

# From the periphery to the core. Collective bargaining in Chile as a journey to the potential future of European systems

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## Abstract

This paper examines a radical case of collective bargaining decentralisation in which the negotiating takes place only between single employers and firm-level trade unions. It discusses the channels through which Chilean workers’ power resources are affected since its introduction in 1979. Using a combination of institutional and data analysis, it is concluded that the “abolitionist model” turbo-stimulates the tendency of companies to fragmentation, which is a powerful factor in reducing workers’ organisational and structural power resources. These findings can be seen as a journey into the future of work for many countries that have belatedly adopted neoliberal policies.

**Keywords:** Collective Bargaining, Income Inequality, Microsimulations, Political Economy, Power Resources Approach

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## 1. Introduction

Within Latin America and globally speaking, the Chilean system of industrial relations could be portrayed as a showcase of radical neoliberalism policies. In 1979 under the Pinochet's iron fist dictatorship, sectoral collective bargaining was dismantled and banned. Along with that, strike action at the firm-level was severely restricted. Following the power resources approach (Korpi, 1978; Silver, 2003; Wright, 2000), those transformations sought to reduce the organisational power of unions.

David Harvey has argued that the liberal transformations occurred in Chile during the dictatorship in the mid-70s were used as an experiment for the implementation of a new model for the core capitalist countries: “(...) *Not for the first time, a brutal experiment carried out in the periphery became a model for the formulation of policies in the centre*” (Harvey, 2005, 9).

Between 2014 and 2016, after nearly 40 years of Pinochet's labour reform, the Chilean government led another reform to restore some minimum labour rights that were taken away in 1979. It was the third wave of reforms in that area after dictatorship end, however the skeleton with the main fundamentals of the Pinochet's system remained. In that discussion, the IMF's perspective was clear. The Fund supported the maintaining the level of collective bargaining: “(...) *changes in labour market institutions should not happen at the cost of reducing labour market efficiency. In this regard, it is particularly important that the reform maintains collective bargaining at the firm level and introduces more flexible work arrangements within the collective bargaining process (independently of the level of unionisation within the firm)*” (IMF, 2015, 14).

Umberto Romagnoli, an Italian scholar in industrial relations, pointed out that European countries are taking now, the early and nowadays consolidated Latin-American neoliberal experiences, as an inspiration for their labour reforms and their conceptions of labour rights. To him, travelling to Latin America is to some extent, a journey to the future (López and Baylos, 2007). For instance, in 2012 the Spanish government implemented a labour reform aimed to decentralising its collective bargaining system and the Chilean model was carefully analysed before. To a certain extent, following Harvey and endorsing the Romagnoli's metaphor, it can be said that the Chilean model of collective bargaining can be a possible future for the core capitalistic countries, particularly in Western Europe.

This paper examines the introduction and consolidation of what I shall call “*abolitionist decentralisation*” in collective bargaining. In this model unionism and the negotiating of collective agreements are confined to the firm and plant level (the most decentralised one), and legal possibilities of articulated sectoral action are interdicted. This scheme was released during Pinochet's regime (1973-1990), and it was only minimally challenged by the subsequent governments between 1990 and 2017. This paper suggests that unions' reduction in organisational power opened up room for the shaping of a specific socio-technical configuration for the capital accumulation dynamic based in the exert of a fierce unilateral control over the labour process.

This configuration can be illustrated through a triangular circuit that undermines collective action and reinforces control over workers. The first face of such triangular circuit is the abolitionist collective bargaining while the second is the fragmentation of the work space. Particularly relevant here is the on-site subcontracting, the external subcontracting, the upsurge of temporary work agencies and the pervasive use of the split-up method (where one company divides itself into several new companies, all of which belong to a single owner), among other variants. The third and final track in this circuit is a high-level of job instability which is characterised by temporary contracts, easy dismissal policies and discontinuous and flexible wages. Although this type of interactions has re-configured work all around the world, there are some specific traits in the Chilean case that merit a focused analysis.

In the present article, the following questions are addressed: What role does the Chilean system of collective bargaining play in the dynamics of capital accumulation? How does the “abolitionist decentralisation of collective bargaining” work? How does this triangular circuit model of analysis may be useful in illuminating these matters? What have its development in recent years been? What are the implications of this type of restructure?

The methodology used to answer the questions is based on a combination of approaches: literature review, data analysis and the examination of the Fundación SOL collective bargaining archive. By using the latter, this work aims to show the severity of the fragmentation at the workplace level and in especial its impacts on unionism. Data analysis performs original estimates about income inequality and unionism. Two types of databases (microdata) are used: household surveys and trade union administrative registers.

This article is organised as follows: the first section gives the reader a general introduction; the next section addresses the preliminary concepts that will guide this work; section three introduces and develops the concept of abolitionist decentralisation; section four presents original findings about fragmentation in the Chilean context. Later in section five, empirical support is shown for the aforementioned triangular circuit that reinforces control over workers. Section six concludes this document.

