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LABOR LAW AND THE LEGAL WAY

Collective Bargaining in the Chilean  
Textile Industry under the  
Unidad Popular

Lance Compa

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## Introduction

This study describes the legal creation of an industry-wide, tripartite collective bargaining structure in the private sector of the Chilean textile industry. The former structure limited collective bargaining to employers and employees within the confines of a single plant. The reform established a central bargaining organism where representatives of employers, employees and the government negotiated a single labor agreement for the nation's entire private sector.

The new collective bargaining structure is set in a context of social, economic and political tensions that characterize the socialist experiment Chile has undertaken. The study seeks to show how these tensions emerge in the textile collective bargaining process; how they are resolved for purposes of reaching an agreement, but how they remain operant, perhaps even exacerbated as a result of such an agreement, in the overall process of change.

The tensions will be discussed in terms of a conflict between the economic policy and the labor policy of the new Chilean government. The gist of the conflict is this: the success of the economic policy requires restraint on the wages of unionized, higher-paid workers, but the success of the labor policy requires that higher wages be paid to precisely that organized sector of the work force. It appears that the Chilean government is pursuing contradictory policies. In the economic sphere, it seeks to establish a dominant socialized sector with centralized planning and control. Implicit in such a controls program are wage controls. On the other hand, the government wants to retain the support of the organized workers by spurring the development of large, strong industry-wide unions that can obtain higher wages for their members through collective bargaining.

This study examines how these conflicting policies clash in the new textile collective bargaining process. In doing so, the study follows two

major lines of inquiry. One discusses the technical problems of labor relations in the Chilean textile industry, hoping to illuminate the kind of difficulties faced by developing countries in their efforts to combine economic and labor policies for growth. The role of the state in the bargaining process, the identity of the negotiators and the interests they represent, the issues bargained about, the content of the collective agreement, the economic effects of the agreement, etc. are all matters of interest to those studying labor relations in developing countries.

There is also a political line of inquiry, one which focuses on the social and political forces at work in the overall Chilean process and how they affect the textile bargaining. Students of Latin American political affairs, or anyone interested in an experiment in democratic socialism, may be helped by the treatment of issues like the restraints and accommodations of existing laws and institutions, rivalries among the political parties inside and outside the ruling coalition, contending interests within the working class and within the employer class, the relationship between the unions and the political parties, between organized and unorganized workers, etc.

Three major sections comprise the study. The first sets out a historical and political framework for both overall events and for the labor relations system. The second concentrates on the technical aspects of the new system in the textile industry and the conflict between economic and labor policies. Finally, we shall step back for a recapitulation and a political analysis of that conflict, and attempt to calculate the future course of events. The latter effort, however, will be undertaken with the most extreme circumspection. The only certain thing about Chile is that nothing is certain. Indeed, the true worth of this study may lie in expressing the confusion and complexity of the process taking place in new Chile.

## 1) Historical & Political Frameworks

The starting point for this brief outline of social and political developments that led to the socialist victory in the 1970 elections is the formation of the Socialist Worker Party in 1912. Already, however, extensive agitation and organization had been going on among working class groups in Chile, especially in the northern nitrate mines. In one particularly bitter struggle in 1907, for example, two thousand striking miners, their wives and children were killed in a single day by army troops in the northern port city of Iquique.

The formation of the Socialist Workers Party was led by Luis Emilio Recabarren. A figure of superhuman energy and exceptional organizing skills, Recabarren had almost single-handedly organized the entire working class movement in both Chile and Argentina. He pulled his followers out of the liberal-leaning Democratic Party to create the SWP. Their declaration of the reasons for splitting contain two clauses significant in light of further developments:

....3. Because the Democratic Party has never occupied itself with organizing the workers for the defense of their economic interest, nor with the education of the people by means of conferences or newspapers.

....6. Because the Party in its many conventions has refused to establish a program of workers' economic demands.<sup>1</sup>

The SWP undertook a program of close collaboration with the Chilean Workers' Federation, the first national workers' organization, which was organized in 1911.<sup>2</sup> In 1922 the Socialist Workers Party became the Chilean Communist Party and a member of the Third International, following a visit by Recabarren to the Soviet Union, to whom the Communist Party has remained staunchly loyal ever since. Until 1925 the partnership of the Communist Party and the Workers' Federation made progress. Recabarren and other party members

were elected deputies in areas where the Federation was active. In that year, however, following the reaction of the traditionally ruling landowners and foreign mining interests--mainly British--the crackdown came. Federation headquarters were shelled by the Army. Dozens of leaders were killed, and thousands jailed for "subversive activities." The Communist Party continued its efforts, but stripped of its organized working class base.

Chile was rocked by political instability during the late 1920's, with frequent military intervention, then ravaged by the Depression. Nitrate became a practically useless product, and thousands of unemployed workers streamed to Santiago from the North. The Workers' Federation renewed its activities and its ties to the Communist Party in spite of continued government repression. In 1933, the Socialist Party of Chile was formed from various independent Marxist groups. With the Communist Party's adherence to the 1935 order of the Third International to seek popular fronts against fascism, the Socialist Party occupied a position ideologically to the left of the Communists, which it has maintained to this day.

Like the Communist Party, the Socialist Party sought to base its strength in the organized sector of the working class. Although it succeeded in obtaining widespread working class support during its rapid early growth, middle class intellectuals continued to play a dominant role. The Communist Party remained mainly a working class party, in its leadership as well as its base. Their competition for worker support, however (the Socialists organized a rival federation), gave rise to suspicion and hostility that was later disastrous.

The labor movement's trade unionist activity, especially organizing and striking, was being constantly obstructed in the 1920's and 30's. On one hand, the legal restrictions of the 1925 Labor Code kept unions organizationally

weak and economically impotent.\* On the other hand, varying degrees of official violence were employed to break strikes and intimidate workers and union leaders.

Labor was forced to seek protection in the political arena. Already an extensive social security program, minimum wage laws and other labor-interested legislative projects were underway, all of them handled by politically influenced administrative bodies. The presence of Communist and Socialist representatives in the legislature--a fairly steady 20-30%--was the chief weapon of the organized workers for obtaining these protections. Conversely, the electoral support of the workers was the chief guarantee of growth and preservation of the left political parties. Recabarren's recommendation to base the ties between the workers' parties and the workers on an economic program was carried out, but this program was elaborated almost exclusively in the legislative sphere. The flow of support went from the workers to their representatives in Congress rather than from the parties to the workers in their sindical struggles. In short, the legal method of self protection eclipsed the trade unionist method for the Chilean working class.

The Socialist Party dropped its original opposition to a Popular Front (a proposal which it had previously characterized as "collaborationist") when it joined the electoral coalition which won the presidency in 1938. The Communist Party and the left wing of the Radical Party, the chief political party of the time--a liberal party based on the Masonic movement--were the other members of the coalition. The formation of the Popular Front spurred a merger between the rival Socialist and Communist labor federations, though they maintained their separate factions.

The Popular Front government undertook important reforms in Chile's

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\*See Ch. 2.

social and economic life. It encouraged union organization, weakened the grip of the traditional ruling sectors by increasing the role of the middle class, and originated a broad program of conscious state intervention in the economy, especially through the creation of CORFO, the state Development Corporation. During the first two terms of the Popular Front, 1938-1946,\* the tendency of organized labor and the left wing political parties to collaborate in the legislative and administrative (rather than trade unionist) process was reinforced. A national health service was instituted; a young Socialist doctor and deputy, Salvador Allende, was active in its creation and was for a time Minister of Health. Wage and price regulation was extended. The suelo vital, a minimum wage for white-collar workers, was instituted. Organized labor representatives were appointed to state economic bodies, especially CORFO. A climate of "social peace" replaced the open class struggle. Significantly, however, intentions to reform the Labor Code's restrictive measures were not realized. The government fell short of many of its other objectives as well. Jorge Barria, Chile's leading labor history and labor relations expert, concludes that

Its connection with a political coalition distracted many energies from the CTCH [the Communist-Socialist workers' federation] in campaigns which, at bottom, only served the political objectives of the parties that oriented it, but which were not translated into permanent gains for the country's working class.<sup>3</sup>

Both the climate of social peace and the uneasy truce between the Communist and Socialist parties were broken in 1946. A workers' demonstration was broken up by police, resulting in five workers' deaths. A general strike was the response, but disagreement over whether to continue it led to a

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\*The Communist and Socialist parties pulled out of the coalition in 1941 on ideological principles, but remained a "loyal opposition."

Socialist-Communist split. The conflict deteriorated to such a fratricidal point that they even broke each other's strikes. There are veterans of the labor movement who even now refuse to speak to each other, despite their current collaboration in the Popular Unity government, as a result of that clash.

A Popular Front candidate, Gabriel Bonzalez Videla, won the presidency in 1946. It was not long, however, before he established his reputation among the Left as "the traitor." In 1948, his administration put the Communist Party outside the law through the "Law for the Defense of Democracy," soon baptized by the Left as the "ley maldita" (accursed law). This law gave the executive power to detail anyone engaged in "subversive activities", and was used to repress the non-Communist left as well as the Communists. The law's chief victims were militant labor leaders. Contrary to the hopes of the government, however, the combativeness of the working class increased rather than diminished. Despite its internal divisions, the jailing of its leaders, and the illegality of its principal political party, Chilean workers multiplied their strikes, demonstrations and organizing activity. The Communist Party continued to act clandestinely, and emerged stronger from the ten year's duration of the "ley maldita" than before.

The 1952 presidential elections saw a substantial victory for Carlos Ibañez, a retired army general who had been a major figure in the upheavals of the 1920's. He won on a populist-tinged platform, with some Socialist support. In a poor 4th position, with 5.5% of the vote, came Salvador Allende, candidate of another Socialist faction (Communists were not allowed to vote). Ibanez's government soon developed into another conservative regime, but in 1953 a new force of paramount importance entered the scene: the formation of the Central Unica de Trabajadores (CUT),\* a new national trade union

\*pronounced koot

federation. Communists and Socialists subordinated their rivalry to common interests, and together with representatives of all other ideological positions and all sectors of the working class--blue-collar workers, white-collar workers, public employees, professionals--they unified the fragmented union movement into a strong, politically active federation. The CUT grouped about one-fourth of the nation's workers, most of those organized in unions. The first CUT election resulted in Communist and Socialist dominance, a tendency that has maintained itself ever since.

The CUT came under severe repression in 1956. Labor leaders again filled prison camps in the isolated North, but again the bases responded firmly. The CUT and the left-wing parties, including the Communists acting clandestinely, organized the Popular Action Front (FRAP--Frente de Accion Popular) to resist the growing reaction. This coalition almost elected Salvador Allende in the 1958 elections. The candidate of the Right, Jorge Alessandri, won with 31.6% of the vote. Allende followed with 29.9%, with Eduardo Frei, candidate of the rapidly growing Christian Democratic Party, getting 20.7%. A fourth candidate, a Radical, obtained 15.6%. Most Chileans agree that Allende would have won were it not for a doomed fifth candidacy, of a left-wing priest who drew off 5% of the progressive votes.

The Alessandri period was characterized by its anti-inflationary measures, which sought to restrain worker's real wages. The CUT and the FRAP parties, especially the Socialists and the Communist Party (legal again since the end of the Ibanez regime), fought bitterly against this program, demanding wage increases equal to the rise of the cost of living.\* Though they were unable to halt the anti-inflation program (which failed--inflation

\*See discussion of the reajuste, pp.

continued its dizzy rise), their opposition garnered more rank-and-file support for the parties of the FRAP. In the 1964 elections, Salvador Allende's vote grew to 39%. Fearing an Allende victory, however, the Right's candidate withdrew and threw support to Eduardo Frei. Frei won with 56% of the vote, to Allende's 39%.

The Frei regime began with broad support and high hopes, even among working class sectors that had supported the FRAP. They hoped that the Christian Democrats would live up to their reformist rhetoric. The honeymoon was short-lived. In his second year of government, Frei dispatched army troops to the scene of a copper strike at El Salvador mine, which ended with eight killed and over forty wounded in the subsequent massacre. The CUT responded with a general strike. Later steps of the Frei government, including a forced-savings plan and anti-inflationary measures like those of Alessandri, were also bitterly fought by the CUT and the left wing parties. Within the Christian Democratic Party itself, youth leadership became increasingly disillusioned with Frei's performance. In 1968, most of the progressive Christian Democratic youth split from the Party to form the United Popular Action Movement (MAPU--Movimiento de Accion Popular Unitaria).

During the Frei regime the Communist Party had been militating for a shift in the Left's strategy, away from an exclusively working class party front (the FRAP) toward a new popular front with progressive sectors of the middle class. Its reasoning was accepted. In late 1969, the Communist and Socialist parties, together with MAPU--still basically a party of radicalized Christian Democrats, but moving leftward ideologically and finding an enthusiastic response among young workers--and the left wing of the middle class Radical Party, formed the Popular Unity coalition (UP--Unidad Popular) to confront the 1970 presidential elections.

The UP formulated a program of radical reform that would create the conditions for a transition to socialism while respecting Chile's institutional framework and/safeguards. The program emphasized an alliance of workers, peasants and the middle class against the traditional landed and industrial oligarchy. It called for "the transfer of power from the old dominant groups to the workers, the peasants and the progressive sectors of the middle classes of the city and the countryside."<sup>4</sup>

Most of the UP program could be characterized as ultra-reformist; that is, it encompassed the kinds of reforms typical of social democratic governments that accept the rules of a constitutional order. In one key respect, though, the UP distinguished itself from other elected reformist governments: it promised to socialize the largest and most productive manufacturing companies, not just service sector losers like railroads and utilities. The core of the UP's concrete proposals was the establishment of the Social Property Area (Area Social), nationalized activities which would include natural resources, banks and the major manufacturing enterprises. A list of 91 companies was issued, which were the targets for full or partial nationalization under the UP's economic program. These 91 companies, out of the more than 35,000 business establishments in Chile, produced 60% of the country's GNP.

Radomiro Tomic, The Christian Democrats in the 1970 elections, presented a program similar in almost every respect to that of the UP. Memories of Frei's promises, however, eroded his credibility. The third candidate was ex-president Jorge Alessandri, running on an openly authoritarian, anti-working class platform. The election shaped up, therefore, as a three-way context among two progressive candidacies, one based in the working class and built on decades of opposition; one based in the liberal middle class

but weighted by the failure of its predecessor; and one reactionary candidacy.

The CUT had always maintained a position of formal neutrality with respect to political parties. It continued this tradition in this election, but it did everything short of issuing official declarations to further the candidacy of Salvador Allende, once again the choice of the Chilean Left. The working class parties, so often on the defensive, now had the opportunity to win the executive power. Organized labor was not going to vacillate in its support.<sup>5</sup> Their efforts succeeded; Allende won with 36.2% of the vote, narrowly ahead of Alessandri with 34.9%. Tomic was a poor third, with 27.8%. Conservative forces had won in 1958; liberals had their chance in 1964. Now it was the socialists' turn.

Allende's 36.3% of the vote was drawn from three major sectors of the population: male blue-collar workers; that portion of the middle class still loyal to the Radical Party (a member of the UP coalition); and socialist-leaning women, peasants, students, white-collar and professional workers and various other social groupings. The conservative candidate's nearly equal votation came from the upper class; that portion of the middle class with reactionary tendencies, especially the lower middle class upset by the labor militancy of the late 60's; and from reactionary women, students, white collar and professional workers, etc. (not peasants). The Christian Democrats drew most of their support from peasants, the remainder of the middle class, working class women and from a solid minority block of adherents among blue-collar workers.

The UP was a minority government, but it was hardly impotent. The extensive power and initiative that goes to the executive in a presidential state had been won by the Left. The Opposition controlled a majority in the Congress; not, however, the two-thirds majority needed to override a presidential

veto. The struggle for socialism became, therefore, a constitutional struggle between the executive and legislative powers. The President sought to employ his legally authorized powers to further the UP program, while the Opposition sought to block him through legislative action.

As we shall see, Congress was unable to prevent the implementation of much of the UP program. Legitimate executive authority to put private companies under state control was quickly utilized to create a socialist sector of the economy. Nonetheless, the UP was operating under several important political constraints during this early stage. The Opposition united itself, and was planning to run single candidate against the UP in the congressional elections of March, 1973. If the Opposition managed to secure more than a two-thirds majority, it would seize the initiative from President Allende because it could then overrule a presidential veto. If the UP won more than one-half the seats, on the other hand, it could then implement its program through legislation, with the full force of the legislative power behind the executive. But the latter event was considered unlikely. To get one-half, the UP had to win over 14% of the Opposition's 64% votation in the 1970 election. A loss of only 3% of its own 1970 vote gave the Opposition a two-thirds majority. The important thing for the UP, therefore, was to hold on to each of its sources of voting strength so as not to risk the 3% loss.

Retaining its one-third congressional representation required the UP to deal with its own internal differences. The Communist Party still scared many people with its adherence to the Moscow line, despite the fact that, in term of issues, it was the most conservative member of the UP coalition. It urged a slow, step-by-step reform process rather than precipitous socialization, and strongly attacked "ultra-left" elements that tried to push the process.

In contrast to the disciplined, single-minded Communists, the Socialist Party was all over the political map. Its right wing, identified with President Allende, was close to the Communist position on most matters. The left wing of the Socialist Party, however, developed close ties with the MIR (Revolutionary Left Movement) and other "ultra-left" groups excoriated by the Communists. The Radical Party, meanwhile, tried to maintain its progressive tradition by staking out a position to the left of the Communists, and at the same time preserve its middle class support that was so crucial to the UP's electoral strategy. These and other disparate political tendencies had to be brought together in a single program of action that would not jeopardize continued support from any one of the various groups that contributed to the UP's narrow 1970 victory.

The long march of the Chilean workers that began with Recabarren in the early part of the century had now completed the first leg of its journey, when Salvador Allende entered the Presidential Palace in November, 1970. This outline has attempted to summarize the main conditions of the journey: debilitation of organized labor's sindical strength, by legal restraints and by outright repression; the consequent necessity to align with political parties in order to defend the workers' economic interests through legislative activity; the socialist ideals of the principal working class parties; the mutual interdependence of organized labor and the socialist parties, one in the interest of defending their living standards, the other in the interest of defending their survival as a political force; finally, the general balance of political forces at the time the UP came to power. We shall next proceed to examine the first of these conditions, and in many ways a key to the rest: the legal restraints on union organization and activity.

## 2) Traditional Collective Bargaining

In order to appreciate the changes occurring in Chilean labor relations under the Popular Unity government, we are going to take a rather extensive look at the traditional labor relations system. The first part of this description will treat the legal structure of union organization and activity. The second will deal with the legal structure of collective bargaining. The final part will discuss how the collective bargaining system operates in practice--the degrees to which it conforms and contrast to the formal legal structures.\*

### A. The Legal Structure of Union Organization and Activity

Like every facet of labor relations in Chile, union organization and activity have been strictly regulated by the voluminous 1924 Labor Code and its supplementary legislation.<sup>6</sup> Hailed in its time as a model of modern labor law, the Code reflects then-progressive notions that have been rendered old-fashioned by developments since then. Because legislators believed that workers in small enterprises were under the personal care of their employers, union organization was limited to firms of twenty-five or more employees. Still in effect, this requirement has kept well over one-fourth the manufacturing labor force from even being able to form unions.<sup>7</sup> Furthermore, since economic activity was perceived in 1924 as the work of an individual entrepreneur operating in a free market, the Code limited union organization to the confines of a single plant in order to avoid the trade-restraining effects of

\*Due to the fact that many features of the traditional collective bargaining process are still operative while others have been neutralized, reformed or eliminated by events since the change of government in 1970, this opening section presents a problem of how to arrange verb tenses in a consistent way. It is resolved by writing from the standpoint of 1970, using the present tense to describe the situation on the eve of the Allende government's arrival to power in November, 1970,

multi-firm organization. All unions are "company unions," though not in the perjorative sense the phrase carried in English, and bear their company's name. Industry-wide organization is prohibited, and all the economic leverage it would furnish is lost to the workers. Federations may and have been formed, but only for educational, welfare or other cooperative purposes. They may not bargain or otherwise directly represent union interests in conflicts with management.

Finally, because it was felt at the time that there was such a difference between blue-collar and white-collar work that they needed different treatment, the Code divided workers into two classifications: obreros (blue collar) and empleados (white collar). Each was required to form a separate union, even inside the same plant. Upon this distinction a whole panoply of laws and institutions have been build up, most of which give decided advantages to empleados. Empleado status is granted by the legislature, and there is stiff competition among obreros to obtain it. Steam shovel and dredger operators were recently elevated to empleado status, for example, setting off a wave of protest and demands from other machine operators. The Labor Code, therefore, not only divides the union movement into a firm-by-firm structure. It divides it into different unions within a firm, and also creates rivalries among workers in similar occupations.

