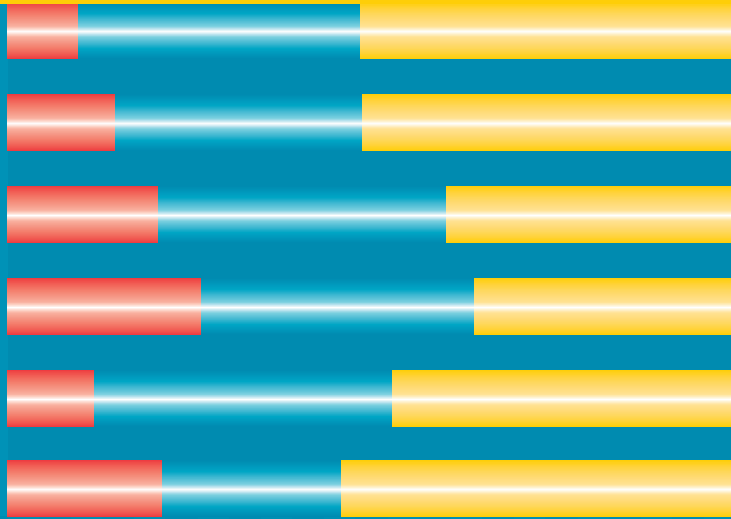


Local bargaining: a matter of necessity and trust

– studies of actual practice



Akava – EK – KiT – KT – SAK – STTK – VTML

Finnish Work Environment Fund

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To the reader

The Finnish collective bargaining system has traditionally been characterized by centralised incomes policy agreements complemented by collective bargaining at sectoral level. The third level of collective bargaining has been local agreements at workplaces for the past 60 years. The number of issues negotiable at local and workplace level has increased all the time since early 1990's.

During the past decade, the Finnish social partners have been active in collecting experience on local bargaining practices and attitudes towards local bargaining. At the instigation of the Finnish labour market organisations, the University of Turku has studied the progress of local bargaining on several occasions. This booklet is a summary of the main findings of the latest research project launched by the national social partners in the last incomes policy agreement for the period 2005 to 2007. The earlier studies on local bargaining in the private and local government sectors were published in 1992 and in 2000. The first survey of the central government sector was made in autumn 2007.

Nowadays local and workplace bargaining is increasingly concerned with pay and remuneration. The main subject of local bargaining nowadays is still flexible working hours, and the most successful examples of such bargaining have come about in this area. Local bargaining is a tool for managing change based on the needs, mutual

trust and interests of the parties involved, a Finnish form of flexicurity.

Reciprocity and trust are the key elements of local bargaining. There can be no effective negotiations between management and staff at a workplace unless the two sides trust one another.

Local bargaining based on trust and respect can benefit both the employer and the staff. Studies have shown that the best outcomes are achieved when the parties understand that they are bargaining on an equal footing.

Local bargaining is not an end in itself. Bargaining at the workplace is based on needs, and agreement is not mandatory. Many workplaces are content to apply the framework provided by legislation and national collective agreements, and feel no need to seek more detailed modifications for local conditions.

Some workplaces simply have no desire for local bargaining, while elsewhere it may have little prospect of success, either because of a lack of trust or owing to a conflict of outlook between the representatives of management and staff.

Over the last fifteen years the employers have been seeking to enlarge the scope for settling matters locally. Most staff representatives consider that current bargaining arrangements are adequate, while some would even be willing to allow more opportunities for bargaining. How-

ever, it remains a little more common for staff representatives to favour restricted local bargaining.

This booklet sheds some light on developments in local bargaining over the last decade. It is based on a broad and practical understanding of what is meant by local bargaining. Experiences in workplaces and the prospects and conditions for developing local bargaining are described in a summary of research findings.

The steering group for the University of Turku research project comprised representatives from the Confederation of Unions for Professional and Managerial Staff in Fin-

land (Akava), Confederation of Unions for Professional and Managerial Staff in Finland (EK), Commission for Church Employers (KiT), Commission for Local Authority Employers (KT), Central Organisation of Finnish Trade Unions (SAK), The Finnish Confederation of Professionals (STTK) and Office for the Government as Employer (VTML).

This research summary was written by Leena Seretin and the English translation was done in cooperation with Daryl Taylor.

