” (Juana Parra).

The rivalry between unions in the same workplace is a factor limiting the structural power of workers. There have been cases of union leaders from rival unions acting as strike-breakers against another union.¹⁷ This also happens at the level of union members, as Pablo Klimpel, a dockers’ union leader, points out:

“We have no relationship with the other five unions [are in the same workplace], neither political nor friendship or closeness, because during our strike they went to work. In fact, these small unions are formed by people who left our unions and people who went to work as strike-breakers” (Pablo Klimpel).

In the case of between-firm rivalry, the confrontation between unions mirrors the fragmentation of the workforce. Unions representing subcontracted workers seek to move closer to the benefits of unions that represent directly employed workers.

In the case of PETROX, the oil refinery in the city of Talcahuano, there are benefits obtained by subcontractors that can have a difference of up to tenfold when compared to the benefits of direct workers (Gonzalo [Oil Industry, outsourced workers]).

¹⁷Direct observation of the author in his role as an advisor to trade unions in collective bargaining during the period 2007-2016. This case was in the television industry.

Differences are also reflected in issues that could be considered symbolic:

‘The end-of-year celebrations with the family and children are differentiated. The subcontracted children go in the morning, and in the afternoon, the children from the plant go... the difference is brutal because I swear to you that other people have other privileges in the afternoon, it’s for sure, it’s for sure, do you see? We live in a society where there are selections of people; we are third class, that’s how I consider myself because we are workers seen as a third-class’ (Carlos Contreras [Oil Industry, outsourced workers]).

In mining, for example, major firms often set up separate mining camps for contractors and plant workers with obvious differences in living conditions (Jorge Schumacher [Mining workers]).

Trade union rivalry within this framework of fragmentation can manifest itself in open practices of a struggle between unions, as Jorge Peña (Mining, outsourced workers) remembers:

“For the strike in 2007, the strike in which the buses were burned and which was national, it was in all the divisions of Codelco [the state-owned copper firm]. Most of the union leaders of the unions representing core workers went to the Palacio de la Moneda [where the central government offices are located] to ask for the application of the Law of Internal Security of the State because we (the unions of subcontracted workers) had taken over the road and were not allowing their associates, their representatives, to go up to work” (Jorge Peña).

The interviews with the union leaders show how union rivalry is a mechanism for controlling workers’ organisational power. In this way, unions with genuine class commitment, as Jorge Hernández [Construction workers] says, *“not only fight against the firm but also conservative trade unionism”*.

5.3.4. Job Instability

A classic indicator of job instability is temporary employment as a fraction of the total number of salaried workers. In the Employment Outlook 2017 report, the OECD estimated this figure at 29.1% for Chile, the highest among the countries in the group. While in 1998, the proportion reached 18%¹⁸, for 2019, it was close to 30%¹⁹. A less commonly used but possibly more accurate indicator of job instability is the actual duration of employees' contracts. In Chile, the half of all the open-ended contracts lasted 15 months or fewer.²⁰

Interviewed union leaders report that job instability is deliberately promoted by employers to avoid the high cost of dismissal²¹

“Here, in this firm, there is a lot of labour turnover, and I think it is because the firm seeks to have people without high seniority to avoid the cost of severance payments” (Clara Moya [Health centres]).

“There is a huge level of turnover. Now, even if people like their jobs, they are thrown out, meaning that employers are throwing out the old people so that they don't accumulate more years” (Cintia Rodríguez [Aeronautical industry]).

“For example, they [the employers] hire people for three months, they renew them for another three months, and then they don't renew them, and so they get rid of them, and this happens with large groups of workers who don't get a renewal in their contracts. . . , and the other thing, the one who complains about something, is worse!, they don't renew that person” (José Salinas [Retail industry]).

¹⁸ENCLA Survey, year 1998.

¹⁹National Employment Survey, figures for year 2019.

²⁰Own calculations based on the unemployment insurance database. See methodological details in Appendix A.3.

²¹According to the employers, these are high due to the severance pay system, which stipulates the payment of one month for each year of service with a maximum of 11 months' worth of payments.

Although Human Resources literature often glorifies the benefits of balancing stability with agility (Trost, 2020), job instability can indeed also bring benefits for the employer. On the one hand, it leads to intermittency in the exercise of workers' power resources. One example of this can be seen in the words of Edward Gallardo Basay:

“Job instability means that many unions have a termination date, an expiry date. For example, in the outsourcing sector, when the contract is over, the work ends, and the union, which is a firm union, ceases to exist... then you go to another firm, often without a union. You have to try to get everything back” (Edward Gallardo Basay [Mining, outsourced workers]).

According to interviewees, job instability is also a factor that threatens the union's finances. For example, this can be seen in Mirian Campuzano's words: *“it can put at risk the payment commitments of certain members to the union”*, commitments that, for example, derive from a loan given by the union to a member in financial difficulties.

Instability also has consequences in terms of a loss of continuity in the union narrative, as can be seen in the case of the Starbucks Union, where the struggle for better conditions has taken years:

“On the one hand, you made progress on some things, and you had stories that allowed the workers to recognise the importance of the union, but at the same time there was the high turnover, and with it the firm managed, in the long run, to position a discourse that these were unilateral improvements on their part, that is to say, it was shameless! In their internal press release they said things like ‘we realised that you have a need, so we decided to implement this and this, accepting some suggestions from the labour inspectorate’, but the truth is that they had been fined, we as a union had taken them to court, etc.” (Andrés Giordano).

In a context of high labour turnover, recruitment processes and organising campaigns must be carried out constantly, and the participation that unions may win at a given moment

can quickly disappear. This permanent organising effort (e.g. gaining trust, organising teams, educating, seeking internal cohesion, etc.) is cyclical, not long-lasting.

Sergio Fuentes, president of one of the many unions at the Jumbo company pointed out:

“Job instability has a major impact on the strengthening of trade unions because it makes it more difficult to encourage workers to demand their rights, in the end what they are looking for is to keep their jobs safe” (Sergio Fuentes [Retail industry]).

Instability also influences the shaping of trade union agendas under the logic of fear:

“When you get to a collective bargaining process, and you want to show solidarity, the first thing you, as a worker think, is, ‘if they [the employers] kick me out, then... without incomes I will lose my properties, for example, my house, my car, I’m going to be over-indebted, I have no way to pay the debt’, and that is a determining factor that undermines the real power of the organised workers” (Horacio Fuentes [Metal industry]).

“The firms use Article 161, dismissals due to the needs of the firm, and in the case of commerce workers, every end of the month, the workers are afraid; afraid of dismissal, afraid that it could be them” (Francisco Álvarez [Retail industry]).

“There is always fear, because there is always the blackmail of dismissal, that if you are in the union, they will fire you, that if you go on strike, they will fire you (which is what usually happens), you go on strike, and then they fire a huge number of workers” (Tamara Muñoz [Call centres]).

“With Article 161, if you have looked at them (the bosses) the wrong way, they kick us out, they kicked us out!” (Sandra Neida [Retail industry]).

Since most unions are company-based, their survival depends on members keeping their jobs. If employees face high labour turnover, the likelihood of union survival is expected to decrease. For 2018 about 56% of unions counted less than 10 years of life, and only 23% more than 21 years.²² Accordingly, trade unions in Chile are mostly short-lived.

5.3.5. Low infrastructural power resources

The fifth implication of the industrial relations system with fragmented and marginalised collective bargaining is the low level of infrastructural resources of trade unions.

In Chile, trade union funding is based on the principle of defined contribution, with no funds coming from either the firm or the state. In this system, union members contribute every month to the finances of the union through the contribution of a fee that has been previously established by the union assembly in a democratic manner and that can be found in the statutes of each organisation. The collection of union dues is carried out through the mechanism of a monthly payroll discount by the employer, which is then deposited in a bank account that the union is required by law to have.

These union fees are generally set as a percentage of the base wage. Andrea Riquelme [Banking industry], for example, points out that in the union in which she participates, the quota amounts to 1.2% of the base wage and that 0.1% of this is for the Confederation. Nolberto Díaz [Oil industry] points out that in the case of his union, the quota is 1.5% and that, in general, the situation of union dues in Chile²³ is closer to 1% of the base wage.

Some unions set their union dues at a fixed amount, ranging, according to Clara Moya, from 4,000 Chilean Peso (CLP) to 7,000 CLP²⁴ (which is in line with reports from other trade union leaders). During collective bargaining periods, this quota is often temporarily

²²Own calculation based on SIRELA. See Appendix A.4. for details and sectoral breakdown.

²³At the date of the interview Nolberto was one of the main leaders of the CUT.

²⁴From €4.6 to €8.1.

increased, either to finance resistance funds in the event of strikes (as William Muñoz points out, for example), to finance the payment of the advisory, or to charge a higher amount to the non-union workers to whom the employer unilaterally extends the benefits once the agreement is sealed (an example of this can be found in the voice of Rodrigo Escobar [Logistics industry]).

With this feature, it is evident that wages have a large impact on union funding, which is especially important in Chile, where most workers earn wages close to the minimum (e.g. Durán and Kremerman, 2019) and have heavy debt burdens.

If one considers that the median size of unions in Chile is 40 members and that the median private-sector wage in large firms was 504,000 CLP (€587) in 2019²⁵, then a union dues rate of 1% means $450,000 \text{ CLP} \times 1\% \times 40 = 180,000 \text{ CLP}$ (€210) per month²⁶. This figure, as will be seen below, is very low.

Only larger unions can afford to buy or rent a union headquarters. According to Sergio Fuentes, a rented union office in Santiago's city centre can cost easily 500,000 CLP a month (€582). Jorge Gómez has a similar opinion:

“Nowadays, renting a headquarters costs... how much? 500,000 CLP (€582), 600,000 CLP (€700)? Today, there are very few unions that have headquarters”
(Jorge Gómez [Food industry]).

Against this backdrop, Jorge points out that, many unions operate without headquarters. This was the case of the Luniben [Logistics industry] union and collective bargaining round in 2016, where members assembled in a neighbourhood council headquarters near their workplace. The union had to pay an hourly rate for the right of use. When the headquarters

²⁵Source: Prepared by the author based on microdata from *Encuesta Suplementaria de Ingresos*, INE, 2019.

²⁶This figure is, in fact an overestimate as it should make the correct calculation according to the base wage and not the final pay.

were not available, meetings were held in a public square also close to the workplace²⁷. In the absence of this basic infrastructural resource, the practice of lending union headquarters to unions that do not have one is also recognised (an example of this can be seen in the words of Carolina Espinosa, Claudia Muñoz and Leslie González, among others).

According to the ENCLA 2019, of the total number of firms with trade unions, in 22% of cases, the main trade union had no headquarters. In 11.2% of cases, the headquarters were lent by another trade union or social organisation. In 20.4% of cases, unions rented the headquarters. Only in 10.6% of cases did the largest union own their headquarters. In the remaining cases (35.8%), the employer lent an office to the union to be used as a union headquarters. The latter is a common practice in the context of scarce infrastructural resources. However, this carries the risk of being dependent on the firm, as Sandra Neida related in an interview with Carolina Bank-Muñoz in 2011:

“We realized that we were dependent on the company to conduct union business, which is our right as union members. We don’t want to be dependent; we have decided to find space outside of the store to meet” (Sandra Neida) - quoted by [Bank-Muñoz \(2017\)](#).

In addition to rent, the standard expenses of a trade union in Chile include mobile telephony, expenses associated with transport and food for field inspections and visits to the labour inspectorate, expenses for materials, expenses for advisory services, and expenses for trade union training and unionisation campaigns, among others.

The presence of specialised and permanent professional staff such as labour lawyers, accountants, economists, and sociologists are the exception ([Dirección del Trabajo, 2019b](#)). It occurs in large unions (e.g. in mining) or in federations (e.g. in the Walmart Federation of Autonomous Trade Unions)²⁸ and confederations. Professional staff are therefore mostly

²⁷Direct observation, participation as union advisor (December 2016).

²⁸Source: Personal interview with Sandra Neida.

contracted by unions to prepare and participate in collective bargaining. This is due to the enormous asymmetry in technical knowledge observed between union leaders and the parties with whom they have to negotiate. According to [Feres et al. \(2009\)](#), around 2007 the differences in years of study could be as much as 7 years in favour of the employers' side. Although the advisory services have a concrete objective (to reduce the gap in technical knowledge between the parties), some of the interviewed commented that this practice has a risk due to being seen as *“dangerous for the construction of organisational power from below”*. This is because there is a risk that, in small unions, the advisor will take on a leading role and, for example, manage assemblies and end up leading the union. For Christian Riveros [Outsourced workers in the retail industry], in the Chilean context, advisory services *“cause intellectual laziness in union leaders, this should not happen, but it does”*.

The lack of infrastructural resources in the unions is also apparent during collective bargaining rounds, which must be coordinated by the parties by mutual agreements. In a context of fragmented bargaining, with unions without resources, it is common to hold meetings either on the firm's facilities or in places outside the firm but financed by the employer (hotels, for example).²⁹ Whereas unions may see this as convenient in saving money, it is a practice through which employers implicitly seek to maintain 'control over the territory', which in football argot would mean 'playing at home'.

Scientific research financed by trade union resources and organised in firm-level unions is almost non-existent. What is available follows the logic of external consultancy.

Against this backdrop of scarce financial resources, many trade union leaders see in the Labour Directorate an alternative to finding technical support. This can be seen from the very formation of trade unions:

²⁹Direct observation by the author as part of Fundación SOL's experience in advising trade unions.

“We did all the paperwork required by Labour Directorate and what I do remember is that we had a lot of ignorance, we didn’t know how to interpret, for example, the statute that they give you at the Labour Directorate, it was complex for us, and at that time we were alone, we had no one to ask. Later, in the long run, we realised that the ‘standard statutes’ were detrimental to us in many ways” (Rodrigo Escobar [Logistics industry])

According to the ENCLA 2019, most union leaders seek advice from the Labour Directorate in the context of collective bargaining ([Dirección del Trabajo, 2019b](#), p.193). Some of the trade union leaders interviewed reported that they ‘use’ the Labour Directorate to give more formality to the meetings they have with the employer (as reported by Gerardo Foquett, for example).

The lack of trade unions’ own resources to organise trade union training programmes is addressed by seeking free or low-cost training opportunities financed and run by the Ministry of Labour or other institutions. The Ministry of Labour offers grant funding for the development of “trade union training” schools. Universities are eligible to participate in the call for proposals, and the curriculum should follow the guidelines sought by the Ministry.

“What the leaders do today is to replicate the trade union school model of the Labour Directorate [Ministry of Labour], which is written by the the government according to their interests, not ours” (Cristián Cuevas [Mining, outsourced workers]).

Various other union schools operate with direct university funding and are generally initiated by student centers and research centres associated with a university. Finally, some union schools receive funding from the International Labour Organisation and NGOs.

Training funding through union resources is rare but can occur in the larger unions. All in all, respondents say that most of the union training programmes comes from external institutions (outside of the unions).

The “*lack of trade union heritage*” is another consequence of the Chilean industrial relations system and impacts infrastructural resources. The fragmented system of ephemeral unions and rank-and-file with high labour instability prevents, to great extent, the construction of historicity. Trade union leaders remember the impact of the dictatorship on trade unions, which persists. For example, Jorge Schumacher highlights the lack of a “*cultural, political and social heritage of the trade union leaders of yesteryear, since they were disappeared*” [referring to the ‘disappearance’ inflicted on leaders during the dictatorship].

Although most of the unions have few infrastructural resources, the interviews also revealed the case of larger and well-financed unions that have considerable infrastructural resources, which - for example - allow them to have special power at the time of strike action. This is the case of the Minera Escondida union,

“As a union, we prepare very well for strikes, and that in every sense. In fact, in the past we have built a camp in the desert, with a capacity for 2,500 people and even with sewage” (Jorge Schumacher [Mining]).

Minera Escondida, part of the BHP Billiton group, is considered ‘the world’s largest copper producer’.³⁰ Its union enjoys a great deal of structural power that was shown in the strike of 2017. This event, drove up copper prices³¹ and hit seriously the economic performance of Chile during that time³².

Jorge Schumacher is among the union leaders of the Minera Escondida trade union, and pointed out that to properly organise themselves, each union leader is in charge of around 300 members who are authorised to contact them 24 hours a day:

³⁰<https://www.bhp.com/media-and-insights/image-gallery/locations-and-operations/escondida-chile>

³¹<https://www.df.cl/noticias/mercados/commodities/inminente-huelga-en-escondida-impulsa-precio-del-cobre-y-arriesga/2017-02-08/104234.html>

³²<https://www.mch.cl/2017/04/06/efecto-escondida-economia-se-contrajo-13-febrero-peor-nivel-desde-2009/>

“We have a system of trade unionism, where we try to be class-based, but it also has a problem of being very assistance-oriented, so we do everything for the members, we get them to doctor’s hours, we have psychologists, lawyers, assistance for investment decisions, assistance for managing the pensions and for all the related paperwork, etc.”

Jorge Schumacher continues:

“We see the indebtedness of the members; we see the divorces, the separations. We attend to the children; the rank-and-file tell us: ‘hey, my son will go to the union, I don’t want to know anything about my son, but I want to have the benefits’. The children go, and we attend to them, or the wives go, or when they are separated, the other woman goes too, so we are too assistance-oriented... We have everything for the affiliate so that they are not looking for these benefits from the firm. All of that has a tremendous burden because that is apart from dealing with the trade union issues themselves. That affects a lot” (Jorge Schumacher [Mining industry]).

A similar story can be seen in the case of Jorge Hernández, president of the Inter-firm Construction Union (SINTEC):

“We allocate a significant part of the union dues to a welfare fund; we do not accumulate money in this union. We have a welfare programme that increases the benefits obtained through collective bargaining. In the case of an accident to the worker, or if the worker’s house burns down, there are various benefits, the union has a welfare fund”.

For Jorge Hernández, all these infrastructural resources of the union play a role in recruiting the rank-and-file.

“We are constantly providing benefits and people have more belief in us. We have an office, we have lawyers, we have staff, several staff. We have managed to

acquire a mobile dental clinic, which is now on site, we have a technical training agency” (Jorge Hernández).

The narratives presented by Jorge Schumacher and Jorge Hernández illustrate how the combination of organisational and structural power resources allows for an improvement in the living conditions of the rank-and-file. However, it also shows (especially in mining) that unions fail to coordinate actions to achieve aggregate effects at a larger scale than the workers directly involved despite their high levels of structural power resources. In these cases, the high levels of infrastructural resources are mostly used to provide first-class services to the affiliates.

5.3.6. Limited scope of collective bargaining

The sixth implication of the marginalised and fragmented collective bargaining identified by the interviewed union leaders is, namely, its limited scope. According to the interviews, unions in Chile are seen as a point of access to a certain package of economic benefits. This is clearly visible at the moment of analysing the content of the bargained issues.

Respondents emphasise that, in practice, the content of collective bargaining follows a pre-established script on which parameters are adjusted and where clauses can be added or removed. This script includes improvements to a set of individual labour rights already present in the labour code.³³ In particular, it may include clauses referring to CPI adjustment of wages and benefits, real wage adjustments, ‘sporadic’ bonuses, periodic bonuses, conditional bonuses, clauses that replicate what the labour code says, and the ‘end-of-negotiation bonus’.

Sporadic bonuses are event-related and depend on the occurrence of a given situation that is uncertain: marriage, death of the worker, death of a family member, birth, among

³³That is why [Gamonal \(2020\)](#) has argued that the collective contract in Chile, in practice, operates more as an aggregation of individual employment contracts.

others. It is common for employers to offer attractive sporadic bonuses because their probability of payment is normally low.

Periodic bonuses can be annual, including school grants or annual study allowances. These types of bonuses are usually given at the beginning of the school year. They are closely related to the type of society that has been built, where social rights such as education, health and pensions have been privatised. Today, their provision depends on the salary of each worker. The annual bonuses also include the Christmas food hamper (or a Gift Card) and the National Independence Day food hamper (or a Gift Card).

Periodic bonuses can also be monthly, such as food allowances and transportation allowances. In this way, workers have an opportunity to increase their monthly salary.

Conditional bonuses can have different periodicity and are specific to the fulfillment of a goal. It is widespread among respondents to mention the ‘attendance bonus’, which rewards the worker for not missing work and arriving on time; this bonus is monthly. Mirian Campuzano comments:

“These bonuses [punctuality bonus, a variation of attendance bonus] are a tying mechanism and cause stress for the workers. The punctuality bonus is 42,000 CLP (€49) a month. If there was a protest on the road, a demonstration, or if the metro power went out or any other contingency, the bonus is lost, that is fatal, so it affects a lot” (Mirian Campuzano [Retail industry]).

In mining, the bonus policy adopted by management is common practice, as Jorge Schumacher (Mining industry) points out:

“Mining workers have historically been compensated with bonuses, with end-of-negotiation bonuses, with production bonuses, performance bonuses. So, unfortunately, the workers have defined these as the unions’ struggles, the bonuses. And that is far from what we want” (Jorge Schumacher).

PETROX contractor workers [Oil industry] point out that they have a quarterly bonus called *Aseguramiento de Calidad* (Quality assurance), which restricts work stoppages, i.e. it aims for continuous production. Iván comments that they achieved a tolerance margin of 6 hours (per quarter). He and his colleagues who participated in the interview comment that such bonuses have an implicit impact on organisational power:

“The firm gives you the bonus, as long as you don’t mobilise, as long as you don’t have accidents, so it indirectly binds you not to march. They deduct almost half of the bonus for a march. . . ” (Iván [Oil industry, outsourced workers]).

In these cases (Mirian [Retail industry], Jorge [Mining industry], Iván [Oil industry]), such a system works, giving significant economic rewards to workers once a goal is accomplished. It is a way in which employers discipline or control workers, intercepting their power resources.

Interviewees also point out that collective contracts often set out exactly the same rules as in the labour code. Typical cases are for overtime conditions. For example:

“hours worked more than the ordinary working day shall be paid by the provisions of Article 32 of the labour code” (Collective bargaining agreement of a TV union, 2020, Fundación SOL Archive).

Interviewees warn that, through the inclusion of some labour code articles into the collective agreement, the hope is that in future negotiations, the union will push to alter the parameters present in such clauses and then effectively exceed what the law states. This is what happened in the following case:

“The hours that according to the legislation have the character of overtime will be paid on top of the basic salary and other fixed allowances, with surcharges as follows: those worked on Sundays and public holidays between 08:00 and 14:00 hours: 75% [the normal rate is 50%]” (Collective agreement of a trade union in the electricity sector, 2020, Fundación SOL Archive).

Special loan clauses are widespread in collective agreements. They consist of sums of money to be lent to a member who requires it and to be repaid over a certain number of months without interest (Fundación SOL Archive, collective bargaining 2018-2020).

In recent years, the high indebtedness of workers has become a recurrent experience. Data from the Central Bank of Chile show that the ratio of household debt to disposable income has not stopped growing in the last 20 years, rising from around 35% in 2003 to 75% in 2019.³⁴ At the same time, the study of indebtedness by the San Sebastián University-Equifax³⁵ shows that there are more than 12 million people in debt (which in the Chilean case is high, it represents almost 33% more than the employed labour force). Indebtedness is mentioned throughout the whole of the interviews.

“Who isn’t in debt nowadays? Yes, there is a lot of over-indebtedness, but look, for the majority of workers, is not for houses, or to buy cars, it is because people eat, the indebtedness is to eat, for recreation, to go on holiday, to buy a gift, buy trainers or a mobile phone for his son” (Sandra Neida [Retail industry]).

Clara Moya sums up what many trade union leaders face in the face of this indebtedness:

“Our high rate of indebtedness has been one of the tools used by the employer to manipulate the worker; I believe that indebtedness is a way for the employer to manipulate so as to demand things from the worker that, perhaps, he would not want to do, but ‘since you need me because I pay you and you are in debt, I do what I want with you’, in the end, I believe that indebtedness is a harmful form of manipulation” (Clara Moya [Health centres]).

Collective agreements appear on paper as a means to improve wages in order to deal with indebtedness, but also often end up further facilitating access to credit:

³⁴Traditional reading is ‘total household debt reached XY% of disposable income’.

³⁵XXVII Informe de Deuda Morosa Universidad San Sebastián-Equifax (2019).

“We have loans with the firm. We have holiday loans, we have emergency loans, health loans. People look for all kinds of ways” (Cintia Rodríguez [Aeronautical industry]).

One of the most eagerly expected bonuses for the rank-and-file is the so-called ‘end-of-negotiation bonus’. This is a one-time payment to each union member that is generally deposited into workers’ current accounts within hours of signing the collective agreement. Initially, this bonus was claimed by the unions that were on strike as a partial compensation mechanism for the days of wages lost due to the conflict. However, over the years, this bonus has been increasingly often included in collective agreements although strike takes no place. This bonus usually attracts workers because it is cash money, as one interviewee commented:

“The end-of-negotiation bonus is one of the things that puts the most pressure on the rank-and-file because it is immediately applicable” (Claudia Muñoz [Water services industry]).

Mirian Campuzano adds:

“With the low salaries that exist, they [rank-and-file] don’t have the capacity to save that money, so getting that bonus is key! They look forward to that negotiation” (Mirian Campuzano [Retail industry]).

In mining these bonuses are famous because of the high amount. For instance, for the collective agreement of 2021, the Minera Escondida trade union gained an end-of-negotiation bonus of 23,000 US\$ per worker.³⁶ This amount is equivalent to 22 times the median wage in the mining industry.³⁷ It is also equivalent to 43 times the national median wage.³⁸ This is an exceptional case that took place in the world’s largest copper mine. Although comparatively

³⁶<https://www.france24.com/en/live-news/20210814-agreement-reached-to-avoid-strike-at-world-s-largest-copper-mine-in-chile>

³⁷Own calculation based on the *Encuesta Suplementaria de Ingresos 2020*.

³⁸ibid.

high in relation to the national level, compared with profit level of Minera Escondida the end-of-negotiation bonus for the whole union represented less than 2% of the profits of 2020³⁹. In the big retail chains, an end-of-negotiation bonus could reach between 1.5 and 2 months' wages.⁴⁰ In small unions, this bonus could reach between 150 and 200 euros per worker.⁴¹

For employers, the end-of-negotiation bonus is a cheap way to conclude their collective bargaining efforts. Trade union leaders said that this bonus is a kind of 'candy' given by the employer, i.e. *"bread for today, but hunger for tomorrow"*, and that it does not mean a real gain in the struggle for income distribution.

"The employer's strategy is to offer a tempting end-of-negotiation bonus, but they don't offer anything else, in other words, bread for today, and hunger for tomorrow, and so you go on for four more years receiving that miserable salary!" (Patricia Coñoman [Textile Industry]).

"We always leave the end-of-negotiation bonus on the margin, because it is a bonus every two years (even three), and we try not to give it too much importance so that the employer cannot play with us by giving lower percentages to the real wage adjustments" (Leslie González [Logistics]).

Some of those interviewed commented that some employers prefer to differentiate the end-of-negotiations for new and old workers or between full and part-time workers. This is the case of Leslie González, who explained that this practice brings the rank-and-file into conflict among themselves.

Job instability is also a factor in preferring the end-of-negotiation bonus rather than increasing the basic salary.⁴² Many workers see the end-of-negotiation bonus as an opportunity

³⁹Own calculation based on Consolidated Financial Statements as of December 31, 2020, Minera Escondida. Available in *Comisión para el Mercado Financiero (CMF)*. In the calculation of the profit I used the EBITDA.

⁴⁰Participant observation of the author in collective bargaining processes (2006-2016).

⁴¹Participant observation of the author in collective bargaining processes (2006-2016).

⁴²This is the classic decision with which the firm confronts the union.

to improve their exit conditions: when the risk of dismissal is high an increase in basic wage is much less attractive than an immediate bonus.⁴³

5.3.7. Depoliticisation of the working-class

The seventh implication of marginalised and fragmented collective bargaining is what interviewees described as ‘Depoliticisation of the working-class’.

Politicisation and despoliticisation in the context of the Chilean industrial relations has been studied in recent years for some scholars, for example, [Campusano et al. \(2017a,b\)](#) and [Bellido de Luna \(2021\)](#). In the first case, the authors bring a conceptual proposal and distinguish between an endogenous and exogenous perspective of politicisation. On the one side, one can observe endogenous politicisation when politicisation is internally centred within the productive unit. On the other side, exogenous politicisation can be observed when politicisation refers to its connections with the “*joint social order*” ([Campusano et al., 2017a, 9](#)), that is to say, when workers pursue changes in labour market institutions (and more⁴⁴) by acting as a social actor in society. Thus, endogenous politicisation can be seen at the level of the firm, through strikes that seek to challenge the labour process, and exogenous politicisation can be seen at the level of society, also through strikes but political ones.

In the second case, [Bellido de Luna \(2021\)](#) uses the concept of the *policital action* revitalisation strategy drawn on [Frege and Kelly \(2003\)](#) to analyse the Chilean labour movement. Frege’s concept is related with workers’ power resources, “*resulting in more favourable labour legislation or in corporatist labour market legislation*” ([Frege and Kelly, 2003, 9](#)), and therefore, is much more closer to the exogenous perspective of politicisation in [Campusano et al. \(2017a\)](#). In her work, [Bellido de Luna \(2021\)](#) concluded that the institutional constraints of the labour code, many of them in force since dictatorship, have

⁴³Participant observation of the author in collective bargaining processes (2006-2016).

⁴⁴Change the social order.

shaped the way that unions defend the workers' interests. In this way, the political action revitalisation strategy encounters little chance to succeed when unions are highly fragmented and isolated from each other.

In the present research, the informants' answers were mixed in terms of the conceptual proposal of endogenous and exogenous politicisation. This means that both types of perspective were identified.

Nolberto Díaz [the CUT General Secretary at the date of interview] describes the situation of politicisation as follows:

“Where unions exist, they are small and fragmented. As a result, there is no political consciousness, and they are unions without power, so, in the end, no relevant gains are achieved either. Political issues, such as health, education and pensions, are excluded” (Nolberto Díaz).

Nolberto commented that there may be some unions that “*scratch a little more*” given their structural position in this setup.⁴⁵ However, in the big picture, the aggregate effects in terms of influencing income distribution or transforming basic social rights such as health, housing, and education are not visible.

Bárbara Figueroa [president of the CUT at the date of interview], comments:

“When you are captured at company level, you are inevitably always going to be in the day-to-day contingency, with the problem of the unpaid bonus, the problem regarding the delivery of work clothes, the problem regarding the missing safety element, etc. So, you can't achieve trade unionism on another scale [a higher one]. I think that, of course, those who don't want strong trade unionism can see that very well” (Bárbara Figueroa).

⁴⁵Nolberto's words can be connected to the cases described in the previous section in the voices of Jorge Schumacher and Jorge Hernández.

The lack of exogenous and endogenous politicisation is not particularly surprising as Nolberto and Bárbara pointed out. Furthermore, in many cases, the union leaders as well the rank-and-file are explicitly against any form of ‘politicisation’, which is a major challenge for acquiring social power resources. One former union leader offers the following situation:

“When I was union leader, the other members of the board refrained from referring the rank-and-file as ‘compañeros’ [comrades] since it was considered left-wing. I fought for this within the board but it was not possible. They said that the correct form to address the rank-and-file should be colleagues” (Cesar Alvarado [Telecommunications]).

The case of Cesar Alvarado is also visible in the words of other informants when they refer to the questioning that rank-and-file put on them for participating in society affairs rallies.

“There is a situation that is common in many unions and it is the questioning of participation in discussions that go beyond the individual problems of the union. People are afraid of unions becoming ‘political’. People are afraid of the union having a voice in matters of national interest, such as a reform of the pension system. This is sad, but it is easy to discredit union leaders by saying ‘this leader is in politics and doesn’t deal with the problems of the rank-and-file’. This is a victory for Pinochet’s and his ‘Plan Laboral’ ” (Andrés Giordano [Fast Food industry]).

Paula Órdenes commented in the same vein. She says that many workers criticised the union’s strategy of building social power:

“Workers said things like ‘Hey, don’t go out, don’t go there [when we go to the Congress to do lobbying], why aren’t you here? [in the workplace] I need you today, and you’re - I don’t know why - in Valparaíso [city where the Congress is located] with a Senator’. These comments are quite common at the rank-and-file level” (Paula Órdenes [Gas industry]).

This questioning is mainly driven by the clientelist approach of unionism that prevails in Chile, where union leaders are seen by the rank-and-file as their employees who should work for their union affairs and not for ‘external political problems’. In this way the agenda of unions is often fully consumed by internal problems which, in a context of fragmented collective bargaining, raise a challenge in term of exogenous politicisation. One leader comments thus:

“People are so focused on their own navels, so concerned about their own needs and nothing else” (Jimena Aguirre [Social Service sector]).

In this sense, the Power Resources Approach is an important tool for political action, as illustrated in the following commentary:

“We, as a union, have always fought against depoliticisation. That’s why we try to have as little friction as possible, not only in the board of directors, but also in the assembly, we have debates, differences are generated, sometimes we fight hard and everything, but that has never hindered the functioning of the union. People participate very actively in the union; in general, they have a degree of activism that even goes beyond the union: some have been feminist, animal activist, environmentalist leaders” (Andrés Giordano).

The above quote illustrates how organisational workers’ power resources can interact with societal power. Member participation and internal cohesion were key resources to organising. Andrés Giordano explains that in the beginning it was complicated building societal power, because among other factors, the employers pursued attempts to discredit him and other union leader. Andrés comments thus:

“the employer said to the rank-and-file things like: ‘no, what happens is that Giordano and Antonio Páez [also union leader in Starbucks] are making a political career, that’s why you see them in the press’ ” (Andrés Giordano).

These kinds of employer's narrative resources can make sense in a depoliticised working-class and that is why - as Andrés explained - member participation in assemblies and union rallies is key to explain to the rank-and-file why unions should be involved in shaping society.

A similar vision can be seen in the case of Edward Gallardo Basay, who points out that unions should promote discussion on issues at the societal level, because this hardly ever happens today.

“I am convinced that trade unions have to have regular assemblies... but do you know what is happening today? The unions hold assemblies only when there are collective bargaining processes, and that is if they discuss the demands, because many times the union leaders resolve the demands and then they present the resolutions of those demands to the rank-and-file, for the vote. But there is no participation of the workers in the discussion ...”

Edward continues:

“Do you think that the workers don't want to discuss the society we want? Do you think that the workers do not want to discuss about what pension system we want? Do you think that the workers do not want to discuss about what education they want for their children? Or about what health care we want? Of course we workers want to discuss! We want to discuss them because I am sure that at home the workers arrive, and sit down with their families and they will be discussing what is happening in Chile” (Edward Gallardo Basay [Mining, subcontracted workers]).

5.4. Conclusions

At the beginning of this chapter, it was stated that frontline experiences from union leaders in Chile converged into 7 general implications of the institutional framework of the industrial relations system on the workers' power resources.

Regarding the first implication, the marginalisation of trade unions and collective bargaining, findings show a daily experience in which respondents recognise as one of the main factors the loss of employment if they participate in trade unions or reprisals by employers against union members. Employers use the destabilisation of the job as a tactic to strengthen their power. The lack of a quorum for the formation of trade unions at the firm level and the workers' lack of interest in "trade unionism" are also factors that have been mentioned. In this context, it is possible to observe countervailing influences from the organised working class itself, but these have not yet achieved the expected effects.

Regarding the second implication, fragmented collective bargaining, interviewees pointed out that it is the result of several factors. At the root of all lies the institutional power of the employers, whose interests are embedded in the unionisation rules that allow multiple unions at the firm level. Fragmentation can be caused either by corporate strategies that divide the companies into many bargaining units (Chapter 4), but also by internal differences within the trade union movement itself. According to the interviewed trade union leaders, the consequences of fragmentation on workers' power resources are devastating.

Regarding the third implication, conflict between unions, responses focused on two aspects: i) conflicts between unions representing internal workers and unions representing subcontracted workers, all working in the same workspace and, ii) conflicts between unions representing workers belonging to the same category (internal versus internal, or external versus external). The consequence of trade union conflict in the space of capitalist relations of production is the emergence of an additional level of struggle: workers have to fight against the employer and against other trade unions. Trade union fragmentation reduces budgets,

affects the working class's internal cohesion, and distances a certain segment of the workers from the decision to join a trade union. Derived from this implication one can see internal struggles and competitions between unions, problems of ego and corruption among leaders, and a general lack of articulation between organisations.

Regarding the fourth implication, job instability, union leaders recognise it as an employers' power resource that is particularly effective in affecting the associational power of workers. The high level of job instability has consequences for the construction of the trade union narrative, which becomes intermittent. Employers have, in fact, used instability to their advantage in this regard as well, appropriating union gains as if they were benefits that have arisen from their own policies. There is also a high degree of instability at the trade union level, and most of the thousands of trade unions in Chile are very young, almost inexperienced.

Regarding the fifth implication, low infrastructural resources, participants reveal very challenging conditions. Most union funds are used to benefit the members in a clientelist logic, and in general, there is no capacity to maintain resistance funds for strikes. Having their own union headquarters to meet in (not provided by the employer) is rare. The presence of permanent professional staff is exceptional. This shortage of infrastructural resources of workers is in sharp contrast to the situation of employers who are organised in powerful unitary associations at the level of the economic sector. Some organisations do enjoy high levels of infrastructure, such as, for example, the unions in the large copper mining industry, but this does not translate into aggregate effects for the working class in Chile.

Regarding the sixth implication, the low scope of collective bargaining, the interviewees, as well as the analysis of collective agreements, show that the content of what is negotiated is fundamentally related to economic benefits that supplement the low wages paid in Chile.

Finally, regarding the seventh implication, the depoliticisation of the working-class, the interviewed union leaders commented that in Chile the marginalised and fragmented collective bargaining system has a strong influence in keeping critical thought regarding

society's issues underground. Furthermore, the current system marginalises unions, but when they survive, they often have to deal with a clientelist perspective from the rank-and-file, who demand solutions to their day-to-day problems and punish any turn towards society's affairs, purely on the basis that the union's fees are to pay not for that but to defend the narrow interests of the firm-level trade union. This is notably a failure in solidarity among workers, but also in the goal of achieving exogenous politicisation, that is, intervening to change the social order of things. Interestingly, some respondents commented that social power resources can be activated through interaction with the workers' organisational power resources such as internal cohesion and member participation.

These implications were qualitatively analysed by using the answers of the participants. In addition, with the many insights that emerged from the union leaders stories, there arose new statistical questions which were addressed and presented throughout the chapter and in the appendixes. These findings supplement the figures presented in Chapter 4 and provide a statistical overview on some of the key elements mentioned by the interviewees.

Measuring Income Inequality

6.1. Introduction

In 2019 just a few days after the start of the social uprising in Chile¹, Branko Milanovic, the global specialist in income distribution tweeted *“in the new 2013/4 global income distribution data (just completed): the bottom 5% in Chile are at the same income level as the bottom 5% in Mongolia and Moldova; meanwhile, the top 2% in Chile (probably underestimated) have the same income as the top 2% in Germany”*.² In a same vein than Milanovic’s tweet, in the 2020 update of the World Inequality Database (WID), which belongs to the World Inequality Lab led by Thomas Piketty, Chile was number 4 at the top 4 in a ranking of 175 countries in the highest income concentration in the top 1% earners. The other three most unequal countries were all poor countries comprising Sao Tome and Principe, Mozambique and the Central African Republic. This high income inequality has been a hallmark of Chile’s political economy for decades, even centuries (Rodriguez-Weber, 2014).

What are the reasons for this high inequality? A capitalist (i.e. profit-driven) economic system does not function without a sector possessing means of production and monetary

¹See more about the social uprising in Landaeta and Herrero (2021).

²See <https://twitter.com/brankomilan/status/1186228038322794496?lang=en>, accessed 31.01.2022.

solvency and sectors devoid of both elements offering on the market their capacity to produce and create value, which must return again and again to the market and renew themselves. In other words, it does not work without social inequality that it continuously reproduces over time. Taking this as a starting point, there are various factors identified in the literature that can explain greater or lesser income inequality in capitalist societies: education (Becker, 1964), employment (Lundberg, 1985), tax systems (Piketty, 2014) and collective bargaining (Bosch et al., 2010; Bosch, 2019), among others. As part of the methodological and interpretative option of the present research, I have chosen to emphasise the explanations related to the direct relationship between capital and labour in the productive space, addressing especially the role played by organised forms of wage dispute (through trade unions and collective bargaining). This is based on the Power Resources Approach, which argues that the income distribution is determined by the unequal distribution of power resources of the relevant actors in the labour market respectively between capital and labour. Particularly significant for this approach are the workers' organisational and institutional power resources. Only with strong power resources collective bargaining can be inclusive and reduce the inequality of market incomes. This approach is so far on the sidelines of the Chilean debate on inequality.

The remaining of this chapter is as follows. First, different ways of measuring income inequality are presented. Then, international research on the impact of trade unions on income distribution is reviewed. Afterwards, income inequality results for Chile distinguishing between market income indicators and disposable income indicators are presented and analysed using the lens of the Power Resources Approach. In the next section, a Propensity Score Matching model and its results are presented to explore the relationship between the institutional characteristics of Chilean collective bargaining and the change in market income inequality. The last section contains the conclusions.

6.2. Measuring income inequality: classic indicators

In the literature on income distribution one can identify two main approaches of measuring (e.g. [Salverda et al., 2009](#)): i) the approach of personal income distribution, and ii) the approach of functional income distribution.

In the ‘personal’ income distribution approach, as its name suggests, the focus is on how income is distributed among the population, that is to say, on the income inequality between individuals or households. In turn, in the functional or ‘factor’ income distribution approach the focus is on how incomes are distributed among the factors of production (capital and labour). While the functional distribution was central to discussions of distribution undertaken by the classical economists, the personal distribution has been the most popular approach to measure income distribution during the last decades ([Glyn, 2011](#)), this can be seen, for instance, in the debates on low-paid workers, minimum wages, etc.

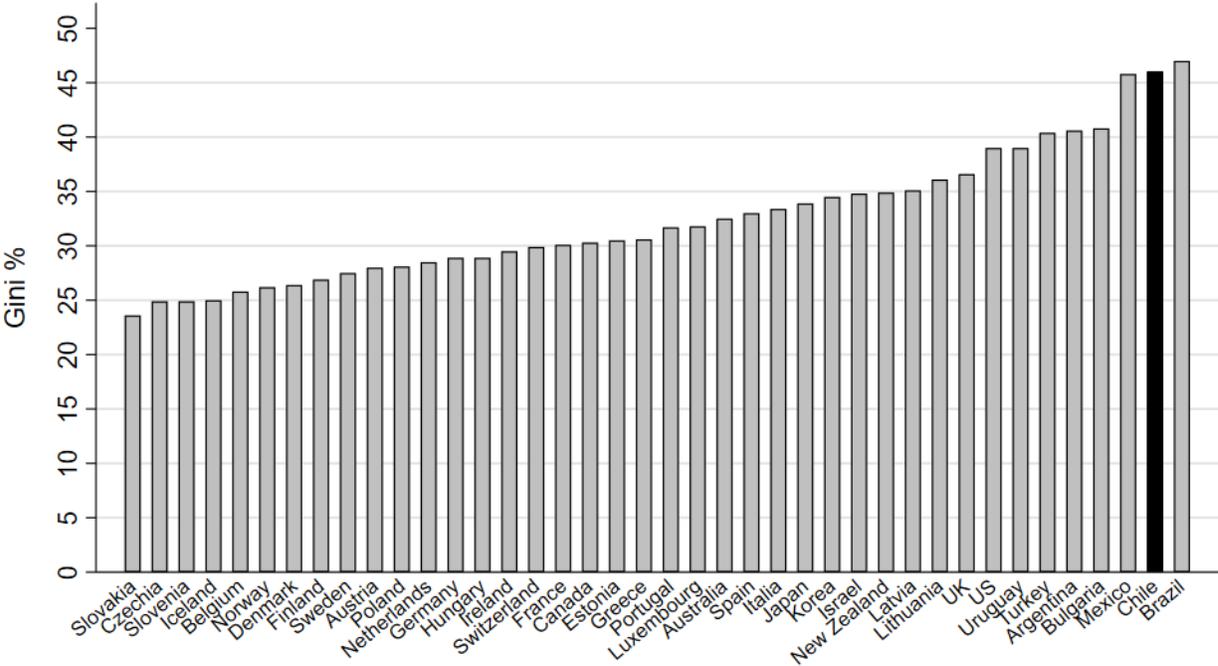
When analysing the personal income distribution it is important to distinguish what type of income is being observed: *market* income (primary distribution) or *disposable* income (secondary distribution). The first, as its name suggests, refers to income generated as a result of market forces before taxes and transfers. It includes income from labour (e.g. wages), but also from capital. The second refers to the distribution of the income after taxes and transfers.

While personal income distribution approach is concerned with both primary and secondary income distribution, the functional income distribution approach is concerned with primary income distribution. Both the primary and secondary income distributions are interesting to examine under the Power Resources Approach (PRA). On the one hand, primary income distribution depends heavily on workers’ power resources, for example, on collective bargaining. On the other hand, the size of the welfare state it also depends on the workers’ power resources, therefore secondary distribution is an indicator that should matter.

There are many indicators to measure personal income distribution. Some of them are: the Gini coefficient, the income ratios (quintiles and deciles), and the share of income accrued by the top 10% of population. Along with them, the labour share is an indicator to measuring inequality using the lens of the functional income distribution approach.

The Gini coefficient is one of the most widely used measures of personal income distribution (e.g. Trapeznikova, 2019) and the most relevant indicator in the debate on inequality in Chile. It can take values between 0 and 1 (where 1 can also be interpreted as 100%). The lower the Gini, the lower the personal income inequality. To the UN, the international alert line when using the Gini is 40% and above that it is considered to be at dangerous levels (United Nations, 2008, p.51).