The Code also fashioned a trap-ridden procedural maze for all facets of union activity--organizing the union, electing officers, spending union funds, setting, bargaining and ratifying demands and agreements, etc. These and all other activities are regulated in step-by-step detail, and any failure to comply means the whole effort is lost. An immediate result of this has been to discourage many workers from even trying to form a union,

Furthermore, many of the Code's provisions were openly designed to

limit union effectiveness. It forbade the formation of professional union leadership by requiring all union officers to work full-time in the plant. It barred union negotiators from access to employers' records, prohibited the creation of a union strike fund, and required government approval for all expenditure of union funds.

On the opposite side, the legal structure of union organization has allowed the Chilean labor movement to avoid entirely the union-shop and dual unionism controversies that plague many other labor movements. If 55% or more of the obreros in a plant vote to constitute a union, everyone is in it and everyone pays dues. As pointed out above, that is the union; there are no rival organizations seeking to capture its members. Where a union is organized, furthermore, the Code requirements of full rank-and-file participation in the election of union officers, in the formation of bargaining demands, and in the ratification of an agreement, make for a certain degree of responsiveness and accountability of union officers.<sup>8</sup>

Finally, like many aged codes, problems of enforcement, desuetude, disregard, etc. mitigate some of its stringency. Union officers spend a good deal of their time on union activity, often with employers' blessings. The no-strike-fund clause is just winked at. Dues paid for picnics, recreation, culture and so forth go for strike benefits. This is also one situation where inter-union aid is extended. Members of other unions still working tax themselves to help the compañeros on strike.

These breaches are confined to union activity, however. The structure of union organization, which divides the union movement into thousands of plant-wide unions, has been generally enforced. With the limitations described above, there are only 4,000 unions in Chile in 1970 (out of 35,000 business enterprises) with 437,000 members--less than one-fifth the non-agricultural

labor force. Only 1,500 of the unions and 200,000 of the union members are blue-collar workers.<sup>9</sup>

B. The Legal Structure of Collective Bargaining

The collective bargaining system is carefully structured and its process minutely regulated by the Labor Code. In accordance with the structure of union organization, traditional collective bargaining takes place in the setting of the individual plant. There is no multi-union or multi-employer bargaining. An important point with regard to the bargaining structure, however, is that the Code opens the process to workers in all firms. Union organization of a firm is not necessary. Neither is bargaining itself necessary. Workers may, where there is no union, continue to deal individually with their employer.

Where workers do bargain collectively with their employer, they must first assemble and formulate a set of demands, called the pliego de peticiones, or simply pliego. The pliego must be ratified by signatures of a majority of at least two-thirds of the workers. These demands are presented to the employer by the union officers or the Comite de Pliego where there is no union.

If the employer were to concur at his point, the process would end here. He never does, however, since the demands are always far greater than what the final accord will possibly be. His refusal creates a juridically-defined situation of conflicto colectivo; that is, the legal recognition that there is a collective dispute. The Code allows the parties fifteen days to negotiate an agreement directly. This period is filled with required meetings, deadlines, papers to be filed, etc.

A continued deadlock moves the bargaining process to the stage of conciliacion (better translated in English as "mediation"). The parties bring

their conflict to the Junta de Conciliacion, a third party Mediation Board of neutral employer, employee and Ministry of Labor representatives. A detailed process of hearings, proposals and counter-proposals before the Mediation Board ensues. If no agreement is reached within fifteen days, the Board offers its own solution. The parties can accept that offer, or go to binding arbitration (which they never do), or to economic battle--the strike and the lock-out. Though an agreement need not be ratified by the rank-and-file, a strike decision must be approved by a majority of two-thirds of the workers in secret voting. All of these procedures--and this is just a broad outline, each step being regulated in the minutest detail by the Code--must be strictly adhered to. Failure to do so means the parties should start again at zero, and any subsequent strike activity is formally illegal.

The agreement finally achieved by the workers and their employer, whether reached in direct negotiations, through the Mediation Board, or following a strike or lock-out, is known as an acta de avenimiento or "act of accord." This agreement does not have the status of a contract. It is not enforceable either in court or through the Ministry of Labor. It is rather an expression of the intentions of the parties, and depends on their mutual good will for observance. At any time, one of the parties may break the agreement or decide to provoke a new conflicto by demanding changes in the agreement.

### C. The Practice of Collective Bargaining

#### 1. The Reajuste

Any discussion of the substance of collective bargaining in Chile must begin with an explanation of the reajuste ("readjustment"). One has to first consider Chile's intractable inflation (18% in the 1940's, 36% in the 1950's and 25% in the 1960's) and imagine the inflationary psychology that goes

with it. Wage agreements, both individual and collective, are set for one year's duration. During the year, however, prices are constantly rising. The buying power possessed during the early months of the agreement dwindles until, by its end, only the barest essential can be bought.

This is where the reajuste takes on its paramount importance in Chilean public affairs. The reajuste is the legislative declaration of the amount workers' wages are to be raised in order to restore their purchasing power. It is given as a percentage, and is determined in relation to the National Statistics Institute's index for price rises of certain essential consumer goods. The reajuste does not, however, automatically equal the percentage rise in cost of living. It can be higher or lower, and the lumbering legislative march toward the final figure fixes all Chile in a grip of suspense.

Usually declared at the beginning of every year, the reajuste represents the mandatory wage hike for public employees and workers with individual contracts. It is not mandatory for employees with a collective bargaining agreement. Past governments sought to fight inflation by setting a reajuste below the price index figure; that is, by holding the wages of public and unorganized workers below the increase in the cost of living. These are the workers who have lost, as a result of these below-cost reajustes (especially during the conservative government of 1958-1964, but also at times during the 1964-1970 Christian Democratic government), in the struggle with inflation.

Unionized workers, on the other hand, have generally been able to keep pace with the cost of living rise.<sup>10</sup> They bargain on the basis of the price index figure, not the reajuste. Their bargaining is spread throughout the year, in a plant-by-plant pattern, and the workers in each individual plant use the price index figure of the previous twelve-month period as the

guide to their wage demands. If workers in plant A bargain in March, for example, and the price rise index shows an increase of 28% from the previous March, that figure is the basis for negotiations with the employer. If those in plant B bargain in October and the twelve-month index shows a 16% rise, they bargain around that figure. In other words, workers who bargain collectively are usually able to recuperate the buying power lost over the previous twelve months. Public employees and workers with individual contract, on the other hand, are liable to get a reajuste of 15% when the previous year's inflation reached 33% (as happened in 1960).

## 2. Setting Demands

Most workers formulate bargaining demands far in excess of what could possibly be obtained, or even realistically discussed. Many pliegos ask a wage hike two or three times greater than the previous twelve months' cost of living rise. This is due largely to the Code-required method of drawing up the pliego. Rather than set by union officers and economic advisors on the basis of concrete data, demands are prepared in an open meeting of all the workers of a plant. If the plant has one thousand workers, it is a meeting of one thousand men and women. Whether a thousand workers or ten, in such a setting detailed presentations of productivity or profit data carry little weight compared to impassioned exhortations about how much they should wrest from the boss. Moderation is weakness, so that union officers or comite members take the lead in militance. In the actual negotiations they can deal in a businesslike manner with the employer. Still, it is the price index figure that serves as the basis for wage negotiation, not productivity or profit figures.

## 3. Subjects of Bargaining

The first subject dealt with in collective bargaining is usually the basic wage increase. Most of the discussion centers around considerations

of a "fair" increase in relation to the cost of living rise, rather than conventional market criteria. The price index serves as a guideline for this issue. Obtaining an increase higher than the index is the union officers' goal; with this they can assert that they are improving their members' position. Most agreements do end up slightly above the index figure.

The most tenacious negotiation centers on fringe benefits. Much in the way of such benefits is regulated by the Labor Code and social security laws--overtime hours, overtime pay, vacation days, sick pay, pensions, even day-care centers inside each plant with more than twenty workers. This is the area where the workers' parties in the legislature play an important role, and social security laws (which affect the entire range of welfare problems, not just old age) make employers' payments into welfare funds a staggering one-fourth of their labor costs. An impressive array of further benefits are arranged, however, through collective bargaining. These range from relatively standard items like holiday bonuses, birth, marriage and death-in-the-family bonuses, extra payments for having children in school, severance pay and profit-sharing plans,\* to singular items which include (from a survey of many agreements): milk for lunch, shoes for the children, Christmas toys, two hour grace periods for the arrival of mothers on rainy days, paid practice time for the firm's futbol team, payment to the union to celebrate May 1 and a bonus for ending a strike.

Such fringe benefits add greatly to employers' administrative burdens, and most prefer to pay a straight wage and leave the rest to the workers' discretion. Most of these benefits, however, contain a certain "to each

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\*The Labor Code requires that 10% of each year's profits be shared among a firms' workers. Most unions, however, prefer to negotiate a fixed sum--usually 3% of a year's wage--in lieu of the profit sharing, so as not to be left empty-handed in a profitless year or fall victim to their employer's book-juggling.

according to his needs" effect that the workers perceive as vitally important for their interests. For union officers, furthermore, winning an extra beneficio enhances their standing with the members. Pliegos are full of these kinds of demands, therefore; usually, as in the case of wages, far beyond what could conceivably be obtained.

#### 4. Content of Agreements

A survey of Chilean collective bargaining agreements shows a nearly direct correlation between the size of a firm and the length and complexity of its agreement. A small firm of ten or fifteen workers, for example--and even small unionized firms (recall the twenty-five employee requirement for a union)--will have an agreement with a handful of clauses--the percentage wage rise and a few basic fringes. It is not unusual in these cases to see each worker named in the agreement with his or her wage, or to see one worker singled out for a higher wage "due to his being responsible for his deceased brother's family", for example. As firms grow larger, however, their unions usually negotiate a longer list of benefits, and detailed wage scales begin to emerge. One often sees, in these cases, a movement to establish escalated wage terms, so that lower-paid workers receive a larger percentage increase than the better-paid. In general, there appears to be rather narrow differentials between the wages of skilled and unskilled workers within a single firm, though there are sharp differences among workers in different firms who perform the same tasks.<sup>11</sup>

#### 5. Chilean Management

The collective bargaining process is strongly influenced by the nature of management in Chile. Most business enterprises are individually or family-owned or operated. This gives the bargaining a highly personal character. Rather than dealing with a faceless organization man who is as

much an employee as they are, the workers usually bargain with the owner himself. Quite often, the owner's image corresponds to that of the grasping capitalist, at least in the workers' perception. Stripped of its bureaucratic trimmings, collective bargaining is reduced to its most elemental purpose: getting more money out of the pulpo ("octopus"--a common term of a greedy boss--used mainly during the negotiation period).

At the same time, the personal character of bargaining lends a "human relations" quality to the dealings between management and labor. Union officers and company owners usually come to establish a working relationship which, for example, allows an officer to negotiate a loan or an advance in pay for a worker who needs money quickly, or to persuade the owner to carry a worker going through an unstable period due to personal problems.<sup>12</sup>

#### 6. Non-existence of Agreement Administration

A notable feature of traditional collective bargaining in Chile is the complete absence of administration of agreements by the bargaining parties. There is no grievance mechanism negotiated anywhere, even in the otherwise most detailed and sophisticated agreement. Grievances have been relegated by the Labor Code and its supplementary legislation to the Labor Courts and the Inspectorate of Labor (the local branches of the Ministry). The delays, the red tape and the costs this entails prevent many grievants from seeking any redress.

In plants where the union is strong, on the other hand, officers can usually take care of grievance matters. This, in fact, is what occupies most of their time spent in violation of the Code's requirement to work full-time. But there is no regular procedure. Grievances are settled ad hoc, and only where the union has enough muscle to make the

employer bend--it will strike to back up a grievance. Workers in weak or non-union plants, however, are left to the maze of the courts or the Inspectorate.

#### 7. Legal and Illegal Strikes

The Labor Code's detailed prescription for each step in the collective bargaining process has little practical significance. Failure to fully comply with the Code's provisions means that a subsequent strike is officially illegal. But so casually are these provisions observed that in 1970, for example, out of 1,819 total strikes, 1,601--88%--were officially illegal for failure to adhere to Code requirements.<sup>13</sup>

The supposed sanction against an illegal strike is that workers lose the dubious protection of a poorly-enforced law against arbitrary firing. Formally, that is, the employer is free to dismiss his striking employees and hire replacements whereas with a legal strike he could not. But employers generally will not fire workers even in an illegal strike. Firing of leaders usually stiffens the resolve of the rest. Mass firing will not work because Chilean workers will not cross a picket line, even a line of discharged employees. The employer simply could not get replacements. Scabbing is one problem a century of tough trade-union struggles has removed.

#### 8. The Bargaining Forum

As in the case of legal and illegal strikes, there is a large gap between the Labor Code's prescribed bargaining forum and where bargaining actually takes place. For the thousands of conflictos registered with the Mediation Boards each year, only a tiny portion are actually settled by the Boards. In place of this rigid, deadline and red tape-ridden procedure there has grown up an entire system of mediation in informal fora.

Most of the informal mediation is centered in the Inspectorate of Labor,

the local branches of the Ministry. Their legally-assigned role is to simply oversee the bargaining process and make sure that the Code's provisions are complied with, but their close contact with local plants transforms them into a useful forum for bargaining mediation.

The Directorate of Labor, the next level up the bureaucracy from the Inspectorate, entertains weightier collective bargaining parties--large-sized plants for plants in key industries (a 1967 reform established an official mediation service in the Directorate to handle these disputes, as the ineffectiveness of the Mediation Boards became evident).. Conflicts of national import, like copper strikes, skip these intermediate stages and go straight to the Ministry for settlement. One could judge the relative size or importance of a firm or union, in fact, simply by knowing where its labor dispute was settled. The average size of firms (and therefore unions) who settled their differences in the local Inspectorates in 1970 was forty-six workers. Those who went to the Directorate averaged slightly over one hundred, while those going to the Ministry of Labor had over one thousand employees.

\*Collective Bargaining Fora  
1968-1971

<u>Year</u>	<u>Number of labor disputes</u>	<u># Unions</u>	<u>Directorate of Labor</u>	<u>Mediation Boards</u>	<u>Informal mediation</u>	<u>Between parties without strikes</u>	<u>Between parties with strikes</u>	<u>Other</u>
1968	3,181	3,424	286 (9%)	254 (8%)	700 (22%)	1,054 (33%)	823 (est) (26%)	64 (2%)
1969	3,156	3,788	536 (17%)	**	**	**	977 (31%)	**
1970	3,508	4,006	540 (15%)	46 (1%)	740 (21%)	846 (24%)	1,303 (37%)	33 (1%)
1971	5,282	4,478	593 (11%)	54 (1%)	1,061 (20%)	1,152 (22%)	2,339 (45%)	83 (1%)

\*\*Figures unavailable

Source: Memoria Anual de la Direccion del Trabajo, 1968-1971

\*Includes settlements mediated by local Inspectorates, local mayors and governors, the Ministry and Subsecretariat of Labor, and even in some cases, the Ministry of the Interior or the President of the Republic.

### 3) Pressure for Change and the Christian Democratic Proposal

The traditional structure and process of collective bargaining came under increasingly heavy criticism during the 1960's, both from unions and employers' groups as well as from academicians. The confinement of labor relations to the bounds of a single plant had a serious weakening effect on the economic strength of the labor movement. Since at any one time most firms in a particular industry would continue working while one or two were on strike, workers in the struck firms lost any secondary effects their action might have become their employer's suppliers and buyers could easily switch to one of the other firms still working.

Fragmented into thousands of economic units, unions tended to identify with their own plant rather than with other unions in their industry, which they viewed as separate, sometimes even rival organizations. There were union federations in most industries, but they were political rather than economic bodies. They rarely embraced a majority of workers in an industry, were usually a project of one of the political parties and joined together unions oriented toward that party.

There was also the CUT, the national trade union federation. The heavy role of the State in labor affairs--the fixing of the reajuste, the elevation to empleado status, the myriad social welfare measures, for example--spurred the unions to exercise broad-based political power through their national federation. The three major forces in the CUT were the Communist, Socialist and Christian Democratic parties.\*

\*Despite repeated efforts to divide the labor movement along ideological lines as in Western Europe by fomenting dual unionism, especially under the Frei government (1964-1970), Chilean workers have successfully kept themselves a united force. All political views are open to debate in the CUT. Election of union and of national officers is by universal and secret balloting, not by dubiously selected delegates to some convention in a resort city, as in the U.S. See CUT election results, note 5\_\_\_\_\_.

The representatives of these parties promoted legislation sought by the workers and unions and the latter responded with electoral support. Combined with the structural fragmentation imposed by the Labor Code, the political rather than sindical nature of union solidarity traditionally made for an absence of industrial union consciousness. Reliance for defense of workers' interests was instead on the individual union, in its confrontation with the owner-boss in a single plant, and on the political parties allied with the working class through the CUT.

CUT leaders were well aware of the economic weakness that resulted from the plant-by-plant bargaining structure, and formulated calls for reform of the Labor Code to permit industry-wide collective bargaining. In the 1952 Comision Nacional de Unidad Sindical which organized the CUT, the "Platform of Struggle" included the "creation of industry-wide national commissions for the study and application of wage rates and collective bargaining contracts."<sup>14</sup> Subsequent CUT congresses invariably included similar appeals, such as the 1965 Platform of Struggle which called for "replacement of the current Conciliation Boards with national tripartite wage commissions by branch of industry."<sup>15</sup>

Labor relations scholars also attacked the firm-by-firm structure of union organization and collective bargaining. Professor Jorge Barria, Chile's leading authority in labor affairs, argued that such a structure "hindered the establishment of industry-wide contracts, which could be an important element in the remodeling of the system of existing industrial relations into another system more modern, efficient and democratic."<sup>16</sup> Economist Victor Valdes pointed out the bargaining structure's contribution to inflation and its failure to consider rational factors like productivity in determining wage.<sup>17</sup>

Both Barria and Valdes had in mind alternative bargaining structures

drawn from exceptional situations in two industries: the leather and shoe industry, and the copper industry. The "modern, efficient and democratic" labor relations system recommended by Barria had already grown up, entirely contrary to the Labor Code's requirements, in the leather and shoe industry. In contrast to the bulk of the union movement, which was directed by Communist and Socialist activists, the leather and shoe workers' unions were dominated by anarchists. They preferred facing their employers directly rather than seeking legislative aid through the political parties. The result, though it took a half-century of struggle and suffering, was a bargaining structure unique in Chile and indistinguishable from the most sophisticated bargaining systems of advanced capitalist countries. It included an industry-wide base contract negotiated by democratically-elected officers of the national federation of leather and shoe industry unions (still formally organized by plant), who bargain privately with an organized and progressive-minded employers' association; a welfare and retirement fund administrated jointly by unions and employers and a comprehensive, standardized grievance settlement procedure. Such an advanced bargaining system, in brazen violation of the labor laws throughout the time it arose, was a good example of how rigid, outdated legislation can be overcome by determined de facto efforts.<sup>18</sup>

In contrast to the privately-arranged bargaining structure of the leather and shoe industry, the bargaining structure of the copper industry was a product of special legislation for copper unions only. A 1966 law encouraged the development of full-time copper union leadership and removed much of the Directorate of Labor's monitoring of union affairs and control of union funds. It opened up channels of communication among the unions and strengthened the Confederation of Copper Workers. Although still barring

multi-employer bargaining, it brought about a relative uniformity of contract among copper unions and reduced rivalry among them. It permitted bargaining about subjects forbidden by the Code--social welfare payments, pensions, management prerogatives, etc.<sup>19</sup>

The tripartite thesis of the CUT prevailed when the first steps to reform the bargaining structure were taken. At the end of 1968, the Christian Democratic Frei government passed the following law:

The President of the Republic is empowered to create Tripartite Commissions composed of representatives of Confederations, Federations, or, in the absence of these, Unions of workers; representatives of employers' organizations, and representatives of the Government; with the purpose of fixing minimum wages and conditions of work by branch of industrial activity, and regulating their establishment and functioning.

Furthermore, said commissions shall be able to fix, by unanimity of their members, maximum wages and conditions of work common to the entire branch of activity.

The resolutions of the Tripartite Commissions as to matters indicated in the foregoing paragraphs shall be obligatory for the employers.

Violations shall be punished in accordance with article 5° of the present law.<sup>20</sup>

This reform on its face constituted a potentially drastic change in labor relations. The traditional firm-by-firm bargaining structure of an industry would be replaced with a nation-wide bargaining system and a single contract that covered non-union as well as union workers. Nonetheless, the reform passed virtually unnoticed by unions and employers alike. It was buried along with several other reforms in the 1968 reajuste law, and everyone's attention was riveted to the struggle for the highest possible percentage wage rise. Furthermore, it had been drafted without consulting labor or management groups, so neither was particularly aware of the impending change.

