



# Report on Management of Relations with Labor Unions in Latin America





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The present document was prepared by Labor Unions Management Project Team upon request of ARPEL and its Human Talent and Knowledge Management Committee.

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## Report on Management of Relations with Labor Unions in Latin America

### 1. CONTEXT

During the Annual Assembly of ARPEL Representatives held in 2013, an issue raised was the need and importance that ARPEL as the Association of Oil and Gas Companies operating in Latin America and the Caribbean lead a study on how the issue of labor unions was being dealt with in companies, in order to address common strategies that contribute to harmonious relations with labor unions in the region.

Consequently, ARPEL Human Talent and Knowledge Management Committee set up a project team composed of delegates from ANCAP, ENAP, OCENSA, SCHLUMBERGER and WEATHERFORD in order to make such diagnosis and analyze initiatives and strategies regarding relations with union.

With this commitment to the Association and considering that the issue of labor unions is highly important within companies in the sector, a survey was conducted that made it possible to identify the most significant issues, the trends and possible plans of action to meet the challenges involved in the development of the industry, the proper management of its work force and talent, and good relations with the unions that represent this work force.

This document shows the results of such diagnosis and a proposal of strategies that facilitate the process of effective and balanced relations of companies with their labor unions.

### 2. OBJECTIVE

Every day we witness the increased unionization in different countries and labor practices in neighboring countries, where certain situations have increased the cost of labor and the transfer of benefits that may even be included within other items, while in the hydrocarbon industry labor union negotiations are handled one by one and even sometimes they depend on the results of the collective negotiations where there is no representation of our chamber of commerce, or some of our companies do not belong to such chamber.

The labor union reality in Latin American countries is here to stay and in fact has been strengthened in recent years. For this reason, we thought it was necessary to know the number of unions in the industry, their methods of negotiation, the intervals between collective agreements as well as forms of communication between the parties.

The objective of this study carried out by ARPEL Human Talent and Knowledge Management Committee is to integrate information of this field regarding normal and usual practices of the relations between unions and companies in the industry.

The identification of best practices and recommendations for specific cases, and also the determination of the most common demands in the various labor unions in the region is one of the fundamental objectives of this work.



### 3. SCOPE

The scope of the study is that of the geographical region covered by ARPEL as well as the hydrocarbon industry, and is limited to the companies that answered the survey.

It is deemed desirable in the future to create chambers at the country level where the participating companies can benefit from the continuous communication and bargaining power within the joint commissions.

### 4. METHODOLOGY

The methodology was to develop and consolidate the results of a survey that was conducted in June 2013 in several companies in the region, obtaining a good sample that allowed quite robust conclusions to be drawn.

The survey was conducted in 16 ARPEL member companies that include 14 countries in the region: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Dominican Republic, Trinidad and Tobago, Uruguay and Venezuela.

It was divided into four broad areas with 25 semi-open questions:

1. General aspects - five 5 questions
2. Challenges and opportunities - five questions
3. Strategies of relations with unions - three questions
4. Specific information - twelve questions

The following companies participated in the survey: Ancap, Ecopetrol, ENAP, EP Petroecuador, Ocesa, Petrobras, Petropar, Petroperú, Petrotrin, Pluspetrol, Recope Refidomsa, Schlumberger, Tecpetrol and Weatherford.

### 5. DEVELOPMENT OF THE STUDY

Unions are currently key to Social Dialogue in different Latin American countries, mainly considering the important roles they play regarding the working conditions of workers. Some of these roles are their essential participation in collective bargaining with employers, their ongoing dialog with governmental authorities and their concern for the overall progress of the community.