Figure 6.1: **Gini coefficient, disposable income. Selected countries**

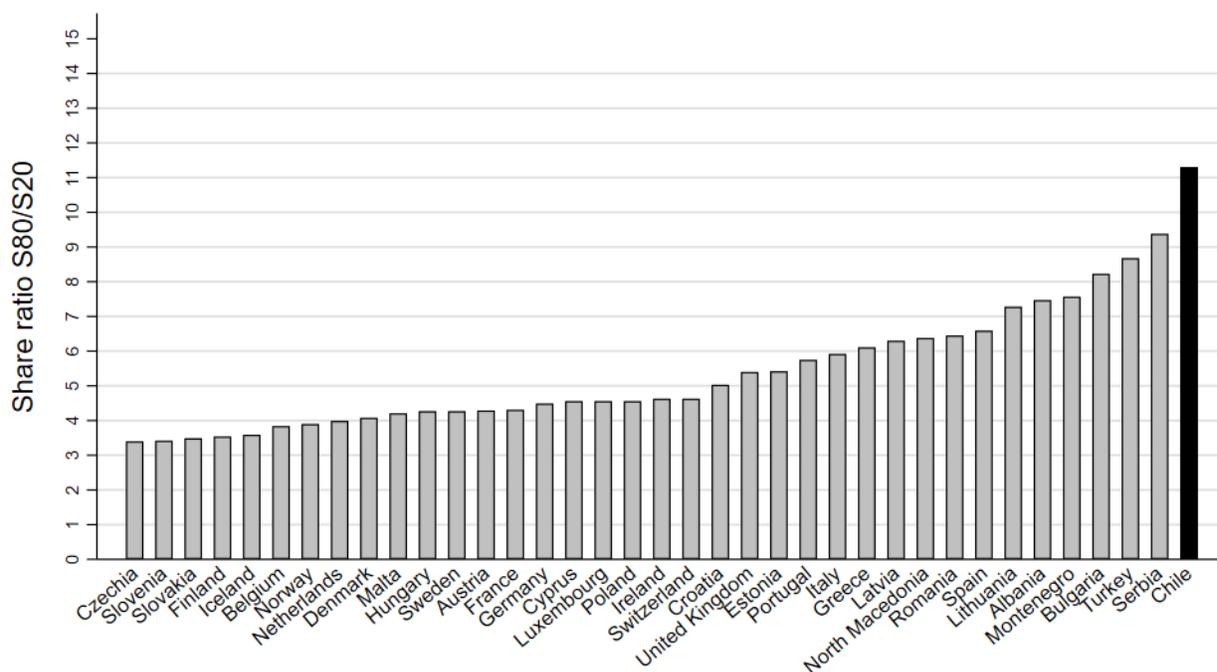


Source: Own illustration based on Income Distribution Database OECD (years 2017-18), and CEPAL Stat (Argentina, Uruguay).

Figure 6.1 shows that, in the OECD countries plus Argentina and Brazil, the lowest values for the Gini coefficient in 2017/18 were in the range of 20%-25%, while the highest were in the range of 45%-50%. The 40% threshold is only exceeded by 6 countries (Turkey, Argentina, Bulgaria, Mexico, Chile and Brazil).

Following the Eurostat glossary, “the income quintile share ratio or the S80/S20 ratio is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20% of the population with the highest income (the top quintile) to that received by the 20% of the population with the lowest income (the bottom quintile)”. Along with the quintile, the decile share ratio is also commonly used. Unlike the Gini coefficient, which focuses more on the middle part of the distribution (Bosch and Kalina, 2018), in the income quintile ratio, the measurement targets the extremes of the distribution.

Figure 6.2: **Income quintile share ratio S80/S20 for disposable income. Selected countries**

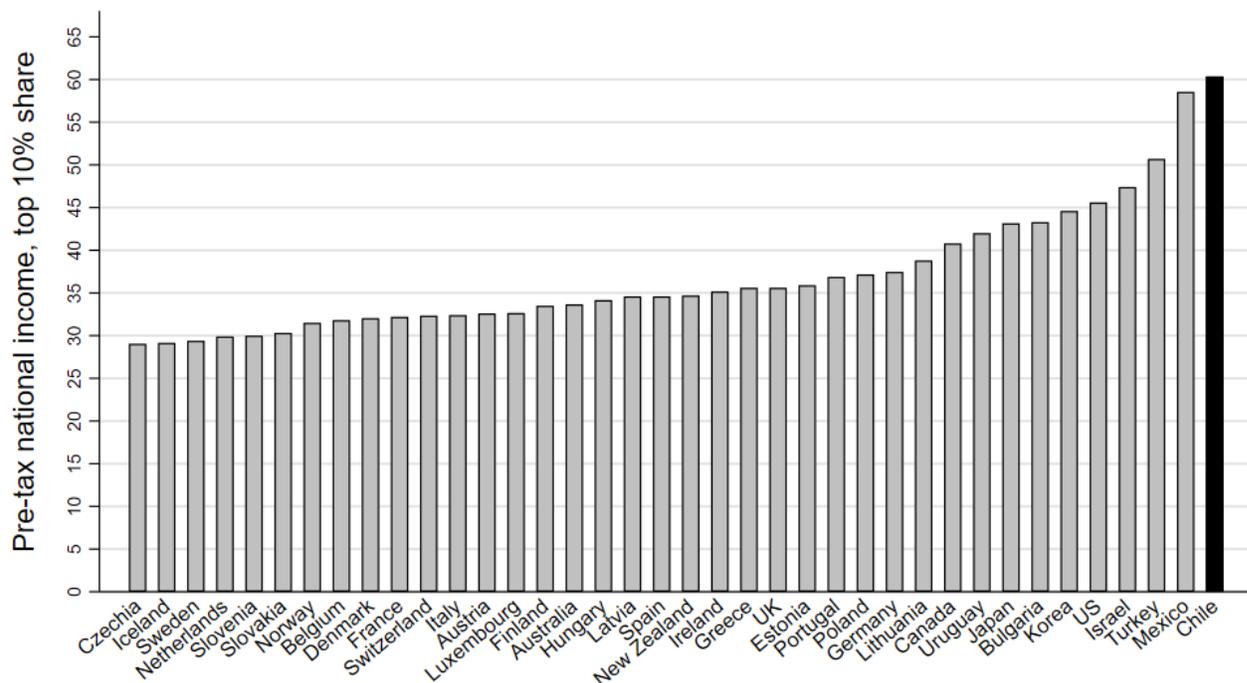


Source: Own illustration based on Eurostat 2017, EU-SILC survey. For Chile: Casen 2017. EU and Chilean cases were computed using the so-called modified OECD equivalence scale.

Figure 6.2 shows the income quintile share ratio for disposable income in the EU countries in 2017 and in Chile. It can be seen that in this sample, the indicator fluctuates between 3.5 and 12.3. This means that in the most equal cases, the population with the highest income earns almost four times the income of the population with the lowest income (bottom quintile). In contrast, in this sample, in the most unequal countries (like Chile), the top quintile earns more than 12 times the income of the bottom quintile.

Along with the Gini coefficient and income ratios, the third indicator is the share of income accrued by the top of the distribution, i.e. the tenth decile. A variant of this indicator has been studied by scholars in recent times: the share of income accrued by the top 1%, echoing Piketty’s international research on income inequality (e.g. for Chile [López et al., 2013, 2016](#); [Flores et al., 2019](#)).

Figure 6.3: **Pre-tax national income, top 10% share.**
Selected countries

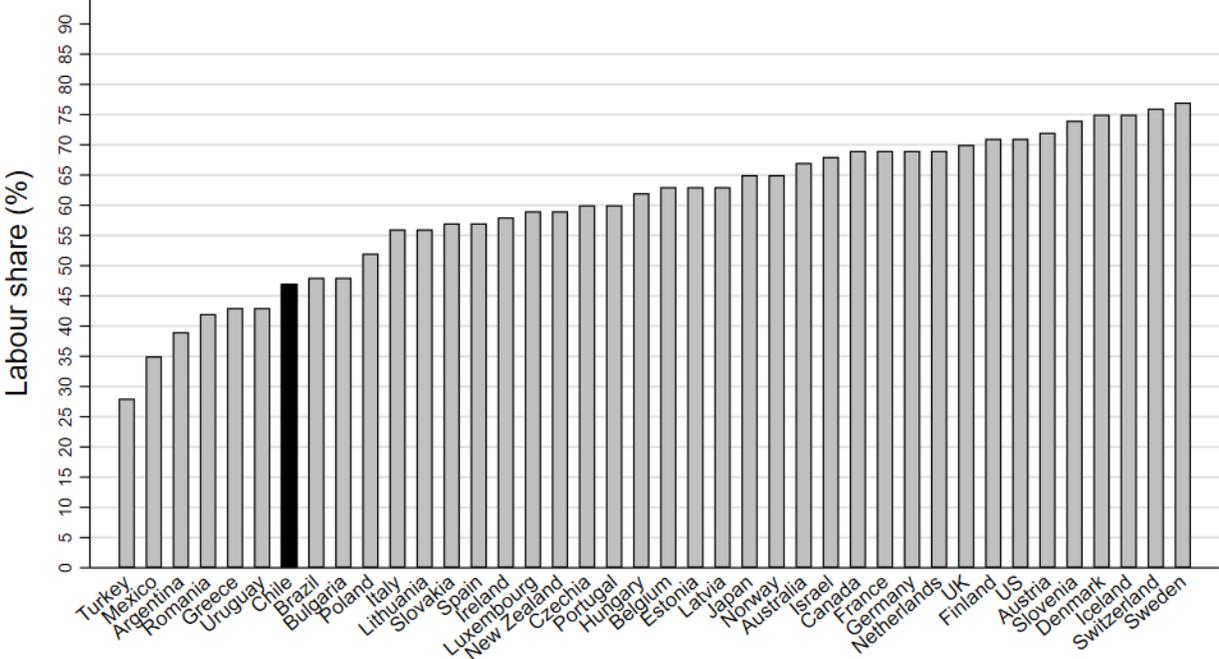


Source: Own illustration based on WID DATA 2018.

Figure 6.3 shows the top 10% share in the pre-tax national income of a sample of OECD countries plus Uruguay. Within this sample, the indicator results fluctuate between 29% (e.g. Sweden, the Netherlands) and 60% (Chile). This means that in Chile, the richest 10% of the population accumulates more than double the pre-tax national income compared to countries such as Sweden or the Netherlands.

The indicator for the functional income distribution is the labour share, or the ratio of the compensation of employees to the value added. The capital share is the remaining percentage, totalling 100%.³

Figure 6.4: Labour share (%). Selected countries



Source: Own illustration based on LS-1 indicator (Guerriero, 2019). “The data presented here are averages of labour shares over the period 1970-2015” (p.21). Labour share (%) defined as the ratio of the compensation of employees to the value added.

³This is when the calculation is made at factor cost, that is, excluding taxes and consumption of fixed capital; this is one alternative among many (Guerriero, 2019).

Figure 6.4 shows a sample of countries and the associated value for the labour share (here the average between 1979 and 2015). The figures vary between 28% (Turkey) and 77% (Sweden).

6.3. The impact of trade unions on income distribution

In the ILO book *The Role of Collective Bargaining in the Global Economy: Negotiating for Social Justice*, Susan Hayter and Bradley Weinberg summarised around 50 econometric studies showing consistent evidence that a decrease in the organisational power of workers (often measured through union density) is linked with higher income inequality (often measured through the Gini coefficient). Most of the studies reviewed were based on the experiences of developed countries and they focused on the wage gap between high and low wage earners. According to Hayter and Weinberg:

“Unions may play a role in reducing broader income inequality by obtaining a larger share of national income, either through the exercise of countervailing power or by bringing about a larger redistributive welfare state” (Hayter and Weinberg, 2011).

Among these studies, some authors pay attention not only on the organisational power of workers but also on the institutional power. For example, Kristal and Cohen (2007) examined the impact of the decentralisation of collective bargaining in Israel on the income inequality in the period 1970-2003. The authors concluded that after a control of the union density, the decentralisation caused an increase in income inequality. Wallerstein (1999) carried out a study of pay inequality (P90/P10 wage ratio) in 16 countries between 1980 and 1992. He showed that the most important determinant of wage inequality was the level of collective bargaining (other independent variables were government employment, government spending, years of schooling, international openness and a partisan variable to classify the ideology of the government).

Rueda and Pontusson (2000) also underlined the importance of centralised collective bargaining to reduce income inequality, especially because *“it affects the distribution of power among actors in the bargaining process”* (Rueda and Pontusson, 2000, p.351).

Bosch et al. (2010) divide the national pay-setting systems (including collective agreements and minimum wages) into “inclusive” and “exclusive” systems. This categorisation provides insight on the extent to which wage-setting institutions affect the distribution of income. According to Bosch et al. (2010), in the exclusive systems:

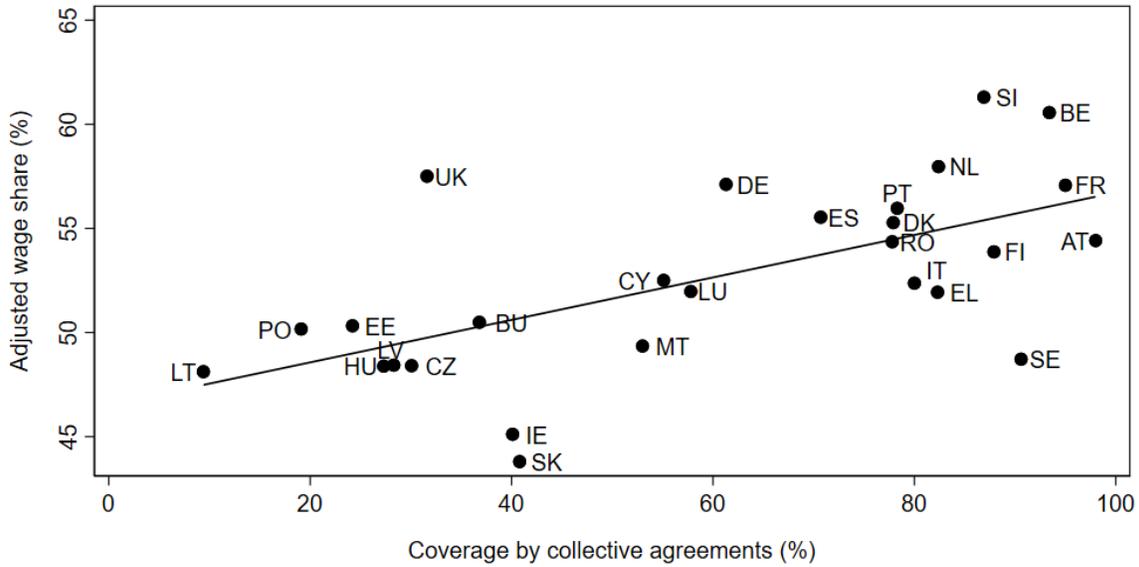
“the pay and other terms and conditions of employees with strong bargaining power have little or no effect on employees with weaker bargaining power within a company, within an industry, or across industries” (Bosch et al., 2010, p.91).

The inclusive systems, in contrast, generate aggregate effects which mean that benefits gained by workers with strong bargaining power are extended *“to workers who have relatively little bargaining power in their own right”* (p.91). This implies, as one of the authors puts it, *“the more inclusive the collective agreement are, the greater their influence in income distribution”* (Bosch, 2015). These aggregate effects can be reduced by employers’ actions through diverse ‘exit options’ from collective agreements, for example through the use of atypical jobs such as part time work, temporary agencies, temporary contracts, outsourcing, product market deregulation, etc.

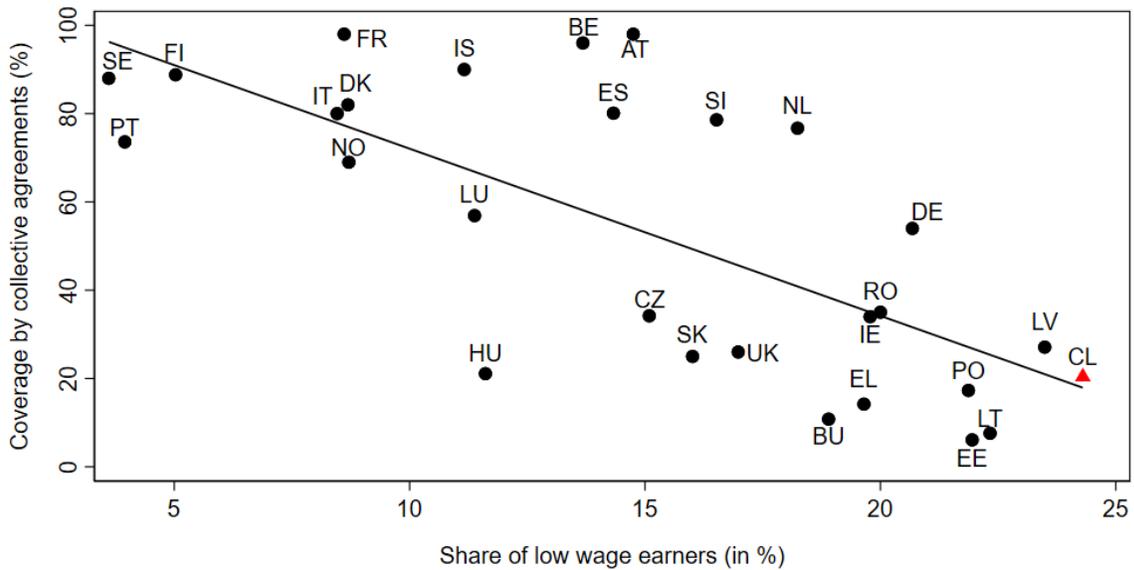
The dynamics of inclusive systems’ effects on income inequality can be seen from either the factor income distribution approach or the personal income distribution approach. In factor income distribution, Keune (2021) shows a positive long-term association between wage share and collective bargaining coverage (Figure 6.5, panel a). Keune (2021) points out that *“higher union density gives unions more bargaining power towards employers, increasing the likelihood of higher wages for the workers covered by union bargaining and hence a higher wage share”* (Keune, 2021, p.32), but *“bargaining coverage seems to be more decisive factor here”* (p.32).

Figure 6.5: **The impact of trade unions on income distribution**

a) Coverage by collective agreements and adjusted wage share



b) Coverage by collective agreements and incidence of low pay



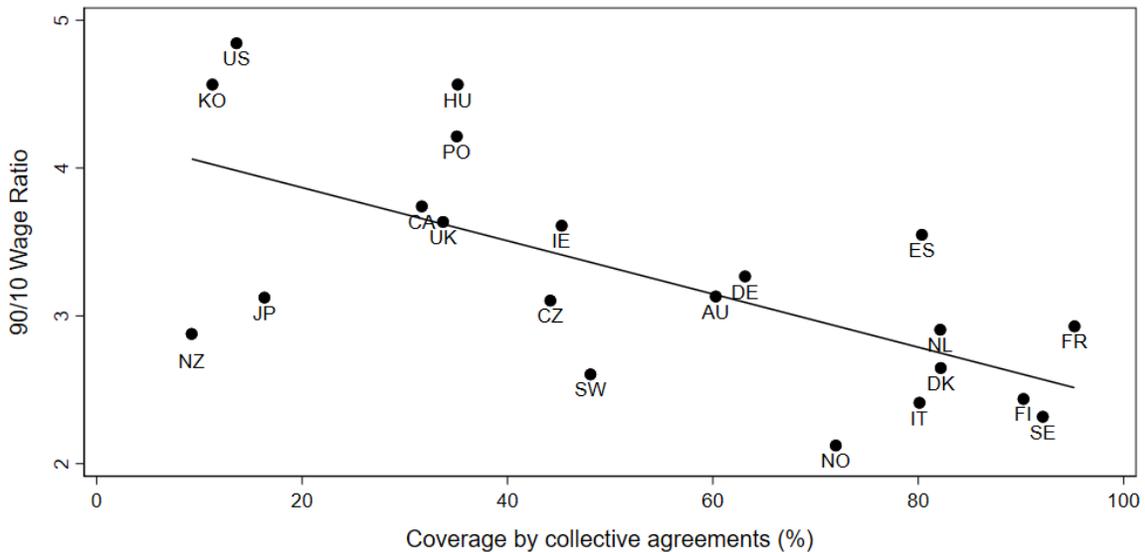
Legend: UK = United Kingdom, PO = Poland, HU = Hungary, CZ = Czech Republic, IE = Ireland, DE = Germany, NO = Norway, IT = Italy, DK = Denmark, NL = Netherlands, ES = Spain, FR = France, FI = Finland, SE = Sweden, PT = Portugal, IS = Iceland, LU = Luxembourg, SK = Slovak Republic, AT = Austria, SI = Slovenia, BU = Bulgaria, EE = Estonia, LT = Lithuania, LV = Latvia, EL = Greece, CL = Chile.

Source: a) Replica of Figure 1 in Keune (2021) using updated data from AMECO and ICTWSS V.6.1. Sample is EU27. Here, **average values for the period 2000-2018**; b) Replica of Figure 2 in Bosch (2019) using updated data drawn from EUROSTAT (EU countries) “Low-wage earners as a proportion of all employees (excluding apprentices)” (figures for 2018) and including Chile (ESI 2019, own calculations, following EUROSTAT criteria). Figures for coverage drawn from ICTWSS (2018 or last year available). According to EUROSTAT, “low-wage earners are defined as those employees earning two thirds or less of the national median gross hourly earnings”.

As regards the personal income distribution approach, authors (e.g. [Bosch, 2019](#); [Keune, 2021](#)) underline the strong negative correlation between collective bargaining coverage and the share of low wage earners. In Figure 6.5 (panel b) it can be seen that in countries where collective bargaining coverage reaches a larger number of workers (inclusive systems), the share of low wage earners tends to be relatively low (top left corner).

Using the 90/10 wage differential ratio, [Hayter and Weinberg \(2011\)](#) have shown a strong negative correlation with collective bargaining coverage. This means lower values of wage inequality measured by the interdecile ratios in countries with inclusive systems.

Figure 6.6: **Wage differentials and collective bargaining coverage**



Legend: NZ = New Zealand, KO = Korea, US = United States, JP = Japan, CA = Canada, UK = United Kingdom, PO = Poland, HU = Hungary, CZ = Czech Republic, IE = Ireland, SW = Switzerland, AU = Australia, DE = Germany, NO = Norway, IT = Italy, DK = Denmark, NL = Netherlands, ES = Spain, FR = France, FI =Finland, SE = Sweden.

Source: Figure 6.4 in [Hayter and Weinberg \(2011\)](#). Here, values are dated as circa 2006..

Finally, [Bosch \(2019\)](#) has pointed out that inclusive systems are able to diminish the competition among wages (the idea of taking wages out of competition) and this can be visualised in empirical wage curves where most of the employees are located in the middle

zone, and in some cases a bell-shape curve can be discerned. The opposite case comprises the exclusive systems, where the empirical wage curves are right-skewed, and wages face fierce competition towards low levels.

From my own processing of Luxembourg Income Study (LIS) data, one can visual different empirical wage curves.⁴ For example, one can observe three cases of inclusive and semi-inclusive systems (mixed cases), where collective bargaining takes place predominately at the industry or national level and where the coverage of collective agreements is high or relatively high: Finland, the Netherlands and Germany. To make the contrast, three cases of exclusive systems were selected: Japan, the United Kingdom and the United States. In these three cases, collective bargaining takes place predominantly at the firm level and coverage is low, representing cases of exclusive systems in the Bosch classification.

In Figure 6.7 can be seen the three examples for the cases of the inclusive and semi-inclusive systems: Finland, the Netherlands⁵, and Germany⁶. In turn, in Figure 6.8 can be seen the three examples for the cases of exclusive systems: Japan, the United Kingdom, and the United States⁷. As these show, the examples of exclusive systems have wage curves that are markedly asymmetric, with positive skewness; this means a compressed wage structure near the minimum wage. The examples of inclusive systems have comparatively less skewed with a peak in the middle. In the case of Finland, a bell-shaped curve is observed, and in the cases of Germany and the Netherlands⁸, it is possible to observe a large area between the ‘tails’ of the distribution, indicating the existence of a large middle-income sector.

⁴“The Luxembourg Income Study Database (LIS) is the largest available income database of harmonised microdata collected from about 50 countries in Europe, North America, Latin America, Africa, Asia, and Australasia spanning five decades” (<https://www.lisdatacenter.org/our-data/lis-database/>).

⁵The cases of Austria and Switzerland are also available in the Appendix A.5.

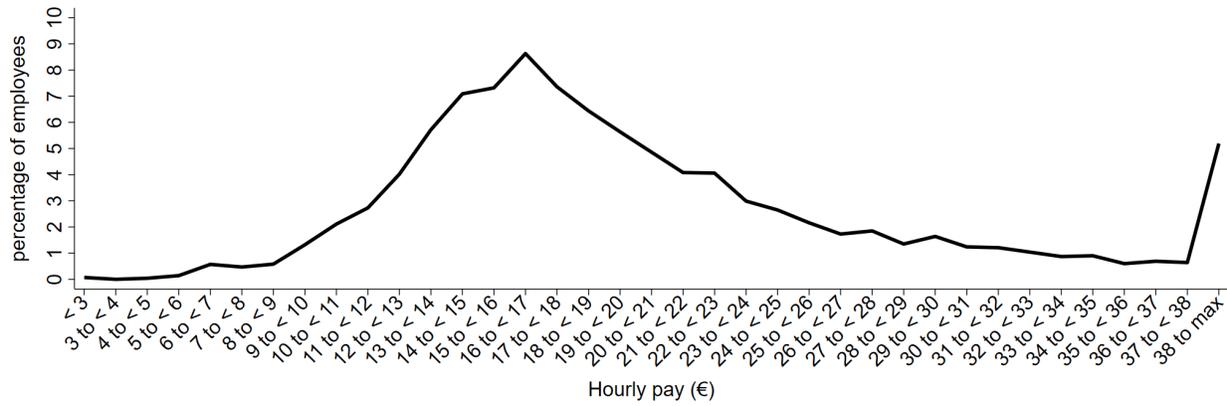
⁶In the case of Germany, as has been pointed out (Bosch, 2019), there was a shift in the wage curve over the years, from a more Gaussian-shaped curve to a more (relatively more) skewed curve. This is mainly because of the erosion of collective bargaining coverage. However, compared with other systems where coverage is significantly lower than in Germany, the current wage curve is still representative as an example of inclusive system.

⁷In the Appendix A.5 the case of Ireland is also available.

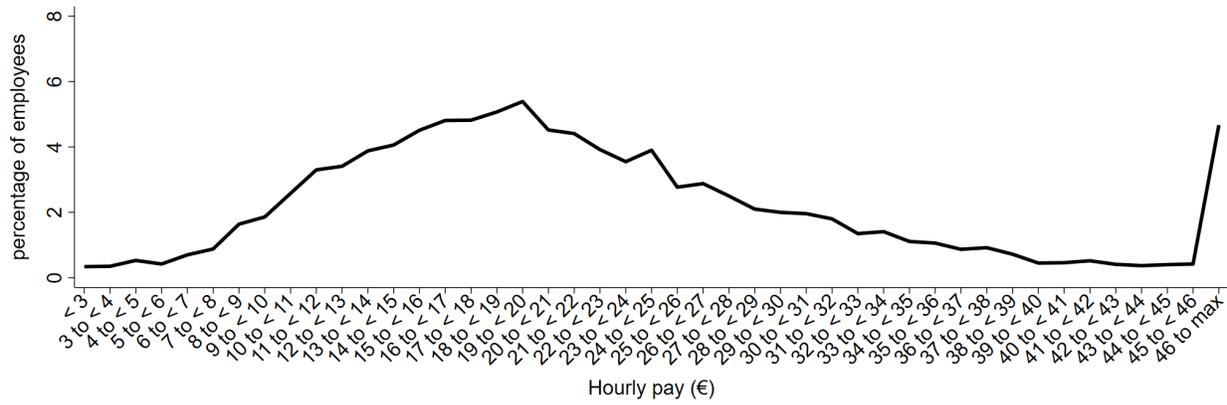
⁸Also in the case of Switzerland in the Appendix A.5.

Figure 6.7: Wage curves, examples of inclusive and semi-inclusive systems

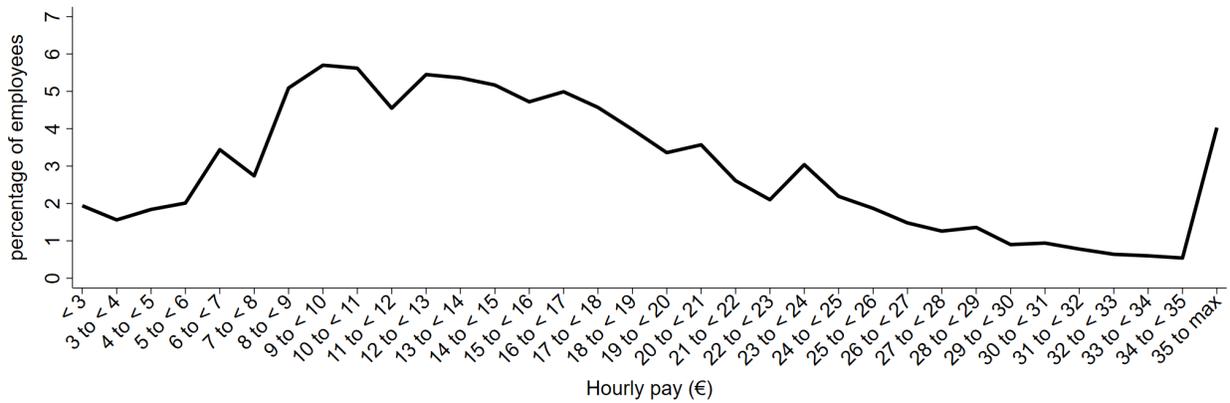
Finland 2016



Netherlands 2016



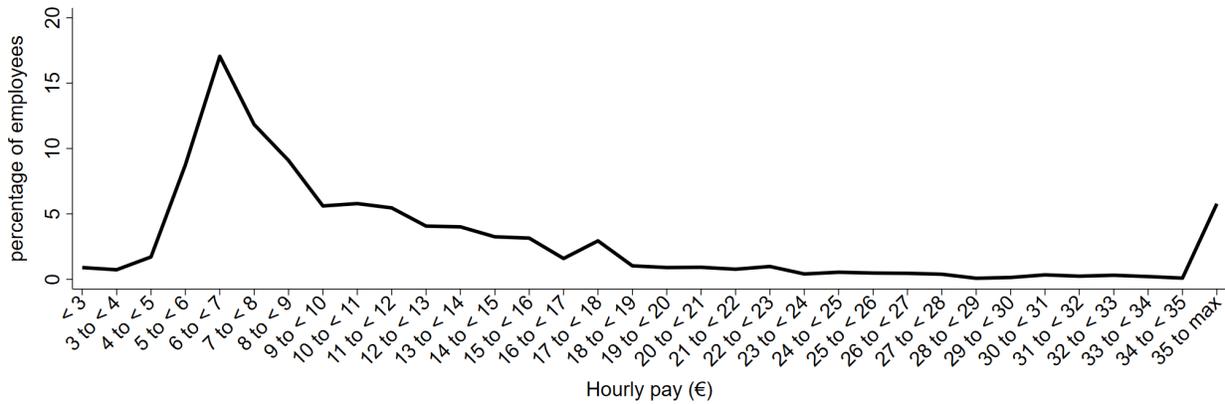
Germany 2016



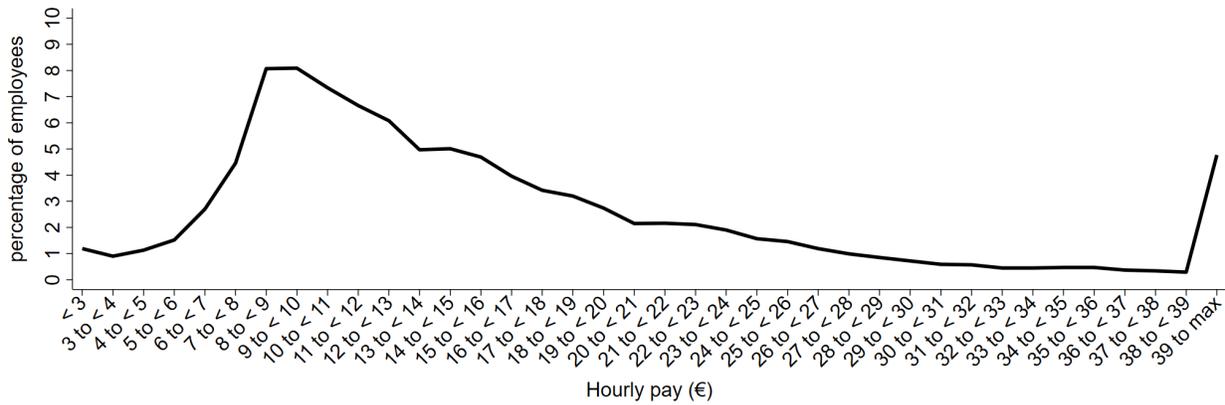
Source: Own elaboration based on the Luxembourg Income Study Database (LIS). The highest income bracket in each case represents about 5% of the distribution. In this way, using the same criteria, inequality among the richest can be visually controlled and the distortion in the graph can be avoided (this criterion was applied to all the empirical wage curves in the present research).

Figure 6.8: Wage curves, examples of exclusive systems

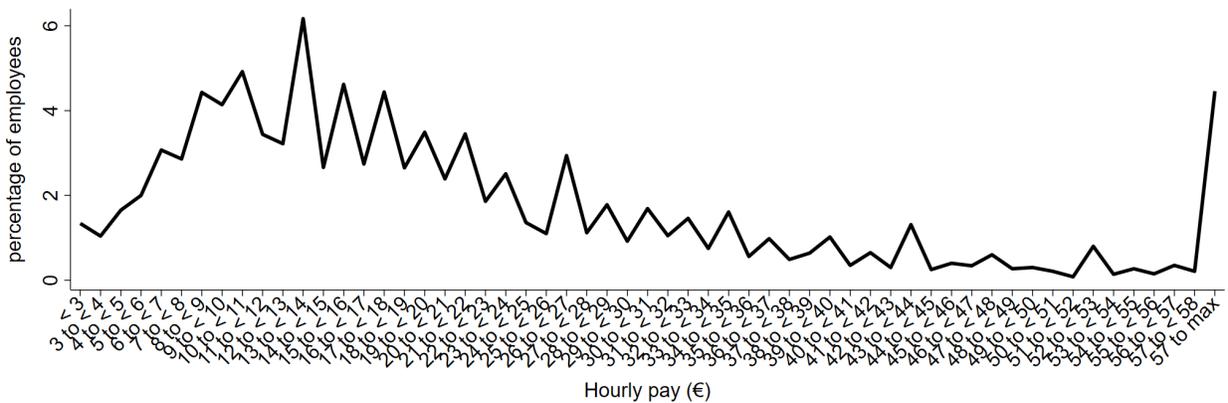
Japan 2013



United Kingdom 2016



United States 2016



Source: Own elaboration based on the Luxembourg Income Study Database (LIS). In the case of the US wage curve, the US Dollar was converted to Euro (EUR) using the average exchange rate for 2016: 0.904 EUR (<https://www.exchangerates.org.uk/>). In the case of the Japanese YEN to Euro (EUR), the exchange rate used was the average for 2013: 0.0077 EUR (<https://www.exchangerates.org.uk/>). In the case of the British Pound (GBP) to Euro (EUR), the exchange rate used was the average for 2016: 1.2242 EUR (<https://www.exchangerates.org.uk/>). In the case of Japan, the latest available year was 2013 (retrieved on 30th September 2021).

6.4. The Chilean situation

In this section, inequality results are presented taking as a starting point the classical indicators introduced in Section 6.2. These results are combination of own calculations and existing literature. Three surveys and their respective datasets were used for my own calculations: the EOD survey, the CASEN survey and the ESI survey.

Only the data of the Employment and Unemployment Survey (EOD)⁹ allows the analysis of the long term evolution for the classic personal income inequality indicators. This household survey has been regularly conducted since 1957¹⁰ by the Institute of Economics at the University of Chile and has the financial support of the Central Bank of Chile. Along with questions about the employment status, it includes a module for incomes, and incomes from work, and disposable incomes are reported. A limitation of this survey is that market income (including capital gains) is not reported.

The second source is the Socio-Economic Characterisation Survey (CASEN)¹¹, which unlike EOD reports market income. The Ministry of Development has been conducting this survey since 1985.¹² First it was a biannual survey, then triennial in 2000 until 2009 and then biannual again. The CASEN survey is part of The Luxembourg Income Study Database.

The third source is the National Income Survey (ESI)¹³, which unlike the EOD survey is carried out at the national level. The National Institute of Statistics has been conducting this survey since 1990. In 2010 there was a methodological change so the figures are only published from that year onwards.

⁹In Spanish: *Encuesta de Ocupación y Desocupación en el Gran Santiago*. The *Gran Santiago* (the Greater Santiago) is the largest urban agglomeration in Chile (inhabitants based).

¹⁰It was first an annual survey, then a quarterly survey in 1960. See more information in: <https://www.microdatos.cl/eod>, accessed 24.01.2022.

¹¹In Spanish: *Encuesta de Caracterización Socio Económica Nacional*.

¹²The available databases cover the period from 1990 onwards.

¹³In Spanish: *Encuesta Suplementaria de Ingresos*.

6.4.1. Secondary distribution

Analysing secondary distribution measures provides an entry point to Chile's income distribution debate. Compared to primary distribution, secondary income distribution measures have received the most attention in the Chilean debate during the last decades. This can be seen in the income inequality reports produced by the different governments and international organisations in the region (e.g. the United Nations Economic Commission for Latin America and the Caribbean).

In the Figure 6.9, one can see the three classical indicators introduced at the beginning of this chapter: the Gini coefficient, the income quintile share ratio, and the top 10% income share. The indicators were calculated using microdata from the EOD survey (1958-2019) and are based on the disposable income of persons.

The unequal income distribution has historically been a problem in Chile, though the levels of inequality varied over time. Between 1958 and 2019, the average for the Gini coefficient (disposable incomes) was 52.3% with 47 out of 62 years (i.e. 76% of the range), giving results greater than 49%. During the presidential term of Salvador Allende (1970-1973), the Gini coefficient, the income quintile share ratio, and the top 10% income share reached their lowest value.¹⁴ Immediately after the Pinochet's dictatorship took power (11/09/1973), the Gini coefficient for disposable incomes sharply worsened and reached extremely high levels (above 60%). The year 1987, in the late phase of the dictatorship, is well-known as having the highest figure ever when using EOD survey series (e.g. Contreras, 1999; Larrañaga, 2001).

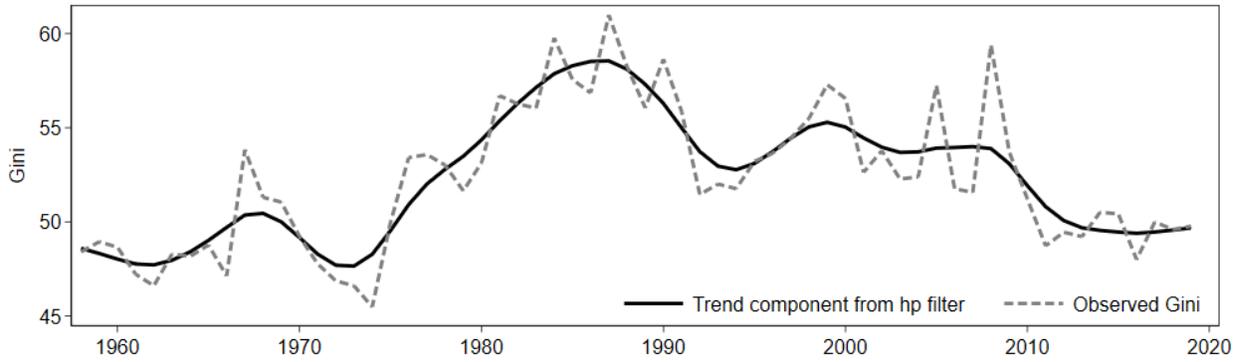
After the dictatorship (1990-onwards), there is a shift in the trend of disposable income inequality.¹⁵ This can be seen in the three classic indicators.

¹⁴In a number of works, including Rodriguez-Weber (2014), it is mentioned that Chile's most egalitarian period occurred during the year of the Popular Unity government ('Unidad Popular').

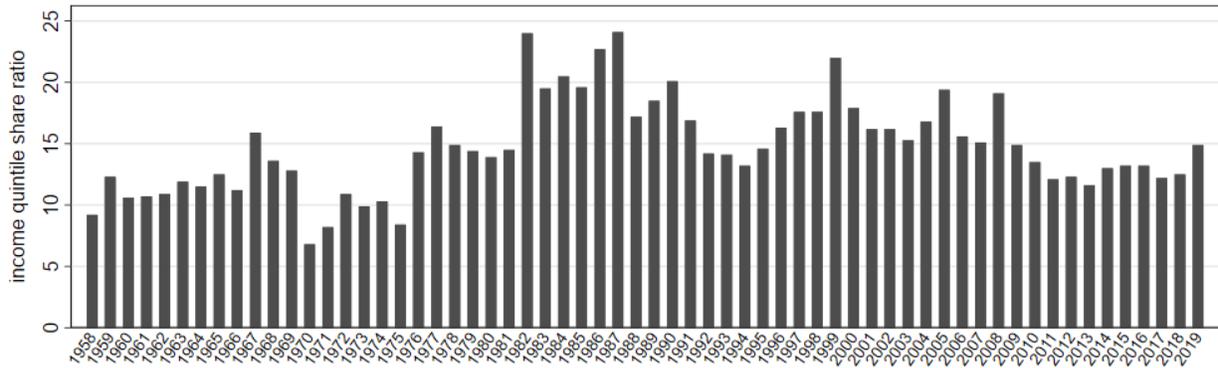
¹⁵The Gini coefficient is still much higher than UN threshold of 40%.

Figure 6.9: Secondary income distribution outcomes (disposable incomes)

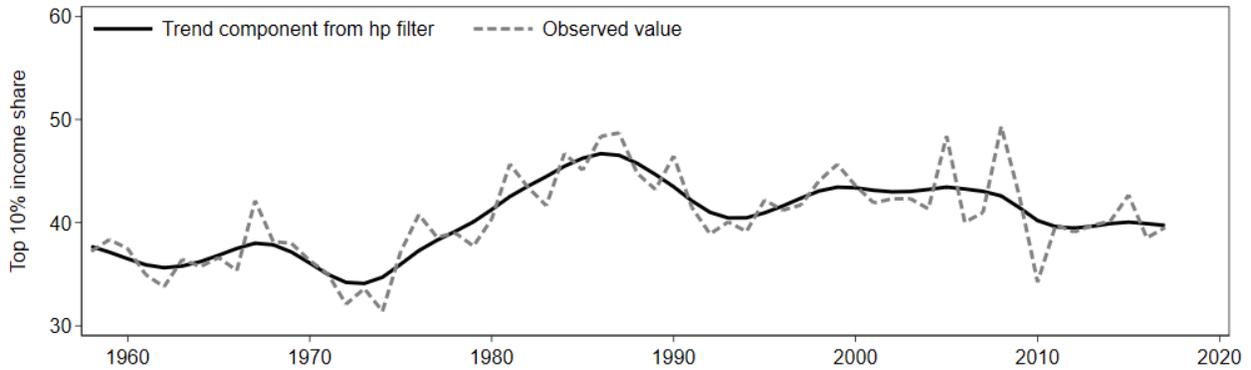
a) Gini coefficient



b) Income quintile share ratio



c) Top 10% income share



Legend: Disposable income: per capita family income after state taxes and cash transfers. The trend component was retrieved using a Hodrick Prescott filter.

Source: Own elaboration based on the EOD survey.

In panel c) of the Figure 6.9 one can see that despite considerable variation, the top 10% consistently concentrates more than 35% of total income (the Allende period is the exception). In the eighties, this income concentration increased and oscillated between 40% and 45%. Recent studies have been found how much income accumulates the top 1%. The study of López et al. (2013) was the first estimation which showed that the average top 1% income share amounted to 30.5% (including business-accrued capital gains).¹⁶ After the Financial Crisis (2008/2009 in Chile), this figure declined, possibly because the richest segment of society was proportionally more affected (López et al., 2016). However, since 2014 and up to the latest estimates in 2017, top 1% share rose again (Flores et al., 2019).

The downward trend in disposable income inequality during the last two decades, has been partially attributed to the impact of the anti-poverty policies based on means-tested cash transfers to the most vulnerable households (UNDP, 2017).

The means-tested conditional cash transfer policy has been the traditional way to tackle poverty in many countries in Latin America including Chile (Larrañaga, 2001). Through its use, Chile's government have succeeded in reducing poverty and, as a side effect, inequality of the disposable income has changed its upward trend to a slight downward trend, especially in the last 15 years. Between 1990 and 2017 the cash transfers received by the lowest deciles increased substantially. For example, in the first decile, from 16.3% of the disposable income to 45% in 2017 (MDSF-UNDP, 2020). These transfers were different bonuses received by vulnerable families and were not a result of workers' demand.

¹⁶Among the richest in Chile are families related to the exploitation of natural resources such as copper (Luksic family. In 1996, Forbes estimated the family's net worth at \$2.2 Billion and in 2018 at \$16.3 Billion), forestry (Matte family. In 1996, Forbes estimated the family's net worth at \$1.7 Billion and in 2017 at \$2.8 Billion) and fishing (Angelini family. In 1996, Forbes estimated the family's net worth at \$2.3 Billion and in 2018 at \$4.8 Billion). These three groups have been for decades and even centuries (in the case of the Matte family) the highest income earners in the country. Along with the exploitation of natural resources, both the Luksic family and the Matte family have important stakes in the banking system in Chile. In recent decades, the Paulmann family, with business in the retail sector, is another of Forbes' super-rich cases. Julio Ponce-Lerou is also a billionaire who is in the Forbes list. In his case the main business is chemicals such as lithium, potassium and others.

6.4.2. Primary distribution

For the analysis of the relationship between collective bargaining and income inequality in Chile, it makes sense to distinguish between white-collar and blue-collar workers.

Results of the *probit estimates* of the probability of being unionised shows that being a white-collar worker reduces the probability of joining unions compared with blue-collar workers (Appendix A.6). In the Chilean industrial relations system, this means a reduction in the probability of being covered by a collective agreement.

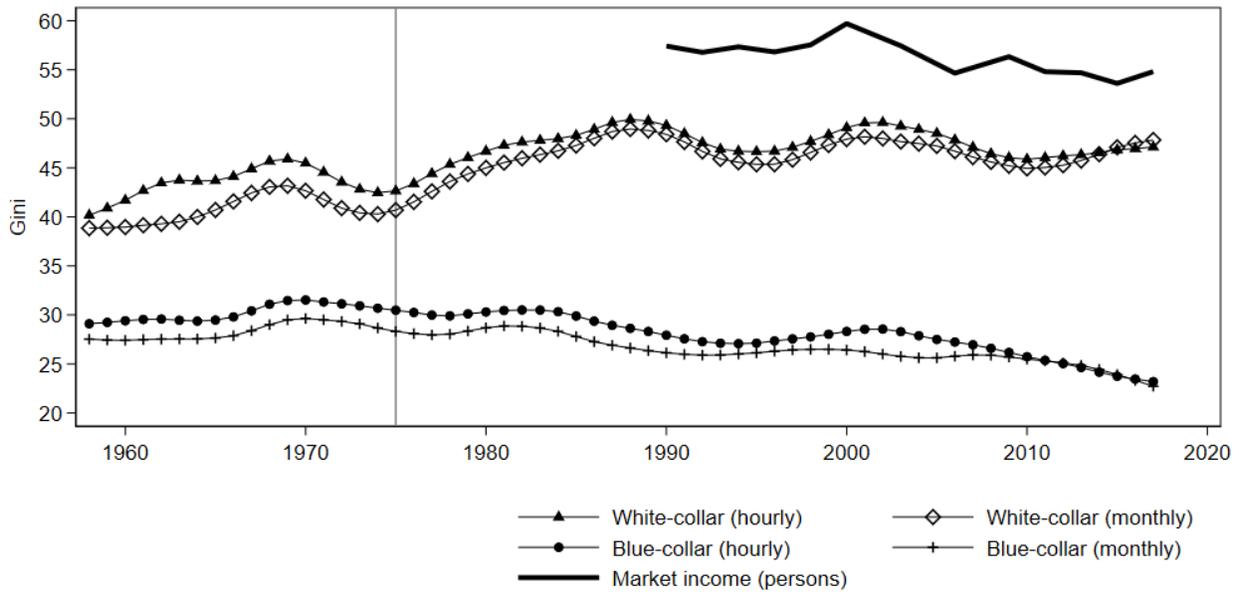
Figure 6.10 shows the development of the Gini coefficient for blue and white-collar worker in the private sector between 1958 and 2017 for monthly and hourly wages. While the wage inequality of blue-collar workers decreased between 1958 and 2017, in the case of white-collar was the opposite. Furthermore, the Gini coefficient for monthly and hourly wages was most of the time below 30% for blue-collar workers. In contrast, the Gini coefficient for white-collar workers exceeded most of the time the UN threshold of 40%. After mid-1970s, the Gini coefficient for white-collar workers began to rise steadily until 1990, when it remained at that level with small increases and decreases over time.

