



# Bargaining **for** Productivity

## **National Report, ITALY**

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## **Executive summary**

Italy has experienced a labour productivity stagnation since mid-1990s. According to the literature reviewed, multiple factors have influenced this negative trend. Among them, there is consensus that industrial relations play an important role, as productivity acts as both an input of and output for collective bargaining.

The model of multi-employer bargaining is crucial in this respect. The compromise behind the so-called Giugni Protocol of 1993 was that, in addition to national sectoral collective agreements (NCLAs), decentralised bargaining should have linked pay rises to productivity, in order to complement low wages fixed at central level. However, firm-level collective bargaining still covers a minor part of companies and employees. No redistribution of profits through decentralised bargaining coupled with relatively low wages in NCLAs allowed also marginal companies to remain competitive, without investing in innovation, skills and R&D.

Low quality of contents of firm-level bargaining is another reason. In contexts where firm-level bargaining takes place, this is mainly driven by distributive rather than integrative logics. The rule on wage bargaining coordination, according to which firm-level agreements should link pay rises to performances, is often breached: Several pay rises agreed in firm-level bargaining are fixed.

Others argue that confrontational approach to labour relations by both management and labour might also result in productivity losses. Especially in SMEs, old fashion HR policies tend to prevail, and they are generally based on short-termism and command/control. Low-road to productivity prevails too. This is why pure “productivity agreements” in Italy are rare, and when they take place, they are generally associated to concession bargaining and derogations.

Labour market deregulation is also placed among the causes of stagnating labour productivity. Because of labour market reforms started in early-2000s, non-standard employment raised and produced controversial effects on labour productivity. In the short-run, contingent work prompts productivity, since the worker is under pressure to perform better so to have his/her contract renewed. However, in the long-run precarious employment conditions, wage inequalities and less training opportunities are associated with lower performances.

Beyond labour productivity stagnation, an issue of great concern for policy makers and social partners is the mismatch between labour cost and productivity. Social partners argue that there is an excessive taxation on wages. There is also a certain consensus on rigidity of wage structure in Italy. Accordingly, the compromise between State and

social partners has been “linking wages to productivity”, mainly through the promotion of firm-level collective bargaining. Since the trilateral framework agreement of 2009, normative and fiscal incentives to increase decentralised bargaining have been promoted by the Government and social partners. These include three types of instruments: the recognition of greater functional autonomy in second-level bargaining compared to NCLAs; tax policies and contributory benefits for labour income resulting from territorial and company collective agreements; the provision of an economic “element of guarantee” in favour of workers not covered by a decentralized collective agreement. The implementation of the three above-mentioned measures, however, has had little effect. Moreover, social partners at local level have bypassed some rules to access the normative and fiscal benefits. For example, they have signed so-called “cosmetic agreements” at territorial level allowing companies to benefit from fiscal incentives without bargaining with works councils or trade unions; or they agreed not to implement the economic “element of guarantee”. In other cases, variable pay established in firm-level bargaining is fictive: it is fixed or it is linked to objectives which are impossible to achieve.

*Views and strategies of social partners in relation to labour productivity*

In general, there is a certain amount of convergence between the views of social partners and scientific literature regarding bargaining and labour productivity. The main narrative in the interviews carried out with national social partners is as follows: when it comes to productivity, collective bargaining is an important stimulus, but not the only one, and not even the most important one; investment in education, research, innovation and technology is the most important determinant. On the other hand, there is consensus on the need to increase decentralised bargaining in both quantitative and qualitative terms, although opinions diverge when it comes to analyse how this has to be done.

Trade unions are clear that decentralised bargaining should remain complementary to NCLAs; minimum wages set by NCLAs must be respected. The idea is that the process of decentralisation should be coordinated. They generally have in mind the high-road model to labour productivity. The employer’s side is divided on these issues. EOs in the manufacturing sectors argue that decentralised bargaining can be also alternative to NCLAs when it comes to wage setting: greater wage flexibility would allow companies to adjust wages in response to competitive pressures. This can also have positive effects on occupation. In contrast, EOs in the service sectors prefer to maintain NCLAs’ role in wage setting, which is crucial to prompt consumption and to play a role of market control in a context where SMEs prevail.

Finally, there is consensus among social partners on the need to establish a more cooperative industrial relations system, as it is functional to productivity and sustainability.

*The potential and effective implication of collective bargaining on labour productivity in different contexts*

Contents of collective bargaining in Italy are generally the outcome of a sustainable compromise between flexibility/efficiency/productivity and labour protection/rights. NCLAs are already sources where productivity-oriented provisions are negotiated, especially in relation to working-time flexibility and non-standard employment contracts. Also, at this bargaining level several clauses regulate information and consultation rights, trade unions prerogatives, and inclusive provisions related to young people, workers affected by chronic diseases, immigrant workers, age management. Social partners in all sectors have also established a robust system of bilateral bodies, consisting of workers and employers' representatives, which provide services and benefits to both workers and businesses in terms of training, complementary pension schemes, health and safety insurance, and so forth.

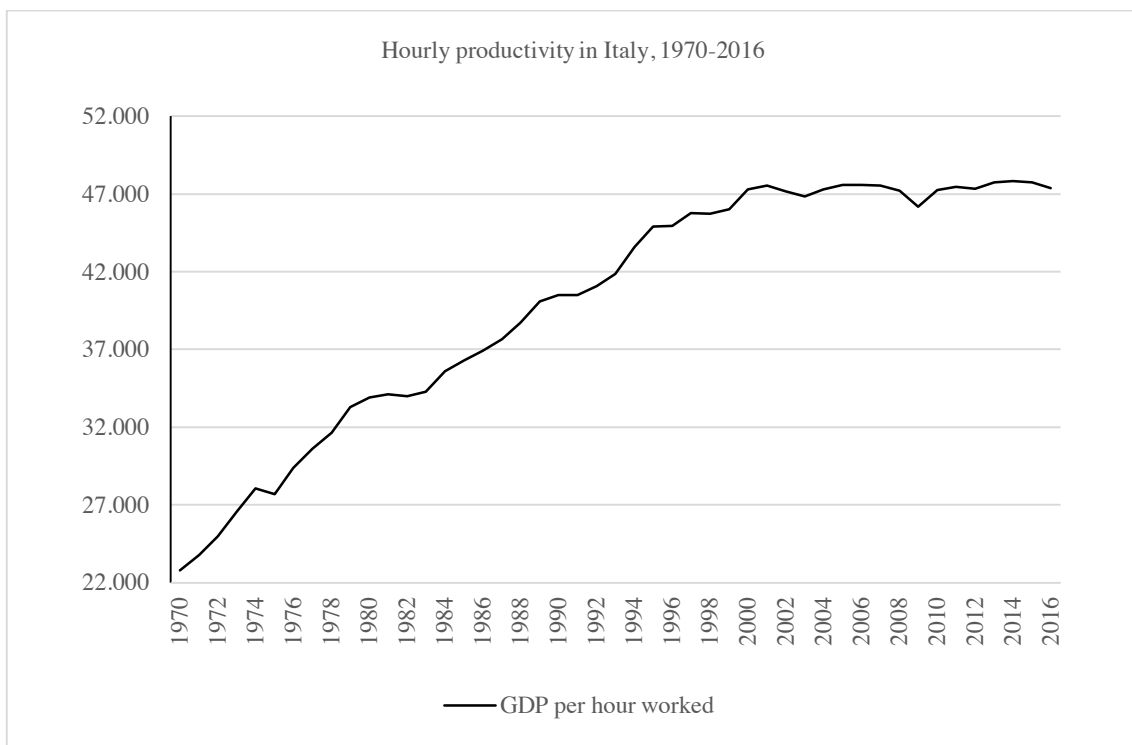
Firm-level collective bargaining seems to be polarised between best and worst practices. Best practices, especially in big companies, tend to reflect the sustainable compromise of NCLAs into integrative and long-term-oriented bargaining where the high-road to productivity prevail: higher wages, but linked to performances; more working time flexibility, but also more work-life-balance instruments; more participation. Worst practices are those where confrontational industrial relations prevail, with negative effects on labour-management relations and contents of collective bargaining: industrial actions to impede the use of flexibilities stemming from NCLAs; fixed and compressed wage structures; less participation of workers' representatives in business affairs; pressures to cut labour costs, and so forth.

Finally, in many marginal companies, especially SMEs, firm-level collective bargaining does not exist at all, and/or NCLAs are applied in "flexible" ways. This means that, irrespective of contents of collective bargaining at all levels, there is a problem of collective bargaining governability and effectiveness. In addition, an increasing number of workers are not covered by NCLAs and firm-level bargaining, or they are covered by low-cost collective agreements signed by non-representative employers and workers' associations. This form of social dumping undermines the sustainable compromise between efficiency and protection reached by representative social partners in Italy since WW II.

## Introduction

The Italian economic “Miracle” from the 1950s to mid-1970s received much attention by policy makers, academics and popular press worldwide. The miraculous attribute was given due to the perfect combination of “rapid economic growth without full employment, governmental intervention without plan, and government control without nationalization”<sup>1</sup>. With an industrial growth rates of more than 8 percent per year, in two decades the “Miracle” transformed Italy from a largely agricultural backwater into one of the world’ s major highly industrialized market economies.

**Figure 1:** GDP per hour worked, 1970-2016 (Italy, US dollars)



**Source:** ADAPT elaboration on Oecd, 2017

<sup>1</sup> O. ORNATI, *The Italian Economic Miracle And Organized Labor*, in *Social Research*, Vol. 30, 1963, n. 4, 519–526.



Labour productivity was part of this spectacular economic growth. Most importantly, labour productivity continued to rise for the following three decades (1970-2000), despite gross domestic product's growth started to slow (Figure 1). It was from the mid-1990s, however, that the miracle came to an end: Italy's labour productivity began to stagnate, decoupling from other competing EU countries' performance.

According to the literature reviewed, multiple factors have influenced the Italian productivity slowdown and stagnation. They range from structural factors, such as small size of firms, decline of manufacturing, low employment rate and inefficient administration, to declining investments, the liberalization of the labour market and lack of employment flexibility. One major issue is also the low level of skills, reflected in the low participation with tertiary level education and the relative high numbers of inhabitants with only a primary education. Beside and beyond these factors, there is also consensus that industrial relations play an important role. Productivity, indeed, acts as both an input of and output for collective bargaining, and collective bargaining influences not only labour-employment relations and working conditions, but also how business policies are shaped in relation to investments and competitive strategies.

The rule on wage bargaining coordination was the cornerstone of the Protocol of 23 July 1993, which sought to restructure the collective bargaining architecture in order to make it more rational and functional to economic policies. According to the Protocol, wage increases should be set at the industry level in line with the inflation rate, and company or local contractual increases should be linked to productivity and other factors related to workers and/or a firm's economic performance.

Originally aimed at controlling inflation through wage moderation, this policy was confirmed by the economy-wide framework agreement of January 2009 and its successors in January 2014, with the aim to align wages to productivity. As reported by the Eurofound, indeed, in Italy "both trade unions and employer organisations tend to have a positive stance towards the increased adoption of variable pay. In recent years, the debate has mainly focused on the relationship between salaries and productivity, in view of the continuing stagnation of productivity in Italian companies"<sup>2</sup>. Accordingly the new bargaining model gave decentralised bargaining the essential, if not exclusive, task of connecting remuneration to productivity and profits, measured variably. In contrast, the only competence entrusted to the national agreement was that of safeguarding the overall buying power of remunerations.

Despite labour productivity is nowadays high on the agenda of both Governments and social partners in Italy, the problem of productivity stagnation is far from being resolved. Instead, recent data confirm Italy's labour productivity growth to be stuck, except from very recent signs of recovery in some manufacturing industries. Against this background, the aim of this report is to shed light on the reasons behind labour productivity trends in Italy, as well as to explain public policies on labour productivity

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<sup>2</sup> EUROFOUND, *Changes in remuneration and reward systems*, Dublin, 2016, p. 53.

and their (in)effectiveness. Views and strategies of social partners in relation to labour productivity will be also analysed, along with the potential and effective implication of collective bargaining on labour productivity in four sectors: automotive; retail; tourism; healthcare. The analysis will be mainly based on qualitative methods of analysis, mainly flowing from interviews to social partners and content analysis of collective agreements.

The report is structured as follows. Section 1 provides a literature review on collective bargaining and labour productivity in Italy, as well as general data on labour productivity trends in the country. Analysis of public policies on labour productivity and social partners' strategies will be also central in this section. Section 2 focuses on labour productivity trends and collective bargaining strategies in four sectors, by analysing contents of collective agreements in relation to aspects that are supposed to have an impact on labour productivity: pay policies; labour organisation; participation and involvement; inclusion and diversity. Section 3 compares the sectoral analysis, while the next session concludes.

## **Section 1.**

### **Collective bargaining and labour productivity in Italy**

#### **1. Literature review**

This section presents a review of the scientific debate which has developed around the issue of poor labour productive performances and, more generally, of the mismatch between productivity and labour costs in Italy with a focus on the role that the collective bargaining system plays regarding these variables. In order to contextualise the overall analysis, a description of the Italian model of capitalism, welfare and industrial relations introduces the literature review.

#### *The country model*

Literature on varieties of capitalism (VoC) places Italy among the so-called mixed market economies<sup>3</sup>. Strong centralised institutions regulate the economy and the labour markets in Italy. In addition to public institution and statutory norms of regulation, robust industrial relations and bilateral institutions guarantee a good level of horizontal coordination within the country and across sectors. In 2001 Thelen observed that the trajectory of change of Italian model of capitalism in 1990s seemed to parallel developments in the coordinated market economies (CMEs)<sup>4</sup>. However, the country still diverges from pure coordinated market economies because horizontal coordination is barely effective. This is due to a weak vertical integration central level actors and those operating at local level. Recent researches confirm the traditional status of the Italian industrial relations system within the VoCs' literature: it continues to be somewhere in the middle between liberal market economies (LMEs) and CMEs, with a mix between high degree of horizontal coordination, and low degree of vertical coordination.

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<sup>3</sup> O. MOLINA, M. RHODES, *The Political Economy of Adjustment in Mixed Market Economies: A Study of Spain and Italy*, in B. HANCKÉ, M. RHODES, M. THATCHER (eds.), *Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy*, Oxford: Oxford University Press, 2007.

<sup>4</sup> K. THELEN, *Varieties of Labor Politics in the Developed Democracies*, in P. A. HALL, D. SOSKICE (eds.), *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*, Oxford, Oxford University Press, 2001.

The same mixed position emerges when it comes to the country model of welfare. Esping- Andersen placed Italy within the so-called conservative welfare regime, characterised by medium levels of decommodification and preservation of traditional hierarchies. Key features of this model of welfare are: Subsidiarity principle (decisions taken at the lowest possible level); Support to the traditional family (“Beamter”); Relatively high levels of support, but often paternalistic; Not universalist: different groups receive different levels of benefits (Beamters receive higher pensions, married families more money than couples living together or divorced, etc.). Some commentators assert that when the Latin rim countries of the European Union (Spain, Portugal, Greece) are added into the analysis, a fourth “Southern” world of welfare emerges into which Italy can also be placed<sup>5</sup>. The Southern welfare states are described as “rudimentary” because they are characterised by their fragmented system of welfare provision, which consists of diverse income maintenance schemes, ranging from the meagre to the generous, and a healthcare system that provides only limited and partial coverage<sup>6</sup>. Reliance on the family and voluntary sector is also a prominent feature. Hybridism and dualism have historically characterised also the evolution of the Italian industrial relations system, which is marked by a double tension<sup>7</sup>: between the official positions of the actors at the centre of the system and the actions undertaken by them in the periphery; and between the voluntarism and limited formalization of relations between the labour market organizations and their high institutional involvement in the de facto administration of social policies. A seminal book by Richard Locke explained the first tension in terms of localism and particularism, showing that the Italian model of capitalism is based on local socio-political networks and different cultural environments which have a strong and direct influence on industrial relations and collective bargaining<sup>8</sup>: even some important provisions of the Workers’ Statute (Law No. 300/1970), including those related to individual dismissals, are applied in a non-homogeneous manner, with different judicial solutions here and there in the country. In legal terms, Caruso describes the second tension referring to the asymmetry between an excessive of functions that the law entrusts to collective bargaining and the lack of

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<sup>5</sup> J. BONOLI, *Classifying welfare states: a two- dimension approach*, in *Journal of Social Policy* 1997, 26, 351–372; M. FERRERA, *The southern model of welfare in social Europe*, in *Journal of European Social Policy*, 1996, 617–37.

<sup>6</sup> S. LEIBFREID, *Towards a European welfare state*, in Z. FERGE, J.E. KOLBERG (eds.), *Social policy in a changing Europe*, Frankfurt: Campus- Verlag, 1992, 245–279.

<sup>7</sup> I. REGALIA, M. REGINI, *Between voluntarism and institutionalization: Industrial relations and human resources practices in Italy*, in R. LOCKE, T. KOCHAN, M. Piore (eds) *Employment Relations in a Changing World Economy*, Cambridge, MA: MIT Press, 1998, pp. 131–163.

<sup>8</sup> R. M. LOCKE, *Remaking the Italian Economy*, Ithaca, Cornell University Press, New York, 1995.

statutory regulation of trade unions representativeness, coupled with the lack of collective bargaining *erga omnes* power<sup>9</sup>.

The Italian industrial relations system is currently based on the tripartite framework agreement signed at the inter-professional level on January 2014 by Confindustria, Cgil, Cisl and Uil, and on other similar pacts signed outside the industrial sectors. These agreements have created a voluntary, comprehensive multi-employer bargaining model, with the national sectoral collective agreement regarded as the basis of the system. Peak-level associations of employers and workers define rules governing the relationships between the bargaining levels, including the following principles: a) *ne bis in idem*, i.e. decentralized bargaining cannot deal with matters already covered by national sectoral collective agreements b) the scope of decentralized bargaining is defined by national sectoral collective agreements c) opening clauses entitle decentralized bargaining to deviate from the standards set by national sectoral collective agreements under certain circumstances. These rules, however, are contractual in nature: they are self-regulated and only apply for as long as enterprises voluntarily choose to stay within the multi-employer bargaining structure. Case law on the structures of collective bargaining allows employers to choose between multi-employer and single-employer bargaining. Inter-professional and sectoral collective agreements do not have *erga omnes* effect, i.e. they are binding on the parties and on the rank and file. However, although not legally binding, voluntary extension mechanisms and case law have increased coverage, now concerning up to 80-90% of the workforce.

Labour and employment relations reached unprecedented level of complexity in Italy. Varieties of models continue to emerge *within* the EU countries; the common notion of “countries model” downplays the diversity across regions, sectors, and businesses. Within sectors, alternative systems are arising too. There is consensus that unions and collective bargaining functioned well for advancing the living standards of workers (union and non-union alike) in Italy, because they were well matched to the traditional features of the labour market. However, increasingly heterogeneity in workforce composition is challenging the effectiveness of traditional trade unions strategies. Makeover to close labour market cleavages (young workers vs. older workers; insiders vs. outsiders, immigrants vs. natives) has been undertaken, yet the process is far from being concluded. Employers’ representation is remodelling too: mergers and fusions, as well as disaggregation processes became common practices cross-sectorally; increased competition for representativeness within industries resulted in forms of social dumping in collective bargaining.

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<sup>9</sup> S.B. CARUSO, *Democrazia sindacale e rappresentatività - Verso un insolito (evitabile?) destino: la postdemocrazia sindacale*, in *Quaderni di rassegna sindacale*, 2005, 1, 75 ss.; B. CARUSO, *Rappresentanza sindacale e contrattazione collettiva sulla flessibilità*, in M. D’ANTONA (ed.), *Politiche di flessibilità e mutamenti del diritto del lavoro. Italia e Spagna*, ESI, 1990, p. 170.

The economic crisis contributed to make the picture even more complex. The jobs crisis persists in the form of high rates of unemployment and underemployment. Job satisfaction declines, wages have stagnated and income inequality has been allowed to grow. At the shop floor, falling demand determined a wave of concession bargaining, downward wage flexibility, and widespread implementation of short-time work arrangements. Alliances for competitiveness and other forms of “pain sharing” made the line between cooperation and conflict more blurred.