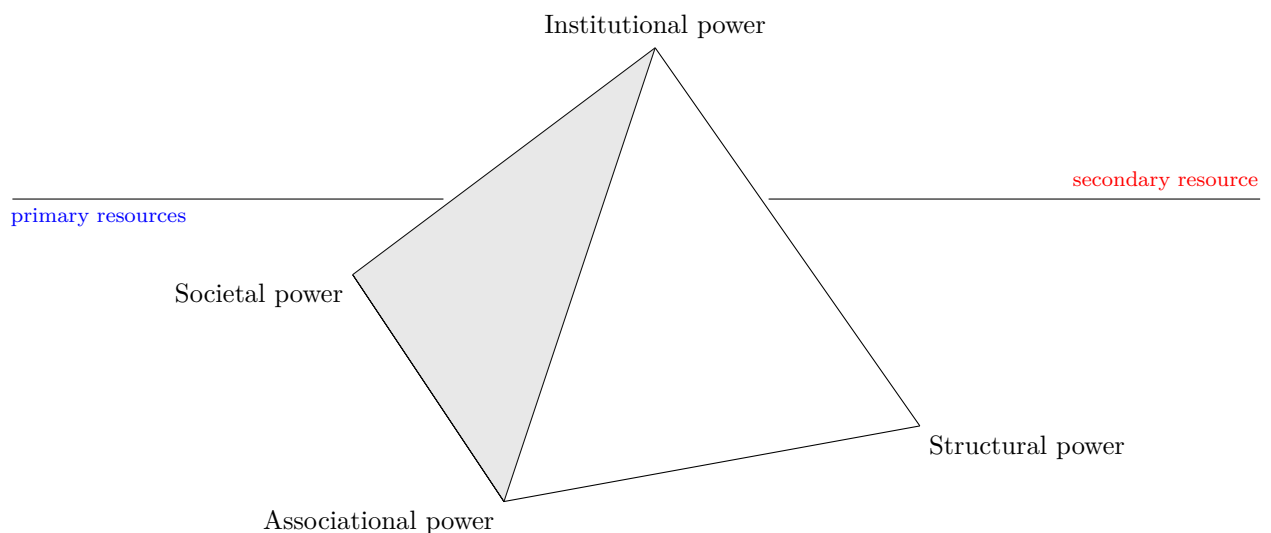
## 2. General concepts: Power Resources Approach and Decentralisation

### 2.1. Power Resources Approach, a brief note

The power resources approach (PRA) is a theoretical framework that has been developed by Walter Korpi in the late-seventies. In his 1978 article, Korpi introduced the idea of the power resources: *“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, 317).

Based on Korpi’s concept, further developments associated with unionism were promoted by a variety of scholars (Erik Olin Wright, Luca Perrone, Beverly Silver, Edward Webster, Klaus Dörre, Stefan Schmalz, Carmen Ludwig, Steffen Lehndorff, Christian Lévesque, Gregor Murray, Oliver Nachtwey and Alexander Gallas among others). From them, the so-called *“Arbeitskreis strategic unionism”* offered the *“Jena’s power resource approach”* (Strategic Unionism, 2013), which became one of the most complete conceptual framework about PRA. Those authors proposed the pyramid of workers’ power resources (figure 1).

Figure 1: **The pyramid of workers’ power**



**Sources:**  
(Strategic Unionism, 2013, 364), translated and amended by (Gallas, 2016, 197).

Figure 1 shows four dimensions of power that are involved in unionism. They are sketched in a pyramid and it is possible to see them on two levels, primary resources and secondary ones. The pyramid design tries to show that dimensions are intimately connected.

Following [Schmalz et al. \(2018\)](#), **structural power** refers to the workers' power given by the position they have in the economic system (is also known as positional power and [Visser \(1995\)](#) refers to it as "*economic power*"). Although the mere position is pivotal, the implicit force lies in what Luca Perrone defines as the "*disruptive potential of workers*", that means, the power "*to interrupt productive process and services far beyond the group's immediate job concerns*" ([Wright and Perrone, 1983](#), 235). As a result, structural power is usually labelled as a primary resource and "*it is available to workers and employees even without collective-interest representation*".

For Erik Olin Wright, there are two types of power that constitute occurrences of 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](#), 962). Beverly Silver named "*workplace bargaining power*" to the first (derived from tight labour markets), and "*marketplace bargaining power*" to latter (derived from the strategic location). While marketplace bargaining power could take 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 nonwage sources of income*", workplace bargaining power can take place where a localised work stoppage inflicts a disruption much wider than the stoppage itself ([Silver, 2003](#), 13).

In the case of **associational power** (also named organisational power), it refers to the workers' capacities to organise themselves into working-class organisations such as trade unions, works councils, parties and so on ([Schmalz et al., 2018](#); [Wright, 2000](#)). According to [Lehndorff et al. \(2018\)](#), this means not only numerical strength but also enough ability to successfully mobilise the unionised.

The third power resource is called **societal power** and encompasses the ability of workers to generate alliances with other organised groups of the civil society in order to achieve a common goal. In other words, "*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](#), 1)

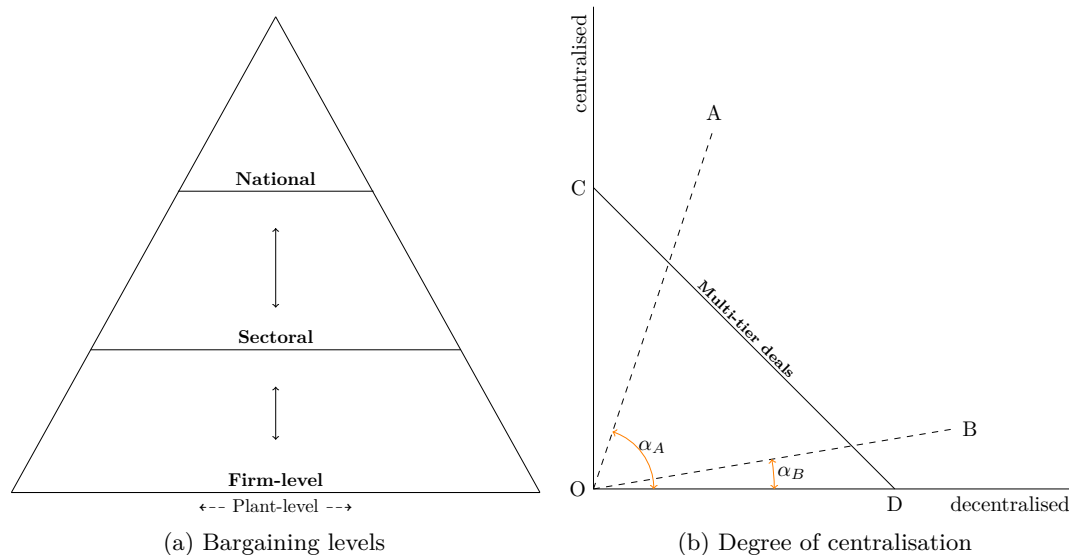
The last workers' power resource is **institutional power**. It describes the capacity of workers to arrange an institutional setting favourable to them (labour rights). This includes mainly laws but also tripartite dialogues or even more soft standards. This power resource is labelled as secondary since it "*is usually the result of struggles and negotiation process based on structural and associational power*" ([Schmalz et al., 2018](#), 121). Against this backdrop, Alexander Gallas argues that institutional power needs to be re-conceptualised, for in its original state, it "*may contribute to the accumulation of capital due to its ordering function*" ([Gallas, 2016](#), 200). In this sense, the author suggests that "*the institutional framing 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*" (quoted in the same page).

