



Fondazione Giuseppe Di Vittorio



Italian collective bargaining at a turning point: is it still a coordinated decentralization?

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Italian industrial relations at a turning point: issues and challenges

1. Political role of the unions, in a stage where concertation has been given for dead and buried, while the Prime Ministers and media delegitimize role and functions of the TUs
2. Structure and contents of collective bargaining, squeezed between deflation, decentralization and increasing labour flexibility and precariousness
3. A regulatory framework in constant change, with a confused stratification of multi-sectoral systems, the old voluntary rules expired, very fragmented social partners actors and, fundamentally, the lack of universal and enforceable (legal) rules about the whole spectrum of industrial relations

One step back: the Italian I.R. in a nutshell

- High level of voluntarism and abstention of law on the whole range of IR items
- Key role played by collective autonomy, true pillar of the system;
- Two-tier bargaining system, with a primacy of the sectoral level in setting substantive and universal standards and wage levels
- Medium-high level of union density (33%)
- Single channel of representation at workplace level
- High-level of CB coverage (>90%), though without formal extension mechanisms
- Low rate of workers' representation and collective bargaining at company level: differences in size
- High level of no-compliance, due to the irregular jobs, (bogus) self-employment, lack of controls in SMEs and atypical work

More in details

The power resources: good the associative ones (membership; union density), **pretty good the organizational, declining the institutional, critical the structural** (sectoral and membership composition in new economy)

- Union density has declined in Italy too, but the downward trend has been slower and much more contained than elsewhere. It was 41% in 1980 and is now estimated at 33,4%, still one of the highest rates in the world, falling behind only those recorded in Belgium and the Nordic countries that enforce the Ghent system (ILO 2015).
- Remarkable financial and human resources
- Collective bargaining coverage: one of the highest among the industrial countries (approx. 90%), and apparently pretty stable, without a formal procedure of extension mechanism

High minimum wages and Kaitz index 2008-15 (A. Garnero, 2017)

Table 1. Hourly sectoral minimum wages (euros/hour and Kaitz index), 2008-2015

Year	Hourly minimum wages (average across sectors)	Kaitz (% of the median)	Minimum of the minima	Maximum of the minima	Median LFS
2008	7.99	74.62	6.55	12.27	10.71
2009	8.22	74.88	6.65	12.43	10.97
2010	8.46	75.13	6.73	12.43	11.26
2011	8.91	78.35	6.89	12.49	11.37
2012	9.06	76.07	6.91	12.76	11.91
2013	9.22	76.20	7.12	13.04	12.10
2014	9.32	80.53	7.29	13.41	11.57
2015	9.41	79.95	7.47	13.89	11.77