According to Parro and Reyes (2017) the evolution of income inequality in Chile over the last 30 years is the result of the differences in the rate of return to education with higher returns for highly educated employees and lower returns for less educated employees. Between 1990 and 2000, these gaps were high and, therefore, income inequality was also high. Then, the supply of educated workers increased (according to the author, encouraged by higher returns to education) and the gaps narrowed. This implied a reversal of the trend in human capital inequality and also in income inequality (Gini for market incomes in Figure 6.10).

¹⁷Ffrench-Davis (2018) provides some facts about educational outcomes for the post dictatorship period: the average years of schooling increased from 8.7 to 10.5 and 11.8 in 1990, 2003, and 2015 respectively. In addition, the tertiary education coverage has increased substantially since 1990, and particularly so within the first quintile, from 4.4% to 22.7% in 2015.

Following this approach (i.e. the Human Capital Theory), Sapelli (2011) has argued that as income inequality is rooted in different levels of education and its different rates of return among population cohorts, reduction of income inequality is a matter of time due to new cohorts are becoming progressively more educated.¹⁷ This interpretation is only part of the story. In fact, it say nothing about the low Gini coefficient for the blue-collar workers.

Figure 6.10: **Gini coefficient by type of employee in the private sector with Gini for the market incomes as comparison**



Source: Own elaboration based on the EOD survey and the Luxembourg Income Study Database.

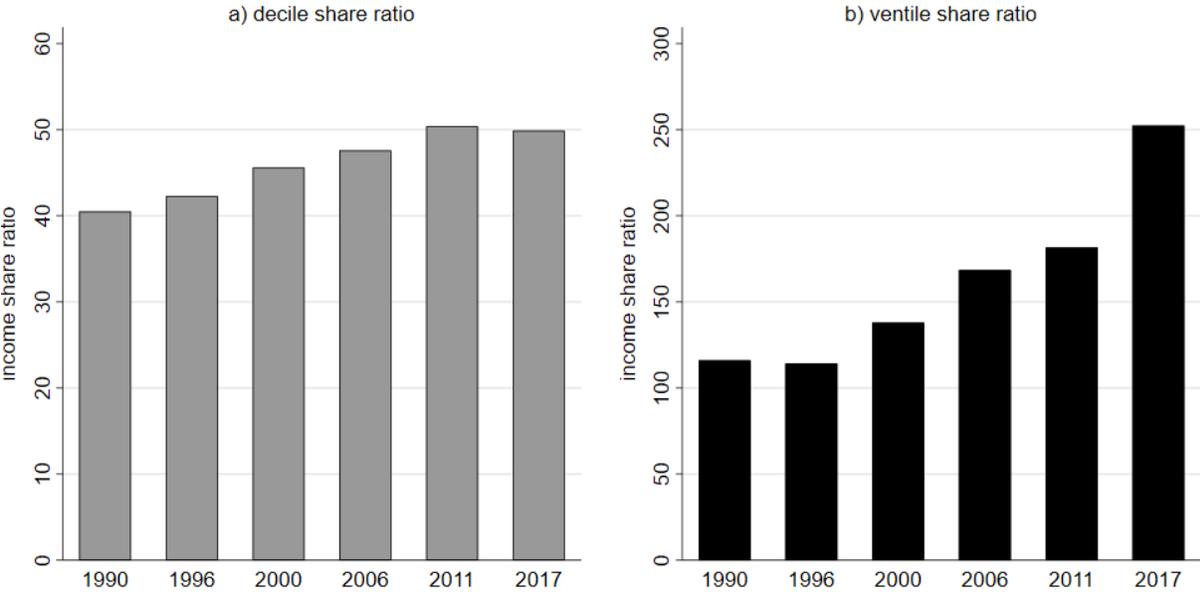
Among the multiple factors that cause wage differences the role of labour institutions is completely neglected. An alternative hypothesis is that differences in the rate of return to education are substantially influenced by the erosion of important labour institutions such as declining collective bargaining coverage and reduced union density.

If the coverage by collective agreements is higher among the blue-collar workers, then the Gini coefficient for white-collar workers should be higher. Of course, the increase of the

Gini coefficient of white-collar workers has also to do with the increase of the top incomes which are partly independent from coverage. One can assume that if collective bargaining coverage is low, this increases the leeway of the top earners to increase their share of income over time. This aspect can be explored by looking at market income, through the ratio of income deciles, as well as through the ratio of income ventiles.

The income deciles are formed by the 10 per cent of the population. The first income decile contains the lowest income 10 percent of the population and the tenth decile contains the highest income 10 percent. In the case of the income ventiles, instead of ten groups of 10 per cent each, there are 20 groups of 5 per cent each. By looking at the top 10% and in particular at the 5% it is more likely to see the evolution of the earnings of employers, but also of managers and high-skilled workers.

Figure 6.11: **The ratio of the income deciles and the ratio of the income ventiles**



Legend: The decile share ratio is the ratio of the tenth decile of the distribution to the first decile. The *ventiles* share ratio is the ratio of the twentieth ventile of the distribution and the first ventile. Each ventile represents the 5% of the distribution.

Source: Own elaboration/ CASEN surveys (updated data, 2021). Stata command used to create quintiles, deciles is `xtile`.

In Figure 6.11 one can see that the decile ratio show an increase in the inequality of market incomes. Compared to the dynamic of income distribution looking at deciles, with ventiles, the trend of increasing income inequality is much more marked. This indicates that those at the top of the distribution have increased their share of income while the rest have decreased. Thus, while in 1990 the gap in average income measured by ventiles between the top and the bottom of distribution was 116 times, in 2017 it reached 252 times. This means that, using this measure, income inequality (market incomes) has more than doubled in the last 30 years.

To continue with the analysis of the impact of collective bargaining on income distribution, the coverage of collective agreements is looked at.

In 2019 the the overall coverage of *contratos colectivos* and *convenios colectivos* reached 12.6% of private sector employees.¹⁸ In the case of considering only the *contratos colectivos* (which is more comparable internationally since the *contratos* refer to collective agreements with the right to strike) in 2019 the coverage was only 7.9%. It was already shown in Chapter 4, that the collective bargaining coverage more or less developed as union density. In short, it was around 10% in the early 1990s, then fell to 6% in the early 2000s, then began a slow process of recovery to reach around 8% in the late 2000s to the aforementioned 12.6% in 2019. These figures illustrate a case of a pay-setting system which is called an ‘exclusive system’ (Bosch et al., 2010), where aggregate effect of collective bargaining on the income distribution of market incomes is small or non-existent.

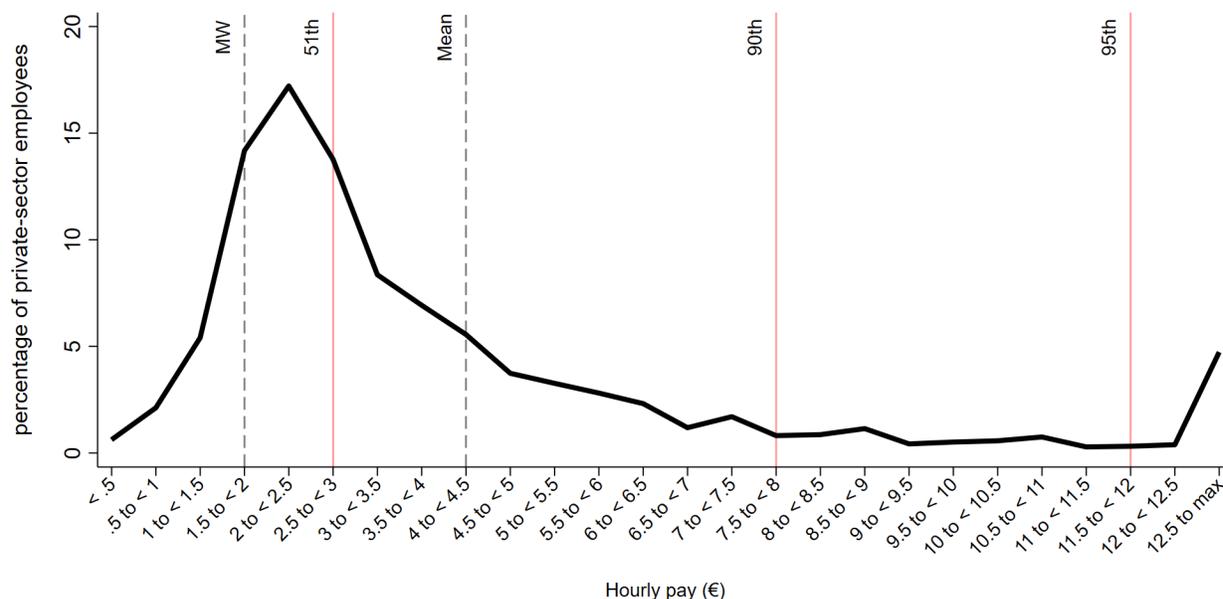
This means the existing wage premiums of collective bargaining, is paid only to a small group of workers with strong bargaining power without any positive effect on the incomes of workers with low bargaining power. The level of this premium in Chile, even when controlling

¹⁸Only workers represented in collective bargaining by trade unions are included (non-union representation is excluded). Own elaboration based on Labour Directorate Reports and following the methodology of Durán and Gamonal (2019b).

for endogeneity¹⁹ in the regressions, is so far a matter of debate in the existing literature. Landerretche et al. (2013), for example, shown a collective bargaining wage premium between 18 and 24 per cent. However, using the same database, MacAuliffe and Rosselot (2015) shown that such a premium disappears²⁰ when fixed effects are used. In the first case, the authors use a pooled-OLS regression, while in the second case, the panel is controlled by fixed effects, i.e. the same individuals are followed in each year of observation. Overall, it seems that the impact of collective bargaining on the distribution of market incomes in Chile is only of limited relevance.

One of the main consequences of this limited impact can be seen in the shape of the wage curve, which is markedly non-symmetric and positively skewed.

Figure 6.12: **Wage curve for private sector employees (hourly wages)**



Source: Own elaboration based on ESI, 2016. MW: Minimum wage in 2016 (hourly equivalent - there is not hourly based minimum wage in Chile, only monthly).

¹⁹Endogeneity refers to the fact that wages and the decision to join unions influence each other (simultaneity): union membership has (or can have) an impact on wages, but wages affect the decision to join unions.

²⁰It becomes statistically insignificant.

In Figure 6.12 the horizontal axis shows hourly wages ordered from lowest to highest and the vertical axis represents the percentage of workers earning a given level of hourly wage. Wages are mostly in the neighbourhood of the minimum wage. This means that, the main driver of the wage policy is the minimum wage policy and collective bargaining is limited. Following the taxonomy of Grimshaw et al. (2013) this is a typical case of ‘isolated’ interaction between the minimum wage and collective bargaining.²¹

This shape for the wage curve is typical in countries with exclusive pay-setting systems, for example in the UK, as Bosch (2019) documents (see Figure 6.7 and Appendix A.5 for more examples).

This high share of low market income raises the question of the extent and development across time of the middle-income sectors in Chile. According to the OECD criterion²², a household is considered to belong to the middle-income group if its income is between 50% and 150% of the median household income.

In Table 6.1 it can be shown the size of the middle income groups using the OECD relative thresholds. One can see that this remained practically the same between 1990 and 2017. This is true for disposable as well as market incomes. But, when the estimation includes only incomes from work, the size of the middle income groups fell from 42% to 39.7%. This means that despite the high economic growth of 5% (on average) between 1990 and 2017²³, the middle sector did not grow.

²¹In the Chilean system, each year, the executive (the government) makes a proposal for minimum wage and then, Parliament decides upon it. In any case, Parliament are not able to increase the proposal but only to approve or reject it. In the case of rejection, the government should make another offer. In Parliament there is considered a consultation with the unions, represented by the *Central Unitaria de Trabajadores, CUT*.

²²OECD Report: Latin American Economic Outlook 2011.

²³Own calculation based on official figures. Central Bank of Chile.

Table 6.1: **Middle-income group size by different sources of income**

Year	Disposable	Market	Income from work
1990	47.1%	45.1%	42.0%
1996	44.7%	43.4%	38.9%
2006	46.3%	44.6%	38.9%
2017	48.7%	45.5%	39.7%

Source: Own elaboration based on CASEN surveys and following the OECD methodology.

The main reason why the share of the middle income classes in the income from work and the high share of low wage earners remained high despite of high economic growth is the decoupling of labour productivity and wage increases in the last decades.

Figure 6.13 (panel a) shows that, unlike the predictions of the Marginal Productivity Theory, labour incomes and labour productivity underwent different developments in the period 1990 to 2016.

During the first half of the nineties, both indicators grew similarly. During these years the minimum wage policy strongly influenced the pay-setting system. In 1994 the minimum wage was 54% higher than in 1988 (in real terms).²⁴ Furthermore, between 1990 and 1995, with high rates of economic growth (8.6% in average between 1989 and 1995)²⁵, the collectively agreed wages grew much faster than after 1995 (Figure 6.13 (b and c)).

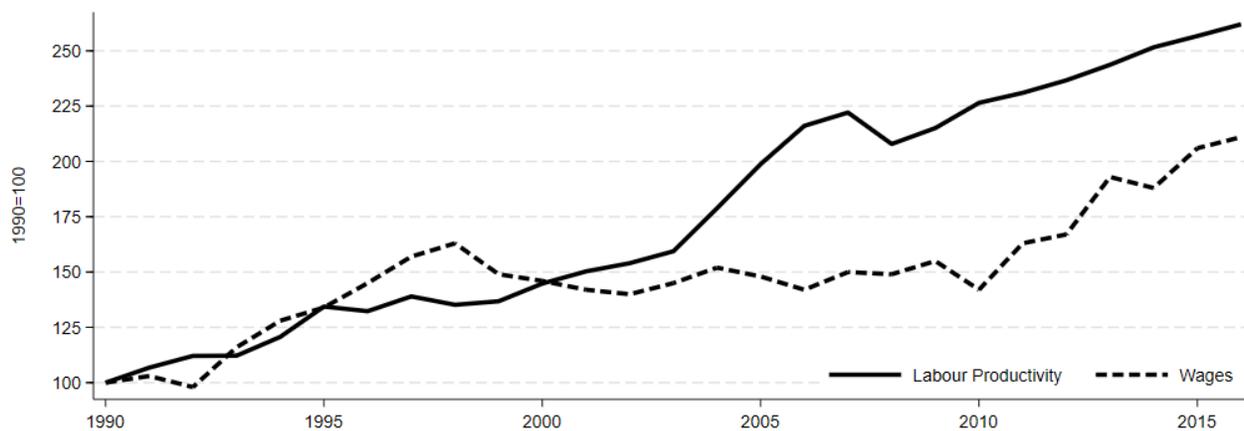
Then, after the Asian crisis, the unemployment rate shot up from 5.5% in the first half of 1998 to 10% in May 1999. Between May 1999 and August 2005, the unemployment rate averaged 9.8%. This long-term high in the unemployment rate affected the structural power resources of workers, particularly their marketplace bargaining power. From the mid-1990s until the early 2000s, trade union density declined systematically.

²⁴Own calculation based on official figures.

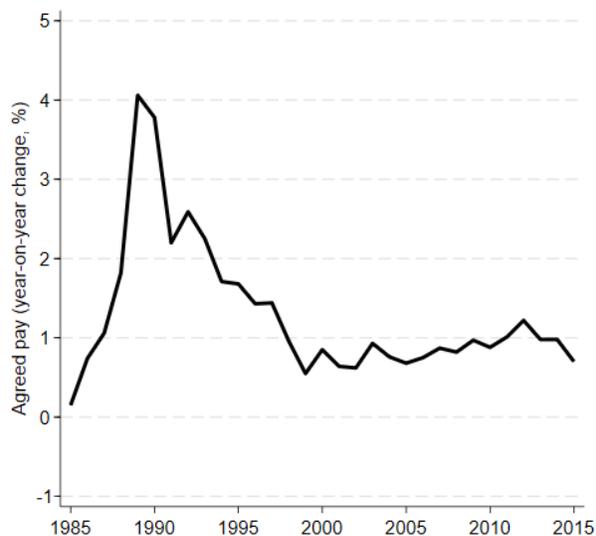
²⁵Own calculation based on National Accounts, Central Bank of Chile. Real GDP is the indicator.

Figure 6.13: **Development of real wages, GDP per hour worked, and collectively agreed real wage increases**

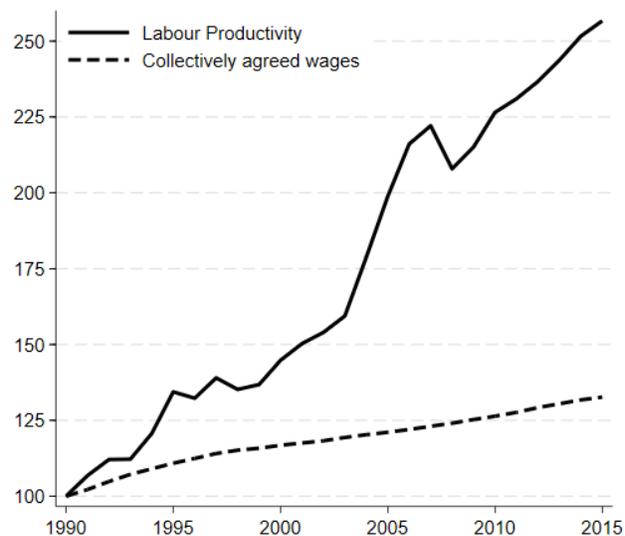
a) Development of real wages and GDP per hour worked (GDP phw)



b) Collectively agreed real wage increases (%)



c) Development of collectively agreed wages and GDP phw



Legend: Labour productivity is real GDP over total worked hours. Real wages comprised wages of private sector employees (including domestic service).

Source: Own elaboration based on National Accounts of Central Bank of Chile (GDP) and EOD (panel a). Own elaboration based on [Maturana and Mac-Clure \(1992\)](#), [Durán \(2009b\)](#), [Fundación SOL \(2010\)](#) and [Escobar \(2017\)](#) (panel b and c).

While real wages stagnated during the 2000s, labour productivity grew constantly and with the beginning of the raw materials super-cycle around 2004, it increased even more. As a result, the gap between labour productivity growth and real wages growth became wider (Figure 6.13 (panel a)). This gap was especially pronounced for the years up to 2007 and was called the “*injustice graph*” (Feres and Vega, 2007).

In 2005, as part of the the 2001 labour reform, the working time for formal workers was reduced from 48 hours per-week to 45 hours and real wages increased faster than before. Starting in 2006 a cycle of labour strikes took place in Chile (e.g. Aravena and Nuñez, 2009), which may also have had an impact on wage increases.

The cycle of labour strikes was led by non-core workers (outsourced) in resource-intensive industries (copper, fisheries, wood), and due to radicalisation of the tactics used, the conflict escalated, and had a strong impact on public opinion in those years. This can be seen in the mediation of the Catholic Church (with its great influence in Chilean society) in the labour conflict between subcontracted workers in the copper industry and the state. After mediating, the spokesman for the Catholic Church demanded an ‘ethical minimum wage’ (see more on this case in Barría et al., 2012). This brought about for the first time since the return of democracy a profound debate on wages and working conditions and the President of Chile at that time, Michelle Bachelet, called for a special commission of technocrats. Although the findings of the special commission confirmed the poor working conditions (Consejo Asesor Presidencial Trabajo y Equidad, 2008), no action was taken by Parliament and by the government²⁶ and workers were unable to translate the structural, organisational and social power of the strong unions into institutional power.²⁷

Since mid-2009, wages started to recover its purchasing power after almost a decade

²⁶In 2008 Chile, in common with most countries, suffered the effects of the Financial Crisis which originally propagated from the US. Thus, the entire public policy agenda was oriented towards protecting the economy and the structural debate was sidelined.

²⁷Partly because the structural and organisational power is very low and fragmented and this fragmentation prevents this transfer (see Chapter 5).

of quasi-stagnation. This coincided with a strong and effective recovery plan adopted by the authorities to tackle the impacts of the 2008/2009 Financial Crisis (Ffrench-Davis, 2018)²⁸ and with the end of the inflationary pressures by the end of 2008. The latter was decisive in the increase in real wages as Ffrench-Davis pointed out: “*while in 2008 real wages remained stagnant - the nominal increase was diluted by rising inflation - a similar nominal increase implied a real increase of 4.8% in 2009*” (Ffrench-Davis, 2018, p.266).

In the case of the 2008/2009 Financial Crisis, the rise in unemployment was not persistent in time. In December 2008 it was 7.5%, then in May 2009 it reached two digits (10.2%), but already in December of the same year, the unemployment dropped to 8.6% and continued to drop afterwards. Between 2010 and 2014, as a consequence of rising employment, low-income households benefited from high wage increases (OECD, 2016).

A long-term calculation of real wages in Chile can be found in Matus and Reyes (2021). They argued that, real wages dropped substantially after 1969 and the purchasing power of that year was recovered not before 2008. The ‘collapse in purchasing power’ was mainly a consequence of the hyperinflation of 1973 and shock policies during the the dictatorship which included the demolishing of the labour institutions.

Figure 6.14 shows the evolution of the real daily wage since 1890 calculated by Matus and Reyes (2021).²⁹ One can see five periods of falling real wages.

The finding of Matus and Reyes (2021) makes it possible to see that among the recovery episodes (after the fall ones), the one between 1956 and 1971 was the more pronounced. During these years there took place what I called the ‘trade union ascendancy phase’ of the industrial relations system (due to the high increase in the union density).

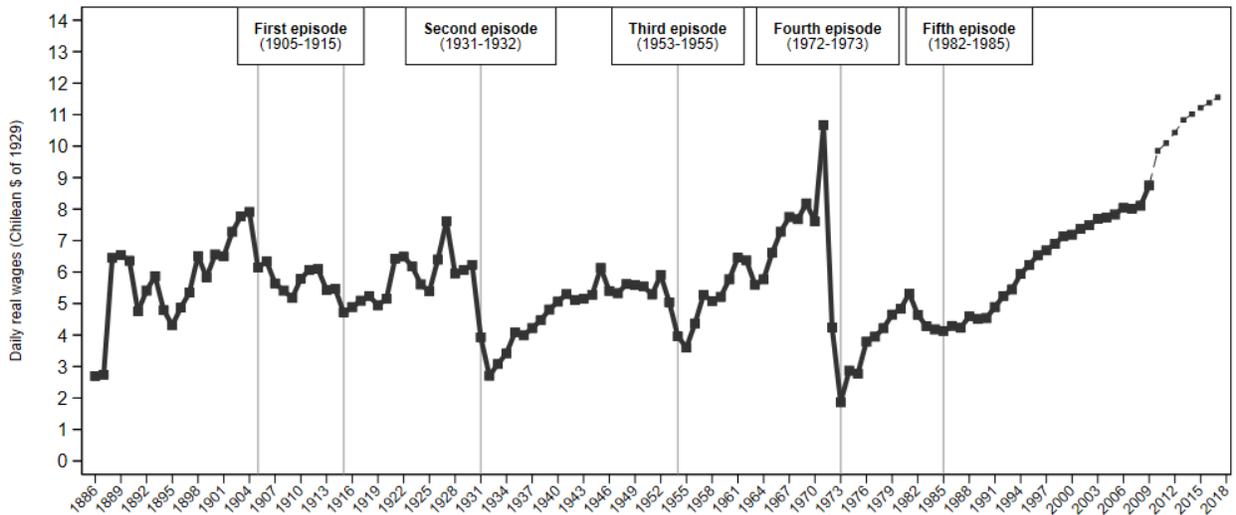
²⁸Counter cyclical policies including an increase in the public spending via cash transfers, pro-investment measures, and the intervention of the Central Bank through a relaxation (lower interest rate) of monetary policy.

²⁹The authors calculated what they called the *Jornal real diario* (Real Daily Wage), which is a real wage that represents mostly the least educated workers, who were the majority.

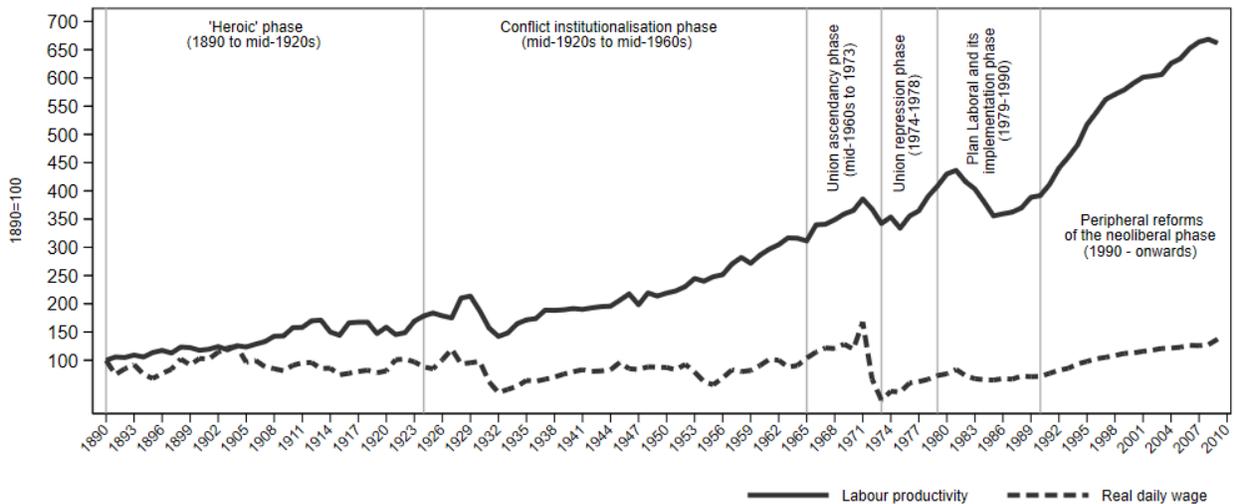
Using the data of [Matus and Reyes \(2021\)](#) and [Díaz et al. \(2016\)](#) it is possible to show the decoupling of the labour productivity and real wages since 1890.

Figure 6.14: **Real daily wage developments since 1890 and GDP per worker**

a) Real daily wage and episodes of fall therein



b) Evolution of the real daily wage with the GDP per worker as comparison (1890=100) by phases of the industrial relations system



Source: Panel a): From 1886 to 2009, [Matus and Reyes \(2021\)](#) [original labelling in Spanish]. From 2010, the expansion up to 2017 is a projection provided in personal correspondence by Mario Matus (July 2021). Panel b): Own elaboration based on data from [Matus and Reyes \(2021\)](#) and [Díaz et al. \(2016\)](#).

Real wages grew much slower than the labour productivity in all the reviewed phases of the Chilean industrial relations system. In the recent decades the gap widened even faster especially after the introduction of the *Plan Laboral* (1979).

The wage collapse between 1969 and 2009 took place while the national GDP (real) grew in 344%³⁰. Matus (2019) asked, where did this tremendous surplus end up? His reasoning was to analyse not the wage dispersion but the functional income distribution. In his analysis Matus (2019) used the figures of Alarco (2017), which are drawn from the National Account System.³¹ Mario Matus pointed out that with the collapse of wages the working-class was the loser and capital owners - mostly the very rich - were the winners.

Table 6.2: **Compensation of employees versus capital compensation. Percentage distribution in selected years**

Year	Compensation of employees	Capital compensation	Remainder
1972	52.20%	30.90%	16.9%
1988	30.90%	46.60%	22.5%
2003	41.20%	33.90%	24.9%
2014	39.20%	49.70%	11.1%

Source: Alarco (2017), years quoted by Matus (2019). Remainder is taxes and consumption of fixed capital.

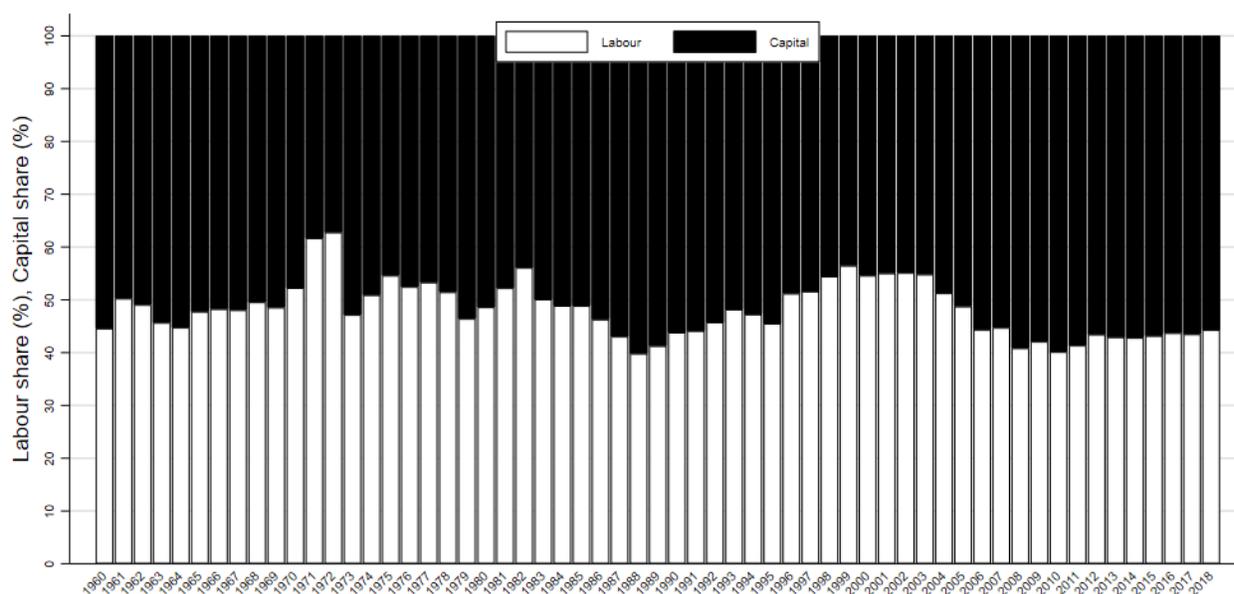
The factor income distribution approach adds more complexity to the analysis. As Mario Matus underlined, one can see that although the Gini coefficient for market income decreased a little after 2000 (compared to the 1990s, solid line in Figure 6.10), the capital share increased and the labour share decreased. In other words, while the personal income distribution exhibited a shift in its upward trend, the functional income distribution did not. This is not contradictory, as both indicators measure income inequality from different angles.

³⁰Between 1969 and 2009. Own calculation based on Díaz et al. (2016).

³¹In these figures, along with the employee compensation and the capital share, the total distribution (100%) is completed with taxes and the consumption of fixed capital. Mixed income is accounted as capital share, as originally done by the Central Bank of Chile.

Figure 6.15 presents my own calculations of the labour share based of the National Accounts from the Central Bank of Chile and considering only the production factors (K and L). The labour share reached its peak around 1971 and 1972 (at more than 60%). After the coup d'etat, the labour share plummeted in just a few months and reached its minimum level in 1988 (as Matus has already observed). Then, under democracy the labour share recovered partially, which was coincident with the reduction in the wage-productivity gap represented in Figure 6.13. This increase ceased with the outbreak of the Asian Crisis and its effects on the unemployment rate. Then, in mid-2000s, the raw material price boom began and the capital share increased. After the 2008/2009 Financial Crisis and amid of the super cycle of rw materials, the labour share increased only modestly; between 2010 and 2018 the average was 42.9%, not very different from the last years of dictatorship.

Figure 6.15: **Functional Income Distribution (%)**



Source: Own elaboration. National Accounts from Central Bank of Chile, Vega (2007) and Alarco (2017).

These calculations of the functional distribution may overestimated the share of labours as long as high salaries of the top management are not isolated and treated as capital gains.

In addition, since mixed income are computed as capital gains by the National Accounts system, its inclusion is also a matter of debate (e.g. [Guerriero, 2019](#)). To address this issues, I calculated the Rate of Surplus Value (ROSV) for Chile following the theoretical framework introduced in Chapter 2.³²

The ROSV is defined as the ratio of the surplus value to the value of labour power (expressed in the wage bill). A ROSV of 100% means that the workers realise the same amount of necessary labour and surplus value. This means that with their work, workers produce the same for themselves as they do for the capitalist. In [Durán and Stanton \(2021\)](#), I calculated this ROSV and made the adjustments for the high salaries and the own account workers.

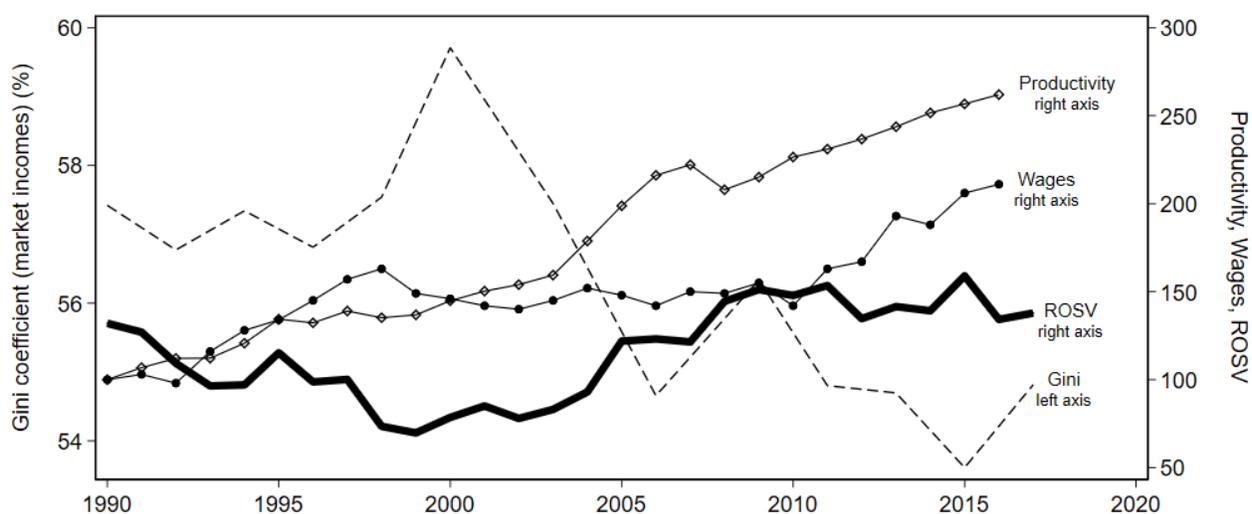
The results for the ROSV between 1990 and 2017 are presented in [Figure 6.16](#) along with the Gini coefficient for market incomes and the wage-productivity gap as a comparison. In the 1990s, when wages started to recover their purchasing power (mainly due to the minimum wage policy), the wage bill increased and the ROSV tended to fall. This decline coincided with a trade union movement with little power (see Chapter 4 and Chapter 5). After the Asian Crisis (1997/1998), the boom in the price of raw materials, as well as stagnating wages, triggered a sharp rise in the ROSV that lasted until 2010. Then, since 2011, it is possible to see a break in the upward trend in the ROSV, but this does not translate into a downward trend, but rather a maintenance of the level.

In [Figure 6.16](#), one can see that during the first years of the 1990s, the decline in the ROSV occurred in a period where wage increases were coupled with labour productivity increases. Then, when comes the phase of decoupling and the wage-productivity gap is visible, the ROSV rise accordingly. This is not visible in the Gini for the market incomes which exhibited a shift in its upward trend (although it is still in the neighbourhood of 55%). This

³²See, Durán, G and M. Stanton (2021). The Chilean economy, an analysis of the dynamics of profits, investments and production: A Marxist approach. *Capital and Class*. DOI: <https://doi.org/10.1177/03098168211054799>

means that, although the personal income distribution (measured with the Gini coefficient) has slightly shifted its upward trend during the last two decades (fall in the Gini)³³, in the case of the functional distribution (measured with the Rate of Surplus Value) there was a deterioration (first a rise in the ROSV and then a maintenance of its level). This finding is so far new to the Chilean literature and can prompt a debate about the weak workers power resources, exploitation and the primary income distribution.

Figure 6.16: **All together: productivity, wages, ROSV and Gini**



Legend: Productivity means labour productivity index (1990=100) and is defined as real GDP over total worked hours. Wages means real wages index (1990=100) and comprises wages of private sector employees (including domestic service). ROSV is the Rate of Surplus Value defined as the surplus value over adjusted wage bill. Gini is the Gini coefficient for market incomes (persons).

Source: Own elaboration based on Durán and Stanton (2021) and sources of Figure 6.13 (a) and Figure 6.10 (LIS).

³³This does not mean that the distribution of personal income (as measured by the Gini coefficient) has improved compared to the period of the early 1970s. It is a reduction compared to the levels of the 1990s.

6.4.2.1. Econometrics results

The following section will focus on an econometric proposal (and its results) to assess the impact of the change in Chile's industrial relations system on the primary income distribution.

For this purpose, work is done using a quasi-experimental design³⁴ to evaluate the treatment effect of a policy. Differences are expected to be observed between two groups - a control group and a treated group - and between two time periods (for more information, see Appendix A.7).

For the purpose of the present research, the treatment group is composed of workers covered by the labour code (the private sector of the economy). Workers belonging to the treatment group are those exposed to the 1979 *Plan Laboral* and its more direct sequels. The control group is public sector employees, who are not subject to the labour code as their employment relationship is regulated by the Administrative Statute of the public administration. The treatment, in this case the policy of institutional change that marginalises and fragments collective bargaining, does not apply to public sector workers, *ceteris paribus*.

If the dependent variable represents the primary income distribution, then it can be expected that the treated group will have a higher inequality than the control group once the treatment is applied and the statistical controls are applied (multivariate control).

³⁴Two general approaches can be seen in the impact evaluation literature (for example, [Smith and Todd, 2005](#)), i) the randomised experiment-based approach and ii) the quasi-experiment-based approach. The former is typical of the natural sciences where the treated subject and its counterfactual meet full control conditions. Such a perfect counterfactual is not possible to find in impact evaluations in observational studies (e.g. in social sciences) and that is why the quasi-experiments approach is applied.

Box 1: Some methodological decisions

To implement the estimation model, one proceeds to the construction of a database with a panel structure. In the design used for this research, each year has two observations for the outcome variable, one for the public sector and one for the private sector. The result is a pooled panel specification with a binary period: T=0 for the '0' period from 1960 to the previous year of policy implementation and a '1' period from the year of policy implementation to 2017 (which is the last year taken).

Theoretically, the year when the treatment begins should be 1979, which corresponds to the year in which the old system of industrial relations ceases to function legally and the system introduced by the Pinochet dictatorship begins. However, this decision for the purposes of the econometric model needs to be discussed. As shown in the historical chapters, the previous system, which supported certain collective bargaining above the firm-level, was dismantled immediately after the beginning of the dictatorship. On this basis, 1974 is another year that emerges as a possible alternative to be assigned as the starting point for the treatment. The problem with that year is that it does not correspond to the implementation of the *Plan Laboral*. This is because between 1974 and 1978 there was a period of total prohibition of collective bargaining. In view of this situation, it was decided that, once the pooled panel was constructed, the observations corresponding to the years 1974 to 1978 were censored.

The outcome variable (dependent variable) consists of two options. On the one side, the Gini coefficient of wages. In this case the personal income distribution is assessed. On the other side, is proposed an adjusted Gini coefficient that is able to incorporate information about the rate of surplus value. In this way, the functional income distribution approach and the Marxist theory described in the theoretical chapter is also taken into account. The adjusted Gini coefficient is built by following the same logic of the national accounts adjusted Gini coefficient proposed by [Atkinson \(2007\)](#):

$$\tilde{g} = s + (1 - s) * g \quad (6.1)$$

where g is the Gini coefficient, \tilde{g} is the adjusted Gini coefficient, and s is the adjustment factor. In the case of [Atkinson \(2007\)](#), s is a finite share of total income that is captured by the very top incomes group. In the case of the present research, s is the rate of surplus value

expressed with a mathematical transformation in order to not distort the original meaning of the Gini coefficient. This means that in practical terms, the range or scale of the Gini coefficient remains between 0 and 100. To illustrate this, if the Gini coefficient is 40% and the ROSV is 80%, then the adjusted Gini is 45%. This result is obtained by applying the above equation and scaling the ROSV by dividing by 10. In other words, the adjusted Gini is:

$$\tilde{g} = \frac{ROSV}{10} + \left[1 - \frac{ROSV}{10}\right] g \quad (6.2)$$

The Gini coefficient is drawn from the microdata of the Employment and Unemployment Survey (EOD survey) and the rate of surplus value is calculated using data drawn from National Accounts of the Central Bank of Chile.³⁵

With regard to the model to create the propensity scores, it will take the form of a logit. As for the independent variables in the logit regression, specific controls are considered:

1. Years of schooling: average years of schooling in each sector, private sector and public. Source: EOD survey.
2. Female share: the percentage of female over employees in each sector, private and public sector. Source: EOD survey.
3. White-collar share: the percentage of white-collar employees over total employees in each sector. Source: EOD survey.
4. Age: the average age of the workforce in each sector. Source: EOD survey.
5. Unemployment rate: the unemployment rate during the fourth quarter each year. Source: National Employment Survey.

³⁵For further details on the methodological issues around the empirical calculation of the rate of surplus value for the Chilean case, see [Durán and Stanton \(2021\)](#).

6. Copper price: the average price of copper expressed in constant US\$ 2012. Source: the Chilean Copper Commission (Ministry of Mining).
7. GDP per capita: expressed in real terms and in logs. Source: Central Bank of Chile.

By including the above independent variables in the logit model³⁶ it is expected that the possible bias of the long observation period will be controlled for and also the PSM will be able to meet the ‘overlap assumption’ (Imbens and Wooldridge, 2009) required in this type of specification.

Table 6.3: **Results of logit regression. Different specifications**

Variables	Coefficients (Model 1)	Coefficients (Model 2)	Coefficients (Model 3)	Coefficients (Model 4)
White-collar share	-0.044 (0.03)		-0.202*** (0.05)	
Female share	-0.248** (0.08)			-0.113*** (0.03)
Age	0.701*** (0.24)			
Unemployment rate	0.153* (0.09)	0.223*** (0.06)	0.243** (0.08)	0.151*** (0.06)
Copper price	-0.0038 (0.00)			
Schooling		-0.745*** (0.20)		
GDP pc (log)		3.737*** (0.88)	4.965*** (1.29)	
Number of obs	106	106	106	106

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

³⁶See Appendix A.7 for more information about the model.

The results of the logit model (matching procedure) are exhibited in Table 6.3. Four different specifications were tested using a combination of the independent variables mentioned above. It was not possible to put together a model that included all variables (in that case, the probability of reaching the nearest neighbour tended to zero).³⁷

To illustrate, Model 1 includes the white-collar share, the female share, workers' age, the unemployment rate and the copper price. In this combination, the white-collar share and the copper price were found to be non-significant, while the other variables were found to be significant under the traditional evaluation thresholds. In Models 2, 3, and 4, all the independent variables were significant under the traditional evaluation thresholds.

Table 6.4: **Propensity score matching results**

Outcomes	ATT (Model 1)	ATT (Model 2)	ATT (Model 3)	ATT (Model 4)
Gini, hourly	0.056*** (0.01)	0.064*** (0.01)	0.076*** (0.02)	0.0422*** (0.01)
Gini, monthly	0.052*** (0.01)	0.047*** (0.01)	0.059*** (0.02)	0.0427*** (0.01)
D10/D1, hourly	3.541*** (0.61)	1.272** (0.72)	2.364*** (0.64)	1.554** (0.67)
D10/D1, monthly	4.892*** (0.61)	2.234*** (0.64)	3.691*** (1.06)	3.522*** (0.78)
Adjusted Gini, hourly	0.110*** (0.01)	0.123*** (0.01)	0.136*** (0.03)	0.108*** (0.01)
Adjusted Gini, monthly	0.108*** (0.01)	0.108*** (0.01)	0.121*** (0.02)	0.109*** (0.01)

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

The results of the Propensity Score Matching estimation are presented in Table 6.4. Results are presented for the four logit specifications and for six alternative inequality measures for the outcome variable. The first four measures of income inequality are the

³⁷See Appendix A.7 for technical details.

Gini coefficient and the interdecile ratio for both monthly and hourly labour income. The last two measures correspond to the hybrid indicator presented in Equation 6.2, i.e. the Adjusted Gini, which incorporates information on the factor distribution of income (through the ROSV). Of the twenty-four PSM regressions, a total of twenty-three showed statistically significant differences at the 1% level in the outcome variables. The remaining case showed statistically significant differences at the 5% level. In all cases the sign (or direction) of the outcome difference (ATT) was as expected, i.e. the private sector exhibited higher income inequality than the public sector (control group).

In the case of the Gini indicators, the ATT corresponds to percentage points, for example, 0.056, means that the private sector achieved 5.6 percentage points more in the Gini coefficient than the public sector (following the PSM method and in this particular example, using Model 1 for the specification of the logit model).

In the case of the interdecile ratio (D10/D1), the ATT corresponds to additional multiples in the interdecile difference, for example, 3.541, means that the private sector achieved 3.5 more times of difference in the interdecile ratio than the public sector (following the PSM method and in this particular example, using Model 1 for the specification of the logit model).

Overall, the Gini results (in any of the versions presented) vary between 4.2 and 12.1 percentage points. As expected, when ROSV (adjusted Gini, see equation 6.2) was included, the difference in results (ATT) was larger. This is because in the case of the public sector, the ROSV is zero or close to zero. The distinction between hourly and monthly labour income yielded a lower ATT for the latter, except in Model 4. This was not the case for D10/D1, where the monthly ATT was higher in all models.

6.5. Conclusions

The debate over the interpretation of the historical development of the income inequality in Chile, has been dominated by the interpretation given by proponents of the Marginal Productivity Theory (MPT), according to which “*each man gets what he produces*” (Friedman, 1976, p.198). Supporters of the MPT argue that education is the master key to understanding the development of income inequality since education determines the individual productivities. Moreover, inequality is not regarded as a problem per se.

