

INCLUSIVE GROWTH THROUGH COLLECTIVE BARGAINING IN ITALY

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1 Introduction

1.1 Place and role of collective bargaining in Italy

In the European context, the Italian system of industrial relations stands out in a number of respects; or at least, it lies outside the mainstream in most instances. The factors in question are attributable to a virtually unique level of voluntarism and abstention of law. With the exception of the public sector, there is scarcely an area in which self-regulation by the social partners does not set the guidelines governing employee representation, collective bargaining, minimum wages, strike action and workers' participation. Legislative intervention, while particularly intense in individual employment relations, has been marginal when it comes to collective ones, notwithstanding the reference to them in the Constitution of 1948; or rather, the focus has been on auxiliary legislation (Workers' Statute of 1970) to foster free and vigorous trade union activity in the workplace. Both among the social partners and scholars, the primacy of collective autonomy was robustly asserted over a long period, compared with other models, as in the 'cousin' Latin countries, in which state intervention prevailed. Italy is the only EU member state, besides Sweden and Denmark, that has neither a statutory minimum wage nor a formal administrative extension procedure to guarantee universal coverage of collective agreements.

Collective bargaining depends on mutual recognition by the social partners; collective agreements are acts of private law, considered as expressions of the signatories' self-regulatory capacity and subject only to the general provisions of the Civil Code of 1942. Collective agreements are not legally binding, so their contents are formally enforceable only by the signatories' affiliates.

Since the signing of the tripartite agreement on 23 July 1993, the Italian collective bargaining system has been two-level and articulated hierarchically, with priority given to national industry-level collective labour agreements, followed by company-level agreements or, alternatively, territorial agreements where firms are too small and there are no workers' representatives, as in such sectors as crafts, agriculture, construction, retail and tourism.

National sectoral bargaining is the core of the system. It establishes a floor of rights and standards that secondary-level bargaining – which is facultative – must comply with, integrating, adapting and generally improving pay and working conditions in accordance with the favourability principle. Among their main tasks, national agreements (CCNL) establish sectoral wage floors according to different job levels, protecting wage earners' purchasing power against inflation. Every CCNL typically has 8–12 different *minima*, according to occupation, on a hierarchical ladder, from elementary occupations to middle managers (*quadri*). Senior executives generally have their own agreements. Moreover, apprentices also have a different wage-setting mechanism. It is therefore quite problematic to define *minima* compliance, except – up to a point – for the lowest level of each CCNL (Birindelli, Leonardi and Raitano, 2017). Currently, the indicators used to renew sectoral agreements are concentrated mainly on consumer price indices, both for consolidated data and for forecasts. Collectively agreed minimum wages are, on average, higher both in absolute terms and relative to the median wage (this ratio is called the Kaitz Index); indeed, they are estimated to be among the highest in Europe, at around 80 per cent of the median.

The lack of a legal extension mechanism has not impeded very high collective bargaining coverage, never estimated to be below 80 per cent by international sources and an impressive 99.4 per cent by national sources, in firms with at least 10 employees (CNEL-ISTAT, 2015). Employees in all branches and companies are, in theory at least, covered by some national industry-wide agreement. Non-compliance rates, however, are not negligible in a country in which levels of evasion – for example, via informal workers or bogus self-employment – are among the highest in a sample of EU countries (Garnero, 2017; Lucifora,

2017). The proportion of national sectoral wages covered by collective bargaining stands at about 88 per cent in the private sector and over 90 per cent in the public sector (D'Amuri and Nizzi, 2017).

Decentralized bargaining is fairly limited, covering approximatively the 20 per cent of enterprises with more than 10 employees (12 per cent are covered by firm-level agreements and 8 per cent by territorial agreements) and roughly 35 per cent of wage earners (Fondazione Di Vittorio, 2016). Predictably, firm size matters, as in the very small firms – making up the bulk of the Italian economy – no works councils exist.