Drafters of the bill felt that its tripartite effect conformed most closely to the reality of labor relations in Chile. The Government had always injected itself deeply into labor-management affairs, through the

Labor Code, the reajuste, the various work-related welfare measures; the mediation efforts of the Ministry of Labor; in addition to the use of police and soldiers to curb strikers' conduct and break strikes "contrary to the national interest." Its presence at the bargaining table under the new structure would simply acknowledge what everybody knew, that the Chilean government had always been a partner to collective bargaining.

Furthermore, the general economy was becoming more and more characterized by State controls. Chile had long ago moved beyond the laissez-faire capitalist model to a mixed economy. A number of basic resource and service industries (with the glaring exception of copper) were state-run. There had been heavy price control since the 1930's. CORFO, the state corporation designed--in quintessential welfare-statist fashion--to take over profitless businesses, had been functioning since 1938. The problem for shapers of labor relations, therefore, was how the Government could insert itself into the dealings between private employers and unions so as to abet its own overall economic policies and at the same time conserve the supposed efficiencies of the private sector. They proposed to do so through the Tripartite Commissions. The State would participate directly in the bargaining process to ensure that the result would not contradict its policies, yet at the same time would respect the interests of the private parties.

Whatever the theories underlying the proposed reform, the fact remains that the Frei government never put it into effect. Although it reflected the tripartite system called for by the CUT throughout its existence, it was precisely the mounting opposition of the CUT--not to this measure, but to the government in general--that prevented the Christian Democrats from implementing the law. The Frei government had sought to prevent union contracts from exceeding the cost-of-living rise. It had tried

to impose a forced-saving plan on workers, provoking a nationwide strike. It had attempted to divide the union movement by reforming the Labor Code to permit dual unionism, that is, to permit groups of workers in the same plant to divide into rival unions affiliated with ideologically homogeneous federations--specifically, a Christian Democratic federation opposed to a Communist and Socialist one.<sup>21</sup> Although it promised the Tripartite structure they had long called for, union leaders would have viewed an attempt to establish the tripartite commissions as a further attempt by the government to undermine the labor movement. They were afraid the government would line up with employers against labor bargainers. The President's labor advisors, therefore, counselled him not to exercise the power granted in the 1968 law, judging the moment "inopportune."<sup>22</sup>

#### 4) The Allende Reform and its Context

##### A. The Decree

The Popular Unity (UP) government of Salvador Allende did not hesitate to set in motion the machinery for creating the tripartite commissions. Taking office in November, 1970, by the end of December the President had used the power given him by the 1968 law, issuing an executive decree to regulate the establishment of such commissions.<sup>23</sup>

Executive Decree 825 contains many features worth examining in detail. They contrast markedly to the features of the traditional collective bargaining process. Furthermore, their seemingly technical nature hides several important political and economic implications which will be a key to further discussions of the new system.

The Decree vests in the President power to create a tripartite commission in any branch of industrial activity or in a subsector of an industry. Employers or employees of an industry may solicit a tripartite commission, but this is not necessary, nor does it oblige the President, to create a commission.

A tripartite commission consists of nine members, three each from employers, employees and the government. They are empowered, as the original law indicated, to fix by majority vote minimum wages and conditions for their industry or, by unanimous vote, maximum wages and conditions which every employer and employee must comply with.

Representatives of the private parties are appointed by the Minister of Labor from lists of nominees proposed by the "most representative" union or federation, for workers, and the "most representative" employers' group. "Most representative" is defined as the organization "which has a greater number of members." Private representatives have two-year terms and may continue in the office if their nominations are renewed. Government representatives

sit at the will of the executive. One of them is the commission's presiding officer. Five members constitute a quorum, of whom at least one must be a government representative.

All employers and employees in an industry are bound by resolutions of its commission "in matters of its competence." Commissions have the power to "interpret the meaning and scope" of their own resolutions.

The fluid language and structure provided in this Decree differs sharply from the minutiae of the Labor Code. Rather than regulating each step in the process with required deadlines, procedures, documents etc., it simply says, in effect: get together and bargain. The discretion allowed the Executive to establish a tripartite commission and define the scope of its jurisdiction also departs from the Code's strictures. One feature of the Code that the new decree conserves, however, is the heavy role of the government in the bargaining process. But instead of a burdensome bureaucratic load, we shall see that the government's role becomes lean, flexible and keenly political.

#### B. Political and Economic Implications of the Decree

The political ingredients of the Decree are not hard to discern. The President's discretion in creating tripartite commissions ties their very existence to political considerations. In what industries will employers be most cooperative? In which will workers be most loyal to the UP parties? The vague "most representative" standard for the nomination of private representatives adds to the sweep of presidential discretion, since in the fragmented industrial relations scene a minority group of a particular political cast could turn out to have the "greater number of members." Most obvious is the presence itself of the government as an equal bargaining partner. No matter how neutral it pretends to be, it still has the swing votes that control the outcome of the process.

The Decree's possible economic effects lie in what the tripartite commissions are empowered to determine. They can set a standard agreement for an entire industry, an agreement that extends to all workers in the industry, whether they are organized or not. Like most industry-wide bargaining systems in the United States, to take an example, the Decree allows for a minimum standard, a base above which local bodies can bargain for higher wages and conditions if they are able to get them. Such a system permits differences among profits, productivity, regional standards etc. to be taken into account.

Alternatively, however, Decree 825 enables the commissions by unanimity of their members to set maximum wages and conditions; that is, fixed terms above which workers cannot bargain and below which employers cannot pay. On its face, this provision means that differences in cost structure among individual firms become unrelated to the wages they have to pay. Small, labor-intensive and under productive firms must pay the same as large scale, highly productive ones. When we consider that most industries in Chile are characterized by enormous differences in size, capitalization, productivity etc.\* the Procrustean potential of a single standard labor contract for an entire industry becomes plain. When we consider that so far all collective bargaining agreements reached by tripartite commissions in Chile have been by unanimity of their members, it becomes downright curious. How do they avoid the Procrustean result? This point will be taken up in sections 7 and 8.

#### C. New Labor Relations under the UP

Executive Decree 825 was issued within a context of significant increases in all facets of labor activity. Union organization jumped from 218 new

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\*See table next page.

## Structure of Manufacturing Industries in Chile

Number of workers in firm	Number of firms of that size range	Number of workers in all firms of that size	Motor Capacity of all firms of that size (HP)	Electrical Energy consumed (thousands of KWH)
5-9	5,118	26,381	47,500	30,626.9
10-19	3,009	35,700	66,474	58,227.7
20-49	2,045	57,768	114,221	115,550.6
50-99	649	44,724	96,663	102,316.8
100-199	349	48,865	125,297	144,774.5
200-499	219	64,635	214,058	407,119.4
500-999	51	33,652	193,691	318,927.3
1,000+	28	41,669	317,967	469,647.7
Totals	11,468	353,394	1,175,871	1,647,190.9

non-agricultural unions in 1970 to 472 new unions in 1971 and over 700 in 1972. Over 3/4s of the new unions were organized by empleados; that is, by white-collar, clerical, semi-professional-type workers. The more than 300 new obrero (blue-collar) unions were mostly in smaller firms, in the 25-40 obrero range.<sup>24</sup>

Ministry of Labor officials attributed these patterns to two chief causes. First, the policy of the Ministry was to encourage the maximum of union organization. In prior years, it was explained, even under the Christian Democrats, it had been common for Ministry personnel to call the workers' employer for clearance when a group came to inquire about forming a union. Many who came for preliminary information were never heard from again. The intention now is to facilitate as much as possible the organization of unions.

Secondly, Ministry officials asserted, many groups of workers were aware that the UP was a pro-union government, and figured--somewhat opportunistically--they should form a union in order to get whatever benefits might arise from being organized. This was especially true, the officials felt, of empleado groups who had formerly been leary of organizing a union for reasons of prestige.<sup>25</sup>

The first year of UP administration was also marked by a significant increase in the volume of collective bargaining. The number of actas de avenimiento (bargaining agreements) rose from 3,508 in 1970 to 5,282 in 1971.<sup>26</sup> As might be expected, increased collective bargaining also brought a rise in strike activity. After hovering around the 1,000 mark through the late 1960's, strikes increased to 1,819 in 1970, 2,696 in 1971 and 2,518 in 1972 (the 1970 rise had two sources, according to Ministry of Labor officials: growing labor discontent with the Frei administration, and growing labor excitement about the UP campaign).

Strike activity was also characterized by the disproportional increase in illegal strikes. As we saw, this means no more than that the minutiae of Code-required procedure had not been fully complied with, or that public employees had struck. In most prior years, between 2/3 and 3/4 of all strikes had been illegal. In 1971 and 1972, however, 4,929 out of 5,217--more than 90%--were illegal strikes.<sup>27</sup>

Even more indicative of the changed nature of strike activity was the rise of illegal strikes in the manufacturing sector. Here, the proportion of legal to illegal strikes had been much narrower in the past, with legal strikes even averaging slightly higher than illegal strikes. In 1971, however, legal strikes dropped from 126 to 85, while illegal strikes rose from 179 to 349.<sup>28</sup>

Underneath those figures, labor relations under the UP were acquiring an entirely new nature. All the old rules were in suspension: private ownership of productive means, immediate compensation for state expropriation, police enforcement of property rights, etc.--all the legal privileges that the owning class had built up to protect its social and economic status.

A constant campaign promise of the UP had been to never use official violence against the working class. The bloody encounters of previous years, insisted Allende, from the 2,000 nitrate miners massacred in Iquique on December 21, 1907, to the eight copper miners and their wives killed under Frei at El Salvador mine on March 11, 1966, would never be repeated under a workers' government. It was a businessman's nightmare and a labor leader's dream: workers could strike with impunity, sure that their employer could not obtain their expulsion by the police. Practically all strikes were accompanied by occupation of the workplace, and often with owners or managers "detained" for talks (or "kidnapped", as the opposition usually claim.)

Along with the refusal to employ state power against the working class, the UP policy included the socialization of major private industries by one of two means: 1) "intervention"; that is, by the legally permitted takeover of struck companies, where the strike threatened national security or the well-being of the population; and 2) "requisition"--legally permitted takeover of companies guilty of economic malfeasance like excessive inventory or deliberate underproduction that threatened the well-being of the population. Strictly speaking, the government was supposed to return intervened or requisitioned firms to their owners when such a threat had passed. This transfer was at the discretion of the government, however, and the UP exercised its discretion by holding on to them, instituting programs of workers' participation, and declaring that those on the list of the 91 "target" firms for the Area Social were going to stay nationalized.<sup>29</sup>

Workers in many firms struck precisely for the purpose of being intervened.<sup>30</sup> In many such cases, militant workers of the Revolutionary Workers Front led the strikes, demanding government intervention even where the firm was not on the list of those meant for the Area Social. They were often successful, despite opposition to such tactics from the UP--especially the Communist Party, which severely criticized this kind of "infantile ultra-leftist" activity.<sup>31</sup> The government lacked the technical personnel to manage all the struck firms--it was already thinly spread over those intended for the Area Social. Nonetheless, the government wanted even less to lose political ground to the Revolutionary Workers. In mid 1972, 36 of the listed 91 firms had passed to the Area Social and over one hundred firms not on the list were temporarily under state management.<sup>32</sup>

The collective bargaining reform also took place in the context of a controversial UP economic policy. The basic idea was to raise production by increasing demand. Industrial output was running at only 60% of capacity

when the UP came to power. Many businessmen had deliberately cut production and employment in the two-month interval between Allende's election and his taking office, hoping to provoke economic chaos that would force the Army to step in. The UP ordered production stepped up, and threatened non-compliers with requisition of their companies. Prices were frozen and wages were raised 50%. It was not a true 50% raise, however, because inflation in the previous twelve months was 28%. The price freeze was the real demand-pusher. Usually, price rises followed close on the heels of a wage reajuste, so the cycle of inflation simply spun along. In this case, the price freeze coupled with the wage hike had the desired demand-raising effect. Chileans went on a buying spree, industrial production jumped to near-capacity, and an effective redistribution of income was accomplished.

The short-run benefits of this policy are obvious. More meat on the table, more trips to the seashore, and other consumer delights bore out the campaign promises of the UP that things would be better under socialism. The contention of the left-wing parties for years, in fact, had been that the chief obstacle to general prosperity was the capitalist system that concentrated wealth in the hands of a few. Break the system, the argument went, and the reserve of wealth would flow out to the general population. The UP's initial measures gave the impression of confirming this old electoral ploy, in addition to simply rewarding its working class supporters and garnering more support among formerly ambivalent wage-earners. The short-term success of this policy was indicated by the results of municipal elections in 1971, when UP candidates obtained a majority of the votes.

Whatever the political advantages of the above arguments and policy, their economic fallacies are equally evident. It is not the concentration of redistributable income that constitutes the inequality of the capitalist system,

but the concentration of wealth, especially capital goods, and chiefly in the large, privately-owned business enterprises. In the long run, the disproportionate wage rise would lead to shortages of consumer items workers would have just become accustomed to; hoarding and the inevitable black market that would result from the shortages; and the need for either rationing or government-sponsored inflation to bring supply and demand in line.

The short-run high wage policy was actually more of a political than an economic policy. The political rewards of the "payoff," it was hoped, would outweigh the inevitable economic disadvantages. The fact that the chickens would come home to roost, however, was the main factor in the government's authentic economic policy. And an essential element of this policy had to be wage restraint of some form, in order to curb demand. Whether rationing or inflation, as well as outright wage controls, was the government's response, it amounted to wage restraint.

A further reason why wage restraint lay at the heart of a coherent economic policy was found in the problems of the socialized sector of the economy. Production rose in this socialized sector, but the government was the victim of: a) its price freeze and wage hike, which affected socialized as well as private firms, and b) inefficiencies connected with the attempt to institute workers' participation, as well as mismanagement by government-appointed managers. Rather than producing a profit that could be put to social uses in accordance with the government's platform--schools, housing, hospitals etc.--the socialized companies showed losses. In order to reverse this trend, wages would have to be restrained so that the employees of the socialized companies would not eat up the entire surplus themselves.

In the private sector, similar problems emerged. Though they were not targeted for nationalization, many small and medium-sized employers halted

reinvestment altogether. Instead of ploughing surplus back for new machinery, they invested it in foreign currency or simply consumed it themselves--an extra refrigerator, a longer vacation, a house on the shore, etc. Their employees, therefore, were working with steadily deteriorating machinery, even if additional capacity was utilized and overall production went up. If productivity continued to drop when production levelled off--as it had to do eventually--unrestrained wages would drive the entire private sector into bankruptcy. Here, too, wages had to be limited in order to have an eventual surplus for reinvestment. But in the labor sphere, the government was pushing the formation of stronger unions that would go after higher wages; indeed, had to obtain them, if the government was to keep the political support of the rank-and-file workers.

## Part II

## 5) The Textile Industry

## A. The Structure of the Textile Industry

The structure of the textile industry reflects the general structure of Chilean manufacturing industries described earlier (page 35): a handful of large, modern, high-paying plants employing hundreds or thousands of workers, a sizeable number of medium-sized, moderate-pay companies in the 50-500 employee range, spreading down to thousands of small shops and home manufacturing enterprises which pay minimal wages. The tables on the following page sum up the industry structure much better than any prose description. It will be evident that such wide differences raise problems for the establishment of a single, industry-wide labor agreement--problems whose attempted solutions we shall later discuss.

## B. Labor Relations in the Textile Industry

Within the traditional labor relations system, the textile industry had been marked by a high level of unionization. By 1970, over 40,000 textile workers were organized--about 2/3 of those eligible (in firms of 25 or more workers). The larger firms were organized earliest, most in the 1925-1950 period. Since then, union organization filtered down through progressively smaller plants, though even in 1970 the average size of a new union was over 50 workers.

After a sharp jump in union organization in the first years of the Frei government, new textile unions fell into three years of slow growth. In the first year of the UP regime, however, textile unionization--like unionization overall--increased to a record level: 52 new unions, compared to an average of 12 in each of the previous three years. But unlike the overall pattern of union organization in Chile, the vast majority of unions

33 Structure of Textile Industry by Firm Size

#workers	#firms, textile manufacturing	%	#firms, clothing manufacturing	%	Total Industry	%
5-9*	238	29.6	336	46.6	574	38.1
10-19	185	23	192	26.6	377	24.8
20-49	212	26.3	122	16.8	334	21.5
50-99	88	10.9	38	5.4	126	8.2
100-199	36	4.5	23	3.2	59	3.8
200-499	30	3.7	7	1	37	2.4
500+	16	2	3	0.4	19	1.2
Total	805	100	721	100	1,526	100

\*There are thousands more business with under five workers. Most of these are family projects which do not reflect the usual employer-employee relationship. Accordingly, this data is based on firms with over five workers. The source is IV Censo Nacional de Manufacturas, pp. 52-53.

Distribution of Textile Labor Force by Firm Size

firm size	total workers, textile manu- facturing	%	total workers, clothes-manu- facturing	%	total workers, whole industry	%
5-9	1,170	2.5	1,667	9.6	2,837	4.4
10-19	2,241	4.8	2,304	13.3	4,545	7.2
20-49	6,224	13.3	3,438	19.6	9,662	15.0
50-99	5,929	12.6	2,567	14.5	8,496	13.3
100-199	5,036	10.8	3,242	19.3	8,278	12.9
200-499	9,031	19.3	2,116	11.9	11,147	17.3
500+	17,212	36.7	2,041	11.8	19,253	29.9
Total	46,843	100	17,375	100	64,218	100

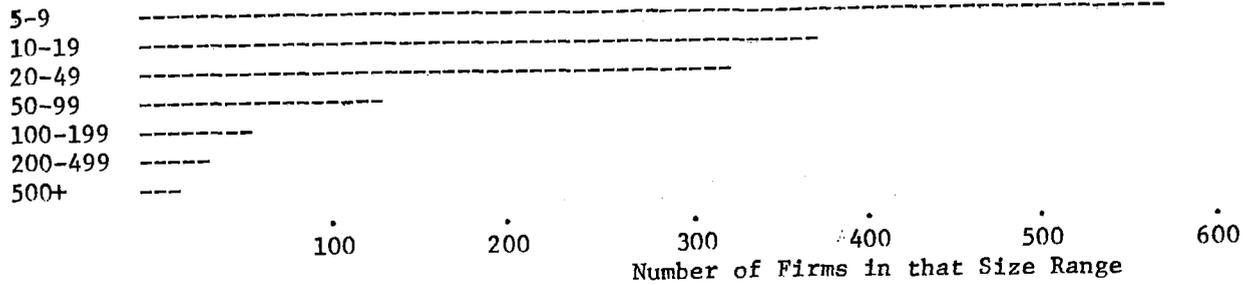
Source: IV Censo, pp. 52-53.

Distribution of Textile Wages  
According to Firm Size (1967)

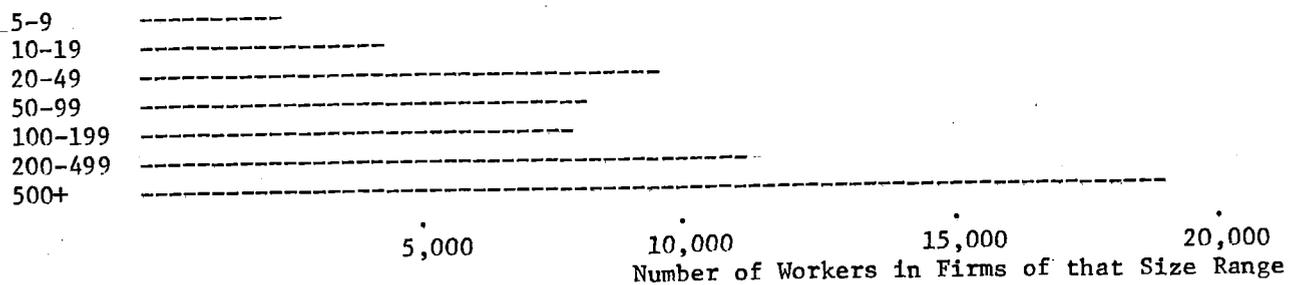
Number of workers in firm	Average annual wage per worker
5-9	2,457 escudos
10-19	3,055 "
20-49	4,073 "
50-99	4,777 "
100-199	5,233 "
200-499	6,202 "
500+	7,480 "

Source: Censo, p.