Since the return of democracy in 1990, the Gini coefficient for disposable income per capita shows that income inequality has modestly decreased in comparison to the eighties, but not when compared to the early 1970s. Meanwhile, educational coverage, including tertiary education, grew significantly, as well as the conditional cash transfer policy, which has had a significant effect on reducing poverty.

In this chapter the development of income inequality has been analysed by different indicators. On the one side, there is the personal income distribution with measures such as the Gini and the interquantile ratios. On the other side, there is the the factor income distribution with measures such as the labour share and the rate of surplus value. The focus of measurement was primarily on explore the impact of trade unions on income distribution, which is a stream of literature that has been on the sidelines of the debate in Chile.

In the last 30 years, market income distribution has not shown much development. The Gini coefficient in 2017 was about 55%, which is extremely high by international standards. This outcome means that the market structures remained relatively untouched and favourable to capital accumulation. This occurred at the same time as the period of peripheral reforms to the *Plan Laboral* of 1979.

I argued that the Chilean pay-setting system should be classified as an exclusive pay-setting system in the taxonomy of Bosch et al. (2010). This is clear due to only a small

percentage of workers being covered with collective agreements. The typical features of this type of system were presented for Chile. The first result was the high level of wage inequality, in particular among the white-collar workers, which as the econometric regressions show are less likely to be unionised. In this particular case, the development in the Gini coefficient was markedly upward across the last 60 years. The second result was the rapid increase in the income inequality measured by the income ratio between the top 5% and the bottom 5% of population. According to this measure, the market-income inequality has doubled between 1990 and 2017. The third result was the poor yield of collective agreements among the few workers who benefited from them, which contrasted with the high returns to capital in the same period. The fourth result was the wage curve: in the Chilean case it exhibited the typical rightward-skewed shape of the exclusionary systems of Bosch's taxonomy, typical of systems in which wages are pushed by employers into fierce competition. This type of wage curve implies a squeeze on the middle-income sector, which switched from 42% in 1990 to 39.7% in 2017 (when income from work is analysed). The fifth result was the evolution of real labour income, which lagged behind labour productivity growth. This was seen over a long period of observation, but the gap was particularly large during the current neoliberal era.

More meaningful for the analysis of the impact of collective bargaining on the income distribution than the Gini coefficient, are indicators for the functional income distribution. Two related indicator for the functional income distribution were used: the labour share and the rate of surplus value. Both indicators did not show the same development of the income inequality as the the Gini coefficient: decreasing personal income inequality (captured by the Gini), was not always translated into increasing labour share or a decrease in the rates of surplus value. This was particularly clear during the last 15 years in Chile, in the union movement was revitalised. This illustrates a lesson in terms of workers' power resources: on its own, an increasing union density and collective bargaining coverage can fail to correct the distribution of market incomes if the increasing union power and collective bargaining remains fragmented (Chapter 5).

Last but not least, in this chapter I have shown the results of a Propensity Score Matching model to estimate the impact of the institutional change in collective bargaining (occurring in the dictatorship) on income inequality. This is the first attempt (exploratory regression) of this kind in the Chilean literature. The results of the models of different specifications were all statistically significant and showed that income inequality (market based) increased due to the marginalised and fragmented collective bargaining system. As expected, when the outcome variable included information on the rate of surplus value, the differences were larger.

Less fragmented systems of collective bargaining

7.1. Introduction

In Chilean industrial relations, the demand of one less fragmented, and more inclusive centralised collective bargaining is perhaps one of the most pressing issues for the unions in recent years, especially after the social revolts of October 2019. Various trade union leaders have expressed this view in their debate on a new Basic Law for Collective Bargaining and underlined this also very clearly in the interviews which I carried out between December 2019 and February 2020. The interviewed union leaders also expressed their limited knowledge on the less fragmented collective bargaining systems in other countries, from which they could learn. The goal of this chapter is to contribute to comparative research on different national systems of collective bargaining.¹ Uruguay and Germany were chosen as two interesting reference cases which could inspire reforms in Chile. The case of Uruguay was selected

¹In Chile, this research can be seen, for example, in the recent two-year research fund (2017-2019) ‘*La negociación colectiva y su ámbito de cobertura más allá de la empresa*’ led by Professor Sergio Gamonal, and in the various international seminars organised by trade unions, academics and NGOs to bring comparative experiences to the table (for example: <https://www.fundacionsol.cl/blog/seminarios-6/post/el-trabajo-al-centro-de-la-nueva-constitucion-6805>).

because in this country as a result of a courageous and well planned reform in a few years the coverage by collective agreements was increase from less than 10% to 95% with the result that this country has now due to strong collective bargaining the lowest inequality of market incomes in South America. The Uruguayan example seems to be a lesson how an exclusive collective bargaining system can be transformed in a more inclusive system. Germany was chosen because it was a highly inclusive system in the past which partially eroded in the last decades. In many industries because of the remaining high organisational and institutional power resources collective agreements are still setting the working standards in often very innovative ways. So Germany shows the dangers of a erosion of collective bargaining as well as the potentials of inclusive industrial relations as the same time.

International comparative research show that a one-to-one transfer from good experiences in other countries is not possible. Collective bargaining systems are case-specific, path-dependent, and highly reliant on the power resources that local counterparts have at their disposal in each capitalist national context. This means as [Bosch and Kupets \(2021\)](#) pointed out *“the same formal institutions and regulations would work and perform differently in another national context with different actors”* ([Bosch and Kupets, 2021](#), p.70). However, radical changes are possible in historical junctures when the main actors have the necessary power resources, a clear and viable reform agenda and the corresponding political will. The fragmentation of the traditional Chilean industrial relation system by the Pinochet dictatorship is an example of complete system change to the bad with a fragmentation and marginalisation of collective bargaining. The reform agenda to a more inclusive system has still to developed and learning from good international examples may be great help.

The chapter begins with a panoramic view of the less fragmented system of collective bargaining (Section [7.2](#)). Then, the two country case studies are presented; the German case in Section [7.3](#) and Uruguayan case in Section [7.4](#). In each country study the industrial relations system is analysed according the Power Resources Approach. The case studies are firstly based on in-depth semi-structured interviews with national experts (list in Appendix [A.8](#)), a literature review and analysis of trade union documents. Secondly, the impact of

collective bargaining on wages and the income distribution is analysed. For this purpose, the national income surveys of each country as the Luxembourg Income Studies database and the results reported in previous pertinent literature are used.

7.2. Panoramic view of the less fragmented systems

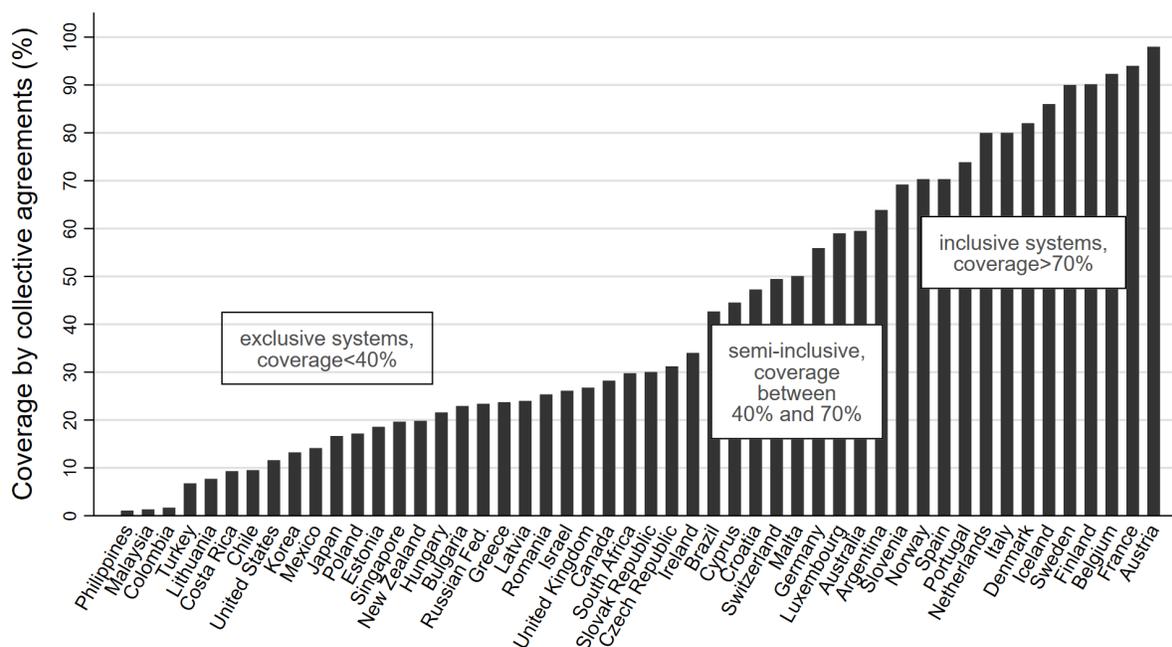
In what follows, an exclusive wage-setting system will be quantitatively defined as a case where collective bargaining coverage is less than 40%. A semi-inclusive system is a case where collective bargaining coverage is between 40% and 70%. Finally, an inclusive collective bargaining system is one that has a collective bargaining coverage above 70%. Of course, the selected thresholds are provisional and merely intend to move beyond the wide range of cases envisioned. In practice, the more inclusive the system, the less fragmented it will be. Theoretically, a fragmented inclusive system with collective bargaining at the firm-level and high coverage by collective bargaining is possible. The United States in the 1950's were an example. The precondition was high organisational power of the unions, the clear political will to contain industrial conflict and win the unions as reliable partners in the cold war and high economic growth rates with a weak cost competition. The famous industrial relations expert John Dunlop wrote in 1957, "*collective bargaining must be taken as the normal case*" (Dunlop, 1957, p.12). In today highly price competitive markets and multinational companies which intensify the cost competition with their business models and investments decision collective bargaining is increasingly under pressure and is marginalised in many countries.

In Figure 7.1 one can see a ranking of countries according to the percentage of employees covered by collective bargaining agreements. All countries included in the sample used by the ICTWSS database have been considered and annual averages between 2014 and 2018 were taken for this visualisation.

In order to describe the 'varieties of less-fragmented systems' in a glance, in the following, four key wage-setting aspects are taken into account: i) the predominant level of

collective bargaining, ii) existence of additional enterprise bargaining (cases where sectoral level is predominant), iii) the use of mandatory extension and, iv) the use of the open clauses.

Figure 7.1: Coverage by collective agreements (%)



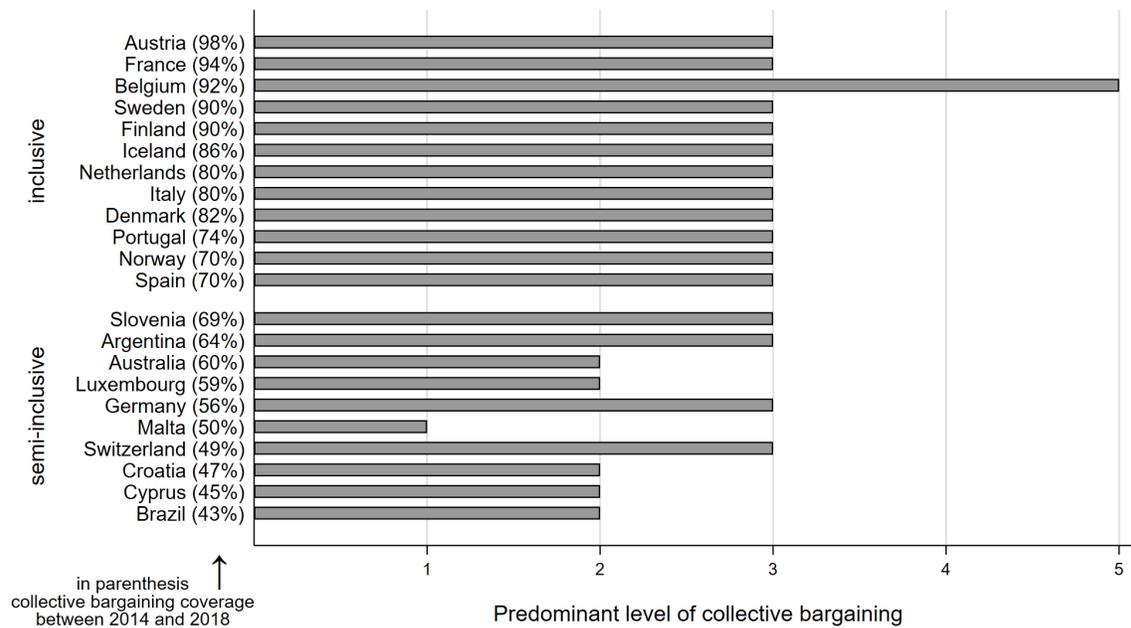
Note: Coverage by collective agreements is measured using the variable called AdjCov in ICTWSS database. AdjCov → Number of employees covered by collective (wage) agreements in force as a proportion of all employees with the right to bargain defined as the proportion of employees who are not excluded from collective bargaining.

Source: Own illustration based on the Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS database). <https://www.ictwss.org/downloads>. ICTWSS V.6.1. In the case of Chile, the data comes from Labour Directorate (Dirección del Trabajo, 2019a) following the methodology proposed by Durán and Gamonal (2019b). Latest available data for Argentina (2011-2013), Brazil (2011-2013), Israel (2012), Mexico (2011-2012), Russian Federation (2011-2013). Remaining countries, averages between 2014 and 2018.

In all inclusive cases, industry-wide level is the predominant form of collective bargaining (Figure 7.2). Not surprisingly, there are no cases of inclusive systems where the firm level is the predominant form of collective bargaining. In the case of semi-inclusive systems it is possible to see cases like Germany and Switzerland where the predominant level is industry-wide, and cases like Australia, Luxembourg, Croatia, Cyprus and Brazil where

the predominant level alternates between sectoral and company bargaining. In this selection, Malta is the only case where collective bargaining takes place predominantly at the firm-level. However, in Malta sector level negotiation of wages and working time is important but not the dominant level. It comprises the segments of the public sector which has the right to bargain (in the private sector, the coverage is about 23%).² As expected, there is no case of an inclusive system where collective bargaining takes place at the company level predominantly. On the other hand, in the vast majority of semi-inclusive wage-setting systems involve sectoral collective bargaining and an intermediate level that alternates between sectoral and company bargaining is important (Visser's scales 3 and 2 respectively, see legend of Figure 7.2).

Figure 7.2: **Predominant level of collective bargaining in countries with inclusive or semi-inclusive wage-setting systems**



Legend: Bargaining predominantly takes place at ... **5** → Central or cross-industry level; **4** → Intermediate or alternating between central and industry bargaining; **3** → the sector or industry level; **2** → Intermediate or alternating between sector and company bargaining; **1** → the local or company level.

Source: Own illustration based on ICTWSS V.6.1. Year 2018.

²<https://www.eurofound.europa.eu/country/malta>

In the inclusive and semi-inclusive wage-setting systems along with the higher level bargaining (e.g. industry level) additional enterprise wage bargaining can also be seen (point ii). In the Northern European countries such as Sweden, Finland, Denmark and Norway this practice is common and takes place under the control of the ‘outside union’ (the industry-level union). This means that bargaining levels are highly coordinated (Bispinck et al., 2010). In the majority of the remaining countries, the additional enterprise bargaining takes place only in large firms and normally is controlled by non-union bodies as works councils in a dual-channel workers’ representation scheme (see Table 7.1).³

Table 7.1: **Additional enterprise bargaining**

System	Country	Common	Large Firms	Rare
Inclusive	Austria		●	
	France		●	
	Belgium	●		
	Sweden	●		
	Finland	●		
	Netherlands		●	
	Italy		●	
	Denmark	●		
	Portugal			●
	Norway	●		
	Spain		●	
Semi-inclusive	Slovenia		●	
	Australia			●
	Luxembourg			●
	Germany		●	
	Switzerland		●	
	Croatia		●	
	Cyprus			●

Legend: *Common* → additional enterprise bargaining on wages is common. *Large Firms* → additional enterprise bargaining on wages occurs only in large firms. *Rare* → additional enterprise bargaining on wages is rare even in large firms.

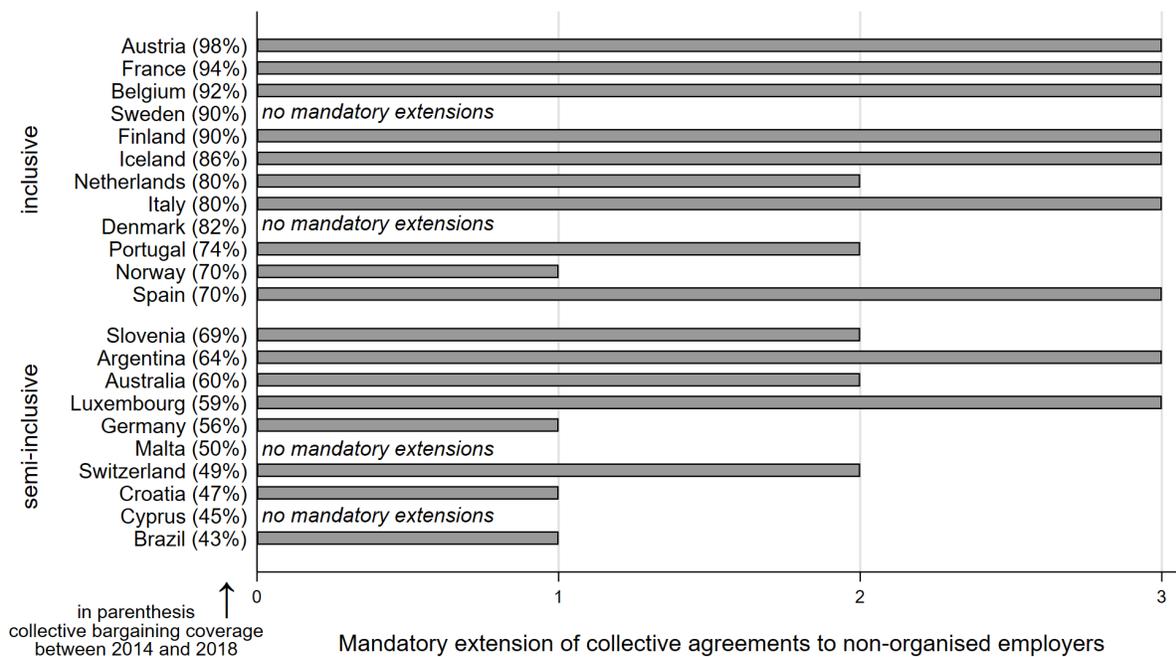
Source: Own elaboration based on ICTWSS V.6.1. Year 2017.

Mandatory extensions are a tool for taking wages out of competition in the whole industry and for including non-covered firms including the diverse and new atypical forms of

³In Germany firm bargaining is not controlled by the works councils. The unions are responsible.

jobs in collective wage-setting. The use of mandatory extensions in industry-wide collective agreements (point iii) to protect all employees and not only those directly represented by the parties is applied in the inclusive systems except in Sweden and Denmark. In addition, in the case of Norway, extensions exist although they are rather exceptional.⁴ In the semi-inclusive cases, there are mixed results, for instance, in Germany, Croatia and Brazil, extensions are rather exceptional. In the cases of Argentina, Luxembourg, they are virtually automatic (Figure 7.3).

Figure 7.3: **Mandatory extension of collective agreements to non-organised employers in countries with inclusive or semi-inclusive wage-setting systems**



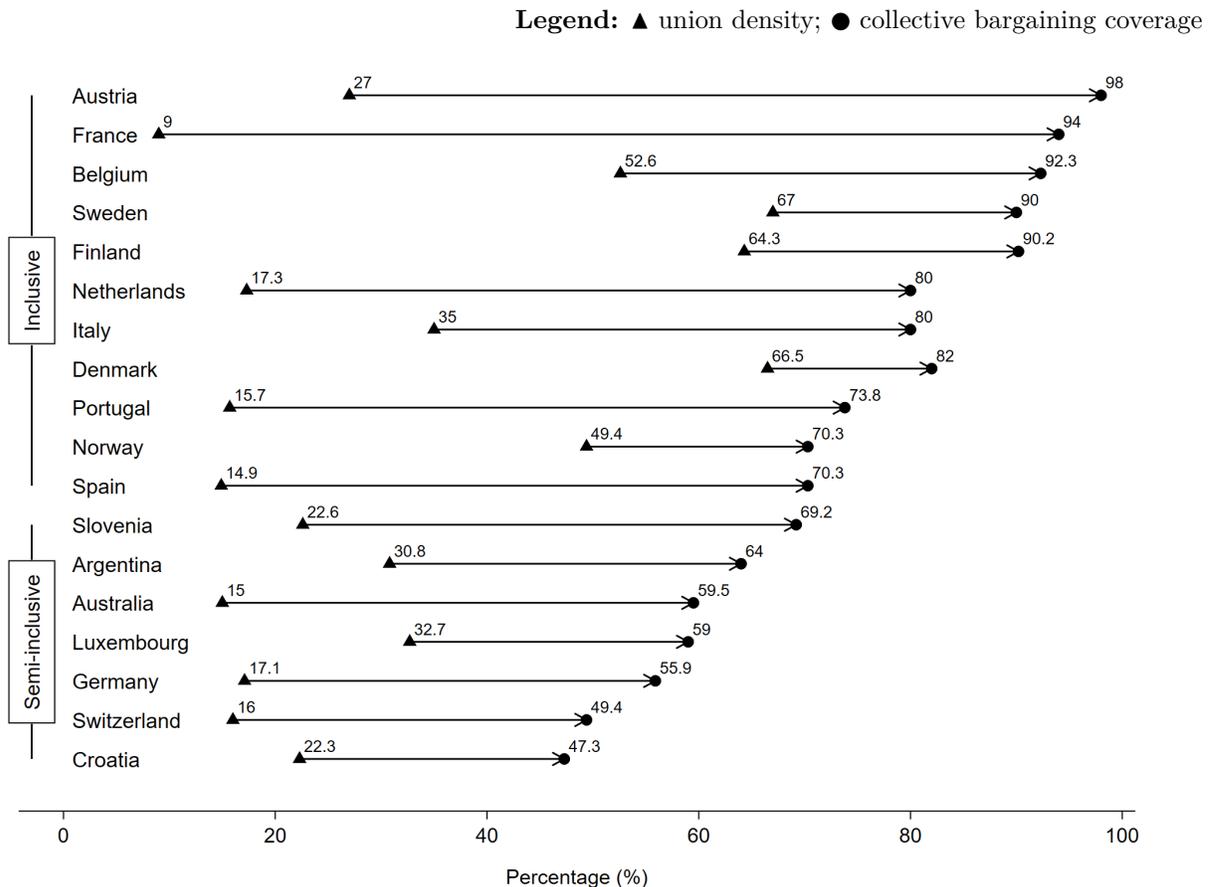
Legend for the horizontal axis: 3 → extension is virtually automatic and more or less general (including enlargement); 2 → extension is used in many industries, but there are thresholds and Ministers can (and sometimes do) decide not to extend (clauses in) collective agreements; 1 → extension is rather exceptional; 0 → no mandatory extensions.

Source: Own illustration based on ICTWSS V.6.1. Year 2018.

⁴In Norway extensions were introduced in 1993 (Bruun, 2018).

There is a debate that mandatory extensions “*would take away incentives for organising*” (Visser, 2018, p.37). This is what some economists have called the ‘free rider problem’ that unions suffer (e.g. Booth and Bryan, 2004; Boeri and van Ours, 2008), France being the classic example (union density below 10% and collective bargaining coverage above 90%, see Figure 7.4). Thus, the mere extension of agreements to non-unionised workers is a necessary condition for more inclusiveness, but it is not sufficient if employers are to be forced to comply. This means that workers need organisational power and strong unions in order to force employers to comply with extended sectoral agreements.

Figure 7.4: **Union density (%) and collective bargaining coverage (%) in countries with inclusive or semi-inclusive wage-setting systems**



Source: Own illustration based on ICTWSS V.6.1. Average figures between 2014 and 2018 (except Argentina: 2011-2013).

In Figure 7.4, one can see that some of inclusive wage-setting systems are based on strong organisational trade union power with high union density (Belgium, Sweden, Finland, and Denmark). In these countries there is a voluntary unemployment insurance system administered by unions, the so-called Ghent System (Vandaele, 2006). This system, although increasingly under pressure, “gives employees a strong incentive to become union members” (Bispinck et al., 2010, p.19), and through this, it has the advantage of reducing free riding.

Diversity in the inclusive and semi-inclusive wage-setting systems can also be observed in the use of opening clauses (point iv) that allow individual employers to deviate from certain aspects of their industry-wide collective agreements. This practice is increasingly used in Germany, Austria, Spain, the Netherlands, and Switzerland. Furthermore, most of the cases in the inclusive wage-setting system category are classified by the OECD (2019a) as countries where the actual use of derogations is ‘limited’.

Table 7.2: **Actual use of derogations and opt-outs**

System	Country	Common	Limited	No derogations
Inclusive	Austria	●		
	France ¹		●	
	Belgium		●	
	Sweden			●
	Finland		●	
	Iceland		●	
	Netherlands ¹	●		
	Italy		●	
	Denmark			●
	Portugal ¹		●	
	Norway			●
Semi-inclusive	Spain ¹	●		
	Slovenia ¹		●	
	Luxembourg			●
	Germany ¹	●		
	Switzerland ¹	●		

Legend: ¹ Temporary opt-out clauses (derogations are possible in case of economic difficulties).

Source: Adapted from OECD (2019a).

7.3. The German case

Until the beginning of the 1990s, collective bargaining coverage in Germany was close to 80% and the country had an inclusive wage-setting system (Bosch, 2019). Then, from the mid-1990s a continuous decline in the rate of unionisation and collective bargaining coverage took place (Schulten, 2018). Until 2018, collective bargaining coverage dropped to 55% (IAB establishment panel). In the following, the institutional and organisational workers' power resources and their impact on collective bargaining and on the income distribution will be analysed.

7.3.1. Institutional power resources of workers

The main workers' institutional power resources are the industry-wide collective bargaining and the co-determination system. As in many European countries, in Germany, worker representation at the workplace level is assigned to works councils while the collective bargaining system goes to industry-level trade unions. This division creates a two-tier arena of interest representation which demands coordination.

7.3.1.1. Collective bargaining

In Germany, there is the principle of collective bargaining autonomy (*Prinzip der Tarifautonomie*), which means that “*the state should largely be excluded from the regulation of labour relations*” (Schulten, 2018, p.65). Trade unions and employers should be able to freely decide the level at which collective bargaining takes place. It also means that, “*the timing and the frequency of negotiations as well as agreements of opening clauses in sectoral agreements are left completely to social partners*” (Bosch and Kupets, 2021, p.10).

In practice, collective bargaining takes place predominantly at industry-wide level via ‘collective bargaining regions’ agreements (e.g. [Jänicke, 2013](#)), meaning the agreements are typically local. Industry trade unions and employers’ associations of a given ‘collective bargaining region’ negotiate collective agreements that are valid for unionised employees employed by firms affiliated with the employers’ association that signs the agreement ([OECD, 2019a](#)). However, it is common practice in Germany, that employers voluntarily provide the same conditions to non-unionised workers to avoid an increase of trade union membership ([Schulten, 2018](#)).

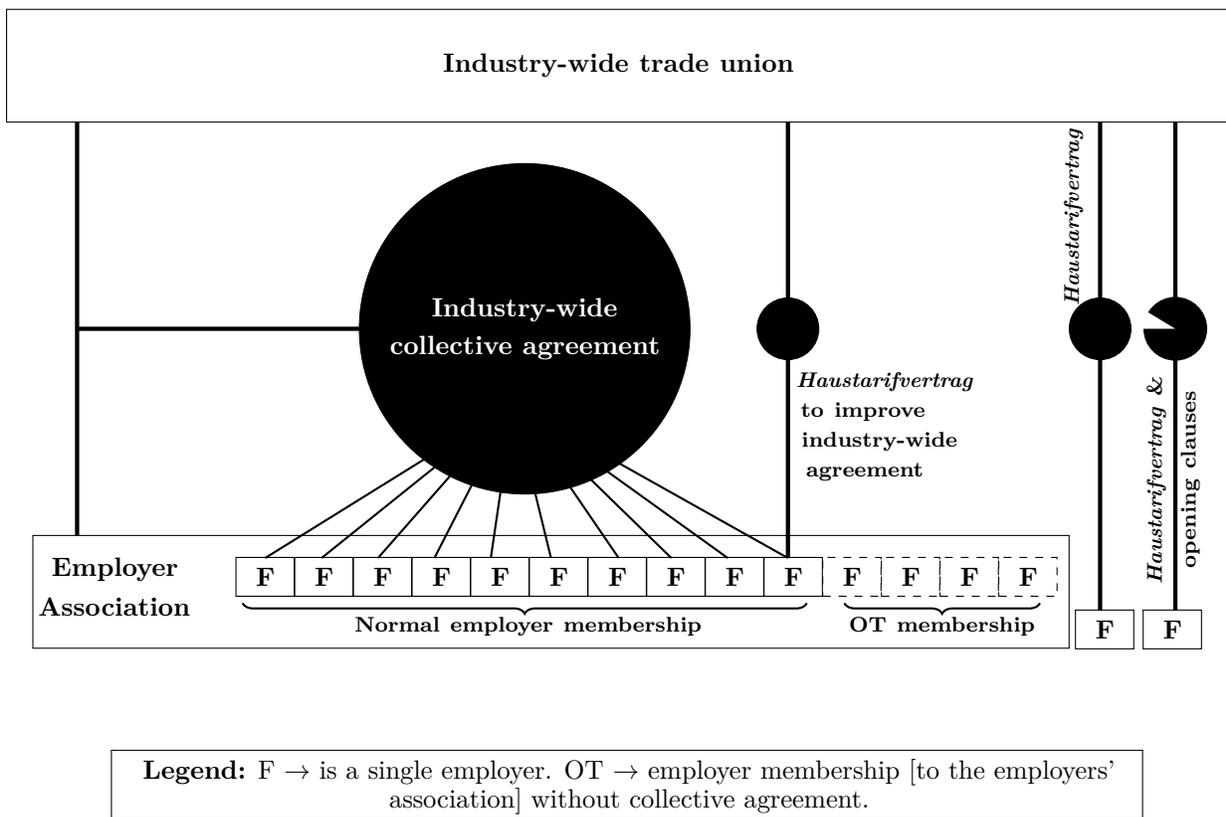
Collective bargaining coverage depends to a large extent on the employers’ association density, i.e. the percentage of firms which are members of the association ([Keller and Kirsch, 2016](#)). To avoid collective agreements firms increasingly leave the employers’ associations. In response to this development, the employers’ associations invented a special membership, whereby employers are not covered by the collective agreement. This is the so-called *OT* membership (*ohne Tarifbindung* [membership without collective agreement]). As [Bosch and Kalina \(2018\)](#) have pointed out, by withdrawing from collective agreements with impunity (and without any strong reaction from unions), employers were able to enlarge the ‘white-zones’ of collective bargaining of their own will, especially in small and medium-sized companies.

Collective bargaining coverage also depends on the level of union membership. If firms leave the employers association, unions can try to negotiate a collective agreement at the firm-level (in German the so-called *Haustarifvertrag*); however, this option depends on the power relations between unionised workers in the company and the employer. According to the interviewed trade union expert 1, it is normal for this to occur if a company has reached at least 50% union density.

In the right zone of [Figure 7.5](#) (small black circles) one can see two types of *Haustarifvertrag*. One (the first from left to right) improves the conditions of the industry agreement. This used to be the normal case until the 1980’s. Today this has become the exceptional case (interviews with trade union expert 2 and 3). The second type of *Haustarifvertrag*

(represented in Figure 7.5 by the small black circle on the middle right) applies to firms where the industry agreement is absent. Thus, the *Haustarifvertrag* means that an employer can escape collective bargaining entirely by disaffiliating from the employers' association (or by taking an OT membership). An example is the case of Hochtief, Germany's largest construction holding company, which left employers association. The construction workers union (IG BAU) succeeded to increase its membership and negotiates since 2016 a firm agreement with Hochtief (Dumiak, 2021). Despite this example, in total the impact of the single employer collective bargaining on the whole collective bargaining is small in Germany (Ellguth and Kohaut, 2019).

Figure 7.5: **Collective bargaining, centralised and decentralised mechanism**



Source: Own elaboration based on interviews. Explanations in the text.

The case of the opening clause is represented in Figure 7.5 by the small black circle at the far right. This is a *Haustarifvertrag* which allows companies in economic difficulties deviate from certain standards for specific period.

Administrative extensions, or legal-basis extensions to non organised employers are regulated in the *Tarifvertragsgesetz* of 1949 (Collective Bargaining Act). Extensions requires three conditions to be met (Bosch and Kupets, 2021): i) a minimum of 50% of workers should be already covered, ii) it had to be in the public interest, iii) the Collective Bargaining committee at the Ministry of Labour had to approve it with a majority vote. In practice, however, legal extensions are almost non existent. As of 2016, only 1.5% of all sector level agreements were declared generally binding (Schulten, 2018). Since the 50% threshold cannot be reached in most industries the law was changed. Since 2014 a public interest is sufficient for extensions.

In Germany the decentralisation of collective bargaining at lower level in certain aspects of the collective agreement is coordinated between the industry-level trade unions and the employers, this model has been called ‘coordinated decentralisation’ (e.g. Bispinck, 2004; Bosch, 2004; Behrens, 2009).⁵ Coordinated decentralisation allow unions the possibility of mobilisation for good agreement. Furthermore, it allows local union representatives, such as shop stewards, to play a key role in a revitalisation from below in the union movement.

The favourability principle is led down in the law (*Tarifvertragsgesetz*). It means that lower standards cannot be agreed in firm-level collective bargaining if the firm is covered by an industry-level collective agreement.

⁵This is not always the case in comparative multi-employer systems of collective bargaining. The other model is called ‘disorganised decentralisation’ (Traxler, 1995) and unlike the coordinated model, single employer decide unilaterally (without any consultation with the union), depart from the industry-wide collective bargaining.

7.3.1.2. Co-determination

In addition to the arena of unions and collective bargaining, the German industrial relations system is very well known for its tradition of co-determination through works councils (at the workplace level) and employee representation on supervisory boards.

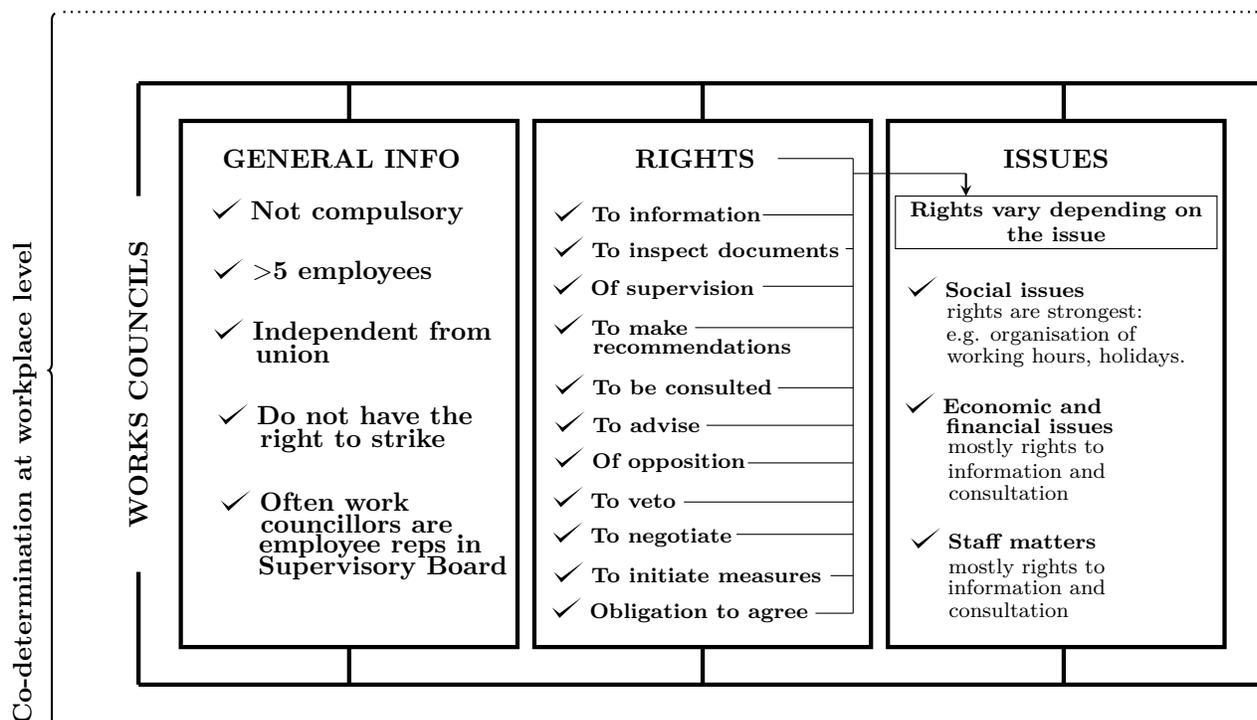
A works council is a group of workers democratically elected by their peers to represent them against the employer at the workplace level. Works council elections are voluntary and possible only in workplaces with 5 or more employees. The works councils are independent from the union which means that either unionised or non unionised members could be elected as members of the works council. The size of the works council (number of members) depends on the size of workplace.⁶

Through the Works Council Act, works councils have a number of rights to intervene to varying degrees in the day-to-day running of the company. For example, they have the right to information and to inspect documents, the right to be consulted for certain decisions, the right to make recommendations, the right to advise and, the right to veto, which means that *“in certain circumstances, the works council can block the actions of the employer by refusing its consent to what is planned”* (Fulton, 2020, p.15).

Co-determination rights vary, depending on the issue under consideration; the three main topics of co-determination are: social issues, economic and financial issues. In many social issues works councillors have co-determination rights, so the management cannot take any action without the approval of the works council (interview with trade union expert 3). On economic and financial issues, works councils only have information and consultation rights. So, the management has to report on the financial situation of the firm, but there is no veto right (interview with trade union expert 3).

⁶For example, from 5 to 20 employees, the number of “councillors” is 1. Then, from 21 to 50 it is 3. From 51 to 100, it is 5 and from 101 to 200, 7 and so on. As such, the works council is not a mass organisation but a body of representatives whose mission is to exercise co-determination at the workplace level.

Figure 7.6: Co-determination at the workplace level



Source: Own elaboration based on interviews with trade union expert 2 and trade union expert 3, Page (2009), Keller and Kirsch (2016). Explanations in the text.

Works council can negotiate company agreements on working conditions (*Betriebsvereinbarungen*). But in these agreements they can negotiate on issues which already agreed upon in collective agreement. Works council has not right to strike. In case of an disagreement they can appeal to an conciliation committee (Keller and Kirsch, 2016).

Damiano Valgolio from IG Metall describes the role of works councils as follows:

“For example, decisions on work schedules, whether to start at 8:00 AM or 5:00 AM or whether to work on Sundays or not, all require the consensus with the works council. Another example, concerning the health of workers, whether a machine is dangerous or a chemical is dangerous, all of this requires a consensus with the works council. If there is no agreement between the works council and the employer, there is a conciliation commission. In this case a judge has to visit the

*workplace and make a conciliation. If the conciliation is not successful, the judge can decide (e.g. whether or not to work on Saturday and Sunday, whether or not the firm can buy new machines, etc.). It is a very German model, which has a lot of trust in the judge, in the law, in the principle that a neutral person comes in and decides in a fair way*⁷. *This idea is very much based on the compromise between the classes. This model gives the workers and the works council a lot of influence and is an instrument of democratisation in the firm and an instrument to improve working conditions*” (Damiano Valgolio) [translation from Spanish].⁸

In the Works Constitution Act, it is stipulated that works councils are independent of trade unions. However, in practice there is a close connection. The vast majority of the works councillors are trade union members (Keller and Kirsch, 2016). The same is true for the employees representatives in the case of supervisory boards. This means that the workers’ organisational power resource is de facto coordinated in both arenas of workers’ representation. Work councillors are trained by unions, and works councils invite union representatives to attend meetings (Keller and Kirsch, 2016).⁹

Works councils are an important part of the workers’ institutional power resources and they are found in nearly all big companies¹⁰, in most medium sized companies but not in the huge number of small companies (Ellguth and Kohaut, 2019).

⁷The conciliation committee consists of an equal number of works councillors and firm representatives and a neutral person (not necessarily a judge).

⁸Participation of Damiano Valgolio in the virtual workshop “*Cogestión en las empresas. Mitos y realidades de la experiencia en Alemania ¿es viable en Chile?*” [Co-determination in the workplace. Myths and realities of the German experience: is it feasible in Chile?], The workshop was broadcast on Facebook Live by Talleres Sindicales 09.04.2021. <https://www.facebook.com/102815351908166/videos/488435788997575>, accessed 09.04.2021.

⁹In large firms, the *Vertrauenskörper* (shop stewards) is elected by union members. Alix Arnold, a former shop steward in Deutsche Post AG commented that along with defending the interests of the members, the *Vertrauenskörper* play an important role in informing workers (union and non union members) about their rights including the works council, a recent example of which can be seen in the case of Amazon and the ver.di trade union (personal interview with Alix Arnold).

¹⁰Additionally, “*Works councils are not only local actors, but can and do form centralised committees - general and group works councils - in the bigger companies so that they can coordinate interests and negotiate with management on central level*” (personal interview with Prof. Dr Thomas Haipeter).

Normally, in companies only shareholders have the right to have representatives on the governance bodies, but in Germany, workers can also send representatives to the supervisory body and influence the policy of a firm.

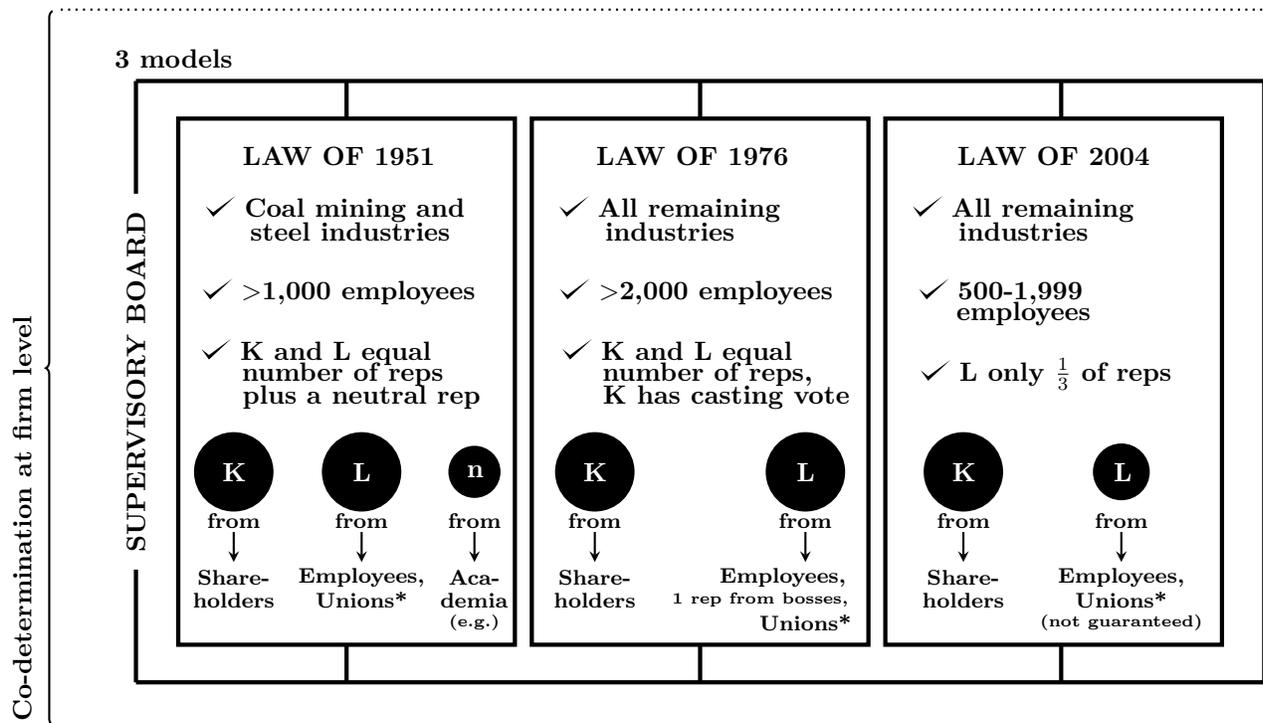
There are three models of co-determination at the supervisory board level (a more detailed discussion can be found in [Page, 2009](#); [Bosch, 2018b](#); [Fulton, 2020](#)). The first, the so-called *Montanmitbestimmung*, is where co-determination was first implemented and covers the coal and steel mining in firms with more than 1,000 workers. Employees and shareholders have the same number of representatives on the supervisory board and there is an additional representative who is a neutral person coming from neither the shareholder nor the employee side. In this model, the supervisory board appoints a labour director inside the Board of Management whose “*decision cannot go against the votes of the majority of employees reps*” ([Page, 2009](#), p.28). The *Montanmitbestimmung* model was the result of past struggles: “*the unions of steel and coal workers, fearing the loss of the rights which they had gained during the period of allied occupation, held strike ballots in late November 1950 and early 1951 respectively, in both cases winning over 90 per cent support for industrial action*” ([Hyman, 2001](#), p.118). As a result, the *Montanmitbestimmungsgesetz* of 1951 (Co-determination Act of 1951) was passed.

The second model covers companies with more than 2,000 employees in all the other industries (Co-determination Act of 1976). Unlike the *Montanmitbestimmung* model, employees and shareholders have the same number of representatives, but the latter have a casting vote in the event of a tie. In addition, among the workers’ representatives there is one person representing the management positions. In this model (as well in the *Montanmitbestimmung*) unions can nominate representatives for the advisory board.

The third model covers companies with 500 to 1,999 employees in all the other industries than coal mining and steel (One-Third Act of 2004). In this model employees only have one third of the representatives on the supervisory board.

It is clear that in the case of the *Montanmitbestimmung* model workers have more power than in the other two models.¹¹ Damiano Valgolio commented that, by looking at the last two models, “they are more an instrument of control than of decision”.¹² This is very much related to the dual nature of the institutional power resources that was presented in the Chapter 2: as a secondary power resource, the workers’ institutional powers depends strongly on the past collective struggles and as such, a favourable result it means a empowerment law, and a negative result, a controlling law.

Figure 7.7: **Co-determination at the company level**



Source: Own elaboration based on interviews with trade union expert 2 and trade union expert 3, Page (2009), Keller and Kirsch (2016).

¹¹Still, in the three models the capital side has the last word. The chairperson of the supervisory board has in cases of conflict two votes and the general assembly of share owners can over-vote the supervisory board.