Union density in Italy, though declining, is estimated by international sources at around 37 per cent (ICTWSS, 2015; Cazes et al., 2017), whereas Italian sources are more prudent, estimating it at 32 per cent (Carrieri and Feltrin, 2016). In either case it is one of the highest in the world, behind only Belgium and the Nordic countries. With almost 12 million affiliated in 2017 to the three historical confederations (CGIL, CISL, UIL), union membership is by far the largest in Europe. The employers' organizational density is estimated at around 50 per cent. Umbrella confederations are organized, on both the workers' and the employers' sides, in a number of sectoral/branch peak federations. There are roughly a dozen on the trade union side, but hundreds on the employers' side. Employers' associations are organized according to the size, sectoral type, legal status and political orientation of the affiliated companies. In a single manufacturing sector, there might be at least four national collective bargaining units, according to firm size and type: large, small or medium, craft industry and cooperatives.

1.2 Main economic changes

Between 2008 and 2013, Italy suffered what the governor of the Bank of Italy and other commentators have described as *the worst years in its peacetime history*. GDP fell by 9 percentage points, industrial production by 25 per cent and investment by 30 per cent, while the unemployment rate doubled and productivity stagnated. In all, in the 21 years between 1995 and 2016, Italian GDP grew by 11.6 per cent, less than a third of growth in the euro zone as a whole, which was up by 36.2 per cent. In other words, during this period, the Italian economy accumulated a lag of 24.6 percentage points of GDP compared with the euro-zone average. Through the fiscal adjustment of recent years, the government deficit fell from 5.5 per cent of GDP in 2009 to 1.9 per cent in 2017, whereas the GDP/public debt remains extremely high, at 131.5 per cent. In the fourth trimester of 2017, GDP grew by 1.6 per cent on an annual basis.

From 2007 to 2014 unemployment doubled, from 6 to 13 per cent, although mitigated by widespread use of short-time working schemes and redundancy funds. Even today, after the most timid recovery of all the euro-zone countries, employment and inactivity rates are some of the worst in the EU, at 58.1 per cent (only 49.3 per cent for women) and 34.5 per cent, respectively, with a widening gap of 20 points between the North (almost back to the levels of 2008) and the South, with an astonishing (low) employment rate of 44 per cent (2017). With the 'Jobs Act' and its following decrees (2015–2017), the centre-left government has deeply reformed labour legislation, with a large package of measures, including, after the liberalization of fixed-term contracts in 2014, a fairly definitive abrogation of the right to reinstatement in case of unjustified dismissal (only if it was proved to be discriminatory),¹ new inspection tasks for job centres, wider (but shorter) unemployment shock-absorbers and benefits, work-life balance and incentives to decentralized bargaining.

¹ In the case of dismissals due to economic hardship ('economic dismissals'), reinstatement in the workplace, provided for before the reform, was substituted by severance pay, based on the age of the worker and years of service.

The government envisages the creation of new open-ended jobs by means of a three-year moratorium on social insurance contributions. All these measures encouraged a modest resumption of hiring between 2015 and 2017, with unemployment falling to 11.2 per cent (December 2017), the lowest for four years but still one of the highest in the euro zone. Employment in industry and construction is no longer declining, but in 2017, at 5.2 million full-time equivalents, it was still nearly 1.3 million below the 2007 level. It is worth stressing how this trend has been entirely driven by the growth of fixed-term employment (rising to 2.7 million, half a million more than in 2007–2008), whereas the number of open-ended contracts – although in the weaker forms provided for by the new law on individual dismissals – has rapidly declined, corresponding to the end of the strong tax and social contribution incentives. The number of part-time workers more than doubled (from about a million to 2.3 million) and temporary contracts have risen to 2.7 million, about half a million above the 2007–2008 level. Interestingly, the main increase concerns part-timers who are also temporary workers; in 2017 they averaged 850 000 as against 500 000 in 2007–2008.² Moreover, unregistered workers, already very numerous in Italy, increased again, standing at 20.6 per cent of total dependent employment (full-time equivalent) in 2015 (the latest data available), two full percentage points more than in 2007–2008. Workforce ageing has also been dramatic, with those aged over 54 years of age still at work now numbering 4.7 million, 2 million more than in 2007–2008. The opposite has happened with those *under 35 years of age*, who numbered 5 million in 2017, 2 million down from 2007–2008. The youth unemployment rate remains extremely high, equal to 31.5 per cent (with shocking figures in the south of Italy), as has that of the NEETs, which is at the top of the European rankings.