Literature about union power resources also distinguishes between *new* and *old* powers. While structural and organisational power were traditionally the focus of attention, more recently, societal and institutional powers were added to the approach (Webster, 2015).

## 2.2. Decentralisation as a key concept

In the context of collective bargaining, decentralisation means the transition from a centralised (national) or semi-centralised structure (industry level) to another one which is decentralised (firm level). In the case of centralised or semi-centralised, collective agreements are reached between peak organisations (big unions and employers' associations). In the case of decentralised systems, firm-level agreements are established between single employers and professional or sectoral trade unions, while in others, between single employers and trade unions at the firm-level.

Figure 2: Bargaining levels and the degree of centralisation in a multi-tier scheme



Source: Own elaboration

All these levels are also named structure (of collective bargaining) and have a close relationship with the degree of centralisation in collective bargaining (figure 2b). Accordingly, the national (or central) level is the most centralised system (high degree of centralisation) and the plant-level the most decentralised (low degree of centralisation). Therefore, it is appropriate to say that, the more aggregate collective bargaining is, the more centralised it is. In practice, however, most of the countries where sectoral collective bargaining is present, have two or more levels coexisting together. In such cases, multiple bargaining's at different levels could be reached. This is called multi-tier bargaining and depending on what level is more frequent there is a dominant or predominant level.

### 2.2.1 Which level?

In figure 2b, it is possible to see a theoretical range of options for multi-tier bargaining at multiple levels. The line CD represents this. From “C” to “D”, it increases the relevance of firm-levels agreements and decreases the weight of sectoral ones. In “D”, industry-wide agreements are irrelevant, since they don’t exist at all (the degree of centralisation,  $\alpha$ , is zero).

### 2.2.2 Articulation and decentralisation

During the last four decades and as a consequence of the shift in the capital accumulation regime from Fordism to flexible accumulation, trade unions have been systematically attacked (Harvey, 2007). In this context, it is possible to see moves from a high to a low degree of centralisation (from  $\alpha_A$  to  $\alpha_B$  in figure 2), which is known as “decentralisation”.

During this time many countries have been experienced some forms of decentralisation in their collective bargaining systems. The classical channel to do that is undermining the so-called “*favourability principle*”. This principle means that in a multi-tier environment, the second round bargaining can only improve the conditions of the first agreement. In other words, a firm-level agreement could only enhance the conditions of the industry-wide deal. As time goes by, the favorability principle was threatened and finally broken. Thus, in the nineties Traxler (1995) differentiates between organised and disorganised decentralisation. While the former aims to delegate some content to local units (at plant or company level) but maintaining a strong coordination of leading organisations (e.g. sectoral unions), the latter comes to a collective agreement with a single employer but with a weak or even uncoordinated role for leading associations. Regarding the first, there is the so-called “*opening clauses*”, such cases refer to those clauses that as its name said, “are opened” at the lower level (e.g. company level instead of sectoral). This is a coordinated way out to decentralise some issues of collective bargaining. Here, the umbrella organisations are behind the decisions of the deliberated delegation of specific tasks to the lower level (Behrens, 2009). In the case of disorganised decentralisation, there are also several formulas, one of the most used is the so-called “*informal derogation*”, in which case the single-employer breaks the industry-wide collective agreement unilaterally (without the approval of the union).

The set of articles compiled by Leonardi and Pedersini (2018) are quite illustrative for the European context, where decentralisation has taken place - in most cases - with the preservation of multilevel agreements but encouraging articulation between levels. The following section will describe and also critically review decentralisation, from a different perspective, where it is no longer possible to analyse the movement on the track CD, therefore, the analysis will be based on point “D” in the figure 2, where only the most decentralised level can exist.

### 3. Abolitionist Decentralisation

#### 3.1. General idea

I shall call “*abolitionist decentralisation*” as an extreme and radical case of decentralisation in collective bargaining. In this configuration, unionism and the negotiating of collective agreements take place at the firm and plant-level (the most decentralised one), and legal possibilities of articulated sectoral action are interdicted.

In the industrial relations literature, there are different types of decentralisation, however, the common standard is the coexistence of at least two levels interacting with each other (the degree of centralisation is greater than zero). In the abolitionist case, by contrast, there is no interaction between levels since collective bargaining only exists at one level. It should be noted that through this system, unionism and collective bargaining could exist mainly where there is a significant number of workers (e.g. bigger companies).

#### 3.2. Origins of the abolitionist decentralisation

Since 1970 a revolutionary process, the so-called “*democratic road to socialism*” took place in Chile. A strong symbol here, was the fact, that a Marxist president (Salvador Allende) with a socialist project became head of the State democratically for the first time ever.

Many things happened in the 1,000 days of Allende ([Gaudichaud, 2016](#)), but in this brief description, the focus stays on workers’ capacities, particularly, on two important developments. During this period, instead of having plenty of legislation and regulations, workers organised by trade unions and other political movements, gained organisational power and overcame the legal boundaries (on this issue, a significant indicator was the trade union membership, which increases by 54% between 1970 and 1972). Particularly illustrative was the situation about the level of bargaining, “... *during Allende’s period, unions and employers were entitled to negotiate at the sector level (“tarifados”), in a tripartite commission (including the State). Such a model was established during the government of Eduardo Frei Montalva (1964-1970) but its implementation came only with Allende. Besides, this type of bargaining did not contemplate the right to strike, but quickly this right to strike was di facto exerted and industry-wide agreements spread in many sectors such as construction, commerce, textile and so on*” ([Carvallo, 2018](#)).