¹²Participation of Damiano Valgolio in the virtual workshop “*Cogestión en las empresas. Mitos y realidades de la experiencia en Alemania ¿es viable en Chile?*” [Co-determination in the workplace. Myths and realities of the German experience: is it feasible in Chile?], The workshop was broadcast on Facebook Live by Talleres Sindicales 09.04.2021. <https://www.facebook.com/102815351908166/videos/488435788997575>, accessed 09.04.2021.

7.3.2. Organisational, societal and structural power resources

7.3.2.1. Organisational power

The largest union umbrella organisation is the so-called *Deutscher Gewerkschaftsbund* (DGB, the German Trade Union Confederation), founded in 1949. The DGB seeks to influence issues other than collective bargaining, which are reserved for industry unions. The DGB, for example, has a key role in exerting political influence, which is particularly important in the discussion of social and labour laws (Bosch and Kupets, 2021). As such, it is able to coordinate unitary responses from the German trade union movement. In 2017 the German Trade Union Confederation represented almost 6 million members, which was 76.3% of all trade union members in Germany (Müller and Schulten, 2019).

The largest member organisation of the DGB is the *Industriegewerkschaft Metall* (IG Metall, the German Metalworkers' Union) which represented about 2.3 million members at the date. The second largest organisation is the *Vereinte Dienstleistungsgewerkschaft* (ver.di, the United Services Union) with about 2 million members, but much more diverse in terms of representation than IG Metall (Müller and Schulten, 2019).

All the DGB unions are long-established organisations. The majority of them (including their precursors) were founded in 1949.¹³ They have therefore acquired a great deal of knowledge and experience over the past five decades.

¹³**IG Metall:** 1949; **ver.di:** 2001, is the result of the merger of other long-standing unions [*Public Services, Transport and Traffic Union (1949)*; *German Salaried Employees' Union (1949)*; *German Postal Union (1949)*; *Media Union (1989)*]. **GdP** (Trade Union of the Police): 1950; **IG BAU:** 1996, is the result of the merger of other long-standing unions [*Building and Construction Union (1949)*; *Horticulture, Agriculture and Forestry Union (1949)*]; **GWE** (The Education and Science Workers' Union) 1948; **EVG** (Railway and transport union): 2010, is the result of the merger of other long-standing unions [*Transport, Service, and Networks Union (1949)*; *GDBA (1948)*]; **NGG** (Food, Beverages and Catering Union): 1949; **IG BCE** (the Mining, Chemical and Energy Industries Union): 1997, is the result of the merger of other long-standing unions [*Chemical, Paper and Ceramic Union (1948)*; *Leather Union (1949)*; *Union of Mining and Energy (1946)*].

In total, some 8 million workers were organised in trade unions in 2017, which translated into a union density of only 15% ([Hassel and Schroeder, 2018](#)) and varied considerably from sector to sector.

As mentioned before, a large part of collective bargaining coverage results from employers' extensions to prevent their employees from joining unions. Thus, instead of 15% (union density), almost 55% of employees are covered by collective bargaining. In other words, without this practice, the German wage-setting system would be exclusive rather than semi-inclusive. This gap between union density and collective bargaining coverage can pose a problem since it can greatly affect strike actions. Only trade unions can call for a strike, otherwise it is an illegal strike. Non-members can participate in strikes without receive compensation from union strike funds.

In Germany, along with the 'normal' strikes (which is called after the peace clauses expired), unions often use two tactics while the negotiations are running, one called the warning strike which lasts a couple of hours and the other called the '24-hour strike' (interview with trade union expert 1). Both tactics have been very effective in recent years in gaining more bargaining power; however, membership is required. At the same time, strong union membership is required for decentralised collective bargaining for cases where the employer is not member of the employers' association. In these situations, a single employer is not obliged to enter into negotiations with the industry-level union. Therefore, unions normally initiate certain actions that, by their very nature, require the presence of unionised employees in order to force the employer to enter into negotiations. Thus, unions are constantly trying to explain to workers that the more members they have, the better their chances of entering into negotiations (in the case of firm-level collective bargaining) and the better the conditions they can negotiate (both in the case of firm-level and industry-level collective bargaining). In this way, large unions have developed different organising methods to boost participation, for example, campaigns to unionise and to establish works councils, the use of professional union organisers, etc. ([Haipeter, 2021](#)).

Industry-level unions possess significant infrastructural power resources, such as permanent staff, fully equipped headquarters, and substantial funds for campaigning, organising activities and research, etc. For example, the largest union in Germany, IG Metall, reported an annual budget of EUR 585 million in 2018 (IG Metall, 2019). This budget includes strike funds, which provide strikers with compensation during the strike. With such large resources at their disposal, unions have created internal structures, including holding companies, subsidiaries and foundations. In the case of IG Metall it can be seen that there are several legally constituted non-profit companies¹⁴ that perform specific tasks related to trade union work within IG Metall.¹⁵ For example, IGEMET (*Treuhandverwaltung IGEMET GmbH*) is IG Metall's real estate holding company in charge of more than 119 properties in 90 locations. The main task of this entity is, “*providing modern and comfortable trade union headquarters. These are an important prerequisite for good trade union work as points of identification and contact for members and functionaries on the ground*” (IG Metall, 2019, p.277).

Another company is *Bund-Verlag GmbH* (controlled on equal terms with other unions). Through this entity, IG Metall publishes and distributes books, magazines, booklets and other products with union content. Another entity, *Labour Digital GmbH*, makes software for NGOs and unions. The entity named IGM Service (*Servicegesellschaft mbH für Mitglieder der IG Metall*) is the company through which IG Metall provides services and products for their members. These services and products, including shops discounts, tax advice, free time activities, hotels, rental car, sports, etc. Through the entity *Academy of Labour GmbH*, IG Metall provides a wide range offer of educational programmes including, seminars, certificate courses, and even state-approved bachelor's programmes.

Other German unions operate in a similar manner, albeit at a small scale. For example, in the case of the trade union for the construction, agriculture and environment, and building cleaning sectors (IG BAU), one can see an entity called *Dein Plus GmbH* through which

¹⁴Personal interview with Katharina Grabietz.

¹⁵These entities are companies owned and controlled by IG Metall.

the union provide a variety of products and services to their members (for example holidays, consulting services, education programmes, shop discounts, etc.).¹⁶ Additionally, the IG BAU has the *Berufshilfe Stiftung*, a foundation to help the children of deceased union members to continue their education by providing scholarships. This is also visible in the IG BCE (trade union for mining, chemical, and energy industries) through its foundation called *August-Schmidt-Stiftung*.¹⁷

The so-called *Hans Böckler Stiftung* (HBS)¹⁸, is the think tank of the trade unions in Germany and is also an important infrastructural power resource. The HBS does high quality research (through 3 research institutes), organises conferences, workshops and other events related to the union's agenda and also supports students through scholarships. HBS' budget for 2017/2018 amounted to EUR 74 million, mainly from mandatory donations. Trade union members in supervisory boards have to donate most of their remuneration to the Hans-Böckler-Foundation.¹⁹

7.3.2.2. Societal power resources

Following the proposal of [Lehndorff et al. \(2018\)](#), the societal power resource is first analysed in terms of the trust in unions.

In Figure 7.8 it can be seen that the trust in trade unions has fluctuated between 40% and 50% over recent years (considering the sum of 'a lot' and 'quite a lot of confidence'). In 2005 it can be seen that the trust in trade unions was only 20% and was the lowest during the period 1991-2019.

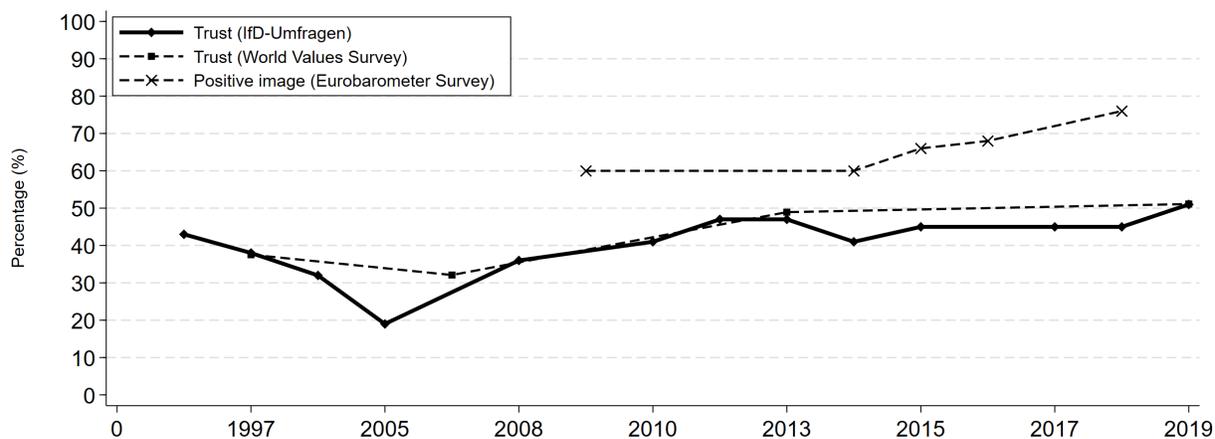
¹⁶<https://www.igbau-mitgliedervorteil.de/start.html>, accessed 15.11.2021.

¹⁷<http://www.august-schmidt-stiftung.de/index.php>, accessed 15.11.2021.

¹⁸Named after a German trade unionist who was the first president of the DGB. In 1954 the so-called *Stiftung Mitbestimmung* (Co-determination Foundation) was created by the DGB. Then in 1977, from the merger with the so-called Hans-Böckler-Gesellschaft, the name was Hans Böckler Stiftung.

¹⁹Jahresbericht 2018, page 64 "*Die Stiftung in Zahlen*".

Figure 7.8: Trade unions in Germany: trust and positive image (%)



Note: Trust, in both cases, is the sum of 'lot and quite a lot of trust'. Positive image is the sum of 'very positive and fairly positive'.

Source: For Trust (IfD-Umfragen), [Bohlen and Sommer \(2019\)](#) (Figure 4). For Trust (World Values Survey), own calculations based on microdata of the World Values Survey. For Positive image (Eurobarometer Survey), [Dribbusch and Birke \(2019\)](#) (Table 4).

According to [Dribbusch et al. \(2018\)](#), during the second half of the 2000s, there was a change in the public reputation of trade unions which was the result of two factors: i) the proactive attitude of unions (especially IG Metall) to defend jobs during the financial crisis and afterwards, and ii) a “*notion among increasing parts of the German public that the deregulation of labour markets, with its consequences of growing inequality and precariousness, had gone too far*” ([Dribbusch et al., 2018](#), p.219). This *strategic choice* of the German unions can be posed as a tool within a sectoral and coordinated organisation of workers which is hard to imagine in an exclusive wage-setting context with many small unions.

The *framing capability* (following the taxonomy of [Lévesque and Murray, 2010](#)) or the ability to provide a reference frame for collective action, can be seen in the influence of the trade unions in the regulation of work at the whole society level, for instance in the case of the minimum wage and temporary agency work campaigns ([Haipeter, 2012](#)). In acting

so, unions make another *strategic choice*, this time one of macro-solidarity. Here the role of the industry-wide trade unions and industry-wide collective bargaining is key as Katharina Grabietz (IG Metall trade union official) pointed out:

“this allow to certain degree eliminate the competition [of wages] within the working-class and understanding that you are like one class against the employers and against the capitalists. The worst thing if you do political praxis is if you create a situation where the people you want to represent are divided and you have to unify to have a strong voice against the capitalist side” (Katharina Grabietz, personal interview).

As regards the building coalitions with civil society, one may take the case of the strategic alliances with the environmental movement (one of the main organised groups in Germany). Alix Arnold, in analysing this, commented:

“Normally the environmental topic is a complex one for trade unions because there is a position of job defense. This does not mean that there is no concern about these issues. In fact, within the trade unions there are people called ‘Klimagewerkschafter/innen’ (Climate unionists) who try to make links between the environmental movement and the trade unions” (Alix Arnold, personal interview).

This tension that Alix points out can be seen in the case of the so-called ‘Fridays for the Future’ movement, a group largely led by school-age youths who are not part of the wage labour circuit. On the one hand, trade unions have supported calls for climate strikes²⁰ and some strategic dialogues were held but on the other, unions have also publicly stated their differences on the velocity of change that the Fridays for Future movement demands, pointing out that it should be gradual so as not to threaten jobs.²¹

²⁰<https://klimanotstand-soest.info/2019/09/10/gewerkschaften-unterstuetzen-die-fridays-for-future-bewegung/>, accessed 22.11.2021.

²¹<https://www.manager-magazin.de/politik/deutschland/klimastreik-ig-bce-gehen-forderung-von-fridays-for-future-zu-weit-a-1287323.html>, accessed 22.11.2021.

7.3.2.3. Structural power resources

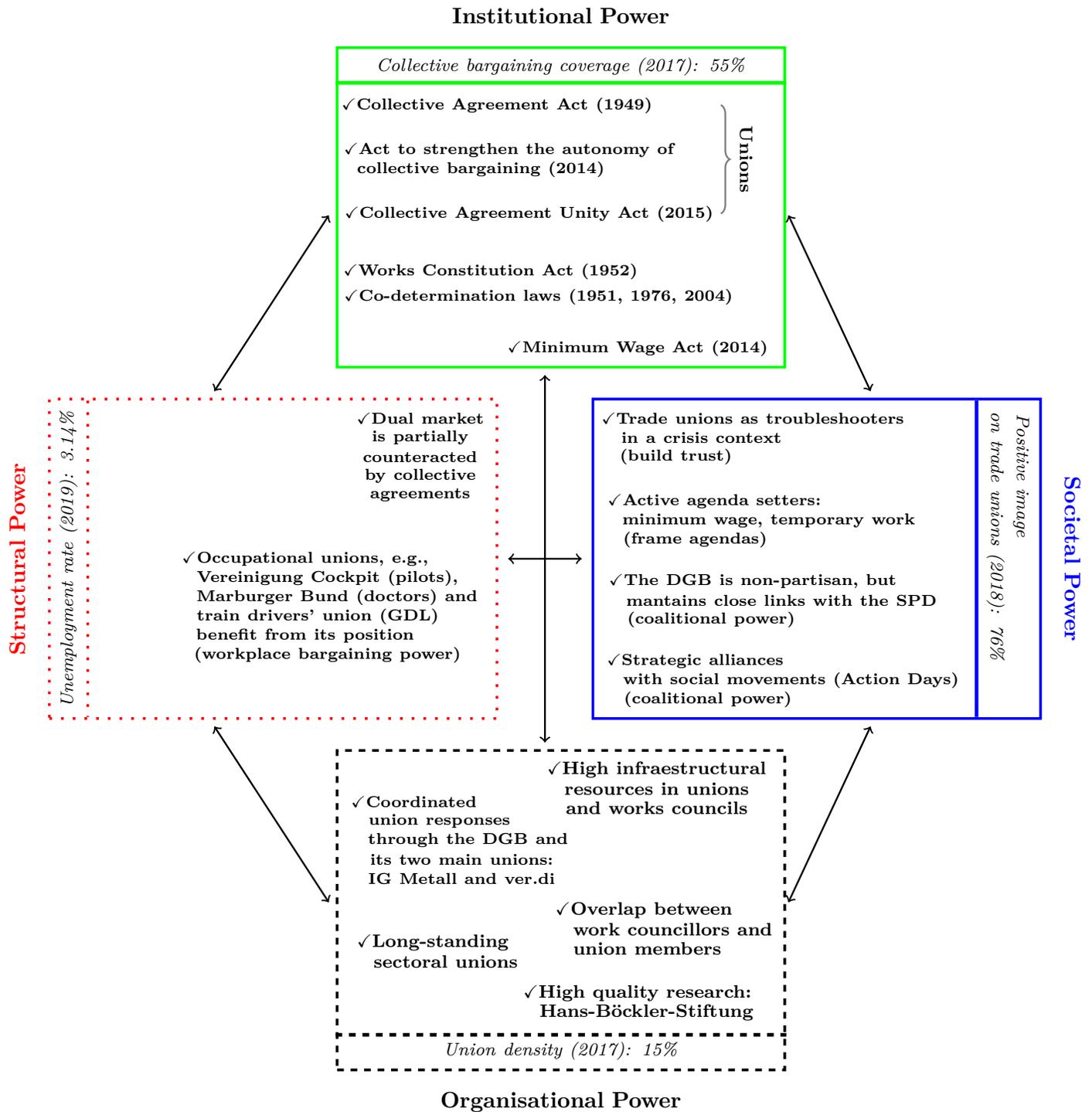
In [Lehndorff et al. \(2018\)](#) the authors proposed to take into account the unemployment rate to give an overview of marketplace bargaining power. Following this, in the German case, one can see a reduction in the unemployment rate during the last 15 years. In 2019, it was only 3.14% (World Bank), which meant that workers had relatively high marketplace bargaining power.

Although unemployment has decreased over the last several years, precarious work and low-wage work have increased ([Schmalz and Dörre, 2014](#)), all of which have the potential to undermine workplace bargaining power ([Bispinck et al., 2010](#)). This process of precarisation of the workforce has therefore posed a significant challenge for trade unions, which traditionally have focused more on the core of the labour market (Alix Arnold, personal interview).

With regard to workplace bargaining power (the other type of structural power) one can see at least two developments. First, an increasing visibility of small occupational unions which benefit from its strategic position. This is the case for *Die Vereinigung Cockpit e.V* (pilots union), the *Marburger Bund* (doctors) and the train drivers' union (GDL). Second, a trend towards the relocation of global supply chains ([Schmalz and Dörre, 2014](#)), which reduce considerably the workers' workplace bargaining power. According to the trade union expert 1, some relocation was seen in 2004/2005: *“In those years, employers often made the threat of relocation. And the unions drew up a catalogue of criteria to give a tool to the comrades in the works council so that they could make a check: is it purely a threat to lower wages or do they really want to relocate?”* Some companies relocated but soon had to return. They learned the lesson that in Germany we have more qualified workers, the client network is here [Germany] and they are looking for direct and personalised communication, etc.” (interview with trade union expert 1).

To sum up this section, the following diagram (Figure 7.9) is proposed, which provides a visual synthesis of the previously mentioned power resources.

Figure 7.9: Contemporary workers' power resources in Germany, a proposal



Source: Own presentation based on interview responses and reviewed literature. Statistical sources in section 7.3.2.

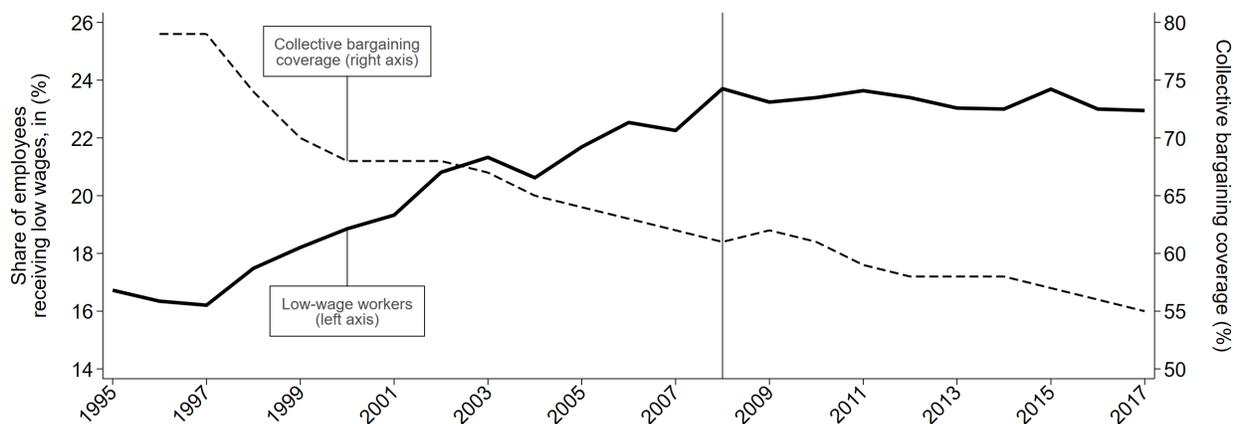
7.3.3. Income distribution outcomes

To draw the connection between the erosion in collective bargaining and the income distribution, the following indicators are examined: i) the low-wage sector and wage curves, ii) the rate of surplus value, and iii) the Gini coefficient taking into account market and disposable incomes. The figures are presented, then a discussion follows.

7.3.3.1. Low-wage sector and wage curves

As noted in the German research (e.g. [Bosch and Kalina, 2018](#); [Bosch, 2018c](#); [Schulten, 2018](#)), the erosion of collective bargaining coverage is noticeable since the second half of the 1990s and has had a strong impact on wages.

Figure 7.10: **Collective bargaining coverage and share of employees receiving low wages**



Source: For collective bargaining coverage IAB Establishment Panel (available data in [Schulten, 2019](#)). For share of employees receiving low wages: reproduced from Figure 4 in [Grabka and Schröder \(2019\)](#).

In Figure 7.10, one can see the development of the share of dependent employees receiving low wages and collective bargaining. Low wages are defined here as is usual, as

the “*gross hourly wages that are less than two-thirds of the median wage of all employees*” (Grabka and Schröder, 2019, p.118).

Since 1997, the low-wage sector increased from 16% to around 24% in 2008. This result was to be expected in terms of its development over time, i.e. the lower the coverage of collective bargaining, the larger the size of the low-wage sector (for instance, Bosch, 2019). However, the high absolute figure (over 20%) is striking, comparable to countries with exclusive wage-setting systems, where collective bargaining coverage is below 30% or even 20% (e.g. Figure 13.5 in Bosch, 2021) and not over 50% as in the German case. One of the reasons of this is the high median wage because of the still strong power in core industries.

By comparing the gross hourly wage curves in three years it is possible to visually appreciate the impact of the erosion of collective bargaining. In Figure 7.11, one can see the wage curves for the years 1994, 2006 and 2016.

As of 1994 (first graph), the collective bargaining coverage in Germany was 80%, and the wage curve was similar to that of Finland today, i.e. Gaussian bell-shaped, reflecting a relatively more egalitarian wage distribution centered on hourly wage levels in the middle, with a robust middle-income zone.

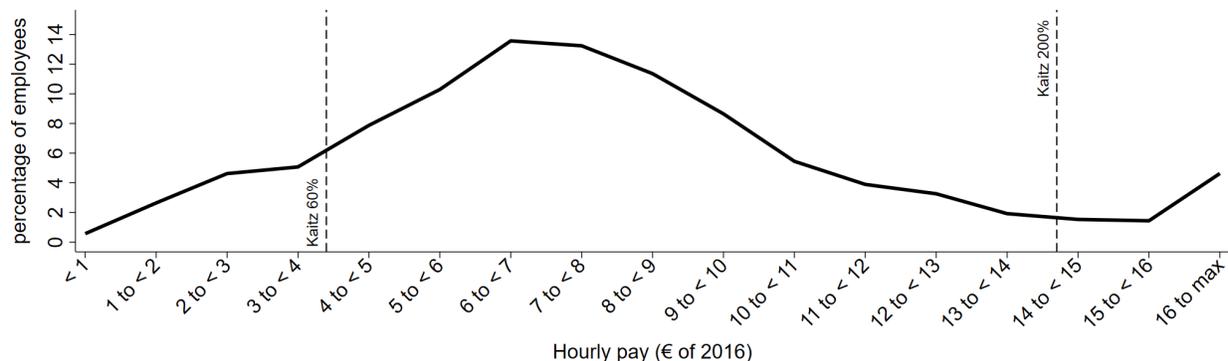
In 2006 (second graph), one can see the wage curve when collective bargaining coverage has dropped to 63%. Despite a slight deviation to the left from the former tip of the Gaussian bell, the overall shape of the curve remains characteristic of countries with inclusive systems. There are now more low-paid workers.

In 2016 (third graph), collective bargaining coverage has dropped to 56%. Compared with 1994, the wage curve now has a small leftward bias. This means that the proportion of workers receiving relatively low hourly wages was higher. Compared to 2006, it is possible to observe a deterioration in relation to the Gaussian shape benchmark.

Figure 7.11: German wage curves at three moments

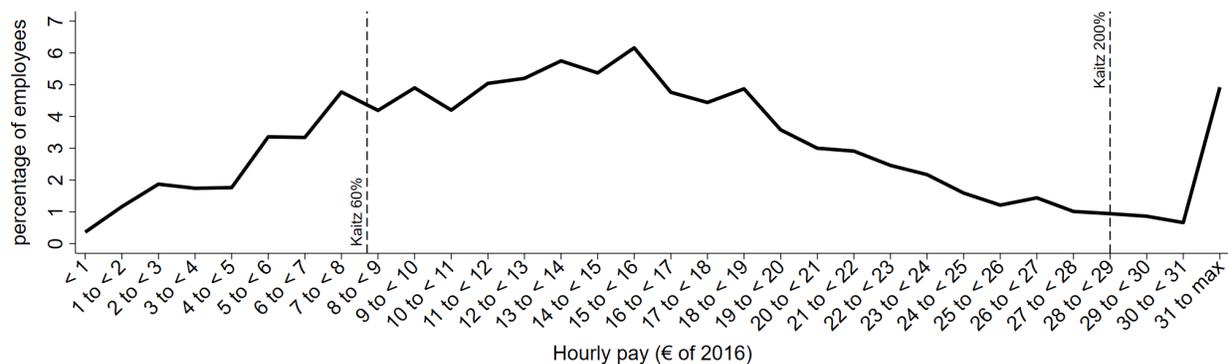
Germany 1994

Collective bargaining coverage: ca. 80%, Low-wage sector: 16.7% (1995)



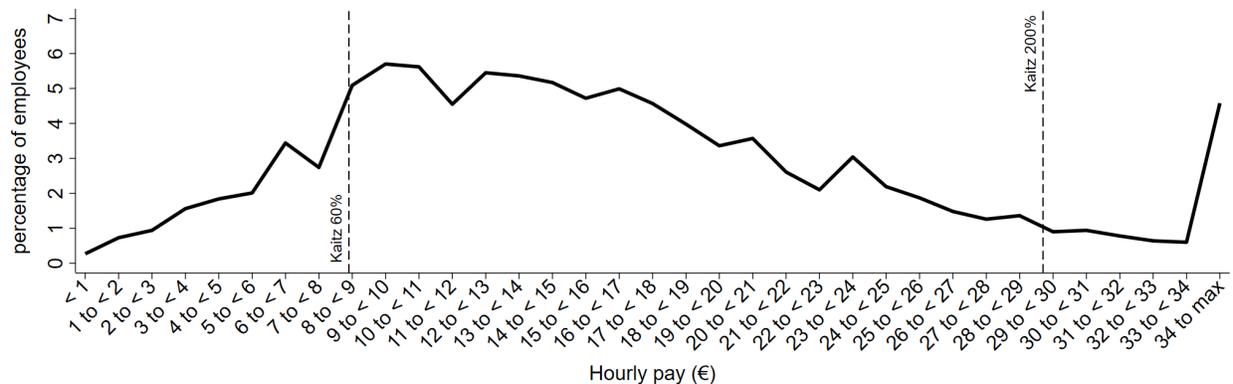
Germany 2006

Collective bargaining coverage: 63%, Low-wage sector: 22.5%



Germany 2016

Collective bargaining coverage: 56%, Low-wage sector: 23%



Note: All wages were expressed in 2016 currency. Kaitz index is simulated in two thresholds: 60% and 200% of the median wage. The highest income bracket in each case represents about 5% of the distribution. In this way, using the same criteria, inequality among the richest can be visually controlled and the distortion in the graph can be avoided (this criteria was applied to all the empirical wage curves in the present research).

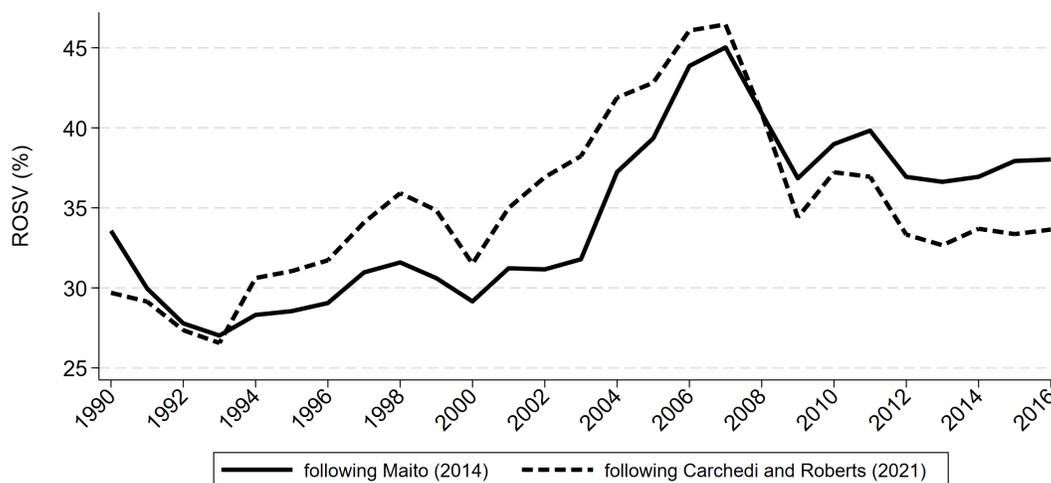
Source: Own elaboration based on the Luxembourg Income Study Database (LIS). Data for collective bargaining coverage: ICTWSS V.6.1. Data for low-wage sector: [Grabka and Schröder \(2019\)](#).

Even with these modifications in the shape of the German wage curve, there is still a considerable difference between them and the wage curves in countries with ‘exclusive’ wage-setting systems, such as the United Kingdom or Chile (see the curves in the previous chapter) since coverage by collective agreements is still very high in well paying core industries.

7.3.3.2. Rate of Surplus Value

The growing deterioration in relative wages, visually represented in the wages curves, means that workers have been pushed into wage competition, not extreme as in the case of exclusive wage-setting systems, but into more competition compared with a situation of inclusive wage-setting system.

Figure 7.12: **Rate of Surplus Value (%)**



Note: ROSV following [Maito \(2014\)](#) is the Profit to Wage ratio based on National Accounts. This means, the profit share to the labour share. This is a simple proxy for the ROSV. In the case of [Carchedi and Roberts \(2021\)](#), the ROSV is calculated as the Surplus Value (S) to the variable capital (V). See Appendix 2 in [Carchedi and Roberts \(2021\)](#) for details.

Source: Own elaboration based on the Penn World Tables 10.0 and World Inequality Database (WID).

In Figure 7.12, the Rate of Surplus Value is calculated following two methods. The first is taken from Maito (2014), who show a calculation for Germany up to 2010. Here, an expansion of those calculations is presented. Maito (2014) computed a ‘simple’ Rate of Surplus Value defined as the profit to wage ratio in the economy. The second Rate of Surplus Value (dashed line) is computed using the method proposed by Carchedi and Roberts (2021). In this case, it follow Marx’s classical formula: S/V where S is the surplus value and V the variable capital.²² It can be seen that compared with the first half of the 1990s, in the first half of the 2010s the Rate of Surplus Value is higher.

7.3.3.3. The Gini coefficient

The Gini coefficient for gross hourly wages has shown a similar dynamic over time compared with the Rate of Surplus Value. It increased from the early 2000s and reached its peak level in 2009. Then, it decreased slightly (see top graphic in Figure 7.13).

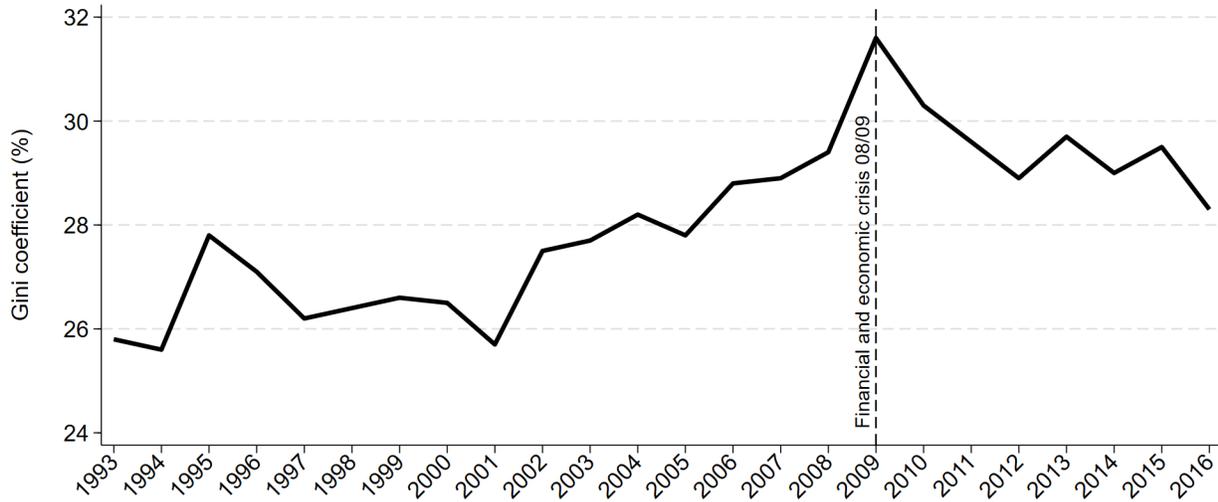
The Gini coefficient for market incomes is significantly higher than the Gini coefficient for gross hourly wages (wage dispersion). The difference is the result of a polarisation of working hours with longer hours for higher wages and shorter hours for lower wages (Bosch and Kalina, 2018). In 1994 the gap between the two measures was 20.2 percentage points and in 2016, 23.4 percentage points. Indeed, the Gini coefficient for market income has been during the whole period analysed above 45% (which is above the UN threshold of 40% to be considered a dangerous level). Unlike the Gini coefficient for wages, in the case of market incomes, there is no visible reversal in its trend after the 2008 financial and economic crisis (see bottom graphic in Figure 7.13).

²²Carchedi and Roberts (2021) use Penn tables for their calculations. Using Penn World Tables does not allow us to differentiate between productive and unproductive sectors, nor do they account for capital turnover, so the rate of surplus value is underestimated. This is a limitation that should be taken into consideration.

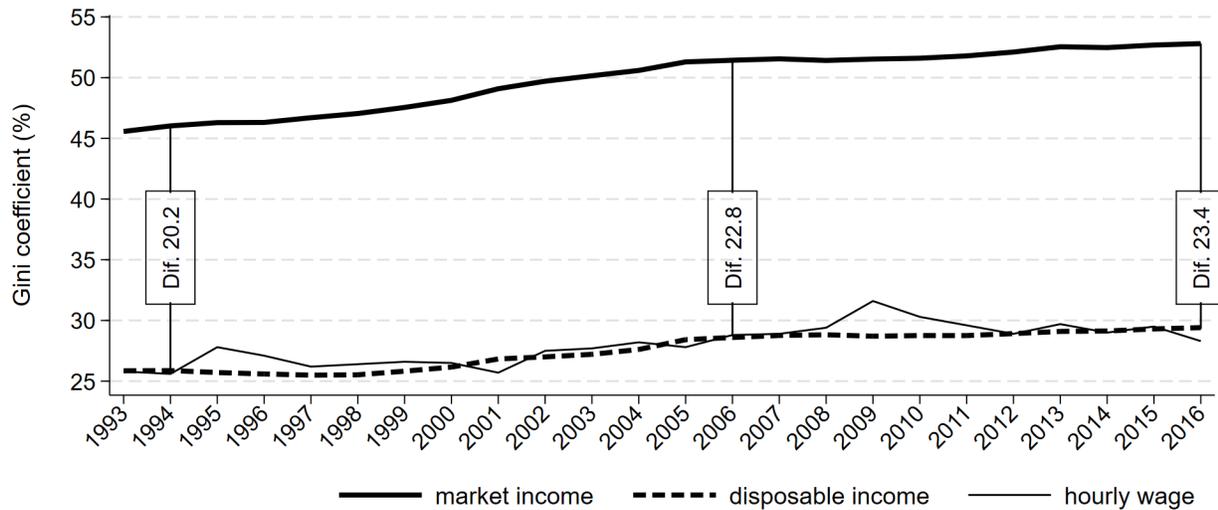
On the bottom graph, it is also possible to observe a Gini coefficient for disposable income, which presents a similar level and development to the one for gross hourly wages.

Figure 7.13: **Gini coefficient (%)**

Gini coefficient for gross hourly wages



Gini coefficient for market and disposable incomes and Gini for gross hourly wages as a reference



Source: Own elaboration based on GSOEP microdata and the Standardized World Income Inequality Database (Solt, 2020).

7.3.3.4. Discussion

It is clear that behind the increasing income inequality in Germany during recent years, there were many interrelated factors (e.g. [Daniel Schmid and Stein, 2013](#); [Hein and Detzer, 2016](#); [Deutsche Bundesbank, 2018](#)). Here, attention is paid to the erosion of collective bargaining.

As Bruce Western comments in his book *Between Class and Market: Postwar Unionization in Capitalist Democracies*, regarding the link between political parties and trade unions, “*much of the causal action is found in the institutional detail*” ([Western, 1997](#), p.8). This idea is also applicable here. For instance, one may take the typical elements of the workers’ wage demand. At this stage IG Metall uses three criteria in the wage demand: European Central Bank target inflation rate + Productivity trend (together: Distribution Neutral Margin) + Redistribution element or economic stabilisation component by strengthening purchasing power.²³ These typical formula for trade union demands in wage negotiations should guarantee that workers also take advantage of the productivity increases and the wage share in the GDP is not falling.

In the German case, one can see that the declining bargaining coverage has been the result of declining workers’ power resources. This was key in explaining the deterioration of income inequality among employees and between capitalists and workers. Following Marx, the battle for the surplus value depends on the respective powers of the combatants. By decreasing workers’ power resources, unions are given fewer chances to fulfil the typical elements of the wage demand (following the example), which means the extraction of more surplus value by employers increased.

In the German case, the high unemployment (reserve army) during the 2000s profoundly affected the marketplace bargaining power of workers and, as a result, the German unions were forced to accept opening clauses as well the wage moderation policy or ‘concession

²³Interview with trade union expert 1.

bargaining' (e.g. [Dribbusch, 2007](#)). All of the income distribution indicators were affected by this development: they deteriorated during the 2000s, and then began to improve again after the economic and financial crisis.

As mentioned, in the German case the Gini coefficient for market incomes is high and despite its rise in recent decades, the Gini for hourly wages is low and the Gini for disposable incomes is also low (below the UN threshold of 40% and below the OECD average²⁴). The lower Gini coefficient for disposable income is the result of the welfare state. Through the unions and its links with the social democratic party and increasingly also with the Green and Left party, the working-class as a whole has a political voice and societal power. So it was in a better position to affect secondary distribution (taxation, welfare) than the primary distribution with their shrinking bargaining power in the labour market.

²⁴<https://data.oecd.org/inequality/income-inequality.htm>, accessed 09.01.2022.

7.4. The Uruguayan case

Uruguay is the best example of the ‘making’ an inclusive wage-setting system in Latin America. There, collective bargaining takes place predominantly at the industry level and coverage of collective agreements was raised from less than 10% in 2004 to around 95% of employees in 2014 (Velasco, 2019), including rural and domestic workers. Following the taxonomy of the OECD (2019a), it is a case of centralised collective bargaining with state induced coordination. The Uruguayan case shows how collective bargaining can be strengthened and became the dominant form of wage setting within a short time during recent decades. This is an highly exceptional case especially since such a high coverage by collective bargaining is elsewhere found only in more developed countries. In the following it will be analysed how a formerly exclusive wage-setting system has been transformed into an inclusive system, on which power resources this wage-setting system and what are the results of this system change on the income distribution.

7.4.1. Institutional power resources of workers

Industry-wide collective bargaining is governed by Law 10449 on Wage Councils (*Consejos de Salarios*) which is a tripartite system to set minimum wages for industries as well as wage increases. According to many scholars (e.g. Prof. Oscar Ermida Uriarte), Uruguay’s Wage Councils System is the backbone of the country’s industrial relations system and is an important institutional power resource (Padrón and Wachendorfer, 2017).

The Wage Councils Act was passed by a social democratic government in 1943. One year after, in 1944, the General Secretary of the UGT (the highest trade union organisation in those years) commented:

“Never, in any period of its history, has our working class achieved so many immediate improvements as in these two years. Here is the law of the Wage

Councils, a legitimate child of the UGT, an extraordinary vehicle for the increase and regulation of wages throughout the country” (Enrique Rodríguez, General Secretary of UGT, quoted in Spanish in [Mantero, 2003](#), p.121).

Apart from the laws regulating Wage Councils, the industrial relations system in Uruguay is characterised by a high degree of trade union autonomy, which means there is a form of ‘legislative abstentionism’ in collective labour relations which is peculiar in Latin America (interview with Prof. Barretto). So-called legislative abstentionism (literally ‘Abstencionismo legislativo’ in Spanish) means that the rules of what trade unions can do or not do in a strike or with regard to trade union association are not a matter of legislation and there is full freedom in this regard. In Uruguay, this legislative abstentionism applies only to collective labour relations but not for individual labour relations where legislation *“has been numerous and detailed”* ([Rosado Marzán and Ermida, 2021](#), p.25).

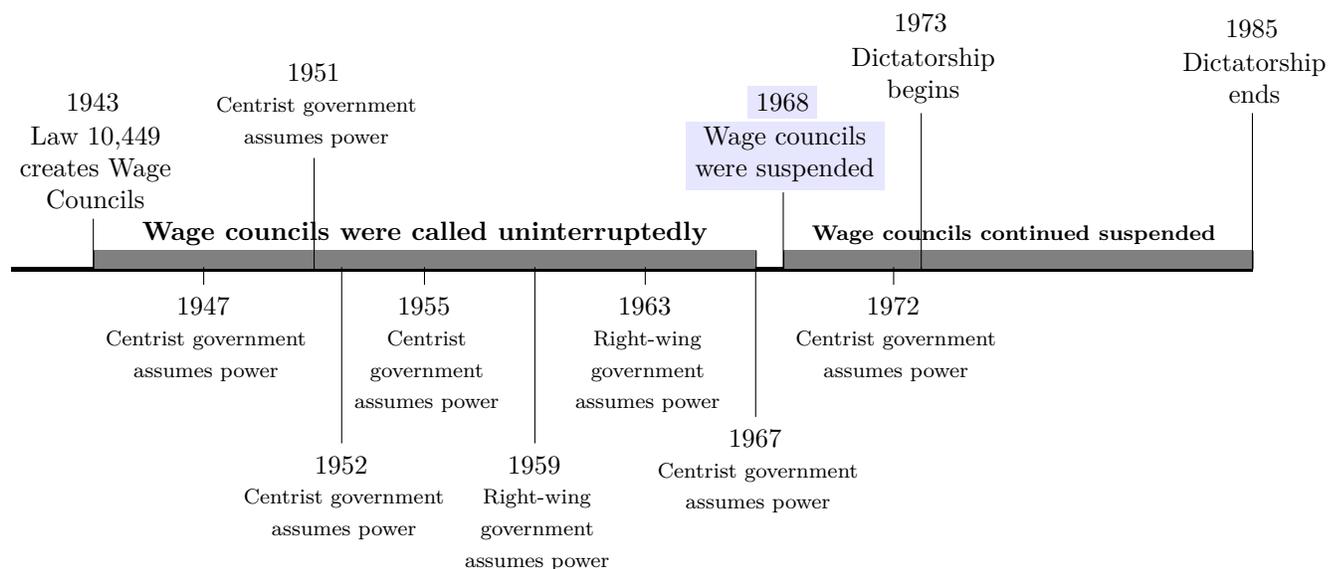
The Wage Council Act of 1943 established that in order to initiate a round of bargaining, the call for negotiations had to be made by the executive. This law was amended in 2009.

“One of the innovations of Law 18566 (2009) is that the Wage Councils must be convened by the government on their own initiative and also at the request of social organisations, an obligation that was not included in the previous law and that explains the ‘blackouts’ that occurred in the past” (Fernando Delgado).

After the enactment of the law in 1943, Wage Councils were convened without interruption until 1967. This period was characterised by an ‘orthodox’ application of the law ([Rosado Marzán and Ermida, 2021](#)). Between 1968 and 1973, the executive refrained from convening Wage Councils and minimum wages were set by decree ([Rosado Marzán and Ermida, 2021](#)).

Then, between 1973 and 1985, a military dictatorship ruled the country and Wage Councils remained suspended.

Figure 7.14: Wage Councils in Uruguay 1943 - 1985

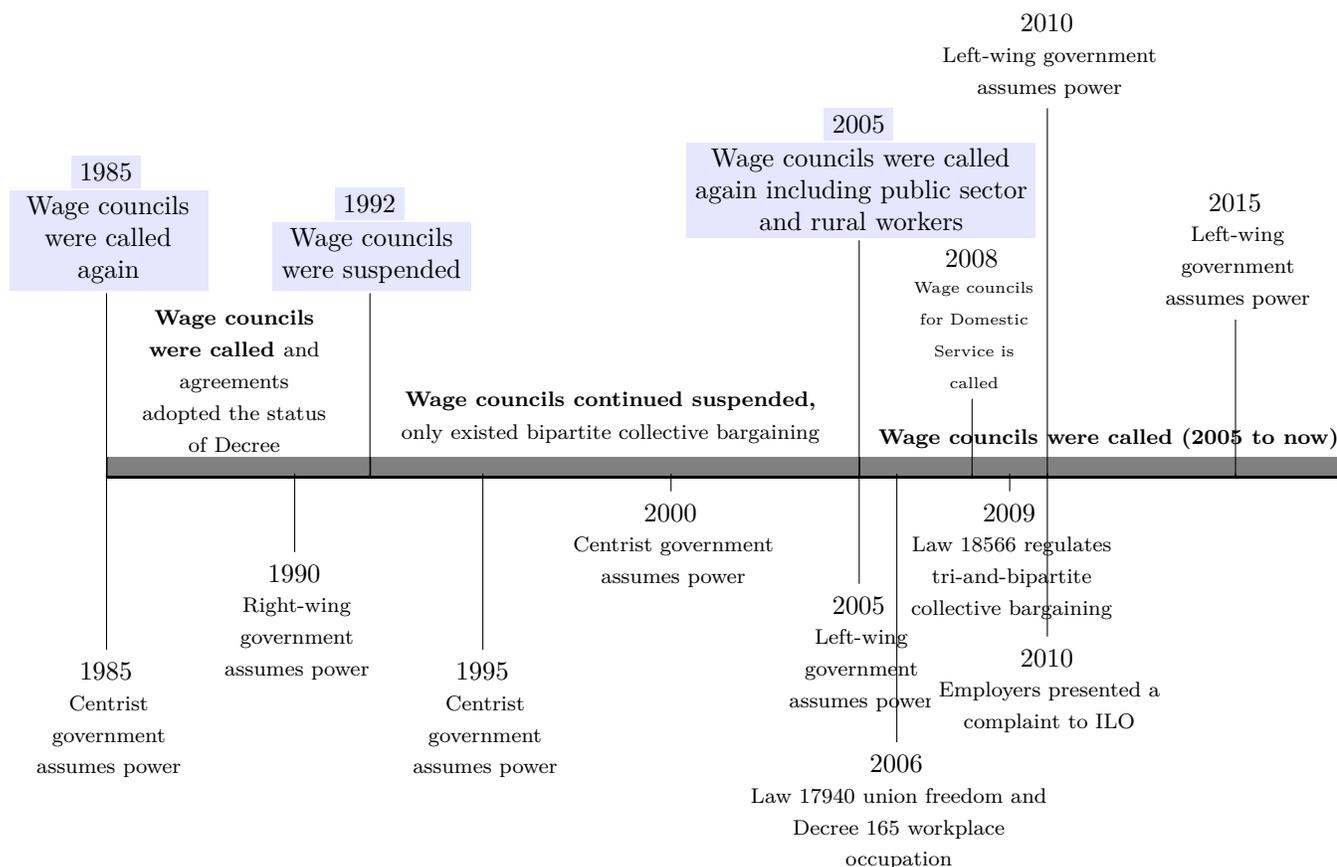


Source: Own elaboration based on [Mantero \(2003\)](#); [Hazan and Falero \(2006\)](#); [Batthyány \(2012\)](#); [Barretto Ghione \(2018\)](#) and interviews with Juan Raso, Hugo Barretto and Fernando Delgado.