#### *Approach to the theme of bargaining-productivity*

The analysis of Italian literature on collective bargaining and labour productivity shows a prevalence of scientific articles concerned with the institutional configuration of the bargaining model, with regard to wage dynamics and structure. The scientific debate on labour productivity in Italy has developed in line with the debate on the collective bargaining structure, the function and competences of the various negotiating levels, and consequently on the degree of decentralization of collective bargaining. In other words, the prevalent approach to the subject is macroeconomic and tends to take for granted the institutional role of collective bargaining in order to overcome the ‘productivity trap’<sup>10</sup>, with the point of contact between the two elements (bargaining and productivity) being represented by wage coordination and labour cost. Economists from several schools agree that labour cost and labour productivity should be as closely aligned as possible<sup>11</sup>. From this, the centrality of the collective bargaining system in economic policies should be restored, in order to bridge the gap between the two factors. The gap between labour cost and productivity, indeed, is an indicator of country’s competitiveness: it basically shows how much a certain level of productivity costs in terms of labour cost.

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<sup>10</sup> P. PINI, *Regole europee, cuneo fiscale, e trappola della produttività. La legge di Stabilità 2014-2016 programma la depressione*, Quaderno DEM, 2014, n. 1.

<sup>11</sup> P. MERLI BRANDINI, N. CACACE, A. COLLIDÀ, G. SCAJOLA (eds.), *Salari e produttività*, Franco Angeli, Collana ISVET, 1966; P. SYLOS LABINI, *Sindacati, inflazione e produttività*, Laterza, 1972; G.F. DAVANZATI, *Salario, produttività del lavoro e conflitto sociale. L’analisi delle determinanti dell’intensità dell’impegno lavorativo nella storia del pensiero economico*, Milella, 1999; C. DELL’ARINGA, *Salario minimo e contrattazione collettiva*, in *Rivista di Politica Economica*, 2006, n. 7-8; N. ACOCELLA, R. LEONI, *La riforma della contrattazione: una valutazione e soluzioni innovative. Un ruolo attivo per la politica economica*, Quaderno di ricerca del Dipartimento di Scienze Economiche ‘Hyman P. Minsky’, 2009, n. 4; L. COSTABILE, *Glossario dell’economista per il giuslavorista*, in *Rivista giuridica del lavoro*, 2009, n. 2, I; L. TRONTI, *La crisi di produttività dell’economia italiana: modello contrattuale e incentivi ai fattori*, in *Economia e Lavoro*, 2010, n. 2; T. BOERI, A. ICHINO, E. MORETTI, *Housing prices, wage and income differences in Italy*, Fondazione Rodolfo De Benedetti, 2014.

**Figure 1:** Unit labour costs and labour productivity in Italy (1995-2015), 1995=100

**Source:** ADAPT elaboration of Eurostat data (2016)

There are few contributions that do not consider, or consider only in passing, the role of the collective bargaining system on productivity trends: in one case, for example, a central factor in the pro-labour income distribution is identified for the relaunch of domestic demand and economic growth<sup>12</sup>. The contribution made by Boeri, Ichino and Moretti<sup>13</sup> on the relationship between the cost of housing, employment and wages deserves particular consideration. The hypothesis in this case is that the labour and housing markets are interdependent: where labour demands and productivity are higher, house prices will also be higher because the number of immigrants seeking work inflates housing demands (as happened historically in Italy). Research shows that the productivity of companies in the North of the country is higher than that of those in the South, as are house prices. Given the national uniformity of nominal wages, the real wage (i.e. the relationship between the nominal wage and the cost of living) is lower in the North, while the labour cost per unit produced is higher in the South. This fact generates a twofold effect: it creates unemployment in the South because real wages are too high relative to productivity, and it reduces aggregate demand in the North, where real wages are too low compared to productivity.

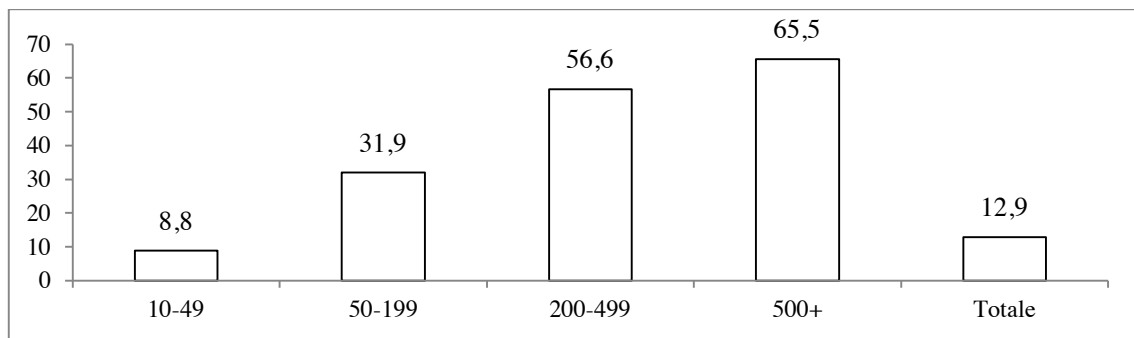
<sup>12</sup> F. OFRIA, *L'approccio Kaldor-Verdoorn: una verifica empirica per il Centro-Nord e il Mezzogiorno d'Italia (anni 1951-2006)*, in *Rivista di Politica Economica*, 2009, n. 1.

<sup>13</sup> T. BOERI, A. ICHINO, E. MORETTI, *op. cit.*

*Contractual structure and income policy*

According to most observers, the stagnation of productivity and the constant increase in labour costs in Italy (Figure 1) is due, first of all, to the system of collective bargaining adopted with the 1993 Income Policy Protocol, known as “Giugni Protocol”<sup>14</sup>. This model triggered a negative relationship between productivity and real wages, resulting in increased labour costs per unit produced and a slowdown in process, product and organizational innovation. In particular, the poor coverage of decentralized bargaining did not allow performance-related pay to spread significantly (Figure 2).

**Figure 2:** Percentage of businesses (with at least 10 employees) covered by collective bargaining per employee category (2012-2013)



**Source:** Fondazione Di Vittorio (FDV) elaboration of Cardinaleschi and De Santis’ data (2016), ISTAT-CNEL

Equally, the wage moderation fuelled by the two-tier bargaining system also enabled marginal firms to remain competitive without reinvesting their profits in the training of human capital, innovation, research and development. The result on the national level was practically flat productivity and a product market with a low degree of competition while, on the international level, it led to a decline in exports and a weakening of the country’s competitiveness.

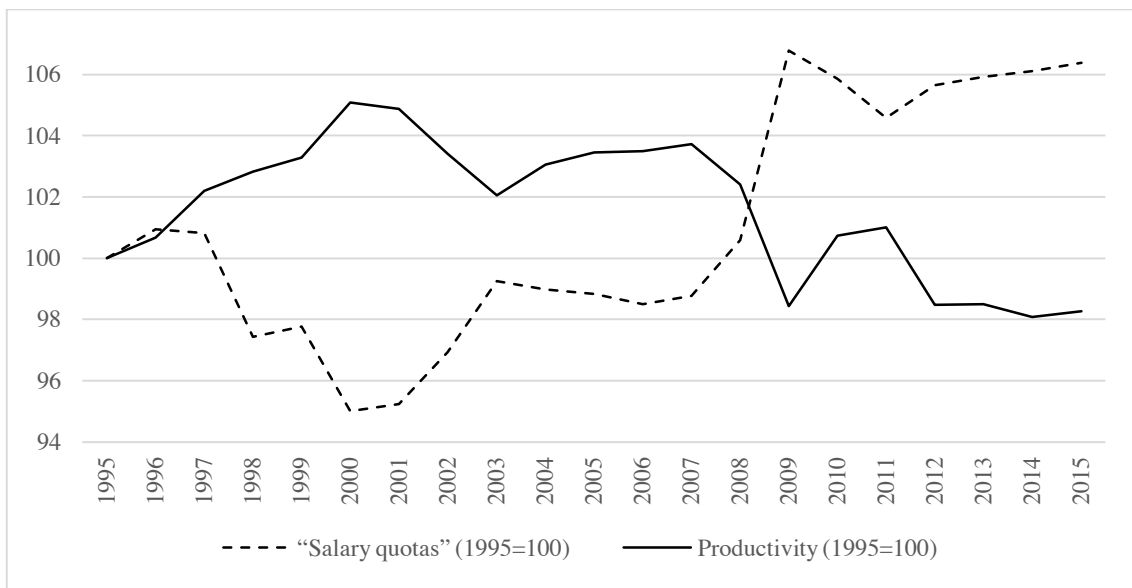
Figure 3 shows what has become a structural problem of the Italian economy, that is, the anti-cyclical trend in the wage share – the part of income assigned to employees

<sup>14</sup> L. TRONTI, *Protocollo di luglio e crescita economica: l’occasione perduta*, in *Rivista Internazionale di Scienze Sociali*, 2005, n. 2; L. TRONTI, *La crisi di produttività dell’economia italiana: scambio politico ed estensione del mercato*, in *Economia e Lavoro*, 2009, n. 2; L. TRONTI, *La crisi di produttività dell’economia italiana: modello contrattuale e incentivi ai fattori*, cit.; L. TRONTI, *The Italian productivity slow-down: the role of the bargaining model*, in *International Journal of Manpower*, 2010, Vol. 31, n. 7; L. TRONTI, *Modello contrattuale, produttività del lavoro e crescita economica*, in *Quaderni di Rassegna Sindacale*, 2016, n. 2.



through the functional distribution of income between the elements of production (wages, profits and revenue), relative to productivity dynamics. In other words, when productivity increases, wages decrease, and vice versa. Since 2009 the wage share has consistently exceeded productivity, resulting in a significant loss of country-system competitiveness.

**Figure 3:** Productivity and wage share trends (1995-2015)



**Source:** ADAPT elaboration of Istat data (2016)

The Italian collective bargaining system would also explain the fluctuating trend in the wage share<sup>15</sup>. According to this model, nominal wages set at national level ought to maintain the purchasing power of employees at a steady level by linking nominal wages to the rate of inflation, while the decentralized level should have the function of anchoring real wage trends to productivity. However, the fact that decentralized bargaining has not spread has kept real wages virtually unaltered, although labour productivity has fluctuated following trends which initially grew (until 2000) and then slumped. For the same, real wage increases (reductions) in productivity provoked reductions (increases) in the wage share. This situation resulted in a substantial contradiction in the functional distribution of income. In fact the growth of productivity meant that the share earmarked for employees decreased, while the share destined for

<sup>15</sup> *Ibidem.*

entrepreneurs and rentiers increased. Conversely, when productivity levels fell, the wage share increased and the amount of income for the remaining shares decreased.

*The (other) causes of low labour productivity*

In both the economic and legal literature analyzed, there is almost unanimous consensus regarding the assumption that collective bargaining is only one of many determinants of labour productivity, the efficiency of which is greatly influenced by managerial investments in technology, research, development, innovation and human capital. Gallino in particular points out that the amount of added value per hour worked is largely due to the type of product that a company is able to invent or develop; to the means of production that they use; to the overall structure of manufacturing processes; and finally to the organization of work<sup>16</sup>. In other words, it is closely linked to the amount invested in research and development, both in the public and in the private sector. In this respect Italy is ranked almost last in the classification of major EU countries. Other authors have, however, ascribed some of the causes of this situation to the collective bargaining system: as mentioned earlier, the current model is thought to create an unhealthy ‘guaranteed profit’ regime, reducing entrepreneurs’ incentives to increase productivity through investing in innovation: the ‘joint provisions’ of a wage policy aimed at curbing labour costs and the lack of decentralized bargaining has permitted companies, including marginal firms, to remain competitive without innovating and modernizing<sup>17</sup>.

Some authors pointed out how the stagnation of labour productivity over the last twenty years was affected by the process of the deregulation of the labour market which was set in motion in the late 1990s<sup>18</sup>; a process that would contribute to the rise in precarious employment, that is, to an increase in the employment rate, though mainly in sectors with a less well-qualified employment composition, through non-standard types of contract generally associated with lower labour quality and productivity. Other authors have, on the other hand, acknowledged the opportunity for a reform of staff classification and framework systems in order to enhance, also in economic terms, the quality and therefore the productivity, of working performances<sup>19</sup>.

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<sup>16</sup> L. GALLINO, *La lotta di classe dopo la lotta di classe*, Laterza, 2013.

<sup>17</sup> L. TRONTI, *The Italian Productivity Slow-down: The Role of the Bargaining Model*, cit.

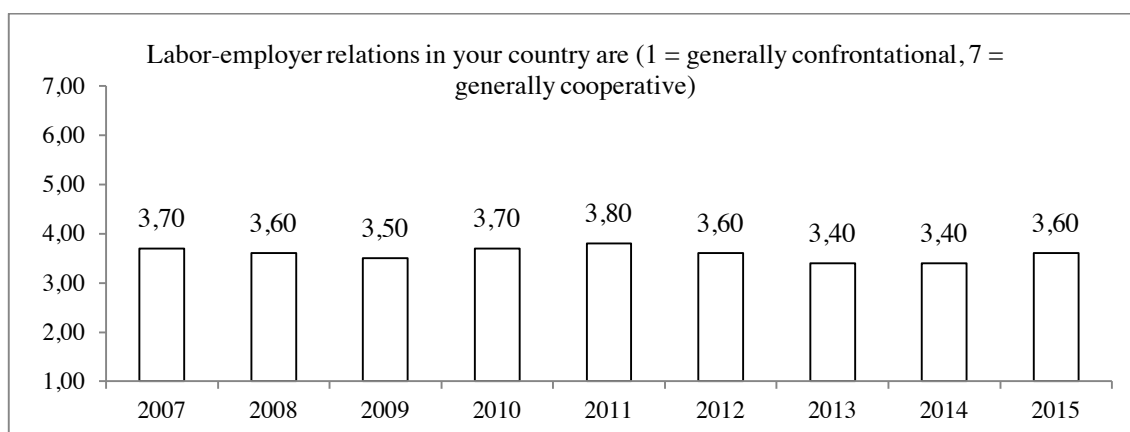
<sup>18</sup> AA.VV., *Italy's Productivity Conundrum. A Study on Resource Misallocation in Italy*, European Economy Discussion Paper, 2016, n. 30; L. COSTABILE, *op. cit.*; A. LASSANDARI, *Contrattazione collettiva e produttività: cronaca di evocazioni (ripetute) e incontri (mancati)*, in *Rivista Giuridica del Lavoro*, 2009, n. 2; L. TRONTI, *La crisi di produttività dell'economia italiana: modello contrattuale e incentivi ai fattori*, cit.

<sup>19</sup> M. D'ONGHIA, *Un itinerario sulla qualità del lavoro*, in *Rivista Giuridica del Lavoro*, 2009, n. 2; D. MOSCA, P. TOMASSETTI, *La valorizzazione economica della professionalità nella contrattazione aziendale*, in *Diritto delle Relazioni Industriali*, 2016, n. 3.

### *The industrial relations model and culture of capitalism*

There is also a widespread narrative regarding the cultural dimension of the Italian model of capitalism and industrial relations, where relations between capital and labour still struggle to shake off the climate of opposition and mutual distrust which results in the consolidation of a confrontational, compromise and emergence-based approach to labour relations and collective bargaining (i.e. ‘short-termism’), as opposed to being participatory and oriented towards shared long-term goals<sup>20</sup>. This feature reflects the generally conflictual nature of the system of industrial relations in Italy (Figure 4): from year to year Italy ranks 126<sup>th</sup> (out of around 140 countries analyzed) in the Global Competitiveness Index compiled by the World Economic Forum with reference to the degree of cooperation between management and workers. As evidenced by the literature analyzed, also this data helps explain the low labour productivity in Italy.

**Figure 4:** Climate of working relations in Italy (2007-2015)



**Source:** ADAPT elaboration of WEF data, Global Competitiveness Report (2007-2015)

It is therefore not surprising that productivity-oriented bargaining is often associated with bargaining practices of a concessional type, emblematic, above all, of precise field choices made by corporate management, as well as of the substantial passiveness, or, more precisely, the inadequacy of union policies, also due to the absence of a participatory culture and of trade unions having a specific competence regarding

<sup>20</sup> E. MASSAGLI (ed.), *Il welfare aziendale territoriale per la micro, piccola e media impresa italiana. Un'indagine ricostruttiva*, ADAPT University Press, 2014; D. MOSCA, P. TOMASSETTI, *op. cit.*

managerial/economic issues<sup>21</sup>. In this perspective, the participation and involvement of workers and their representatives in business processes is often identified as a central factor in the recovery of labour productivity<sup>22</sup>.

### *Analysis of single topics*

With a few exceptions<sup>23</sup>, there are no case-by-case, micro-level analyses of wage bargaining in companies, while only one of the contributions analyzed provides empirical evidence regarding the impact of bargaining on performance-related wages and labour productivity<sup>24</sup>, which indicates that productivity gains are smaller when complex PRP schemes (i.e. with a large number of parameters) are adopted, while no effects are found when a “conditional clause” is used – i.e. when the premium is paid only if the firm makes (non-negative) profits, no matter what the other targets are. In addition to the literature referring to retributive issues in collective bargaining, of particular note is a theoretical essay concerning the implications of the new organizational models of labour and time on productive performance<sup>25</sup>, as well as various contributions analyzing the (positive) relationship between company welfare policies and productivity<sup>26</sup>.

### *Collective bargaining and labour productivity towards Industry 4.0*

Some studies have recently been conducted which, by accepting the potential of Industry 4.0 for the growth of competitiveness, have tried to frame the topic around work, investigating the role of industrial relations and collective bargaining in the fourth

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<sup>21</sup> P. TOMASSETTI, *Determinanti, metodo e caratteristiche della contrattazione concessiva*, in *Quaderni di Rassegna Sindacale*, 2016, n. 1.

<sup>22</sup> P. PINI, *Partecipazione, flessibilità delle retribuzioni ed innovazioni contrattuali dopo il 1993*, in AA.VV., *Tecnologia e società. Tecnologia, produttività, sviluppo*, Accademia Nazionale dei Lincei, 2001; A. LASSANDARI, *op. cit.*; T. TREU, *Le forme retributive incentivanti*, in *Rivista Italiana di Diritto del Lavoro*, 2010, n. 4, I; G. ZILIO GRANDI, *Un'introduzione: fonti, struttura e funzioni della retribuzione, quindici anni dopo*, in *Lavoro e diritto*, 2011, n. 4; M. BIASI, *Retribuzione di produttività, flessibilità e nuove prospettive partecipative*, in *RIDL*, 2014, n. 2, I.

<sup>23</sup> M. VITALETTI, *La retribuzione c.d. di produttività nella “nuova” contrattazione aziendale: questioni ed esiti*, in *Lavoro e diritto*, 2011, n. 4; S. CIUCCIOVINO, L. TRONTI, *Il sistema retributivo premiale in Fiat-Chrysler Automobile (FCA). Elementi di un nuovo modello contrattuale?*, in *Giornale di diritto del lavoro e delle relazioni industriali*, 2015, n. 148; D. MOSCA, P. TOMASSETTI, *op. cit.*; F. PERCIAVALLE, P. TOMASSETTI (eds.), *Il premio di risultato nella contrattazione aziendale. Lineamenti teorici e analisi casistica dell'esperienza italiana e spagnola*, ADAPT University Press, 2016.

<sup>24</sup> C. LUCIFORA, F. ORIGO, *Performance-related pay and firm productivity: evidence from a reform in the structure of collective bargaining*, in *Industrial and Labor Relations Review*, 2015, Vol. 68, n. 3.

<sup>25</sup> V. BAVARO, *Un itinerario sui tempi del lavoro*, in *Rivista Giuridica del Lavoro*, 2009, n. 2.

<sup>26</sup> T. TREU, *op. cit.*; E. MASSAGLI (ed.), *op. cit.*

industrial revolution<sup>27</sup>. There are still very few of these publications in the Italian scientific landscape, but there is a certain level of awareness of the importance of the actors and institutions of industrial relations in the process of modernizing Italy's production system. It is, however, notable that these texts do not specifically refer to the productivity of labour as much as to the overall productivity of various factors.

In addition to encouraging the involvement of social partners in defining and implementing national strategies for the development of Industry 4.0<sup>28</sup>, the texts included pay particular attention to the evolution of collective bargaining arrangements, not only in light of overcoming of old Fordist production systems but also of the new geography of work. In particular, focusing on the first aspect, the negotiating location best suited to meeting the need for company flexibility and a highly skilled workforce requiring the constant updating of its skills<sup>29</sup> can be considered to be company, and in some cases individual, level. On the other hand, underlining the role of technological hubs in the economic development of a country it is also marked the renewed centrality of territorial bargaining<sup>30</sup>. The national level therefore appears to be destined for notable downsizing in order to favour a collective bargaining closer to agglomeration dynamics between businesses where productivity, knowledge and value are generated.

