Chapter 11

Collective Bargaining

What the Chapter Covers

This chapter deals with collective bargaining and pay determination. The material is presented in the following order:

- a definition of collective bargaining is given, together with an explanation of its main purposes and functions
- an brief explanation of objectives and outcomes for the parties to a collective bargaining relationship are given
- a framework to evaluate collective bargaining is also provided in the chapter; namely that of bargaining level, unit, scope and form
- recent trends on the extent, coverage and variation in collective bargaining arrangements
- the important matter of pay determination is then considered, reviewing the shift from collective to individual-type wage payment systems used by many organisations
- the utility of some of these incentive-based payment systems is evaluated
- and finally, the legal implications of collective bargaining are considered

There are four themes running through the chapter:

1. That collective bargaining is indicative of a particular type of relationship between an organisation and its employees; that is, one in which employees speak with a single (collective) voice
2. The purpose of collective bargaining is to produce agreements which, for the foreseeable future at least, specify the details of the relationship for managers and employees/unions. Thus the purpose and outcomes of collective bargaining is an important theme
3. Since most people associate collective bargaining with its economic purpose and the setting of pay rates, the chapter considers collective and non-collective processes of pay determination, specifically more recent developments in the area of incentive-based remuneration
4. Because the conduct of collective bargaining has attracted the attention of governments, there are important legal implications associated with collective agreements (i.e. the contract of employment and statutory trade union recognition).
New Concepts Introduced in Chapter

Bargaining form: the way that collective agreements are recorded, whether formally or informally.

Bargaining scope: the range of topics or issues which are the subject of negotiation for a given bargaining unit.

Bargaining unit: the group employees on whose behalf a collective agreement is negotiated

Collective bargaining coverage: the proportion of employees in the economy as a whole whose pay is influenced by collective bargaining.

Collective bargaining: a process in which the representatives of recognised trade unions and employers negotiate, consult and communicate to agree the procedural and substantive terms and conditions of employment.

Competency-related pay: pay is set at a level, either in whole or in part, according to a level of competence exhibited in carrying out certain job task.

Custom and practice: unwritten and informal workplace rules that regulate work and employment, which eventually become incorporated (implicitly) into the contract of employment.

Decision-making function (collective bargaining): analogous to a system of industrial democracy, in which employees, through their representatives, participate in decisions that affect their interests.

Dispute of interest: a disagreement over the contents of a collective agreement, such as pay, pension entitlements or hours of work.

Dispute of right: a disagreement over the interpretation of a collective agreement, such as the frequency of meetings for a negotiating committee or the facilities afforded to shop stewards to carry out their duties.

Donovan Commission: a Royal Commission (1965-1968) to review and make recommendations on the relations between trade unions and employers associations in Great Britain.

Economic function (collective bargaining): sets the price at which labour power is bought and sold.

Employee share ownership plans: these schemes provide the opportunity for employees to either purchase company shares through a dedicated company savings scheme, or receive a certain number of free shares each year as part of the salary package.

Frontiers of control: a concept that describes the boundaries of either party’s freedom of action to negotiate and bargaining over certain issues.
Gainsharing: a group-based incentive payment scheme that links employee effort to productivity improvements and/or cost savings made by a defined group or team of employees in an organisation.

Government function (collective bargaining): establishes a set of rules or a constitution which becomes the foundation for an ongoing relationship between management and employees.

Incentive payment system: a system in which employee pay, either in whole or in part, is comprised of different monetary amounts determined by management evaluations of individual or workgroup performance.

Individual Performance-Related Pay (IPRP): a payment system designed to reward employees based on an evaluation of their whole job performance.

Joint regulation: the agreement of substantive and procedural rules between employers and employee representatives, the authorship of which can be attributed equally to both parties.

Level of bargaining: the level at which bargaining normally takes place, which can exist at up to four levels: national, organisational, plant and workplace levels.