The direct participation of workers in the control of the production was another remarkable development during this period ([Espinosa and Zimbalist, 1978](#)). Such an agenda was pursued by the workers and the government and it was part of the historic agreement between them which started only two months after Allende came to power ([Wijnant and Wood, 1971](#)). One of the purposes of this agreement was to implement the codetermination in an important group of companies (the so-called “*Area Social*” or social area). This procedure sought to establish the basis of a real workers’ participation



scheme; two cases were studied, the German and the Yugoslavian (Guglielmetti, 2018). In those years, workers won political power and direct participation in the process of making decision.

On 11<sup>th</sup> September 1973 a coup d'Etat overthrew Allende. Soon after, union activity was prohibited and left-wing political leaders, militants of Allende's coalition and several union officers were persecuted, tortured and in many cases executed (Buchanan, 2008; Durán-Palma et al., 2005). In the meanwhile, during the first years in the power, General Pinochet had sympathy for the corporatist approach, like Franco, Mussolini, Hitler and other fascist government which seek to incorporate unions in its systems, but then the so-called "Chicago Boys" arrived at the technical positions and won the internal battle of ideas (Klein, 2007; Narbona, 2015). Thus in 1979, the so-called "Plan Laboral" (Labour Plan) is decreed and union activity allowed again. The Plan Laboral was part of a more ambitious strategy that sought "to ensure that Chile would not return to its pre-coup model of democracy" (Durán-Palma et al., 2005).

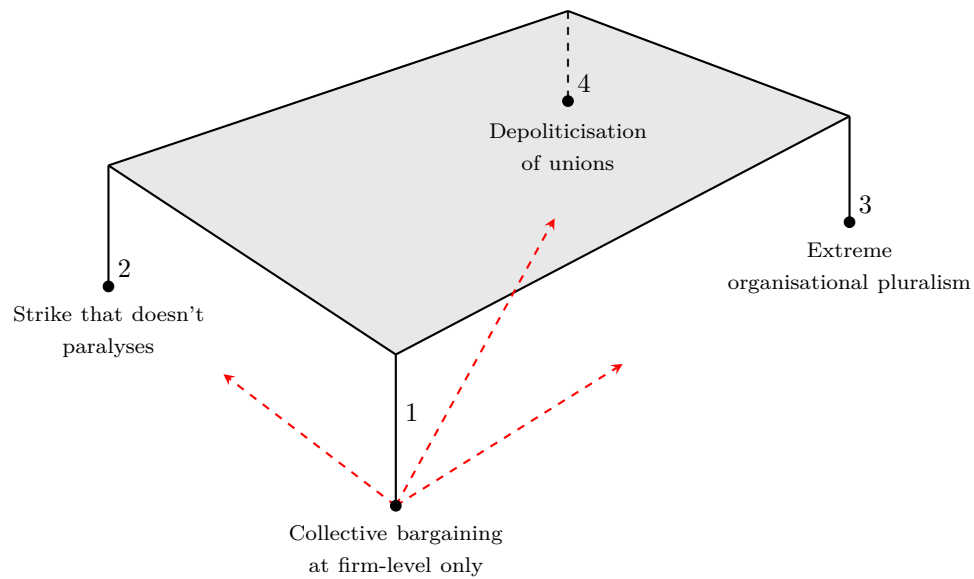
The former minister of labour and social affairs during those years, José Piñera, was the mastermind behind the Plan Laboral. Generally speaking, Piñera could be classified as a Chicago Boy, however, another of his farther "inspirations" was Friedrich Von Hayek (Stackl, 2013), who also advised Pinochet (Robin, 2012). For Hayek, trade unions jeopardises the natural impulse of capitalists to the profits. Because that, collective bargaining can not understand it as an income distribution mechanism (Hayek, 1944).

In 2012 the Library of Congress declassified the Acta 372 (a logbook written in 1979), the content of which are the verbatim transcripts of the discussions on the Plan Laboral. The following quotes allow to see part of the political philosophy behind the Plan Laboral (original in Spanish. Own translation):

*"... The strike is a thing of Araucanos<sup>1</sup> and should not exist at this point of evolution (pp.95)", "the traditional strike is absolutely impossible with the current economic policy (pp.96)", "wages should not have a direct relationship with the level of profits (pp.154)".*

To explain the scope of the Plan Laboral, the former minister used the visual representation of a table with four legs or pillars. Following Narbona (2015), the first "pillar" was collective bargaining at the firm level only<sup>2</sup>; the second part was a strike that does not paralyse (through the introduction of the strikebreakers and several restrictions); the third pillar was the idea of the multiple representations at the firm-level, in other terms, the possibility of multi-unionism (many unions) and the introduction of bargaining groups (which are non-union bodies entitled to negotiate collectively); finally, the fourth pillar aimed at the depoliticisation of unionism. Although in the metaphor of the table, each pillar should have the same importance, it seems - as will be seen - that the one related to collective bargaining at company level is the central pillar that reinforces the effect of the other three (figure 3).

Figure 3: **Four pillars of the Plan Laboral**



**Source:** Adapted from [Narbona \(2015\)](#)

Once dictatorship was over (1990), the subsequent governments did not change those pillars structurally ([Rojas, 2016](#)). Indeed, while the level of collective bargaining remains at the firm level, only in 2016, a labour reform withdrew the use of strikebreakers (second pillar). However, in exchange, a figure of the so-called “*servicios mínimos*” (minimum services) was introduced, which entitles companies to request an emergency team from unions while the strike is up ([Arellano, 2016](#)). In other words, such a pillar was replaced and it seems the political philosophy (a strike without power) remains untouchable in this case.