The content of the new industrial relations should allow businesses to take up the challenge of the fourth industrial revolution by negotiating variable wages in line with increases in productivity, regulating forms of flexible working hours in response to greater production dynamism and the unforeseeable nature of orders, defining continuous training programmes for workers and valorising to their skills<sup>31</sup>.

Lastly, the bargaining approach is also likely to be revised in order to allow businesses and workers to move towards Industry 4.0. It would be desirable to pass from a predominantly conflictual logic to a more collaborative dimension and to win-win solutions made possible by acknowledging company productivity as a goal for both parties.

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<sup>27</sup> ASSOLOMBARDA CONFINDUSTRIA MILANO MONZA E BRIANZA (ed.), *La strada verso la Manifattura 4.0. Progetto di ricerca 'Focus Group Manifattura 4.0'*, November 2016; A. MAGONE, T. MAZALI (eds.), *Industria 4.0. Uomini e macchine nella fabbrica digitale*, Guerini e Associati, 2016; F. SEGHEZZI, *Lavoro e relazioni industriali nell'Industry 4.0*, in *Diritto delle Relazioni Industriali*, 2016, n. 1; M. TIRABOSCHI, F. SEGHEZZI, *Il Piano nazionale Industria 4.0: una lettura lavoristica*, in *Labour & Law Issues*, 2016, Vol. 2, n. 2.

<sup>28</sup> ADAPT, FIM-CISL, *Libro Verde Industria 4.0. Ruolo e funzione dei Competence Center*, 2016; M. TIRABOSCHI, F. SEGHEZZI, *op. cit.*

<sup>29</sup> F. SEGHEZZI, *op. cit.*

<sup>30</sup> M. TIRABOSCHI, F. SEGHEZZI, *op. cit.*

<sup>31</sup> ASSOLOMBARDA CONFINDUSTRIA MILANO MONZA E BRIANZA (ed.), *op. cit.*; A. MAGONE, T. MAZALI (eds.), *op. cit.*; F. SEGHEZZI, *op. cit.*; M. TIRABOSCHI, F. SEGHEZZI, I. ARMAROLI, *Il patto della fabbrica, note sul rinnovo dei metalmeccanici*, in *Guida al Lavoro*, 2016, n. 49.

*Solutions for the revival of labour productivity*

Solutions for the revival of labour productivity are influenced by the theoretical (and cultural) premises which underlie the analysis of the determinants of the problem. The point of convergence of all the proposals is the opportunity to favour policies which realign labour costs and productivity, increase the spread of decentralized bargaining, and make industrial relations and models of human resources management less conflictual and more participatory. Other than these aspects, positions regarding the two types of policy approach, which, in simpler terms, can be defined as liberal and neo-corporatist, are rather polarized.

According to those who favour the first view<sup>32</sup>, the solution is to anchor wages to the actual trend of local productivity by developing bargaining within individual companies or territories<sup>33</sup>. In light of what happened after the unification of East and West Germany, the concrete proposal is to bring wage bargaining closer to the workplace by introducing opening clauses in national contracts.

According to proponents of the second position<sup>34</sup>, besides the signing of a trilateral pact for the integration of structural reforms on the side of supply, which are part of a long-term process of change aimed at eliminating the constraints that stall the modernization of production, and in order to provide significant incentives in the direction of greater organizational efficiency and better competitiveness, it is considered necessary for social partners to set fixed productivity targets for collective agreements (national, company and territorial) on the basis of which pay increases are to be determined regardless of whether or not the pre-established productivity target has been achieved. So with this proposal, for example, should a company fail to reach the negotiated productivity target it would have to deal with higher wage costs and an increase in labour costs per unit produced as well as a reduction in profits. In this way, companies would be motivated to invest in innovation and development and to implement organizational changes to ensure a growth in productivity which is at least equal to rising wage costs, unless worsening their competitiveness on the market.

## **2. Analysis of economic and regulatory policies on labour productivity**

The political-trade union debate on the relationship between collective bargaining and labour productivity started to develop in Italy in the 1990s for two reasons: firstly, since

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<sup>32</sup> T. BOERI, A. ICHINO, E. MORETTI, *op. cit.*, similarly C. DELL'ARINGA, *op. cit.*

<sup>33</sup> C. DELL'ARINGA, *op. cit.*

<sup>34</sup> N. ACOCELLA, R. LEONI, *op. cit.*; L. TRONTI, *La crisi di produttività dell'economia italiana: scambio politico ed estensione del mercato*, cit.; AA.VV., *Riforma della contrattazione, produttività, crescita: un dialogo tra economisti*, in *EL*, 2013, n. 3.

early-Nineties labour productivity dynamics began to slowdown; secondly, the income policy of 23<sup>rd</sup> July 1993 responded to an economic policy aiming to contain the rate of inflation through a policy of wage moderation that would be made mostly redundant with the Italy's entry into the Euro. In the mid-1990s, the idea of stimulating the development of decentralized bargaining as a redistributive channel to compensate for NCLAs' wage moderation and making working conditions and wages more flexible in order to incentivize labour productivity gained ground. The Committee of Experts, chaired by Gino Giugni, for the review of the collective bargaining system set down in the 1993 Protocol, called for the following: 'The revision of the collective bargaining system should be carried out with the aim of ensuring a more adaptable system and more 'virtuous' wage dynamics, favouring the progressive decentralization of the processes determining the discipline of labour relations and, in particular, of pay. This objective may be pursued by confirming the existing collective bargaining system built on two levels, but also by reinforcing their functional differentiations. In this context, in virtue of having demonstrated its ability to govern the collective bargaining system as a whole, the national industry-wide agreement would be of notable significance with emphasis placed on its role of regulatory direction and control.

However, the NCLA should provide incentive schemes for greater flexibility in the collective bargaining system, aiming for greater regulatory and remunerative specialization of the decentralized collective agreement; the possibility of bargaining at a territorial level as an alternative to national bargaining, even within the regulatory framework defined by the national collective agreement itself; and a more structured system which makes the NCLA more responsible for specific sub-sector and/or sectoral situations<sup>35</sup>.

Faced with the lack of quantitative and qualitative development of company and territorial collective bargaining in the following years, and in particular from the second half of the 2000s, the development of bargaining decentralization was promoted by Governments and by social partners through three types of instruments: the recognition of greater functional autonomy in second-level bargaining compared to sector bargaining; tax policies and contributory benefits for labour income resulting from territorial and company-level collective agreements; the provision of the so-called "economic element of guarantee" in favour of workers not covered by a decentralized collective agreement (i.e. in the absence of firm-level collective bargaining firms should pay a compensatory wage increased established by NCLAs). These policies for the development of bargaining decentralization were legitimized in the Framework Agreement signed on 22<sup>nd</sup> January 2009, as well as in the subsequent cross-sectoral agreements on the structure of collective bargaining, the result of which has, to date,

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<sup>35</sup> The Commission's final report on the verification of the Protocol of 23rd July 1993, 1997, available on [www.adapt.it](http://www.adapt.it), A-Z Index, entry *Contrattazione collettiva*, section *Documentazione nazionale*.

been represented by the cross-industry (consolidated) agreement on the representation of January 2014.

### **2.1. The poor effectiveness of public policy incentives on productivity bargaining**

The implementation of the three above-mentioned measures has, however, had little effect. In particular, as far as the issue of derogations is concerned, the little available empirical evidence indicates a limited use of legal and contractual opening clauses<sup>36</sup> which permit company-level collective bargaining to modify, though also negatively, the standards set out in the sectoral level collective agreement. In times of crisis in particular, short-time work arrangements have prevailed over the flexible remodelling of economic and regulatory conditions laid down by sectoral level collective bargaining<sup>37</sup>.

As for the other two measures, social partners themselves, on closer inspection, implemented strategies for incentive schemes in favour of the development of decentralized bargaining with the aim of cutting labour costs. In the case of the economic element of guarantee, in many tertiary sectors of the market, representative associations, particularly those of employers, have told companies not to pay this element of remuneration even in the absence of decentralized bargaining (e.g. in the tourism sector), or they have proposed offsets up to the relevant limit where individual remuneration increases were provided unilaterally.

Established in 2008, tax exemption measures have, over the years, contributed to alleviating the tax burden on workers' pay (approximately €202 per employee according to Italian National Pension Institute), although the progressive downsizing of the relative funds, subject to availability using the 'first come, first served' mechanism, has gradually led to reducing the scope of the measure. The effectiveness of cutting taxes related to labour productivity, the leitmotif of the reform of the collective bargaining structure which, from 2010 onwards has prompted governments to use fiscal rebates as incentives for decentralized bargaining, 'applicable only to wage shares laid down by second-level collective agreements'<sup>22</sup>, has been uncertain and, in any case, criticized<sup>38</sup>.

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<sup>36</sup> P. TOMASSETTI, *La contrattazione in deroga nell'industria metalmeccanica lombarda*, in *Giornale di diritto del lavoro e di relazioni industriali*, 2015, n. 147.

<sup>37</sup> P. TOMASSETTI, *Il decentramento contrattuale in Italia: primi profili ricostruttivi di una ricerca empirica*, in *Argomenti di Diritto del Lavoro*, 2014, n. 6.

<sup>38</sup> P. CAMPANELLA, *Decentramento contrattuale e incentivi retributivi nel quadro delle politiche di sostegno alla produttività del lavoro*, Working Paper CSDLE 'Massimo D'Antona'.IT, 2013, n. 185.



The analysis of company-level collective agreements gathered at the ADAPT Observatory reveals that the qualitative structure of the 2016 performance-based bonuses remains virtually unchanged. The substance of the performance-based pay schemes does not differ from that recorded in previous years, confirming the trend for the negotiation of bonus schemes which can be mainly ascribed to the profit sharing category. A recent European Commission recommendation for a Council Recommendation on the 2017 National Reform Programme of Italy and delivering a Council opinion on the 2017 Stability Programme of Italy claims that: “Second-level bargaining is not broadly used. This hampers the efficient allocation of resources and the responsiveness of wages to local economic conditions. This is also due to the existing framework rules and practices for collective bargaining, which entail uncertainty in industrial relations and leave limited scope for local-level bargaining. Tax rebates on productivity-related pay increases have not proved effective in extending the use of second-level bargaining significantly”<sup>39</sup>.

It should also be remembered that the measure has been misused in certain sectors of the economy. In this case we are talking about identical territorial agreements signed solely for the purpose of eliminating the economic reach of NCLAs. This phenomenon has been known about for some time<sup>40</sup>, generated as it was in response to the need to attribute economic benefits which did not fall within the scope of the tax-exemption measure to the system of tax relief. If, however, in previous years, the intention of social partners had been to make economic increases paid to elements regulated by the NCLA (e.g. overtime increases) tax deductible, in 2016 the function of such agreements seems to be largely attributable to the willingness to subject performance-based bonuses defined unilaterally by companies without trade-union representation to a substitute tax of 10%. The other side of the coin is a distortion of the system of industrial relations if it is true not only that territorial representative associations are relegated to a bureaucratic role, but above all that this alters the ratio of tax exemptions aimed at stimulating the meeting of employer and union needs at the local level in order to make territories more competitive by recovering productivity margins and reducing the tax burden on earnings. None of this is found in the provincial agreements analyzed here; nor, presumably, in the companies which, thanks to the aforementioned agreements, will benefit from the tax exemption measures.

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<sup>39</sup> See COM(2017) 511 final, point 22, page 8.

<sup>40</sup> F. FAZIO, M. TIRABOSCHI, *Una occasione mancata per la crescita. Brevi considerazioni a proposito della misura di detassazione del salario di produttività*, in *Boll. ADAPT*, 2011, n. 43; P. PINI, *Produttività, un testo pieno di equivoci*, in *www.rassegna.it*, 19<sup>th</sup> November 2012; P. TOMASSETTI, *Detassazione 2016: il ritorno degli accordi “fotocopia” di livello territoriale*, in *Boll. spec. ADAPT*, 2016, n. 11.

### 3. The views of social partners at a national level

In general, there is a certain amount of convergence between the views of social partners and scientific literature regarding bargaining and labour productivity. The main narrative in the interviews carried out with national social partners is as follows: on the subject of productivity, collective bargaining is an important stimulus, but not the only one, and not even the most important one; investment in education, research, innovation and technology is the most important determinant. A national trade union representative stated that “the real cause of the stagnation of productivity is the decline in investment as well as the saturation of markets which deprives employers of indications about which sectors to invest in. It should also be recalled that an increase in productivity which is not accompanied by an increase in production results in unemployment”.

In other cases, the role that bargaining plays on margins, always assuming the prevailing importance of the other factors which affect productivity, is emphasized. For example, a business representative stated that “the responsibility is also of the collective bargaining system, yes, but obviously there are other further issues which have an influence on the anaemic levels of productivity (innovation, training, etc.). Today collective bargaining can have an effect, exploiting training and wages. Bargaining must invest in training and the quality of work. As regards wages, it is first necessary to make tax exemptions for wage sums flowing from company-level bargaining structural. Collective bargaining, if positive, can then make a contribution to pay increases, thus fuelling consumption and reinvigorating the economic system in this positive view”.

There are also those among the ranks of trade unions who emphasize the preeminent role of collective bargaining, social dialogue and participation in the dynamics of labour productivity: “the solution lies in collective bargaining because it is important to negotiate and consider that the class struggle is no longer in the factory, the company can actually become a heritage and common good. The employer benefits from creating working environments based on the involvement of workers. The solution is bargaining at the workplace; with inflexible laws I cannot solve the problem of productivity. No new laws are needed, but more opportunities for discussion between social partners and intermediate bodies. Regarding the cost of work, today’s tax burden needs to be adjusted. These days to get money businesses have to turn to banks, not all are listed on the stock exchange, so this system needs to be updated. Even then, it would be necessary to view the question in the cultural context of our country. On the other hand, trade unions of today must not be conservative; they must not defend rights gained, but rather value them and be proactive. This change must then be reflected in collective bargaining, which needs to be strong and to offer solutions as opposed to defence”.

Regarding the technical details of the relationship between sectoral level and company-level collective bargaining on the issue of labour productivity, if at first the leitmotif of the long phase of reforming the collective bargaining structure introduced by the 2009 agreement, has been the emphasis on the importance of decentralized bargaining; more

recently, social partners' strategies seem to be being channelled along two different paths according to production sector, where there is a certain convergence of views between employer and union representatives.

On the one hand, in the tertiary sector Confcommercio and industry federations signed a series of agreements – most recently the cross-industry agreement on November 24<sup>th</sup> 2016 – in which, in addition to reiterating the central role played by the NCLA in the market regulation of labour, sectoral level collective bargaining is assigned an important function in the dynamics of labour productivity. On the one hand, through a wage policy which encourages companies to invest in productivity and, on the other hand, through the flexible regulation of some features (timetables and types of contract in particular) which can be directly activated by companies in order to increase labour productivity.

The cross-industry collective agreement of 25<sup>th</sup> November 2016 also marks the overcoming of the CPI (Consumer Price Index) as the only parameter for determining pay increases, recovering some of the programmatic indications contained in the Government-Social Party Agreement of November 2012, as well as in the Cgil, Cisl and Uil proposal, 'A Modern System of Industrial Relations. For a model of development based on innovation and quality of work'. From now on, the NCLAs in the Confcommercio system will also refer to the macroeconomic dynamics and trends of the relevant sector, also identifying objective and shared elements for the valuation of pay increases in light of the above parameters.

Also in the public sector, the agreement between the government and trade unions for the unblocking of the national collective bargaining of November 2016 proposed certain measures to guide the NCLAs towards a regulation more inclined to promote labour productivity, such as via the conversion of seniority pay rises in bonuses related to professionalism or working performance.

In the industrial sectors of the economy, however, with regard to labour productivity, social partners continue to entrust decentralized bargaining with a dominant role while maintaining a clear distinction between the scope of the NCLA concerning wage policy – a tool to protect purchasing power intended to align the minimum wage with the rate of inflation, and that of the company-level collective agreement which continues to have the role of ensuring the link between labour productivity and pay increases.

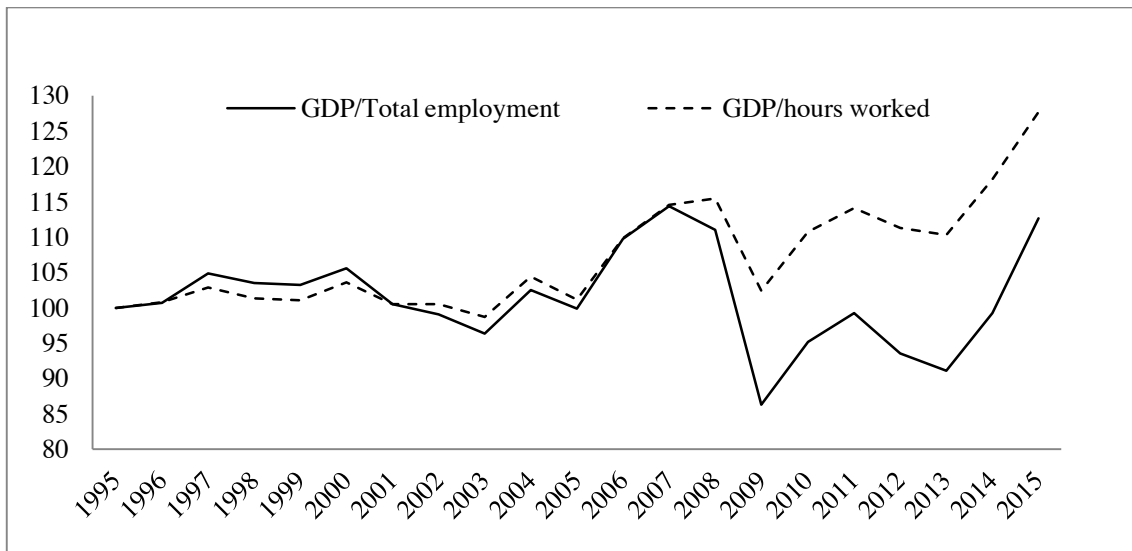
## Section 2. Sectoral analysis

### Part A. The automotive sector

#### 1. Introduction to the sector

##### *Labour productivity trend*

**Figure 1:** Labour productivity in the Italian automotive sector (1995-2015) (1995=100)



**Source:** ADAPT Elaboration of Eurostat data (2016)

The analysis of labour productivity in the automotive industry is based on the following indicators: overall productivity taken from the relationship between the GDP and the number of employees in the sector; the hourly productivity given by the relationship between the GDP and the total number of hours worked in the sector. The chart shows that the trends of the two indicators were more or less aligned until 2007: stable until 2005, then growing between 2005 and 2007. From 2008 onwards the trend of the two indicators has been similar in shape, though their intensity has become considerably

different. The sharp decline in productivity between 2007 and 2009 can be attributed to the first wave of the economic crisis, where the sector's GDP began to shrink causing substantial variations in the employment coefficient recorded in the second half of 2008. At the same time, hourly productivity also decreased but with less intensity due to the reduction in working time resulting from the activation of temporary unemployment compensation (*cassa integrazione*) or solidarity contracts on the part of many automotive companies. The positive trend recorded by the two indicators between 2009 and 2011 was, in both cases, determined by a reduction in the employment coefficient rather than by a genuine increase in productivity (which was marginal). The second wave of the economic crisis (2011-2012) produced another sharp fall in the value of the two indicators with similar dynamics to those described above, though a new phase of growth driven by the slight recovery in productivity and a further decline in employment then began.

#### *Contractual arrangements and industrial relations in the sector*

The majority of automotive companies, excluding those belonging to the FCA group and some of its associated companies, apply the national collective agreement of the metalworking industry, signed by Federmeccanica, Assital, Fiom-Cgil, Fim-Cisl and Uilm-Uil. In recent years, however, industrial relations in the metalworking industry have begun to disintegrate and this has led to the rapid multiplication of collective bargaining systems which are in serious competition with one another. Together with Federmeccanica's exit from the FCA group and the respective national collective agreement, not only was Confimi created as the fourth competing party for the representation of small and medium-sized enterprises in the manufacturing sector, but also the trade union front split. Consequently, a single commodity-related sector is now being regulated by three different collective agreements in addition to that of Federmeccanica: NCLA Confimi Impresa Meccanica, Fim-Cisl, Uilm-Uil; NCLA Unionmeccanica, Fiom-Cgil; FCA collective agreement, Fim-Cisl, Uilm-Uil, Ugl-Metalmeccanici, Fismic, Quadri Fiat. In the rest of this paper, however, we shall refer to the national collective agreement of the metalworking industry, which was renewed on November 26, 2016 (hereinafter referred to as the metalworking NCLA).