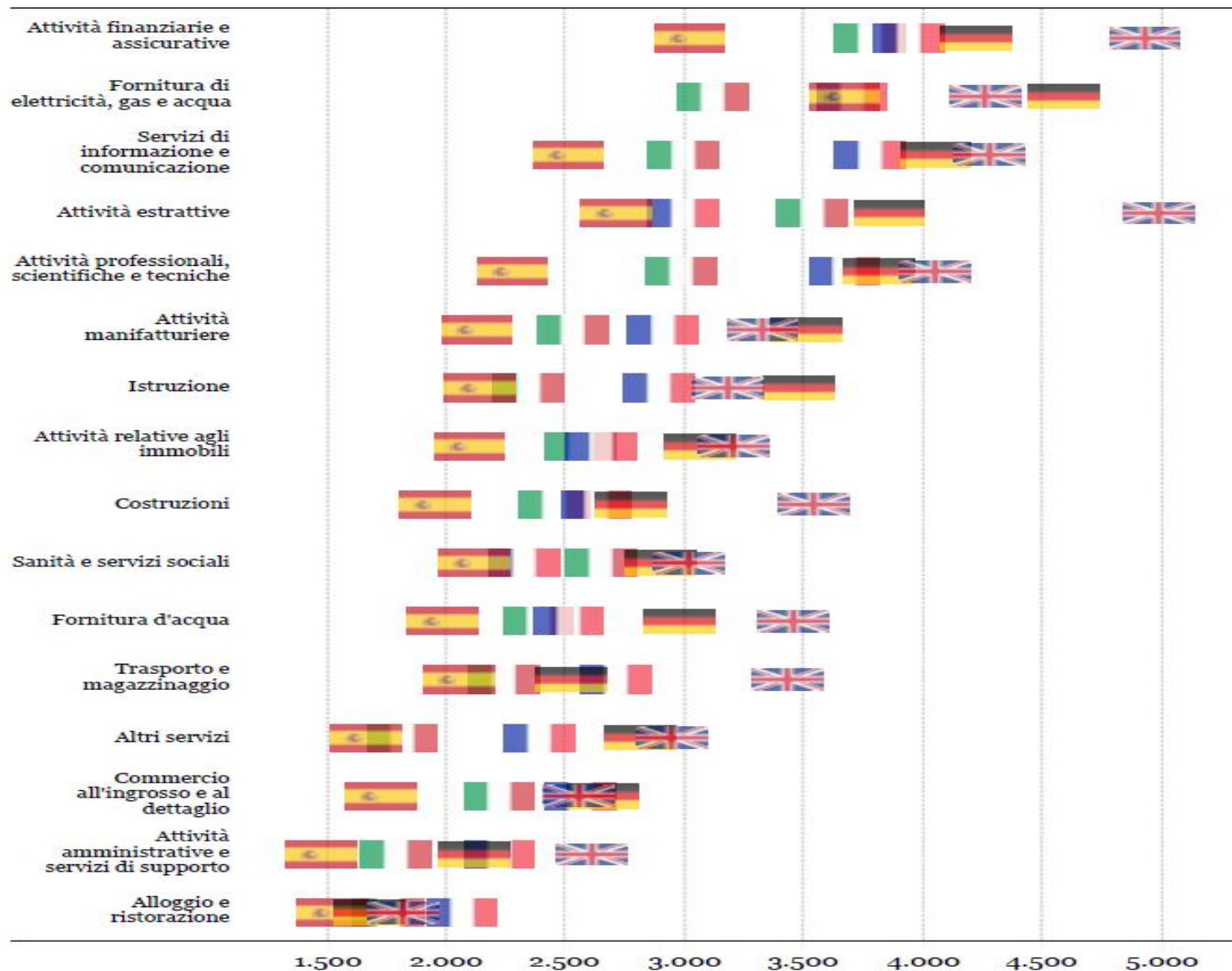
Note: The Kaitz is computed as the average of the sectoral minimum wages over the national median.

Source: Author's calculation on ISTAT negotiated wages database and the Labour Force Survey.

The “qualitative” problems of the Italian trade unions

- the gap between the level of general trade union recognition and their power resources and the modest outcomes in terms of low wages, employment rates, human capital and welfare provisions, is significant;
- the marginalization experienced by unions because of the new European and state interventionism in the main social issues, collective bargaining included, has further weakened union influence;
- the crisis of traditional voluntarism in the field of industrial relations, with subsequent legal uncertainty and inter-unions conflicts
- the big pressure for a strong decentralization of collective bargaining, with a more and more residual role of the national industry level
- declining popularity

Medium wage by sector and industry in € (2014)



No compliance of hourly sectoral minimum wages, by industry (A. Garnero, 2017)