Multi-employer bargaining: an arrangement in which bargaining takes place between one or more trade unions and an employers’ association for a whole industry, with the terms of the agreement covering the majority of firms (or employee groups) in that industry.

Payment by results: a payment system in which employee pay is based on output and effort.

Procedural rules: the terms of a collective agreement that refers to the mechanisms to adjust substantive rules, such as when negotiations are conducted, and by whom.

Profit-related pay: a scheme in which part of an employees’ salary is based on company profits.

Reward system: the total of pay and non-pecuniary rewards that make up an employee’s remuneration package.

Single-table bargaining: an arrangement in which a single employer negotiates with a number of different trade unions recognised for the purpose of bargaining in the same organisation.

Single-union agreements: an arrangement in which an employer recognises just one trade union for the purpose of collective bargaining, for all the different categories of workers in the employing organisation.

Skill-related pay: allocates a proportion of an employees’ pay according to acquired skills and job qualifications.

Substantive rules: the terms of a collective agreement that refers to the exchange of effort for reward, for example, pay and hours of work.
Teaching Materials in Textbook

Pause for Reflection Exercises: Hints for Completing

Exercise on page 330: Economic and/or social purpose of collective bargaining
Start by thinking about the sort of things that collective bargaining brings to the employment relationship. Some of these things are more than a matter of economics.

Exercise on page 337: Formal and informal forms of bargaining
In answering this, you might want to consider the possible impact on the employment relationship of informal and/or formalised bargaining arrangements. Are these likely to influence a level of trust, for example?

Exercise on page 347: The case for and against legally binding collective agreements
It is often assumed that collective agreements are already legally-binding. However, they are not. The key here is to be able to articulate the arguments both for and against legal enforceability.

Critical Discussion Questions: Hints for Completing

Critical Discussion Question, p334: ‘is collective bargaining a thing of the past’
The discussion is more than recapping that collective bargaining has declined or the factors explaining its decline. Where it does exist, is it useful for the parties? Maybe employees denied collective bargaining representation may benefit if they had it?

Exercise on page 334: individual incentive wage payment scheme failure
You should relate any general type of problems with individual incentive payments to how these actually operate in practice.

Exhibits
None

Case Studies
There are two case studies in the Chapter. Case 11.1 is about different bargaining arrangements. Real World Case Study 11.2 considers multiple forms of wage payment systems, mixing union and non-union approaches in the same organisation.

There is also a supplementary case study (11.3) provided next.
Supplementary Case
Case study 11.3 is supplementary to chapter 11 and should take about 30 minutes to complete. This is best done before a tutorial class in which the case may be discussed.

CASE 11.3: HIGH TECH GAS AND FUELS LTD
High Tech Gas and Fuels was established after the privatisation of the gas industry. The company operates on a national basis with several depots in all major cities and regions of the UK. It maintains and services gas appliances in domestic, commercial and industrial premises, and is the main contract supplier for most of the new private domestic gas supply companies as well as a few industrial customers. The company employs 680 people nationally, of which around 600 are technical engineers. There is a union recognition agreement with UNITE, who negotiate national pay rates. Other procedural and substantive issues are dealt with locally between depot management and shop stewards.

The actual work undertaken by engineers varies from day-to-day. All engineers work in teams of about 12 based at one depot. However, in practical terms, most engineers work direct from their own home. They have a company vehicle and receive their daily schedules by phone or email from a team leader the day before. On average, an engineer attends the depot about three times per week to stock up on parts and complete various administrative duties, although there is no systematic routine to this as their work locations vary from day-to-day.