Regarding the structure of the contractual system, the metalworking NCLA expressly requires company collective bargaining to deal with 'matters delegated, in whole or in part, by the national collective agreement or by the law' in line with the criteria and modalities indicated therein. The sectors' social partners therefore outline a model of organized decentralization, recognizing, however, considerable room for autonomy in the company-level collective bargaining. Article 5, Section III of the metalworking NCLA, entitled 'Agreed modifications to the NCLA', states that 'in order to promote economic and employment development by creating useful conditions and new investments or to launch new initiatives, or better, in order to contain the economic and

employment effects arising from situations of company crisis, specific modifications, even experimentally or temporarily, can be made to one or more elements governed by the NCLA and the agreements referred to therein'. Such agreements, in order to be valid and effective, must comply with the following procedures:

- (A) they must be defined at the company level with the assistance of employers' associations and the local representatives of the relevant trade unions;
- (B) they must indicate the goals to be accomplished, the duration (in the case of an experimental or temporary measure), the exact references to the articles of the NCLA being amended, the arrangements made to guarantee the eligibility of the agreement with measures to be fulfilled by both parties;
- (C) they cannot relate to wage-tariff minimums, seniority pay and the economic element of guarantee, as well as individual rights deriving from legally binding regulations;
- (D) where promoted by multi-localized companies, the employers' associations and local trade-union representatives must arrange appropriate means of coordination wherever necessary;
- (E) in order to be valid, they must be communicated to the NCLA parties and, in the absence of a decision, after 20 calendar days from receiving them, will enter into effect and modify the relevant NCLA clauses for the matters and duration defined.

#### *The point of view of social parties*

Regarding the relationship between bargaining and productivity, the views of employers' associations and trade-union representatives in the automotive sector focus on the factors affecting the cost of labour. In both cases it is seen as important to ensure the alignment of labour costs and productivity. However, employers' representatives tend to emphasize the importance of the wage component for labour costs and therefore propose a reform of the contractual arrangements in order to establish a better correspondence between wage levels and economic performance. On this point, in its Industrial Relations Manifesto, Federmeccanica stated that the priority was to review the architecture of the collective bargaining system in order to link wages to productivity trends, as well as to define a system providing company-level collective bargaining with the possibility of economic derogation from the national collective agreement.

Trade-union organizations are, however, of a different opinion. A Fim-Cisl representative, for example, stated that "bargaining is important but it is just one of the components of a manifold system. Making the cost of labour per unit produced coincide with wages is a big mistake. On average, wages do not exceed 15% of the cost of labour per unit produced. We have the paradox of the lowest wages in Europe with the highest cost of labour per unit produced. Bargaining as we did during the economic crisis can deal with job organization, skills and investment, and in that case, it has a formidable role as it recreates a certain amount of trust which serves as a guarantee for everything –

investment, wages and employment – through productivity gains. In FCA, bargaining and WCM made labour organization, technology and training possible, thus controlling the use technology so that it was able to have an effect on the other two and productivity gains would be the same but without adversely affecting employment. A collective bargaining system in which the two levels mimic each other certainly does not work. *Ne bis in idem*. They must have different and specific roles, otherwise neither will work”.

In the same vein, a Uilm-Uil representative stated that “the role of collective bargaining in the revival of productivity, which actually depends on a number of elements, has been overstated. Other factors, such as the specialization of resources, have also come into play. What collective bargaining can do is accompany business reorganization processes, for example in situations of economic crisis, and redistribute the wealth deriving from productivity and competitiveness through variable payments which also motivate workers to participate in the company’s performance. On the other hand, variable and productivity-related bonuses must, however, be based around a mechanism which shares resources and data to make the workers included. Trade unions also have responsibilities in this area, in that, with a strong egalitarian spirit, they tend to maintain non-elastic wages, therefore keeping them equal for everyone. These two factors have meant that variable bonuses have not been a mechanism for employee participation in the objectives with underlie them”.

## **2. Pay**

### *National collective agreement*

Most automotive companies, with the exception of those belonging to the FCA group and some of its associated companies, apply the national collective agreement of the metalworking industry. As of 2017, increases to the minimum wage are no longer negotiated *ex ante*, but instead calculated *ex post*, taking into account actual inflationary dynamics. The rate of inflation is therefore the most important factor in the definition of increments to the minimum wage, with the premise that the national collective agreement is entrusted with the task of safeguarding workers’ purchasing power.

Employment dynamics, sectoral productivity and other macroeconomic indicators have little effect on the determination of pay rises established by the NCLA: the parties take them into consideration in the negotiation phase. Quality, productivity, profitability and the efficiency of work and production processes are entirely devolved to wage dynamics within the company. The only exception is the economic recognition of the professionalism demonstrated by workers. The renewal of the metalworkers’ NCLA of 2009 (explanatory note in the 3<sup>rd</sup> category, Section IV, Title II, NCLA for the metalworking industry) stated that those workers referred to in the first subsection of the declaratory of the 3<sup>rd</sup> category, are identified as having gained lengthy work experience within the company, work steadily on a variety of tasks with a practical ability to

collaborate in coordination with others both superior and inferior to them for the improvement of processes or product and for the best development of professional business skills.

Although the rules governing contractual arrangements have promoted, since 1993, second level remuneration commensurate with companies' economic performances, the metalworkers' national collective agreement does not prevent company-level collective bargaining from establishing fixed pay rises such as collective bonuses and one-off payments. However, the renewal of 2016 stated that increases in the minimum wage should absorb individual increases (unless there are specific non-absorption clauses) and fixed elements of salary (with the exception of those amounts strictly related to work performance such as compensation or supplements for over-time, night or holiday work), which may eventually be agreed upon in company-level collective bargaining after January 1, 2017. Furthermore, in order to give further impetus to company-level collective bargaining in determining wages consistent with the economic performance of the company, the 2016 metalworkers' NCLA stated that the amounts of performance-related bonuses cannot be determined *a priori* and must be wholly variable depending on the goals achieved by the company.

#### *Company-level collective bargaining*

Notwithstanding the division of competences between the NCLA and the second-level collective agreement, in practice company collective bargaining makes widespread use of fixed-rate pay rises in the form of collective bonuses and one-off payments, monthly extras and fixed bonuses. Furthermore, performance-related bonuses, where agreed, are characterized by a low degree of variability and are primarily linked to productivity and quality indexes assessed on a collective basis. Overall, wage bargaining in the automotive industry tends to play a more distributive role as opposed to providing a real incentive for good quality and productive work.

#### *Case study: Fiat-Chrysler Automotive (FCA)*

In addition to the basic pay, which is fixed monthly according to the level of classification, FCA workers' wages are also characterized by additional economic elements of various kinds. The variable part of their pay is linked to efficiency targets and goals associated with the 2015-2018 Business Plan, plus individual incentives related to presence and performance.

In greater detail, the first element is paid annually and is calculated on the basis of the productive efficiency of the respective sites, then compared to the level achieved by the same site in World Class Manufacturing (WCM) (no status if WCM activities have not yet been tested at a given site, bronze if the WCM system is implemented at 75%, silver if it is implemented at 100%, gold if the WCM system is implemented at 120%).



Depending on the percentage of efficiency gained, designed to reduce processing and production costs of the plant compared to the previous year, then intersected with the WCM level of the site, workers receive an increase in their basic pay. By way of example, employees in a gold establishment with an efficiency gain of more than 6.5% will see their pay increased by 7.2%; conversely, workers in a bronze establishment which records efficiency gains of between 4.6% and 5.4% will receive an increase of 2.88%.

The second variable element of pay is related to meeting the profitability targets set down in the 2015-2018 Business Plan. More importantly, it is linked to the achievement of the FCA Group's EMEA (Europe, Middle East and Africa) results, subject to certification by an external auditor. Despite the four-year nature of the Business Plan, part of this remuneration, equal to 6% of the employee's basic salary, is guaranteed quarterly. The amount paid at the end of the Plan, however, varies according to the percentage of achievement of the EMEA Operational Result Objective, and could result in an increase in the employee's basic salary of between 2% and 14%.

All workers have a productivity incentive designed to measure individual contributions considering the employee's actual performance and calculated on an hourly basis. Therefore, the productivity incentive is linked to the number of absences and those made up in the month before that in question. Workers belonging to the fifth, fourth, and third professional categories also have performance-related incentives associated with the hours of actual activity for predetermined times, i.e. in relation to activities carried out on those production systems which are characterized by standard working times and rhythms.

Lastly, it should be noted that the FCA system provides for automatic pay increases, such as periodic seniority increases. These are paid out for every two years of service accrued at the company and range from €21.59 (fifth group, band 1) to €40.96 (1st group), or from €25.05 (first area) to €39.10 (third band) for the staff of the FCA Group employed after July 2015.

#### *Case study: Ducati*

In order to enhance the uniqueness and specificity of some of the organization's key resources, the Ducati collective agreement also provides for the adoption of individual bonuses, which allows them to personalize career paths and individual wages, thus ensuring greater employee empowerment with respect to their duties and role within the company as well as providing an incentive for skills and competences. One element of particular interest within the individual bonus system is represented by the elements of versatility and multi-functionality, where the notion of employee participation is strongly present. There are several levels (ranging from 'basic versatility' to 'high multi-functionality') associated with various bonuses. The versatility level is attributed using an algorithm which takes into account a Complexity Index (ICA) – considering

the complexity of the operations known by the worker and the number of transactions he or she is capable of performing – and a Competence Index (IC) – which takes into account the degree of the worker's autonomy in carrying out tasks and his or her ability to solve problems, relational and teamwork skills, ability to adapt to change and technical/organizational level. The combination of these two indices determines the Versatility/Multi-functionality Index.

Each stage of product processing is awarded a score and the sum of these scores affects the indices and thus the total value of the Versatility/Multi-functionality Index. In order to increase versatility, the company collective agreement also provides for compulsory hours of training and refresher course on topics related to new technology, new products and qualities that will be carried out during working hours and in periods of low activity.

*Case study: Same Deutz Fahr*

The Same Deutz Fahr collective agreement has established a performance-related bonus calculated according to six parameters which include three types of indicator: industrial, labour market continuity and profitability.

Three parameters of the industrial indicators are related to the quality of the production process. The first is based on the stock of incomplete tractors and is calculated monthly: the amount of the bonus gradually decreases as the stock of incomplete tractors increases, considering the monthly average. More specifically, the agreement identifies various numerical batches of incomplete tractors, to which a given performance value is linked each month. The number of incomplete tractors in the month is then linked to one of these bands and the amount of the bonus is calculated.

If there are more than 90 incomplete tractors because of the same component code, they are not taken into account when calculating bonuses. The second parameter relates to the quality of the product: the system assumes that the performance-related bonus is calculated monthly and that it diminishes in proportion to the increase in the defect rate of the products. The defect rate is measured through quality audits, which are carried out every month on a sample of four randomly selected finished tractors. The results of the audit must then be submitted for approval by the Joint Quality Audit Commission. They are then added to one of the percentage defect bands established by the agreement, each of which corresponds to a given monthly bonus. The third parameter concerns internal quality and is calculated in relation to the flow of tractors sent for repairs. Each band identified in the agreement corresponds to a certain monthly performance-related bonus which decreases according to some criteria. Finally, the monthly value of the bonus either decreases or increases on the basis of the number of injuries in the workplace and the results of security audits.

The Work Continuity Indicator links a part of the performance-related bonus to the worker's attendance rate. This component of the bonus increases progressively

according to the number of attendances on Mondays and Fridays in the month. Further additions can be made if a Monday or Friday coincides with a 9-hour day or a public holiday. The agreement also specifies the hours considered as attendance.

Regarding the profitability parameter, increases to the performance-related bonus can be made in proportion to the increase in the EBITDA rate. In the agreement, there are several percentage bands of the EBITDA value, each of which corresponds to a certain bonus figure. The established EBITDA value is then transferred back to one of the predetermined bands, thus resulting in the payment of the bonus. An EBITDA value of 7% is required in order to receive the minimum bonus value.

### **3. Participation and involvement**

#### *National collective agreement*

The introduction to the national collective agreement for the metalworking industry attributes to the collective autonomy of the parties a primary role in the management of industrial relations through the development of the participatory method at different levels and using different means. Regarding the participatory approach, the parties also recognize an essential role in conflict prevention and that they should behave in a manner 'consistent with business competitiveness goals and the promotion of industrial work'. To this end, the NCLA establishes several joint observers, joint committees and bilateral bodies with expertise in study and research, vocational training, equal opportunities and immigration. In addition, the NCLA reserves wide scope for the discipline of trade-union privileges, as well as the right to information and consultation at the company.

#### *Company-level collective bargaining*

Organizational participation is the most frequently negotiated matter in the company after salary. The collective agreements analysed govern clauses which, in general, improve the content with respect to the provisions in the law with reference to information and consultation rights at the production unit level. Furthermore, different agreements establish and regulate joint commissions with specific functions relating to particular elements or topics (e.g., training, health and safety, equal opportunities).

#### *Case study: Fiat-Chrysler Automotive (FCA)*

The FCA CNH collective agreement provides in particular for a National Joint Commission composed of the employer and a trade-union representative for each trade union which has signed the agreement. This commission is primarily responsible for

resolving any disputes arising from the application of the contractual provisions. Again, in light of the same agreement, the parties have set up a Commission of workplace union representatives, that is, a single trade-union body, which, within the production unit, is entitled to discuss contractual rules with the company's management and to activate trade-union protection measures. Strike proclamations, in particular, must be approved in advance by the commission with an absolute majority.

*Case study: Motori Minarelli*

The parts of Minarelli's collective agreement share the goal of pursuing a continuous improvement in organizational processes and, with them, improving profitability, productivity, quality and efficiency, and, consequently, enhancing the company's competitiveness. To this end, a Bilateral Technical Commission (BTC) for consultation and proposals aimed at analysing specific issues highlighted by the parties, while respecting their various roles and responsibilities, will be constituted experimentally. Its objective is to detect any criticalities and problems and to examine possible corrective actions, also on the basis of proposals made by the trade union, to improve working conditions, relating to the quality of both process and product, through an increase in efficiency and a reduction of waste. During meetings, the company undertakes to provide all the necessary information regarding the organizational methodologies adopted. The BTC is made up of three actual components and one supplementary one, all members of the unitary workplace union body designated by trade-union organizations, who may, on specific issues and in agreement with the company's representatives, in their role as 'experts' be aided by a maximum of two employees from the department and/or production process, as well as by three people designated by company management. The members of the BTC will have 90 hours a year at their disposal for meetings convened on their own initiative.

*Case study: Ducati*

Ducati's collective agreement states that the 'work organization' Bilateral Technical Commission should establish workshops founded on the Kaizen principles. The Kaizen Improvement Groups (KIG) were introduced in order to improve the organization and working conditions within the company, as well as to ensure a saving which can be redistributed amongst workers in the form of a performance-related bonus. Thanks to their ability to act as a catalyst for the skills of the workers involved, these groups also have a decisive role in the process of implementing participation models in the company. According to the agreement, the groups are formed through the relevant Bilateral Technical Commission, which appoints participants and assigns goals; the bilateral nature of the responsible committee ensures that issues analysed by the group will be shared with the workers' representatives.

Expert members are permanently present in the Improvement Groups; however, in line with the Kaizen principles, anyone in the company can be consulted for a particular reason or for temporary support in the process of developing innovative proposals. A ‘facilitator’ who maintains good relationships between the groups and the rest of the organization and those within the group itself is also present. The facilitator trains the leader and supports groups and circles in correctly applying the Kaizen method and problem-solving tools. KIGs are therefore also an important way for workers to participate, first-hand, or with advice and suggestions, in the improvement of their working conditions and, in a broad sense, in the productivity of the company. The aims and objectives of the KIGs are supported by four conceptual foundations which set down the specific implementation to the Group Working Relationships Charter. The first concerns serious improvement in the factory in the sense of an organization, not just a machine, where the various parts cooperate to generate synergy between the technological and functional components and the ‘system organism’. The second, direct derivation of the principles contained in the Charter is represented by the trifold ‘problem/solution/cost’ management model, according to which each problem has a corresponding effect and the primary origin of its cause could be found anywhere in the company. Furthermore, the effect is often felt in an area which is relatively distant from the cause (in this systemic view of the company no worker, area, department or office is ever theoretically excluded from the work of the KIG and any one of them may therefore be called upon to cooperate in solving problems). Again, in line with the founding principles of participation, the third concept concerns guaranteeing the issues of freedom and freedom of thought within the working group: to this end, participants are called upon to address matters for improvement (contributing constructively with their professionalism and knowledge, and freely expressing their ideas), with respect to the processes that they are familiar with, with the sole aim of promoting the sustainable development of the company. In this context, the contributions made by each individual within the group will be summarized together in the minutes. Finally, the fourth reference concerns the quantity and quality of participation and involvement of workers in the KIGs.

#### **4. The organization of work**

##### *National collective agreement*

The national collective agreement intervenes in several elements regarding the organization of work. Firstly, by disciplining the staff classification system. The staff classification system used in the metalworkers’ NCLA for workers, employees and executive staff, consists of ten professional levels (including executives) and the same number of wage levels. Each category has its own professional profile. This system of

professional classification, which dates back to 1973, is currently under review in order to arrive at new declaratory definitions which take account of changes which have occurred in the organization of work and which have become more rapid following the digitalization of production. The aim is to complete this review before the next contractual renewal on December 31, 2019. Secondly, the NCLA regulates the terms and conditions of various contractual types: in particular, there is a detailed discipline of fixed-term, apprenticeship and part-time contracts. Regarding elements of work organization, working time is that which is most directly linked to productivity.

These references are to the discipline of specific turnaround schemes provided for specific types of company, the discipline of certain time-varying arrangements which enable the company to align working hours with productivity trends as well as to the possibility to make use of certain elements to cope with productivity requirements, such as the amount of paid annual leave which can be used for organizational/managerial needs, or the number overtime hours that can be requested directly by company management. Lastly, the article of the collective agreement governing the economic treatment of those with illnesses was rewritten in the contractual renewal of 2012. In order to discourage the incorrect exploitation of illness, the agreement states that from the fourth day of a short illness pay gradually decreases to 50% over the course of one year. Every year the situation is ‘reset’ and starts again. Absences due to hospital admission, day hospital, Cooley’s disease, neoplasms, hepatitis B and C, severe cardiovascular diseases, haemodialysis, related therapeutic treatments and any pregnancy-related illnesses are not considered.

#### *Company-level collective bargaining*

The organization of work is commonly dealt with in company-level collective bargaining. Shifts, leaves and overtime are some of the most frequently regulated elements. These elements have already been extensively regulated in the national collective agreement and, therefore, company bargaining mostly governs specific and adaptive matters with respect to certain productivity requirements. Company-level collective bargaining intervenes less frequently in matters of staff classification and contractual types.

#### *Case study: Sole Oderzo*

In order to encourage an investment plan, the parties provided for the adoption in certain departments of a 6x6 shift, designed to promote a better development of production potential. The new rota is based on six-hour shifts six days per week. The agreement regulates the weekly timetable with an average of 139 hours worked over a period of four weeks. In order to ensure the invariance of the weekly working time, given the four-hour difference (36 hours worked per week rather than the 40 hours

worked in other departments), workers on the 6x6 rota will not mature paid annual leave provided by the NCLA, nor will they receive leave for the patron saint's holiday, a day which would normally be paid. This timetable enables workers to remain operative, without interruptions to their working rhythm, throughout the day (six hours), in full compliance with Legislative Decree no. 66/2003, according to which breaks must be granted if the daily working time exceeds six hours.

*Case study: Cobra Automotive Technologies*

This agreement was signed as a response to the need for an increase in the company's production capacity as a result of increases in customer orders which had not been considered in the company's budget. The production management therefore agreed with workers' representatives to reduce operators' lunch-breaks from half an hour to ten minutes in an eight-hour shift, with two additional short breaks of ten minutes left over, so as to ensure a minimum total break of 30 minutes for each operator. This agreement represents a derogation from the NCLA, which provides a half-hour paid lunch-break for shift workers, as well as a previous company agreement which established two ten-minute breaks in addition to the 30-minute interval agreed in the national contract.