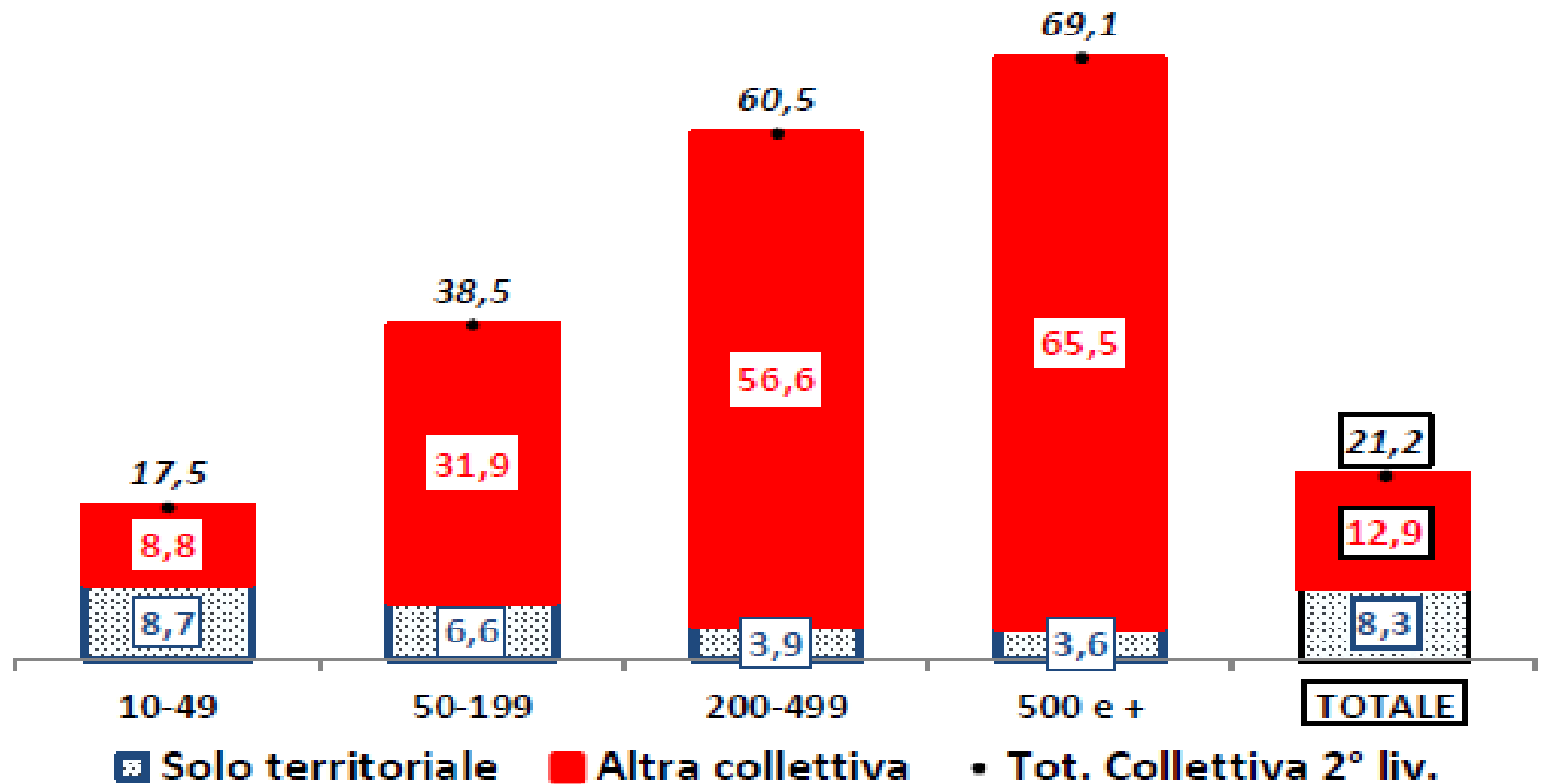
Table 6. Violation of hourly sectoral minimum wages, by industry in 2015

Industry	% of workers underpaid (v_0)	Depth of violation (v_1)	Average shortfall per underpaid worker (v_1/v_0)
A-B Agriculture and mining	31.63	7.11	22.48
C-D-E Manufacturing, elec. & water supply	10.12	2.05	20.23
F Construction	7.41	1.83	24.69
G Retail trade	11.81	2.83	23.99
H Transport	7.93	1.68	21.22
I Hotels and restaurants	20.66	4.87	23.58
J Information and communication	7.02	1.43	20.43
K Finance and insurance	10.24	2.42	23.65
L-N Real estate, professional & admin activities	15.48	3.39	21.91
O Public administration	4.15	1.29	31.24
P Education	15.07	2.56	16.97
Q Health	8.20	2.03	24.73
R-U Arts, other activities, household and int'l organisations	30.89	1.89	6.12

Source: Author's calculation on ISTAT negotiated wages database and LFS.