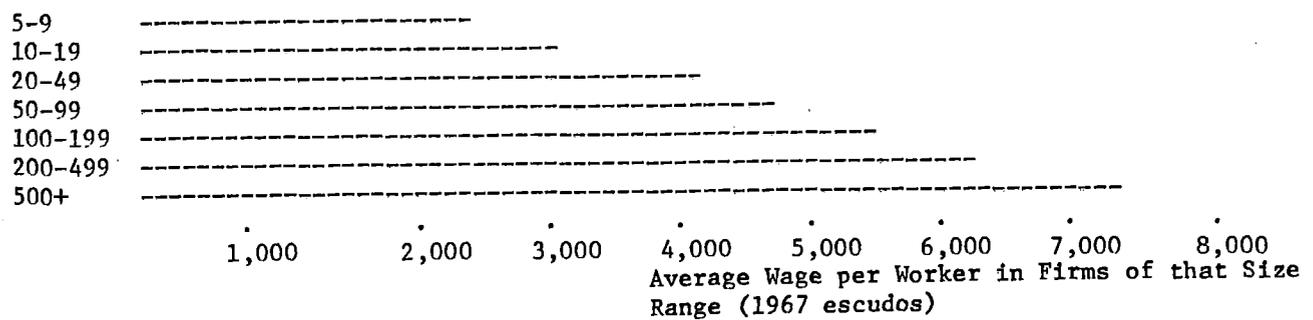
Size  
of  
Firms



Size  
of  
Firms



Size  
of  
Firms



in the textile industry--220 out of 258 in 1971--were blue collar unions. This reflected the obrero status of most textile workers, a fact which will be important in the later discussion of the political nature of textile workers.\*

There was a marked tendency for only larger, unionized firms to engage in collective bargaining. 1970 figures show a collective bargaining agreement in only eleven out of 755 firms with under ten workers. As firm size increases, however, the percentage of those with bargaining agreements also rises. Collective bargaining agreements are found in sixteen out of 21 firms with over 500 employees.\*

The maturity and experience of a textile union is indicated by the patterns of their strike activity. Illegal strikes always greatly outnumbered legal strikes in the nation as a whole. (including public employees' strikes). Even in the private manufacturing sector the gap was close. In the textile industry illegal strikes were comparatively minimal--three out of sixty-three in 1968 and 1969. Even in 1970, the election year in which illegal strike activity greatly increased, there were still more legal than illegal strikes in the textile industry. This indicates that textile unions were generally careful--under former governments--about complying with the Labor Code's procedural requirements, a fact which itself reflected textile labor union officers' experience and familiarity with the traditional system.

Strike data also show that smaller firms, especially those with less than twenty workers, were much less likely to strike than larger, more unionized firms. The figures also show that strikes in the textile industry tended to be long, usually over a month in duration. This suggests that labor leaders' experience was matched by rank-and-file discipline and determination

\*See tables on following pages.

to fight through long and bitter strikes.\*

The changed nature of labor relations under the UP was amply demonstrated in the textile industry. A huge rise in illegal strikes in 1971 affirmed the breakdown of "normal" relations, indicating that the traditionally careful textile unions were now impatient to take advantage of their new protections under the government they had helped elect. The six illegal strikes of firms with over 500 workers, and their comparatively short duration, reflect the government's plans to nationalize big industry and create the Area Social: the government intervened each of these struck plants shortly after the strikes began, appointed a government manager, set up worker participation programs and stated that these firms were in the Area Social to stay.<sup>34</sup>

#### C. The Textile Industry and the UP Program

Any Chilean government has to develop a policy for the textile industry and its needs. With ten percent of the gross product in manufacturing and over ten percent of the manufacturing labor force, the industry occupies a key position in Chile's economic structure. Even more significant under the UP government, however, was the possibility of making the textile industry a testing ground for its strategy of a multi-class alliance. The chief elements of this alliance were the working class and the small bourgeoisie.<sup>35</sup> The UP's victorious electoral program had promised to keep hands off small businessmen; to only expropriate the large, monopoly-tending enterprises.<sup>36</sup> Policies proposed for the small businessman included eased lines of credit from the nationalized banks, tax incentives, and a favorable price policy. The structure of the textile industry, with its large number of small and medium-sized businesses dominated by the handful of giants, gave the UP an opportunity to put this program into action.<sup>37</sup>

\*See tables on following pages.

Growth of Unionization in the Textile Industry

Date	#blue-collar unions	#workers	average size	#white-collar unions	#workers	average size	total unions	total workers
1925-30	4	1,420	355	--	--	--	4	1,420
1931-35	4	1,337	334	--	--	--	4	1,337
1936-40	16	6,949	434	1	466	466	17	7,415
1941-45	14	2,986	213	1	6,000* (fed.)	--	15	8,986
1946-50	13	4,724	394	--	--	--	13	4,724
1951-55	22	3,532	161	3	210	170	25	3,742
1956-60	4	352	88	--	--	--	4	352
1961-65	14	2,324	166	3	304	101	17	2,628
1966	31	3,831	124	4	1,273	318	35	5,104
1967	29	2,259	78	8	898	112	37	3,157
1968	6	250	42	2	121	61	8	371
1969	8	694	87	3	115	38	11	809
1970	12	626	52	4	257	64	16	883
1971	<u>43</u>	<u>2,223</u>	<u>52</u>	<u>9</u>	<u>495</u>	<u>55</u>	<u>52</u>	<u>2,718</u>
Total**	220	33,507	152	38	10,139	112	258	43,646

\*\* These totals will not be entirely up-to-date since they do not take into account fluctuations in firm growth since the organization of the union. Two factors suggest their general accuracy: the larger firms, which have survived at about the same size, were organized early, and in the period since the mid-1950's, during which the smaller firms were organized, employment in the textile industry has remained constant.

Overall Growth of Unionization in the Non-Agricultural Sector  
Since 1967

Date	#blue-collar unions (total)	#workers	increase in # unions	#white-collar unions (total)	#workers	increase in # unions	total unions	total workers
1967	1,129	177,273	--	1,904	208,475	--	3,033	385,748
1968	1,261	189,815	132	2,163	222,212	259	3,424	412,027
1969	1,383	194,228	122	2,405	232,090	242	3,788	426,318
1970	1,437	197,651	54	2,569	239,323	164	4,006	436,974
1971	1,599	203,282	162	2,879	252,924	310	4,478	456,206*

\*Does not include about 150,000 public employees, organized into associations affiliated with the CUT.

Strikes by Obreros in Chilean Textile Industry  
according to Firm Size

Number of Workers	1968				1969			
	Legal Strikes	Illegal Strikes	Total Strikes	Average duration (days)	Legal Strikes	Illegal Strikes	Total Strikes	Average duration
0-9	--	--	--	--	2	--	2	26
10-19	4	--	4	24	3	--	3	58
20-49	7	1	8	60	14	--	14	52
50-99	7	--	7	33	8	--	8	35
100-199	4	--	4	77	1	--	1	8
200-499	4	--	4	74	3	1	4	45
500+ (now in Area Social)	2	--	2	127	1	1	2	30
<b>Total</b>	<b>28</b>	<b>1</b>	<b>29</b>		<b>32</b>	<b>2</b>	<b>34</b>	
<b>Total strikes in mfg. sector</b>	<b>124</b>	<b>95</b>	<b>219</b>		<b>123</b>	<b>114</b>	<b>237</b>	
Number of Workers	Legal Strikes	Illegal Strikes	Total Strikes	Average duration	Legal Strikes	Illegal Strikes	Total Strikes	Average duration
0-9	1	--	1	35	--	1	1	8
10-19	3	4	7	37	2	3	5	41
20-49	8	3	11	24	4	7	11	33
50-99	5	1	6	23	4	2	6	29
100-199	2	5	7	29	6	7	13	23
200-499	3	1	4	14	1	5	6	12
500+	1	3	4	21	--	6	6	9
<b>Total</b>	<b>23</b>	<b>17</b>	<b>40</b>		<b>17</b>	<b>31</b>	<b>48</b>	
<b>Total mfg. sector</b>	<b>126</b>	<b>179</b>	<b>305</b>		<b>85</b>	<b>349</b>	<b>434</b>	

The textile industry also provided an opportunity for the government to show it could manage the economy. The UP was venturing a large measure of its prestige in the textile industry, intending to nationalize the large firms, institute programs of workers' participation, and at the same time increase production. The large nationalized firms were the chief suppliers of the businesses still in the private sector. Being able to coordinate production and distribution between the two thus became a key element of the government's economic program.

Especially relevant in the changed political context of post-1970 Chile was the fact that the largest textile firms were controlled by three highly conspicuous family groups who epitomized the monopolios the UP had promised to destroy. The Area Social, said the government, would be composed of the copper and other natural resources industries and of the major private manufacturing enterprises that "dominated" the economy. The few large textile firms were among these dominant companies. That their owners' well-known sumptuous living style fit the traditional image of the grasping capitalist made it that much less objectionable when the government did step in and intervene or requisition the textile giants.

Seventeen textile firms were on the UP's list of the 91 firms meant to constitute the Area Social. By mid-1972, thirteen of these companies had been passed to the Area Social and six others had been also taken over and announced for inclusion in the Area Social. All but two of these nineteen firms employed more than 500 workers, and the other two had nearly 500. In other words, the government had nationalized the highest paying, highest-capitalized and highest-productive textile firms.\*

\*These nationalized firms had a collective bargaining system separate from that of the private sector, and therefore are not included in this study. Since the textile industry follows so faithfully a correlation of factors like wage and productivity levels to firm size, however, the private sector still reflects the pyramidal structure described above.

#### D. Employers' and Employees' Federations

The kind of centralized collective bargaining structure proposed by Executive Decree 825 instead of the anarchy of the traditional / was one means of forming a consistent small business policy and at the same time adjusting relationships between the Area Social and the Area Privada. Other factors, however, were taken into account in the decision to establish a Tripartite Commission for the private sector of the textile industry. First, there were already employers' and employees' federal organizations: the Instituto Textil for large employers, the AMPICH (Small Business Association) for small employers, and the FENATEX (National Textile Workers Federation) for employees.<sup>39</sup>

The Instituto Textil was a typical big business pressure group complete with researchers, a legal staff and lobbyists. It had begun in 1960 with forty members, and grown steadily to a membership of one hundred thirty-five by 1971, which included most of the large companies. The AMPICH, on the other hand, had nearly five hundred textile members in 1971, more than 80% of them with less than twenty-five workers. Over three hundred of these members joined in 1971 alone, mostly because it was known that the AMPICH directorship included some UP party members. Small businessmen were hopeful that the connection would prove beneficial.

The decisive factor for establishing a Tripartite Commission, from the government's point of view, was the political reliability of the FENATEX. With slightly under 30,000 members in 1971, the FENATEX joined about 40% of the total number of workers in the industry (@70,000) and approximately 75% of unionized textile workers (@43,000). Founded by Communist activities in 1940, the FENATEX had remained under PC dominance despite a growth of Socialist power. The primarily obrero status of most textile workers forged

runs deep, but it owes itself to the tough leadership of their Communist and Socialist union officers, and those officers' ability to obtain the workers' trade unionist goals.

This UP control of the unions was essential if its nationalization and workers' participation programs were to avoid rank-and-file resistance. But the high degree of union democracy in Chile (both local union and national federation officers are elected by direct, secret and relatively clean balloting) foreclosed heavy-handed methods of control. Union leaders, whatever their political affiliation, had to deliver the goods--higher wages, shorter hours, improved conditions etc. While UP party members dominated union leadership, there was a large Christian Democratic presence among the rank-and-file--approximately one-fourth, according to the 1972 national union federation elections (see note p. 53). There was also strong pressure from the UP's left, from the Revolutionary Workers' Front, the workers' branch of the MIR. Both Christian Democrats and Revolutionary Workers were anxious to find grounds for charging a sellout by UP union leaders in order to enhance their own power in the labor movement. To avoid losing leadership positions in local unions to them, Communist and Socialist union leaders had to put traditional bread-and-butter issues at the head of their priorities.

There was a sharp jump in textile unionization in the first year of UP government, and many of these new unionists lacked the combative experience and the ties to the UP parties of workers from established textile unions. It seemed to the government's advantage, therefore, to make the experienced workers--most of them associated with the FENATEX--the core of a united bloc of textile workers, rather than risk losing the new unions to Christian Democracy, already the third power in the labor movement.

Of course, it was also beneficial for the FENATEX to encourage such

an alignment. Like other union federations, including the CUT itself, the FENATEX was at the same time an extension of UP political parties and an independent organism interested in its own growth and prosperity. Besides meeting the parties' political needs, a focusing of power in the FENATEX would serve its own interest. A centralized collective bargaining structure was one way to accomplish this goal, but only if a substantial increase of wages could be won. Any attempt at union-sponsored wage restraint would discredit the FENATEX or open the door of leadership to the Christian Democrats and Revolutionary Workers.

A further impetus toward a Tripartite Commission lay in the fact that the FENATEX had already sought to bargain with several employers together. As early as 1953, it tried to present a pliego unico, a common set of demands, to the employers of its member unions. It had no success until 1971, when it finally managed to bargain collectively with eleven of the large companies from the Instituto Textil. At that point, the establishment of a Tripartite Commission for the industry was already being planned, and one of the provisions of this 1971 multi-employer agreement was to "participate directly or by means of representation in the national Tripartite Commission which will be established to study the implementation of a standard wage in the textile industry."<sup>40</sup>

## 6) The Bargaining Setting

### A. The Bargaining Parties

In his first two years of government, President Allende invoked Executive Decree 825 to create tripartite commissions in six branches of economic activity: textiles and clothes manufacturing, construction, printing, retail stores, bakeries and gas stations. Most of these activities shared the characteristics discussed in the preceding section--the presence of employers' and employees' federal organizations, efforts at prior multi-firm bargaining, coexistence of large firms alongside small shops, and political reliability of the employees' organizations that would be negotiating for the workers.

Allende lost no time in establishing a Tripartite Commission for the textile industry. In early 1971, soon after the promulgation of Decree 825, employer and employee representatives were called together to begin planning the negotiations. Preliminary talks soon rounded into actual negotiation. By October they were discussing hard issues.

In exercising its power of appointment to the Tripartite Commission, the government originally named three members each from the FENATEX and the Instituto Textil, the parties who had already engaged in some form of multi-firm bargaining. Rumbings of discontent from small businessmen, however, quickly changed this arrangement. Their unhappiness threatened the multi-class alliance that was a pillar of the UP program.<sup>41</sup> An AMPICH representative, therefore, was substituted for one of the Instituto Textil members on the Commission.

None of the private organizations could be said to be fully representative

of its sector of the textile industry. The Instituto Textil grouped about one hundred thirty-five members, a small portion of the over fifteen hundred firms in the industry.<sup>42</sup> The AMPICH had about five hundred textile members, so even joining its quantity to that of the Instituto Textil, a majority did not result. The FENATEX was also a minority representative. About 20,000 textile workers out of the 50,000 still in the private sector were FENATEX members.

This alignment of bargaining parties also entailed a dominance of large firm interests on the Tripartite Commission. The AMPICH representative was the only small firm spokesman. The hundreds of medium-sized firms in the 20-200 employee range were entirely absent. The Instituto Textil, on the other hand, with two of the three employer representatives, was almost exclusively made up of larger and higher-paying firms. The FENATEX itself tended to group unions from larger plants where workers were better paid.

Many students of labor relations will spot in this situation the possibility that a relatively high wage, which the larger firms would usually be better able to pay, could be exchanged for labor peace. Such a deal would tend to drive many smaller competitors out of business, unable to meet increased wage costs of high industry-wide agreement. Their market would shift to the larger firms. The increased demand upon the latter could be served by increasing capital investment, thus raising productivity and allowing the higher wage in the larger firms without immediately cutting into employment there (though employees of the smaller firms would be out of

luck). On the surface, the situation appeared ripe for such a classic big union-big company mutual back-scratching deal.\*

One should not assume, however, that this sort of "normal" market behavior, characteristic of many industry-wide collective bargaining contexts in capitalist countries, would operate in Chile. There had not been a "free" market in textiles since the 1930's when the Popular Front government put price controls on articles of popular consumption, and on products of large manufacturers whether or not they were intended for consumption. Furthermore, the same reform years saw the creation of sweeping social security obligations for employers which ate deeply into their profits. These payments often doubled employers' labor costs.<sup>44</sup> There was nothing to prevent the government, especially a workers' government, from cutting the large firms' prices (that is, cutting prices and only enforcing the cut against large firms) or, more likely, raising their social security payments, thus putting their increased surplus to social rather than private advantage. A market incentive for such a "deal" with the big unions, therefore, was lacking.

Such an assumption of "rational" economic behavior would also overlook the natures of the Chilean labor market and the struggles of Chilean unions. One effect of foreign penetration in most underdeveloped countries is to induce employers in those countries, whether their companies are foreign or domestically owned, to import labor-saving devices and thus cut employment while paying a relatively high wage (though still, in the case of multi-nationals, less than the metropole wage). They are often aided in this effort by their unions.<sup>46</sup> In Chile, however, the unions were organized by Communist and Socialist party militants. Since the base of both union and party strength was

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\*The American coal industry is a notable example. The United Mine Workers and big companies collaborated to such a degree that they were found guilty of violating U.S. anti-trust laws.

the mass political influence of the working class, high employment levels was a constant goal. The textile industry was no exception. A 1962 UN study named excessive employment as the chief cause of low productivity in the industry, estimating that some firms could cut their work force as much as by half without a drop in production.<sup>47</sup> But employers dared not try it. The combined political power of the workers and the left-wing parties prevented any such drastic reduction in employment. The relatively progressive social legislation that has always characterized Chilean government (even conservative governments did not go backwards) included, over the years, job security legislation that dissuaded employers from large-scale firings or layoffs (though it did not prevent selective firing of "troublemakers.")<sup>48</sup> In general, that is, Chilean unions have traditionally sought high employment and job security before high wages. The moment when their parties achieved executive power by a 2% margin in a three-way race was not the moment to start taking layoffs in exchange for higher wages.

There was a further curb on such collusion, especially for employers. Too much success would probably mean expropriation. This aspect is discussed in the next section of the text.

The Tripartite Commission also was marked by a political dominance: that of the Communist Party. The PC majority in the FENATEX assured that two of the three workers' representatives on the Commission were PC activists (the third was a Socialist). The presiding government representative, moreover (the only one who participated--the other two were merely signatures to make things official) was also a Communist. Since the UP mode of government is contacts and lines of its member parties,<sup>49</sup> the textile bargaining process became subject to the Communist position, which linked together worker and government representatives. This was not necessarily an inconvenience for

employers. The PC is universally recognized as the most conservative party of the UP coalition, emphasizing order, discipline, responsibility, productivity, etc.--values with which employers had no cause for quarrel.<sup>50</sup>

#### B. The Psychological Setting

In addition to these physiognomical aspects of the Tripartite Commission, an important psychological force affected the bargaining setting. The breakdown of traditional labor relations through the tomas (seizures of factories by workers) and government intervention and requisition was most pronounced in the textile industry. Thirteen of the largest textile businesses had already been taken over. Smaller firms not on the list of the 91 targets for nationalization, however, had also been intervened or requisitioned, and six of them were announced for inclusion in the permanent Area Social. The UP was not entirely happy about the need to intervene or requisition the smaller firms; its technical resources were already spread thinly to manage the firms meant for the Area Social. On the other hand, it could not break its promise to never use force against striking workers, even when the strikes were led by "ultras" from the MIR and the left wing of the Socialist Party. Intervention, reluctant as it might be, was often the only solution to a conflict.

Instead of bargaining from a position of strength, as was the case when they simply had to outwait a strike, employers were bargaining from a position of weakness. Employers of the larger still-private companies, most of which were members of the Instituto Textil, were especially vulnerable. A strike, and they might never see their factory again.

It was due to the changed nature of labor relations under the UP that employers had even consented to participate in the Tripartite Commission. Under prior governments, employers' groups had always stiffly opposed plans

to make the government a party to the collective bargaining process.<sup>51</sup> With the threat of a strike and possible intervention hanging over them, however, employers of the larger firms decided that cooperation was the safest course. Their idea was to gain time: the UP had six years to the next presidential elections. If, as was generally felt, the opposition ran a single candidacy against the UP in 1976, the opposition would likely win. Employers were hopeful that the most extreme measures of the UP, including intervention of private companies, would then be reversed. In the meantime, they felt, obstinacy would only serve to provoke the government to break the constitutional bounds that they saw as the eventual solution to their problems. Most were convinced, in fact, that six years of UP government would disenchant the voters to such an extent that the Left would never again be elected to power.<sup>52</sup>

#### C. The Economic Setting

The bargaining setting was also affected by the state of the textile market. The government's sweeping income-redistribution program--wages were raised 50% soon after Allende took office, while prices were frozen--had led to a huge increase in demand for consumer goods. Small manufacturers benefitted most from this change, because their prices were not controlled to the same extent as those of the large companies. The government's efforts to build support among small businessmen had made for a purposeful non-enforcement of price controls over small shops.