Terms of reference of the study:

- An investigation of local bargaining was agreed when concluding the national incomes policy agreement for the period 2005 to 2007.
- The study was financed by the Finnish Work Environment Fund, the Ministry of Employment and the Economy (formerly the Ministry of Labour), the State Occupational Safety and Health Fund and the national labour market confederations of Finland.
- The study was conducted by a labour law research team of the University of Turku.
- The research materials consisted of a questionnaire sent to specialists in labour market organisations, a private sector questionnaire (1221 responses), interviews conducted at nine workplaces, a local government sector questionnaire (297 responses) and a central government sector questionnaire (192 responses).
- The research materials were collated for 2006 and 2007.

Local wage bargaining

Remuneration is increasingly negotiated at workplace level. More than half of all private sector workplaces now apply the local bargaining procedures of collective agreements when settling the grounds for pay rates, bonuses, compensation, supplements, assessment of job requirements or the distribution of local wage elements specified in a national collective agreement.

While productivity rewards were settled locally at about 40 per cent of private sector workplaces a decade ago, this proportion had risen to 60 per cent by 2006.

Local bargaining of various forms of compensation, personal pay supplements and job requirement evaluations based on the national collective agreement has also increased over the last ten years.

The overall impact of local wage bargaining on rates of pay appears to be either neutral or positive, and only very rarely does it reduce the standard of employee benefits, as occasionally occurred in the early recession years of the 1990s.

The main topics of local bargaining in 1998 included time off in lieu of holiday bonus and other aspects of working hours. Remuneration was only the third most common matter for local negotiators.

Remuneration has also been an important topic of local bargaining in the local government sector. Well over half of all workplaces have agreed on implementation procedures for a remuneration system based on job requirements, and on the use of a local organisation allowance under a national collective agreement.

The principal topics of local bargaining in the central government sector have been various aspects of adopting and enhancing a new wage system, including details of evaluation systems for appraising job requirement and personal performance.

Employers report broadly positive experiences of local bargaining on matters of remuneration, and employee representatives also feel that such negotiations are more favourable than unfavourable. The views of employers in the central government

sector are slightly more positive than those of private and local government sector employers in this respect, while staff representatives in the central government sector are slightly less content with their experience of local bargaining than employee representatives in other sectors.

The payroll clerks would have their work cut out if we applied the national collective agreement to the letter. We think it's smarter to agree on some equitable remuneration practice that avoids a lot of bureaucracy.

Employer representative in a property company.

We have agreed on an in-house incentive scheme that is 75 per cent efficiency, 15 per cent quality and 10 per cent tidiness. We also pay an hourly responsibility bonus.

Employee representative in retail trading.

Percentage of workplaces and local authority districts reaching new local settlements with improved or impaired remuneration (1998/1999 and 2006)

	Remuneration improved		Remuneration impaired	
	1998/1999	2006	1998/1999	2006
Private sector workplaces *	41	55	7	2
Local and joint authorities **	22	56	19	-

*Workplace-specific figures, **Responses of employer representatives

If your organisation has reached local agreements on remuneration, then what are the experiences of such agreements for the party that you represent?

Responses of staff representatives (%)					
	Almost entirely positive	More positive than negative	Equally positive and negative	More negative than positive	Almost entirely negative
Private sector	19	51	22	8	0
Local government	24	56	16	4	0
Central government	13	70	18	0	0

If your organisation has reached local agreements on remuneration, then what are the experiences of such agreements for the party that you represent?

Responses of staff representatives (%)					
	Almost entirely positive	More positive than negative	Equally positive and negative	More negative than positive	Almost entirely negative
Private sector	15	48	23	10	4
Local government	15	48	20	14	3
Central government	5	41	31	21	1

Local bargaining on flexible working hours

Working time is the most common subject of local bargaining. As in previous years, it remains normal to negotiate working hours, breaks, annual holidays and time off at workplaces. These negotiations often concern flexible working hours in industries where this can be arranged. Working time banks have been agreed at one fifth of all workplaces. Bargaining of working hours is generally considered to be easier than wage negotiations.

Experiences of local working hours bargaining in the central government, local government and private sectors have largely been positive in the opinion of both employers and employees.