Surprisingly, Wage Councils were not legally repealed during dictatorship, and because of that, when democracy returned, they were simply reconvened. From 1985 and until 1991, Wage Councils were again re-convened. Unlike the period 1943-1967, it was a reconvening characterised by a ‘heterodox’ application of the law ([Rosado Marzán and Ermida, 2021](#)). This meant that agreements acquired the status of Decree once they were reached. In 1990 a new government took office and Uruguay embarked on a neoliberal wave of reforms. In this context, the Wage Councils were suspended again.

From 2005, with the triumph of the *Frente Amplio* in the national election, a left-wing political coalition, Wage Councils were reconvened and extended to public workers, rural workers and even the domestic sector.

Figure 7.15: **Wage Councils in Uruguay 1985 - 2019**



Source: Own elaboration based on [Mantero \(2003\)](#); [Hazan and Falero \(2006\)](#); [Batthyány \(2012\)](#); [Barretto Ghione \(2018\)](#) and interviews with Juan Raso, Hugo Barretto and Fernando Delgado.

In 2005, collective bargaining was significantly strengthened with the enactment of two major laws, one to promote unionism, the so-called *Ley de Libertad Sindical* (Union Freedom Act, Law 17940), and the other, a law to amend the Wage Councils Act, that among other things, avoid further periods without convening bargaining due to the unwillingness of the executive and also regulates bipartite collective bargaining (Law 18566). Collective bargaining was also strengthened by Decree 165 (2006), which recognises plant seizure under certain conditions (peaceful seizure) as part of the right to strike (interview with Prof. Barretto).

The *Ley de Libertad Sindical*, established the main rules of union freedom in Uruguay. Among its main contents were the establishment of protections for union leaders and the automatic deduction of union dues. This resulted in more organisational efficiency and a larger flow of financial resources to unions, who now have more power than previously (interview with Prof. Raso Delgue).

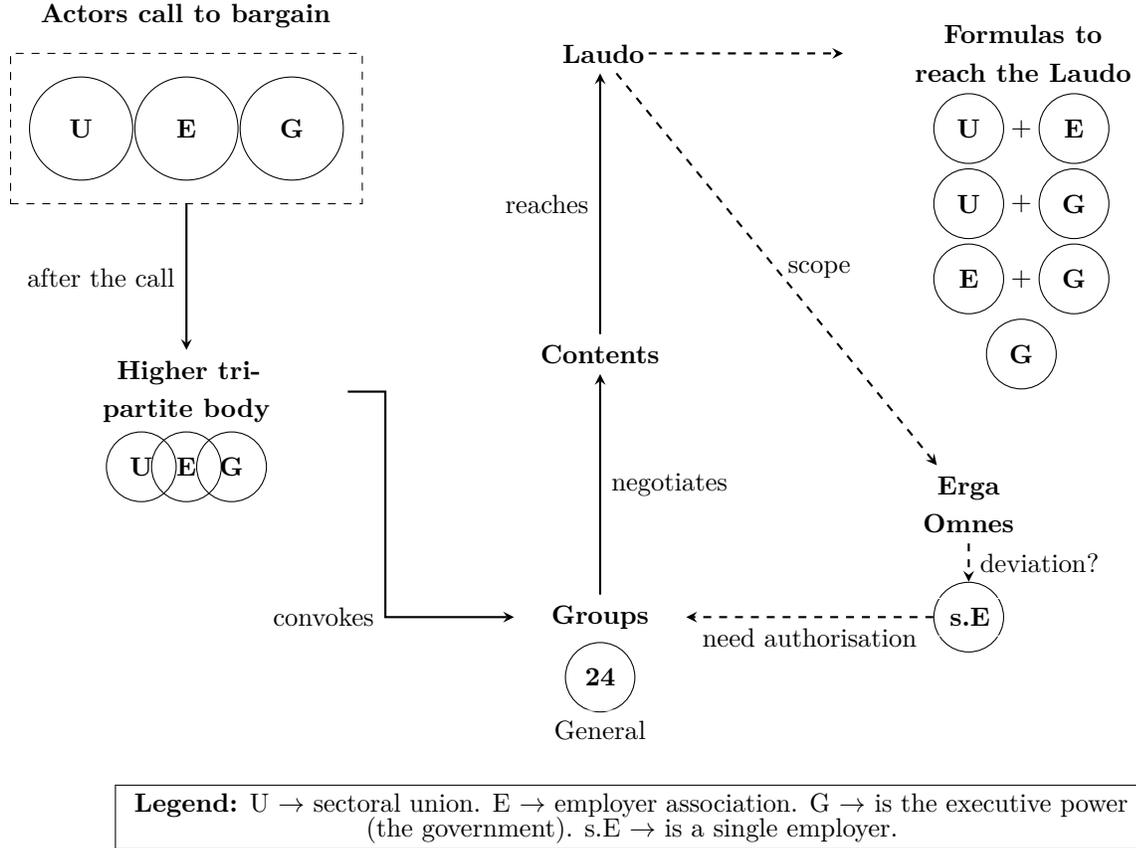
Wage Councils are governed by the Superior Tripartite Council, which determines the number of groups that represent different industries. It is a consultative body for the national minimum wage and also a body of ‘governance’ and strong coordination of labour relations. At the moment of the present research, there are 24 groups in the private sector (including one group for domestic workers and 3 groups for the rural sector). In most of the groups there are subgroups for the particular sub-sectors; these are the bargaining units where the contents of each agreement are negotiated. There is no competition between unions in the same sector, i.e. each industry is represented by a industry-level union which is the bargaining unit of the workers.

Figure 7.16, illustrates the general mechanism of the current Wage Council system of tripartite industry-wide collective bargaining. The process begin with the call to bargaining, which after the Law 18566 can be made by any of the parties.

Each council is made up of 3 representatives from the state, 2 from employers and 2 from the unions.

To initiate the bargaining, the executive presents the government wage guidelines to the Superior Tripartite Council. These guidelines are set out by the “*Ministry of Economics and Finance (MEF), in consultation with the Ministry of Labor (MTSS), taking into consideration macroeconomic variables, in particular the inflation target set by the Central Bank*” (Etchemendy, 2021, 58).

Figure 7.16: **Tripartite collective bargaining. General mechanism**



Source: Own elaboration based on interviews. Explanations in the text.

The guidelines are the starting point from which trade unions build their projects but are also a signal about the executive’s parameters in case of disagreement. In 2005, when the Wage Councils were reconvened, 81.8% of the agreements contained wage adjustments according to the guidelines; in 2006 this fell to 52.1% and in 2008, to only 7.9% (Mazzuchi, 2009).

In Uruguay, the agreement reached under the tripartite industry-wide collective bargaining system is called “Laudo”. *“The term laudo became the colloquial, if not an extra-official term for a ‘decision’ or ‘resolution’ of the wage council pertaining to wages as formally defined by law”* (Rosado Marzán and Ermida, 2021, p.27).

There are various ways in which the *laudo* can be reached, for example, can be reached between trade unions and employers without the involvement of the government; can be reached between trade unions and the executive, or between employers and the executive. In case of strong disagreement, the government can impose a *laudo*; however, this is a very rare case.²⁵ In practice, bipartite consensus among unions and employers is the predominant way to sign the *laudos* (Mazzuchi, 2009).²⁶

The essence of the Wage councils is that the employers do not have an exit option from collective bargaining. They cannot refuse to negotiate because the state representative can agree upon a *laudo* with the unions. The *laudos* are legally binding for all employees via the *erga omnes* principle. In such a system it makes sense for the employers to negotiate because then they have an influence.

Carlos Clavijo from the national metalworkers' union (UNTMRA, founded in 1941) argued that, this system implies working-class solidarity from workers who have considerable bargaining power towards those who do not. He commented:

²⁵According to Prof. Delgado, “*this possibility may occur marginally when no proposal reaches a vote in the Wage Council, or when a sector withdraws from the negotiation at the time of the vote. This has happened on occasion in the rural sector, among others*” (Fernando Delgado).

²⁶According to Prof. Juan Raso Delgue, in 2009 when the Wage Councils Act was amended, nobody believed that the left-wing coalition would lose the power, and probably because of this, the pure tripartite essence was retained. In 2020, the left-wing coalition suffered an electoral defeat and a right-wing government took office. This means that employers could achieve a with the executive and set a *laudo*. However, as Raso Delgue noted, “*over the last 15 years, the industry-wide unions have gained a lot of strength and it is not easy to think that a right-wing government can be the winner in a fight against them*” (personal interview with Juan Raso Delgue).

“It is a matter of solidarity, so that any firm in the sector pays the same wages and there are no differences. In the process of regulating a particular industry, the industry-wide trade union comes in and «takes the industry or sub-industry to the Wage Councils». In this process, there is a transition period, in which workers in the firms with more bargaining power maintain wages and those with less bargaining power raise them and this levelling out takes place” (Carlos Clavijo [UNTMRA]).

The individual deviation of employers or the use of opening clauses from the *laudo* is contemplated in the architecture of the system. This possibility is for employers in financial difficulty and its empirical occurrence has been minimal (all interviews). When an employer applies for the opening clauses, it has to prove to the respective Wage Council that the company is in a difficult financial situation, this means providing all the necessary information. Then, the union carries out a financial audit of the firm’s figures.²⁷ According to Hugo Bai of the research institute Cuesta Duarte²⁸, there are employers that refrain from using opening clauses, because if they do so, financial institutions may restrict their access to credit. The final decision on whether the use of the opening clauses is approved or not, is taken by the members of the respective Wage Council only once the employer has provided all the necessary information and the union has analysed it. The industry-wide trade union (which is the workers’ bargaining unit on the Wage Council) bases its position on his own technical analysis of the firm’s financial statements and the firm-level union’s view (where firm-level unions exists) are decisive (interview with Fabio Riverón [Commerce and Service industry union]).

²⁷There is of course a significant asymmetry in assessing whether or not the firm complies with the conditions of the opening clauses. The employer knows the situation in detail but the trade unions’ technical advisors do not (interview with Hugo Bai).

²⁸Trade union institute for research and training created by the PIT-CNT in 1989 (<https://www.cuestaduarte.org.uy/>).

Along with the tripartite industry-level collective bargaining, a bipartite pillar it also exists but is less important in pay setting (interview with Prof. Raso Delgue). In Uruguay, firm-level collective bargaining between a single employer and its firm-level trade union (the most representative if more than one exists²⁹), or, between the single employer and an industry-level union is called the bipartite pillar. Collective agreement at the firm-level covers all workers in the firm (Castelgrande, 2021).

The industry-level minimum wage can be improved through firm-level collective bargaining. In such cases, the principle of favourability applies (interview with Prof. Raso Delgue). Martín Ford, from the Association of Bank Employees of Uruguay (AEBU, founded in 1942) commented this:

“In Wage Councils there are firms of different sizes and financial capacities, so the employer party of the council usually makes the case for the more complicated firms to argue that they can’t give any more. That is the game. So, the firm-level bargaining is important - at least in our sector where we have a reasonable balance of power with the employer’s counterpart - to negotiate other issues and to improve the basic benefits gained in the Wage Councils” (Martín Ford [AEBU]).³⁰

As the trade union leader pointed out, the so-called bipartite collective bargaining relies on the power relations between unions and employers and it is not guaranteed. In the same vein, Fabio Riverón, president of the Uruguayan Federation of Trade and Services Employees (FUECYS, founded in 1930) commented: *“in Uruguay, bipartite collective bargaining between a single employer and a trade union is open to all those who find the conditions to do so”* (interview with Fabio Riverón).

²⁹Formalised in 2009 in Law 18566 (Art. 14). The criteria for determining the most representative union are: years of existence, continuity, independence and number of members of the organisation.

³⁰In the case of the Financial Industry, for example, workers are organised in a single union at the industry-level, the AEBU, and in each firm where the union has membership, there is a body of representatives of the industry-level union who negotiate (in collaboration with the Wage Council) a firm-level collective agreement (interview with Martín Ford [AEBU]).

Through the firm-level collective bargaining, some particular conditions of the Wage Councils can be discussed, for example if the employer refuses to pay a wage agreed upon in the industry-wide collective agreement. Flor de Lis Feijoo, from the *Sindicato Unico de la Aguja* (literally, ‘The Needle unique trade union’, founded in 1901 and the only union representing workers in the garment sector) commented:

“If workers are organised at the firm level, it is natural that they will try to negotiate a bipartite agreement with the firm and it is normal that the employer refuses. Then, workers call the industry-wide union and explain the case. After that, the industry-wide union formally request collective bargaining with such a firm. This negotiation involves the industry-wide trade union, the base committee (the union delegates working in the firm in question), the employer and representatives of the executive power” (Flor de Lis Feijoo).

Carlos Clavijo from UNTMRA (metalworkers) argued that, along with the traditional top-down articulation of bargaining levels, where the industry level is the basis for the firm-level bargaining, in Uruguay it is also possible to see experiences where local agreements gained for workers in a collective agreement are then gained in the *laudos*. He commented this:

“In 2006 we won in a bipartite negotiation an agreement for pensioners: 6 months’ salary and then 18 months more in which the firm has to pay the difference between the pension and 80% of the last salary. We won this in a bipartite agreement in 2006 and introduced it in 2015 in the respective subgroup of the Wage Council where this bipartite agreement was originally signed” (Carlos Clavijo [UNTMRA]).

7.4.2. Organisational, societal and structural power resources

7.4.2.1. Organisational power

At the national level, workers' are represented by the PIT-CNT (Inter-union Workers' Plenary-National Worker's Convention), which is the only umbrella organisation for all the industry level unions. It was founded in 1964 as the CNT (*Convención Nacional de Trabajadores* [National Worker's Convention]), then dissolved in the dictatorship, and re-founded in 1983 as PIT-CNT.

Interviewees see unity in the union movement as the most important aspect of the organisational power resources of the Uruguayan workers, The non-existence of competition to PIT-CNT exemplifies this.

The idea of unity means that the PIT-CNT organises different political currents. Carlos Sosa from the water state company's trade union (FFOSE, founded in 1946) commented this:

“The PIT-CNT is a convention (hence its name). It means that there are different currents of thought within the union movement and that they are respected. Internal discussions are held to decide which current is dominant and which unions make up the executive secretariat. That is why I say, the PIT-CNT has to be understood this way: as a convention, where many positions converge, often in conflict, but which outwardly has one voice” (Carlos Sosa).

Furthermore, it does not imply that compromises about joint demands and actions are easily found. Gonzalo Castelgrande from the National Union of Electric Energy Workers (AUTE, founded in 1949) commented that the views on trade union strategy differ not only as a result of different ideologies but also to different economic interests. The fragmentation of companies through outsourcing is, for example, a source of differentiation of interests between workers in core companies and suppliers. Gonzalo Castelgrande commented that there also

exists ‘union cannibalism’ in terms of membership, especially in outsourced activities, i.e. a particular union seeks to recruit workers in a sector where another union is already present. The union leader commented that the major difference with other Latin American countries is that, in spite of these conflicts, the vast majority of the unions are still affiliated to one umbrella organisation, the PIT-CNT.

In 2018, 69 unions were affiliated with the PIT-CNT (Guerra, 2019). The largest union³¹ was SUNCA, which represents construction workers and was founded in 1958. The other two main unions were the *Federación Uruguaya de la Salud* (FUS, private sector health trade union, founded in 1965) and the *Confederación de Organizaciones de Funcionarios del Estado* (COFE, Public Servants Trade Union, founded in 1964).

In Uruguay, industry-wide trade unions have gained significant infrastructural power resources during recent years. They have their own headquarters with permanent staff.³² Some of them are able to run their own research³³ (for instance FUECYS or COFE with the INESUR³⁴) and training programmes for young unionists (for instance in SUNCA³⁵ or in FUS³⁶).

The case of the *Asociación de Bancarios del Uruguay* (AEBU, the Association of Bank Employees of Uruguay), founded in 1942, illustrates a union with substantial infrastructural power resources. The AEBU has a headquarters built between 1964 and 1968³⁷ in the old city of Montevideo near the beach. There, bank employees have their own printing press, a radio station, a library, an archive, the offices for union leaders as well the technical staff (economists, lawyers, etc.), meeting rooms, facilities for international delegations, and many

³¹<https://www.subrayado.com.uy/novedad-el-pit-cnt-sindicato-la-salud-privada-sera-el-mas-grande-el-congreso-n798721>, accessed 13.12.2021.

³²Fieldwork in Uruguay, January 2020.

³³In addition, the Cuesta Duarte Institute is the PIT-CNT research institute which provide assistance to unions in Uruguay.

³⁴Instituto de Estudios Sindicales Universindo Rodríguez (Guerra, 2019).

³⁵Source: Laura Alberti.

³⁶Source: Guerra (2019).

³⁷<http://www.aebu.org.uy/noticias/8866>

amenities for members, such as a gymnasium, a Karate dojo, a swimming pool, and a theatre (which is also useful for the union assemblies), among others.³⁸ Along with the headquarters, AEBU counts with local offices spread across all of the Uruguayan departments³⁹ (personal interview with Martín Ford).

7.4.2.2. Societal power

A paradox is evident when it comes to societal power in Uruguay: on the one hand, the trust in unions is relatively low (even for the Latin American context), at only 26% in 2017 (Factum Survey)⁴⁰. On the other hand, unions are commonly encountered in daily politics. Moreover, when the union calls for a strike or another labour action, participation is very high (all interviewees). Prof. Juan Raso Delgue commented thus:

“We have historically experienced in Uruguay the paradox of a union movement whose actions worry the ‘average’ citizen, who sees in the trade union measures only harm to the population (litter in the streets, lack [of] medical attention during the rallies, closed public services, etc.), yet at the same time, these citizens (in general terms) respond massively to the calls of the PIT-CNT. There is in public opinion a mixture of the conservatism and peace characteristic of the bourgeoisie of this country, with an anarchistic feeling of confrontation with power, which was also characteristic of its industrial development at the dawn of the 20th century. Consequently, it should not be surprising that unions have low acceptance in the polls while having high adherence to their calls” (Juan Raso Delgue, personal correspondence 13.12.2021) [translation from Spanish].

³⁸Direct observation during the fieldwork.

³⁹Administrative or political division in Uruguay.

⁴⁰<https://portal.factum.uy/analisis/2018/ana180316.php>, accessed 13.12.2021. Based on the Latino-barometro survey (own calculation using the database), it was 37% in 2011.

In Uruguay, trade unions recognise themselves as political actors with influence in the construction of a certain project of society. Gonzalo Castelgrande pointed out:

“Trade unions do not only discuss working conditions and wages. In Uruguay the PIT-CNT declares itself in favour of a society without exploited and exploiters and from there develops a broad trade union policy” (Castelgrande, 2021).

Trade union leaders reported that, in building societal power, the unity of the trade union movement, and in particular the PIT-CNT, has been crucial. For instance, the PIT-CNT has helped to establish the workers’ voice in the society by providing highly effective messages through coordinated union responses (interviews with Laura Alberti, Rubén Hernández, Hugo Bai). As a consequence, there are a number of union leaders who are well known at the public level. There are cases of deputies and senators (since 2020) who were trade union leaders in the past and now amplify the discursive power resource of workers. In the Power Resources Approach, this is labelled as narrative resources. Its function is to inform effectively the way the actors think (Lévesque and Murray, 2010).

It has been suggested that the long-term relationship between the trade union movement and the *Frente Amplio* helped explain the electoral triumph of this political coalition in 2004 after almost 15 years of neoliberal rule (e.g. Padrón and Wachendorfer, 2017). This close relationship between unions and the government party can be seen as a coalitional power resource. In 2005, as soon as the left-wing government took office, some leaders of the union movement were recruited to assume key positions in the cabinet (Velasco, 2019).

Coalition with the government can be very effective, for instance, for securing votes in the context of the Wage Councils System and therefore gaining more institutional power (such as the aforementioned laws and decrees), but Gonzalo Castelgrande (AUTE) warned that this proximity between unions and the government can put the trade union agenda at risk because union leaders could be co-opted into the government’s agenda (interview with Gonzalo Castelgrande [AUTE]). There are many different political views that coexist in the

Uruguayan movement, as Carlos Sosa pointed out, and the decision to support and even take part in a specific government has always been debatable.

Coalitional power has also been developed with different social groups. This can be seen in the examples of SUNCA, AEBU and the garment union.

In the case of SUNCA, the union has been able to develop strong relationships with local communities, as Laura Alberti commented:

“As a trade union we cannot be on the margins of society. We have a close link with the so-called Agustín Pedroza solidarity brigade, in which construction workers donate an hour’s work to help the poorest people. Our shop stewards have even gained hours in the sectoral agreements that they can use for these activities. This brigade has been especially important in the face of meteorological disasters. We also participate in bringing culture to working-class neighbourhoods, we have a campaign against street harassment, and we also work for the reinsertion of people deprived of their liberty into the labour market” (Laura Alberti).

After the 2016 tornadoes, SUNCA’s example of solidarity in helping people rebuild their homes was even recognised by Uruguay’s former president, Tabaré Vázquez.⁴¹

In the case of AEBU, the rank and file comprise not only the active workers, but also the pensioners (interview with Martín Ford). In this way, AEBU manages to build up a societal power within the union itself with another social force, namely the pensioners. In the AEBU structure, pensioners have their own council. *“Its independence allows it to resolve its demands as a pensioners’ sector, but it articulates its actions with the bankers’ union as a whole”* (statement on the AEBU Web Page).⁴²

⁴¹<https://www.lr21.com.uy/politica/1421632-tabare-vazquez-sunca-sindicatos-gremios-reconocimiento>, accessed 13.12.2021.

⁴²Original in Spanish, <http://www.aebu.org.uy/jubilados> (accessed on 20.10.2021).

In the case of the *Sindicato Unico de la Aguja* (garment sector), the union, in response to the redundancies due to technological change and globalisation, created a garment sector cooperative with the unemployed workers. In this cooperative, as Flor de Lis Feijoo pointed out, there are no employees, but cooperative members (all of them). In this case, it can be seen that the union is not only thinking of the immediate interests of its active members, but also of those of the unemployed, and the cooperative (born in the union) is intended to be a means to achieve a common goal. This case shows the inter union solidarity as Flor de Lis commented:

“When we created the cooperative, the construction union (SUNCA) donated working hours for the refurbishment of a workspace that we succeeded in obtaining in a state technology park. For their part, the electrical workers’ union (AUTE) donated working hours to do all the electrical installation work and so on. Solidarity between sector unions was key” (Flor de Lis Feijoo).

7.4.2.3. Structural power

Two things can be observed in relation to the unemployment rate as a measure of marketplace bargaining power over the period 2006-2018.

First, there was a significant drop between January 2006 and January 2011 (from 13.2% to less than 6.7%, which is low for Latin America).⁴³ This development meant an increase in the marketplace bargaining power which coincided with an increase in the other power resources. In some sectors, this power was (and still is) particularly relevant, for instance, in construction. Laura Alberti from SUNCA commented this: *“the thing about this industry is that it does not require experience, partially because of its dynamism”*. Since 2012, the marketplace bargaining power has decreased slightly. However, this has not reversed

⁴³Source: Ministry of Economics and Finance of Uruguay. <https://www.gub.uy/ministerio-economia-finanzas/institucional/informacion-economica/empleo-desempleo>, accessed 13.12.2021.

the improvement that occurred in the first five years after 2006. Surprisingly, few migrant workers have arrived in Uruguay during the last few years (in contrast with cases like Chile).

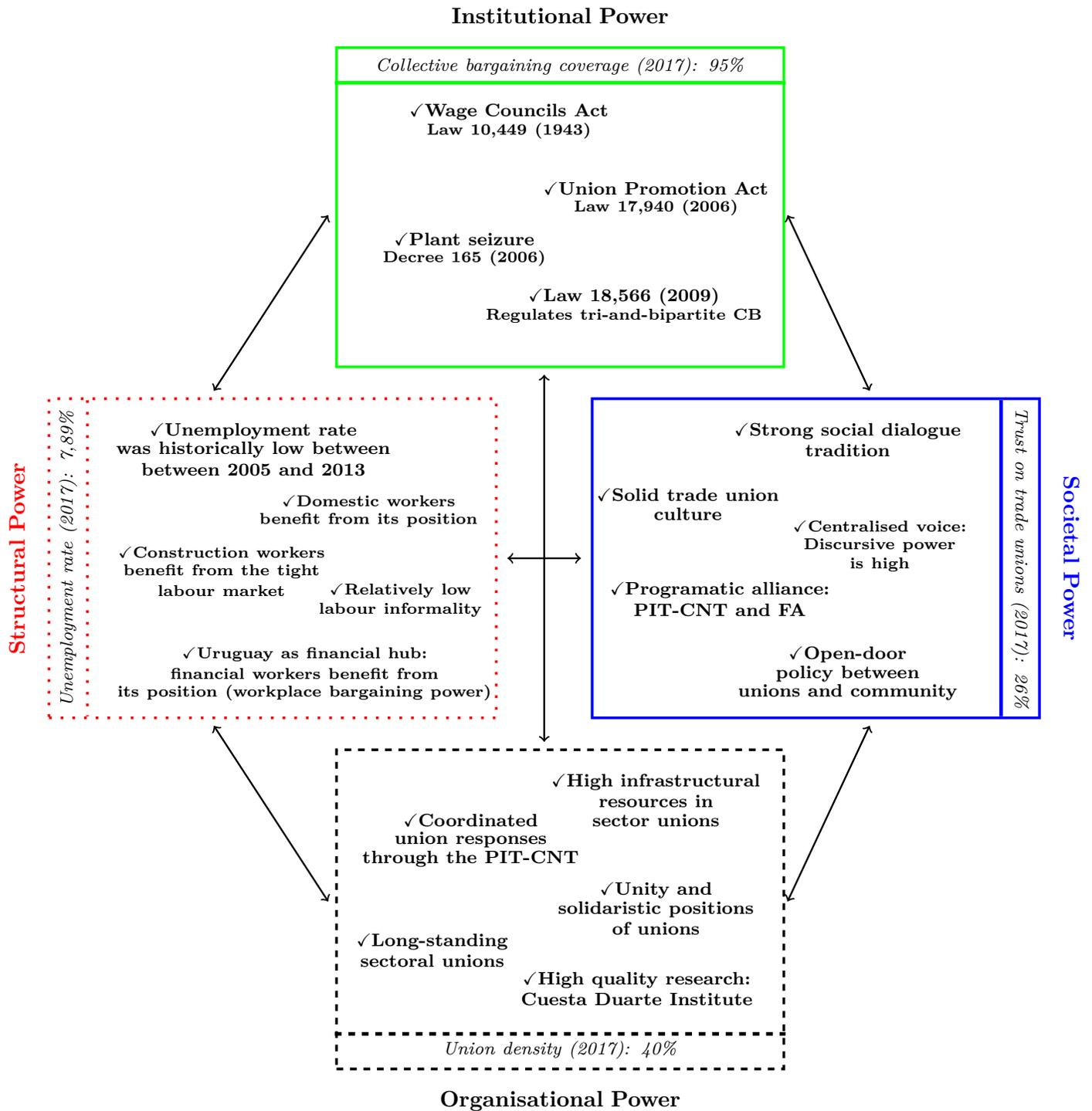
Second, in Uruguay, as in the rest of Latin America, there is a strong duality in the labour market. There is a relatively protected, ‘formal’ sector, and another, unprotected, ‘informal’ sector, where workers do not have social security. In 2014, informality was 24%, the lowest in South America. Moreover, this represented a drop of almost 17 percentage points in just a decade (from 40.7% in 2004).⁴⁴ This reduction in the informal sector can be posited as a gain in marketplace bargaining power for workers.

With Uruguay being a financial centre in the region, bank employees have considerable workplace bargaining power that has been used, as Martín Ford commented, to ensure job stability. Along with banking workers, the domestic workers should be mentioned when referring to workplace bargaining power. In 2012 this sector averaged 6.9% of the total workforce and 15.2% of the female workforce. In 2018, it averaged 5.8% and 12.8% of these respectively. Its position is strategic for many households which depends upon their services. Domestic workers are covered by industry-wide collective bargaining being one of the few experience worldwide.

The synthesis of the different resources of workers’ power and the Uruguayan case can be seen in Figure 7.17.

⁴⁴Source: ECLAC. <https://www.cepal.org/es/noticias/la-informalidad-uruguay-cayo-17-puntos-la-ultima-decada-destaca-estudio-cepal>, accessed 13.12.2021.

Figure 7.17: Contemporary workers' power resources in Uruguay, a proposal



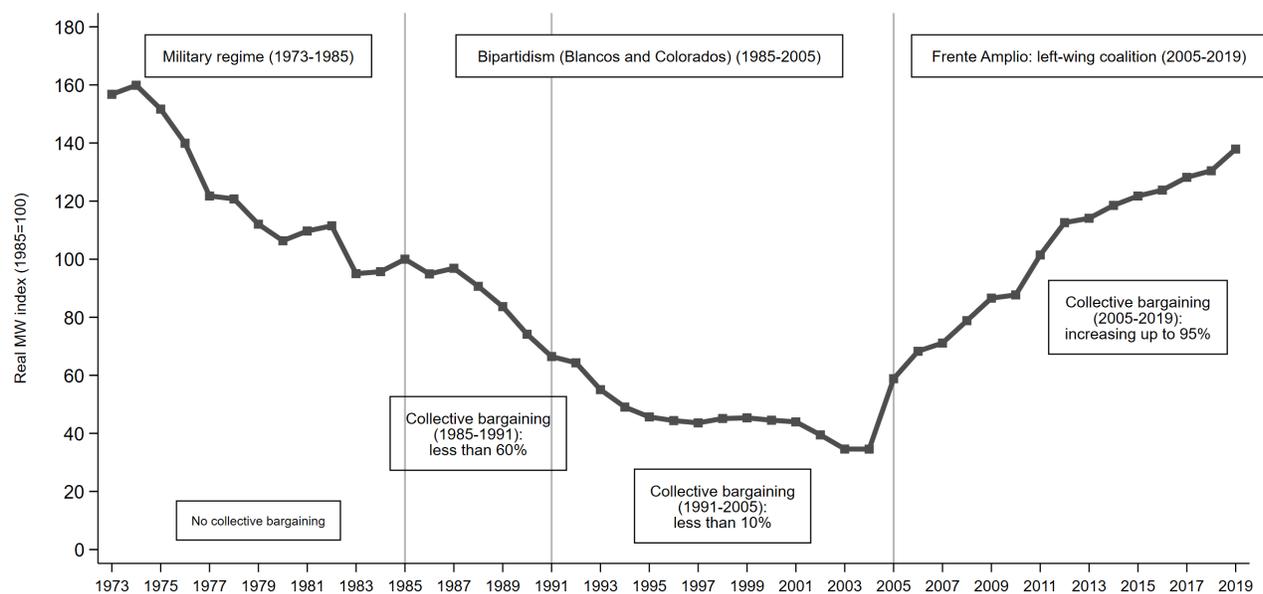
Source: Own presentation based on interview responses.

7.4.3. Income distribution outcomes

7.4.3.1. Low-wage sector and wage curves

Figure 7.18 shows the real minimum wage development from 1973 to 2019 using index numbers. It can be clearly seen that the break point occurred when the Wage Councils reconvened in 2005.

Figure 7.18: **Real minimum wage and collective bargaining coverage in Uruguay between 1973 - 2019**



Source: Velasco (2019). Original data covers until 2014. Expansion up to 2019 is own elaboration based on Velasco's methodology.

The minimum wage increased by 70% in real terms in 2005, just one year after the left-wing coalition *Frente Amplio* took office. As of 2019, the minimum wage had seen an increase of 300% in real terms compared with 2004 and it regained most of the purchasing power lost between the early 1970s and the mid 2000s.

In Uruguay, the national minimum wage policy is far from being the main target of trade unions.⁴⁵ In fact, as argued by Marshall (2019), the national minimum wage and the industry-level minimum wage (where trade unions have proven to have more bargaining space)⁴⁶ are two isolated wage settings matters in Uruguay. This means, following the typology of interaction between minimum wage and collective bargaining proposed by Grimshaw et al. (2013) that, in Uruguay there is a ‘coexistent distance’. Adriana Marshall pointed out that the national minimum wage does not represent a reference point for trade union demands in the wage councils. According to her, this is because in Uruguay the role of the national minimum wage is a minimum threshold for the most precarious workers who are not covered by collective agreements at all (a minimal percentage of the workforce).

While official statistics for the minimum wage are available, there is no data available for the sectoral wage bargaining outcomes. However, Etchemendy (2021) made his own calculation based on the statistical analysis of the *laudos* available from the Ministry of Labour. Based on the 22 most important union contracts, the author calculated the real wage increase under centralised wage bargaining from 2005 to 2017. During this period, a real wage growth of around 70% ‘on sectoral’ average can be observed. These results are very close to the average real wage growth in the private sector when all workers are considered.

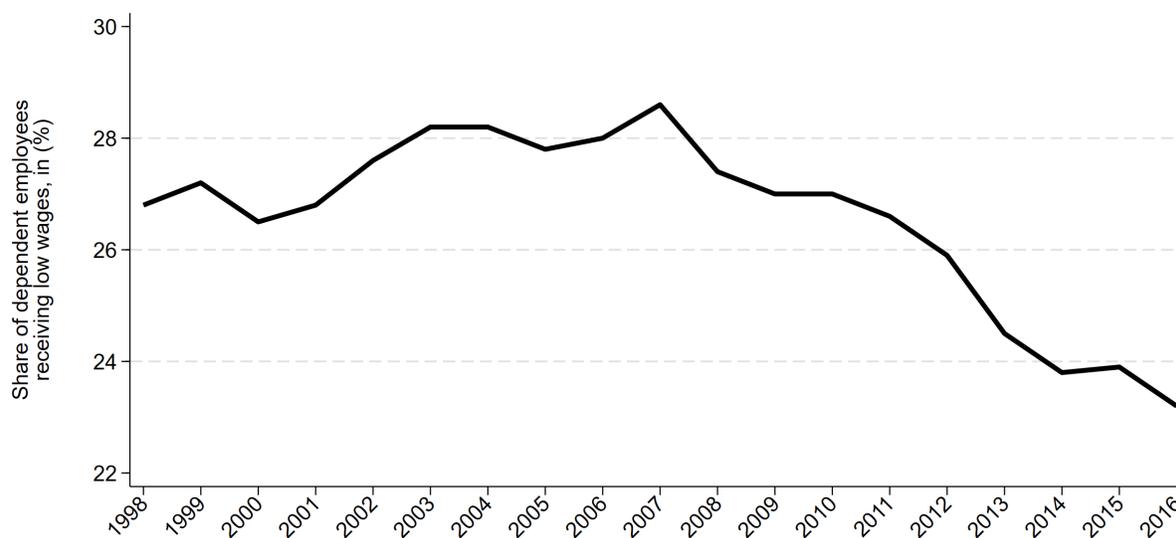
In Figure 7.19 can be seen the development of the share of employees receiving low wages according to the standard threshold. In the early 2000s, low-wage workers increased, then decreased, and then increased again in 2007. The share of low-wage workers have fallen since then. In 2016, it reached a level of about 23%. This figure was almost 5 percentage points lower than in 2004, but still high⁴⁷ at the comparative level, especially for a country with an inclusive wage-setting systems.

⁴⁵Since the Wage Councils were reconvened in 2005, the national minimum wage has been set in the Superior Tripartite Wage Council.

⁴⁶Marshall (2019) argued that in the case of the national minimum wage, unions were not likely to resist the government’s proposed guidelines very much.

⁴⁷This is related with the share of informal employment in the private sector. This problem is common in Latin America and comparison with more developed countries cannot be easily made.

Figure 7.19: **Share of employees receiving low wages**



Source: Own elaboration based on microdata of the *Encuesta Continua de Hogares* (ECH).

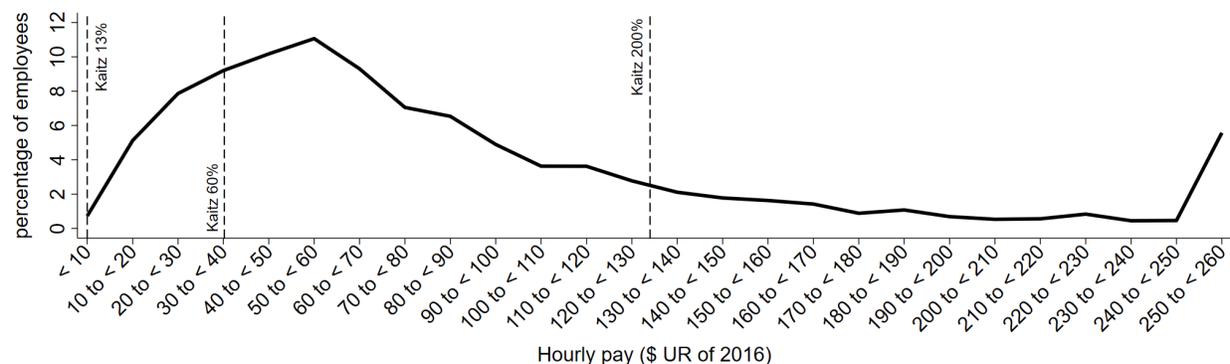
The wage curves provide another angle of analysis, as in the German case. Comparing two years, 2004 and 2016, it is possible to see the situation before and after of the reconvening of the Wage Councils and the industry-wide collective bargaining system. The wage curve (dependent workers, gross hourly wages) was markedly asymmetric before the Wage Councils reconvened in 2005 (top graph in Figure 7.20). By 2004 the national minimum wage expressed as percentage of the median wages (Kaitz index) was only 13% (Maurizio and Vázquez, 2016) and the ratio of the monthly minimum wage to the GDP per capita per month only 16%, which according to Saget (2008) meant a ‘mini’ minimum wage.

Then, in 2016 after more than 10 years of Wage Councils, the wage curve was relatively more symmetric than in 2004 (it was more moved to the middle income zone, see bottom graph in Figure 7.20).

Figure 7.20: **Uruguayan wage curves (employees) in two moments**

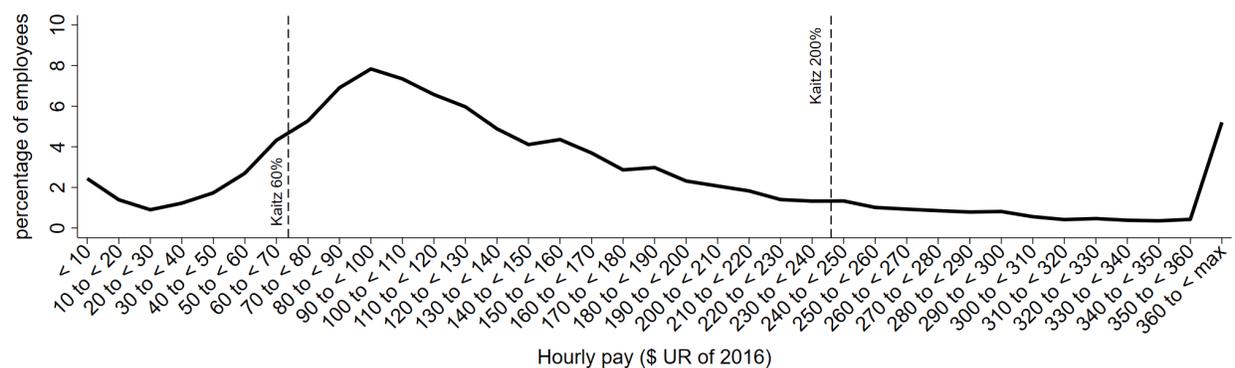
Uruguay 2004

Collective bargaining coverage: less than 10%, Low-wage sector: ca. 28%



Uruguay 2016

Collective bargaining coverage: ca. 95%, Low-wage sector: 23%



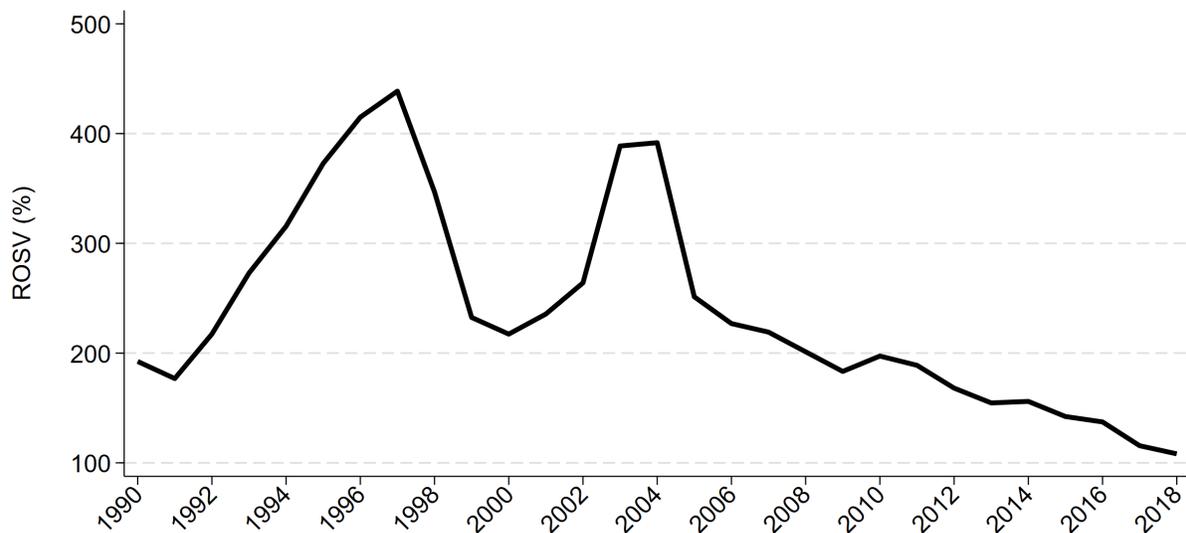
Note: All wages were expressed in 2016 currency. Kaitz index is simulated in two thresholds: 60% and 200% of the median wage. The highest income bracket in each case represents about 5% of the distribution. In this way, using the same criteria, inequality among the richest can be visually controlled and the distortion in the graph can be avoided (this criteria was applied to all the empirical wage curves in the present research).

Source: Own elaboration based on microdata of the ECH 2004 and ECH 2016. Data for collective bargaining coverage: [Velasco \(2019\)](#). Data for actual Kaitz index year 2004: [Maurizio and Vázquez \(2016\)](#)

7.4.3.2. Rate of surplus value

In Figure 7.21 it can be seen the development of the Rate of Surplus Value. Growing exploitation occurred in the 1990s during economic expansion, falling inflation, and the suspension of tripartite collective bargaining, among other factors. This development was interrupted by the Asian crisis and its impact on South America. In this process, capital was destroyed, resulting in a fall in the Rate of Surplus Value between 1998 and 2000.

Figure 7.21: **Rate of surplus value (%)**



Note: ROSV is computed following [Carchedi and Roberts \(2021\)](#) as the Surplus Value (S) to the variable capital (V). See Appendix 2 in [Carchedi and Roberts \(2021\)](#) for details.

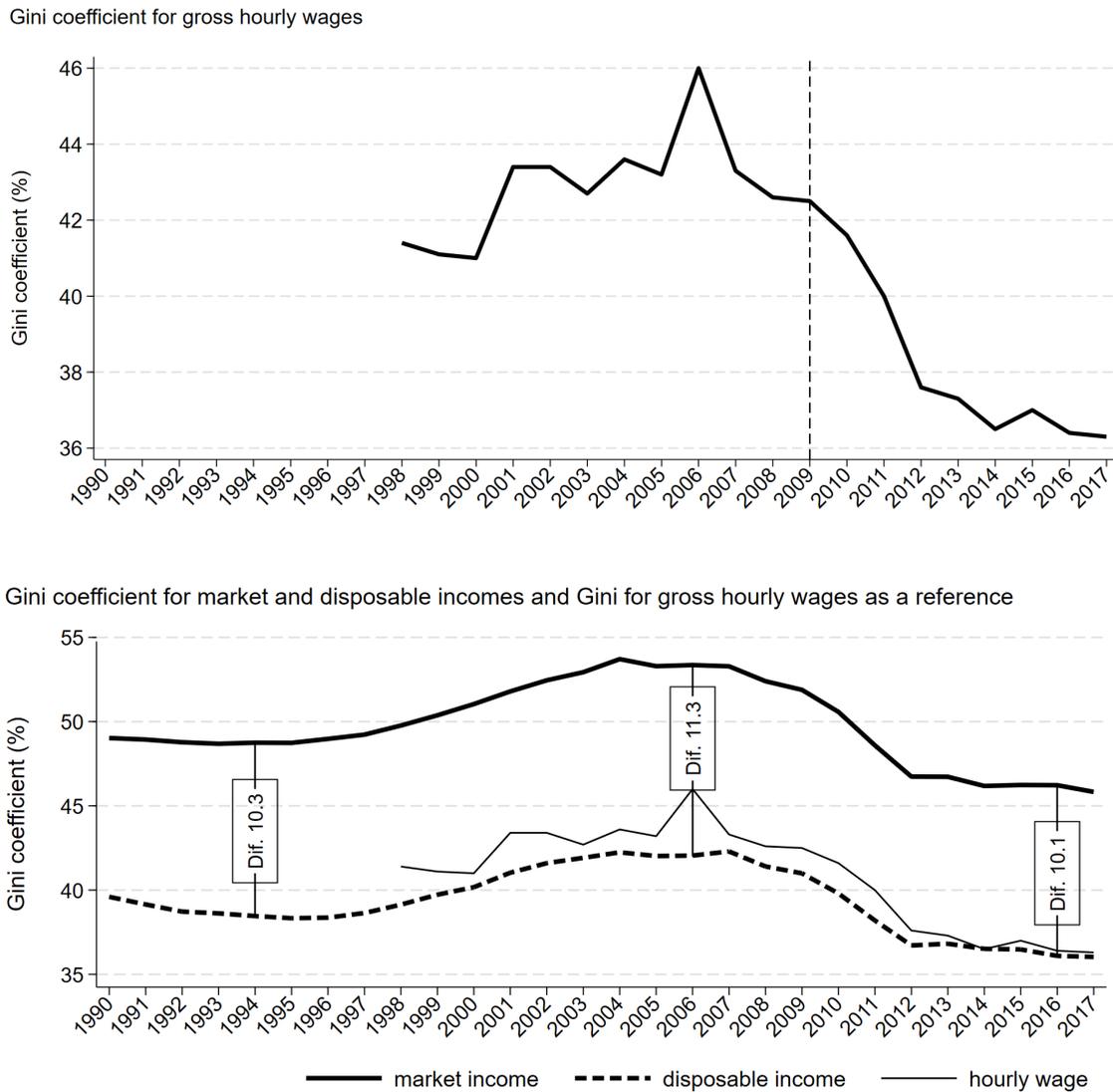
Source: Own elaboration based on the Penn World Tables 10.0 and World Inequality Database (WID).