Why the post-dictatorial governments did not promote profound changes in the industrial relations model? This question is valid not only for labour relations, but also for the central skeleton of the neoliberal programme imposed by the Chicago Boys during the Pinochet era. There are several theories that can be organised into five groups, i) the consensus strategy for governability, ii) the dictatorial enclaves such as the Constitution Act of 1980 ([Borzutzky, 2017](#)) and which is still valid, iii) the military power in the aftermath of dictatorship, (iv) the threat of capitalist strikes, and (v) the financing of illegal political campaigns. The consensus meant that the ruling coalition “*committed itself to respecting the neoliberal economic program and maintaining the human rights amnesty that benefited the military*” ([Barría et al., 2012, 88](#)). On the labour front, the relevance of labour flexibility for improving international competitiveness reflects the commitment to the economic model ([Barrett, 2001](#)).

## 4. Fragmentation

Considering the abolitionist model of collective bargaining, one of the hypotheses of this research points to the fact that large companies have developed different strategies to fragment the workplace inflicting through this channel a hard punch to the workers' power resources.

Identifying the fragmentation models used by companies in Chile is a complex task. In general, a direct relationship can be established between brands and holdings. However, there are many cases where several subsidiaries are set up just to hire workers, not to deal with clients (or providers). The complexity to draw the fragmented scene is due to the fact that these legal entity forms do not have names directly connected with the holding company. To illustrate, around a well-known retail holding company (Ripley) there are several subsidiaries that adopt formal names without a visible connection with the brand (for instance: "Rancagua Store S.A"). The key question is how to know if a company "X" is part of a group of companies "Z". To deal with that, this article is based on the archive of Fundación SOL.

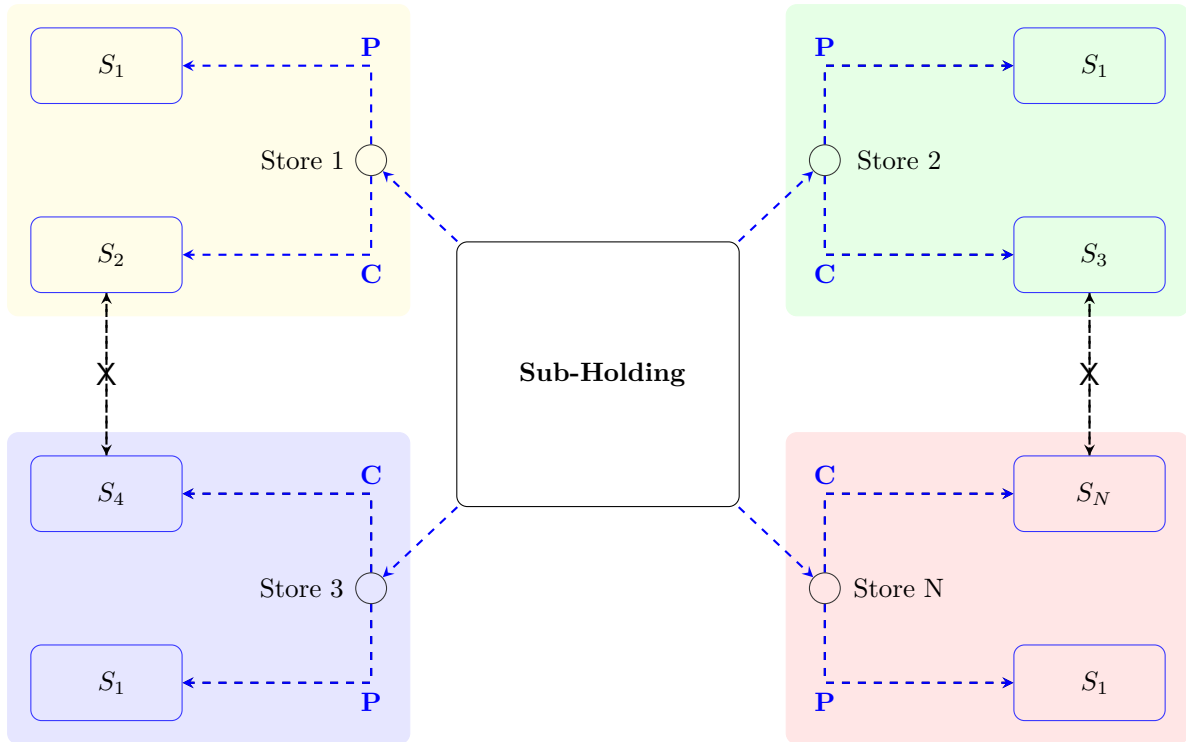
Two general models of business fragmentation are presented below. The methodology followed for their identification is based on the analysis of more than 80 collective bargaining processes carried out between 2007 and 2016 in which Fundación SOL<sup>3</sup> had direct participation through the economic advice to the involved unions.

### 4.1. On-site fragmentation

On-site fragmentation is understood here as a scheme where a holding company split itself into one or more subsidiaries to run the core business. It is important to note that in this type of fragmentation there are several legal entity forms and all of them belong to the same owner.

A typical case about on-site fragmentation occurs when a sub-holding company has the control over different labour centres (e.g. stores). In each store, capitalist place two subsidiaries, one is exclusively for the commercial relationship with clients (or providers/suppliers), and the other one to manage labour. In this strategy (see figure 4), one firm is a profit centre ("P"), and the other one is a cost centre ("C"). "P" is the same legal company ( $S_1$ ) in all the stores but "C" is different ( $S_2$  to  $S_N$ ).

Figure 4: **One store - Two subsidiaries**



**Source:** Own elaboration. **P:** Daughter firm to accumulate profits; **C:** Daughter firm to manage costs.

According to this employment model, and following the assumptions of the abolitionist system of collective bargaining, by general rule unions are formalised at the level of each subsidiary that controls labour contracts ( $S_2$  to  $S_N$ ). Although inter-firm union is allowed, collective bargaining is restricted at the firm-level (or the fictitious figure created for these purposes) this is represented with the cross-mark between  $S_2$  and  $S_4$  and  $S_3$  and  $S_N$  in the figure. It is important to note that in this model, each subsidiary can host one or many unions (multi-unionism).