Flexible working hours improve amenity in arranging work. They enable staff to plan their days more flexibly, which improves motivation at work.

Salaried employee representative in a chemical industry company.

Flexitime is definitely a good thing. It allows give and take on both sides.

Employer representative in an insurance company.

Single parents can avoid shift work while the child is at primary school. You won't find that in any formal agreement, but it's a custom and practice that has formed over the years.

Employee representative in retail trading.

**If your organisation has reached local agreements on working hours,
then what are the experiences of such agreements for the party that you represent? (%)**

Arrangements on working hours			
	Local government	Central government	Private sector
Flexible working hours	49	78	60
Time off in lieu of holiday bonus	46	55	35
Averaging period for regular working hours	34	46	30
Personal leave	5	38	49
Standby time and compensation	34	38	-
Scheduling of regular working hours	25	45	51
Time off in lieu of certain working hours	13	42	45
Working time bank	10	32	24
Distance working, mobile work	10	46	23

Employer representatives (%)

If your organisation has reached local agreements on working hours, then what are the experiences of such agreements for the party that you represent?

Responses of employer representatives (%)

	Almost entirely positive	More positive than negative	Equally positive and negative	More negative than positive	Almost entirely negative
Private sector	25	58	16	1	0
Local government	24	58	16	2	0
Central government	33	53	14	0	0

Employee representatives (%)

If your organisation has reached local agreements on working hours, then what are the experiences of such agreements for the party that you represent?

Responses of staff representatives (%)

	Almost entirely positive	More positive than negative	Equally positive and negative	More negative than positive	Almost entirely negative
Private sector	21	52	20	6	1
Local government	13	49	27	9	2
Central government	19	60	17	4	1

Whose opinion matters?

Staff and employer representatives have widely varying views of how far they can influence the outcome of local bargaining. Only a small proportion of staff representatives feel that their views carry a lot of weight when agreements are made. Nearly half of them consider that they have a fairly substantial say in matters of remuneration and working hours, but only a quarter feel that they can affect the status and job descriptions of staff.

A majority of employer representatives consider that they can exert fairly or very substantial influence in local bargaining.

Most staff representatives understand local bargaining as an activity that takes place on the employer's terms, but in which the views of staff are taken into consideration.

Although management is always entitled to reassign employees between units, we arrange consultation on such matters. It's not our style merely to order workers to move from one site to another at a moment's notice.

Employer representative in a property company.

Transfers are discussed between employees and supervisors, and at shop steward meetings. Assigned employees have always retained their previous benefits in full.

Employee representative in an energy company.

Varying experiences of equal status

Employers and employees report differing experiences of equality. About one third of staff representatives feel that local bargaining parties meet one another on a sufficiently equal footing. Most employer representatives consider that equality is achieved in local bargaining.

About half of all employer representatives and just under one third of staff representatives regard local bargaining as unfettered negotiation with a view to a meeting of minds.

These views of equal treatment have not really changed over the last decade. Staff representatives in the public sector, and especially in local government, find local bargaining more equitable than their counterparts in the private sector.

Is the status of local bargaining parties sufficiently equitable? Views in the private and local government sectors in 1998/1999 and 2006 and in the central government sector in 2007 (%).

	Employer representatives		Employee representatives	
	1998/1999	2006	1998/1999	2006
Private sector				
Yes	84	79	35	31
I don't know	10	14	32	17
No	6	7	44	52
Local government				
Yes	80	86	36	46
I don't know	13	8	16	10
No	7	6	48	44
Central government				
		2007		2007
Yes		83		37
I don't know		15		9
No		2		54

Was the party that you represent sufficiently well informed in local bargaining? (%)

Employer representatives	Yes	I don't know	No
Private sector	90	6	4
Local government	92	6	2
Central government	87	8	6
Employee representatives			
Private sector	53	20	28
Local government	66	13	21
Central government	56	14	30

Perceived rise in productivity

Successful outcomes on many issues are achieved by local bargaining. Three out of four employer representatives in all sectors hold that bargaining at workplace level leads to improved productivity, operational flexibility and profitability.

Employers feel that local bargaining is increasingly beneficial for terms and conditions of employment, job satisfaction and relations between staff groups.