*Case study: Same Deutz Fahr*

The national collective agreement recognizes the right of the company to request a sum of so-called 'production overtime' hours, including on Saturdays, without having to inform the unitary workplace union body. For greater protection of personnel involved in the execution of overtime production work, the Same Deutz Fahr collective agreement introduces a number of conditions including a minimum of 15 days' notice to the unitary workplace union body and a request for minimum four-hour standard from Monday to Thursday. In the face of such constraints with which the company is required to comply, the agreement states that where overtime is not worked on the basis of direct or indirect trade-union initiatives, the parties will meet promptly in order to define the means of recovery of overtime hours not worked, which must occur within 15 days, subject to the above limitations. In the event that an agreement is not reached regarding how the overtime hours mentioned above are to be made up, the payment of the first relevant balance of industrial indicators and performance-related bonuses will be made.

## 5. Inclusion and diversity

### *National collective agreement*

The theme of inclusion and diversity is not explicitly covered in the metalworkers' NCLA. The only exception is found in Art. 6, Section I, of the NCLA, which provides for the establishment at national level of a 'Commission for the Integration of Migrant Workers' formed by trade-union and employer representatives, with the aim of identifying initiatives aimed at promoting integration and a cultural understanding of migrant workers. Nonetheless, several elements governed by the NCLA do work, for example, to ensure the better management and reconciliation of the work-life balance, with particular regard to certain requirements (e.g. parental leave) or categories of workers (e.g. workers suffering from chronic illnesses), thus favouring their inclusion in the working environment. For example, the NCLA makes it compulsory to give priority to requests for the transformation of full-time contracts into part-time contracts made by workers with health problems or family issues. Furthermore, the NCLA recognizes the possibility of subdividing unpaid leave at the end of a period of treatment for health reasons.

Again, in the field of illness, the 2012 contractual renewal provided particularly favourable remuneration for those suffering from a long-term or hospital-related illness and disease, simultaneously reducing that for short-term and recurrent disease, starting from the fourth event unrelated to disease or hospitalization. The NCLA also regulates the right to transform full-time, horizontal or vertical part-time employment, as well as its reversibility on request, in the case of 'serious illness requiring life-saving treatment', and the right for companies with more than 100 employees and for up to 4% of the staff, to turn their contracts into part-time ones in the case of motivated and duly documented requests due to the need to assist seriously ill or disabled parents, spouses or cohabitants, children and other family members without any alternative means of assistance'.

### *Company-level collective bargaining*

There are no widespread contractual provisions directly addressing the inclusion and management of diversity in the automotive sector's company-level collective bargaining. These issues are primarily dealt with by unilaterally managed HR policies. In the majority of cases, contractual interventions deal with aspects of work-life balance regarding parental status, family care and training. The issue of equal opportunities also tends to be managed outside contractual policies.



*Case study: Ducati*

The supplementary part of the Ducati collective agreement devotes considerable space to the discipline of those elements associated with the status of parents, generally with a view to achieving a balance between working life and childcare commitments. In substance, the parties agree that each new father will receive eight hours of additional leave in accordance with regulations for a total of 16 hours per child. Aware of the importance of offering employees' assistance with childcare, the parties also undertake to offer each worker with an ISEE income of no more than €17,000, a bonus of €350 for each year that the child attends nursery. Parental leave can also be taken on an hourly basis, with five-working days' notice. During the period of leave, the employees will receive their salary plus an extra 10%. Finally, the agreement stipulates that every employee will receive eight hours, in addition to the 25 hours established by law and through bargaining, for medical visits of children aged between three and eight years.

*Case study: Lamborghini*

The Lamborghini collective agreement also provides a series of provisions aimed at achieving a better work-life balance, with particular regard to parenting and the acquisition of qualifications. To parents absent from work due to caring for their child, the company recognizes an integration of the percentage of salary paid by the Italian National Pension Institute (INPS) for children up to the age of three years. In addition to the provisions stipulated by law, the company provides pay for the first two days of child's sick leave for children up to eight years old. They also give 100 hours of paid leave for the preparation and drafting of a worker's degree thesis.

*Case study: Brembo*

Brembo's collective agreement establishes an 'Equal Opportunities, Integration and Family Policies Committee', responsible for developing and initiating the following: an assessment of the knowledge of the code of ethics on sites with the greatest presence of foreign staff; a detailed site-level analysis by gathering specific instructions from staff in order to compile a report to be submitted to staff management who will supplement the foreign language information already provided in the NCLA, including through the eventual dissemination of specific bilingual documentation developed with the support of Confindustria Bergamo; the setting up and activation of a comparison procedure between the site's unitary union body and management for the detailed illustration of specific and proven discriminatory behaviour that may have occurred in department offices, supported by testimonial or documentary evidence. Once the information has been acquired, the staff manager reserves the right to initiate a meeting involving the parties concerned within 30 days of the completion of the inquiry, which may also

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attempt to arrive at a conciliation. Only if this procedure fails can one activate other forms of protection provided for in the agreement or in equal opportunities legislation.

## Part B. The retail sector

### 1. Introduction to the sector

#### *Labour productivity trend*

**Figure 1:** Labour productivity in the Italian retail sector (1995-2015) (1995=100)



**Source:** ADAPT elaboration of Eurostat data (2016)

Labour productivity growth in the retail sector (the relationship between GDP and number of employees) remained broadly linear between 1995 and 2007, then fell by about 10 percentage points between 2008 and 2009, coinciding with the outbreak of the economic crisis. Consider that the data refer to both wholesale and retail trade where small businesses also operate. Even if we disaggregate the wholesale trade data the productivity trend remains largely unchanged over time.

#### *Contractual arrangements and industrial relations in the sector*

The representation of large-scale companies has historically coexisted in the confederal system of *Confcommercio* and, notably, in the national collective agreement for the tertiary, retail and services industries (i.e. the so-called “Commerce” contract), a contract which extends its scope to multiple commercial and advanced tertiary activities. A process of collective bargaining decentralization was triggered when *Federdistribuzione* left *Confcommercio* and separate negotiating tables were

consequently opened for the renewal of the tertiary sector's NCLA, on the one hand, and for the signing of a specific NCLA for the retail sector, on the other. This phase then activated a process of disintegration of the system of representation in mass market retail companies, also marked by the transition of two associations (Aires and Assofranchising) from Federdistribuzione to Confcommercio, which, at the time of the division, had already managed to hang on to several important companies in the food retailing sector. The system of representation in the Italian retail sector is therefore characterized by the coexistence of several organizations which insist on the same, potential, associative base and which are in competition with each other: in addition to the affiliate associations belonging to Confcommercio and Federdistribuzione, other mass market retail companies represented by cooperative associations and Confesercenti are also represented. This complexity is accompanied by the spread of alternative and low-cost collective agreements signed by trade unions and employers of dubious representativeness.

Federdistribuzione is currently trying to define a new collective bargaining system in which the sector's trade unions are able to make the organization of work more flexible and better suited to the specificities of the companies they represent. Among other things, this association is trying to get rid of the automatism provided by the current collective agreement and to obtain more flexible wage dynamics. However, since this new sector collective agreement has not yet been signed, this analysis will take into account the tertiary, retail and services the NCLA signed by Confcommercio together with Filcams-Cgil, Fisascat-Cisl, Uiltucs-Uil. In reality, even companies belonging to Federdistribuzione continue to apply the tertiary NCLA, albeit in the version which preceded the last contractual renewal.

In the retail sector, the relationships between the national collective agreement and the company-level collective bargaining ~~contract~~ are regulated according to an organized decentralization model. Second-level bargaining (including company bargaining) is exercised exclusively for matters delegated – in whole or in part – by the NCLA or by the law. However, delegation to the second level is subject to one condition: it must cover matters and elements that have not been negotiated at a national level, according to the *ne bis in idem* principle. Consequently, the delegation technique is used, as this is a controlled model of decentralization. In this way, there is a certain relationship of interdependence between the national collective agreement and the company level collective agreement.

On this point, the national collective agreement stipulates that at the second level of company bargaining, companies that have – in more than one decentralized unit within the same province – more than 30 employees, can make agreements regarding matters expressly delegated by the NCLA. The company level can also be used to reach agreements aimed at improving productivity levels, competitiveness and efficiency of the company, for certain specific topics, namely: all employment contractual types excluding that of apprenticeships; classification, promotions, recruitment, trial periods,

paid leave and holiday. This is clearly a particularly broad delegation, which could lead to rather incisive measures regarding significant matters such as those mentioned above. Company bargaining nonetheless remains subject to a final check on the part of the signatories of the NCLA: in fact, the national collective agreement states that second-level bargaining must 'be carried out with the involvement of the local trade-union organizations or members of national organizations and, for employers, of the regional association adhering to Confcommercio.

### *The point of view of social partners*

The cross-industry agreement of 24<sup>th</sup> November 2016 between Confcommercio, Cgil, Cisl and Uil marked an important milestone in the evolution of industrial relations and collective bargaining in a macro-sector which represents the country's main employment area. Nevertheless, many modern and organized retail companies are not part of the aforesaid agreement, due to their being associated with Federdistribuzione which left the Confcommercio associative system. Confcommercio, Cgil, Cisl and Uil did not hesitate in assigning the NCLA the role of leader in the governance of the labour market and manufacturing systems associated with Confcommercio, also with a view to increasing labour productivity. Regarding this point, it is clearly stated that the NCLA 'does not merely set minimum wages, but is also the document in which flexibility and productivity measures are agreed, which can be immediately activated by companies, adapted to the evolution of the organizational, regulatory and economic framework and thus give certainty to the world of work by responding to new requirements'. The provisions of the agreement are consistent with this vision and define the structure of the system of industrial relations which, while allowing a generous amount of autonomy for decentralized bargaining, revolves around the NCLA. This view of the function and role of the various contractual levels corresponds to the answers provided by the interviewees.

According to an employer representative in the industry, concerning low productivity in Italy, 'bargaining has a certain amount of responsibility because there are numerous co-existing problems. The solution must lead the collective bargaining system to allowing national bargaining to include measures which can have a direct impact on productivity. For example, there is an enormous gap between hours paid and hours worked, but it could be reduced by making certain elements more flexible, without necessarily having to go through further negotiation. An example of this is the flexibility of weekly timetables, which makes it possible to reduce the burden of overtime. From this point of view, national collective bargaining could ensure that particular elements are immediately made more flexible. Second-level collective bargaining could be permitted to intervene, but only where clearly necessary. Secondly, you have to be careful about who signs the agreements, and we are once again faced with the problem of measuring representativeness. This means that I must understand who is signing what, and who

they represent. This second aspect would be a factor of certainty, because, unlike, for example, what was permitted by art. 8 of Law No. 148/2011, we cannot all write the rules the way we want. Therefore, in addition to what was said initially regarding flexibility margins directly managed by national collective bargaining, we now need rules to govern representation in order to make the collective bargaining system adaptable and therefore effective’.

According to a trade-union representative, ‘productivity losses characterize the 2000s rather than the 1990s. It is no coincidence that globalization has greatly worsened the situation: previously, losses made in terms of productivity, compared to those recorded by our major competitors, were limited. Today, however, the problem is more serious, and there are two ways to resolve it: investing in infrastructure and modern industrial policy, or moderating wages. In Europe, and especially in Italy, the most viable route, which has indeed been taken, is the second. We have, therefore, tried to recover productivity losses through the reduction of wages, and that is why many national collective agreements are either not renewed or encounter obstacles’.

## **2. Pay**

### *National collective agreement*

Wage bargaining in the retail sector is split into two complementary levels and according to a precise division of competences. Both the sector collective agreement and the cross-industry agreement of November 24, 2016, explicitly limit the economic scope of decentralized collective bargaining to the variable bonuses paid as a result of an actual increase in productivity and the quality of work. The economic function assigned to the NCLA, however, has historically been to protect the purchasing power of workers. If inflation has traditionally thus been the main indicator for the negotiation of pay rises at national level, the aforementioned cross-industry agreement states that renewals will also take account of macroeconomic dynamics and sector trends, including those related to labour productivity.

### *Company-level collective bargaining*

The economic crisis led to a drastic fall in consumption over the last five years and its repercussions for the retail and wholesale sectors included a significant reduction in margins. The change in consumer habits, motivated particularly by the reduction in spending, forced mass-market retail operators to reorganize their trading structures. Various companies were therefore able to shift part of their losses to management costs, resorting to the practice of terminating collective agreements early. Contractual renewals arising from this scenario were typically characterized by retrenchment

measures on labour costs, in the form of entrance-level salaries, flexible bonuses, the rationalization of economic increases for Sundays, bank holidays and night-work. In spite of this, company bargaining in the retail sector continued to represent a source of pay rises respect to the minimum wages set out in the NCLA.

*Case study: Apple*

The Apple Store's collective agreement includes certain forms of compensation and bonuses aimed at encouraging workers' adherence to the various flexibility schedules provided by the agreement. *Flexibility bonus*: in order to encourage flexibility, the company agreement provides for an annual allowance of € 180.00 gross (12 payments of € 15.00 each), subject 10% reduced taxation provided there is 70% adherence to the flexibility scheme for each point of sale. *Working hour-bank bonus*: the company agreement provides for a payment of €18.00 gross, subject to 10% tax on the condition that 2000 receipts/invoices are issued for each 48-hour week. *Sunday working increase*: the company collective agreement obligates the company to pay 50% extra for all Sundays worked. A reduced taxation of 10% will be granted if there 35 Sunday-openings in a year or if 350 receipts/invoices are issued.

*Case study: Carrefour*

The parties agree to set up an incentive system for permanent employees and apprentices, conditioned to the achievement of the profitability goals provided for in the company budget. For this purpose, each year a determined amount is allocated on the basis of the most favourable of the following options: 1.5% of the increase made on to the previous year's gross annual income at a constant group VAT rate; 1% of the gross annual turnover (the maximum per capita is € 800.00 per annum). If the group's annual turnover is less than that of the previous year or that predicted in the budget, the variable productivity-related bonus is not payable.

In any case, the total amount per capita of the bonus is made up of one of the two sums above divided by the total number of employees. The payment of the bonus is, however, re-proportioned to the actual presence of the worker during the year (also taking into account absences due to accidents at work, illness, holiday, paid leave and compulsory maternity leave). There is also an extra 30% in addition to that established in the NCLA for overtime, Sundays and holidays worked over the Christmas period.

*Case study: Metro*

The variable remuneration of Metro Italia Cash and Carry employees is divided into 3 parameters valid for all sales outlets, i.e.: sales (20%); customer purchasing (40%); customer satisfaction (40%). The sales parameter is the key quantitative indicator as it is

representative of the economic performance of the sales outlet in the territorial context in which it is located. The customer purchasing parameter takes into account the company's growing focus on the more strategic customers for business development. The fundamental principle behind the customer satisfaction parameter is that improvement in this field does not only mean an improvement in the relationship with customers and increasing finalization, but also a positive impact on the company's results because, if customers are satisfied, they are more likely to buy more both in terms of quantity and frequency.

### **3. Participation and involvement**

#### *National collective agreement*

The national collective agreement uses a complex system of information and consultation of workers' representatives structured on national, regional and company levels. There is also an important network of bilateral institutions and joint committees, which, basically, pursue the goal of ensuring the common and shared management of the collective agreement and governance of labour market dynamics.

#### *Company-level collective bargaining*

As regards company-level collective bargaining, the theme of participation and involvement is reflected in the rules governing the system of industrial relations. The majority of companies in the sector, being structured and multi-localized, use a dual level of confrontation with union representatives, structured on a national and decentralized basis.

#### *Case study: Metro*

Metro's collective agreement establishes a Joint Productivity Committee, which also includes representatives of national trade unions. The data and information which are the subject of their discussions regarding productivity mechanisms generally have to be sent to the trade union at least one month before the date of the meeting, in order to allow an in-depth analysis of the data provided by the company if requested. In addition, a bilateral body composed of 18 members for the trade unions (the unitary workplace union body and territorial structures), as well as the national secretaries, plus members of the productivity commission and nine members representing the company. This constitutes the technical organ of structured information and meets twice per year, once in spring, mainly to provide information, and once in autumn. At the autumn



meeting, the company provides the trade-union organizations with copies of the balance sheets of the companies proposed for the operational management of the warehouses.

*Case study: OBI*

The renewal of the OBI's collective agreement dealt with a number of issues, including the system of industrial relations, for which it outlined a model 'aimed at facilitating problem solving and creating the conditions for effective participation of all interested parties'. Industrial relations in OBI are structured on two levels: one national, the other decentralized. The company's management, the national trade unions and the national co-ordination of the local and company union representatives work at a national level and discuss each year, within the first four months following the end of the financial year within four months from its end, specific issues such as outsourcing, investments for acquisitions or opening new branches, investment in technological innovations, modifications to commercial structures, the analysis of occupational levels (in relation to age, gender and professionalism), the establishment of new professional profiles, commercial policy, training programs and revenue targets.

Local trade unions and company trade-union representatives, on the other hand, in the context of decentralized industrial relations, to which the national collective agreement delegates the regulation of the organization of work, the distribution of working time (therefore the organization of shifts and the flexibility of working time set down by the applicable NCLA), the verification of professional classification compared to that provided in the NCLA and the correct application of the rules laid down by the Legislative Decree No. 81/2008. Should the decentralized discussion of these matters not succeed, the agreement provides for the involvement of national trade unions and hence the transfer of bargaining to the national level.

*Case study: Conbipel*

The Conbipel collective agreement governs the system of industrial relations with the aim of reconciling the needs of the company regarding competitiveness with the social and training requirements of employees. This is the key we need in order to understand the agreed coordination between the centre of the company and its periphery, with the former engaged in the development of general strategies (organizational, training and commercial) based on the study of the labour market and on economic results, while the decentralized level is called upon to dialogue on issues such as timetables and the reorganization of retail outlets to become better suited to and more competitive in the local market. In order to allow full governability even in small realities, the agreement provides for the possibility of grouping sales outlets by region for the nomination of trade-union representatives, with the commitment to find joint solutions where this is

not enough. The company trade-union representatives will therefore be able to work freely in the various locations of the jurisdiction.

#### **4. Organization of work**

##### *National collective agreement*

Alongside the contractual provisions regarding classification and staffing, and the discipline of flexible employment contracts, the NCLA for the tertiary, retail and services' sector provides a wide range of elements to aid the management of flexible working hours, which can be directly activated at company level in various forms. Working hour-banks, multi-period timetables, paid annual leave and overtime are just some of the elements regulated by the contract. The renewal of the NCLA in 2011 then focused particularly on combatting anomalous types of absenteeism through a mechanism designed to discourage absences due to short illnesses. While on the one hand the employee's right to receive 100% of their daily pay for the first three days of illness is confirmed, on the other hand they will only receive full pay for the first events of this type in each calendar year (1<sup>st</sup> January – 31<sup>st</sup> December). Pay is reduced by half for third and fourth periods of brief illness, and is equal to 0 from the fifth. The application of the aforesaid discipline expressly excludes absences due to illnesses with an initial prognosis of no less than 12 days, or those due to hospital admissions, day-hospital, haemodialysis or those due to serious and ongoing illnesses as confirmed by specialists from national health service.

##### *Company-level collective bargaining*

Work organization is not only one of the most frequently negotiated points in company bargaining in the retail sector, but it also has innovative and experimental features. This is probably due to the sector's seasonality as well as to the tendency of many multinational companies to import innovative models of work organization, especially in the area of time flexibility, with solutions which seem to meet the needs of both company productivity and a good work-life balance.

##### *Case study: Ikea*

In order to promote adequate time flexibility which corresponds to the effective requirements of each shop at certain times of the year, Ikea has developed an innovative working time management system, named T.I.M.E. – *Trovare Insieme il Miglior Equilibrio* [Find the Best Balance Together]. The system aims to align staff presence in store with sales forecasts in a determined period of time (for example, over eight

weeks). In particular, one of Ikea's global tools provides sales forecasts for the given period and therefore indicates the necessary staff presence: once these data are generated the shifts are automatically created to meet the presence requirements. The peculiarity of the system lies in the possibility of allowing each employee to choose independently the shifts in which they prefer to work in the given period, which are automatically generated by the computer system.