Low level of decentralized bargaining coverage

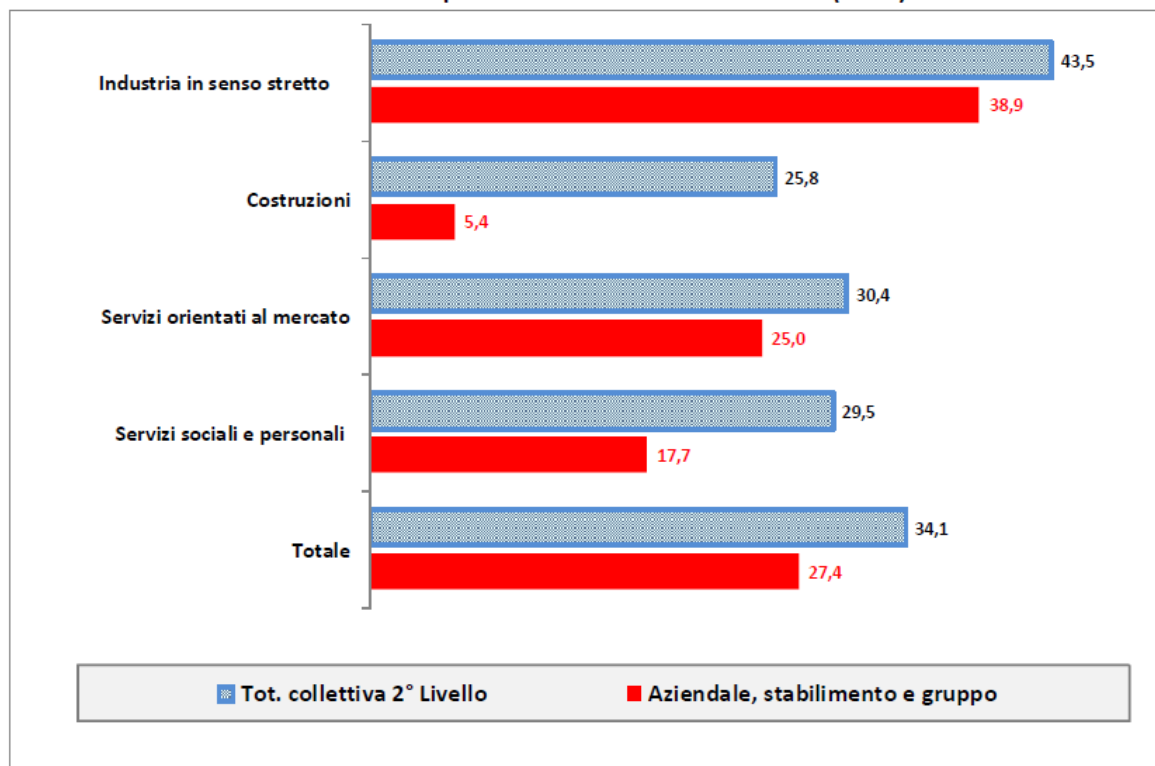
Firms (>10 dip.) covered by CLAs by size (in %)



Fonte: elaborazioni FDV da Cardinaleschi e De Santis (2016)-ISTAT-CNEL

Private sector employees esteemed to be covered by second level bargaining, total and by sectors (2014)

Figura 4. Stima della copertura % della contrattazione collettiva integrativa per i dipendenti privati*: valori totali e per branca di attività economica (2014)



) Esclusi lavoratori agricoli e domestici.

Fonte: elaborazioni FDV su dati INPS (*Imprese del settore privato non agricolo e posizioni lavorative; Osservatorio sui lavoratori dipendenti*), Cardinaleschi e De Santis (2016), ISTAT-CNEL