There is a nationally negotiated agreement for basic hourly and bonus rates of pay. About 40% of an engineer’s salary is made-up from bonus payments. A very wide variety of different jobs and tasks fall within the engineer’s remit, each one of which has an allowed time. Bonus is paid according to a ratio of actual time per type of job, to allowed time per job (i.e. job completion rates) as well as customer satisfaction ratings. Because of this, certain formally agreed allowances are payable. For example:

a) Engineers must submit a completed work schedule (either by phone or email) twice per day – for example lunch time and early evening for day shift attendees. A daily allowance of one hour, paid at hourly rates is made for this.

b) Engineers are not always able to complete a job on the same day; for example, where there is no part in stock. Therefore a waiting time at hourly rates is calculated for this into the bonus.

c) When training an apprentice, an engineer’s speed of work can be slowed down. An instructor’s allowance is paid for the days when they are accompanied by an apprentice.

d) Customer satisfaction surveys are regularly carried out by clerical and office staff at High Tech Gas and Fuels. On the basis of customer feedback, a gain-sharing bonus is paid to all team members based on the aggregate scores for the whole team. A below average score = no bonus; average score = small bonus; whereas higher scores mean a higher bonus, and so on.

In addition there are informal practices observed amongst most teams. For example:

e) Because a bonus is more readily earned on some types of work than others, team leaders generally ensure an equitable distribution of different types of jobs amongst their engineers.

f) Where engineers have to travel considerable distances between individual jobs, this would interfere with bonus earnings. So long as the team leaders are informed, there is
some flexibility as to when an engineer formally ‘clocks on and off’ a job, depending on ‘travel time’.

g) If a particular job turns out to be problematic, and a fault takes a great deal of time to diagnose, the team leader can authorise an ‘average bonus’ award irrespective of the job’s length.

h) When engineers are ‘on call’ to deal with emergencies out of hours, they have the option of receiving additional payments, or having time off in lieu.

i) If a job has been signed off as completed but subsequently turns out to be defective, the engineer returns and completes the job without accruing any bonus points.

j) Where it is common knowledge that a particular customer is problematic (for example, complains excessively or with little justification on a regular basis), the team leader can make a case to the department head that the customer satisfaction scores be re-weighted to take account of this for bonus awards.

Questions

1. Using the concept of the Frontiers of Control described in chapter 11, in what areas have frontiers of control been established and where do the frontiers lie?

2. About what aspects might the parties wish to expand their frontiers and why?

3. Given that there is a nationally negotiated agreement for basic and bonus rates of pay, how important do you think local bargaining is in determining an engineer’s final salary?
Useful Sources of Additional Material

Books and Journal Articles


Web-based Materials

http://www.acas.org.uk/
ACAS provide information on various aspects of collective bargaining and wage payment systems in Britain, including well-respected guidance on performance evaluations in relation to performance pay.

http://www.lowpay.gov.uk/
The Low Pay Commission (LPC) has an on-going remit to monitor the impact of the national minimum wage in Britain. This is the official web site of the LPC, providing economic data and research reports pertaining to wage levels and the minimum wage in particular.

http://www.cbi.org.uk/
The CBI web page often provides access to reports and position documents on collective bargaining and wage payments, such as performance-related pay: i.e.: http://www.cbi.org.uk/ndbs/PositionDoc.nsf/1f08ec61711f29768025672a0055f7a8/5fb9798a2db6dd2980257026004aef69?OpenDocument

http://www.cipd.co.uk/subjects/pay/general/_reward_summary.htm?IsSrchRes=1
http://www.cipd.co.uk/subjects/perfmangmt/perfrelpay/prefrelpay.htm?IsSrchRes=1
The CIPD annual Reward Management survey and factsheet on performance-related pay are useful and informative.

http://www.incomesdata.co.uk/
The Incomes Data Service (IDS) provides current and up to date information and analysis on wages, pensions and terms and conditions of employment in Britain.
Multiple Choice Questions

Try the following multiple choice questions to test your knowledge of chapter 11. You should note that each question has only one correct answer, and this is one of the four alternatives (a), (b), (c) or (d) listed below the question. When you have answered the questions move to the grid at the end of the chapter to see the correct answers.

This activity contains 12 questions.