*Case study: Apple*

In order to improve the balance between work and a worker's personal needs, the company recognizes the part-time contract as a valuable tool given that it simultaneously fosters employment and meets the need for greater flexibility related to the flow of sales. In particular, part-time workers are able to sign flexibility clauses in order to modify the hours of their work performance, though not more than 18 times in one year. Again, with a view to achieving a better management of the organization of the workforce, the company plans to implement a time flexibility system for all full-time workers, which will enable the company to cope with variations in working intensity during the Christmas period and the launch of a new product which are characterized by exceeding the contractual working time (40 hours) up to a maximum of 48 hours for up to eight weeks per year. Additional hours (eight hours a week) are counted in a working hour-bank and converted into paid leave. The company also plans to implement organizational measures for Sunday openings.

*Case study: Conbipel*

The parties have demonstrated great ability in reframing conflict regarding the reorganization of working times, where the need to adapt to the challenge of opening at weekends in order to be able to compete in the market has been addressed and the need to achieve a good work-life balance has been taken into account. Here too, the monthly organization of shifts is handled jointly according to the principles of volunteering and rotation. A company working hour-bank in which workers can voluntarily enrol in has also been set up: each month 'bonus hours' will be credited to this bank on the basis of the flexibility shown by the employee, such as working on Sundays, doing overtime and working on bank holidays. The accredited hours can be used in blocks of four or eight and can be taken in addition to holiday and other paid leave and can also be used to care for relatives up to the second degree of kinship. An ethical hours' bank has also been created, through which employees can donate their accrued hours to colleagues who need them for serious reasons.

## 5. Inclusion and diversity

### *National collective agreement*

The tertiary, retail and services national collective agreement does not directly address the issue of inclusion and diversity. However, these two themes are indirectly positively influenced by the bilateral welfare system, the main pillars of which are the complementary pension fund, i.e. the so-called “Fonte fund” which offers retirement benefits; the so-called “Est fund” for integrative health care; and the so-called “Forte fund” for continuous training. The agreement also establishes a Permanent Committee for Equal Opportunities. The parties agree on the importance of carrying out, through the implementation of European and national legislative provisions, actions which promote equal opportunities for men and women in employment, including through study and research activities aimed at promoting and activating positive actions at the various contractual levels and discussions (national, territorial, business) in favour of women workers.

Provisions which indirectly determine the inclusive discipline of working relations in this sector are those concerning holiday and leave related to parenting or other needs associated with being a parent and caring for family members. By way of example, the NCLA allows the worker to apply for an unpaid leave of absence of 30 days (which can be divided into two parts) during a period spent abroad required for the procedures related to the adoption of a child, before the child’s entry into Italy. Finally, it should be noted that there is a clause in the NCLA which excludes from the obligation to work on Sunday all workers who are certified to care for a cohabiting disabled person or a cohabiting person who is not self-sufficient.

### *Company-level collective bargaining*

Except in exceptional cases, company-level collective bargaining in the retail sector does not directly address the issues of inclusion and diversity, which are typically left to unilaterally defined human resource management policies. However, company bargaining makes widespread use of provisions to favour a positive work-life balance in response to specific needs expressed by employees relating to family care.

### *Case study: Ikea*

Ikea undertakes to enter into conventions considering the age and various life situations of its employees, including: transport, primary foods/goods, education/training, health and family support services. Employees are thus able to receive *ad hoc* welfare packages, which they choose according to their needs and those of their family members. The desire to create an inclusive working environment has led to the creation

of specific measures to meet particular needs related to the lives of workers. These include two weeks of unpaid leave for serious family reasons which can be used during the employee's working life and only continuously; six months of unpaid leave in the case of stalking or maltreatment suffered by workers irrespective of sex which can be used in the course of their working life both continuously and split into a maximum of two periods of at least two weeks each; unpaid leave for the birth of a grandchild scheduled for the day of delivery or the following day, provided that the worker has no available holiday or leave left over; the extension of unpaid paternity leave for fathers. In addition, the grounds for requesting the advance payment of severance indemnities are extended. This can be done in the case of buying or renting a new home following the separation from the spouse or cohabiting partner, when the home is seriously damaged by natural disasters and for pre-adoptive expenses for an international adoption.

*Case study: Metro*

Metro's collective agreement establishes a committee, which is tasked with proposing initiatives and solutions for promoting diversity and inclusion, also through a company project called 'inclusion and diversity', and monitoring the actions of the company's active ageing project designed to support the activities and the potential of employees over the age of 55. The agreement also states that, within the scope of the discipline regarding Sunday opening, workers who fall into any of the following categories are not obliged to work: mothers or fathers with children under the age of six; workers certified as carers for people with disabilities or people who are not self-sufficient; workers with disabilities.

*Case study: Conbipel*

The Conbipel collective agreement includes various welfare measures aimed at promoting an inclusive working environment. With regard to maternity and paternity we note the possibility of asking for shifts in order to allow children to attend nursery, the possibility of working part-time for parents of children under six, the possibility of receiving 12 extra months of unpaid leave in addition to the optional parental leave and a further day of leave for fathers. The aforementioned measures also apply for parents of adopted children. There is also a special focus on those who care for children with learning difficulties and elderly relatives who are not self-sufficient, as demonstrated by the provision of additional leave. On the subject of health problems, the agreement provides, on the one hand, that periods of very serious illness be excluded from the calculation of sick leave, both from a quantitative point of view (hospital admissions exceeding nine days), and from a qualitative point of view by listing the cases in which one is entitled to this special treatment. Furthermore, the parties want to meet the needs

of those suffering from oncological/degenerative diseases by increasing the availability of hours, 180 days plus an extra 180 days, as well as by providing economic aid.

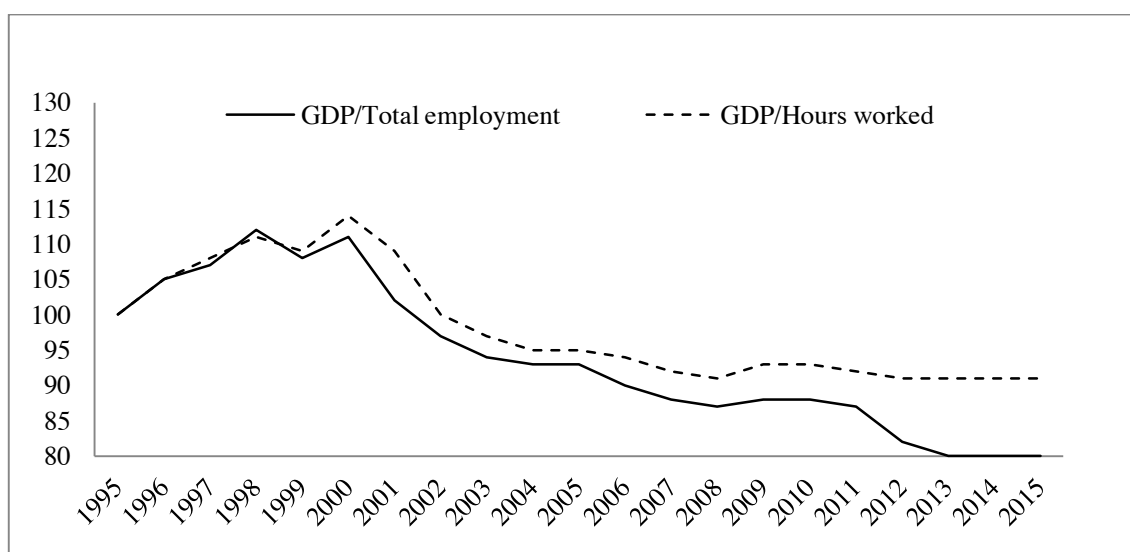
## Part C.

### Collective bargaining and labour productivity: the tourism sector

#### 1. Introduction to the industry

##### *Labour productivity trend*

**Figure 1:** Labour productivity in the Italian tourism sector (1995-2015) (1995=100)



**Source:** ADAPT elaboration on Eurostat data (2016)

The tourism industry experienced a steep fall in its gross domestic product in the years following 2001 due to the September 11<sup>th</sup> attacks on the Twin Towers and the effects that this event had on foreign demand for services. The sector's GDP, then, stabilized until the outbreak of the economic crisis, the impact of which was later felt in other productive sectors. In the period in question, the fall in productivity can be attributed to the increase in the number of jobs in the sector being proportionally higher than the growth of its gross domestic product. This dynamic was favoured by the increasing use of non-standard types of contract as well as by new operators entering the market: cooperatives, large multinational chains in the catering and hotel sectors and finally the services ascribable to the sharing/on-demand economy. The growing gap between labour productivity and time productivity recorded from 2011 onwards can most likely be attributed to a reduction in working hours in the sector due to the application of reduced timetables in larger companies and the use of undeclared working hours.

*Contractual arrangements and industrial relations within the sector*

Collective bargaining and industrial relations in the tourism sector are characterized by a high degree of complexity. It should first be noted that two macro-systems of representation and collective bargaining are in place: one regulated by the federations which are part of Confcommercio, representatives of HORECA companies (Fipe Confcommercio) and the hotel sector (Federalberghi, Fiavet, Faita); and one by Federturismo-Confindustria, which represents the large multinational hotel groups. For the purposes of this analysis, however, the Confcommercio system of collective bargaining and industrial relations will be taken into account.

Following the presentation of the platform by the sector's trade-union organizations (Filcams-Cgil, Fisascat-Cisl, Uiltucs-Uil) for the renewal of the tourism national collective agreement in 2010, Angem, the employers' association for the sector representing catering and foodservice companies announced its withdrawal from Fipe-Confcommercio and the termination of the contract for the sector in November 2012. The main reasons for Angem leaving Fipe were due to the contractual rules being unable to meet the flexibility requirements expressed by the catering and foodservice companies and to the protocol on the change of sub-contract according which the successor company is obliged to hire workers from the previous management. At the same time, the industry's trade unions and employers' associations in the HORECA sector (Fipe Confcommercio) and the hospitality industry (Fiavet, Faita, Federalberghi), with the sole exclusion of catering and foodservices, began negotiations for the renewal of the national collective agreement. Strongly influenced by the developments in the catering and foodservices sector, the bargaining table suffered a profound split at the end of 2013: Fipe Confcommercio announced the termination of the tourism national collective agreement in 2010. At the beginning of 2014, Federalberghi and Faita signed the renewal of the 2010 tourism national collective agreement, which, consequently, has a limited scope of application in the hotel sector and for camp sites/holiday villages.

The social partners in the tourism sector have traditionally assigned the national collective agreement the role of reference point for workers and businesses to avoid forms of unfair competition and social dumping. In addition, the NCLA makes employers' access to the regulatory and contributory benefits provided by the different levels of legislation and to continuing training provided by inter-professional funds, dependent on the full application of national collective agreements as well as territorial or company agreements signed by the category's most representative organizations.

The collective bargaining system is structured on two levels. The second level negotiations take place: at company level for those companies employing more than fifteen employees; at the territorial level for companies employing up to fifteen employees and, in any case, for companies employing more than fifteen employees where company bargaining does not take place; at the regional level for travel agencies; at the provincial level for catering and foodservice companies, unless specified



differently in the bargaining at the level of the production unit. The contractual levels are coordinated by the principle of delegation and *ne bis in idem*: the parties specify that decentralized bargaining cannot deal with matters already defined at other bargaining levels, unless expressly established in the national collective agreement. Regarding this point, the second-level collective bargaining covers a large number of subjects, ranging from exceeding the limit set for extra hours in the case of part-time work, the distribution of daily working hours, to the ‘working environment safeguard of the health and physical integrity of workers’.

Despite the generous regulatory margin accorded to second-level bargaining, company agreements are rare in the tourism sector. When it comes to territorial bargaining, however, there is a lack of general coverage across the national territory. Contrary to what is happening in other productive sectors, there is a lack of frequent and systematic development of the second-level bargaining in the tourism sector which is characterized by unevenness in both time and space.

#### *The point of view of social partners*

Social partners in the tourism sector have always looked favourably on the development of functional territorial bargaining in order to be able to adapt working conditions to the specificities of different territorial contexts, at least as far as programming is concerned. Several initiatives have been undertaken by Federalberghi and Fipe to define guidelines for functional decentralized bargaining for a more appropriate organizational rationale which would therefore encourage productivity gains. However, these indications have remained purely programmatic: territorial bargaining in the sector is spread here and there throughout the national territory and has had little relevant experience. Moreover, in some cases, the sectoral and territorial social partners have put policies in place aimed at bypassing certain incentive mechanisms for common decentralized agreements made centrally, including the suspension of paying the economic guarantee element from those companies not covered by second-level bargaining, and the signing of territorial agreements aimed at cutting taxes on the economic gains derived from elements defined in the national collective agreement. The national collective agreement continues, on the whole, to be social partners’ preferred point for dealing with the issue of productivity, as well as measures for safeguarding employees.

The trade-union and employer representatives interviewed seem to disregard, or at least downplay, the role of the collective bargaining system in explaining the reasons for the decline in productivity in the sector. A trade-union representative, for example, stated that “productivity does not increase because companies tend not to invest in training and innovation. The cost of labour is a false problem. It is hard to be innovative in the organization of work and time. Work-life balance, for example, is still perceived as something demanded by an employee with problems rather than something a worker needs which, if received, can improve his or her performance and consequently the

system's productivity. Bargaining can make a cultural breakthrough, but Italian companies must be willing to revisit their anachronistic methods. It is time to make innovations regarding schedules as well as professionalism, by increasing the participation of the workforce in the life of the company, making the labour factor a pivot of industrial strategy, and not a mere economic variable”.

Another trade-union representative explains that “collective bargaining can hardly do more than what it already does. Contractual wage containment policies are accompanied by a differentiation between skills which are in high demand on the market, on the one hand, and other skills which are more easily found and more traditional on the other. The first type of skills characterizes those figures who seek to protect themselves and who are difficult to intercept; the second type characterizes those who seek to preserve their level and standard of life, often struggling to do so. Collective agreements begin to appear anachronistic for these reasons. At best, they can take into account the new professional figures, recognizing them in the classificatory structure and setting down minimum conditions capable of avoiding ‘dumping’ phenomena and, at the same time, ensuring some predictability of costs. In light of these two aspects, collective bargaining and systems of professional classification are able to strengthen the relationship between performance and compensation, while also guaranteeing the certainty of labour costs”.

The views of the employers' organizations appear more focused on the problem of labour costs and the endogenous characteristics of the labour market in the tourism sector. Collective bargaining can affect these two variables, albeit only marginally. Indeed, one employer representative stated that “productivity is not a universal constant, but must take account of the sector in context. For example, productivity in the hospitality industry is historically low because the workforce is extremely important; the better things go, the more people are employed, the less the productivity values are of concern, because in the face of an increase in input, output also grows”. According to another respondent on the part of the employers, the HORECA sector, “above all, needs to lower the tax wedge. The responsibility for the gap between labour costs and productivity is therefore not all about collective bargaining, although it can achieve some results. For example, it would be necessary to lower the amount of paid leave in order to lower the number of hours not actually worked, thus reducing this ‘gap’; again, it would be possible to get rid of automatisms, including, and above all, remunerative ones, which swallow up company resources; labour needs to be organized functionally in order to meet today's demands, because it is necessary to streamline the organization of work”.

## 2. Pay

### *National collective agreement*

The tourism national collective agreement of February 20, 2010 specifies that remuneration falls within the remit of the participating national organizations, except when it is expressly transferred to territorial associations and the company's collective bargaining. The provision of economic elements additional to the minimum wage established in the national collective agreement is transferred to decentralized bargaining which deals with wage provisions strictly related to results achieved by the realization of programs agreed upon by the parties, for example those aimed at increases in productivity, competitiveness, quality, and profitability. Furthermore, the parties state that, in view of the characteristics of the tourism market and with particular reference to seasonal work, territorial collective bargaining can regulate experimental remuneration systems which allow for the monthly payment of deferred wage elements and/or the aggregation of additional elements provided by law and/or collective bargaining, excluding severance indemnity.

### *Company-level collective bargaining*

Wage bargaining at company level in the tourism sector is only widespread in large companies. The most widespread element is the performance-related bonus, mostly linked to profitability targets or indicators which are not directly related to employee performance, such as tourist flows. Elements paid in fixed amounts and additional pay increases compared to those stated in the national collective agreement are also widespread.

### *Case study: Starwood Italy*

The parties agreed on a bonus system consistent with the revision of the company and corporate structure, divided into two parameters, both calibrated annually. More specifically, the first parameter is economic-financial and is linked to several objectives, including: the gross operating profits (GOP) of a group and single hotels; the proceeds from rooms compared to those actually available; the occupancy rate of rooms calculated as the percentage ratio between paid rooms and rooms actually available. The second, qualitative, parameter, deals with the 'guest experience index', therefore linked to customer loyalty and quality of service. The total bonus, calculated in relation to each individual employee's level of qualification, will only occur on the achievement of certain percentage thresholds identified in the agreement.

*Case study: Eataly*

The parties established a profit-related bonus linked to the profitability indicator, EBITDA, according to which upon an increase of at least 2% compared to the previous year the entire bonus amount will be paid out; with an increase of between 1% and 1.99%, 75% of the premium will be paid; while, in the case of an EBITDA increase of less than 1%, unless it is 0, half of the agreed bonus will be paid out. In order to be eligible for this bonus, the worker must not have been the subject of disciplinary proceedings leading to the suspension from work in the previous year. The final amount of the performance-related bonus, linked, as we have said, to the EBITDA indicator, is finally re-proportioned in relation to the number of days a worker has been absent due to illness and the first three days of sick leave paid by the company. This correction makes it possible to take into account both short-term absences and long-term illnesses simultaneously. According to the relationship between the number of days of absence and the first three days of sick leave, a reduction of between 5% and 90% is consequently applied to the bonus.

*Case study: Alpitour*

Alpitour's performance-related bonus is linked to profitability and productivity goals. In particular, part of the bonus is determined by the trend and, if relevant, the improvement of the EBITDA indicator, as reported in the company's financial statements, while another part is linked to the improvement of the so-called Pax/Fte indicator, found by calculating the relationship between the number of passengers departing during the exercise and the average amount of executive staff and employees.

### **3. Participation and involvement**

*National collective agreement*

Alongside a consolidated network of bilateral bodies and numerous institutions regarding the rights and prerogatives of trade unions, the tourism national collective agreement provides for the establishment of a joint national commission whose tasks relate in large part to the management of legal conflicts regarding the application and interpretation of the national collective agreement. The national collective agreement also provides for joint territorial commissions, comprising representatives from local trade unions and employers' organizations, which deal with collective and individual labour disputes. The national collective agreement also establishes a technical committee for safety in the workplace which examines the tasks entrusted to the social partners by the relevant legislation.

*Company-level collective bargaining*

The issue of participation and involvement is outlined in company bargaining of tourism companies, mainly in terms of the rights and procedures of information and consultation of trade unions.

*Case study: Starwood Italy*

In order to ensure greater effectiveness and functionality of the company's system of industrial relations, the parties agreed on an arrangement based on periodic meetings held at different levels. More specifically, meetings concerning a range of subjects such as health and safety at work, investments and the safeguarding of corporate assets, are held on a biannual basis at national and territorial, or local, level, while meetings concerning, for example, employment figures and quality standards take place at hotel-level every two months. Again, with the aim of giving greater structural coherence to the company's system of industrial relations, the parties also identified a maximum number of unitary workplace union structure's components in relation to the number of employees assumed on a fixed-term basis in a given unit. With regard to the total annual number of hours for trade union leave, the parties recognize the same amount of one hour per employee in addition to those provided for under Law no. 300 of May 20<sup>th</sup>, 1970 (The Workers' Statute).

*Case study: Riva del Sole Ltd.*

The parties agreed on the need to meet periodically, once a year, during the winter closing, with a view to having a moment of confrontation on topics communicated in a timely fashion by the counterparty. The parties are able to hold specific meetings aimed at programming targeted interventions with reference to environmental issues, health and safety and the organization of work.

*Case study: Autogrill*

The agreement reached in Autogrill aims to develop a system of industrial relations that will allow for a solid presence on the market in terms of production efficiency and customer satisfaction. For this reason, at the level of the single production unit, each year periodical meetings between the company and trade-union representatives will be carried out in order to assess the company's production performance, the situation of the staff (holiday plans, working hours, resignations, etc.), management results, investments and the effects of technological innovation, sales and business development plans (franchising, outsourcing, etc.). In addition, the agreement extends the coverage of trade

unions under Law no. 300/1970 to include units with less than 15 employees, as well as the right of assembly to employees in different production units. The parties also introduced a technical commission for the 'safety and security of operators', consisting of 12 members and representatives in equal share from the company and the workforce. This committee, tasked with the safeguarding safety and the working environment, aims to identify the most critical areas and propose appropriate solutions, to involve administrative authorities in their initiatives and to monitor those situations which are considered to be most critical.

