



## **Single- or multi-year collective bargaining agreements: What works better for public servants?**

### **Introduction**

The importance of collective agreements in maintaining stability in the workplace goes beyond obsessions with term limits. It matters not whether a collective agreement is single- or multi-year; it is the commitment of the parties to honour the agreements and the extent to which the agreement adequately addresses the plight of the workers that matters.

That notwithstanding, there are advantages and disadvantages in both single- and multi-year collective agreements. We (the Public Servants Association) herein explore both options and suggest that multi-year agreements are preferable, albeit with the following proviso: (a) that the employer makes firm commitment not to renege on the agreements; and (b) contingency clauses are put in place to protect the interests of workers against unpredictable spikes in inflation.

### **Stability in the workplace**

The role of collective bargaining in bringing workplace stability cannot be under estimated. Without collective bargaining, scores of workers would have to negotiate conditions of employment individually. While this is possible in small firms employing few workers, negotiating working conditions with individual employees in the Public Service would be a nightmare.

In most countries the public service is the single largest employer. In China, there are 69.2 million public sector employees, over 16 million public servants in the USA, 11 million in Brazil, 5.7 million in the UK, 2.7 million in Germany, 2.6 million in Nigeria, and about 2 million in South Africa.<sup>1</sup> Without collective bargaining, how else would governments in these countries conclude negotiations on working conditions with so many employees? In conceiving of labour relations in the workplace, we come full-circle to the starting point, to rediscover the only truth there is – that nothing can take the place of collective bargaining as the guarantor of stability in the workplace.

## **Honouring commitments**

While collective agreements are to employers a tool for ensuring workplace peace and stability, to workers they are more than that. They are vehicles by which workers hope to improve their employment and living conditions. Workers enter into these agreements hoping to better their lives.

When the employer fails to honour agreements, both the employer and the signed agreements suffer a legitimacy crisis. South Africa has experienced this in the recent past. For example, the South African Local Government Association (SALGA) in 2012 reneged on its commitment to increase the employer's contribution to Defined Contribution Retirement Funds to 18%. Similarly, in the same year, after agreeing to increase the pay for markers of matric examination scripts, the Department of Basic Education refused to give effect to the agreed-upon increases.

Collective agreements also lose their standing in the eyes of workers when they fail to keep pace with escalating costs of living. This applies usually to multi-year agreements that are inflexible to accommodate unexpected hikes in inflation. In such circumstances, workers feel deceived and lose faith in multi-term agreements as vehicles for the upliftment of their standard of living.

Frustrated by the inability of the agreements to meet their economic needs, workers make more demands, thereby dishonouring the very agreements they entered into. They seek alternative mechanisms, for example, through unprotected strike action, to force the employer back into the negotiation table. While the employer may think workers' actions are unreasonable, it is the absence of mechanisms in the agreements to cater for the rising cost of living that should be blamed for such impasses. This is certainly far from the ideal, both for the employer and indeed for workers.

## **What works best for public servants?**

Both single- and multi-year collective bargaining agreements have their advantages and disadvantages. As a Union with the interests of workers at heart, we are not obsessed merely on the length of a term; we are more interested in the extent to which an agreement benefits our members.

One of the major benefits of multi-year collective bargaining is that it brings predictability for the employer and the workers alike. For the employer, it brings budget predictability. The employer can plan and budget in advance for the concessions made in the agreement. To the workers, it brings predictability of employment conditions. The workers know the changes they can expect in their employment conditions for the period ahead.

Multi-year collective agreements also save time. The long duration of the agreement means that the time expended in negotiations every year could be dedicated to conducting research on the best economic and social policies that other developed and developing countries are pursuing for the benefit of their citizens. The outcome of such research should be tabled at NEDLAC for engagement with the State with a view to influence the policy formulation processes.

The major disadvantage of multi-year bargaining is that once the parties agree on an issue, they bind themselves to the agreement no matter the unforeseen changes that may occur during the term of the agreement. This can negatively affect both parties. For example, when economic crises struck, the cost of living may skyrocket, and thus undermine the force of the agreements.