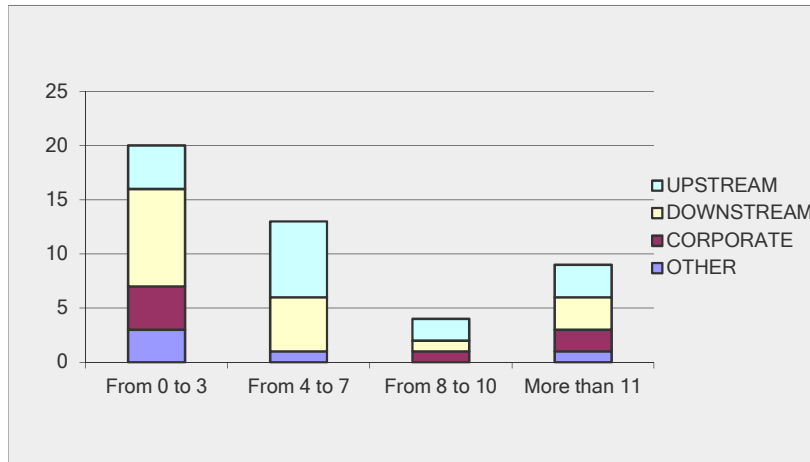
In view of the above, we must strive to create valuable scenarios where unions and companies may jointly align common interests to promote growth and achieve the expected results for society.

According to this, the information obtained from the study carried out with ARPEL member companies is as follows:



### 5.1. Overview

While unions represent a form of relationship to stand for the rights of workers, we find that the scope differs in the different areas and countries in Latin America. This study shows us different forms and types of conformation of unions, as shown in the following graph:

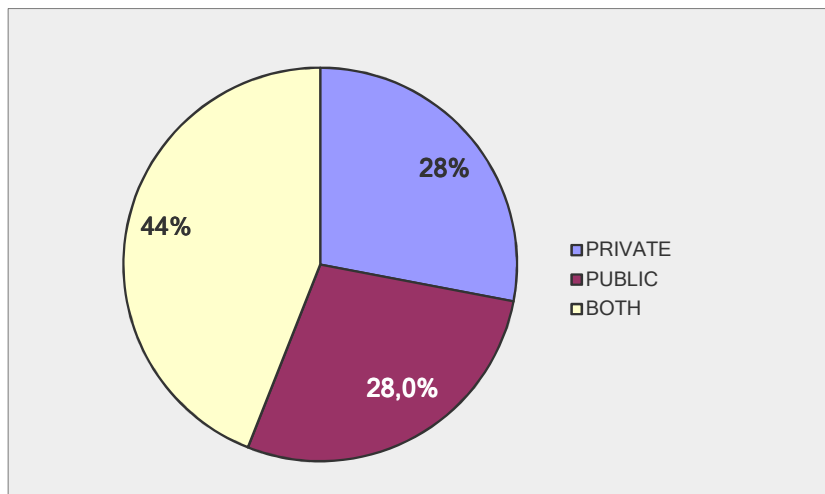


The information obtained confirms the trend of an increased number of unions in the oil sector, especially in upstream companies.

Therefore, it could be determined that there are unions in each business line within the sector in each country, with different participation according to the region and type of company.

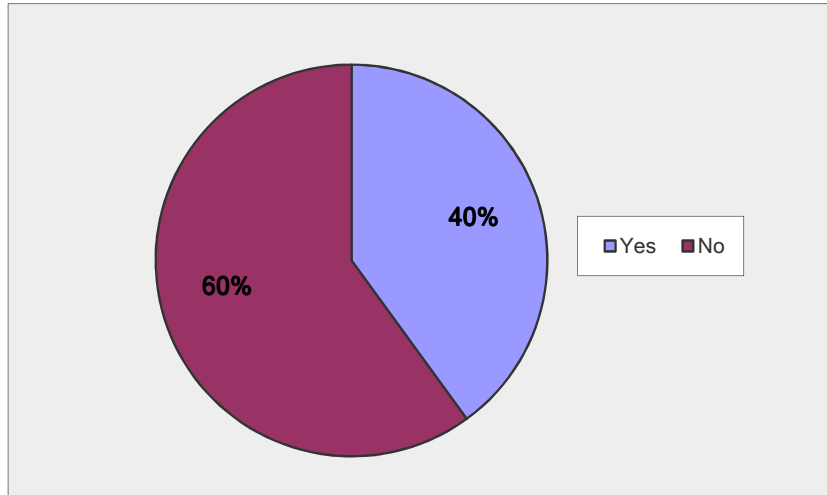
An increased tendency toward unions was found in Argentina, Brazil and Mexico, with over 11 unions in each country.

It was also determined that 72% of the unions in the oil industry, and according to the industrial sector, concentrate in public and mixed companies, and that the percentage of unions is not as high in private companies.