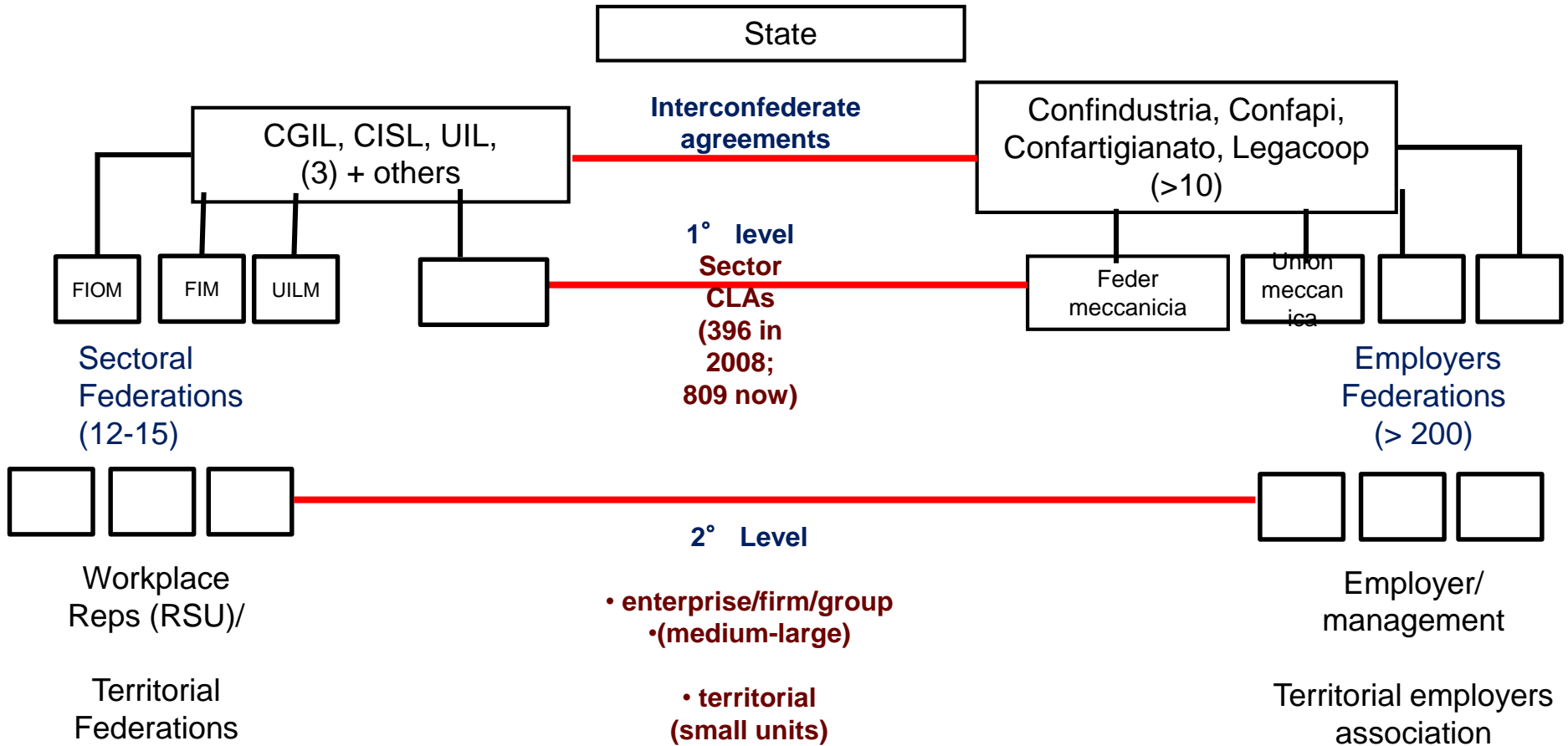
The Italian MEB under stress: a timeline

2009	January 22; Separate framework agreement on the new industrial relations system (without the CGIL)	New system to calculate the inflation rate; longer duration of the 1st level collective agreements; opening clauses and decentralisation; restrictions to strike
2010-2011	Separate agreements at the FIAT plants ; national agreement for the whole group, out of the metal workers national agreement	Harder working conditions; restriction to the right to strike; NewCo; exit from the national industry-wide agreement
2011	June 28; New unitary Framework agreement on the industrial relations system	Two-tier system; primacy of the national one; eligibility criteria to be admitted at the National CB; opening clauses; restrictions to strike
2011	August 3; Letter of the ECB to the Italian Government	Request to decentralise collective bargaining ; freezing civil servant pay; pension and labour market reform
2011	September; art. 8 Law n. 148 on decentralization of collective bargaining	Company agreements can derogate unfavourably even from laws
2013-2014	New unitary Framework agreement on the industrial relations (“Testo Unico”)	Certification of trade unions representativeness Vs. binding collective agreements and their effectiveness
2015-2017	New reform of the labour market (Jobs Act): a centralized liberalization with possibility for CB to adopt further flexibility	Sectoral bargaining renews in deflation Fiscal incentives to decentralized bargaining

