

## Keys to collective bargaining: from theory to reality

In their 2017 book on the theoretical and practical aspects of collective bargaining, professors José Ramón Pin and Guido Stein examine six pitched battles in Spain.



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With the economic crisis as a backdrop, the Spanish government approved labor reforms in 2012, significantly changing the regulations governing collective bargaining.

These changes ranged from decentralization — with priority given to labor agreements *within* businesses as opposed to those covering an entire sector of the economy — to limiting automatic extensions of collective bargaining accords, allowing companies to sidestep industry-wide accords under certain circumstances, and making it easier for companies to make unilateral changes to working conditions.

Given these changes, collective bargaining has become an essential management tool in the global economy, where companies must act locally, even while thinking internationally. Not only working conditions but also productivity and social harmony depend on good collective bargaining.

## Let everyone come out ahead

IESE professors [José Ramón Pin](#) and [Guido Stein](#) have coauthored a [2017 book on the keys to collective bargaining](#), which delves deep into this issue to help business leaders and managers address labor relations and negotiations. This book is also intended to help union representatives and workers who sit on works councils. Its prologue was written by Spain's State Secretary for Employment, Juan Pablo Riesgo.

The authors start by reviewing the theoretical aspects of labor conflicts and the dynamics of collective bargaining, and then analyze six relevant conflicts in Spain:

- **Dummet Ibérica.** Specifically, the price the U.S.-based multinational had to pay to achieve social peace in 2009, including a shutdown to exert pressure for reaching a layoff plan.
- **Air traffic controllers.** In 2012, major problems surfaced with Spain's air traffic controllers. They have not been resolved, as the existing collective bargaining agreement was extended.
- **Volkswagen.** Also in 2012, pressure from the German parent company freed up stalled negotiations on the collective bargaining agreement at the Landaben factory in Spain, near Pamplona.
- **Avianca.** Unions at the Colombian airline lost power and legitimacy to negotiate a new accord because they did not accept rules imposed in 1996.
- **Banespa.** The Brazilian bank, acquired by BSCH in 2001, had to adapt to a new global context through a massive program of voluntary departures.
- **Madrid Metro.** In 2012, this public transit company was involved in difficult negotiations that had to take into account the need to cut deficits at the regional government bodies that managed the grid.

The co-authors argue that, in collective bargaining, both sides must gain something; otherwise conflicts break out, sooner or later.

A balance of forces, which results from seeking the common good, is reached by bringing together contrasting wishes and interests and actively chipping away at the differences. Professors Pin and Stein believe that negotiators should keep learning from their past mistakes and overcome them with tenacity in future talks.

## **The negotiating context**

Besides the current state of the company and its relationship with labor unions, the main factors that affect negotiations are the labor framework and the social reality surrounding it.

Things get complicated in a globalized economy. Companies no longer compete in just one territory, but rather in many, with different legal, social, technical and cultural frameworks. As such, the working conditions and union agreements guaranteeing those conditions can become competitive elements.

For example, during the economic crisis of 2008-2012, auto workers' unions reached agreements that allowed production from other countries to be moved to plants located in various locations in Spain. In order to achieve this, Spanish factories had to compete with factories in Germany and the Czech Republic.

Citing this globalization of the economy, the authors recommend managers thoroughly study their international, national, local and sectorial economic situations and what the competition is doing before entering into collective bargaining negotiations. The context can have a strong influence on the results of the negotiations, as seen in the case studies.

What is more, the interests of business leaders and worker may coincide more than they initially think. Spain's largest trade union (*Comisiones Obreras*) notes that 1,842 collective bargaining agreements were signed in 2014 and 1,120 in 2015, with conflicts in only a small fraction of them. Managers should remember that the vast majority of negotiations go smoothly when next sitting down to the negotiating table. After all, preserving jobs, and the quality of those jobs, depends on reaching an agreement.

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