The rise in demand and the effective absence of a price ceiling for small firms tended to narrow the effects of differences in size, capitalization, productivity etc. Small firms were in a better position to meet higher wage costs, since they did not have to worry about selling their products, even at a higher price. The large firms, however, faced the squeeze of price controls to dampen the advantages of the increased demand. A further problem

for larger firms, as we saw in the introduction, was that they had nearly all put a complete halt to reinvestment after Allende's election in 1970. The threat of nationalization if they became too big and too successful, plus the general uncertainty of the economic climate, led their owners to simply spend all their profits instead of ploughing them back into the business. As a result, they faced the probability of deteriorating machinery and lower productivity levels. A high wage settlement would thus meet with price controls outside the plant and lower productivity inside. It was a curious reversal of the expected effect of industry-wide bargaining. The smaller firms were relatively indifferent to an increase in wage costs, while the large firms wanted to avoid it.<sup>53</sup>

## 7) Issues in the Bargaining Process

### A. The Bargaining Process

Textile negotiators faced a formidable task. Three representatives from each side, plus the one active government representative, were responsible for reaching a collective bargaining agreement that would affect thousands of employers and tens of thousands of workers. Except for the AMPICH delegate, they were only familiar with the problems of large-sized, more highly-capitalized in an industry characterized by wide fluctuations in size and efficiency. The bargaining environment was hot, kindled by the increasing social polarization, political ferment and a growing economic crisis. How would they proceed?

### B. Preparation

Like in the whole of Chilean industry, textile collective bargaining had never been grounded in technical criteria. The cost-of-living index was the dominant consideration, along with agreements reached by other employers and employees in the industry. In its initial bargaining experience, the textile Tripartite Commission continued this trend. No information related to costs, productivity, efficiency etc. was gathered. The cost-of-living index for 1971 showed an inflation of 22%, but figures for the 12 month period from March, 1971, to March, 1972, when the agreement was negotiated, gave a 34% rise. This was the figure around which they would negotiate the basic increases.

First, representatives undertook informal surveys, often by telephone, to determine what levels of wages and benefits were being paid and what kind of increases would be acceptable. FENATEX representatives consulted the officers of member unions in visits and in plenary conventions. Both sides drew up outlines of wages and benefits being paid by firms of various sizes for reference in negotiating sessions. Already in this initial bargaining

stage, the centralizing effect of the shift to a tripartite commission is evident. Where before all of a plant's workers would gather to fashion the pliego, as required by the Labor Code, now only union officers had an input, and even that was informal. The effective say in preparing the bargaining policy and positions fell to the FENATEX. In the same way, where formerly an employer confronted his own workers independently of other employers, now he just informed the Commission members what he paid and what he would like to pay, and waited for their decision.

### C. Basic Wage Hike

The political colorings of the bargaining process filled it with ironies and contradictions. The basic issue was the across-the-board percentage increase. Large employers wanted to hold it down, on one hand, because their surplus was already being squeezed by the government's price ceilings and wage increases of the previous year. On the other hand, they did not want so small a hike that left-wing workers gained support for a toma and possible subsequent intervention. FENATEX representatives also wanted to avoid losing ground to the leftists. To maintain a strong presence among rank-and-file, especially in this first attempt to negotiate an industry-wide agreement, the FENATEX people had to get an increase substantially higher than the index figure in order to show a concrete gain in living standard. At the same time, they were aware that overall economic development depended at the present juncture on a healthy private sector. They did not want to drive firms into bankruptcy with excessive wage costs, which would require the government to take them over without being able to run them.

As a result of these various impulses, the parties found themselves in the incongruous position of employing the same argument against each other: the threat of ultra-left tomas. "If you don't ante up," said the FENATEX, in

effect, "we're not responsible for what the companeros in the Revolutionary Workers' Front do." "If you don't come down," responded the employers, "we'll let you and the companeros have the bloody factories and you'll have more headaches than you've got now."<sup>54</sup>

Despite this exchange, the employers were in a worse position. As long as they could hold on to their companies, they conserved the hope of being restored to their accustomed powers with a change of government. That was still years away, however-- 1976, assuming the maintenance of Chile's constitutional process. The FENATEX and the UP, though, were prepared if it came to a crisis to take more factories even if it did cause headaches in the short run. In the long run, a larger socialized sector solidified their overall control of the economy, shrinking the opposition's economic base even further.

Higher-paid, happy workers meant political support for the government and the FENATEX, and continued private ownership for the employers. Too highly-paid workers, however, meant that re-investment would become impossible even if the government convinced businessmen they could re-invest without fear of expropriation. It also meant a smaller surplus for tax sources to fund the government's social programs. Each of these, in turn, meant a loss of overall political support in the general population, especially from the marginal sectors divided from the higher-wage unionized sector. The object, if it was possible, was to find a wage level that would make everybody happy.

#### D. Fringe Benefits

The next major bargaining issue was fringe benefits. This was a ticklish problem for the FENATEX representatives. The thousands of small shop workers not previously covered by a collective bargaining agreement had no fringe benefits other than those that went with the social welfare programs

of past governments. Those with agreements, on the other hand, had at least a few, and in the larger companies had a wide variety of benefits, often bordering on the exotic. The FENATEX negotiators knew that many such benefits perpetuated a paternalistic air in labor-management relations, contrary to the revolutionary spirit they wanted to promote. At the same time, workers in small shops wanted to obtain them, while those who had them considered them legitimate conquests and appreciated their "according to need" distribution. Any significant cutback in benefits, even if it meant an increase in the regular wage, would cause enormous discontent among the bases and menace the FENATEX's centralized control.

The employers' representatives wanted to cut benefits and were willing to make up the difference in wages. It would be a saving for them, sparing them increased clerical costs and sporadic labor troubles related to benefits.\* However, they did not want to entirely replace fringes with wages. The fringe system was so deeply ingrained in the minds of the workers, they felt, that the wage substitution would soon be forgotten and once again workers would start combatting for lunch money, bus fare, birth, marriage and death bonuses, etc.

Between these two positions, it was clear that fringes were going to undergo some limitation; they would not include Christmas toys or funds to celebrate May 1. Nonetheless, they would have to be ample enough to win support for the FENATEX from workers in small shops and maintain support in larger plants.

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\*For example, one fairly common fringe benefit provides that the employer will provide milk for the employees' lunch. If a dairy failed to deliver the milk for a few days for reasons beyond the employer's control, employees would often undertake a slow-down to show their discontent.

#### E. Existing Wage Differentials

A third issue facing the negotiators was how to allow for the wide differences in existing wage costs among small, medium and large-sized firms.<sup>55</sup> Small employers could not be expected to meet all at once the same wage levels of the larger firms, even though they were in a better position to provide a raise. Nor in matters of fringe benefits, which were formerly confined to those firms with collective bargaining agreements, was it likely that the small employer could pay out the often enormous benefits unionized workers obtained. On the other hand, wages in this small-shop sector were in general lamentably low and benefits non-existent. Employers representatives agreed that a substantial hike was necessary. In normal times, this would have produced a sharp clash between them and the small employers they represented, who would have represented a large increase as a selling out of their interests by bigger competitors who did not face their cost difficulties. Thanks to the government's demand-boosting economic policy and hands-off price policy, small employers had never had it better. They were in a position to meet substantial wage increases. As for fringe benefits, they could be introduced gradually into small employers' cost structures so as to provide a concrete improvement to the workers, who formerly had nothing, without brusquely altering those cost structures.

#### F. Empleado-Obrero Distinction

Another problem for the Tripartite Commission was how to handle the stubborn old distinction between empleados and obreros. Erasing this division, the source of so much division, rivalry and favoritism in labor relations (see p. 15), was an electoral promise of the UP, part of a plan to pass an entirely new Labor Code, This project was still being drafted, however. Separate unions with dis-

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\* See Table, p.

tinct contracts continued to co-exist in each plant. Prolonging the distinction would mean the Commission had to negotiate two full contracts instead of one. Empleados were generally jealous of their prerogatives and would probably resent being lumped with obreros. These, however, would be even more resentful of continued discrimination after repeated promises to rectify it. Obreros were far the greater number/- nearly 60,000, compared to about 10,000 empleados.<sup>56</sup>

Vote-getting interests in both national and union politics disposed the government and FENATEX representatives to do away with the distinction. Employers liked the distinction. It was always advantageous to have a divided work force. But it was so inimical to what the majority of workers wanted and what the government and the FENATEX needed that it was not likely to last.

#### G. Degree of Pre-emption

The broadest issue the representatives had to deal with was one that went to the core of the new bargaining system: to what extent would the Tripartite Commission pre-empt the power of individual owners and unions to determine conditions of work in their plants? The language of the law enabled the Commission to take everything into its hands. It could simply inform employers and unions of its decisions, leaving them the obligation of complying without the right to negotiate alternative or additional terms. On the other hand, the Commission could limit the terms of its agreement and leave the workers and employers of individual firms free to alter them or add conditions not dealt with by the Commission.

For each of the three parties on the Commission, going too far in either direction carried dangers. A single, all-encompassing agreement that cut off the independent power of the local unions would undermine the local union officers

loyal to the FENATEX and open the door of leadership to Christian Democrats and FTR militants who could find in this a good reason for charging a sell-out. Among employers, such an agreement--which, whatever its final terms, was going to be favorable to the workers--would generate resentment among employers accustomed to being masters in their own houses, especially those medium-sized employers who felt unrepresented to begin with. The more rigid the final agreement, the more pronounced this reaction would be. As for the government, it faced the ire of both unions and employers. The limits that a monolithic agreement would impose on their freedom of action would seem as a betrayal of the government's promises: to unions that their power would be increased, to employers that the government would encourage small and medium-sized businessmen.

An overly flexible agreement carried the polar danger of undermining the authority of the Commission itself. To achieve the goals set for the new bargaining system--improved wages and conditions, increase of FENATEX and UP influence among textile workers, coordination with the socialized textile firms, an end to haphazard and destructive strikes, etc.--it was essential that the Commission establish itself as the central bargaining power with a firm, respected agreement. A loose, guide-line-type agreement that left too much to the wills of individual unions and employers would return the collective bargaining structure to its former fragmented state of firm-by-firm bargaining.

## 8) The Agreement

The text of the agreement reached by the Tripartite Commission is contained in the appendix; here we shall discuss the important features that should guide a detailed reading. To the surprise of no one, the agreement was highly favorable to employees. The basic wage increase of 39%, retroactive to January 1, 1972, was significantly higher than the 22.1% inflation of 1971 (although in March, when the agreement was reached, the pace of inflation was four times that of 1971, and prices had risen 34% from those of March, 1971--the benefit of three months' hindsight made the 39% figure less imposing). Fringe benefits were also quite generous, even though limited to the most conventional subjects.

Textile workers were defined as including both empleados and obreros. Some minor distinctions were later made, but the agreement generally treated the two categories as one, the term trabajadores (workers) used to embrace both empleados and obreros. Although the distinction was not entirely erased, this met the aspirations of the blue-collar workers resentful of the traditional division.<sup>57</sup>

The agreement made a fundamental exception in the opening section: the companies intervened or requisitioned would not be covered by the terms of the Tripartite Commission's agreement. Those textile firms of the fledgling Area Social, large firms which together employed about 20,000 workers, were left to a separate bargaining arrangement. While it tended to overcome the fragmenting structure and the empleado-obrero distinction, therefore, the new system divided textile workers into two great blocs: those in the private sector covered by the Tripartite Commission's agreement (about 50,000 workers), and those in the Area Social (about 20,000). Some of the implications of this division are discussed in Appendix 1.

Despite the agreement's assertion that it sets maximum wages and condi-

tions obligatory for the entire private sector of the textile industry, it is actually a flexible blend of maximum and minimum terms. It must be remembered that the tripartite agreement did not appear until April, 1972. Sixty unions and employers had already gone ahead and negotiated a 1972 agreement, since there was no guarantee the Tripartite Commission would produce one. Those that had reached an agreement with terms superior to those of the Commission's agreement (approximately 35 firms) were allowed by the Commission to maintain their superiority. Those that had reached an inferior agreement (approximately 25), those who had not yet made a 1972 agreement (at least 250) and those smaller, non-union firms that had never bargained collectively (approximately 1,250, excluding the thousands of home shops) had to accept the Commission's determinations.\* Especially among the latter, however, even a 39% raise would leave wages extremely low. The Commission therefore set minimum wages for every occupation in the industry in order to ensure a floor that each worker could stand

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\* A sample of 41 out of the total of 62 bargaining agreements negotiated prior to the Tripartite Commission's agreement show the following relationship between firm size and wage and benefit levels relative to those of the Commission's agreement:

Number of firms with wages and benefits equal or superior to those of the Com- missions' agree- ment.	Number of workers in firm							Total
	0-9	10-19	20-49	50-99	100-199	200-499	500+	
	-	1	3	6	9	3	1	23
Number of firms with lower wages and benefits.	1	6	5	2	2	2	-	18

Source: Archives of the Directorate of Labor

Other figures in the text are calculated by comparing this sample with the number of bargaining agreements made in the textile industry in 1971 (315), and the total number of textile firms (1,526 excluding home shops).

on. That is, the 39% figure served generally as a maximum for firms--the majority of those where bargaining previously took place--that had not yet reached a 1972 settlement. The job-by-job rates, though, served as minimum wages and overruled the 39% where the latter would result in wages below the indicated minimum level, the case in most of the smaller firms where bargaining had never taken place.

Flexibility was also served by the Commission's tolerance of fringe benefits not contemplated in the tripartite agreement. It limited the increase of existing benefits to 39%, but made no attempt to eliminate them or prohibit new ones from being negotiated at the plant level. This allowed those workers who may have felt stifled by the 39% wage ceiling to seek satisfaction in novel benefits from their individual employer. No one on the Commission was pleased by this result, but considered it preferable to a resentful rank-and-file which neither employers nor the FENATEX desired. At the same time, the relatively few benefits included in the tripartite agreement were an enormous contribution to the workers in the hundreds of small firms who had never bargained collectively and enjoyed no benefits whatsoever.

A fourth outstanding feature of the tripartite agreement was its sliding-scale allowance for differences in firm size. Minimum wages in the clothes-making sector were cut 10% for firms with ten or fewer workers, except those that had previously bargained collectively. Nearly half of the more than 700 clothes-making firms fell into this category.<sup>58</sup> In the same way, the agreement provided for proportionally lower fringe benefits for those firms where benefits had not previously existed. Furthermore, in those firms where the 39% hike would still not bring wages up to the minimum level, so that the latter took effect--again, this would include most of the small firms--employers were excused from making the increase retroactive.

Such a differentiation was not made when it came to union dues. The agreement required the same dues payment from all workers in the industry to the FENATEX and the CUT, whatever their wage, regardless of their membership in a union, in the FENATEX, or in the CUT. The amount was small--roughly .03% of the average minimum wage. With approximately 50,000 workers paying it, though, these dues represented a significant financial boost to the FENATEX and the CUT.\*

A final feature of the agreement reached by the textile Tripartite Commission was the extent and complexity of the minimum wage scheme. Eight sectors of the industry were isolated--cotton, wool, silk, etc.--and more than three hundred jobs distinguished. Only in the largest plants, most of which were now in the Area Social, had unions and employers bargained with such a degree of specificity. Moreover, the tripartite agreement established, for some sectors, job categories grouping several jobs under an equal wage--a refinement that even the largest firms had not previously reached.

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\* The dues provision allows an individual worker to exempt himself from dues payment by sending letters expressing such a desire to the Minister of Labor, the FENATEX and (where applicable) his union. The relative insignificance of the amount compared to the problems it entails makes such self-exemption extremely unlikely.

## 9) Post-Agreement Issues

## A. Notification

With an agreement finally reached, the Commission now turned to the problem of notifying the thousands of employers and employees affected by it. Much groundwork had already been laid, through the issuance of circulars and newsletters announcing the negotiation by the FENATEX, the Instituto Textil, and the AMPICH to their membership. As we have seen, however, their members amounted to a minority of both firms and workers. There were thousands more employers and workers, especially in the small, non-union workshops, who knew little or nothing about the process of negotiation. For these, straight newspaper publicity, plus the textile "grapevine"--workers in their neighborhoods who know other

textile workers (remember that they are 10% of the entire industrial workforce, and most of them are in Santiago); small employers who meet casually to discuss common problems, etc. -- were the chief vehicles for notification. Commission members agreed that they were probably very effective means, and felt that most employers and employees in the textile private sector were aware of the Tripartite Agreement within a short time of its achievement.

#### B. Local Agreements

An indication of widespread knowledge of the Agreement lay in the increase of firm-level actas de avenimiento, the written agreements between an employer and the firm's union or comite de pliego. From less than 400 actas in both 1970 and 1971, the number of 1972 actas rose to over 1,000. Since the Tripartite Agreement allowed a firm's workers to negotiate particular benefits not treated in tripartite bargaining, workers and employers continued their firm-by-firm bargaining. In addition to the national agreement, therefore, each firm that had formerly bargained still had its own acta de avenimiento. The opening clause of most of these actas, though, was the acceptance of the Commission's determinations in all matters dealt with in the Tripartite Agreement. Both the increase in the total number of actas, plus the increased proportion of smaller, non-union shops, all of which took the Tripartite Agreement as the starting point for their private dealing, suggested a general knowledge of the Agreement.

The same facts also indicated a tendency toward compliance with the Agreement on the part of textile employers. It must be remembered, however, that compliance could be partial. Commission members admitted that workers and employers in many individual firms, especially the small ones, would probably read just the Agreement to suit themselves, though consenting publicly to adhere to the Agreement. In firms where there was more of a family relationship

than an employer-employee relationship, for example, or where all the workers were always paid the same amount, the minimum wages laid down in the Tripartite Agreement for different jobs would probably be modified.

### C. Local Fringe Benefits

There were a few open cases of non-compliance, but these fell on the up side of the agreement. For example, one three hundred-worker, highly capitalized and efficient, foreign owned firm reached an acta de avenimiento with its union on August 6, nearly four months after the Tripartite Agreement, with wages and benefits far above those of the latter. It did not even mention the Tripartite Commission.<sup>59</sup> Commission members admitted that they had no intention of forcing the agreement on a firm where neither employer nor employees - especially the latter - wanted it. In general, however, the Tripartite Agreement was favorable enough that workers willingly embraced it.

A survey of post-Tripartite Agreement actas de avenimiento confirms the tenaciousness of workers' desires for fringe benefits, and their determination to take advantage of the Commission's allowance of firm-level bargaining about additional matters not covered in the Tripartite Agreement. As in the traditional bargaining process, the amount of extra benefits grew proportionally with firm size. Those with less than ten workers, for example, averaged less than five subjects in addition to the acceptance of the Tripartite Agreement - most of them quite rudimentary, such as that wages shall be handed over in an envelope.

Firms with two or three hundred workers, on the other hand, elaborated an acta with twenty to forty extra clauses. These extra benefits rivaled the traditional ones in variety and ingenuity, including, for example, money from the employer for an employees' picnic for sports and culture, for a Christmas show; for fixing the bathrooms, for free lunch milk, overalls or work dresses to each employee; and usually a broad scheme of benefits in kind and discounts on purchases of the firm's product.

#### D. Bargaining Overlap

The momentum of the firm-by-firm bargaining mentality was also indicated by evidence of bargaining even about subjects covered by the Tripartite Commission. In one forty-worker firm, for example, the acta de avenimiento -- after acknowledging acceptance of the Tripartite Agreement -- went on to say, in the next clause, that "for strictly personal considerations, and not in relation to his functions, the wages received by Juan Rodriguez shall be equivalent to those received by an operator of a fuller." A twenty-five worker firm's acta stipulated the following; also after taking the Tripartite Agreement:

It is agreed that in case pieceworkers, although they work at normal speed, do not surpass the minimum salary established in the Tripartite Agreement, the employer and the union, by common agreement, shall seek a system that will solve this anomaly without requiring discharge of employees and without harming production.<sup>60</sup>

Most of this overlapping bargaining, however, did not contradict the Commission's determinations; it rather amplified them, or adjusted them to the customary practices of the firm.

#### E. Post-Agreement Strikes

A significant effect of the agreement, and one which reflected important political aspects of the new bargaining process (and also is another indication of general compliance), was the notable drop of strike activity in the textile industry's private sector. From an average of thirty-four strikes by obreros per year among textile firms currently in the private sector for the period 1968-1971 (forty-two in 1971), the number of 1972 strikes dropped to twelve in a year that overall strike activity increased.\* Commission members attributed this drop to three causes: 1) the discipline being exercised by the Communist and Socialist leadership of the FENATEX upon its bases, 2) the general inability of the extreme leftist Revolutionary Workers to secure a following among the textile rank-and-file, and 3) acceptance of the agreement on the part of workers not associated with the FENATEX.

#### F. Membership of Bargaining Parties

The last point tended to diminish in importance as membership in the FENATEX continued to grow. FENATEX officials expected to have 50,000 members by the end of 1972, compared with approximately 30,000 at the beginning of the year.<sup>61</sup> 20,000 of its members would be in the Area Social, but the remaining 30,000 would constitute a majority of the workers in the private sector. Most of the new workers came from smaller, newly-organized shops spurred by the government's pro-union stance and by the fact that the FENATEX now negotiated their labor agreement. Increased membership from this sector, however, carried possibly harmful political consequences for the Communist and Socialist leadership of the FENATEX--consequences discussed in the concluding section of this study.