By 2001/2002, Uruguay was affected by the economic crisis in Argentina, especially through financial channels (a banking crisis) (e.g. [Antía, 2003](#)). This had consequences in terms of unemployment, which rose from 10% in 1998 to 17% in 2002 (ECLAC). From 2005 onwards, coinciding with the reconvening of wage councils, increased collective bargaining

coverage, and a systematic fall in labour informality, the exploitation rate has consistently decreased, except during the 2008/2009 financial crisis.

7.4.3.3. The Gini coefficient

Figure 7.22: **Gini coefficient (%)**



Source: Own elaboration based on Solt (2020) and ECH microdata (hourly wages, employees).

In the case of the Gini coefficient for gross hourly wages, it can be seen that it rose between 2000 and 2007 and then fell. The most significant decline occurred between 2009 and 2012 and then the value more or less stabilised (see top graphic in Figure 7.22).

One can see that during the period 1990-2017 the gap between the primary and the secondary income distribution remained more or less stable at around 10 percentage points. This outcome is one of the highest among the Latin American countries (e.g. ECLAC databases and [Bucheli et al., 2013](#)).

7.4.3.4. Discussion

The Uruguayan wage-setting system has been transformed by a strong left-wing government and by the Uruguayan trade unions mostly organised at the industry-level with a sole umbrella organisation. In this transformation one can see the moving from an exclusive system towards an inclusive one without passing through the semi-inclusive system. Coverage by collective agreements increased with only 10 years from less than 10% to 95% by far the highest share in Latin America and on the highest in the world. This abrupt change was associated with an improvement in all the distributional outcomes presented here, albeit with different trajectories.

The different transition paths in the case of the Rate of Surplus Value and Gini measures can be briefly commented upon. After the Wage Councils reconvened in 2005, the Rate of Surplus Value trend was systematically downward. In the case of the Gini measures, the reduction was visible from 2007 to 2012/13, which was when economic growth slowed. Thereafter, it has tended to stabilise. On the one hand, this means that during the entire period during which the Wage Councils were reconvened, the income distribution between capitalists and workers tended to improve towards the latter. It is clear that the suppression of the industry-wide collective bargaining favoured the capitalists and, vice versa, the promotion of it favoured workers since wages rose. On the other hand, when one examines

the income distribution among persons (irrespective of their position within the capitalist mode of production), the turning point around 2012/13 signifies that, although capitalists received lesser share of the surplus value than in the past, the equalising path effect on employee wages stopped. A number of factors may be responsible for this: one could be the fact that among employees there are managers and other high-ranking positions that were relatively more favoured after 2012/13 than prior to that period.

7.5. Conclusions

Six conclusions can be drawn from this chapter.

First, inclusive and semi-inclusive wage-setting systems share a common feature: collective bargaining takes place predominantly at the industry level. This is always true for inclusive cases, and is widely seen in semi-inclusive cases. In the competitive markets of today the combination inclusive wage-setting system and firm-level collective bargaining cannot be found anywhere. Therefore, the first conclusion is that any attempt to increase the inclusiveness of wage setting necessarily requires industry-wide collective bargaining.

Second, inclusive and semi-inclusive wage-setting systems with industry-level collective bargaining as the predominant level for negotiations are far from homogeneous. They differ from each other in a number of respects. In some systems, inclusiveness is based on a strong union density, while in others, it is based on mandatory extensions to compensate for the low union density. There are cases where the involvement of the industry-level trade union in additional wage bargaining at the firm-level is common, while in others it is non-existent. In some cases of inclusive and semi-inclusive wage setting systems it is possible to see the use of opening clauses to allow individual employers in economic difficulties to deviate or depart from the industry-wide collective agreement. The latter provides flexibility for employers, and depending if the opening clause is temporary and negotiated, workers can use it strategically without necessarily eroding their institutional power resources. In sum, there are a variety

of ways of deploying industry-wide collective bargaining which depend, of course, on the different traditions of each national capitalist context and the development of its particular class struggles.

Third, unity and industry-wide representation of interests at the trade union level are two key principles that underpin workers' organisational power resources. As expected, when workers are organised by sectors the likelihood of their having significant infrastructural power resources is much higher than when they are fragmented into small organisations. The examples of IG Metall in Germany and AEBU in Uruguay highlighted this point. Unions with significant infrastructural power resources can provide funding for their members in the event of strikes, they can support other unions in solidarity, they can finance trade union research and intervene in the battle of ideas, they can organise and produce public events with high media impact, etc. In the case study, it was found that industry-wide trade unions are (most of the time) long-standing unions, which means, the 'trade union know-how' is passed on and developed year after year.

Fourth, although in recent times, there has been increasing pressure from employers to decentralise and fragment collective bargaining, industry-wide representation of workers' interests through largely non-competitive unions continues to play a key role in giving workers a greater political voice to influence a wide range of societal issues (societal power resources).

Fifth, as regards the economic outcomes, in the case studies was found support for the hypothesis that inclusiveness in wage-setting systems contributes to reducing income inequality. In the German case, as soon as collective bargaining coverage declined, income inequality increased. In the Uruguayan case, as soon as collective bargaining coverage increased, industry-wide minimum wages rose and income inequality decreased.

Sixth and final conclusion, the example of Uruguay shows how to transform an exclusive system in a short period into an inclusive one. An inclusive system with a Latin American Face: still high rates of low-wage earners because of the high shares of informal work.

Conclusions

8.1. Revisiting the research questions and hypothesis

The goal of this study was to investigate the impact of the marginalisation and fragmentation of collective bargaining on the power relations between capital and labour and on the income distribution in Chile. Three research questions have been examined.

Regarding the **first** research question: *“Through which regulations have collective bargaining in Chile been fragmented and how are they weakening workers’ power resources and marginalising collective bargaining?”* In this summary section, the following can be said:

As described in Chapter 3 (Section 3.2.2), collective bargaining was already fragmented in Chile during the so-called conflict institutionalisation phase (commencing in the mid-1920s). As [Gurrieri \(1968\)](#) pointed out, fragmentation was mostly driven by capitalists to control unions. However, this fragmentation of unions and collective bargaining was not absolute: workers had the option between firm-level collective bargaining and forming professional unions with the right to bargain above the firm level. The workers opted mainly for firm-level collective bargaining. The result was an overall fragmented and decentralised system, albeit with some experiences of coordinated and centralised collective bargaining (particularly intense between 1965 and 1973). After the coup d’etat of Pinochet and six years of prohibition

of any collective bargaining, the *Plan Laboral* was imposed in 1979. Collective bargaining above the firm level was abolished and the fragmentation of unions and collective bargaining was strengthened.

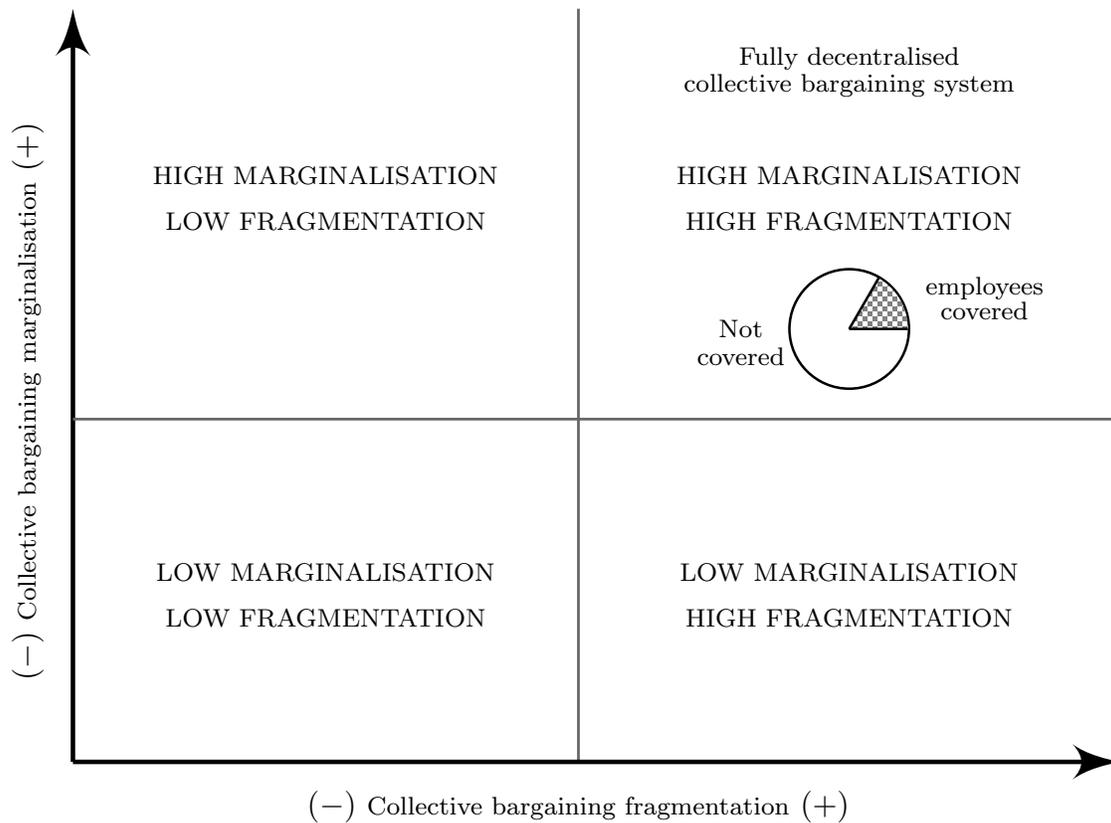
As seen in Chapter 4, the main institutional pillars of the current industrial relations system are: i) collective bargaining at the firm level or below, ii) strikes that do not paralyse, iii) extreme organisational pluralism, iv) depoliticisation of unions, v) outsourcing at all levels, vi) high flexibility for employers to dismiss workers, and vii) the exclusion of certain workers from the right to bargain collectively. These pillars were established under the dictatorship and were not barred afterwards, forming a path-dependency.

Unlike the pre-Pinochet industrial relations system, the current system can be labelled as a “fully” decentralised collective bargaining system (following the nomenclature of the [OECD, 2019b](#)). As seen in Chapter 4 and Chapter 5, in this fully decentralised collective bargaining system there are two characteristics: marginalisation and fragmentation of collective bargaining. In other words, only a small fraction of employees are covered by a multitude of non-coordinated collective agreements (Figure 8.1).

Fragmentation is produced in three complementary ways: i) multiple trade unions at the firm-level or below, ii) multiple non-union groups at the firm-level or below entitled to bargaining collective agreements and compete with the multiple trade unions and iii), the choice for employers to split up the firm into many legal units which negotiate collective agreements separately.

As seen in the section ‘corporate strategies’ in Chapter 4, big firms in practice used their options to create legal entities at their will to fragment the workforce. Until 2014, this was often reflected in effective marginalisation and fragmentation of collective bargaining. In 2014, unions won the Multi-RUT Act to reduce the use of corporate strategies to fragment the workforce. This law, as the interviewed union leaders pointed out (Chapter 5), nonetheless left some important loopholes.

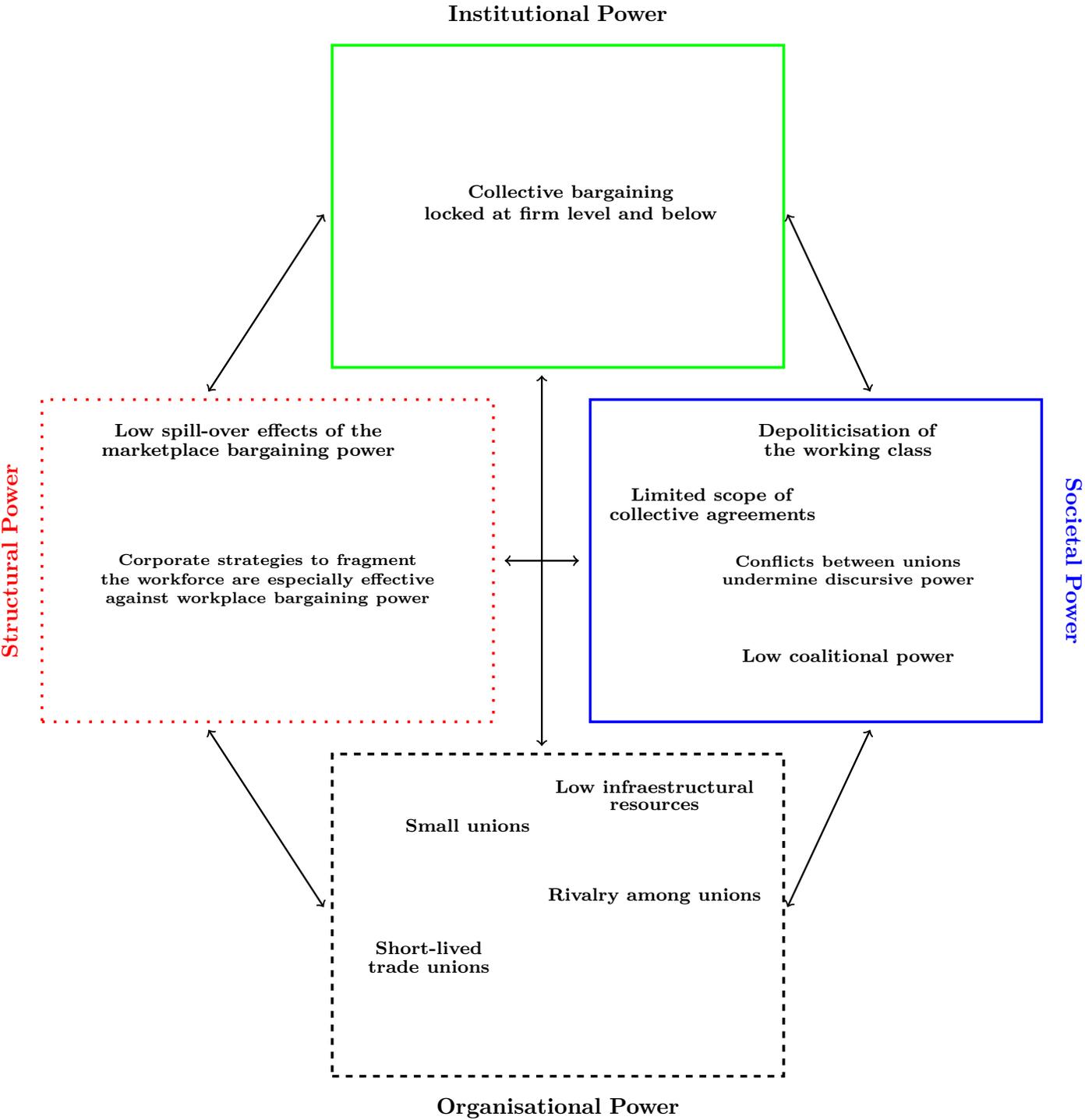
Figure 8.1: **Fully decentralised collective bargaining system: high marginalisation and high fragmentation of collective bargaining**



Source: Own elaboration.

The major impacts of the fully decentralised Chilean collective bargaining system on the workers' power resources were clearly stated in the interviews with trade union leaders. They described seven implications of the *Plan Laboral* and its path-dependency: i) the marginalisation of trade unions and collective bargaining, ii) the fragmentation of collective bargaining, iii) much conflict between unions, iv) high job instability, v) low infrastructural resources of unions, vi) low collective bargaining scope, and vii) depoliticisation of the working class.

Figure 8.2: Marginalisation and fragmentation of collective bargaining: impacts on workers' power resources



Source: Own presentation based on Chapter 4 and Chapter 5.

In Figure 8.2, one can see the major impacts of the marginalisation and fragmentation of collective bargaining on workers' power resources. The three primary power resources (organisational, structural, and societal) were deeply affected. The organisational power resources were weakened by the conflict between competing unions. Unions concentrate their energies on luring away the members of other unions instead of coordinating and combining their efforts in collective bargaining. Furthermore, low infrastructural resources and the short lifespan of the often tiny unions are also noteworthy effects.¹ In the case of societal power resources, one can see a low degree of discursive power especially in the debate to coordinate collective bargaining and create higher levels of collective bargaining.² Coalitional power is also low or virtually non-existent. As union leaders pointed out, in the fully decentralised system the rank and file often see the union as an appendage of the employer's human resources department and, because of this, they regard the union as a troubleshooter in the day-to-day contingencies within the boundaries of the firm, but not as an actor to influence the decision-making process at the industry or national level. In the case of structural power, one can see that the strong unions with high marketplace bargaining power have small spill-over effects on the rest of the working class, which means that the scope of the 'win' is only for the members of the union (normally small unions).

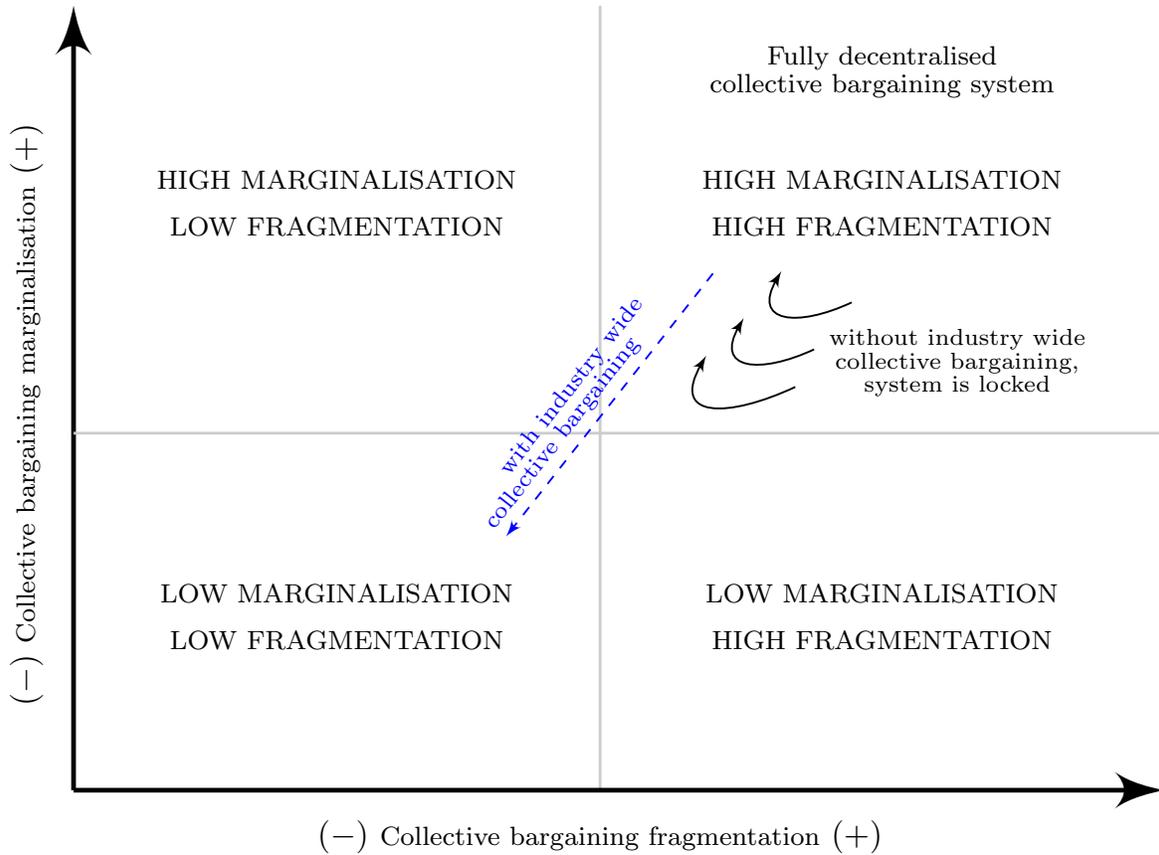
In addition workers are locked-in this fully decentralised collective bargaining system not only because industry-wide collective bargaining is not allowed, but because the power resources of unions are so weakened that they are not able to lobby successfully at societal level for any change. Furthermore, employers have many highly effective options to weaken workers' structural power resources through corporate strategies and the high flexibility to dismiss employees. In Figure 8.3, one can see a visual representation of this finding: if unions are not allowed to negotiate at the industry level, they are locked in the fully decentralised

¹There are exceptions.

²Outside this agenda, there is an exception where workers have gained societal power resources: this can be seen in the workers' movement to shift the pension system (the so-called NO+AFP workers coordinator). <https://coordinadoranomasafp.cl/>

system (solid returning arrows). Instead, if unions are allowed to negotiate at industry level, they can move towards an inclusive system with low marginalisation and low fragmentation (dashed arrow).

Figure 8.3: **A shift from an exclusive to an inclusive system: Workers' power resources in motion**



Source: Own elaboration.

Regarding the **second** research question: “*What is the impact of the fragmented and marginalised system of collective bargaining on the distribution of market and disposable incomes?*” The following findings can be summarised:

As presented in Chapter 6, I followed the taxonomy used by [Bosch et al. \(2010\)](#) of inclusive and exclusive wage-setting systems. The Chilean case can be labelled as an exclusive wage-setting system, where only a few employees can negotiate their salaries and working conditions. As seen in Chapter 4 and in Chapter 5, during the dictatorship there took place a watershed in power relations between labour and capital. The *Plan Laboral* comprised business-oriented labour legislation and once the dictatorship ended, this legislation effected a path-dependency.

In the Power Resources Approach, it is argued that the income distribution is determined by the unequal distribution of power resources of the relevant actors in the labour market, i.e. capital and labour. With the weakening of workers' power resources, the labour market came mainly under the unilateral control of the employers. The *Plan Laboral* served to increase capitalists' appropriation of a higher surplus value from workers. Furthermore, personal income distribution also became more unequal.

All the classic indicators of income distribution (the Gini coefficient, the income quintile share ratio, and the top 10% income share) reached their lowest value (both in disposable and market incomes) during the presidential term of Salvador Allende, when union density reached its high water mark (more than 40% in the private sector) and when industry-wide collective bargaining was practised. The rate of surplus value, the Marxist indicator of income distribution, also reached its lowest mark during those years when industry-wide collective bargaining was practised and when union density increased towards 40%. With the return of democracy in 1990, the Chilean economy flourished and macroeconomic indicators such as the GDP growth reached high figures (averaging 7.1% between 1990 and 1998). This good economic performance was not translated ipso facto into higher wages and the productivity-wage gap widened, the working class being the losers and capitalists the winners.

In 2017, after nearly 40 years of exposure to the institutional pillars of the *Plan Laboral*, the Gini coefficient for market incomes was still near to 55%, and the pre-tax national income accrued by the top 10% was 60%. Both are very high figures in comparative terms.

As expected, the wage curve for Chile (2016) was markedly different than a Gaussian curve (common in inclusive systems). Rather, the wage curve was compressed near to the minimum wage, which was in turn very low.

Determining the impact of a particular phenomenon on a dependent variable is always a challenge, as many factors interact with each other and it is not easy to isolate the contribution of a single variable. Of course, as Bruce Western pointed out: *“much of the causal action is found in the institutional detail”* (Western, 1997, p.8). This detail was presented throughout Chapter 3 and Chapter 4. Furthermore, in this research I have proposed and explored the results of an econometric model that controls to some extent causation through the so-called Propensity Score Matching method. I found that the shift in the level of collective bargaining in the private sector led to an increase in income inequality even when other factors were controlled (e.g. years of schooling, skill level, sex, copper price, unemployment rate, age, GDP per capita).

The conclusion one can draw from this research is that marginalisation (low collective bargaining coverage) effectively prevents positive aggregate effects of collective bargaining on the income distribution. Contrary to countries with coordinated collective bargaining and higher coverage by collective agreements, in Chile such effects were not found since only a small share of employees are covered by collective agreements. In sum, marginalisation and fragmentation lead to greater market and disposable income inequality. This finding adds to the literature on the economic impacts of inclusive versus exclusive wage-setting systems (for instance, Bosch et al., 2010; Hayter and Weinberg, 2011).

Regarding the **third** and final research question: *“How should the system of industrial relations and collective bargaining in Chile be changed to reduce the high income inequality, and from which systems of coordinated collective bargaining can Chile learn?”* some general conclusions can be drawn below and I will add a detailed answer in the next section.

First, in order to achieve an inclusive system of collective bargaining that generates aggregate effects and improves income distribution in Chile, the fully decentralised system

should be abolished and instead a multi-level system with industry as the dominant level should be introduced (Figure 8.3). There are no examples of fully decentralised collective bargaining systems with high (over 70%) or even medium coverage levels (over 40%), which are a precondition of inclusive systems. Such coverage levels are only found in countries where the industry level is the dominant level of collective bargaining.

Second, to increase coverage by collective bargaining, industry-wide collective bargaining has to be strengthened and stabilised by mandatory extensions of collective bargaining to non-organised employers, the application of the *erga omnes* principle, the favourability principle, and regulation of after-effects of collective agreements. As an example, in Uruguay, the main workers' institutional power resource to achieve high collective bargaining coverage with little fragmentation is the law on tripartite Wage Councils, whose outcomes are legally binding for all employees via the *erga omnes* principle. Chile's pre-Pinochet system of industry-wide collective bargaining was rather similar. As another example, inclusiveness in Nordic countries is based on the strengthening of unions' institutional power through the Ghent system.

As a third and final general conclusion, industry-wide collective bargaining is a necessary but not sufficient condition to strengthen the workers' power resources. As seen in the Uruguayan and German cases, the workers' organisational power resource, that is, the capacity of workers to organise themselves into unions and successfully mobilise is crucial to shift the power relations between labour and capital.

8.2. Time for an inclusive collective bargaining system in Chile? A proposal

In continuing with the answer of the initial third research question³, in this section I will submit a concrete proposal for a complete reform of the existing system. This proposal is based on the empirical evidence presented in previous chapters and complementary information from the interviews with trade unions.

8.2.1. The voice of union leaders

In all the interviews, union leaders emphasised the need to move towards inclusive collective bargaining, with the industry as the dominant bargaining level.

If this were to happen, the *Plan Laboral* (Chapter 4) would be seriously challenged, as one mining union leader points out:

“Winning collective bargaining at the industry level is not going to be a small advance, it’s not going to be a small triumph, it’s not going to be just another end-of-bargaining bonus, it’s not that! If we manage to bargain collectively at the industry level, we can even challenge subcontracting. We can challenge and bring down José Piñera’s Labour Code [Plan Laboral]” (Edward Gallardo Basay).

Sergio Fuentes [retail] highlighted the solidarity among workers in an inclusive system:

“If we were able to negotiate at the industry level, we could make alliances with other organisations. Workers could get to know the reality of workers in other

³ “How should the system of industrial relations and collective bargaining in Chile be changed to reduce the concerningly high income inequality, and from which systems of coordinated collective bargaining can one learn?”

companies and in other industries and be able to relate to each other and also feel the needs that other workers have. It would be a great experience as a working class to feel that we are all equal and we are all rowing for the same side and that if we fight together, we can have better benefits for all of us” (Sergio Fuentes).

Multi-level collective bargaining across levels was also a common theme in the interviews. In this regard, Mirian Campuzano said:

“I believe that it is necessary to strengthen trade unionism so that it can negotiate on a common basis, and each trade union force can negotiate at industry level, establishing a minimum floor and then going from less to more according to the particularities of the case” (Mirian Campuzano).

And Tamara Muñoz commented this:

“If you could negotiate certain minimum standards at the industry level and then negotiate with your employer the more company-specific standards, it would help to reduce the downward competition through low wages, especially among subcontracting companies. It would establish a minimum floor that is difficult to reach today. It would also be an effective answer to corporate strategies that divide workers [MultiRUT System]⁴. Today it is quite difficult to be able to negotiate with the employer when you have a small, atomised union that does not know the workers who work in different legal entities” (Tamara Muñoz [Call centres]).

A more inclusive collective bargaining system with industry-wide bargaining was part of the institutional power resources of workers prior to Pinochet’s dictatorship. The positive experiences with industry-wide collective bargaining still exist as collective legacy knowledge which is vividly remembered and influences the reform debates on collective bargaining in the Chilean trade unions.

⁴See Chapter 4.

“Look, if it occurred to us to propose industry-wide collective bargaining [already in 2007], it is because that is how we negotiated before the dictatorship. We have to be clear about that. The history of the union movement [Mining] was like that, industry-wide collective bargaining” (Jorge Peña [Mining, outsourced workers]).

The idea of collective bargaining predominantly at the industry level gained traction within the organised working class after the popular uprising in October 2019. However it remains as yet only a vague idea. Neither the concept of industry-wide collective bargaining nor a strategy to make it happen has been elaborated. This is what Jorge Hernández, president of the inter-firm union SINTEC (Construction) commented:

“Everybody today is talking about industry-wide collective bargaining, but I have not seen any organisation, except the dockers, with concrete possibilities or with the work oriented towards industry-wide collective bargaining” (Jorge Hernández).

As the main problems for the implementation of an industry-wide collective bargaining system, the union leaders mention the high degree of fragmentation and union rivalry that hinders articulation (Chapter 5). Bárbara Figueroa, president of the CUT at the time of the interview, stated:

“If you have 2 or 3 trade unions that are strong in a certain industry, the problem is how are we going to go about it? Who is going to lead? Who is not? But that is our mess and we will have to face it” (Bárbara Figueroa).

Clara Moya (health centres) said:

“If we could get rid of the selfishness, the self-interest, the yellow union representatives, maybe we could do it [industry-level collective bargaining]” (Clara Moya).

José Mazzo from the telecommunications industry remarked thus:

“The big problem is that, under an industry-level collective bargaining system, you need union structures at that level. That process, i.e. moving from many atomised unions to industry unions, means that many union leaders would lose their privileges. The guys don’t want to lose their union immunity” (José Mazzo).

The view of Horacio Fuentes [Metalworkers] is also in the same vein:

“The problem I see is that with the degree of atomisation of the trade union movement, if tomorrow the employers were to say and agree, let’s negotiate, who will negotiate for commerce? Who will negotiate for manufacturing? Who will negotiate for the miners? And excuse the expression, but the shit is there. If we didn’t have it there, we could impose the industry-level collective bargaining now” (Horacio Fuentes).

While union representatives welcome the idea of an inclusive system, they urge caution towards comparisons with the often-cited experiences of European countries. This is what Cristian Cuevas commented:

“The trade unions in Europe are professional, that is, the technical advisers are the trade union leaders and the trade union leaders as we know them in Chile are the delegates, do you understand me? The trade unionism we need is an empowered trade unionism with experienced trade union leaders, who transmit knowledge and wisdom”.

Cristian Cuevas added:

“The union leader cannot be a union leader who is not connected with the field; he or she has to walk with the workers. The most virtuous thing for one, where it has been the best learning experience, is when you stay overnight with the workers in the same camp, have lunch with the workers, when you inhale the same dust from

the mine, and still fulfil your responsibilities (political and union responsibilities)”
(Cristian Cuevas [Mining, outsourced workers]).

Based on the evidence from the fieldwork in Uruguay, these concerns are also present there. Some lessons can be drawn, for example Carlos Clavijo [Metalworkers Uruguay] commented:

“In Uruguay, many union leaders use the hours of union leave to do our union work and we complement that with militant work after working hours. This is a virtue and not a weakness in my view. I compare it with the Argentinian trade union movement, where the leaders are paid by the union. For me, that does not play in favour of class ideology and at decisive moments you run the risk of going for the money and ‘selling the strike’. When you are a leader paid by the union, militancy is a job, so in the end it is not militancy. Continuous contact with the rank and file is fundamental to know the organisation of the labour process from the inside and to generate union militancy” (Carlos Clavijo).

Fabio Riveron [Commerce], commented as follows:

“When I was elected financial secretary, I said that my routine would be to go to work [with the rank and file I represent] and after that, to come to the union offices. I worked from 6am to 2pm, so by 3.30pm I could be at FUECYS. But when you are given the responsibility of the financial secretary of such a big and expanding union, it was a complicated thing. The president of the union at that time told me that the union was going to process my ‘total’ union leave, and I refused, I said, no, that would alienate me from the rank and file, etc. The president said to me: ‘look, you are not going to have time. You’re not going to rest and in 6 months you’ll be burnt out’. Refusing to accept was my choice. After 6 months I realised that I was burnt out. So, we applied for the total union leave. So, I think there are two mechanisms: i) the support of the delegates is vital. And those delegates

must be very close to the rank and file. And you have to be close to the delegates. And ii), one can never fall into character, that is, that because I am the president of FUECYS this becomes bureaucratized” (Favio Riveron).

The conclusion is that the interaction between the rank and file and the union full time employed staff is crucial.

8.2.2. Opponents’ arguments and a response to them

Most of the arguments against the establishment of an inclusive wage-setting system are based on the incorrect assumption that ‘pure’ industry-wide collective bargaining system with a ‘one-size-fits-all’ solution and without complementary bargaining company level would be introduced. As the former Finance Minister during the second presidential term of Michele Bachelet pointed out:

“Chile is not ready for an industry-wide collective bargaining system” “... the situation is that there are very different companies at one point in time, and one size does not fit all” (Rodrigo Valdés in an interview for Radio Cooperativa) [translation from Spanish].⁵

The senior economist from the think tank Instituto Libertad y Desarrollo [associated with the right-wing], Cecilia Cifuentes, made a similar statement⁶:

“If you establish industry-wide collective bargaining in industries where the diversity of firms is very large, the larger firms, which are generally more productive, could pay better wage conditions, but if these conditions are imposed on smaller firms,

⁵Ministro de Hacienda y Reforma Laboral: “Chile no está preparado para una negociación ramal”. <https://www.eldesconcierto.cl/nacional/2015/05/29/ministro-de-hacienda-y-reforma-laboral-chile-no-esta-preparado-para-una-negociacion-ramal.html>, accessed 13.03.2022.

⁶<http://sindical.cl/la-negociacion-ramal-una-mirada-a-la-experiencia-comparada>, accessed 13.03.2022.

they would disappear” (Cecilia Cifuentes in an interview for Sindical.cl) [translation from Spanish].

The corollary - if one follows this line of argument - is to say that macroeconomic labour market outcomes, such as employment and unemployment rate, would be worse under industry-wide collective bargaining compared to firm-level collective bargaining. As Felipe Larraín (former Finance Minister 2011-2014) pointed out in 2007:

“The really key point is that industry-level collective bargaining produces the worst results in terms of job creation, unemployment rates and growth, and the international evidence is crystal clear” (Felipe Larraín in an interview for El Mercurio) [translation from Spanish].⁷

The problem with these arguments is that evidence shows just the opposite. The OECD Employment Outlook 2019 provided updated international evidence on this topic. The OECD concluded that both the predominantly centralised and the organised (and coordinated) decentralised systems were more resilient in terms of economic development than the fully decentralised case. In this regard, Dominique Anxo stated:

“Centralised and coordinated two-tier, multi-employer collective bargaining systems that leave room for self-regulated and organized decentralisation and are characterised by high collective bargaining coverage and high union density, together with balanced bargaining power between the two sides of industry, not only seem to favour earnings equality and social cohesion, but also to deliver better outcomes for employment, economic and productivity growth” (Anxo, 2021, p.29).

The imposition of inflexible conditions through high-level collective agreements is not a matter of fact in the present experiences of industry-wide collective bargaining, which are

⁷Felipe Larraín: “La negociación por ramas es una pésima idea para el país”. El Mercurio 13.09.2007.

far from a ‘one size fits all’ regulatory solution (a further understanding of this was presented in Chapter 7 of this thesis).

The fierce opposition to higher-level collective bargaining, which implies a move from fully decentralised bargaining to a multi-employer regime, is based on the outdated ideological arguments of the international think tanks, the World Bank and the OECD in the 1990’s which have been revised in the meantime for example by the OECD because of new research evidence (Appendix A.9).

The *Plan Laboral*, upon which the current labour code is based, was designed based on this outdated reasoning. José Piñera, Pinochet’s former Minister of Labour, said⁸

“Collective bargaining should never be a mechanism for redistributing income or wealth within the country. If collective bargaining is assigned this function, this distortion will generate a cost to the community as a whole that will far outweigh any benefits received by the advantaged” (Piñera, 1990, p.49) [translation from Spanish].

On wages and productivity, the former Pinochet minister put it this way:

“Wages that exceed market levels of labour productivity seriously compromise the functioning of the economy. This is not just a matter of principle; it is a matter of real social damage, expressed in unemployment. There is no way around it: when someone earns more in the company than he or she contributes, labour becomes artificially expensive and so people become unemployed and employers compulsively mechanise production processes so that they need fewer workers. The aim of collective bargaining is therefore to ensure that equivalence between wages and productivity is achieved” (Piñera, 1990, p.49) [translation from Spanish, underlining added].

⁸I owe the finding of this quote to Karina Narbona.

Felipe Larraín (the former Finance Minister during 2011-2014), used this argument in 2007 when non-core workers in the mining industry challenged the firm-level collective bargaining system and pressed for an industry-wide collective agreement. In an interview titled *“Industry level collective bargaining is a terrible idea for the country”* Larraín said:

“The firm-level collective bargaining allows workers to receive what they contribute to production” (Felipe Larraín in an interview for El Mercurio) [translation from Spanish].⁹

The Instituto Libertad y Desarrollo (a think tank associated with the right-wing) they stated:

“The advantage of company, plant or cost-centre collective bargaining over industry-wide bargaining lies mainly in efficiency. Individuals internalise the costs of decisions and factors are allocated according to their productivity” (Revista 178, Instituto Libertad y Desarrollo, p.3) [translation from Spanish].

Industry-wide collective bargaining, as Dominique Anxo explains¹⁰, posits the need for capitalists to increase profits by investing in innovation, technology, and knowledge instead of trying to compete on wages-based competition. Regarding the reluctance of employers to embrace inclusive forms of collective bargaining, Dominique Anxo stated:

“Is the fear to lose part of their prerogative in terms of the right to manage. In Sweden employers accepted it, this is a typical socio democratic compromise between capital and labour”.

“The interesting thing in Sweden, for example, was that after a decentralisation and de-coordination experience in the eighties, in 1995 collective bargaining system was re-centralised and re-coordinated because employers and unions see the advantages

⁹Felipe Larraín: “La negociación por ramas es una pésima idea para el país”. El Mercurio 13.09.2007.

¹⁰Personal interview (10.02.2022).

of this: less transaction costs, more social cohesion, increases in productivity based on innovation and not based on lowering wages, among others” (Dominique Anxo, personal interview).

8.2.3. Recommendations

As was shown in the previous chapters the Chilean system of collective bargaining need of reform. The marginalisation and fragmentation of collective bargaining is the main reason for the extremely high and persistent inequality of market incomes in Chile. This inequality cannot be justified anymore as a necessary precondition of high economic growth and high employment. Recent research has clearly show that countries with coordinated collective bargaining have better outcomes than those with a completely decentralised system as in Chile.

Therefore, I will present a reform proposal below which is greatly needed, especially given that the discontent with the present system of collective bargaining in the trade unions and other reform-oriented organisations is high while the ideas of how to change the system are informed by the memory of the industry-wide collective bargaining in the pre-Pinochet era but not elaborated in detail. The *Plan Laboral* was not only a technical reform but changed the power relations in the labour market fundamentally in favour of capital. Therefore a reform proposal cannot be limited to some technical advice to change the labour law must also strengthen the power resources of the weaker side, the workers, at the same time. Without a shift in power resources, collective bargaining at eye level will not be possible.

8.2.3.1. Collective bargaining at any level, with the industry level predominating

Collective bargaining should take place at any level including firm-wide, holding-wide, multi-employer collective bargaining, industry-wide, and national. In this multi-level system, the industry level should be the predominant channel to conclude collective agreements.

Articulation between levels should be possible in order to adapt collective bargaining to specific circumstances.

The aim of establishing the industry level as the predominant one is not only to reduce income inequality (see Chapter 7), but also to increase the influence of workers in the decision-making process at any level, even at the highest one (nation-wide).

In a new multiple-level collective bargaining system, a fundamental revision of the law is required in order to introduce the **favourability principle** and to ensure a correct articulation of the levels. A union that does not possess this legal protection can be blackmailed by employers at the firm level to deviate from higher agreements. Furthermore, the after-effects of collective agreements should also be a required component at any level of negotiation. If not, companies or employer' associations could stop negotiations and the collective agreement would expire.

8.2.3.2. Non-fragmented collective agreements at each level

As discussed in Chapter 5, the industrial relations system in Chile is characterised by union rivalry and fragmentation of collective bargaining. To promote unity and coordination, unions and employers should negotiate a single collective agreement at the appropriate level which covers all employees. Different solutions are possible which a range from joint bargaining committees to the bargaining prerogative for the most representative union. As an illustration, if there are six unions in a company, the unions should establish a joint collective bargaining commission that negotiates a single collective agreement with the employer.

8.2.3.3. Single industry-level unions

Rebuilding trade union unity requires concrete actions that go beyond the well-known call for unity. Transitioning from a fully decentralised and fragmented system to a less fragmented

one raises the challenge of coordination among unions, which number more than 9 thousand in the private sector. This coordination can be facilitated by single trade unions at the industry-level.

Non-fragmented industry-level trade unions can develop a union agenda with considerably more infrastructural resources than small rival unions. As some Chilean trade union leaders stated (banking, port industry) and as observed in the cases of Germany and Uruguay, industry-level single unions can play a strong role in coordinating transnational solidarity.

In order to channel rivalries towards a common goal, electoral procedures are recommended. A national election should be held every four years for industry-wide collective bargaining. The five unions with the most votes should be recognised as the negotiating representatives. During these five years, these unions would receive a certain contribution based on the votes they received. This contribution would be subsidised by the state. It is for the public good that they receive this contribution. To reduce the risk of the so-called ‘Yellow Unions’, the trade union law must state that unions are to be independent of employers.

Trade unions at the industry level should have their own mandatory fees. Because there will be new tasks, the industry-level trade unions should introduce a fee (50% of the total fee, the other half going to the firm-level union). Financial resources for industry-level trade unions are transferred directly from the rank-and-file to the trade unions and are not mediated by firm-level unions. This eliminates negotiations with many small trade unions.

8.2.3.4. Extension mechanisms

As described in Chapter 3 and Chapter 4, the Chilean world of work is much more fragmented than before and much more employment is concentrated in service industries than before. Unions are increasingly facing the problems of negotiating equal pay for equal work not only because of the fragmentation of firms but also because of the increasing numbers of new forms of precarious work contracts (temporary agency, part time contracts, platform work, etc.).

All these forms of employment are linked to a declining propensity to unionise (Appendix A.6) and with a trend towards the de-collectivisation and individualisation of labour relations which shift power resources to the management.

To reduce this driver of marginalisation of collective bargaining, and to increase the coverage of collective agreements in a short period of time, extension mechanisms are needed.

As seen in Chapter 7, the extension of collective bargaining creates a levelled playing field for companies (Bosch and Kupets, 2021), protecting workers from wage competition and preventing wage dumping (Günther, 2021). Collective agreements with high coverage “*reduce transaction costs and strengthen social partners’ governance of the labour market*” (Anxo, 2021, p.40). As Gerhard Bosch points out, the reduction in transaction costs for companies means the creation of “*accepted procedures for setting labour standards*”, this, as the author says, “*is especially helpful for small and medium-sized companies without their own human resource departments and/or tight financial resources*” (Bosch, 2021, p.466). Chile being a showcase of market income inequality (Chapter 6), extension mechanisms should be a central piece in any plan to reduce inequality.

With the current Chilean collective bargaining system, extending collective agreements to non-unionised workers has mostly been a prerogative of the employers that the unions had no influence on.¹¹ The unilateral extension of agreements by management within companies mainly aimed to avoid an increase in trade union membership. As a consequence, union leaders were reticent about extensions, which were considered an anti-union practice (all interviews). However, thinking about the collective bargaining system for the future, where the industry level will be the predominant level, union leaders show a preference for a mechanism of extension as an institutional power resource. There is no unique position regarding the mechanism and two options were mentioned: *erga omnes* such as in the Uruguayan case and statutory extensions conditional to the approval of the unions.

¹¹Since 2017, trade unions have gained the right to have some influence on this decision.

8.2.3.5. Promoting unionisation through union campaigns

Free-riding, that is, “*receiving the benefit of a collective agreement without contributing*” (Günther, 2021, p.336), has been posited as an inherent problem of the extension mechanisms and a manifestation of the double face of institutional power (Günther, 2021).¹² This tension, between the logic of membership and influence, can be counteracted by trade unions revitalisation from below (Anxo, 2021; Günther, 2021), including not only union campaigns in the workplaces but also initiatives at the school level. In some Chilean schools there is a long tradition of organising factory visits for students to gain a first impression of how companies operate. Unions could also organise student visits to their offices and could gain influence over future workers by interacting with them in their early years.

As in Germany with the experience of IG Metall at the Hannover *jobmesse* (an important job fair)¹³, trade unions in Chile could promote themselves with stands and information points at the main job fairs. This could reduce the reluctance of white collar workers to unionise.

There is a chance for Chilean trade unions to take action with people experiencing poverty as well as other excluded groups, such as migrant workers, visiting their neighbourhoods and offering assistance and solidarity. Taking part in these actions would be easier for unions at the industry level (as the Uruguayan experience shows).

8.2.3.6. State as a promoter of collective bargaining

As Gerhard Bosch points out, “*the state has the important task of strengthening the bargaining position of the weaker side in the labour market, namely employees and their trade unions organisations*” (Bosch, 2021, p.480). In the Chilean context, this means that the state should

¹²See Chapter 2 for more details about the double-face of institutional power.

¹³Interview with trade union expert 1.

provide the infrastructural resources to build a multi-level system where the industry level would be the predominant way to conclude collective agreements. In fostering an inclusive collective bargaining, the state should provide the necessary means, including statistical information on each industry. In any case, the state should not interfere in the outcome of the collective agreement (unlike in the Uruguayan case) and should limit itself to acting as an observer and host of the initial meetings (while the system is being developed).