The Italian ways to CB decentralisation

1. Organized decentralization: the tripartite Protocol of 23/7/1993
2. Totally disorganized: the “frontal assault” from the bottom (Fiat 2010-11) and from the top (the post-BCE letter implementation Vs. art. 8, Law no. 148/2011)
3. Partial recentralization: the three framework agreements (*Confindustria*) of 2011-14
4. The new-interventionism of law on LMPs and a centralized liberalization

1) Organized decentralization: the tripartite Protocol of 23/7/1993



2 a) The «corporatization» and the MEB exit strategy at FIAT (2010-11)

1. Workplace union representation: for the signatory organisations only (no matter their votes and members)
 2. **FIAT exit from the employers' association and its stratified system of multi-level agreements**
 3. **A “national first level agreement” de-linked from the metalworking sectoral agreements**
 4. New Company: all workers must be hired again from the New Company
 5. Right to strike: sanctions for unions and for individual workers (until dismissal)
 6. Referendum: if “no” win, then FIAT close down the establishment (“no” just a bit less than 50% anyway)
- Unions which refuse to sign firm-level agreements are excluded by the representation (closed shop) and by organizational facilities within the workplace
 - It's not the unions' real representativeness (vote and/or members) to legitimate the collective agreements but – on the contrary – to sign agreements legitimate the signatories unions to be recognized by the company (the employers power to choice who admit and who exclude)
 - To guarantee full/complete effectiveness of the agreements and prevent all the possible forms of workers/unions dissent
 - A sentence of the Constitutional Court (2013) has denounced this system as unconstitutional, while a law in this field is needed

The «secret» letter of the ECB (3/8/2011)

It asked:

- to reform the system of wage bargaining at the enterprise level agreements (..)
- to adapt the wages and working conditions to **the specific needs of companies** (..)
- to **make these agreements more relevant than other levels of negotiation**.
- a « careful review of the rules governing the hiring and firing of employees ».

Homework: Done!!

- **Freezing civil servant pay** for 3 (+ 2) years
- Reform of the **collective bargaining** (L. 148/2011), with a radical decentralization and power to derogate, even the law
- **Pension reform** (L. 135/2011), delaying the age for retirement (67)
- Reform of **fiscal policies**, with the obligation to balance the budget in the Constitution
- Reform of the **labour market** (L. 92/2012), relaxing rules about individual dismissals, enlarging the shock absorbers scope
- New reform of the **labour market** (L. 183/2015 or “Jobs Act” and its Decrees): relaxed rules on fix-term contracts, unfair dismissals consequences, limited reduction of atypical contracts, enlarging shock absorbers, remote controls, job classification downgrading

2 b) The “proximity agreements” ex article 8, Law no. 148/2011)

Aims and scope: why to derogate from higher level?

to enhance occupational levels, to manage occupational and economic crisis, to support quality of employment contracts, new investments, the setting up of new activities. workers' participation, combating undeclared work

Matters: what and who can derogate?

“Specific agreements”, at **company or territorial level**, signed by the comparatively most representative partners, **can derogate** (in worst) on potentially **ALL items** and scope, with the only limit of being not in contrast with International or Constitutional fundamental rights/principles (trade union liberties and pensions)

Real impact?

Scarce: esteemed by surveys between 5 and 10% of CLAs

3) The social partners self-reform: the three *Confindustria* framework agreements 2011-14

- Two-tier bargaining system and primacy of the industry-wide CLA
- Possibility to negotiate “modifying agreements” at company level, according to parameters and procedures set up in the industry-level agreements
- No derogations of law admitted
- Certification of unions representativeness for taking part at the national bargaining rounds: over 5% between votes and members certified by independent agencies
- National CLA binding when signed by unions which together represent 50+1% of the workers (majority principle) + workers’ consultation (referendum)
- Clauses on strike restrictions and sanctions: mandatory for signatories unions only (very controversial within CGIL, with metalworkers unions firmly against)
- A pattern replicated, with some variations about representativeness measurement and territorial bargaining, also into other multi-sectoral scope (services; cooperatives, SMEs, craft)

4) A centralized State-driven liberalization: the challenge of the “Jobs Act” :