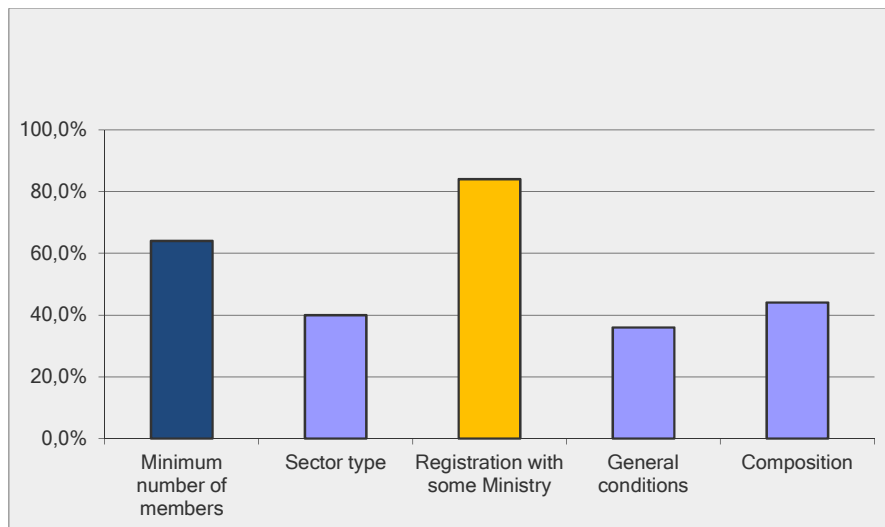


Only 40% of the sample shows relations with international union associations or confederations, such as ILO, associations of unions of Latin American workers, the Continental Latin-American Association of Workers, and the Pan-American Association of Workers' Union, among others.



Regarding the requirements to form unions in the oil sector, the number of participants was identified as the predominant requirement, followed by the registration with the ministry of labor or other ministry regulating unions.

There are general requirements to form unions, such as a minimum union membership, which must be approved by the pertinent regulatory agency.





In Brazil, Uruguay and Paraguay there is no requirement regarding minimum membership to create unions.

On the other hand, it was determined that in the region there are diverse types of unions with different types of involvement and impacts on the companies in the sample.

The union types are industrial unions, company unions, trade unions and mixed unions. The predominant information by country is as follows:

<b>ARG</b>	Trade union / Blue collar / Senior staff union / By union and activity
<b>BOL</b>	Employers' Organizations / Unions / Mixed or industrial unions
<b>BRA</b>	Unions are formed by labor category and territory. There are "Unions" and "fuerzas sindicales" (main labor union federations).
<b>CHI</b>	Unions and federations of unions - of professionals and workers
<b>COL</b>	Company unions / industrial unions / trade unions / craft unions / labor unions / according to the type of employer (workers, public officers, etc.)
<b>CRI</b>	Only 1
<b>ECU</b>	Union / company committee / association of employees. These types apply to all sectors
<b>MEX</b>	All sectors
<b>PAR</b>	Energy, health, teachers, transportation, etc.
<b>PER</b>	By company / by activity / by trade / by various trades
<b>RDOM</b>	Union of oil transporters / free zones / port / merchant marine / mining industry / refreshments / etc.
<b>T&amp;T</b>	Minimum numbers
<b>URU</b>	Labor unions / unions by industry (comprising several unions) / one single federation of unions comprising all unions
<b>VEN</b>	Lower staff unions (non-qualified personnel) / monthly staff unions (qualified personnel)





## 5.2. Specific Information

As regards specific information, different companies have multiple collective bargaining agreements (from 1 to 20, depending on region and conditions), including some cases, such as Argentina and Mexico, where there are different agreements at different levels with multiple scopes and benefits,