Even though the opinions of staff representatives on the effectiveness of local bargaining are less clear-cut than those of employers, they do find that local bargaining has a favourable impact on productivity, terms and conditions of service, and the tone of staff-employer relations.

Frank discussion is the cornerstone of effective local bargaining. Elected representatives have to know the objectives and strategy of the company. There is obviously nothing worse than calling a strike without so much as discussing the matter.

Senior salaried employee representative in an engineering sector company.

The best practice is to begin discussions at the earliest possible stage and get everybody around the table. There is often more wisdom on the ground than behind a desk. We should draw on that wisdom.

Employer representative in a property company.

Local bargaining benefits the employer (%)

Employer representatives	I agree	I don't know	I disagree
Private sector	87	10	3
Local government	60	32	8
Central government	77	19	4

Employee representatives	I agree	I don't know	I disagree
Private sector	88	11	1
Local government	73	23	4
Central government	78	22	1

Local bargaining benefits the staff (%)

Employer representatives	I agree	I don't know	I disagree
Private sector	89	9	2
Local government	73	27	0
Central government	81	17	2

Employee representatives	I agree	I don't know	I disagree
Private sector	62	19	19
Local government	51	27	23
Central government	48	27	25

Good practices - study findings

- good personal relations and mutual trust between employer and employee representatives
- regular contact between employer and employee representatives, e.g. regular shop steward meetings and a principle of ongoing bargaining
- frank discussion with and between staff representatives affected by the matter, both pro-actively and when settling conflicts
- general inclusion of staff in policymaking, use of employee expertise in practical operations
- bargaining methods that are clear to both parties
- impartiality between staff groups and a level playing field

Bad practices - study findings

- no communication channels, action taken without consultation
- inadequate recording of agreements
- one-sided decisions taken in advance
- pro forma bargaining

Paths to improvement

Although most employee representatives feel that there are already enough opportunities for local bargaining, one third consider that some further opportunities of this kind would be desirable. Most employers would welcome some degree of enlargement in prospects for local bargaining.

There has been little change in this distribution of views over the last decade.

The University of Turku research team offered various suggestions for improving local bargaining, including:

- avoiding radical change, because the impressions of current arrangements are mainly positive
- local bargaining is productive when it is based on collective agreements
- trade unions and employer federations could provide and develop tried and tested agreement formats as examples of good practice
- the legal effects of local agreements should be clarified
- the scope of shop steward representation should be investigated

I think the current opportunities for local bargaining with the framework of ancillary agreements concluded by the unions are adequate.

Employee representative in an engineering sector company.

The employers' federation would like to see more matters agreed locally.

Employer representative in a trading company.

Attitudes to an extended scope for local bargaining (%)

	Employer representatives		Employee representatives	
	1998/1999	2006	1998/1999	2006
Private sector				
There should be much greater scope for local bargaining	27	23	5	5
There should be some additional scope for local bargaining	51	50	27	30
Current arrangements are appropriate	21	25	58	53
The scope for local bargaining should be reduced	1	1	9	11
Local government				
There should be much greater scope for local bargaining	9	3	3	5
There should be some additional scope for local bargaining	25	18	20	30
Current arrangements are appropriate	63	77	53	37
The scope for local bargaining should be reduced	3	2	24	28
Central government				
		2007		2007
There should be much greater scope for local bargaining		4		11
There should be some additional scope for local bargaining		53		36
Current arrangements are appropriate		44		40
The scope for local bargaining should be reduced		0		12

Positive experiences of local bargaining

- local conditions and the needs of employees can be taken into account facilitating the settlement of local problems
- it improves flexibility and efficiency
- it reduces problematic situations and helps to maintain industrial peace
- experience and views of employees can be better taken into account
- employees can be activated in such matters as wage bargaining
- it accelerates transactions and fosters a workplace community

Negative aspects of local bargaining

- costs and bureaucracy may increase
- conflicts between staff groups may increase
- bargaining parties will not necessarily be of equal status, and there may be disparities in capacity for preparation and information gathering
- negotiators may not be the people who eventually conclude the agreement, with potential problems in applying the agreement
- bureaucracy may obstruct genuine local bargaining in large workplaces
- parties may have differing notions of what constitutes an agreement
- there are no sanctions for failing to comply with agreements

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