Trade union clashes with microelectronics company over suspended pay increases

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STMicroelectronics, Malta's largest private employer and leading exporter, announced its plans to downsize, following losses amounting to €35.3 million a year. The company claims that labour costs, declining competitiveness and the weakened US dollar have forced it to reconsider pay rises and bonuses, as provided for in the relevant collective agreement. As a result, a dispute arose with the General Workers' Union, who urged the company to honour the collective agreement.

STMicroelectronics (http://www.st.com/) is a market leader in the development and delivery of semiconductor solutions across a wide variety of microelectronics applications. For many years, the company has warned that rising labour costs were diminishing the viability of its plant in Malta. Over 2,000 workers are employed at the plant, making it the country's largest private employer. Although the Maltese plant has been singled out for closure in the past, it has nevertheless managed to survive, while its sister plants in Morocco and the United States (US) have been forced to close. The company's competitiveness problems have been further compounded by the weakening of the US dollar in recent times. Against this background, STMicroelectronics suspended proposed wage increases, as stipulated in the collective agreement covering the period 2006–2010, on the grounds that these would increase labour costs further. Moreover, newspapers reported that the company was planning to carry out a restructuring exercise which would lead to a reduction of its workforce.

Mounting trade union pressure

The General Workers' Union (GWU (http://www.gwu.org.mt)), the main trade union representing ST Microelectronics employees, insisted that the suspended wage rises and bonuses formed part of the collective agreement and urged the company to honour this agreement. In April 2008, it threatened the company with industrial action if it failed to implement the increases in question. Under pressure from GWU, the company had no choice but to endorse such payments, even if this meant further increasing its deficit to between €36.6 million and €37.3 million a year.

GWU does not fully accept that labour costs are the root of the company's problems but admits that STMicroelectronics is facing tough competition from abroad due to the weakened dollar. The trade union stated that it was always open for discussion on how to improve the company's competitiveness, but refused to accept that the company had to resort to downsizing its workforce. GWU pointed to the ostensive anomaly that, while the company is stating that it is considering downsizing, it has engaged over 100 new workers in the last three months. The trade union fears that such a move may be conducive to creating inferior working conditions for the workforce, as the company might be employing new workers on employment contracts with lower working conditions than those of workers who previously occupied such positions.

Government intervenes

The government expressed its deep concern regarding the situation at STMicroelectronics and initiated talks shortly after the company had revealed its current state of affairs. Figures from the Employment and Training Corporation (ETC (http://www.etc.gov.mt)), Malta's public employment service provider, indicate that, over the past 16 months, STMicroelectronics has gradually reduced its workforce by 400 workers. In an attempt to curb future job losses at the company, the government offered substantial investment aid, but has not disclosed further details as negotiations are still in progress with the company. The government is urging the company to further invest in Malta in the manufacture of product lines with which Asia cannot compete today, thus making the company's operations in Malta viable in the longer term. However, the government did not specify what type of lines these would be.

Commentary

The wage increases at STMicroelectronics may only constitute a short-term gain for the workers, who may have to come to terms with the fact that such a move will only compound the company's financial problems, in turn putting their jobs at greater risk. However, GWU does not appear to have been sufficiently sensitive to the fact that, in order to safeguard the workers' jobs, the latter may have to be prepared to make some sacrifices in the shorter term.

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