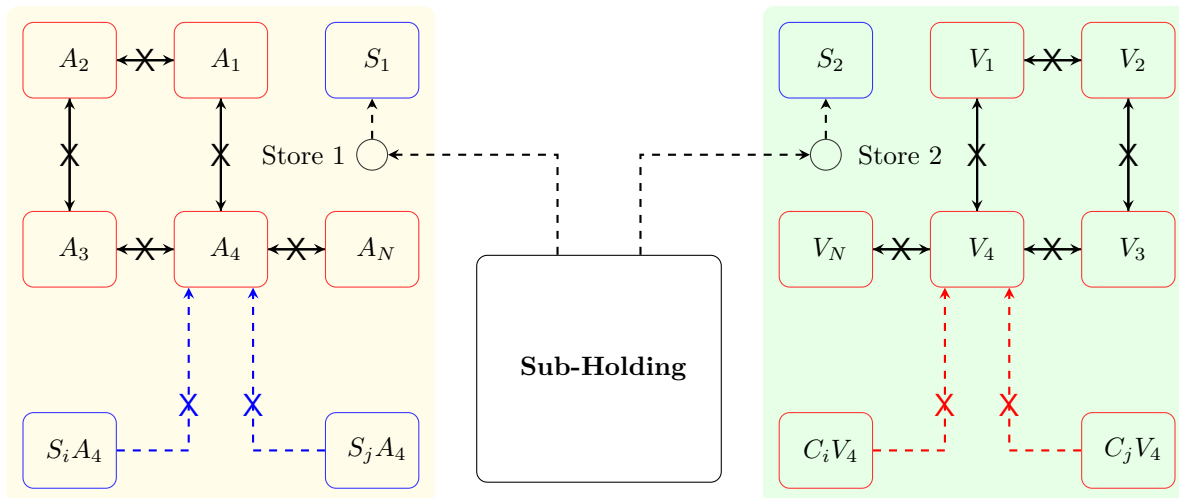
#### 4.2. Externalisation

As in many countries, outsourcing is quite common in Chile. However, it might be said that the effects over their workers are especially negative under the abolitionist system of collective bargaining.

A typical model identified here is the multiple on-site subcontractors which coexist with multiple on-site subsidiaries. Here, each store (e.g. labour centre) is operated using diverse teams of workers which are institutionally impeded to bargaining common working conditions with the main firm. For instance - see figure 5 - in the store 1, there is a subsidiary ( $S_1$ ) and "N" contractors ( $A_1$  to  $A_N$ ). Under the normal assumptions of the abolitionist model, it is not allowed for workers from  $A_1$  to bargaining in a joint manner with workers from any other contractor, even if all the workers execute the same tasks and work in the same space. In this scenario, workers face legal provisions - due to the decentralised abolitionist

system - to establish a common collective agreement beyond the boundaries of each sub-company.

Figure 5: **One store - Multiple contractors with subsidiaries and sub-contractors**



Source: Own elaboration. —: Subsidiary relationship; —: External companies.

#### 4.3. Fragmentation and Chilean unionism: some preliminary results

On-site fragmentation and the on-site outsourcing model extend to all sectors, albeit with a different degree of development. A way to quantify its impact on trade unionism is to analyse the trade unions established at the level of each subsidiaries and then associate them with a holding company. As it was mentioned before, this methodology requires detailed information about industrial organisation in each economic branch since the name of the subsidiaries (to which the name of the union is associated) is not directly assimilable to a given holding company.

To the end of 2017 there are more than 11,000 trade unions and 77% of them (close to 9,000) belong to the private sector<sup>4</sup>. Of these, half of the organisations have less than 43 members. Additionally, in 82% of the firms with more than ten workers, do not exist and never has existed a trade union (ENCLA, 2014). Indeed, 75% of the union membership is concentrated in firms with 200 or more workers. While the union density reaches 15.8% in 2015, the collective bargaining coverage is close to 10% (Durán and Gamonal, 2018).

Table 1: **Trade union landscape through economic branches**

Sector	Unions	Membership	Largest holding (membership)		
			Name	Share (%)	Unions
Agriculture hunting and forestry	304 (3.4%)	23,153 (2.3%)	Agrosuper	30.5%	16
Fishing	98 (1.1%)	7,524 (0.7%)	-	-	-
Mining and quarrying	256 (2.8%)	58,013 (5.7%)	Codelco	37.0%	29
Manufacturing	1,484 (16.4%)	132,802 (13%)	CMPC	> 3%	20
Electricity, gas and water	157 (1.7%)	14,049 (1.4%)	CGE	17.3%	23
Construction	427 (4.7%)	57,671 (5.7%)	-	-	-
Wholesale and retail trade	1,167 (12.9%)	184,717 (18.1%)	Cencosud	19.9%	98
Hotels and restaurants	294 (3.3%)	44,714 (4.4%)	Sodexo	22.5%	24
Transport, storage, communication	1,331 (14.7%)	133,455 (13.1%)	SuBus	6.0%	13
Financial intermediation	204 (2.3%)	57,792 (5.7%)	Bco Estado	22.9%	9
Real state, renting and business	769 (8.5%)	61,591 (6%)	-	-	-
Public administration and defence	27 (0.3%)	8,014 (0.8%)	C.C. Los Andes	42.2%	2
Education	978 (10.8%)	79,577 (7.8%)	P.U.C	5.3%	4
Health and social services	330 (3.7%)	58,346 (5.7%)	F. Integra	25.8%	5
Other social services	725 (8%)	68,867 (6.8%)	-	-	-
Not specified	512 (5.7%)	29,063 (2.9%)	-	-	-
<b>Total</b>	<b>9,063 (100%)</b>	<b>1,019,348 (100%)</b>	-	-	-

**Source:** Microdata processing by the author (SIRELA database). Numbers correspond to August 2018 - Only private sector.