As a promoter of social dialogue, the state should allocate financial resources to promote collective bargaining. These resources should be used by trade unions and employers to promote collective bargaining among all workers.

The state should also provide basic labour rights education programmes in schools. Education is essential tool to create a culture to defend, as [Mitchell and Murray \(2017\)](#) have pointed out.

8.2.3.7. Institute for Trade Union Research

A well-funded trade union research institute is needed to reduce the differences in terms of infrastructural power resources between employers and trade unions.

Today, with trade unions fragmented, there are only some unions that can afford a research department while the vast majority cannot.

As trade union leaders stated (see Chapter 5), unions are often reluctant to share technical reports and even collective agreements because of the logic of rival action. In the future, with a multi-level system of collective bargaining, technical information about industries, companies, preferences of rank-and-file, global supply chains, etc. will be key aspects in the battle of ideas both at the collective bargaining level and at the societal level (societal power resources).

From the comparative case studies (Chapter 7) it is clear that a central institution is highly effective in this aim, especially in achieving a cross-industry vision. The collective agreement archive of the WSI in Germany is a case in point.

Trade unions in Uruguay receive technical assistance from the Cuesta Duarte Institute to analyse the financial statements of companies claiming access to opening clauses. Hugo Bai commented that simply mentioning the Institute Cuesta Duarte's intervention generates a reaction among employers, which means that they [employers] accept the unions' demands to avoid sharing their books (personal interview with Hugo Bai).

Academic research is an important power resource which unions can use to counter the mainstream economics narrative. An example of this can be seen in the case of the German debate for the establishment of the statutory minimum wage in 2014 ([Bosch, 2018c](#)). Of course, academic research is strengthened by the presence of a trade union institute, as it is a gateway to first-hand sources from the world of work.

Chilean trade unions could, in a coordinated manner, include provisions for funding the institute for union research in their collective bargaining agreements. Because some collective agreements will be better than others, there will be solidarity between trade unions. Strategic research agreements between trade unions and universities and other scientific centres should be facilitated by a strong centralised trade union research institute (this is visible in Uruguay and Germany, and it was also visible in Chile prior to the Pinochet dictatorship).

8.2.3.8. Use of social and economic indicators in collective bargaining

[Bosch and Kupets \(2021\)](#) presented this proposal for the Ukrainian case, which needs to be considered and adapted for Chilean conditions of very high inequality and lack of trust among actors. According to the authors:

“In most countries with a developed collective bargaining culture the social partners prepare their negotiations by analysing the past, the present and the expected future socio-economic development of the country and a particular sector” (Bosch and Kupets, 2021, p.78).

Bosch and Kupets (2021) proposed a list of indicators to be provided to social partners by the state to improve collective bargaining. In Appendix A.10 there is a list of indicators to be provided to Chilean social partners aiming for the higher levels collective bargaining.

8.2.3.9. Strikes

As described in Chapter 4, the *Plan Laboral* introduced several limitations on the strike along with the establishment of the firm level as an exclusive negotiating level. In a new system, the state should not intervene in any strike, which would be a question of the power relations between capital and labour (as in the Uruguayan case). As the strike is intended to disrupt (this is its essence), there should be no limits to its disruptive power (i.e. strike breakers or the current ‘minimum services’ in the Chilean case). In the case of essential services (such as hospitals), provisions should be made.

8.2.3.10. Power resources institutionalised at firm-level

The workers’ power resources should be institutionalised at the firm-level. This means time for trade union activities, funds to finance the training of the union leaders, rights of information and codetermination. In particular, the clause of the labour code regarding *“all matters that may restrict or limit the employer’s right to organise, lead, and manage the firm, and those external to the firm”* should be abolished. Instead, trade unions should be able to negotiate freely without restrictions on how work is organised. As a side effect, unions might have more support.

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Appendices

A.1 Harmonisation of Union density

In order to make trade union density comparable over the period 1960-2018, the following decisions have been taken:

Firstly, trade union membership covers the private sector (U_t^M).¹⁴

Secondly, trade union membership comprises only active membership. Membership in non-active unions (which exist in Chile) is not used in the figures.

Third, union density (UD_t) is defined as follow:

$$UD_t = \frac{U_t^M}{O_t^M} \quad (1)$$

Fourth, figures of total employees in private sector (O_t^M) has been harmonised taking into account ‘census conciliation’.¹⁵

The sources for trade union membership are: [Derto \(1977\)](#), the compilation of [Durán Palma et al. \(2005\)](#), and the Trade Union Yearbooks of the Labour Directorate.

The sources used for the harmonisation for total employees were: [Derto \(1977\)](#), [Díaz et al. \(2016\)](#), the microdata of the Employment and Unemployment Survey (EOD), the microdata of the National Employment Survey (ENE).

An unsolved consistency problem remains with regard to Equation 1. The domestic workers’ trade unions became inter-firm trade unions from 1979 onwards, and therefore part of the private sector, unlike during the 1960-1972 period. The isolation of the membership related to domestic service workers’ is not available for the entire period 1979-2018 but only for two particular years (2015 and 2017).¹⁶ In 2017, when domestic service is excluded from the private sector, the union density rate rises to 22%, that is to say, it rises by 1.2 percentage points (from 20.8% to 22%). As such, if private sector union density rate is compared between 1972 and 2017, the best available estimate (including this correction) would be 42.7% (1972) and 22% (2017), that is to say, a difference of 20.7 percentage points. This is slightly different from when the domestic services effect is not considered (a difference of 21.9 points).

¹⁴In Chile, workers who work in public enterprises are ruled by private labour legislation; therefore, they are considered private sector as well.

¹⁵Since employment figures are based on surveys, they are updated every certain number of years with census results (census conciliation). If this updating is not taken into account, it leads to an inter-temporal mismatch in the long-term time series.

¹⁶For these two years, the CASEN survey provides figures.

A.2 Trade union fragmentation in numbers

For Luis Mesina [union leader, banking industry], “Chile is one of the countries with the largest number of trade unions internationally”. Based on knowledge accumulated over years of trade union life, Luis’ statement is not far from true, especially when controlled for the size of the unionisable workforce. For example, for the year 2018, Chile registered 9,103 unions in the economy’s private sector¹⁷. This result is equivalent to 1.73 unions per 1,000 employees¹⁸. In Japan - an iconic case of trade union fragmentation in comparative studies of core capitalist countries - the number of ‘unit’ labour unions in 2017 was 51,325¹⁹, which, in proportion to the number of Japanese employees, is equivalent to 0.85 unions per 1,000 employees.²⁰

In contrast to Japan and other cases of significant union fragmentation (e.g., Poland), in the case of Chile, the coordination of fragmented trade unions through higher structures is rather exceptional²¹ and the resulting collective bargaining is therefore, as Mesina says, ‘exaggeratedly fragmented’. In the case of Japan, for example, Toyota is one of the companies with the largest number of trade unions. According to information published by the company (www.toyota-global.com), in 2010, there were 306 unions, all of them grouped in a large federation: The Federation of All Toyota Workers’ Unions, which in turn is part of the Japanese Trade Union Confederation (JTUC-RENGO). Toyota’s case illustrates a remarkable feature of the Japanese system “*Labor unions in Japan are largely grouped under national federations and by their ties to political parties*” (Kojima, 2017). In the case of Poland, in 2018, there were 12,500 unions. Of them, 82.6 per cent (10,325) were affiliated to NSZZ Solidarność, OPZZ or FZZ ś and 17.4 per cent (2,175) were not affiliated to these apex organisations (Główny Urząd Statystyczny, 2019). I am grateful to Adam Mrozowski and Jan Czarzasty for the information provided in personal correspondence. Note: 12,500 unions for 13 million employees (Statista, 2017) equals 0.96 unions per 1,000 employees.

¹⁷SIRELA, 2018.

¹⁸Own calculation based on SIRELA and ENE.

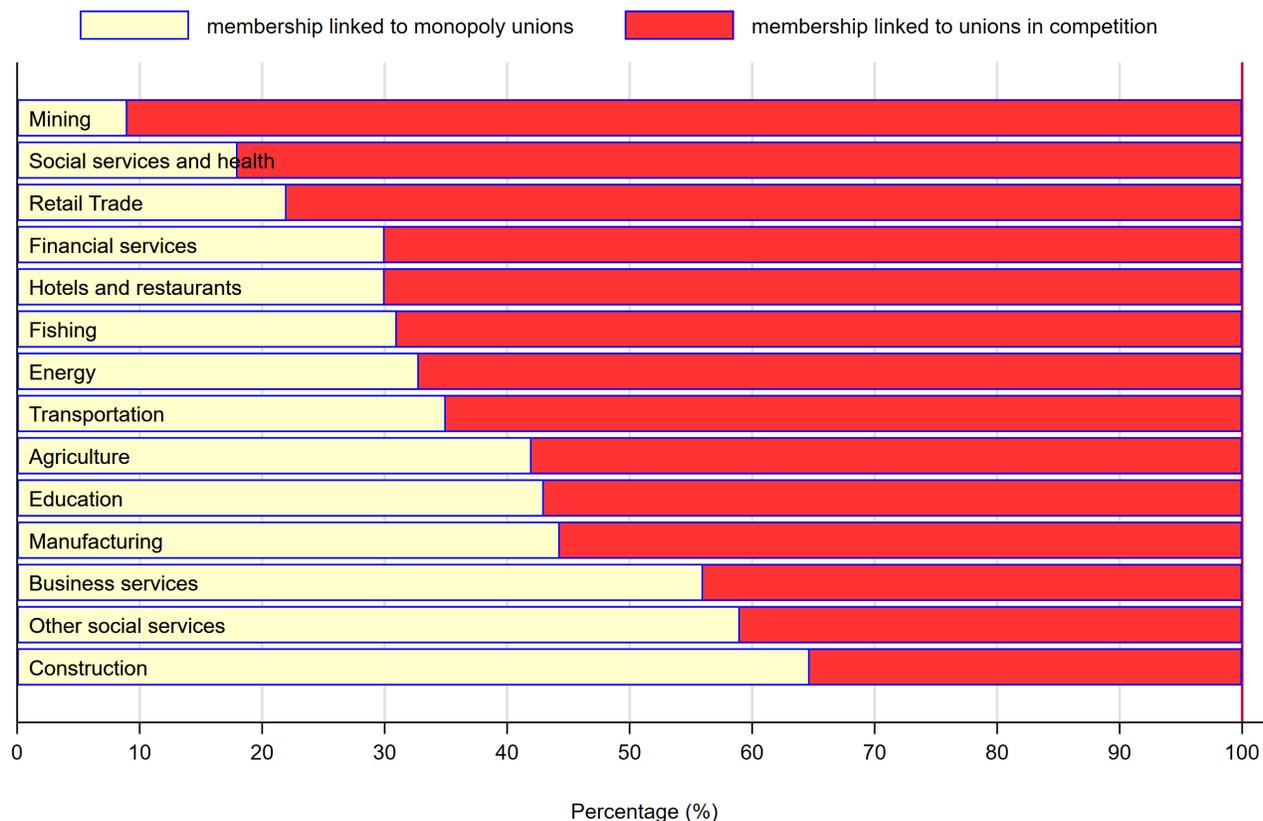
¹⁹Ministry of Health, Labour and Welfare of Japan.

<https://www.mhlw.go.jp/toukei/itiran/roudou/roushi/kiso/19/dl/gaikyou.pdf> (see page 8). In Japan there is the so-called ‘unit union’ and the single union. Unit labour unions are at the base.

²⁰Own calculations based on Statistics Bureau, Ministry of Internal Affairs and Communications Japan. Active link: <http://116.91.128.50/data/nenkan/68nenkan/zuhyou/y681901a00.xls> (retrieved on 14 September 2020)

²¹An example of partial coordination is seen at Walmart, however, at national level, less than 10% of private sector membership is affiliated to the CUT. According to Bárbara Figueroa, in the 2021 general elections to lead the CUT, the number of voters was about 200,000 workers, 48% of whom belonged to the private sector. Source: Facebook Fan Page CUT Chile: “*Asume nuevo Comité Ejecutivo de la CUT*” (retrieved on 03 June 2021).

Figure A1: **Share of total membership by different levels of fragmentation**



Source: SIRELA data-bank processing by the author. Microdata extracted on August 2018, private sector.

The Figure A1 presents the author’s calculations of union fragmentation. This finding is drawn on the SIRELA database (2018). In mining, around 9 out of 10 trade unionists were members of a union that was competing with at least one other union. This means that the probability of seeing more than one union in the same company was very high. This was in contrast to other sectors such as construction where most of the membership was affiliated to non-rival unions. At the national level (not shown in the graph), 70% of the unionised were members of unions established in a fragmented union territory at the firm level. These results are evidence that the majority of union members are exposed to day-to-day inter-union rivalries and related conflicts.

Table A1: **What firm has the highest union membership share**

Sector	What firm?	Share of sectoral membership	N ^o of unions
Agriculture	Agrosuper	30.5%	16
Mining	Codelco	37%	29
Manufacturing	CMPC	> 3%	> 20
Electricity, gas, and water	CGE	17%	23
Retail trade	Cencosud	20.0%	98
Hotels and restaurants	Sodexo	22.5%	24
Transportation	SuBus	6.0%	13
Financial services	Banco Estado	22.9%	9
Education	PUC	5.3%	4
Social services and health	Integra	25.8%	5

Source: SIRELA processing by the author. Microdata extracted on August 2018, private sector.

Table A1 shows a more concrete outlook. It presents an estimation of the multiple trade unions which fragment collective bargaining in the leading companies of each sector. In this case, the leading firm is defined as the firm with the highest share of total union membership in its respective industry or economic sector. For example, in the case of agriculture, the firm Agrosuper holds one third of the members of the sector and is the leading firm. In Agrosuper there were, in 2018, 16 rival unions. In Codelco, the leading firm in mining, there were 29 trade unions. These rival unions (all in the same firm) represented 37% of the union membership in mining. In Cencosud, the leading firm in the retail industry, 98 rival unions were identified. In the state-owned firm Banco Estado, there were 9 unions, which together represented 22.9% of union membership in the banking sector.

A.3 Job instability

The actual duration of employees' contracts can be calculated by processing the administrative records from the unemployment insurance database.

Previous estimates on this matter have been already performed using this database. In early 2019, some scholars showed related figures to underlined their opinions on the mass-media. This was the case of Andrea Repetto from Universidad Adolfo Ibañez (UAI) who pointed out: “... *the half of the workers who have permanent contracts do not reach a year in employment*” (Ibañez, 2019). From the London School of Economics, associate global professor Kirsten Sehnbruch also pointed out: “... *the minimum duration of employment in developed countries, in Chile, is the average* ” (Radio ADN, 2019). Looking back, the study of Gonzalo Reyes, as a member of the institution in charge of the database, was quite comprehensive and was published in November 2005, when the unemployment insurance only had few years under its belt. Reyes (2005) found a short contract duration as well; however, the author put the focus on the methodological problems which for those years the database presented. Reyes argued that due to selection bias and censoring, for those years, the collected data were not representative of the labour market as a whole. This happened when the implementation phase was still running. In 2018, the responsible institution behind the database, the so-called “*Superintendencia de Pensiones*” (Chilean Pensions Supervisor) released three completely robust samples of the database (whereas for many years those data were not publicly accessible).

Table A2 shows the estimates of the mean, the median (p50) and sixty per cent of the distribution of the ‘real’ job tenure of employees (figures of job tenure are shown in months).

Case 1 considers all the formal contracts between October 2002 and March 2018, and it is possible to see that half of all the open-ended contracts (the median) lasted 8 months or fewer. Case 2 considers all the formal contracts between March 2010 and March 2018, and it is possible to see that half of the open-ended contracts lasted 7 months or fewer. Finally, Case 3 considers not all the contract records for each employee but the final one, between October 2002 and March 2018, and it is possible to see that half of all the open-ended contracts lasted 15 months or fewer.

Table A2: **Length in months of individual contracts: permanent and fixed-term.**

National level	Open-ended contracts			Temporary contracts		
	Case 1	Case 2	Case 3	Case 1	Case 2	Case 3
Average	20	16	31	9	6	13
Median	8	7	15	3	3	4
Percentile 60 (p60)	13	12	24	4	4	5

Sources:

Microdata processing by the author (I thank Eduardo Valdebenito Durán for his support in Stata programming). Based on the unemployment insurance database.

Notes:

Case 1./ All contracts between October 2002 and March 2018.

Case 2./ All contracts between March 2010 and March 2018 (last 8 years).

Case 3./ Last contract between October 2002 and March 2018.

A.4 Trade unions by years of life

As regards trade union instability, the SIRELA database allows for its calculation. Since most unions are company-based, their survival depends on members keeping their jobs. If employees face high turnover, the likelihood of union survival is expected to decrease.

Table A3: **Trade unions by years of life**

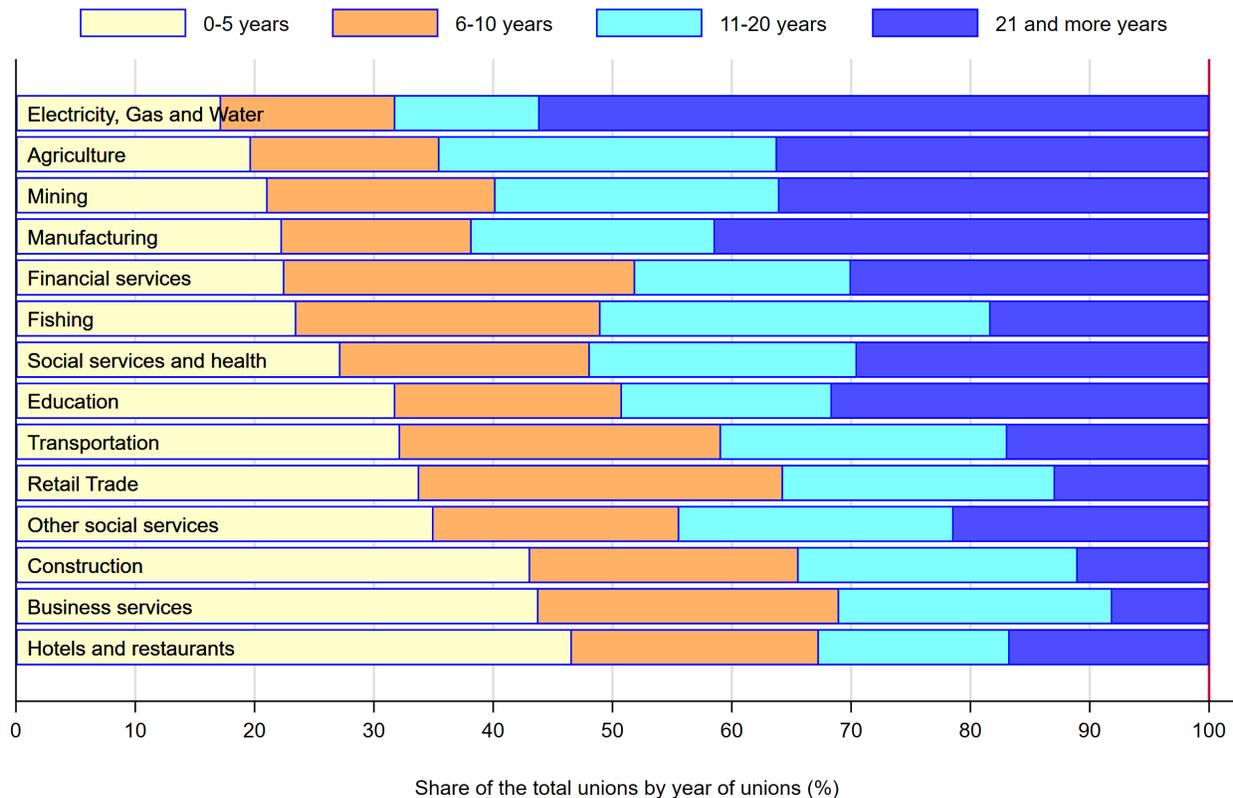
Years	Unions	%T
0 to 5 years	3,184	35.0%
6 to 10 years	1,952	21.4%
11 to 15 years	1,306	14.3%
16 to 20 years	564	6.2%
21 to 30 years	924	10.2%
31 to 40 years	481	5.3%
41 to 50 years	210	2.3%
51 to 60 years	268	2.9%
61 years and more	214	2.4%
Total	9,103	100%

Sources:

Microdata (SIRELA) processing by the author. Microdata extracted on August 2018, private sector.

By industry breakdown, there are marked differences (Figure A2). Electricity, gas, and water with manufacturing are the industries with the oldest unions. In the first case, almost two out of three unions are over 20 years old; in the second, it reaches 42%. In all the remaining industries, young unions dominate. In most of these cases, unions were created after the Asian financial crisis of the late 1990s. In the wholesale and retail trade industry and in construction there are the most short-lived unions. In the first case, two out of three unions are less than 10 years old. In the second case, almost half of unions are less than 5 years old.

Figure A2: **Share of total unions by years of life**

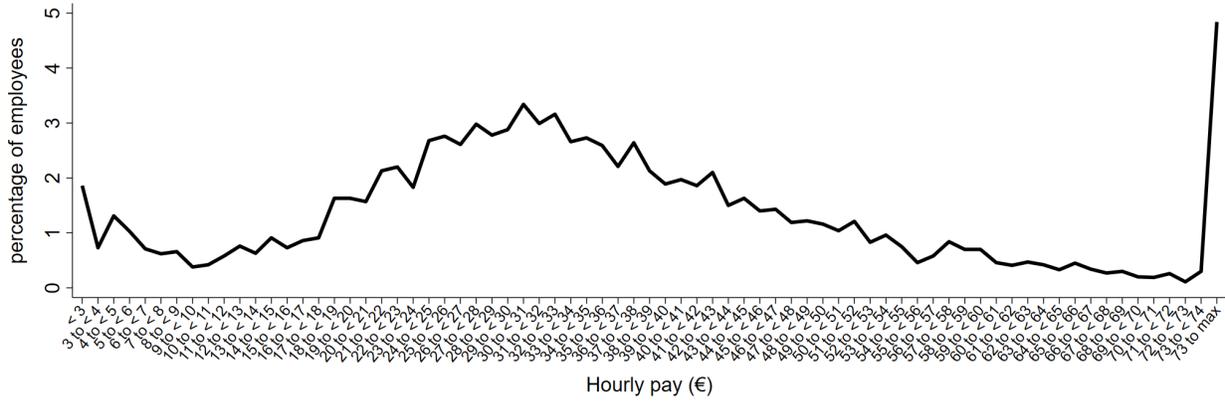


Source: Microdata (SIRELA) processing by the author. Microdata extracted on August 2018, private sector.

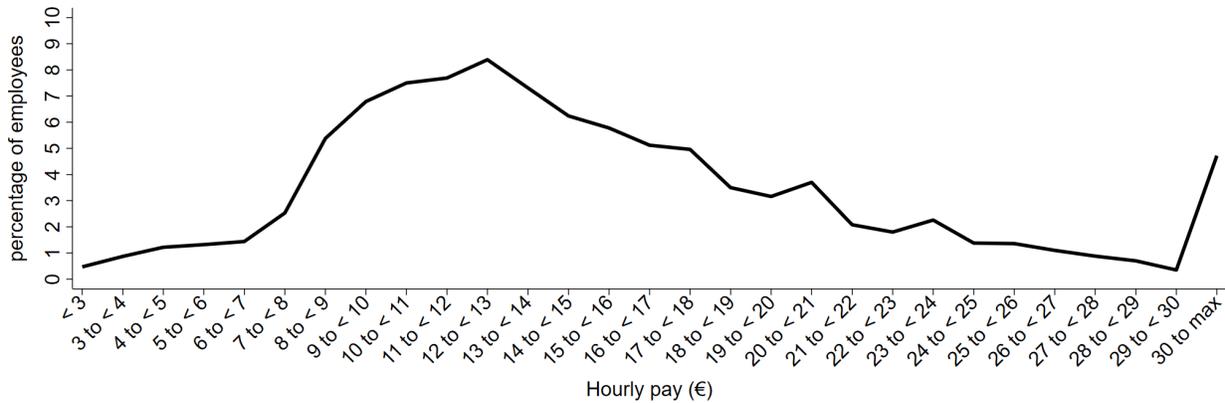
A.5 Wage curves, other examples

Figure A3: Wage curves, other examples

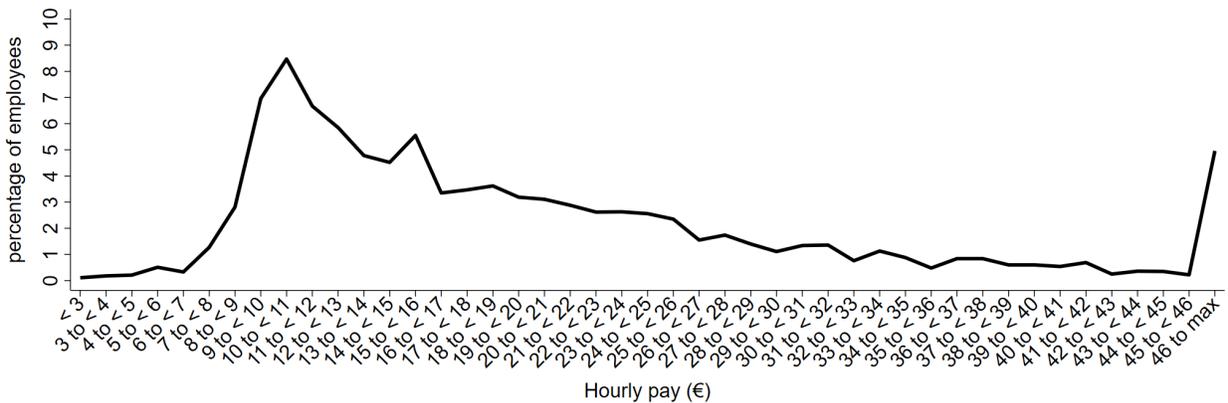
Switzerland 2016



Austria 2016



Ireland 2016



Source: Own elaboration based on the Luxembourg Income Study Database (LIS). In the case of Swiss Franc (CHF) to Euro (EUR) the used exchange rate was the average for 2016: 0.9175 EUR (<https://www.exchangerates.org.uk/>).

A.6 The determinants of the decision to unionise

In firms where there is a union, employees are faced with two choices, either to belong to a union or to stay out. This individual decision of union membership is influenced by many factors, some of them observable in labour force surveys.

The following is an estimation of the determinants of the decision to unionise among Chilean workers based on the CASEN survey.

To calculate the probability of joining a trade union, several variables were taken into account, including: income level, gender, geographical area, age, work experience, a dummy variable to distinguish between part-time and full-time work, a dummy variable to distinguish between permanent and temporary contracts, a dummy variable to distinguish between outsourced and non-outsourced work, economic sector, education level, occupational group, and size of the enterprise.

For the estimation, a probit model, where $Y == 1$ means that the observation is unionised and $Y == 0$ not unionised, was run with information from CASEN 2017, which includes the unionisation variable. Only private sector employees were included in the estimation.

Table A4 presents the researcher's own calculations of the probit estimates for the probability of union membership using CASEN 2017. Four specifications variants were estimated. Model 1 is the base estimation and it can be seen that incomes from work have a positive effect on the likelihood of joining unions but up to a certain point (higher decile incomes groups present less chance than others). Compared with men, being a woman reduces the probability of joining unions. Compared with urban workers, rural ones have less likelihood of joining unions. Full-time workers have a greater probability of joining unions compared with non-full-time workers. Young workers are more likely to join unions, but work experience is also a factor that positively affects joining unions.

As expected, outsourcing work weakens the workers' organisational power resource by limiting people from joining unions (Model 2 in Table A4). The same is true for workers who work in micro and small enterprises (Model 3 in the table). Finally, temporary contracts negatively affect the likelihood of workers' joining unions (Model 4 in the table).

Among the non-shown independent variables (region, ISIC, ISCO, ISCED, marital status, father's and mother's education level, type of work schedule, home ownership), the probit analysis shows that for blue collar workers the unionisation probability is greater than for the white collar worker, *ceteris paribus*.

From the probit results, one can see that institutional factors such as the type of work contract or the existence of outsourcing has an impact in terms of reducing the probability to join unions.

Table A4: **Some determinants of union and collective bargaining marginalisation**

Probit estimates: Dependent variable is the probability of union membership				
	(1)	(2)	(3)	(4)
	dF/dx	dF/dx	dF/dx	dF/dx
LNY	0.0535*** (0.000476)	0.0536*** (0.000476)	0.0472*** (0.000463)	0.0404*** (0.000463)
FEMALE	-0.0380*** (0.000631)	-0.0385*** (0.000631)	-0.0336*** (0.000615)	-0.0336*** (0.000604)
RURAL	-0.0237*** (0.000892)	-0.0245*** (0.000891)	-0.0204*** (0.000881)	-0.0202*** (0.000873)
DECIL ₁₀	-0.00353*** (0.000837)	-0.00417*** (0.000836)	-0.00685*** (0.000814)	-0.00373*** (0.000802)
FULL	0.0173*** (0.00063)	0.0168*** (0.000631)	0.0141*** (0.00062)	0.00528*** (0.000628)
AGE	-0.00472*** (0.000169)	-0.00480*** (0.000169)	-0.00510*** (0.000166)	-0.00543*** (0.000164)
EXP	0.00443*** (0.000164)	0.00450*** (0.000164)	0.00483*** (0.000161)	0.00501*** (0.000159)
OUTS		-0.0228*** (0.000707)	-0.0312*** (0.000676)	-0.0248*** (0.000682)
MSE			-0.102*** (0.000465)	-0.102*** (0.000459)
FIX				-0.0736*** (0.000548)
...
N	2316505	2316505	2316505	2316505
R²	0.1454	0.1456	0.1649	0.175

Sources and acronyms: CASEN 2017 microdata processing by the author. Probit estimates (marginal effects: dF/dx). **LNY:** Natural Logarithm of main working income. **FEMALE:** Sex of workers (females=1). **URBAN:** Geographical zone (urban=1). **DECIL₁₀:** Income decile (10th decile=1). **FULL:** Working time (full time worker=1). **AGE:** Worker's age in years. **EXP:** Worker's experience in years. **OUTS:** Externalisation (outsourced worker=1). **MSE:** Micro and Small Enterprise (micro and small enterprises=1). **FIX:** Type of working contract (temporary contract=1). Other controls as independent variables (...): marital status, type of work schedule (e.g. night shifts), region, ISIC, ISCO, ISCED (education level), father's and mother's education level, home ownership (owned, rented, other).

A.7 Propensity Score Matching Model

In [Galiani and Gasparini \(2012\)](#) notation, the traditional specification of a quasi-experimental model can be expressed as follows:

$$Y_{it} = \alpha + \chi t + \delta T_{it} + \mu_i + \epsilon_{it} \quad (2)$$

In this regression, the dependent variable Y is varies with time and between observations, i.e. it takes the panel syntax. The effect of time is captured in χ . δ is the treatment effect on the dependent variable and μ and ϵ are the errors. T is a dummy variable to mark the treated and untreated observations. Value 1 is assigned for the treated group while 0 for the untreated (or control group).

The treatment group has the following temporal formulation:

$$Y_{i1} = \alpha + \chi + \delta + \mu_i + \epsilon_{i1} \quad (3)$$

while the non-treated takes the form:

$$Y_{i0} = \alpha + \chi + \mu_i + \epsilon_{i0} \quad (4)$$

In the latter case, there is no time formulation for the “before and after”.

To obtain the treatment effect, i.e. the time effect on the treated group, the difference between periods is used. This is also done for the control group. Using [Galiani and Gasparini's](#) notation, the difference between periods for the treated and control groups is:

$$E[\Delta Y_i | \mathbf{T}_i = 1] = \chi + E[\delta | \mathbf{T}_i = 1] + E[\Delta \epsilon_i | \mathbf{T}_i = 1] \quad (5)$$

$$E[\Delta Y_i | \mathbf{T}_i = 0] = \chi + E[\Delta \epsilon_i | \mathbf{T}_i = 0] \quad (6)$$

By differentiating these two expressions, the effect of the differences is obtained, which as [Galiani and Gasparini \(2012\)](#) put it will be:

$$E[\Delta Y_i | \mathbf{T}_i = 1] - E[\Delta Y_i | \mathbf{T}_i = 0] = E[\delta | \mathbf{T}_i = 1] + E[\Delta \epsilon_i | \mathbf{T}_i = 1] - E[\Delta \epsilon_i | \mathbf{T}_i = 0] \quad (7)$$

The result of this double differencing is what is known as the difference-in-difference estimator (DID).

$$\delta^{DID} = E[\Delta Y_i | \mathbf{T}_i = 1] - E[\Delta Y_i | \mathbf{T}_i = 0] = E[\delta | \mathbf{T}_i = 1] = \delta^{ATT} \quad (8)$$

In the case of ‘diff-in-diff’ models, they operate under the fulfilment of certain assumptions, such as the existence of ‘parallel trends’. This assumption means that, in the absence of treatment, the average outcome for the control and treatment groups should exhibit similar trajectories over time (Callaway and Sant’ Anna, 2019). This assumption is difficult to meet in models based on long-term observation periods.

In the present research, the time period spans from 1960 to 2017, so the parallel trend assumption required by diff-in-diff models cannot be met.

Along with the diff-in-diff models, Propensity Score Matching (PSM) is another technique widely used in the literature on causal effects.²²

The PSM was proposed by Rosenbaum and Rubin (1983) and as its name indicates, is based on matching estimators. The matching represents an intuitive method for dealing with causal issues, “*primarily because it pushes the analyst to confront the process of causal exposure as well the limitations of available data*” (Morgan and Harding, 2006, p.4). In the matching method, one “*selects a nontreated control case for each treated case based on the characteristics observed as x_i* ” (Morgan and Harding, 2006, p.6). In the particular case of PSM, there is a randomisation procedure of this matching through the so-called propensity scores.

The propensity score is a conditional probability that indicates the “*propensity that an individual with specific characteristics will be observed in the treatment group*” (Morgan and Winship, 2007, p.75). X being the observed covariates, the propensity score can be expressed as:

$$\mathbf{p}(X) = Pr(\mathbf{T}_i = 1 | X) \quad (9)$$

The PSM generates the matching between control and treatment units that have similar covariates (thus making the groups as similar as possible). This means that in the case that the information from the treatment and control groups is very different, the procedure will not be possible to carry out. Unlike the diff-in-diff models, PSM does not necessarily require panel data in the standard form in order to meet the parallel trend assumption. That

²²I thank Junior Urtecho for his support in the implementation of this model in Stata. The usual caveats apply.

is, it can be operated with a long-term design. This allows for greater flexibility compared to the diff-in-diff model, and is an alternative to the estimation proposed in the present research.

The PSM method can be implemented by following a series of pre-defined steps. [Harris and Horst \(2016\)](#) propose six steps: i) select covariates, ii) select model for creating propensity scores, iii) select a matching method, iv) create matches, v) diagnose matches and vi) estimate effect of the treatment. Steps ii) and iii) need further explanation.

As for step ii), it is usual to work with regression models with limited dependent variables (e.g. logit, probit). The formal specification of the logit model (this research) is:

$$Pr(Y = 1|X) = \frac{1}{1 + e^{-(\beta_0 + \beta_1 x)}} \quad (10)$$

In this regression model the dependent variable is the variable capturing the treatment ($T = 1$ in the notation used in this thesis). As for the independent variables of the logit, they allow the introduction of information on different factors that could be interacting in the estimation of the treatment effect (covariates that were selected in step (i)). This means that, through this stage, the PSM model allows us to controlling for factors other than policy implementation. This point is particularly relevant for long-term specifications, where other variables may influence the outcome variable. This step predicts the probability (for each observation) of participating in the treatment.

In step iii) it is usual to work with the ‘nearest-neighbour’ (NN) method (see, for example, [Szekér and Vathy-Fogarassy, 2020](#)), where the pairing of pairs is between the units that have the most similar selection probabilities. Of course, as the number of controls introduced into the participation probability equation in period $T=1$ increases, the chances of the model converging decrease, i.e. the probability of finding nearest neighbours decreases.

With the estimation of the treatment effect one can see the impact of the treatment on the participants (the treated) and this is called the **ATT** (Average Treatment Effect on Treated) estimator. Thus, following [Harris and Horst \(2016\)](#), “*to evaluate ATT, differences between matched groups are examined on the outcome measure*” ([Harris and Horst, 2016](#), p.7). It is an average because it takes the differences at the unit level.

Formally, the ATT estimator can be expressed as ([Li, 2013](#)):

$$ATT = E[Y_{1i}|\mathbf{T}_i = 1] - E[Y_{0i}|\mathbf{T}_i = 1] \quad (11)$$

In the above equation, $T = 1$, comes from the fact that one is evaluating the difference in the outcomes of the treated units.

A.8 List of interviewees in Germany and Uruguay

Table A5: List of interviewees in Germany and Uruguay

a) Scholars and union leaders, German case

N	Date	Sex	Interviewed	Min.	Position
1	16.12.21	M	Expert 1	75	Economist at an industry-level union
2	20.11.17	F	Expert 2	116	Researcher at IAQ, Universität Duisburg-Essen
3	22.11.17	M	Expert 3	70	Professor at Universität zu Köln
4	20.08.18	F	Expert 4	44	Researcher at IAQ, Universität Duisburg-Essen
5	03.09.18	M	Expert 5	53	Researcher at IAQ, Universität Duisburg-Essen
6	18.12.17	M	Prof. Dr Thomas Haipeter	43	Professor at Universität Duisburg-Essen
7	25.09.18	M	Dr Reinhard Bispinck	69	Former chief of WSI Tarifarchiv
8	27.11.18	M	Prof. Dr Berndt Keller	55	Professor at Universität Konstanz
9	17.01.19	M	Dr Steffen Lehdorff	115	Researcher at IAQ, Universität Duisburg-Essen
10	16.11.21	F	Alix Arnold	60	Former shop steward Deutsche Post
11	21.01.22	F	Katharina Grabietz	35	IG Metall trade union official

Min.: Duration of the interview (in minutes). (*) Interview by Skype. (**) Personal correspondence.

b) Union leaders, Uruguayan case

N	Date	Sex	Interviewed	Min.	Organisation	Industry
1	21.01.20	M	Rubén Hernández (*)	71	FUTTVA	Television
2	21.01.20	F	Flor de Lis Feijoo (**)	128	Sindicato Unico de la Aguja	Textile
3	22.01.20	M	Martín Ford	120	AEBU	Financial Services
4	22.01.20	M	Carlos Clavijo	85	UNTMRA	Metal
5	23.01.20	M	José Iglesias	91	AEBU	Financial Services
6	24.01.20	M	Gonzalo Castelgrande	160	AUTE	Energy
7	24.01.20	M	Fabio Riverón	104	FUECYS	Commerce and Services
8	27.01.20	F	Laura Alberti	63	SUNCA	Construction
9	28.01.20	M	Carlos Sosa (***)	126	FFOSE	Water

Date: Date of the interview.

Min.: Duration of the interview (in minutes).

Acronyms in original Spanish and free translation in parenthesis:

- FUTTVA: *Federación Uruguaya de Trabajadores de la Televisión y Afines* (Uruguayan Federation of Television Workers)
 - AEBU: *Asociación de Bancarios del Uruguay* (the Association of Bank Employees of Uruguay)
 - UNTMRA: *Unión Nacional de Trabajadores Metalúrgicos y Ramas Anexas* (National Union of Metallurgical Workers)
 - AUTE: *Sindicato de trabajadores de energía eléctrica* (National Union of Electric Energy Workers)
 - FUECYS: *Federación Uruguaya de Empleados de Comercio y Servicios* (Federation of Trade and Services Employees)
 - SUNCA: *Sindicato Único Nacional de la Construcción y Anexos* (the Single National Construction Union)
 - FFOSE: *Federación de Funcionarios de Obras Sanitarias del Estado* (Federation of Workers of the State's Company of Water)
- (*) accompanied by Fernando Degaudio; (**) accompanied by Ricardo Moreira; (***) accompanied by Carmen Sosa.

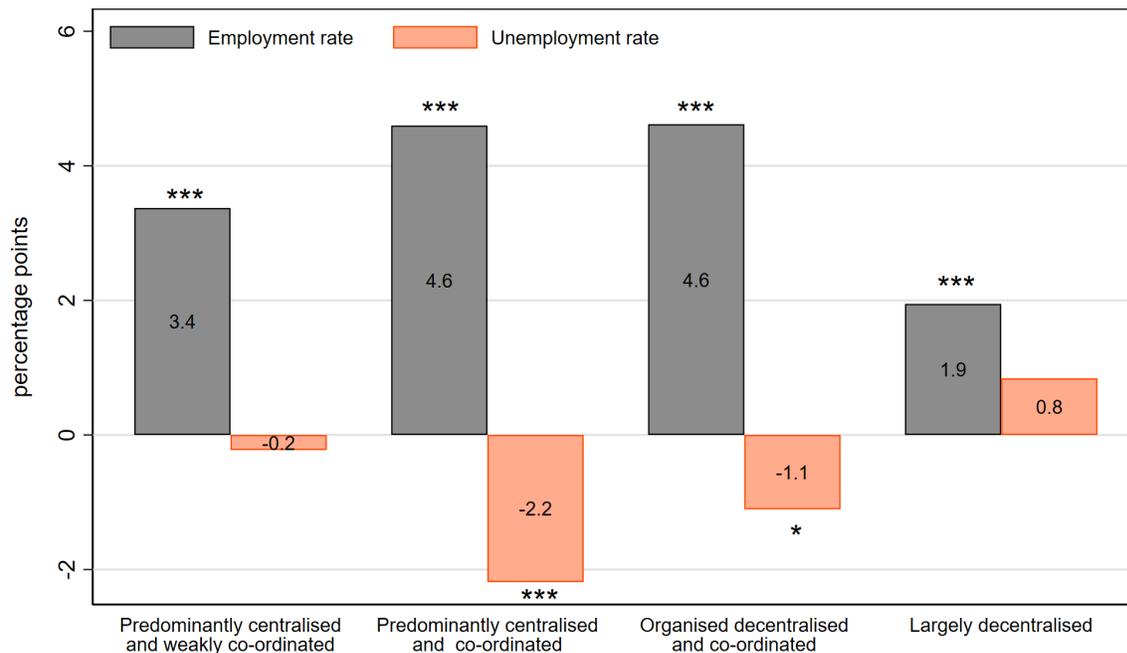
c) Scholars, Uruguayan case

N	Date	Sex	Interviewed	Min.	Position
1	28.10.17	M	Dr Jacobo Velasco (*)	65	Economist at ILO
2	14.11.17	M	Dr Fernando Delgado (**)	-	Professor at Universidad de la República
3	22.01.20	M	Dr Hugo Barretto	51	Professor at Universidad de la República
4	23.01.20	M	Dr Juan Raso	60	Professor at Universidad de la República
5	29.01.20	M	Hugo Bai	59	Economist at PIT-CNT (Cuesta Duarte)

Min.: Duration of the interview (in minutes). (*) Interview by Skype. (**) Personal correspondence.

A.9 Collective bargaining systems and employment outcomes

Figure A4: **Collective bargaining systems and employment outcomes**
Difference in percentage points with respect to fully decentralised systems



Legend: ***, **, *: statistically significant at the 1, 5 or 10% level, respectively. Results are based on Ordinary Least Squares (OLS) regressions including country and year dummies, collective bargaining coverage, log of average years of education, female employment share and institutional variables: tax wedge, product market regulation, employment protection legislation (both temporary and permanent), ratio of minimum wage to median wage and gross unemployment benefit replacement rate.

Source: OECD estimates. OECD Employment Outlook 2018: p.84

A.10 Basic indicators for collective bargaining

Table A6: List of basic indicators for national level (macro socio-economic development) collective bargaining in Chile

Group	Obs.	Indicator	Source
Macroeconomic indicators		Real GDP growth, past and present	CBCh
		Real GDP growth, projections	CBCh
		GNI and its key components: Gross operating surplus, mixed income and Compensation of employees	CBCh
	*	Rate of Surplus Value	CBCh
	*	Rate of Profit	CBCh
		Average labour productivity	CBCh
		Consumer price index	INE
		Investments in physical capital	CBCh
		Investment in human capital (initial and further training)	Sence
		Exports and imports (overall)	CBCh
	*	Price of main raw materials (i.e., copper)	CBCh
	*	Exchange rate (nominal and real)	CBCh
Labour market indicators		Employment and working time	INE
		Unemployment	INE
	*	Job turnover	SC
		Involuntary underemployment	INE
	*	Professional underemployment	INE
	*	Incidence of the outsourced employment	INE
		Average monthly wages, average wage per hour worked, real wage growth.	INE
	*	Median monthly wages, median wage per hour worked, real wage growth.	INE
	*	Low-paid worker incidence	INE
	*	Incidence of labour costs	SII
Quality of life indicators		Accidents at work	Suseso
		Disposable household income (nominal and real)	CASEN
	*	Household income from work (nominal and real)	CASEN
	*	Poverty and income inequality (including Gini coefficient, ratios, top incomes)	CASEN
	*	Indebtness (household)	CBCh
	*	Incidence of retirement-age population in work	INE
	*	Average monthly pensions	SP
*	Median monthly pensions	SP	

Legend: Obs. = Not included in Bosch and Kupets (2021). CBCh: Central Bank of Chile; INE: National Institute of Statistics; Sence: National Service for Training; Suseso: Superintendence of Social Security; SC: Unemployment insurance database, SP: Superintendency of Pensions.

Note: In the case of the labour market indicators the following breakdowns are considered: gender, education, region and by age.

Table A7: List of basic indicators for industry level collective bargaining in Chile

Group	Obs.	Indicator	Source
Economic indicators in a given sector		Growth of the gross values added and turnover in the sector and the main subsectors	CBCh
		Profitability (gross profit margin, EBITDA, etc)	DF, Estrategia
	*	Stock market index in a given sector	TBC
		Labour productivity	CBCh
		Industrial producer price index	INE
		Investments in physical capital	TBC
		Investment in human capital (initial and further training)	TBC
		Exports and imports	CBCh
Expectations (see note)		Expected changes in output and orders (total demand, export demand)	TBC
		Key factors that limit business activity in a given sector	TBC
		Expected changes in prices	TBC
		Expected changes in employment	TBC
Labour market indicators		Employment and working time	INE
	*	Involuntary underemployment	INE
	*	Professional underemployment	INE
	*	Incidence of the outsourced employment	INE
		Average monthly wages, average wage per hour worked, real wage growth.	CASEN
	*	Median monthly wages, median wage per hour worked, real wage growth.	CASEN
	*	Low-paid worker incidence	INE
	*	Incidence of labour costs	SII
		Accidents at work	Suseso

Legend: Obs. = Not included in Bosch and Kupets (2021). CBCh: Central Bank of Chile; INE: National Institute of Statistics; Sence: National Service for Training; TBC: To be confirmed; Suseso: Superintendence of Social Security; SII: Internal Revenue Service.

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