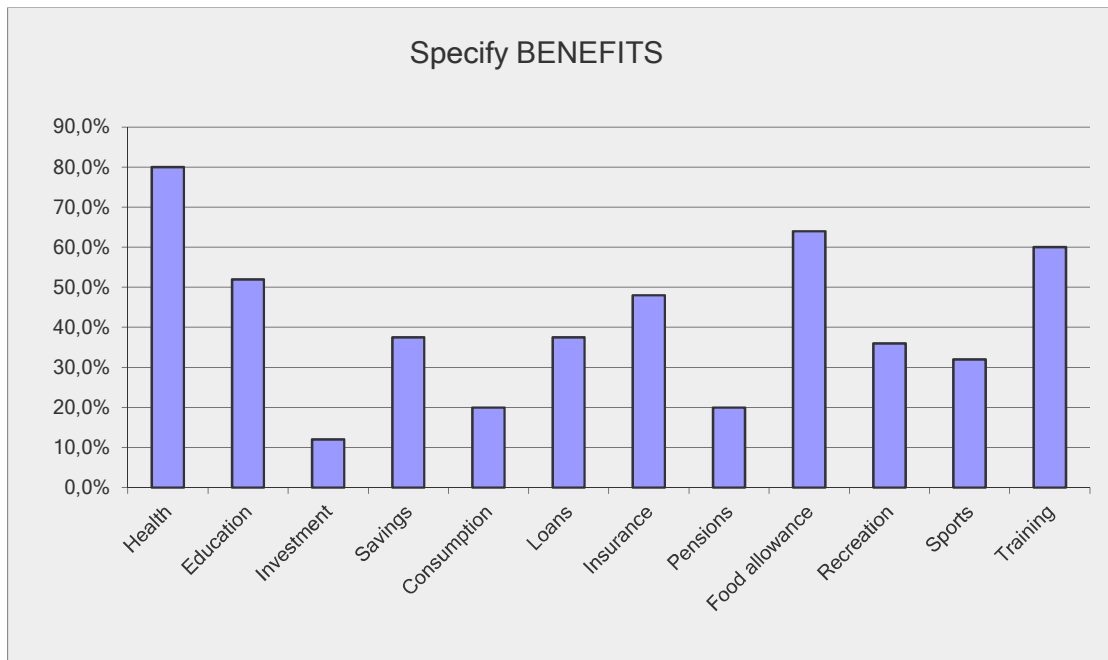
While in other countries this practice is rare or used with only a few agreements related to benefits to workers, in countries such as Ecuador, Peru, Dominican Republic and Colombia, collective agreements are predominant.

These agreements are mostly applicable to active employees and not so much to inactive employees. They apply both to operating companies and to contracting companies.

While these agreements apply to all positions, with the exception of executives and workers in positions of trust, the number of agreements is clearly low at the executive or administrative level.

Thus, unions strive to ensure legal compliance and to obtain benefits of greater impact for workers, such as health programs and training programs. Eighty percent of these unions claim health coverage and food allowance, health coverage additionally implying dental services and coverage for workers' families. In 65% of the cases a food allowance is granted or meals are provided, and in a lesser proportion, there are pension and investment benefits.

The following graph shows the different benefits promoted and defended by unions:





Colombia and Venezuela showed an increased trend toward the implementation of all the benefits, while the proportion was lower in Bolivia, Peru, Mexico and Trinidad & Tobago.

Compared to the natural membership trend, we found that some unions, such as operational personnel or shift technicians additionally perform tasks within the production and maintenance line.

GROUP OR LEVEL	PARTICIPATION IN COUNTRIES SURVEYED
Operational	14
Technical	13
Shift workers	13
Production	13
Maintenance	12
Professionals	10
Others *	4
<b>* All workers include direct and administrative employees (management)</b>	

It was further determined that membership is not mandatory in the overall oil sector. However, there is strong pressure to keep a high membership rate, but according to the constitution, there is freedom to choose whether to become a member of a union. The membership rate varied strongly according to each country and company.

Mainly in Argentina, in spite of union membership not being mandatory, there is strong pressure for workers to become members, and in some cases it is in fact mandatory for workers entering to wells, as union members cannot be unilaterally dismissed and dismissal must always be agreed with the union.

On the other hand, all union members make contributions of either 1% to 5% of their salary, or of fixed monthly fees ranging between US\$ 3.5 and US\$ 20. Contributions are not mandatory for companies beyond the agreement reached through collective bargaining, whose purpose is the administrative leverage of unions.

In Brazil, there is a regulation by the Ministry of Labor regarding the contribution of workers as compared to the contribution made by the company, which is calculated according to the number of workers and capital of the company.

In general, members are direct employees of the different companies; however, there was a strong tendency to cover contractor workers and workers of outsourcers providing services to oil companies. This is clearly reflected in direct workers and contractors of countries such as Argentina and Colombia, where these are entitled to join industrial unions in order to qualify for the benefits given.