#### **4. The organization of work**

##### *National collective agreement*

The tourism national collective agreement provides for the broad regulation of time flexibility which can be activated directly by companies or after an assessment carried out by the company trade unions. It is, for example, possible to distribute one's working hours over multi-weekly periods in order to meet particular production requirements of the company. In view of the discontinuous and fluctuating trends of tourist demand, with the aim of stimulating the continuity and extension of the employment relationship, the parties decided to adopt a medium-term discipline. In fact, in periods of little activity, the average weekly timetable is reduced; the missing hours can then be made up in the 13 weeks following the period in question with more hours which are not considered as overtime. If this is not possible, the worker is able to dip into his or her annual paid leave. On the other hand, in busy periods, the average weekly timetable will be increased without the corresponding remuneration for overtime and, in order to compensate for this increase, days off of equivalent duration will be granted over the following eight weeks; that is, the annual amount of paid leave will increase, making overtime unnecessary. Also, regarding flexibility, the tourism national collective agreement provides a number of means for allowing companies to manage flexible working relationships in a sector characterized by strong seasonality.

##### *Decentralized collective bargaining*

There have been significant measures taken by decentralized collective bargaining in matters of management flexibility and the labour market. In the area of territorial bargaining, the contractual provisions alternate between the need to guarantee the flexibility of companies and, at the same time, the safety and continuity of employment for workers, as they are figures equally involved and conditioned by the complex, random and (even) seasonal character of the tourist market. Indeed, in the regulation of the labour market, the union's requirement is seen, in some provisions, as a barrier to

making employment relations more flexible, as it defines the typical instances of recourse to contractual typologies. Although still programmatic, there are isolated cases of agreements which, in view of the high seasonality and cyclicity of tourism, focus on issues such as continuous training, income support and the facilitation of economic equilibrium between job demand and supply. As far as company bargaining is concerned, the emphasis is on recovering additional margins for flexibility in the management of working time, with solutions that are compatible with the regulatory framework established by the national collective agreement.

*Case study: Wally Ltd.*

In Wally's collective agreement, the parties, in light of the seasonality and the strong competition which characterize the hotel sector, agreed that the daily timetable is based on a multiplication of 12 minutes and 30 seconds (the average time to prepare a room) by the number of rooms to be prepared. Therefore, if the actual amount of working time in a day is lower than the contracted time, it will result in the corresponding benefit of a period of flexibility, while working more than the actual contracted time will determine the allocation of corresponding periods of leave and reduction of working hours.

*Case study: Riva del Sole Ltd.*

In relation to the peculiarities of the tourism sector and, therefore, the specific production needs of the company, management and trade unions regulated the use of the 'working hours bank' in order to allow workers to take, in whole or in part, compensatory leave should they work more hours than stated in their contracts. More specifically, hours worked over normal working hours during periods of increased production intensity will be made up throughout the year, drawing from an annual total of paid leave which was increased to 128 hours, thus rendering both overtime and the reduction in pay for fewer hours worked unnecessary. Workers are able to make use of flexible working time to pay off extra hours worked over a period of 26 weeks, though they need not be consecutive.

*Case study: Autogrill*

The organization of the Autogrill shift system works around a close and compulsory confrontation between the company and the trade unions, aimed at pursuing, on the one hand efficiency and productivity goals as well as customer satisfaction, on the other, a fair distribution of work with respect for the work-life balance. Through an appropriate organization of work, the company agreement provides itself the task of addressing the various issues relating to annual leave, seasonal peaks, and the variability in client flows, by planning and agreeing with workers' representations which timetables meet

the requirements. In particular, the working timetables, which includes the so-called 'suiting-up time' and is structured and programmed more precisely at territorial level and single unit level through specific agreements between management and union representatives, is distributed over five days. Every five weeks of work there is one Sunday off and rest days are decided upon according to the variability of sales flows. The signatory parties also agreed that workers whose shifts are more than six hours long are allowed a paid break of twenty minutes, whereas workers whose shifts do not exceed six hours a day, as they are part-time employees, are allowed a break of ten minutes, unless the worker is employed with a vertical part-time contract in which case the ten-minute break can be split in two five-minute breaks. The employee must notify their direct superior of their breaks, and they cannot be taken during peak times, nor at the beginning or end of the shift.

## **5. Inclusion and diversity**

### *National collective agreement*

There are numerous regulatory and procedural provisions contained in the national collective agreement for the inclusive management of the tourism market. The national collective agreement also provides for a permanent national equal opportunities commission with the aim of stimulating studies and research in order to promote and enact positive measures at various contractual and comparative levels (national, territorial, company) for female workers; promoting appropriate measures to facilitate the reintegration of both men and women into the labour market; promoting effective measures to prevent 'mobbing' in the working relations; identifying initiatives aimed at overcoming any form of discrimination in the workplace, with particular regard to pay and access to vocational training. These themes are indirectly influenced by other institutions such as post-partum part-time, maternity leave, the 'working hours bank', retaining one's position during maternity leave, parental and family leave. In order to help workers who do not work in the place where they live, it is possible to take advantage of continuous periods of absence from work, through the use of other institutions available in addition to paid leave. The national collective agreement also promotes forms of integration for foreign workers in view of the growing importance of these employees in the tourism sector through initiatives focusing on their training (for example, teaching them Italian), and by assisting them in carrying out practices such as the renewal of residence permits. The parties entrust the National Tourism Organization with the task of preparing the translation of a summary of the main rights and duties of workers into other languages (English, French, German, Spanish, Arabic, Romanian). Finally, the provision of generic leave (180 days) is extended for a further period, and may exceed 120 days for workers with oncological illnesses.



*Company-level collective bargaining*

Company bargaining rarely intervenes directly in matters of inclusion and diversity.

*Case study: Alpitour*

The signatory parties agreed on the provision of three days of unpaid leave each year to give workers the right to study, in particular for the preparation of university degrees or examinations. The agreement also includes conventions, in favour of employees, with commercial establishments for the purpose of refreshment, or for the recognition of the 'ticket restaurant' (i.e. luncheon vouchers). Generic leave and leave reserved for personal matters, twelve hour long and available to all employees except for executives and senior employees, can be taken for a minimum of fifteen minutes and a maximum of half a day.

*Case study: Autogrill*

The parties introduced a commission for equal opportunities consisting of six company representatives and six worker representatives, a total of twelve, with the aim of identifying obstacles to effective equality of opportunity for female workers and the relative solutions to be put in place, defining measures to safeguard and value the work of women, and initiating the insertion of maternity leave in hours. In light of its contract, the company also undertakes to enact measures for the prevention of and counteraction against any kind of offensive attitude detrimental to the dignity of individuals, thus combating any form of discrimination and any form of sexual harassment, favouring a working climate based on respect and mutual correctness.

The agreement introduces compensation for the first three days of illness, and therefore of absence, 100% of which is paid by the company, for the first five occurrences in a year. The relapse or continuation of illness is considered a single event and not counted in the calculation. The company also provides a contribution of €2,50 for each week of illness beyond the thirtieth day in the absence of contributions, as well as keeping job positions open for those with serious oncological illnesses and those injured in the workplace

Autogrill's collective agreement, finally, aims at facilitating and promoting the insertion and integration of disabled and disadvantaged people in the working organization, including through the definition and promulgation of a specific company procedure designed to identify specific moments that allow people with disabilities to be adequately evaluated in their work skills, and then find the most appropriate position for them. This procedure will therefore have to ensure, through the intervention of the company's medical facility, a preparatory check-up upon the person's insertion into the

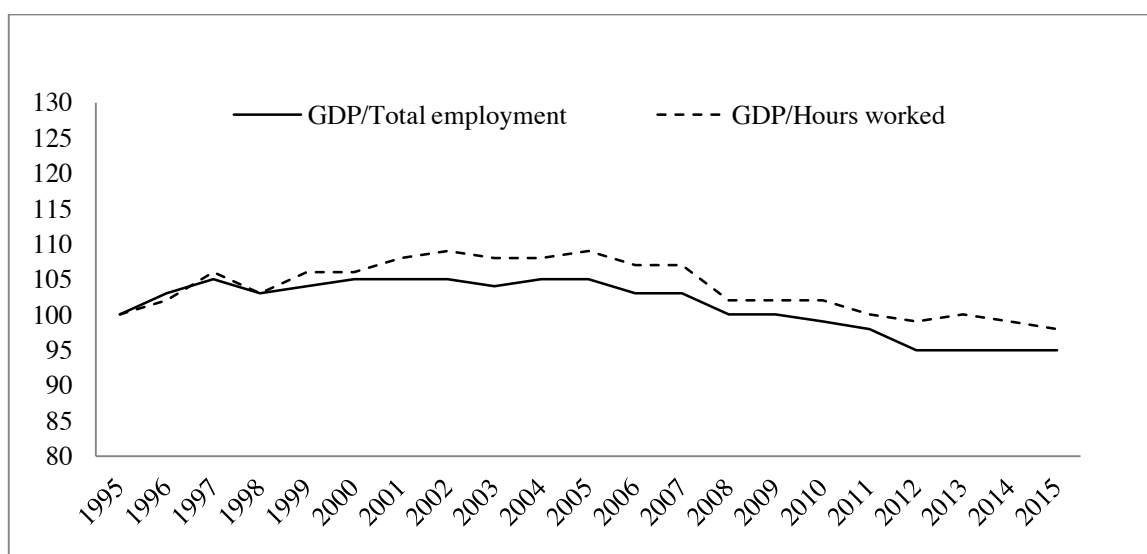
workplace and the identification of the most coherent ways of performing working duties with regards to timetables and tasks required.

## Part D. The Healthcare Sector

### 1. Introduction to the industry

#### *Labour productivity trend*

**Figure 1:** Labour Productivity in Italy's healthcare sector (1995-2015) (1995=100)



**Source:** ADAPT's Elaboration on Eurostat data (2016)

### 2. Contractual arrangements and industrial relations within the sector

The industrial relations system in the healthcare sector aims to improve employees' working conditions and to promote their professional growth, concurrently fulfilling employers' demands for efficiency of the services provided. To this end, the IR system comprises the following levels, with the first two having bargaining powers:

- collective bargaining carried out at the national level;
- decentralized collective bargaining, which takes place at the company level or within the organisation concerned and deals with the topics and the modalities specified in national collective agreements;
- concertation, consultation and information, which draw on the principles of participation and result in the establishment of joint bodies;
- "authentic interpretation" of collective agreements.

The national collective agreement in the healthcare sector regulates contractual arrangements through a straightforward approach. Firstly, it establishes that the terms of decentralized collective agreements cannot conflict with the limitations contained in the collective agreements concluded at a national level. Accordingly, national collective agreements take precedence over decentralized collective bargaining, with the latter that cannot deviate from the limits imposed by the former, otherwise those clauses that differ from those agreed upon at the national level will be declared null and void and will not be enforced. Compounding the picture is the fact that decentralized collective bargaining only concerns those “*issues laid down*” in the national collective agreement, with the latter that indeed provides a detailed list of them. The procedures leading to the conclusion of supplementary collective agreements are imposed by national collective bargaining, because this approach helps to limit their scope, by providing general guidelines and specific topics decentralized collective bargaining is to deal with. Without prejudice to the acknowledgement of the contractual autonomy of both companies and entities engaged in collective bargaining, as laid down in Article 40 of Legislative Decree no. 165/2001, the signatory parties establish that regional authorities, in agreement with the trade unions concerned, can issue guidelines on collective bargaining at the decentralised level within 90 days of the entry into force of the national collective agreement. These guidelines concern the following topics:

- the use of additional resources at a regional level within decentralized bargaining, particularly those regarding productivity, which should be results-based, in line with company and regional objectives;
- the setting up of continuous training schemes, including refreshment courses and lifelong learning programs;
- the definition of methodologies concerning the use of a share of the lower charges resulting from the permanent reduction of personnel;
- ways to raise funds in the event of an increase of staff or services, even when the overall number of them is the same;
- guidelines concerning additional work performed by nursing staff and radiology technicians.

If, in the 30 days following the enforcement of the national collective agreement, the regional authorities make clear that they will not exert the right to issue guidelines on the topics referred to above, these guidelines will be negotiated with trade unions at the company level, even before the 90-day deadline set in the national collective agreement. By concluding protocols in each region with the trade unions that have signed the national collective agreement, the industrial relations system in place at the regional level can also deal with non-contractual aspects that might affect the employment relationship.

Decentralized collective agreements have a duration of 4 years as regards the regulatory terms and of 2 years if the economic terms are concerned and refer to all the contractual

aspects dealt with on this level – which are discussed in a single negotiation round – save for those aspects requiring longer negotiations because they are linked to organisational factors.

Decentralized bargaining is subject to checks by the Board of Statutory Auditors regarding the compatibility between costs and budgetary constraints.

A decentralized collective agreement, which is effective until a new one is concluded, must include particulars on implementation times, procedures and monitoring systems. Furthermore, a copy of the agreement shall be forwarded to the Italian Agency for Union Representation in the Public Sector (ARAN) within 5 days of its conclusion (cf. par. 5, Article 46 of Legislative Decree no. 165/2001).

### **3. Pay**

According to the national collective agreement, remuneration is paid on a monthly basis, save for additional remuneration items governed by decentralized collective agreements for which different payment arrangements can be determined.

The national collective agreement defines the remuneration structure and classifies it according to the following categories:

- monthly remuneration, which represents the monthly economic value established in remuneration tables for the initial level in each category (A, B, C, D) and for the “Bs” and “Ds” economic levels;
- monthly basic remuneration, namely remuneration corresponding to each economic level;
- monthly individual remuneration, comprising basic remuneration, the value of allowances related to one’s professional qualification and other individual benefits paid on a permanent and continuous basis for thirteen months;
- annual remuneration, consisting in the amount of individual remuneration paid for 12 months, plus additional accruals related to thirteen month’s pay – or to any remuneration item paid thereof – and the annual amount of variable pay and allowance paid in the relative year. Travel reimbursements or compensation are not included in annual remuneration.

Furthermore, the national collective agreement sets up funds that can be used to supplement standard remuneration, particularly:

- a fund for overtime work, which is intended to cover extra work performed by workers in exceptional circumstances;
- a fund that can be used to remunerate workers facing situations of unease or danger. It can be used in the event of urgent tasks entailing serious risks or hardship due to the nature of work (e.g. allowances paid when working on shifts, on-call, at nights, on Sundays and public holidays);

- a fund created to supplement remuneration paid to workers in relation to their vocational qualifications and main responsibilities, which can be used to reward workers' increased professionalism and sense of responsibility;
- a fund to be used to encourage overall productivity to improve services and individual bonuses rewarding each worker's performance.

### *Company-level collective bargaining*

#### *The "USL Umbria 2" Case Study*

The signatory parties have introduced a bonus linked to the fulfilment of some general and specific objectives. General objectives are concerned with organisational improvements resulting from doctors' participation in meetings convened by medical units, so as to reward those reporting the highest attendance rates. As for specific objectives, they refer to aspects such as the chronic care model (25%), appropriateness of services (20%), screening programs (25%) and vaccination (5%), with each of this criteria that is further broken down into more detailed parameters. By way of example, the "chronic care model" parameter focuses on patients with diabetes and COPD and on the effectiveness of shared plans to taking care of them; the "screening programmes" parameter is determined by participation rates of different programmes (e.g. mammography, colonoscopy and cytology); and the "vaccination" parameter refers to surpassing the minimum objectives as regards regional coverage.

#### *The "Istituto Zooprofilattico sperimentale del Lazio e della Toscana M. Aleandri" Case Study*

The parties have agreed upon a bonus system which is based on the fulfilment of two objectives: organisational performance and individual performance. Organisational performance is linked to some general objectives set down by the relevant centre, so it concerns the expertise of each worker. Results are evaluated by an Independent Board that has been established precisely for this purpose. As for individual performance, it refers to each worker's contribution to pre-determined objectives and is evaluated by supervisors by means of an assessment sheet. The aim in this case is to promote some skills, among others: autonomy, learning ability, problem-solving. The amount of the bonus is adjusted considering the employee's professional category and the days they have been absent from work.

*The “Azienda Ospedaliera Universitaria Policlinico Paolo Giaccone – Palermo” Case Study*

In line with the national collective agreement concluded in the healthcare sector, the parties have set up a salary advancement plan for staff hired on open-ended employment contracts. Employees can access this scheme provided that the sanctions they have been given in the previous two years (if any) only comprise written warnings. The salary advancement plan also considers aspects such as length of service and the evaluation of the direct supervisor, who has to assess one’s commitment and quality of performance. If such assessment causes workers to be placed on the last level in each professional category, some additional criteria will be considered, such as the sense of initiative, relations with customers, participation in business processes and the ability to adapt to organisational changes.

*The “USL Toscana Centro” Case Study*

The bonus system relies on participation in meetings with local general practitioners (*aggregazione funzionale e territoriale – AFT*) (20%) and relevant objectives (32%) and individual objectives (48%). Individual objectives refer to pharmaceutical expenditure for each patient, the reduction of which entails an increase in the share of the bonus. By way of example, if expenditure decreases by 15%, the 100% of the bonus is paid. Conversely, if the increase in pharmaceutical expenditure is equal to or more than 3%, no bonus is paid. For doctors on hourly contracts, the number of medicine packs prescribed will be taken into account.

As for the AFT objectives, they are calculated against the company’s average and, for example, refer to each patient’s pharmaceutical expenditure, number of specialist visits, diagnoses and hospitalisation rates.

#### **4. Participation and involvement**

As said, trade unions in the healthcare sector have the objective of promoting concertation, consultation and information enabling workers to contribute to the implementation of the collective agreement. This objective also entails the establishment of joint bodies, which as it will be seen have different functions. With a view of ensuring employee participation in business operations, the national collective agreement provides for the opportunity to establish joint bodies or observatories on special topics without additional costs for the employers. They are concerned with such issues as the environment, occupational health and safety and work organisation, particularly:

- business restructuring;

- conversion of healthcare facilities;
- closing down of healthcare facilities.

These bodies include the Committee for Equal Opportunities and are tasked with collecting information about the aspects mentioned above, with the employers who are under the obligation to provide, and to put forward relevant proposals. These bodies do not have negotiation functions and comprise an equal number of trade union and employers' representatives, along with an appropriate number of female members. In relation to teleworking, the national collective agreement stipulates that a national joint body shall be set up within ARAN featuring the participation of representatives from the sectorial committees and the trade unions that concluded the collective agreement. Meetings shall be convened at least once a year to verify whether this way of working is implemented and to solve problems that might arise from its use.

#### *Company-level collective bargaining*

##### *The “Azienda Ospedaliera Universitaria Policlinico Paolo Giaccone – Palermo” Case Study*

The signatories have established two joint bodies, one in charge of dealing with equal opportunities and the other tasked with tackling harassment at work. The joint body on equal opportunity collects relevant information and sets up strategies to overcome organisational aspects that might affect female workers' career. To this end, the committee takes part in meetings on the work environment, work organisation, working time, and measures ensuring equal opportunities (e.g. recruitment and training programmes). The joint body on harassment at work has been set up to promote actions and monitoring activities helping to prevent harassment practices. This body also participates in negotiation rounds at company level, if they deal with this issue, putting forward relevant statistics and measures.

## **5. Organisation of work**

In relation to work organisation, the national collective agreement determines that work must be organised in order that it promotes the interdisciplinary nature of work teams and the contribution of each worker. To this end, the national collective agreement provides for a fair distribution of working time to make the organisation of work and services more flexible. Continuous working time is in place, and shift work is used when more staff is needed to cover 12-hour or the 24-hour schedules. Planning annual or “multi-weekly” working time is also possible when the working week consists of less than 36 hours. Should this be the case, and in compliance with rules of annual working



hours, a working week can be established up to a maximum of 28 hours, and three-month periods of 44-hour working weeks.

At the time of planning flexible working time, one must make sure that all staff is involved in all time slots in order to satisfy customers' needs. Nevertheless, the national collective agreement sets forth that at the time of arranging flexible working time, priority shall be given to workers who are at a disadvantage, either because of family or social issues, and to those who volunteer pursuant to Law no. 266 of August 1991, provided that this does not affect overall work organisation. Working time is determined according to the following criteria:

- optimising human resources;
- increasing performance quality;
- making services more available and eliminating waiting lists;
- improving relations with other facilities, services and public administrations;
- providing healthcare and administration services in afternoon hours to meet users' needs.