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\*See tables on p.

Membership in employers' federations was also rapidly increasing. The Instituto Textil expected to more than double its membership in 1972--from 135 to approximately 300.<sup>62</sup> Most of these new members would come from among firms in the 20-100 employees range, in contrast to the large firms that formerly made up the bulk of the IT. Voting power within the IT was apportioned according to capital, however, so the large firms would most likely continue to dominate the organization. Among small firms with less than twenty employees, membership in the AMPICH was likewise increasing. The number of such member firms was also more than doubling: from 391 in 1971 to over 800 in 1972.<sup>63</sup> What this meant, in terms of the new collective bargaining structure, was that the bargaining parties--the FTX, the IT and AMPICH--would in the future represent the majority of the employers and employees covered by subsequent agreements.\*

#### G. Contract Administration

An important and novel development in textile labor relations under the tripartite arrangement was the introduction of agreement administration by the bargaining parties. As discussed in section 3, the traditional bargaining process channeled all disputes that arose under collective agreements to the labor courts or the Directorate of Labor. Save for the exceptional (and thoroughly illegal) situation in the leather and shoe industry,<sup>64</sup> there were no formalized internal grievance procedures in Chilean labor relations. Decree 825, however, which regulated the tripartite bargaining process, authorized the

\*It is impossible to distinguish the degree to which these membership growths are due exclusively to the new bargaining process. As mentioned earlier, the AMPICH was known to have close ties with UP parties. Many new members have probably joined to take advantage of this relationship. The Institute Textile, on the other hand, grouped the larger firms and probably attracted new members looking for powerful allies. The growth of FENATEX membership coincides to an overall increase in unionization and federal organization of labor. In general, the period since the UP came to power has been marked by an increase of membership in all private associations in Chile, most of them aligned (or divided into faction) either with or against the government, seeking its help or seeking to defend themselves against what they perceive as a threat.

Tripartite Commissions to "interpret the meaning and scope" of their own agreements. The initial efforts of the textile Tripartite Commission in this matter provided some fascinating insights into firm level problems and the way a written agreement can never comprehend all the possible issues that will arise under it. These efforts also demonstrated the limited capacity of such a centralized dispute settlement mechanism.

During the first six months of the Tripartite Agreement's existence (May-October, 1972), approximately sixty interpretation petitions came to the textile Commission, which continued to meet twice weekly, containing about one hundred issues that required settlement (in the same period, by way of contrast, five petitions came to the more homogenous Printing Industry's Tripartite Commission).<sup>65</sup> Slightly less than two-thirds of the petitions came from employers. Of the remaining one-third, almost all came from unions. There was no set procedure; many of the "hearings" were conducted by telephone by the Commission's government representative, charged with getting the facts straight. The Commission as a whole made its decision upon his presentation of the issue.

A small number of petitions raised important issues about who was covered by the Agreement. Makers of vegetable fibers, for example, wondered whether they were included in the Agreement's jurisdiction, since they did not fall into one of the sectors enumerated by the Commission. Manufacturers of medical products like gauze and tape asked to be excluded. Clothesmakers even argued that they were excluded, despite the Agreement's definition, because the Decree creating the Commission only said "the textile industry." The Commission was acting beyond its powers, they contended, when it included clothesmakers. The Tripartite Commission rejected all of these claims, ruling that they were all covered by the Agreement.

Most of the employers' petitions were in the nature of requests for a clearing up of ambiguities in the Agreement--a rule-making decision, as it were (e.g.: Are the indemnization provisions applied retroactively in the case of workers who retired after January 1, 1972 but before April 21, the date of the Tripartite Agreement?). Most of the workers' petitions, on the other hand, amounted to complaints and demands for an adjudication (e.g. Worker X works half-time on a job that pays 6.50/hr., and half-time on another job that pays 5.50/hr. The boss pays her 5.50/hr. for her entire work. Tell him to pay her equal to 6.00/hr.)

Many of the problems requiring both rule-making and adjudication derived from the impossibility of covering every job in the industry, despite the Commission's herculean--and relatively successful--efforts to do so. Many employers and unions wrote to the Commission describing a particular task or series of tasks performed by a worker. Employers wanted to know where the worker fit; the union usually complained that the worker was paid lower than the rate for equivalent work signalled in the agreement. After wrestling with these job-definition problems for four months, the Commission in early September, 1972 decided to send all such cases to the local Inspectorate of Labor, traditionally responsible for enforcing labor laws. Other issues requiring adjudication were also referred to the Inspectorate. The Commission sought to limit its interpretation function to broad issues of a rule-making nature.

Nonetheless, much of the Commission's rule-making function continued to be exercised through the adjudication of particular disputes. One employer, for example, gave his workers a free lunch, under the terms of a prior acta de avenimiento--still valid for subjects not covered by the Tripartate Agreement. He wanted to substitute the paid half-hour lunch period, required by Article 7 of the Agreement, for the free lunch. Considering the free lunch a "prior

conquest" that cannot be retracted, the Commission ruled in favor of the workers.

In another case, a retiring employee had a right to indemnization under Article 11. During his final three months of employment, however--the base period for determining the amount to be paid--he had been out sick, receiving a minimal wage. The employer wanted to base the indemnization on that wage; the employee, through his union's petition to the Tripartite Commission, wanted the payment to be based on the higher wage rate of his last three months of actual work in the plant. The Commission ruled for the worker, interpreting Article 11 to mean the last three months' in-plant work.

Establishing these kinds of "prior conquest" and "in-plant work" rules is the principle feature of the Commission's agreement administration work. In some cases, however, it also acts as a mediator rather than a rule-maker or judge. One firm had reached an acta de avenimiento with its employees on December 31, 1971, the day before it would have otherwise fallen under much of the Tripartite agreement's coverage. Employees wanted to know if they were frozen into that acta. The Commission responded that they were indeed, according to the language of the Agreement, but encouraged the union and employer to renegotiate some issues to come in line with the terms of the Tripartite Agreement. In a dispute about the base rate for payment to union leaders for time spent on union business, the Commission told the parties to settle the problem themselves, since "in this respect a solution depends principally on the good faith that should prevail in worker-employer relations."

In this mixed bag of rule-making, adjudication and mediation, the embryonic stages of labor agreement administration--the first to be--legally established in Chile was taking shape. A great deal of refinement was yet to be made. The transfer of most individual disputes to the Inspectorate of Labor, for example, was a concession to the pressure of volume that could

cause problems. Procedures in the Inspectorate were slow, and conflicts might arise due to individual differences among Inspectores. Some kind of internal arbitration process might have had to be instituted in order to ensure a consistent industry-wide grievance settlement procedure that paralleled the new bargaining structure. The procedures for presenting a petition to the Commission and for making a decision would probably be regularized, with provisions for a hearing, for a fact-finding process etc. to replace the presently informal procedure. All of this is speculation, however, and there may be forces at work that will prevent such developments. Some of these forces are discussed in the concluding section on the long-range implications of the new bargaining structure.

## 10) Long-term Issues

### A. Sectorial Committees

The textile Tripartite Commission continued to meet at least twice weekly following the original agreement. In addition, the Commission created sectorial committees consisting of workers and employers of the various sectors who discussed the problems peculiar to their sector. The chief responsibility of these committees was the elaboration of piecework rates, a subject the Tripartite Commission had left for later determination. In an industry characterized by infinitely varied differences in capitalization, efficiency, productivity, etc. among different firms -- much of them based in minute differences of machine parts and performance capacities -- this was a task of formidable complication.

Employee and government representatives on the Commission were hopeful that the sectorial committees would be able to distinguish jobs and machine capacities with sufficient clarity to establish standard piecework rates. The principle of equal pay for equal work required nothing less, they argued. Employer representatives were pessimistic about the possibility of making such a piecework system workable. Even if one could be formulated on paper, they thought, it would be impossible to police it. They cooperated in the attempted formulation, however, if only to prove its unworkability.<sup>66</sup>

### B. The Role of the Commission

The Tripartite Commission acted as a coordinating body, ratifying or modifying recommendations of the sectorial committees to bring them in line with one another. At the same time, it continued its work of agreement administration. Interpretation petitions were constantly arriving as confusions, misunderstandings and grievances arose from the application of the

agreement. The Commission had to flesh out the framework it had erected with the agreement by its decisions in these interpretation issues.

In its first post-agreement stages, therefore, the bargaining process became characterized by its continual operation -- twice-weekly meetings of the Commission -- and its dual purpose -- administering the existing agreement while simultaneously negotiating on issues not treated in the agreement. It appeared that for the near future the Commission would continue these activities. The need for further administration remained; it would even grow with the complications of the soon-to-appear piecework rates. Most important, however, was the need to collectively confront the broader economic difficulties besetting Chile. This need was most acute, because it went to the very heart of the bargaining process, the survival of the Commission itself.

#### C. The Inflation Problem

The economic problem faced by the Tripartite Commission was how to deal with the inflation that plagued the Chilean economy, especially the drastic price rises of August and September, 1972. After its price limitation and wage hikes of 1971, the government faced the inevitable consequences of dramatically increased consumer demand and the problems of shortages, hoarding and black marketing that it engendered. Demand had to be limited. The only options were rationing, price rises and/or wage controls. Rationing was considered by many in the UP as politically unacceptable -- it had become a dirty word, so often had the opposition predicted that socialism meant rationing. Establishment of rationing would give the opposition a political trump card for the 1973 elections. Instead, the government opted for price rises, a measure more familiar to Chileans, for whom substantial inflation had become a way of life.\* In an unusual step, however, the

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\*The government did institute selective rationing in January, 1973.

government also sought for the first time to impose wage limits on unionized workers.

From the 22.1% inflation of 1971 -- a relatively low rate, compared to the 30% average of the previous years -- government controlled prices rose 99.8% by September, 1972, and continued to 130.2% at the end of October. The government's wage policy, the only one it could undertake after its years in opposition demanding reajustes equal to the rise of the cost-of-living, amounted to precisely that: the passage of an early reajuste that would recapture the workers' lost buying power. During October, therefore, a reajuste of 99.8% (based on inflation figures to September) was passed.

Traditionally, reajuste laws had excluded from coverage workers with collective agreements. Part of this new law, however, dealt with workers with collective bargaining agreements, and gave them the following option: either to take the 99.8% reajuste, which would fix their wages at the new level that resulted until September, 1973; or to wait until their current agreement expired and negotiate freely a new agreement with their employer. Those workers with an agreement that expired in October or November could conceivably hold out and make a new deal, based on the cost-of-living rise at the date of expiration. Most workers, however, had agreements that would expire much later. Already squeezed by the inflation up to September, they necessarily had to opt for the 99.8% increase; that is, they obtained wage increases equal to the cost rise, but could not bargain for a higher figure.

This is the point where the government's wage-boosting labor policy collided with its wage-restraining economic policy. On one hand, the UP had pushed the formation of large, powerful industry-wide unions through the creation of the tripartite commissions. In the negotiations, these new

industry-wide bargaining units could obtain higher wages, wages well above the reajuste figure. Now, however, the government was seeking to hold the wages of these workers to the reajuste, withdrawing their latitude to negotiate above that figure.

This policy was announced with a large-scale publicity campaign emphasizing the point that the 99.8% reajuste equalled the inflation rise for the period January-September, 1972, in contrast to the below-cost reajustes of former governments. Still, by attempting to put a one-year hold on this new wage level while inflation continued rampant (even for Chile) beyond September, the government threatened to cut even further into the workers' buying power.

The opposition -- Christian Democrats and conservatives who during their periods of government sought to hold wages of public and unorganized workers below the cost-of-living rise -- now jumped on this policy, accusing the government of choking the organized workers' right to freely negotiate a collective agreement.<sup>67</sup> The government responded, first, that the opposition was in no position to accuse anyone of restraining workers' wages, and second, that such a policy would in the long run slow inflation, since it tended to prevent organized workers from negotiating an agreement above the cost-of-living rise, which they had generally been able to do in the past. Nonetheless, the risks of this policy are evident. Would organized workers be satisfied with simply meeting the cost-of-living rise, rather than staying slightly ahead of it as they were previously able to do? Would they seek to avoid the wage-freezing effects of the fixed 99.8% rise by negotiating new and higher fringe benefits? Would the general restraint on bargaining latitude generate resentment among union leaders, despite their affiliation with the government parties? Would Christian Democratic and Revolutionary Worker

elements gain ground, and possibly even positions of leadership, in the formerly reliable blue-collar unions?

Perhaps most problematical of all was the question of what to do if inflation continued its dizzy rise -- as October figures indicated it was doing. The 99.8% wage hike was fixed for a one year period, until September 30, 1973. No new wage agreements could be negotiated until then, except by the few unions who could afford to wait for their agreements to expire in October or November, 1972. If inflation continued at its rapid pace, even September, 1972's reajuste would be eaten away to an inadequate level. Demands for relief would rise up from the rank-and-file workers. Either the government would have to sponsor a new reajuste before the September '73 term it had set -- a virtual admission of defeat of its wage-price policy or unions would go ahead and negotiate increases despite the law, either in open defiance or in clandestine dealing for "black wages", which would amount to the same defeat.

The time factor was also important. Congressional elections were set for March, 1973. If wages were being squeezed by continued price rises at that time, without the relief of a reajuste the UP would risk losing support in its working-class base. Waiting would also undermine the prestige UP labor leaders to the advantage of Christian Democratic and Revolutionary Worker elements. If the reajuste came before the elections, on the other hand, the opposition's charges of the government's inability to manage the economy would gain acceptance among the middle class sectors sought as allies by the UP. Even if it came early, moreover, another attempt to hold the wages of unionized workers to the reajuste would also play into the hands of DC and FTR forces in the unions. Continued inflation, therefore, would not only squeeze workers' buying power. It would force the UP into an

excruciating political position.

D. The Commission's Response

The Tripartite Commission followed the wage policy embodied in the new reajuste law. In its initial experience with the Commission, the FENATEX had obtained a very favorable agreement, one with a wage increase above the previous twelve months' inflation figure. Now textile wages were tied to the reajuste. Wages set in the original agreement were raised 99.8% in October, and fixed for a term of one year, until September 30, 1973. In effect, therefore, there was no real bargaining. There was a new agreement, but adopted entirely in conformance with the reajuste law. The original agreement had lasted six months.

Government and labor representatives hoped that such a policy was only a temporary response to an extraordinary situation. Even if it had to be maintained, however, they asserted that: 1) the upward levelling of wages in the small, formerly low-paying shops, the chief concrete accomplishment of the original agreement, would be preserved, and 2) the political consciousness of the textile workers and the authority of the FENATEX among them would forestall a rank-and-file revolt against the agreement and the loss of union leadership to Christian Democratic and FTR activists. The Commission could also continue its work of agreement administration, which contributed to a standardization of work practices and a corresponding reduction of arbitrariness and discrimination in worker-boss relations. The work of the sectorial committees could clear up problems that arose from differences among the various sectors of the industry. In other words, there were a number of beneficial features to the new bargaining system that could be maintained even where the parties' wage-setting latitude -

that is, the ability of the FENATEX to get higher wages - had been limited by governmental wage policy expressed in the reajuste law.

## 11) Conclusions

The textile Tripartite Commission passed the initial stage of operation with fair success and prospects of continued institutional viability. The fragmented, firm-by-firm traditional collective bargaining structure was replaced by an industry-wide structure. Each of the parties developed a positive interest in the new process -- fewer strikes, coordination between the public and private sectors of the industry, cooperation to avoid nationalization and encourage favorable price and tax policies from the government, etc. A formal process of agreement administration, although still rudimentary, took shape -- not simply interpretation of agreement language, but a method of continued negotiation over issues not squarely dealt with in the agreement. There was an overall adjustment to the new process, a shift by the various parties toward new goals, perceptions, expectations, sympathies, skills, etc. required by the widened bargaining structure.

Despite these developments, a number of political and economic pressures on the work of the Commission brought into question its survival, not as an institution, but as a true collective bargaining forum. This problem in turn reflected the difficult position of the new government, caught in a bind between conflicting economic and labor policies.

Which would prevail: the wage-restraining policy that would encourage a surplus for social uses, or the strong-union, high-wage policy that would shrink the surplus? The former would permit the government to bring inflation under control, ease the shortage crisis, and develop some of its social programs -- all results that would gather support among the population at large. In the organized labor sector, however, a restraint on the newly-found collective bargaining strength of industry-wide unions like the FENATEX would undermine the leadership of UP union officers and drive rank-and-file unionists -- the

UP's main source of electoral support -- into the arms of Christian Democratic and Revolutionary Worker challengers.

There was no guarantee, furthermore, that even the strong-union labor policy would not also shift leadership strength to Christian Democrats and Revolutionary Workers, especially the former. The new collective bargaining units included formerly unorganized workers. FENATEX membership, for example, was rising from 30,000 to 50,000 members in 1972. Most of the new members came from small, non-union shops who lacked the experience of struggle that cemented the ties of organized workers to the UP parties. These new members were probably susceptible to Christian Democratic influence (already the third force in the FENATEX -- see election results, p. 53), both for the Christian content of its position, which found a response among unorganized workers, and because the Christian Democrats could afford a higher-wage stance than the UP union leaders, who still had the responsibility to try to induce self-restraint on wages.

At their most extreme, the long-run effects of the new bargaining structure may have amounted to a form of self-destruction on the part of the UP. By encouraging the development of industry-wide union organization and industry-wide bargaining, the government might have strengthened the FENATEX to such a point that it no longer needed the traditional legislative protection of the socialist political parties; it could take care of itself on a purely trade-unionist level. It was the sindical weakness of Chilean unions that forced them to build ties with the Communist and Socialist parties. If a strong, industry-wide union like the FENATEX could be developed, these parties might become superfluous for its economic protection.

In the same way, on the national scale the sharp increase in the overall

level of unionization,<sup>68</sup> the breaking down of the old obrero-empleado distinction, the extension of agrarian reform and the growth of peasant unions,<sup>69</sup> the increased participation of the established union hierarchy in government policy-making<sup>70</sup> are all structural changes that strengthen the sindical hand of the working class. As with the new structure of collective bargaining in the textile industry, however, these phenomena may contain contradictory elements harmful to the socialist political forces.

Much of the new unionization takes place among white-collar and professional workers sympathetic to the middle class-based Christian Democratic Party.<sup>71</sup> There are signs that the outdated de jure distinction between obrero and empleado is being replaced by a de facto skilled worker-unskilled worker division that will cut into union cohesiveness and solidarity.<sup>72</sup> The peasants in their new unions are traditionally open to the Christian Democrats' religious appeal. The presence of CUT leaders in high councils of government could result in increased bureaucratism and loss of contact with the bases. The Christian Democrats' own proposals for workers' management in the Area Social are openly designed to play on the workers' traditional bread-and-butter tendencies, implying that each worker will become a miniature capitalist.<sup>73</sup>

In other words, the complex of forces operating in the Chilean labor scene tend to work to the Christian Democrats' advantage, even though it is the UP that provided the impulse to put these forces in motion. In effect, the UP is paying the price of its election: rewarding the working class base with reforms that lead to bigger, stronger unions when weak unions, in need of legislative protection, were the very condition of the UP's successful political campaign.

Some loss of political support among workers to the Christian Democrats is probably inevitable. It is not certain, however, that strong unions would *cause a*

decisive shift of support away from the UP parties. Unions will be strong in comparison to their former fragmented weakness, but they will still be operating in a context of extensive social legislation, welfare protections, wage and price controls, etc. vital to their interests, which will demand a union voice in the legislative sphere. Both the pressure of tradition and loyalty, as well as the fact that a middle class-based party like the Christian Democratic Party could not sustain pro-union policies for long, will probably keep the bulk of organized labor tied to the Communist and Socialist parties.

The ideal solution for the UP would be self-restraint on the part of the organized workers, conscious of their revolutionary responsibility to sacrifice immediate benefits in order to progress toward socialism. UP politicians, and union leaders as well, talk about the need to develop such a consciousness.<sup>74</sup> But as long as power within the unions is subject to internal electoral democracy, however, as is required by law, it can remain just talk. UP union leaders still have to get high wages and the UP parties have to accept this result if both are to retain the support of union members.

There is another, less ideal solution to the dilemma: taking undemocratic control of the unions and forcing wage restraints on otherwise unwilling union members by having union officers "negotiate" lower wages. Such a development, however, could only take place in a context of a shift away from electoral democracy in Chile as a whole. An attempt to eliminate union elections in the present context would be roundly resisted by rank-and-file unionists, who would express their displeasure by voting for opposition political candidates and by forming rival unions and federations. The UP would become an isolated and ineffectual minority in both general politics and in its traditional union base.