Table 1 shows the number of unions and membership belonging to the private sector by economic activity. It also shows the share of each cell (in brackets). As original findings, the table contains also information about the main holding company (measured in terms of union membership) by economic activity. In the last column it shows the number of trade unions identified in each holding company.

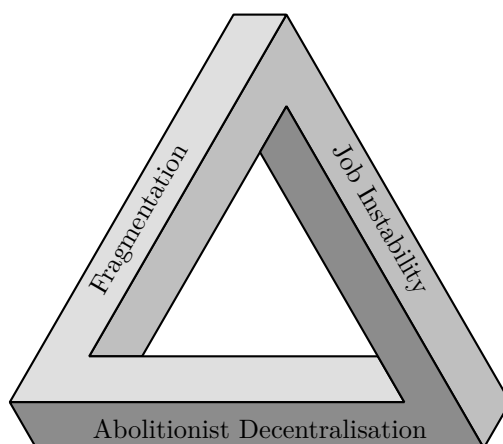
The results show a strong presence of multi-unionism at the holding level, e.g. Codelco (state-owned copper enterprise) account circa 30 unions. Another case is Cencosud (a retail operator present especially in supermarkets, department and home improvement stores) which registers 98 unions around 4 brands. Cencosud is the leading holding company in retail sector (represent almost 20% of the total membership within the sector, see column “Share (%)”), and one of the largest private employers in Chile. Each economic activity presents a clear leading holding company which represents a relevant share of sectorial membership. However, in the most of cases the high share is reached through multi-unionism, which is also related with the fragmentation of the holding companies.

The abolitionist model is characterised for a high level multi-unionism and fragmentation of companies. Both elements can be related with less organisational power resources for workers and more power resources for employers.

## 5. The Triangle of Labour Domination

Abolitionist decentralisation can be seen as the first piece in a triangular circuit that reinforces the unilateral control of capital over labour. Fragmentation of companies, is the second. The third piece is the job instability. The result of this triple interaction can be represented through a triangle of Penrose<sup>5</sup>.

Figure 6: **The Triangle of Labour Domination, Chilean case**



**Source:** Design of the triangle by [Penrose and Penrose \(1958\)](#). The labelling has been added by the author.

These three elements constantly reinforce each other in a non-independently relation. The graphical design of the Penrose triangle helps to understand the intimacy of the connections. Fragmentation and the abolitionist system of collective bargaining (radical decentralisation) are influencing each other in both directions, the more fragmented the labour workplace is, the more effective the abolitionist system for the capitalist will get. Job instability and abolitionist decentralisation are connected as well. The more unstable the labour relation is, the more effective the abolitionist decentralisation will be, that is to say, the weaker the unions will get. Lastly, from the capitalist point of view, fragmentation allows the usage of more flexible jobs, namely more unstable ones. Significantly, these connections aim to facilitate the control over the labour process. Fragmentation and the abolitionist system were discussed in the previous section. Job instability will be discussed below.

Job instability is the third remaining dimension of the Penrose triangle. Two figures can here be revisited: the share of temporary employment and the contract duration. With regard to the first, the OECD report “Employment Outlook 2017”, estimates in 29.1% the share of temporary employment for Chile (the highest within the OECD countries). This result has been widely spread in the public debate of Chile in terms of the segmented labour market, without visible improvements nonetheless. Indeed, while in 1998 the proportion reached 18% (ENCLA, 1998), for 2019 is still close to 30% (NENE, 2019). By economic activities, construction (59%), agriculture (57%), public administration and defence (41%) account the larger incidences. About the second subject, the contract duration is short even for the

open-ended contracts.

In the following it shows original estimates using administrative records of labour contracts. Results are shown for three cases. The first one comprises the complete sample currently available, i.e. contracts made between 2002 and 2018. The second case is restricted to the period 2010 to 2018 (after the global economic crisis). Finally, the third case also analyses the whole period 2002 to 2018, but considering only the last contract of each worker (instead of the full history of labour contracts). This dataset is compiled since 2002 by the Chilean Pension Supervisor (State organism).

Table 2: **Duration of labour contracts (months), different scenarios**

National level	Open-ended contracts			Temporary contracts		
	Case 1	Case 2	Case 3	Case 1	Case 2	Case 3
<b>Average</b>	20	16	31	9	6	13
<b>Median</b>	8	7	15	3	3	4
<b>Percentile 60 (p60)</b>	13	12	24	4	4	5
By economic activity (p60)	Case 1	Case 2	Case 3	Case 1	Case 2	Case 3
Agriculture, hunting and forestry	15	13	22	3	3	7
Fishing	21	17	29	5	4	6
Mining and quarrying	32	27	59	5	5	7
Manufacturing	21	18	33	4	4	5
Electricity, gas and water	32	26	46	6	5	6
Construction	8	7	11	4	4	6
Wholesale and retail trade	18	16	27	4	4	4
Hotels and restaurants	12	11	16	3	3	3
Transport, storage and communication	18	15	30	4	4	5
Financial services	8	8	36	4	4	5
Real estate, renting and business activities	11	10	20	3	3	4
Education	27	22	35	12	11	12
Health and social work	8	12	33	5	5	6
Other services <sup>1</sup>	4	4	22	4	4	6

**Sources:**

Microdata processing by the author. Based on Base de Datos del Seguro de Cesantía. Period: October 2002 - March 2018.

**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.

1./ As it already mentioned, due to some groups are excluded from the contribution to the unemployment insurance (public servants mainly), it is decided to merge the public administration with other social services. Strictly speaking, workers who contribute to the unemployment insurance and are part of the public administration, hold a labour relation - in a vast majority - with private employers.

Table 2 shows the estimates in the mean, the median and sixty per cent of the distribution concerning the years of service (or duration of contracts) in a monthly base. In the case of the economic activities, estimates are presented only for the sixty percentile (the majority).