Unions grant privileges and permits to their authorities in order to promote membership and follow up or monitor the working conditions of their members. In this respect, some permits may be within the framework of the collective bargaining process, such as the immunity from dismissal, permissions for 6 months or special protections subsequent to negotiation processes.

On the other hand, in order to ensure their influence and impact on business organizations, in general, unions have political ties with leftist parties, federations and confederations or social justice movements who guarantee the protection of relations with unions and laws in this respect. We also identified countries such as Bolivia and Uruguay that are statutorily independent of any political sector.

Likewise, unions in the various regions and countries have strong demands, mostly regarding wage increases, benefits, adjustments in working hours, occupational conditions, industrial safety, assurance of labor rights and legal compliance. In all countries there are clear demands focused on the compliance with labor rights, labor stability, stability of benefits to employees, occupational protection and industrial safety.

### ***5.3. Challenges and Opportunities***

Aware of the conditions of relations with unions, we found different challenges and opportunities which, in one way or another, are important to analyze and reflect upon, bearing in mind the three main challenges identified and faced by companies in the oil sector, such as

- Alignment with the objectives of the company
- Improvement of the participation with trade union organizations
- Search for scenarios to improve communication mechanisms
  - Based on respect,
  - Focusing on harmonizing relations
  - Looking for a common purpose with the possibility of joint work

While these are challenges that seem utopian to meet or address, there are trends for the rapprochement of companies and unions in this respect, sharing strategy planning scenarios of the organization where these situations are identified as not impossible to address and to deal with.

As well as there are challenges, there are also risks that organizations must deal regarding the presence of unions in the performance of the operational activities of the company, such as the high impact of strikes and stoppages, decreased productivity and efficiency, and a deterioration of the organizational climate compared to the organizational objectives.

The risks that companies are not monitoring in these relations can cause strong impacts, such as economic, social, image and reputational impacts, so it is necessary to review circumstances in order to anticipate them.



We found that there are organizations that are not interested in changing their distant strategy with unions, while others do clearly see opportunities to improve these conditions of relations with unions to align them with business strategies. The major opportunities identified reflect that the continuous dialogue, the definition of common objectives and the creation of spaces where the union is taken into account in the definition of strategies are aspects that improve the conditions between the parties.

Also identified was the need to make labor reforms which promote the strengthening of environments favorable to negotiations. In this respect, it was determined that there are very comprehensive regulations that do not allow establishing agreements within a framework of equity and action for companies to help adjust the stages of negotiation. In addition, the establishment of agreements and covenants aligned with business and union goals is another opportunity that can be implemented within the new scheme of relations with unions.

#### ***5.4. Relations Strategies***

Regarding the strategies for negotiation of conflicts, there are different business practices concerning relations with unions, prioritizing the implementation of effective communication channels that ensure open scenarios and fluent dialogue, preferably looking for long-term negotiations with open door policies, attention to claims, the generation of protocols and the creation of multidisciplinary teams that address issues in a holistic manner and with vision of balance.

We also found various negotiation practices that seek to align business objectives with the interests of unions, which are based on ongoing communication between leaders of the organization with union leaders. Likewise, practices of prevention, training in negotiation and conflict management are defined where results may be achieved as win-win strategies and wage conditions that do not generate inequity and inequality among trades and workers.

As a result of the above, we found that continuous and friendly relations of companies with unions guide actions to minimize conflicts, optimize negotiation times and build trust between the parties, creating harmonious scenarios based on ethics and respect which help align the interests of unions and companies. Improving labor relations with unions of employees allows companies to meet their objectives of efficiency, and also create a better working environment for employees and management. Following a plan when trying to improve labor relations with a union of employees helps achieve favorable results.

Thus, ARPEL, focused on identifying good practice and learning scenarios in the oil sector in Latin America for the management of relations with unions has developed this report in order to strengthen the communication channels that allow responsible participation and seek that knowledge in these subjects be much more broad-based and participatory.



## 6. BEST PRACTICES

In relation to the best practices identified in the study that would enable the alignment of common interests, we found that they all may be summarized in that Dialogue and Training Facilitation will lead to the achievement of the objective sought.