What should the UP do? It if were certain that the creation of strong unions would lose the UP its labor support in any case for the reasons described

earlier, it might then go ahead with a wage-restraint policy, hoping that the expanded and improved social services resulting from that policy would win it a broader-based source of support -- a coalition of peasants, unorganized workers, government employees and middle class progressives who either benefit from or identify with such social service programs.

As argued above, it is not certain that the balance of organized labor political support would shift to the Christian Democrats with the establishment of strong unions. Furthermore, the UP has to consider whether the above-mentioned coalition would be sufficient to make up the 14% the UP fell short of a majority in the 1970 elections, without the solid bloc of union supporters that were the key to the 1970 victory. The UP will need a majority in the 1976 elections, since the Opposition is sure to run a united campaign against it. Should the UP give up its base in the unions for the uncertainty of the coalition described above?

Probably not. For one thing, the heart of the UP reform program is the creation of the Area Social. Union support for the Area Social is critical for its continued viability, and an attempt to cut into union strength would turn workers against it.

Even more basically, foresaking the organized working class, even with its high-wage aspirations and other bad habits and values left over from a century of capitalist exploitation, would run counter to the UP's own traditions and to the theory of socialist revolution that underlies the UP's activities. The UP is a coalition of labor parties. It cannot suddenly transform itself into a motley coalition of parties representing other groups in society without

becoming a farcical traitor to the group that put it in power. Furthermore, if a socialist revolution should be led by the most conscious, experienced and reliable portion of the working class, then revolutionary parties should stay with that portion, whatever temporary difficulties should inhere.

It is ironic that Chile elected a socialist government due to the weakness of the Chilean working class; i.e., its sindical weakness, its lack of economic muscle that drove workers to build up political strength through the parties that comprise the UP. But the struggles that won them political power cannot be depreciated. The Chilean workers' efforts are now being rewarded with reforms that increase their sindical strength as well as give them a new voice, a new influence and a new dignity in national affairs. The UP will have to endure continued economic difficulties in order to conserve its working class base. Attempts at wage restraint like the September, 1972 law tying union wages to the reajuste cannot be sustained without losing union support. This is a loss the parties of the UP cannot afford either now, when they must build and preserve the Area Social and other basic reform structures, or in the future when they must confront new elections, new problems, and possibly new revolutionary situations. For all of these, Chile's revolutionary parties must have a base in the organized working class, which must itself be prepared to sacrifice and capable of taking over the economy without serious economic dislocations. These tasks of preparation and training are the next great challenge for the Chilean Left.\*

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\*This concluding discussion assumes that Chile's institutional stability will be maintained through this and future governments. In the opinion of the author, the contending forces in Chile are evenly enough matched at present that none will attempt an overthrow of established constitutional processes. If such an overthrow succeeded, however, it would probably make most of the reforms of the UP -- like the creation of the tripartite commissions -- institutional dead letters.

## APPENDIX 1

Bargaining in the Area Social

Good relations with small and medium sized employers constitute a basic part of the UP's strategy, and the new bargaining arrangement in the private sector is a test of that strategy. This does not mean that collective bargaining in the new Area Social is not also critical. An in-depth study of collective bargaining, however, cannot be separated from a study of workers' participation in the Area Social. This is a subject that limitations of time, access and existence of concrete information make difficult for study at the present time. Nonetheless, this section will attempt to outline some of the developments and indicate some of the problems arising out of the relationship between collective bargaining and workers' participation in the textile firms of the Area Social.

At the present time (December, 1972), seventeen textile firms with more than 500 workers are in the Area Social. They employ about 20,000 workers. Some smaller firms are also intervened, but they are not intended to stay under state control. Intervention and requisition are the principal means used by the UP to move a firm to the Area Social. Both are authorized in legislation from the 1920's or 30's. Based on legal powers authorized in the Labor Code and subsequent legislation, the government can "intervene" a firm where a strike compromises national security or the well-being of the population. Requisition is the taking over of a firm being mismanaged to the detriment of citizens' well-being - price fixing, excessive stockpiling, deliberate under-production, etc. Strictly speaking, it is supposed to manage the firm on behalf of the owners, and return it when the threat is past. But returning the firms to private management is at the discretion of the government. Following intervention, therefore, of one of the firms announced by the UP among

the 91 to be nationalized, the government simply keeps on managing it in the exercise of its legitimate discretion.<sup>75</sup>

Most of the textile firms of the Area Social are more modern, productive plants that traditionally paid comparatively higher wages. The government tries to emphasize that these firms' earnings now serve all the Chilean people rather than private interests. In this context, an attempt is made to treat the Area Social as an economic unit rather than a coincidental gathering of unrelated companies. A government representative on the management team of an intervened textile firm argued that:

We cannot analyze the functioning of these firms in traditional capitalist terms. The building of the Area Social implies a different criterion. We are not worried about the individual case of each firm, but rather the global context of the textile area. It is very possible that some firms, for individual reasons, suffer losses, but are compensated by the enormous gains of others. That is, we are not interested in profiting, but in serving the entire community.<sup>76</sup>

In line with the reasoning, the government sought to centralize the collective bargaining process in the Area Social and move toward dealing with the nationalized firms as a whole. A multi-lateral commission was established, consisting of representatives from the Ministries of Labor and of the Economy, from the management teams of the firms involved, and from the FENATEX. All the pliegos (the list of workers' demands) are sent to this commission, whose goal is to bring the wages and benefits of the various firms in line with each other and begin negotiating with all the workers in a single negotiating process. The commission does not determine the wages, however. It makes a recommendation to the union and the management. This recommendation can be accepted or rejected; the hope is that the efforts of FENATEX to exercise restraint over its bases will be successful in persuading the workers to accept the commission's recommendations.

In its initial efforts, the advisory commission had little success in limiting or equalizing textile workers' wages. It also made no progress in

developing a pattern of even coordinated collective bargaining, let alone the unitary process that is its goal. Workers continued to identify with and bargain through their individual firms and unions. A survey of bargaining agreements of these firms reveals a strong economist tendency prevailing over the revolutionary restraint that the government and the FEMATEX leadership try to encourage. Wages continue to be much higher than most of the private sector, and benefits are exceeding even the exhaustive supply gained under the traditional bargaining arrangement. Benefits in kind are especially prevalent. (Many workers are taking advantage of the increased demand by dealing themselves in the textiles they obtain as benefits.) Since the government wants to make the Area Social a showcase of progressive industrial organization, moreover, individual firms are providing in-plant medical offices, cultural centers, special buses for each firm's workers, etc.<sup>77</sup>

The government is aware of this economicist tendency and the problems it creates for the success of the UP program. In a speech at a CUT demonstration on July 25, 1972, President Allende insisted:

It is imperative to put a stop to the economicist attitude in the pliegos de peticiones and reajustes .... We must rise above the criteria of the past .... It is indispensable to tie wage increases to production and productivity.... We cannot have conflicts after an agreement is reached.<sup>78</sup>

His words have not been entirely heeded; in October, 1972, a short but bitter strike erupted in one of the major national textile firms. After the government refused to accede, to their pliego, workers occupied the offices of the Comite Textil, the textile branch of the Ministry of the Economy. After six days, it ended with the union obtaining most of its demands.

Communist Party officials make particularly informative observations. Due to the Party's position as the dominant force within the UP\* and within the

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\*PC dominance in the UP cannot be proven, and the Party would never admit it. But everyone know it is so.

labor movement, including among textile workers, it is especially sensitive to the contradictions of the labor relations in the Area Social. On the one hand, the Community Party takes the austere line emphasizing restraint, discipline, the necessity of relating wages to productivity, etc. On the other hand, it does not want to risk losing its rank-and-file base to the Christian Democrats on the right, or to the Revolutionary Workers on the left, both of whom are taking advantage of the circumstances to capture support by elevating wage and benefit demands beyond those asked by the predominantly Communist and Socialist union leadership. An article by a Community Minister in Principios, the theoretical organ of the Communist Party underlines some of the problems of the Party's position; and comes down plainly on the need to support rank-and-file demands in order to maintain the Party's base:

In such circumstances, the intentions of Communists to face the question of wage demands in a different way, if it does not find a handle in the real relations between managers and workers, could be misunderstood by many workers and technicians and even, at times, separate our comrades from some sectors of the masses. It become indispensable, therefore, instead of idealizing the situation, for the Party cells and plant committees to take it into account when poor management, exercised in a bureaucratic and traditional form and manifested in arbitrariness prevents the developments of new channels in which wage increases are linked with production. In the face of this problem, workers should not be prevented from trying to obtain increases through a conflict, just as before, with management and with a State that appears to them as the successor of the old boss. Without falling into the opportunism of those who raise these old arguments, Communists should support the workers' wage demands, in the struggle against mistakes and for an authentic participation.<sup>79</sup> 72

The need for the UP to bend to the economicist tendencies of its labor support is not hard to understand. For decades, the workers' parties, especially the Communist and Socialist parties, fought hardest for pro-labor reforms and for defense of the workers' standard of living. Textile workers' union leadership - mostly Communist and Socialist militants - could act perfectly consistently as both trade union officials and party members.

Those parties owe their electoral victory to precisely the organized workers whose economicist aspirations the parties and their labor leaders so strongly supported.

It is impossible, now, to turn the current of those decades of economicist collaboration toward restraint and sacrifice. It is especially difficult in the Area Social.<sup>80</sup> The success of the UP program depends on its ability to put the profits of Chile's large industries to social uses; i.e., on the success of the Area Social. The success of the Area Social in turn depends on a productive and peaceful -- in short, a happy - work force. And to keep the workers happy, producing, (and UP supporters, another important consideration) the government finds it necessary to yield to their pressures for increased wages and benefits. This cuts into the surplus for social use, contrary to the raison d'etre of the Area Social. At the present time, however, the government deems it necessary to protect first of all the very survival of the Area Social, whose permanence is not legally guaranteed, as a viable, growing and productive sector of the economy.<sup>81</sup>

The UP is hopeful that economicist tendencies can be overcome through increased workers' participation in the productive process. As workers take on more responsibility in managing the enterprises, it is felt, they will come to make the connections between wages and costs and productivity, and limit their demands by conscious self-discipline. In the textile firms of the Area Social, the participation programs are most advanced -- at least on the surface.<sup>82</sup> There is a great deal of controversy about whether there is real participation or not.<sup>83</sup> At any rate, the participation organisms are established: committees at the shop level ("Production Committee"), at the departmental level ("Coordinating Committee"), and the central administrative level ("Administration Council"). The role of the union in this new context,

especially in relation to the participation committees, is a subject of heated debate, most of it strong on principles and weak on specifics.<sup>84</sup>

The union is characterized as the "guiding motor" of the process, the "political and ideological impulse".<sup>85</sup> Union leaders of the textile firms of the Area Social resolved, in a national convention, the following about the role of the union:

- 1) That the union, in the new political, economic and social context, is the orienting motor and conductor of the working class, and at the same time a political and ideological educator.
- 2) That the union should maintain its independence and autonomy before the organisms of participation in a vigilant attitude toward the process as representatives of the working class.
- 3) That in defense of the class interests and for the favorable changes that have been achieved -- the nationalization of copper, the creation of the Area Social, the nationalization of banks and the extension of agrarian reform -- the union should be the nerve of agitation on political problems, and be alert toward the permanent attacks of imperialism and domestic reactionaries.
- 4) That given the need to act in an agile and effective way, the union should break the bureaucratism of its old outworn structures and maintain a permanent attitude of constructive criticism and self-criticism.<sup>86</sup>

Despite these recommendations, the tendency is for the union to continue its traditional task of representing the workers' economic interests. And to avoid letting control of unions fall to the Christian Democrats, or losing influence to the FTR, the predominantly Communist and Socialist leadership of the textile unions has to continue giving priority to bread-and-butter issues. For these reasons, collective bargaining in the textile Area Social, remains similar to the process of the traditional system, with firm-by-firm negotiation and strong economicist pressure from the rank-and-file. Whether the slow growth and enrichment of the participation experience will reverse this tendency, it is still to soon to know.

CONDITIONS OF WORK AND WAGES FOR THE TEXTILE ACTIVITY  
OF THE PRIVATE SECTOR

Resolution

Num.1.-Santiago, April 20, 1972.- The Tripartite Commission charged with fixing obligatory wages and conditions of work for the workers and employers who perform their activities directly in the Textile Industry of the Private Sector, created by Decree No. 462 of April 4, 1972 of the Ministry of Labor and Welfare, by virtue of Article 7 of Law 17.074 of December 31, 1968, has determined by the unanimity of its members that the maximum wages and conditions of work in effect for the employers and workers who perform their activity directly in the Textile Industry of the Private Sector, for a period of one year beginning January 1, 1972, will be the following:

1) The present resolution is a Collective Agreement which will be in effect for the employers and workers of the Textile Activity of the Private Sector.

To this effect, the following definitions are understood:

A) Textile Industry of the Private Sector: The establishments, factories, workshops and sections of establishments of the private sector, which are directly engaged in the fabrication and/or production of fiber, thread, yarn, cloth, fabric in general; in the manufacturing of clothing, home articles and other textiles; in the elaboration and finishing of textiles in general; in the fabrication of rugs, tapestries and similar articles and the fabrication of articles that contain textile products.

B) Textile Employers: The owners, employers, managers and juridical persons that perform their activity directly in the Textile Industry.

C) Textile Workers: The empleados and obreros\* that perform their activity directly in the textile industry of the private sector, where they are not covered by the dispositions of paragraphs II and III of Law 10,621.\*\*

2) Excepted from coverage by the present resolution are the establishments, factories and enterprises of the country's textile industry which at the date of this resolution are intervened and/or requisitioned, whether by the Ministry of Labor and Welfare or by the Ministry of Economics.

3) During the term of this resolution there may not be undertaken collective conflicts of a social-economic character to modify the conditions of work and

\*Empleados are roughly our equivalent of white-collar workers. Obreros would be blue-collar workers. This distinction is extremely important in Chilean labor law. See discussion in text, p. 15

\*\*These provisions cover workers engaged in printing and photographic activities. A small number of workers in the textile industry do such work, but they are members of separate unions.

wages contained herein.\*

4) The conditions of work and wages established through collective agreements, collective contracts, acts of accord or arbitral decisions in the textile industry of the private sector, which are inferior to the minimums contained herein, will be overridden by the conditions of work and wages contained in this resolution.

5) The conditions of work and wages agreed upon by the Tripartite Commission through the present resolution will be obligatory for all the workers and employers of the textile industry of the private sector, who must conform to that which is here established.

6) The collective agreements, collective contracts, acts of accord or arbitral decisions currently in effect which contain wages, benefits or conditions of work not treated in the present resolution or superior to those established here, will continue in effect and be readjusted at the end of the term of the respective collective agreements, collective contracts, acts of accord or arbitral decisions in accordance with the percentage that the Tripartite Commission will have established.

7) All those benefits, perquisites and/or bonuses established in the enterprises, stipulated in money sums, not dealt with in this resolution, shall automatically be increased 39% dating from January 1, 1972.

Those benefits, perquisites and/or bonuses stipulated in specie or in percentages shall be kept at the same level.

This clause shall apply only to the collective agreements, collective contracts, acts of accord or arbitral decision that expired before January 1, 1972.

8) By whatever percentage were increased the wages or conditions of work in effect on December 31, 1971, either by the legal reajuste\*\* or by agreement between the parties, shall be imputed to the increase contained in this agreement.

9) The empleados of this branch may solicit the benefits of the present resolution inasmuch as it applies to them.

#### I. CONDITIONS OF WORK

The conditions of work here established shall apply to all the employers and workers of the textile activity of the private sector.

Art.1) Birth Allowance: A birth allowance of E°200\*\*\* is hereby established, for the birth of a child of any worker who on December 31, 1971 did not enjoy

\*Underneath the windy language, this is a no-strike clause, plain and simple.

\*\*The legislatively fixed wage increase to compensate for the effect of inflation. See discussion in text, p. 18-20

\*\*\*E°=E<sup>C</sup>sudos.

this benefit.

For those workers who on December 31, 1971 enjoyed a birth allowance, whatever its amount, the allowance shall be raised 39%, as long as with such an increase the allowance remains not less than E°300.

For the workers who on December 31, 1971 enjoyed an allowance greater than E°400, it shall be raised 22.1%.

Art.2) School Allowance: For the workers who on December 31, 1971 did not enjoy this benefit, there shall be authorized a school allowance of E°80 for each child in primary or secondary school.

For those who on December 31, 1971 enjoyed this benefit, said benefit shall be increased 39%, but the new amount shall not be less than E°120 for primary school students or E°150 for secondary students. This allowance shall be paid once a year in March upon presentation of the proper certificates of registration. For the present year it shall be paid within thirty days of the date of this resolution.

For the children of workers studying in accredited universities the cost of matriculation shall be paid.\* For workers engaged in university studies, the cost of matriculation shall be paid according to the regulation that the Tripartite Commission will issue.

Art.3) Marriage Allowance: In case of marriage of a worker, the following allowances shall be paid:

For those workers who on December 31, 1971 did not enjoy this benefit, there shall be paid an allowance of E°200 plus three days' leave paid by the employer and considered as effectively worked for all legal and conventional effects.

In the case of workers who on December 31, 1971 did enjoy this benefit, whatever its amount, the allowance shall be raised 39% to a sum not less than E°400, with right to five days' leave paid by the employer and considered worked for all legal and conventional effects.

Those workers who enjoyed a marriage allowance but did not have a right to paid leave shall receive the foregoing increase and the five days' paid leave, considered worked for all legal and conventional effects.

Art.4) Death Allowance: In case of the death of a worker employed in an enterprise, the enterprise shall pay to the nearest relative a funeral cost allowance of E°2,000.

The enterprise shall pay to the worker the sum of E°800 in case of the death of one of his or her parents, spouse or child. In addition, the worker shall have the right to two days' paid leave, considered worked for all legal

\*Universities in Chile are state-supported, and tuition is minimal--about the equivalent of one dollar at the official exchange rate.

and conventional effects, where the death occurs in the same province, and four days' leave if it occurs outside the province.

The funeral cost allowances existing on December 31, 1971, whatever their amount, shall be raised 39%, but the increased amount shall not be less than E°2,000 and E°800 as indicated above.

Art.5) Holiday Allowance:\* There shall be a minimum annual holiday allowance of E°240 for those workers who on December 31, 1971 did not enjoy this benefit.

For those workers who on December 31, 1971 did enjoy this benefit, whatever its amount, it shall be raised 39%, but the total shall not be less than that stipulated above.

Art.6) Guaranteed Profit Sharing:\*\* Under the rubric of profit-sharing the enterprises shall pay to their obrero workers an additional 3% on the total of all salaries, incentives, allowances and payments in money during the year. This payment shall be made at the time of workers' annual vacation.

In case of discharge, voluntary retirement, death or legal retirement of the worker, the enterprise shall pay the sums that correspond proportionally to his or her due, together with all other final wage settlements.

In those enterprises where there are industrial unions, the union shall also receive an additional 3% of all salaries paid. The union shall have access to such funds three times per year.

With the payment of the percentage indicated in this article, Articles 405 and following of the Labor Code shall be considered fulfilled.

Art.7) Lunch Pay: The enterprises shall give a one-half hour paid lunch period to their employees, both straight rate and piece work employees. In the case of the latter, the half hour shall be paid at a rate equal to their average income of the hours worked.

Art.8) Advanced Health Subsidy Payment: The enterprises shall make an agreement with the National Health Service for the direct payment of the subsidies of its workers under the terms of Art.2 of Law 17,443 of July 7, 1971. The values of the subsidies paid by the enterprises shall be later returned by the National Health Service in a form and procedure established for this purpose.\*\*\*

\*The three holidays on which this allowance is paid are Independence Day (September 18), Christmas and Easter.

\*\*Article 405 of the Labor Code requires employers to share 10% of their profits with the "industrial union", if there is a union in their plant. "Industrial union" means that the union of obreros in the plant. Most unions, however, prefer to negotiate a smaller, guaranteed amount rather than risk an unprofitable year. This is what they are doing here. Note that it extends to non-union workers as well.

\*\*\*Chile has a national health insurance system which includes substitute wage payments to workers absent from work because of illness. Normally, it is the Health Service that pays out of a fund that all employers contribute to. Here, however, they are agreeing that employers will pay sick workers directly, to avoid bureaucratic delays common in the Health Service payment.

Art.9) Union Officer's Leave: The enterprises shall grant paid leave, considered worked for all legal and conventional effects, to union officers carrying out the duties of their office, where it is duly proven. This leave shall not exceed twenty-four hours total in one week. In any case, one officer shall have maximum use of twelve hours in one week, the other twelve hours for the use of the other union officers.\*

Those enterprises with from one to ten employees shall grant to the members of their industrial committee leave that shall not exceed five hours total in one week, to carry out the duties of their office, where it is duly proven.