Whatever the case may be, figures are surprising. In the global picture (case 1), it is possible to see that open-ended contracts lasting eight months or less, accounted the half of all indefinite contracts. Meanwhile, looking at the last eight years (after the global crisis), open-ended contracts lasted seven months or less for half of the workers (case 2). The duration of indefinite contracts more than doubled when the estimate considers only the last job record, however even in that case, the fifty per cent of workers last fifteen or fewer months, which not sounds especially higher (case 3). By the same token, temporary contracts exhibit in the median only three months for cases 1 and 2 and four months in case 3.



An examination across sectors reveals that commerce, health and social work, financial intermediation, and other services, accounts for one of the more unstable activities. Especially relevant is commerce (due to its relevance weight on the salaried employment). The best performance in such a case indicates that about sixty per cent of the open-ended contracts lasts twenty-seven or fewer months. However, although most of the sectors show low figures, mining and electricity, gas and water have both the best marks. In mining, when only last job record is considered, sixty per cent of open-ended contracts, show a lasting of fifty-nine months or less. In the electricity case is forty-six months.

An important implication bears on the organisational capacities for workers in such a changing environment. The prevalence of short duration contract interrupts the trade union founding process at the firm-level and its consolidation through time. When workers leave their jobs (due to the turnover), they also must automatically leave the trade union (because it is related to the firm-level). In particular, this issue affects the duration of trade unions.

For those trade unions which are already constituted, the high level of labour turnover that affects its members, it shapes also their agenda. This is reflected in the limited pursuit of short-term economic objectives (vis-à-vis to the short period of permanency by workers). In other words, union officers and rank-and-file workers are devoted to “*pure-and-simple unionism*” instead of class unionism or other variants (Hyman, 2001).

These orientations are expressed in the content of the collective agreements. In Chile is quite common the use of the “*Bono de Término de Conflicto*” (a single bonus to seal the deal) as the main issue of the bargaining’s instead of an increase in monthly wages (SOL, 2010). This bonus is contingent, most of the time not related to the financial health of companies and notably cheaper for firms than the increase in wages. The political implications are also evident; through these practices, wage-setting is much less innocuous than by a direct increase in the monthly wage. Companies also pursuit the usage of such bonuses because they also represent a fast-track to terminate each bargaining rounds. They manage discontent and low wages through collective bargaining using a suitable formula for their interests: workers receive a sum of money (minimum), and their collective actions do not impact the wage setting. While, on the side of workers, it does not surprise the propensity to accept those bonuses due to the low wages (Durán, 2018) and, due to job instability (here presented). Both counter-factual are easily disputed in the worker’s view. On the one hand, an increase in the base scale of wages, even a substantial hike is not very attractive (precisely because the wages are low); on the other hand, there is the temporariness; bonuses represents more present money and increase on basic salaries more money for the long run (structurally speaking), but when labour contracts last only few months (even the open-ended ones), such a long run horizon disappears. Therefore, all in all, bonuses, indeed represent a kind of life-vest to keep going. Companies know that and use it.

## 6. Conclusions

In this article I introduced the model of abolitionist decentralisation of collective bargaining. Abolitionist decentralisation refers to the imposed structure (during the Pinochet's dictatorship) to negotiate collectively only at the firm-level, between firm-level trade unions (or/and non-union bodies) and single employers. Moreover, due to higher levels of bargaining are interdicted, sectoral and central unionism are delegated to minor roles. It might be argued, therefore, political working-class agenda is pulled out from the broader arenas. The abolitionist model pursues a scenario where trade unions are non-existent (due to the difficulties in formation) or one, where there are many small organisations competing with each other (multi-unionism).

This model seems to turbo-stimulate the business trend towards fragmentation. Two strategies have been presented: the on-site fragmentation (the resulting companies belong to the same owner) and classical on-site outsourcing (companies belong to several external owners).

The Chilean experiment of almost 40 years shows that the abolitionist decentralisation of collective bargaining leads to the unilateral control of the productive process by capital. The Chilean experience shows the formation of a triangle of control in which the effects of abolitionist decentralisation are mutually reinforcing with the fragmentation of companies and the job instability. Of course, the abolitionist model does not close the fact that the contested terrain can be seen at the firm-level, and there are some good examples of union revitalisation (Ratto, 2019). However, the main argument here is warn about the impacts on the workers power resources in the vast majority of the organised working-class.

The Chilean experience, probably the longest in this regard, offers important lessons about the risks involved in a extreme decentralisation experiment in the collective bargaining. From this case, it seems necessary to revitalise collective bargaining in order to strengthen workers' power resources. This revitalisation requires a new "varieties" of collective bargaining centralisation that defies the organisational power resources of capital.

## Notes

<sup>1</sup>This is how the Spanish colonisers called the Mapuche, the main native people of Chile.

<sup>2</sup>The first labour code was launched in 1931 after a fierce struggle of organised workers for better labour conditions (Angell, 1972). The enacted law was the reaction of the Chilean elite but not a workers' law. However, even though the firm-level union were conceived as the base of the system, the sectoral organisations were also part of it (in a less extent and only for white-collar workers and some exceptions of blue collar's). Besides, minimum wages were sectoral negotiated by a tripartite commission. With the "tarifados" (approved by Frei and massively implemented by Allende), sectoral deals were spread across blue-collar workers.

<sup>3</sup>Independent research institute, based in Santiago de Chile, specialised in labour studies. [www.fundacionsol.cl](http://www.fundacionsol.cl)

<sup>4</sup>Source: Dirección del Trabajo, 2017. According to the Dirección del Trabajo, firm-level unions whether private or state-owned enterprises are considered private sector. Labour code mediates its collective labour relations. Accordingly, neither public servants nor own-account workers involved in trade unions are accounted (in private sector). Besides, collective bargaining for independent workers do not exist and for the public servants is not allowed (though by facto, there is a type of procedure which it concludes in a public service agreement). This analysis is limited to the private sector which represents 75% of total employment (CASEN 2017).

<sup>5</sup>The so-called Penrose triangle (Penrose and Penrose, 1958) is a visual representation of a triangular object (compose for three bars) which is impossible to build in a real world. However, by an optical illusion, it is possible to see how it looks like.

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