These processes may be carried out under the following parameters:

### 6.1. Dialogue

- An open and continuous dialogue is considered necessary to:
  - Establish smooth relations with the decision-makers of the union
  - Understand the motivations and origin of the claims;
  - Make agreements and commitments;
  - Identify problems and address them appropriately;
  - Discuss issues of common interests such as: work regime, health plans, etc.;
  - Make them participate in conflict situations with employees (e.g., separations)

### 6.2. Training

- To employees and union leaders to expand their knowledge and unify criteria.
- To professionals who manage negotiations on behalf of the company.
- Conferences with union leaders on corporate topics such as strategic plan, movement of employees, promotions, etc. (this is an ideal space to present the objectives of the company and to commit them to participate in their compliance).

## 7. CONCLUSIONS

The Committee proposes strategies that contribute to better relations with all the parties involved, especially with the people who work in the industry, to achieve better results for the companies, the nations and local populations.

In particular, this document promotes strategies that contribute to balanced, harmonious and effective relations with labor unions, federations and confederations in the region.

These relations should be based on:

**Dialogue in all forms** as part of the social dialogue promoted by ILO; dialogue that must be based on the construction of credibility and trust, both of individual players and the institutions they represent.

Promoting **negotiations** to try to reach agreements that govern the major items on the agendas of the various players. Players should negotiate in good faith, with a win-win spirit, and not a zero-sum negotiation (what I win, the other loses), and this negotiation must end up in agreements where the parties feel that it puts them in a higher place than the status quo.



**Cooperation.** While there are tensions arising from the objectives, missions and *raison d'être* between companies and unions, we must also recognize that there are issues of interest to both and that the concern is shared, that there is room for a common purpose with the possibility of working together. As for example:

- Working conditions, occupational health and safety.
- Training, education, learning and professional training in design and planning.
- Organization of work to develop the functions assigned to each person more effectively.
- Personal development with a holistic and comprehensive vision that display the person as a whole and unique being. Achieving spaces of personal development to work with joy in a good working environment that makes workers happy, will impact on increased productivity and efficiency in achieving the main results of the company.
- Social issues, such as health, housing, investment, savings, loans, insurance, pensions, recreation, sports, etc.

**Respect.** Respect for persons, respect for the agreements reached between the parties and respect for the channels of negotiation.

It is suggested that the framework of these relations be based on:

- A change in style in **managing people** supported in a model of participatory management (either representative participation or direct participation). Where persons with responsibility for managing people implement management policies for the people of the company, assigning a central role to that person.
- Promoting **equity** in all its dimensions (gender, age, religion, etc.) as a way to also maintain a better working environment and contribute to the competitive development of the company.
- Promoting the development of the maximum **potential of people**, with the goal of their own development as human beings, while at the same time seeking to add value, obtain the results, achieve the objectives and serve internal and external customers.
- Promoting the development of **labor relations**.
- Promoting the participation, alignment, involvement and commitment of people with the company's strategy on a win-win basis.
- Promoting the management, development and dissemination of knowledge along with a competency model that meets the desired behavior of the organizational culture, where there is access to information and communication is promoted in all directions.

We are convinced that this strategy outlined on the basis of this report is supported in a modern vision of relations, in a win-win situation and in the development of the individual. However, we note that it will bring new tensions that will become new challenges, such as participation and decision-making, development of people and results, management and co-management. These challenges are welcome to contribute to the development of individuals, companies and nations.

## **Regional Association of Oil, Gas and Biofuels Sector Companies in Latin America and the Caribbean**

**ARPEL** is a non-profit association gathering companies and institutions of the oil, gas and biofuels sector in Latin America and the Caribbean. It was founded in 1965 as a vehicle for cooperation and mutual assistance between companies in the sector, with the primary purpose of actively promoting industry integration and competitive growth and the sustainable energy development in the region.

### **Mission**

To promote the integration, growth, operational excellence and effective socio-environmental performance of the industry in the region, facilitating the dialogue, cooperation, development of synergies among players as well as the shared creation of value among members through the exchange and expansion of collective knowledge.

### **Vision**

To be an institution of reference in the consolidation of the oil and gas industry, furthering the provision of reliable and safe energy that meets the growing regional energy demand in a sustainable manner.

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