It could also be tough for the employer. Economic crisis may reduce revenue, thus making it difficult to honour standing agreements. This has been the case in countries that were severely affected by the 2008 economic recession. In the USA, for example, in 2012 the government of Illinois reneged on its multi-year agreement to increase the wages of police officers by 5% as a result of the recession.<sup>ii</sup> In November 2008, the government of Ireland signed an agreement with unions to increase public sector pay by 6% over 21 months. Few months into 2009, government started to feel the impact of the recession and imposed pension levy and pay cuts for public sector employees instead of honouring the agreement.<sup>iii</sup>

Single-year agreements have their advantages, too. One of them is that they tend to be focused and directed at addressing a problem at hand, either wages or other aspects of conditions of employment. Because of the shortness of the duration, the milestones are clear and once parties agree, the chances of reneging are slim. Also, there is urgency to resolve the dispute.

Although the scope of planning and budgeting is limited, single-year agreements are more realistic in that they are based on what is affordable at the time, not on future projections. Because of this, employers' record of honouring single-year agreements far outweighs that of multi-year agreements. The most distinguishing feature of single-year agreements is the certainty of their offerings.

However, as pointed out above, the shortness of duration of single-year agreements means that negotiations are almost perennial, and if negotiation stalemates last long, the risk of instability is higher. This can hardly guarantee long-term stability in the workplace.

Both short- and long-term collective agreements have their pros and cons. The choice of the type of collective bargaining should be based on whether it serves the interest of the workers or not. In our view, multi-year collective bargaining is a better option for the Public Service, although with refinement.

## **Making multi-year collective agreements work**

The PSA envisages a Public Service that is efficient, a workplace characterised by peace and stability. We would do anything to ensure that the public receives uninterrupted services, hence our guiding principle to embark on strike action as a last resort.

However, workplace peace should not be at the expense of workers' interests. Two things are crucial to make multi-year collective agreements work in the Public Service. They are:

a) Honouring agreements

Multi-year agreements will work when the employer demonstrates in writing and in practice, a commitment to honour the agreements. The more multi-year collective agreements are not honoured, the higher the risk of instability and service interruption. The PSA urges the employer to negotiate in good faith and not use the agreements as instruments of deception.

b) Flexibility

There must be contingency clauses to keep specific aspects of the agreements open for further negotiations during the term of the agreement. What the PSA is calling for is for a level of flexibility to cover for any eventualities that may arise during the term of the agreement. However, conditions for such flexibility should be spelt out so that it is not abused by either party. Re-opening a discussion on the wage issues could be, for example, on condition that an independent study to evaluate the cost of living vis-à-vis the agreed increased is conducted. If the finding is that the agreed increases are below a certain level agreed to by the parties as compared to the projected cost of living, the parties do not need to wait until the term of the agreement expires before negotiations are re-opened. This level of flexibility will bring dynamism to collective bargaining and make agreements respond to the ever-changing socio-economic conditions of workers.

## **Conclusion**

The lack of commitment to honour agreements is eroding the potential of collective bargaining to serve as an instrument to bring industrial peace. When collective agreements are not honoured and fail to address the plight of workers, they lose their legitimacy and, eventually, their force.

The PSA is pro multi-year collective bargaining, as it has greater potential to bring sustainable peace in the workplace and uninterrupted service to the public. With a level of flexibility and commitment to honour the agreement, the role of multi-year collective bargaining agreements as instruments of peace can be restored.

DZ Adonis

**GENERAL MANAGER**

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<sup>i</sup> Public Servants Association, 2013, Collective Bargaining in the public service: key lessons for the future, a paper presented at the Public Service Commission.

<sup>ii</sup> Cummings Tamara., 2012, Multi-Year Collective Bargaining Agreements and The AFSCME/State Of Illinois Dispute, Illinois Labour Council Articles, Volume 29 Issue 3.

<sup>iii</sup> Hayman Richard, 2010, Social dialogue and industrial relations during the crisis: innovative practices or business as usual? Working paper No. 11, Geneva: ILO.