The enterprises with from eleven to twenty-four employees where there is not a union shall grant leave under the same terms indicated above but for a period that shall not exceed ten hours total in one week.

In those enterprises where a more liberal leave is established, it shall continue to be in effect.

Such leave shall be considered as worked for all legal and conventional effects.

Art.10) Night Work: Night work shall be paid with an increase of 50% on the normal rate of the worker's pay. Night work is defined as that which begins at 11:00 P.M. or afterward.

In those enterprises where a night work increase is more favorable to the worker than that established here, the former shall continue to be in effect.

Art.11) Indemnification for Years of Service: The enterprises shall pay to their employees an indemnification for years of uninterrupted service in the respective enterprise and calculated on the worker's average wage of the previous three months of work, according to the following rules:

a) Those enterprises which at the present date do not have this benefit shall pay an indemnification of ten days' pay for each year of service.

b) Those enterprises which at the present date have benefits of ten to fifteen days' pay for each year of service shall pay twenty days' pay for each year of service.

c) Those enterprises which at the present date have benefits of more than fifteen days' pay for each year of service shall increase the benefit by five days' pay, but the increased amount shall not exceed thirty days' pay for each year of service in the enterprise.

This indemnification shall be paid to all workers discharged by the enterprise, as long as the termination of work is not due to one of the causes

\*Unions are required by the Labor Code to have five officers. In non-union plants, especially the small ones where unions are prohibited by the Code, a "Comité de Industria", also of five members, is elected.

established in Numbers 2 and 6 of Article 2 of Law 16,455; that is, duly proven dishonesty, bad, insulting or immoral conduct, and repeated absenteeism.\* To have a right to this benefit the worker must have at least one year's seniority in the enterprise.

The indemnification for years of service shall also be paid to those workers who, with accumulated seniority of at least three years, voluntarily retire. During the year this agreement is in effect, voluntary retirements may not exceed 2% of the work force of the enterprise and must be approved by the assembly of the union or industry committee.

In those enterprises which employ from one to fifteen workers, only one worker every two years may voluntarily retire.\*\* The first worker may do so during the present year. In those enterprises which employ from sixteen to fifty workers, one worker per year may voluntarily retire.

Workers who retire due to age or invalidity shall also have the right to this benefit.

In case of the death of a worker, the indemnification for years of service shall be paid to the spouse, children or parents in that order. If there are no relatives, the enterprise and the union or committee shall decide together to whom the benefit should go.

Where a discharged worker wins a suit for unjustified discharge before a competent tribunal in accordance with Law 16,455, the indemnification contained herein shall not take effect. Only the court's disposition shall take effect.

For the purposes of calculating years of service by the worker to the enterprise, any portion greater than six months shall be considered one year.

The enterprises that have an indemnification system superior to that established in this resolution shall maintain the system agreed with their respective employees.

Interruption of work is defined as a period of greater than six months in which the worker is separated from the enterprise.

Finally, if a law is passed on indemnification for years of service that established benefits equal or superior to those contained herein, this system shall cease to have effect and all parties shall be subject to the law.

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\*Law 16,455 limits the reasons for which workers may be discharged without indemnification. The limitations are so broad, however, as to be practically meaningless. This agreement cuts down to two the valid reasons, from thirteen that are listed in the law.

\*\*i.e., voluntarily retire and still have a right to indemnification.

Art. 12) Union Dues: Employers shall be required to check off from employees wages the following sums:

a) E°2.70 checked off monthly, or E°32.40 once in a year, to be sent to the Central Unica de Trabajadores.\*

b) E°30, checked off at one time, to be sent to the Federacion Nacional Textil\*\* This check-off shall be deposited in a savings association, bank or credit institution indicated by the Federacion Nacional Textil.

c) There shall also be checked off the dues established in the statutes and by-laws of the individual unions or agreed upon by the union assembly. For this effect, communication from the union to the enterprise shall be sufficient, with the signature of the president and treasurer of the union and the names of the workers.

These check-offs shall be deposited in the savings associations, banks or credit institutions indicated by the respective unions.

If some worker does not want any of these sums checked off, the worker shall inform in writing the Inspectorate of Labor, and send a copy of the Federacion Nacional Textil or the respective union.

Art. 13) Retroactive Pay: The retroactive increases of wages and benefits contained in this resolution shall be paid within thirty days of its publication.

## II. MAXIMUM WAGES\*

There are hereby established the following wages, which shall be valid for both workers and employers of the textile industry.

1) Minimum Beginning Salary: The minimum beginning salary shall be paid for three months following the commencement of the respective work. At the end of this period the worker shall obtain the corresponding minimum sector wage or that which corresponds to the job being definitively performed by the worker.

2) Payment of Lost Time: When the workers on piece rates do not have work to fill the hours of their shift due to causes beyond their control, the lost time shall be paid according to the minimum hourly wage established in this resolution. Where they are assigned to other work during such lost time, they shall be paid at either the rate of their normal work or the rate of the substitute work, whichever is higher. Where the substitute work is performed for thirty or more consecutive days, the worker may agree with the enterprise to remain permanently in the new function, but retaining the higher salary of the two.

3) Percentage of General Increase: The percentage of general increase, valid for all the salaries in effect on December 31, 1971, shall be 39%,

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\*i.e., minimum wages. It says maximum but it means minimum.

dating from January 1, 1972. If upon application of this increase to the salaries in effect on December 31, 1971, wages higher than those signalled here as minimum for each sector, the higher wage shall remain in effect for the corresponding job.

Inversely, if upon application of the increase to the salaries in effect on December 31, 1971, wages lower than those signalled here should result, the minimum wages signalled here shall have effect, dating from April 10, 1972.

4) Percentage Increase for Empleados: The empleados who on December 31, 1971, had a wage equal to or less than three Scale A monthly sueldos vitales\* for 1971 shall also receive an increase of 39% dating from January 1, 1972.

The empleados who on December 31, 1971, had a wage superior to three sueldos vitales for 1971 shall receive that which they negotiate directly with their employers.

The empleados whose specialties are covered in the minimum wages fixed below for each sector of the textile industry and elsewhere in this resolution may obtain the minimum wages contained herein.

5) Minimum Wages: There are hereby established the following minimum wages which shall be in effect dating from April 10, 1972, for the entire private sector of the textile industry. For this purpose the textile industry has been divided into the following branches:

- A) Knitting and Clothes-Making
- B) Cotton
- C) Wool and Spun Mixtures
- D) Socks and Hosiery
- E) Dyeing and Finishing
- F) Silks
- G) Rugs, Carpets and Tapestries
- H) Fiber Recovery

(There follows a listing of all the jobs in each of the eight sectors--over 150 jobs are listed, with salaries ranging from E°3.50 to E°8.90 per hour. The agreement concludes:)

6) Piece Rates: Piece Rates shall be increased 39% retroactive to January 1, 1972.

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\*One of the various privileges enjoyed by empleados vis-à-vis obreros is that the former are paid in sueldos vitales. A sueldo vital is a legislatively fixed minimum wage for white collar workers, who are paid, for example, 1-1/2 sueldos vitales, or 2 sueldos vitales, or whatever the case may be, per month. At the time of this agreement, one sueldo vital was about E°1,050. Empleados who earn more than three sueldos vitales are generally considered to occupy a position close to management, which is why they are excluded from coverage here.

7) Silk and Hosiery Piece Rates: Piece rates in the silk and hosiery sectors shall be determined by the Tripartite Commission before June 30, 1972, and shall be in effect from July 1 to December 31, 1972. Between January 1 and June 30, the increase established in No. 6 above shall be in effect.

(signed by the nine members of the  
Tripartite Commission)

<sup>1</sup>In J. Barria, El Movimiento Obrero en Chile, Santiago, 1971, p.44.

<sup>2</sup>No note here -- mistakenly placed.

<sup>3</sup>Barria, Breve Historia del Sindicalismo Chileno, Santiago, 1966, pp.35-36.

<sup>4</sup>Programa de la Unidad Popular, Santiago, 1969. An English version is contained in the NACLA publication New Chile, New York, 1972, pp.130-142.

<sup>5</sup>At election time in 1970, the CUT had about 600,000 member workers. From the results of the 1972 election of CUT officers, it can be estimated that about 400,000 members voted for Allende in 1970, almost one-fourth his total vote.

1972 CUT Officer Election Results:

Party	Number of votes	% of votes
<sup>a</sup> Communist Party	173,068	30.9
<sup>a</sup> Socialist Party	148,140	26.5
Christian Democratic Party	147,531	26.3
<sup>a</sup> MAPU	25,983	4.6
<sup>a</sup> Radical Party	21,910	3.9
<sup>b</sup> MIR	10,192	1.8
<sup>a</sup> Popular Socialist Party	5,420	1.0
Radical Left	3,572	.6
<sup>a</sup> Christian Left	3,330	.6
<sup>b</sup> Revolutionary Communist Party	3,216	.6
Social Democrats	1,616	.3
Independents	1,599	.2
Anarchists	673	.1
Void Ballots	8,348	1.5
Blank Ballots	5,642	1.0

<sup>a</sup>Member of UP coalition

<sup>b</sup>Outside UP to the left; supported Allende in 1970

<sup>6</sup>For a study of the drafting and passage of the Chilean Labor Code, see J.O. Morris, Elites, Intellectuals and Consensus, Ithaca, N.Y., 1966.

<sup>7</sup>Based on figures of the workforce size of manufacturing enterprises in IV Censo Nacional de Manufacturas, Santiago, 1971 (1967 figures), hereafter cited as Censo. This census surveyed manufacturing establishments that employed more than five workers. It covered a total of over 11,000 establishments employing about 365,000 workers. It is estimated, however, that another 300,000 persons work in the thousands of small-scale, often family-centered home manufacturing operations which lack the degree of impersonality of the employer-employee relationship that usually generates syndical organization.

<sup>8</sup>Patrick Pepe reports that:

In general, the laws do encourage a high degree of union democracy. This is probably the only area in which the union is even unintentionally legitimized by the Code as

a political entity. Answers to several questions in my survey on the extent to which the workers consider that the majority was in actual control of union decisions indicate a high degree of at least felt democracy. Sixty percent of the obreros said that the majority of the members had "much" influence over the decisions of the union; 27% said that it had "some," and only 6% said that it had "little" influence. Eighty-two percent thought that the majority decided whether the union should go on strike or not, and 73% that the majority decided what contract demands should be made.

-- "Power and Ideology," Chapter IV of draft of Ph.D. thesis, loaned by author.

<sup>9</sup>Memoria Anual de la Direccion del Trabajo, 1970.

<sup>10</sup>This assertion is based mainly on the statements of union officials, Ministry of Labor officials and labor relations scholars during interviews of June-December, 1972. Some scanty data support it: in 1968, the average wage increase in union agreements was 25.8% while the previous year's inflation had been 21.9%. In 1970, the gap was 34.5%-29.3%. Source: Memoria Anual de la Direccion del Trabajo, 1968 and 1970, and Indice de Precios al Consumidor, published monthly by the Instituto Nacional de Estadisticas.

<sup>11</sup>In a study of Chilean wage structures, Peter Gregory attributed the narrow intra-firm differentials to the trade union movement's "strong egalitarian tradition and primary sense of responsibility for the workers at the bottom of the income structure." Industrial Wages in Chile, Ithaca, New York, 1967, p.89.

<sup>12</sup>Based on discussions with union officers and employers, June-December, 1972.

<sup>13</sup>Memoria Anual de la Direccion del Trabajo, 1970. Figures for other years are the following:

	Illegal Strikes	Legal Strikes	Total Strikes
1967	861	253	1,114
1968	901	223	1,124
1969	771*	206*	977*
1970	1,601	218	1,819

\*Private Sector Only.

<sup>14</sup>J. Barria, Historia de la CUT, Santiago, 1971, p.46.

<sup>15</sup>Ibid., pp.121-122.

<sup>16</sup>J. Barria, Las Relaciones Colectivas del Trabajo en Chile, Santiago, 1967, pp.15-16.

<sup>17</sup>V. Valdes, "Las Relaciones del Trabajo en la Industria del Cobre," Santiago (INSORA unpublished manuscript), 1967.

<sup>18</sup>See Barria, Las Relaciones del Trabajo en la Industria de Cuero y Calzado, Santiago, 1967.

<sup>19</sup>See Valdes, op.cit., for an extended discussion of these reforms.

<sup>20</sup>Article 7 of Law 17.074 of December 16, 1968, published in Diario Oficial, December 31, 1968.

<sup>21</sup>See Barria, Historia de la CUT, pp.122-128; 134-135 for an account of these measures.

<sup>22</sup>The word, as well as the analysis in general, is from personal interviews with lawyers of the Labor Ministry under the Frei government.

<sup>23</sup>Executive Decree 825 of December 16, 1970.

<sup>24</sup>See Table p.49.

<sup>25</sup>Interviews with Ministry of Labor officials, June-December, 1972.

<sup>26</sup>See table p.26.

<sup>27</sup>See ibid., and Memoria Anual de la Direccion del Trabajo, 1971 and 1972.

<sup>28</sup>See table p.26.

<sup>29</sup>The Opposition-controlled Congress passed a law forbidding intervention or requisition without an express act of Congress. President Allende vetoed the law. The Opposition lacks the required two-thirds majority to override a presidential veto. It proposed a constitutional reform that would permit a simple majority to override a veto, but at the same time lacks the necessary two-thirds to reform the Constitution. The then-Minister of the Economy, Pedro Vuskovic, declared that "the companies that have passed into the hands of the workers will stay in their hands with or without a constitutional reform." Cited in "Participacion Es Poder," pamphlet of the Ministry of the Economy, Santiago, 1972.

<sup>30</sup>See, for example, note 34.

<sup>31</sup>See almost any edition of El Siglo, the Communist Party newspaper, or Principios, the Party's theoretical organ, for a Communist critique of the ultra-left. A good example is J. Texier, "La Transicion al Socialismo y el Ultraizquierda," Principios, No.145, May-June, 1972, p.51.

<sup>32</sup>Listed in El Mercurio, June 22, 1972, p.20.

<sup>33</sup>Censo, pp.34; 52-53.

<sup>34</sup>In some of these firms, workers struck precisely for the purpose of having their plant intervened; e.g: "The situation had become so impossible for us that we decided to go on strike to force the government to intervene the company."

-- a textile worker of an intervened firm, after describing how his former employer had maintained a goon squad to handle militant unionists. Quoted in Panorama Economico, September, 1972, p.27.

<sup>35</sup>See pp.9-10.

36 Targets for nationalization in the UP program were:

1. the large mining companies of copper, nitrate, iodine, iron and coal;
2. the country's financial system, especially private banks and insurance companies;
3. foreign trade;
4. the great distribution enterprises and monopolies;
5. the strategic industrial monopolies;
6. in general, all those activities which determine the country's economic and social development . . .

37 For those curious about the likelihood of small businessmen being amenable to such a coalition, the results of a 1967 survey of small businessmen (firms of less than 50 workers) are interesting. 79% thought the government should plan the economy to some degree. 36% thought it should plan the entire economy. It is doubtful, however, that they had in mind the UP as the government doing the planning, or that such planning would be part of a socialist program. Only 28% thought the CUT should be involved in planning the economy. 88% agreed with the statement: "The government is not a good manager."

J.A. Lobos T., "El Pequeno Empresario y Tres Factores Socio-economicos," Santiago, University of Chile, pp.144,156,185.

38 Erratum

39 There was also an organization of small textile artesans, but this grouped the home manufacturing sector of the industry rather than firms characterized by an employer-employee relationship.

40 Bargaining agreement of April 7, 1971, in Directorate of Labor archives.

41 See pp.9-10.

42 That is, fifteen hundred firms with an employer-employee relationship. There are another 1,000-1,500 family-style operations, mostly small clothesmakers.

43 Erratum

44 See Tom E. Davis, "Dualism, Stagnation, and Inequality: The Impact of Pension Legislation in the Chilean Labor Market," Industrial and Labor Relations Review, April, 1964, p.380.

45 Erratum

46 See Thomas Weiskopf, "Capitalism and Underdevelopment in the Modern World," in The Capitalist System, New Jersey, Prentice-Hall, 1972, p.442.

47 United Nations, CEPAL, Productividad en la Industria Textil Latino-Americana, 1962.

48 See Heleen F.P. Ietswaart, unpublished (as yet) J.S.D. thesis on Chilean labor justice, Yale Law School Program in Law and Modernization, 1973.

49 Government jobs and lines of authority are distributed according to quotas for each of the UP parties. Decisions taken at party committee meetings are at least as important as collective UP policy decisions.

50 A passage from Principios, the theoretical organ of the Communist Party, should illustrate its line:

. . . A policy of senseless expropriations, of indiscriminate interventions of non-monopolistic companies, of indifference in the face of lack of labor discipline and indifference to considerations of productivity, and of pushing opportunistic wage demands, is to give ammunition to the enemy.

-- Principios, May-June, 1972, p.13.

51 Erratum .

52 Based on interviews with employer representatives of the Tripartite Commission and legal staff members of the Instituto Textil, June-December, 1972.

53 Ibid.

54 Paraphrase of remarks by Commission members in interviews, June-December, 1972.

55 See table p.44,45.

56 CADE, Informe Textil, 1968, and Censo, pp.52-53

57 See p.15.

58 Censo, p.52

59 This firm's agreement followed a bitter strike, complete with toma. In addition to the big wage hike, one of the clauses contained the employer's recognition that no damage had been done to the plant or machinery during the takeover, and his agreement to abandon legal actions begun against the employees for the toma.

60 Both clauses are from collective agreements in the archives of the Directorate of Labor.

61 Statement of FENATEX official, <sup>in interview</sup> September, 1972.

62 Statement of Instituto Textil official in interview, October, 1972.

63 Records of AMPICH.

64 See p.29.

65 Interview with government representative on Printing Industry Tripartite Commission.

66 Interviews with Commission, November, 1972.

67 See generally the Opposition newspapers of September and October, 1972.

<sup>68</sup>See table p.49.

<sup>69</sup>Membership in agricultural unions nearly doubled in 1971 alone, from 114,000 to 215,000 workers. Source: Memoria Anual de la Direccion del Trabajo, 1971.

<sup>70</sup>CUT representatives have been appointed to decision-making bodies of all the ministries and state planning authorities.

<sup>71</sup>In 1971 there were 162 new obrero unions and 310 new empleado unions. For 1972, the totals were approximately 200 and 600.

<sup>72</sup>In the Chuquicamata copper mine, for example, there were approximately 70 partial strikes in 1972 in violation of the collective agreement by various groups of skilled workers, including skilled obreros, seeking special benefits for their particular group.

<sup>73</sup>For an elaboration of the Christian Democratic proposals, see El Mercurio editorials of June 6, 16 and 27; July 5, 13 and 31; August 8 and 9. For UP criticisms of the proposals, see remarks in Panorama Economico, September, 1972, pp.24-27.

<sup>74</sup>Erratum.

<sup>75</sup>For further discussion of the legal basis of the Area Social, see Oscar Aramayo, Regimen Legal del Comercio Interno Chileno, Santiago, 1964; Raul Espinoza, "La Requisicion de los Monopolios Textiles y un Fallo de la Corte Suprema," and Eduardo Novoa, "El Dificil Camino de la Legalidad," both in Revista de la Universidad Tecnica del Estado, April, 1972, pp.7 & 89; and E. Novoa, "Vias Legales para Avanzar hacia el Socialismo," Revista de Rerecho Economico, October '70-March '71, p.27.

<sup>76</sup>La Nacion, June 26, 1972.

<sup>77</sup>Based on survey of bargaining agreements of textile firms in the Area Social, in archives of the Directorate of Labor.

<sup>78</sup>La Nacion, July 26, 1972.

<sup>79</sup>A. Millas, "La Clase Obrera en las Condiciones del Gobierno Popular," Principios, May-June, 1972, pp.16; 23-24.

<sup>80</sup>One Communist union president told me he would much rather be a union officer in the private sector, where everything is clear-cut; the boss is the boss and not a party comrade.

<sup>81</sup>On the juridical base, see note 75. There is a major campaign by the UP and the unions to make the law bend to the force of events. Workers of the Area Social are nearly unanimous, despite their political affiliation, in promising never to return the intervened firms to their former owners. What happens when a new government -- as Chile is likely to have in 1976 -- is faced with a court order to return the firms to their former owners, on one hand, and with thousands of workers who oppose such a move on the other hand, will be a test of the UP's long-range success in changing Chilean society.

82 Erratum

83 See, for example, round-table discussions in Punto Final, October 10, 1972, (Documento), and Panorama Economico, September, 1972, p.16.

84 See Ibid.

85 Erratum.

86 In "Participacion Es Poder," published by Comite Textil CORFO, Santiago, 1972.