Finally, an initiative has been put in place on an experimental basis to ensure users continuity of service. In compliance with the general principles of workers' protection and health and safety, amendments can be made to workers' consecutive daily rest, of course considering shift work organisation and ensuring employees an equivalent rest period. Such amendments also take place under exceptional circumstances, that is when the provision of compensatory rest is not possible for objective reasons, so long as workers are provided adequate protection.

#### *Company-level collective bargaining*

##### *The "ASL Torino 4" Case Study*

The parties have introduced extra working hours (*riserva oraria*) for veterinary professionals. They can use up to 4 hours per week for training and refreshment courses and 30 minutes per week to reduce waiting lists or to pursue performance-related objectives. Finally, the parties have also agreed on a "bargained share of working time", that is extra working hours used to meet budgetary objectives in a given facility. Consequently, these hours might be employed to obtain results-based bonuses which, if awarded, can compensate work performed during these hours.

##### *The "ASL Roma 1" Case Study*

The parties have agreed that in the event of exceptional circumstances or unexpected absences from work, derogations can be made from statutory minimum rest (11 consecutive hours), in compliance with Legislative Decree no. 66/2003. Should this be

the case, compensation rest periods will be granted that can be taken in the following three months, either in the form of a number of hours during the day or through whole days off. Those hours exceeding statutory limits will not be paid as overtime work.

## **6. Inclusion and diversity**

As for inclusion, the national collective agreement puts forward measures to promote and manage diversity of human capital, taking steps for particularly categories of individuals. For example, measures have been taken to help workers on open-ended employment contracts whose drug or alcohol addiction have been certified by public health authorities according to national and regional legislation in force, provided that they undertake to follow a treatment programme put in place by public health authorities. These measures include the following: the right to keep their jobs while they take part in the treatment programmes; the right to take up to a maximum of two-hour paid leave every day for the whole duration of the programme; reduction of working time, so that in terms of remuneration and applicable legislation they are treated as though they were part-time employees; the assignment of different tasks from traditional ones (the new tasks are to be assigned by the facility in charge of the treatment programme as part of rehabilitation).

Still on inclusion, and as far as education is concerned, the national collective agreement provides that collective bargaining carried out at company level can envisage other courses lasting at least one year to obtain special qualifications, refreshment courses – also those organised by the European Union to develop special skills – and training programs concerning the labour market integration of disadvantaged groups.

As for the management of human resources seeking career advancements moving up to the next employment grade, the national collective agreement sets forth that at the time of selecting different candidates for the same position, the following criteria should be followed:

- family situation (giving priority to the number of dependent family members if the worker in question is the only one generating an income);
- higher seniority in public-administration roles;
- special health conditions affecting the worker, their relatives or their permanent partners (evidence should be presented by the worker about the stable nature of this partnership, e.g. by exhibiting relevant documentation);
- if the family of the worker concerned includes people with disabilities.

The national collective agreement also provides that the setting up of criteria and their integration are to be defined in collective bargaining carried out at the company level. This bargaining level can also establish measures concerning training and re-integration

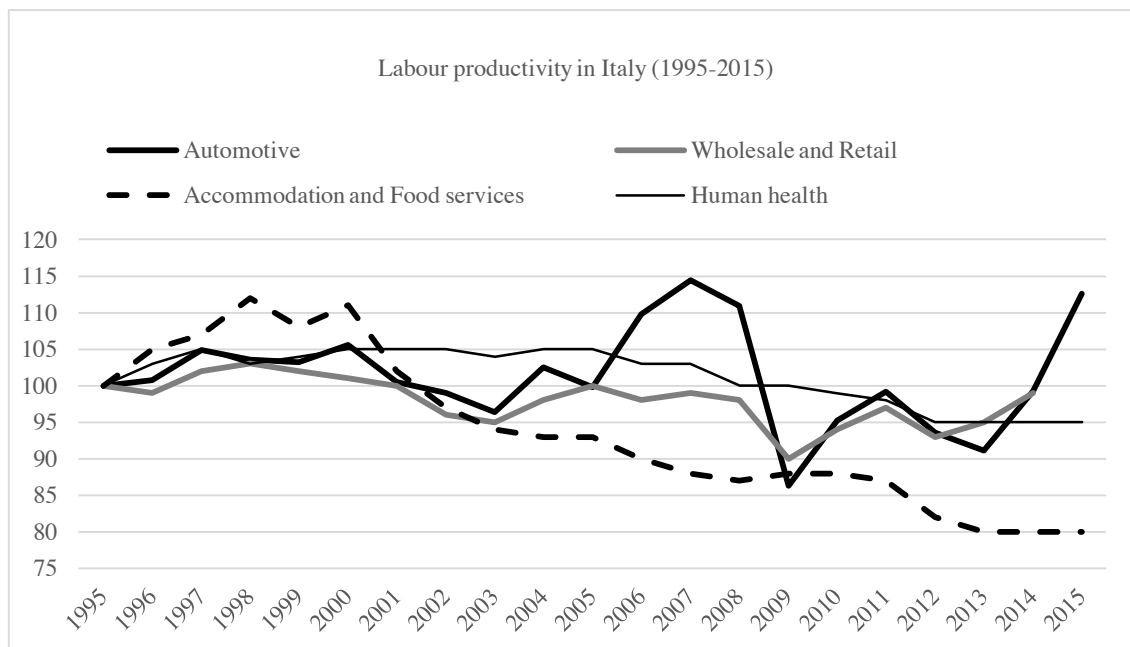
programmes, in order to favour re-employment and integration into the new organisational contexts, also in relation to the current classification models.

In relation to equal opportunities, the national collective agreement acknowledges that article 21 of Law no. 183/2010 has provided for the creation of a Single Committee ensuring Equal Opportunities, promoting employee wellbeing and tackling discrimination. This body replaces the Committees on equal opportunities and joint bodies against harassment at work previously in place. Consequently, the national collective agreement acknowledges this piece of legislation and no longer applies the contractual provisions that used to regulate these practices. In this respect, reference is also made to the Directive issued on 14 March 2011 by the Ministry of Public Administration and the Ministry of Equal Opportunity.

## Section 3. Sectoral comparison

### *Comparative overview*

**Figure 1:** Labour Productivity in four sectors of the Italian economy (1995-2015) (1995=100)



Source: ADAPT elaboration on Eurostat 2016

Labour productivity in the automotive industry is mainly explained by a trend towards capitalisation. Investments in technologies from mid-2000 have produced a decrease in total employment, which was prompted also by outsourcing and subcontracting. However, weak demand in the product market has not transformed capital investments into GDP (yet). Positive trends in labour productivity are also explained by working-hours reduction due to technological innovation, short-time work arrangements in times of crisis, and working time flexibility, which is generally associated to reduced amounts of working hours per employee. Technological and product innovation coupled with volatile market demand also prompted a renewed approach to work organisation. “Productivity bargaining” at FIAT (now FCA) is an example of how HR and industrial

relations strategy are important to align work organisation to market curves. To this aim, several measures were negotiated to make working time more flexible, to increase wage flexibility, to reduce the gap between nominal working hours and effective hours worked through measures to contrast “anomalous forms of absenteeism”, and to increase collective bargaining governability through peace-obligation clauses. Bargaining developments at FIAT produced effects also on NCLA for metalworkers and other small companies.

GDP in the tourism sector dropped after 9/11, then stabilised until the onset of the economic crisis, which hit the sector with delayed effects. Between 1995 and 2015, tourism has registered a significant increase of total employment, fuelled by the use of non-standard and contingent work, and the entrance in the labour market of new operators: sharing/on-demand economy; cooperatives; MNEs. However, the GDP has increased relatively less than total employment, thus determining a slow but constant decrease of labour productivity. From 2012 short-time work arrangements in medium-sized and big companies contributed to increase the gap between hourly productivity and labour productivity. Collective bargaining in the sector mainly takes place at national level. NCLA is characterised by high flexibility of work organisation and relatively high fixed wages. However, an increasing number of companies is outside the NCLA. Especially in the catering sector, outsourcing and subcontracting prompted a tendency to social dumping and race to the bottom, with negative effects on aggregate labour quality and productivity.

Total employment in the wholesale and retail industry has raised in consequence of the entrance of big supermarkets in the retail market, coupled with the liberalisation of opening hours from 2011. This has led to a proportionate growth of the GDP. The result is a flat trend in labour productivity. When it comes to regulation of working conditions, a divide between big/MNEs and SMEs exists: Big MNEs (e.g. Ikea, Apple, Metro) generally apply a two-tier collective bargaining structure, with well-developed firm-level bargaining complementary to NCLAs. There are pressures to bring productivity-oriented regulations in NCLAs: big retail companies are negotiating a new sectoral agreement demanding more wage flexibility and working-time flexibility (Sunday and bank holiday working hours). SMEs only apply NCLA. There is an increasing number of “pirate contracts” signed by non-representative social partners.

The human health sector registered a significant GDP growth, coupled with a relatively less increase in total employment. From mid-2000s, working hours increased due to a mix of GDP growth, turnover stoppage in the public administration, entrance of private actors in the market (mainly cooperatives). From 2009, the government has imposed a wage freeze in NCLA and put pressure to performance evaluation. The process of marketisation in the sector in the last decade undermined the traditional (good) labour standards in health sector. Local level agreements tend to be “productivity oriented”: increases in labour cost must be linked to an increase in productivity.

*Working conditions in NCLAs*

In all sectors, working conditions in NCLAs are the result of a well-balanced compromise between efficiency, equity and voice. The high-road to labour productivity tends to prevail, despite wages are generally lower than the EU average. In all sectors, wage coordination works as follows: pay increases should be set at the industry level in line with the inflation rate, and company or local contractual increases should be linked to productivity and other factors related to workers and/or a firm's economic performance.

In all sectors, we observe an organised and sustainable model of work regulation. Working time flexibility is already negotiated at national level, and can be directly implemented via HRM. However, statutory opting-out clauses on working time can be applied only via collective bargaining. Likewise, both statutory legislation and NCLAs provide the possibility for companies to hire workers with flexible types of contracts, although modification or derogation of legal standards can be done only via collective bargaining. Although in most sectors they are anachronistic and vertically structured, job classification systems set by NCLAs are flexible enough to manage the workforce flexibly.

On the other hand, NCLAs allow workers to use working time flexibility for work-life-balance purposes. In addition, managerial flexibility in organising working time is generally paid with extra remuneration, and its activation is subjected to trade unions information. Entry-level flexibility is subjected to collectively agreed limitations, while disciplinary actions are strictly regulated in NCLAs according to the proportionality principle. NCLAs in all sectors provide for well-established procedures for labour-management participation and trade unions rights and prerogatives established by the law are generally complemented with additional provisions in NCLAs. A number of channels of voice, in the form of information and consultation, are regulated by NCLAs and go from labour-related issues to typical managerial prerogatives (e.g. industrial plans). Finally, NCLAs in all sectors established a network of bilateral bodies funded by workers and firm contributions to promote more stable and quality jobs; to provide placement services; to devise programmes for training, particularly by means of on-the-job learning; to disseminate good practices against various discriminatory practices, favouring the integration of disadvantaged groups into the labour market; to set up and administer mutual assistance funds for income support; to develop actions and initiatives relating to occupational health and safety; to fund complementary pension and health assistance schemes.

*Firm-level bargaining*

Firm-level collective bargaining seems to be polarised between best and worst practices. Best practices, especially in big companies, tend to reflect the sustainable compromise

of NCLAs into integrative and long-term-oriented bargaining where the high-road to productivity prevail: higher wages, but linked to performances; more working time flexibility, but also more work-life-balance instruments; more participation channels and trade unions rights, but more collective bargaining governability. Worst practices are those where confrontational industrial relations prevail, with negative effects on labour-management relations and contents of collective bargaining: industrial actions aimed to impede the use of flexibilities stemming from NCLAs; fixed and compressed wage structures; less participation of workers' representatives in business affairs; pressures to cut labour costs, and so forth.

Finally, in many marginal companies, especially SMEs, firm-level collective bargaining does not exist at all, and/or NCLAs are applied in "flexible" ways. This means that, irrespective of contents of collective bargaining at all levels, there is a problem of collective bargaining governability and effectiveness. In addition, an increasing number of workers are not covered by NCLAs and firm-level bargaining, or they are covered by low-cost collective agreements signed by non-representative employers and workers' associations. This form of social dumping undermines the sustainable compromise between efficiency and protection reached by representative social partners in Italy since WW II.

## Conclusion

This report shows that Italian social partners have been able to defeat several attempts to deregulate the bargaining system, which has proven to be rather stable instead of disarticulated as the favorability principle is still working and a good compromise between efficiency, equity and voice characterized industrial relations and their normative outcomes especially at sectoral level. In this respect, the Italian system has shown more stability than former “coordinated” systems like the German one for example which suffers from an erosion of collective bargaining coverage and local level derogations, developments that are not acute in the Italian case.

It is clear, however, that the main problem in Italy remains the absence of a widespread diffusion of decentralised bargaining, complementary to NCLAs. Indeed, the fact that the economy-wide agreements state that productivity should not be distributed to workers through NCLAs but only through company-level bargaining, only makes sense if the coverage of company (or decentralized) bargaining approximates 100% of workers. If coverage is below 100%, such wage coordination rule implies that productivity increases will not be redistributed, but will increase the share of profits in GDP with the following risks, which mainly already materialized<sup>41</sup>: domestic demand stagnates; financial speculation increases (profits are less likely to be consumed than saved); and inequality increases too.

The convergence of the Italian industrial relations system with the characteristics of CMEs and, precisely, with the capacity to ensure the full effectiveness and governability of horizontal wage-bargaining policies coordinated at central level, is not completed yet. A problem of vertical coordination of collective bargaining persists whereas representatives of local trade unions and employers’ associations negotiated and signed several collective agreements not attuned with coordination rules set at a central level. The escape from ordinary wage coordination rules might even be done by applying the so-called “pirate contracts”, namely low-cost NCLAs “negotiated and then signed by smaller unions, without real representation, and by compliant business associations, who openly declare that their aim is to enact an alternative to the national collective agreement, so as to enable the employer to formally assume the legal status –

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<sup>41</sup> L. TRONTI, *The Italian Productivity Slow-down: The Role of the Bargaining Model*, in *International Journal of Manpower*, 2010, Vol. 31, no. 7, 770-792.



and therefore its benefits – that the law recognises to those who apply a collective agreement<sup>42</sup>.

The overall emerging conclusion is that industrial relations institutions play an important role in explaining labour productivity stagnation in Italy. However, that of collective bargaining and labour productivity in Italy is emerging as a tale of two stories: High-road to productivity imagined and negotiated at a central level; Low-road to productivity practiced at local level, especially in SMEs where collective bargaining does not exist at all.

This tale of two stories tends to reflect the country model of capitalism, placed somewhere in the middle between LMEs and CMEs<sup>43</sup>, with a mix between high degree of horizontal coordination, and low degree of vertical integration between what is established at central level, and what is practiced in the periphery. This also confirms the trajectory of an evolution of industrial relations in Italy marked by a double tension<sup>44</sup>: between the official positions of the actors at the centre of the system and the actions undertaken by them in the periphery; and between the voluntarism and limited formalization of relations between the labour market organizations and their high institutional involvement in the de facto administration of social policies.

Despite social partners' ability to coordinate wage and labour standards horizontally, Italian system of industrial relations continues to be characterised by weak vertical coordination and integration between what is agreed at central level and what is practiced in the periphery. Bargaining governability<sup>45</sup> is relatively weak due to informality of labour-management relations and localism, especially when it comes to smaller firms in which unilateralism tends to prevail as no obligation to set up works councils applies nor collective bargaining takes place. This results in lack of national homogeneity, dualism and free-riding in the labour market, with negative effects on labour productivity.

Finally, confrontational industrial relations prevail, thus resulting in less integrative bargaining outcomes<sup>46</sup>, which tend to reflect more power-based rather than trust-based relationships. It comes with no surprise that national or sector-wide regulations based

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<sup>42</sup> A. MARESCA, *Accordi collettivi separati: tra libertà contrattuale e democrazia sindacale*, *Rivista Italiana di Diritto del Lavoro*, 2010, n. 1, p. 29.

<sup>43</sup> O. MOLINA, M. RHODES, *The Political Economy of Adjustment in Mixed Market Economies: A Study of Spain and Italy*, in B. HANCKÉ, M. RHODES, M. THATCHER (eds.), *Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy*, Oxford: Oxford University Press, 2007.

<sup>44</sup> I. REGALIA, M. REGINI, *Between voluntarism and institutionalization: Industrial relations and human resources practices in Italy*, in R. LOCKE, T. KOCHAN, M. PIORE (eds.), *Employment Relations in a Changing World Economy*, 1998, Cambridge, MA: MIT Press, pp. 131–163.

<sup>45</sup> F. TRAXLER, B. KITTEL, *The bargaining system and performance: a comparison of 18 OECD countries*, in *Comparative Political Studies*, 33, 2000, 1154–90.

<sup>46</sup> R.E. WALTON, R.B. MCKERSIE, *A Behavioral Theory of Labor Negotiations: An Analysis of a Social Interaction System*, New York: McGraw-Hill, 1965.

on a sustainable compromise between efficiency and equity do not necessarily translate into sustainable HRM or industrial relations practices at a firm-level, or that high and low roads to productivity coexist across sectors and companies.

Some complicity of local TUs and EOs in low-road to labour productivity makes difficult to envisage possible ways to contrast this process without state intervention. In 1997, the so called Giugni Commission established to verify the effects of the 1993 Protocol already stated that: “change in the rule of games is fated to remain ineffectual if social partners wouldn’t change their contractual culture, by respecting the commitment to pursue a wage policy linked to objective parameters”<sup>47</sup>. However, deepening the degree of specialisation of bargaining levels might be, it still appears “very difficult to define rules of coordination that avoid regulatory conflicts”<sup>48</sup>.

The logic consequence should be that “the goal to define a cohesive system of collective bargaining should be backed by a clear regulation of consequences stemming from the violation of the rules on collective bargaining coordination and, above all, by a clear discipline of conflict of regulation”<sup>49</sup>. This could also be achieved through “a subsidiary legal discipline of rules governing the industrial relations system”<sup>50</sup>. This is among the reasons why some Italian labour lawyers presented two draft proposals for the transposition of the 2014’s “Testo Unico sulla Rappresentanza” agreed by social partners into a law<sup>51</sup>, in order to provide it with *erga omnes* power and legal enforceability. After all the empirical evidence proved that the statutory provisions for the legal enforceability of collective agreements and the peace obligation during their validity – which together form what Traxler and Kittel designate high bargaining governability – are crucial to guarantee consistency of economic policies agreed at a central level<sup>52</sup>. While it is also clear that supportive statutory provisions are a necessary but not a sufficient precondition for the stability of multi-employer bargaining systems: importantly, it is the way in which the bargaining parties make use of them that also matters, along with the cultural environment in which industrial relations take place at a local level<sup>53</sup>.

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<sup>47</sup> *Relazione finale della Commissione per la verifica del Protocollo del 23 luglio 1993*, § 27.

<sup>48</sup> *Relazione finale della Commissione per la verifica del Protocollo del 23 luglio 1993*, § 43, c).

<sup>49</sup> *Relazione finale della Commissione per la verifica del Protocollo del 23 luglio 1993*, § 43, c).

<sup>50</sup> *Ibidem*.

<sup>51</sup> On the proposal of the so called “Gruppo Frecciarossa”, see: B. CARUSO, *Il Testo Unico sulla rappresentanza*, WP C.S.D.L.E. “Massimo D’Antona”. IT, 227/2014, p. 10; for the so called *Proposta di legge sindacale della Rivista Diritto Lavori Mercati*, see: L. ZOPPOLI, A. ZOPPOLI, M. DELFINO (eds.), *Una nuova costituzione per il sistema di relazioni sindacali?*, Editoriale scientifica, 2014, p. 539.

<sup>52</sup> F. TRAXLER, *Bargaining (De)centralization, Macroeconomic Performance and Control over the Employment Relationship*, in *British Journal of Industrial Relations*, 41, 2003, n. 1, 1-27.

<sup>53</sup> F. TRAXLER, *Coordinated bargaining: a stocktaking of its preconditions, practices and performance*, in *Industrial Relations Journal*, 34, 2003, n. 3, in particular, at 197.

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