1. Single-table bargaining refers to which of the following situations?
   a) a single employer who negotiates with a number of recognised trade unions who represent workers in an employing organisation
   b) a single employer who negotiates with a just one trade union recognised by the employing organisation
   c) collective negotiations which cover a number of organisations and one trade union in a single industry
   d) collective negotiations between one employer and one recognised trade union.

2. A bargaining unit refers to which of the following?
   a) a defined group of employees covered by a collective bargaining agreement
   b) a single employer who recognises one or more trade unions for the purpose of collective bargaining
   c) collective bargaining that is confined to a single workplace
   d) collective bargaining that is exclusive to union members and excludes non-union workers in an employing organisation.

3. The scope of collective bargaining is a term which describes:
   a) the way collective agreements are recorded
   b) the level of trust that exists between the negotiating parties
   c) the range of topics or issues which are the subject of negotiation
   d) all of the above

4. Which of the following is true?
   a) a substantive rule refers the terms of a collective agreement that specifies things like wages and hours of work
   b) joint regulation is when the authorship of work rules can be attributed equally to both employers and unions
   c) a procedural rule refers the terms of a collective agreement that defines the mechanisms to adjust substantive rules
   d) all of the above
5. Where customs and practices lead to informal agreements that are condoned by management and workers, which of the following might occur?

   a) a trade union can claim legal recognition
   b) the terms of an informal agreement can be incorporated into the individual employee’s legal contract of employment
   c) management consult employees informally rather than relying on formalised union negotiations
   d) the depth of collective negotiations becomes shallow

6. According to Chamberlain and Kuhn (1965), the government function of collective bargaining is said to serve what purpose?

   a) it establishes a set of rules as the foundation for an ongoing relationship based on collective bargaining
   b) it serves as a system of industrial democracy at the level of the enterprise
   c) it sets the boundaries for either party’s freedom to bargain and impose sanctions
   d) it establishes a system for economic distribution based on the joint authorship of rules that regulate employment relations

7. Which of the following is NOT one of the different levels at which collective bargaining can take place?

   a) industry level
   b) workplace level
   c) organisational level
   d) non-union sector level

8. According to your text, which of the following factors may help to explain why many organisations have adopted incentive-based employee reward schemes?

   a) managers have devised incentive-based reward methods so employees can earn over and above nationally-negotiated pay rates
   b) incentive-type pay schemes of some sort are required under the law
   c) many managers are more ideologically disposed towards incentive pay schemes because they emphasise individualism rather than collectivism in employment relations.
   d) all of the above

9. Which of the following statements is an accurate definition of ‘individual performance-related pay’?

   a) a payment system designed to allow high achievers to earn a salary commensurate with their effort
   b) a payment system designed to reward employees based on an evaluation of their whole job performance
   c) a payment system in which employee reward is based on individual effort or output
   d) a payment system in which a proportion of an employee’s salary is based on their individual skill and competency
10. Incentive-based reward schemes are said to be problematic for which of the following reasons?

   a) they can lead to very complicated wage payment systems that are difficult to implement and monitor
   b) they can lead to potential areas of managerial bias and discrimination in the awards given to some employees
   c) consistently ‘average’ performance awards can have a de-motivating effect on employees
   d) all of the above

11. According to your text, which of the following is a possible outcome of a collective bargaining relationship?

   a) substantive rules that determine the exchange of effort for rewards, such as pay and hours of work
   b) rules based on informal dialogue between line managers and shop stewards at workplace level
   c) procedural agreements that determine the machinery for current and future bargaining arrangements.
   d) all of the above

12. According to your text, which of the following factors help explain a narrowing in the scope of collective bargaining in Great Britain over the last two decades?

   a) the use of new technology has led to large scale redundancies in many service sector type organisations
   b) managers have actively sought to marginalise trade union influence in an enterprise
   c) statutory trade union recognition laws define with greater precision the scope of bargaining activities
   d) all of the above
## Answers to Multiple Choice Questions

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