1. Structural reforms of labour market law: the Renzi’s Jobs Act (2014-15)
2. The law rules directly some of the most sensitive issues, once delegated to CB decentralization, lowering the old and mandatory constrains, intangibles by whatever level of collective bargaining.
3. CB is not completely deprived of its role, but becomes complementary, subsidiary, and for the most part designed to further loosen the already very flexible rules defined by law.
4. The references to collective bargaining (art. 51, Legislative Decree no. 81) are dozens, but
 - a) without any distinction and hierarchical order among national, territorial and company level;
 - b) unconditioned in terms of required aims/goals for further flexibility;
 - c) signed by comparatively most representative unions but without any reference to the majority principle

The bastions erected by the trade unions with subscribing the framework agreements with the aim of scotching the erosive and destabilizing potentiality of art. 8, Act. 148/2011, are now themselves eluded and scotched by the law. ¹⁸

Fiscal incentives to bargaining productivity and innovation

Government is using fiscal facilities and incentives. Social partners are encouraged to negotiate decentralized agreements aiming at increasing performances, whose variable wage increases (also in the form of employee share option) will receive a lower taxation of just 10%, for a max of 2.000 euro, not considered into the overall income of the worker who doesn't earn over 50.000 euro lord per year.

In order to benefit of such a performance bonus, outcomes have to be real, measurable and resulting as outcome of company or territorial collective agreements, which have to define in detail objectives and parameters (increase of the production volumes, quality improvement of goods and processes, reorganization of working time and smart work, participation bodies).

They can include forms of paritetic employee involvement in work organization and tools for monitoring the results. Welfare benefits are considered as part of these measures, and employees can individually opt for them – entirely or partly – in alternative to monetary performance bonus. What in any case matters is that the reaching of the objectives can be measurable and real.

The new rules provide a principle of voluntariness by the worker, who can choose alternately between wages increases and services or welfare benefits.

Roughly 18.000 agreements signed and gathered up to now, but nobody really knows their contents

The new CB tournament and the social partners positions

Confindustria

- no money to bargain as, in deflation, real inflation has been lower than the expected; companies gave more money than they should, which now they want to have back.
- productivity-related pay at the company level, minimum wage just for employees excluded by company level wage increases, more resources to the occupational welfare (health and pensions; training; bonuses)

SMEs Associations

MEB still fundamental as the affiliated have no skill/resources to cope with company level bargaining

CGIL, CISL, UIL (inter-unions Protocol 16/1/2016)

- still a centrally coordinated CB decentralization, with a key role of MEB as wage setting institution
- beyond the mere inflation rate, but with considering the macro and micro trends, and also an equitable role to re-launch a wage-driven domestic demand
- No statutory minimum wage
- Yes extension mechanism by law
- Board level employee representation, organizational and financial participation

Some conclusions

1. The CB in Italy is still a coordinated and organized system, but with some structural weaknesses and inefficiencies
2. The choice for a voluntarist solution, based once more on the collective autonomy and not on the rules of law, has prevented the reform from acquiring those universal and binding characters. A law on the whole matter (representativeness and collective agreements effects) is likely urgently needed, according to the scheme of the auxiliary legislation, where a peak level collective agreement is adopted and transposed as a State's law. The social climate is favorable as never before; if not now, when?
3. The national industry-wide agreements, which for years have been called for a drastic reduction in number (when they were roughly 400), instead continue to grow up to a striking 800.
4. The time for renewals are intolerably long and dilated.
5. The recovery of the purchasing power of wages, pillar of the system at a time when Italy boasted exceptionally high rates of inflation, cannot be any longer the only parameter around which to negotiate in future the economic part of collective bargaining.

Follows

7. An expansive, solidaristic and equality-oriented wage policy, can also be a core element for launching a wage-led growth and domestic demand
8. The company-level bargaining cannot and must not become in any case the new cornerstone of the system, for the simple and banal reason that too many employers and employees would be inevitably excluded.
9. However, there are significant margins to strengthen decentralized bargaining. Firstly by extending and enhancing the capacity accumulated by the social partners at territorial bargaining level (construction; commerce, tourism, craft and SMEs).
10. Finally, the quality of the content of collective bargaining. In the era of the world-class manufacturing, digitalization and industry 4.0, with the concomitant shrinking and re-casting welfare state, the social partners can and must know to update their negotiating repertoire. For a country like Italy, this means in particular to significantly improve the employee involvement and participation at the work organization, in order to foster a consensual approach to the innovation of process and product.