1.3 Wages dynamics in Italy during and after the crisis³

Between 2008 and 2017 the nominal compound annual growth rate for collectively agreed wages was slightly higher than the one for earnings as a whole (1.5 per cent versus 1.4 per cent). The Harmonized Index of Consumer Prices⁴ (HICP) compound annual growth rate was 1.5 per cent in the same time span. On average and over a fairly long period therefore the anchor of the wage-setting mechanism remained the inflation rate, which, furthermore, stood still from 2013 to 2016. The modest negative wage drift can be easily explained by the severe double-dip recession and the feeble rebound. At the end of 2017, Italy's real GDP was still lower by 5.8 per cent than at the beginning of 2008.

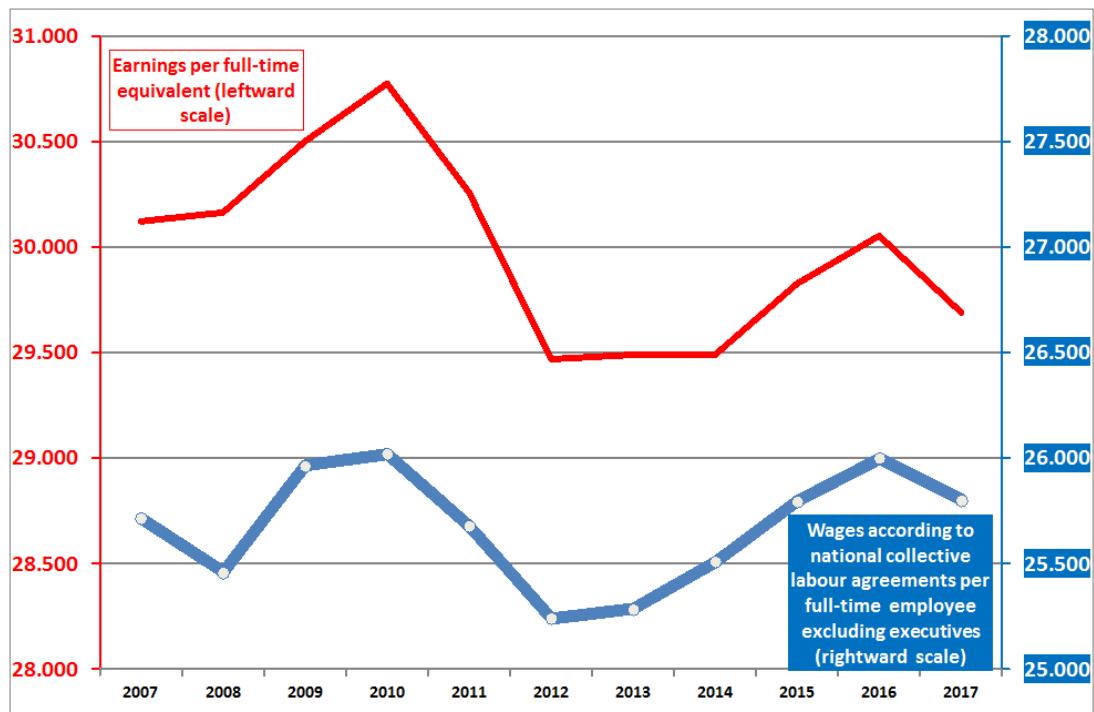
The real wages recovery from 2013 to 2016 can be explained by the inflation freeze, whereby even small nominal wage increases translated into real, if modest, gains (Figure 1). A similar situation happened in 2009, when a (then) not-so-exceptional wage hike of 2.8 per cent (according to collective labour agreements) was matched by a mere 0.8 per cent inflation growth, down from a rise of 3.6 per cent in the previous year.

² The aforementioned data are from ISTAT, the National Accounts and the Labour Force Survey.

³ Lorenzo Birindelli.

⁴ It is worth mentioning that the industrial relations system's inflation benchmark has since 2009 been the HICP net of the trend of prices of imported energy. Nevertheless, we use the full HICP for a wider comparison.

Figure 1 Italy. Real earnings per full-time equivalent and wages* according to collective agreements per full-time employee (excluding executives) (euros at 2017 prices, HICP)



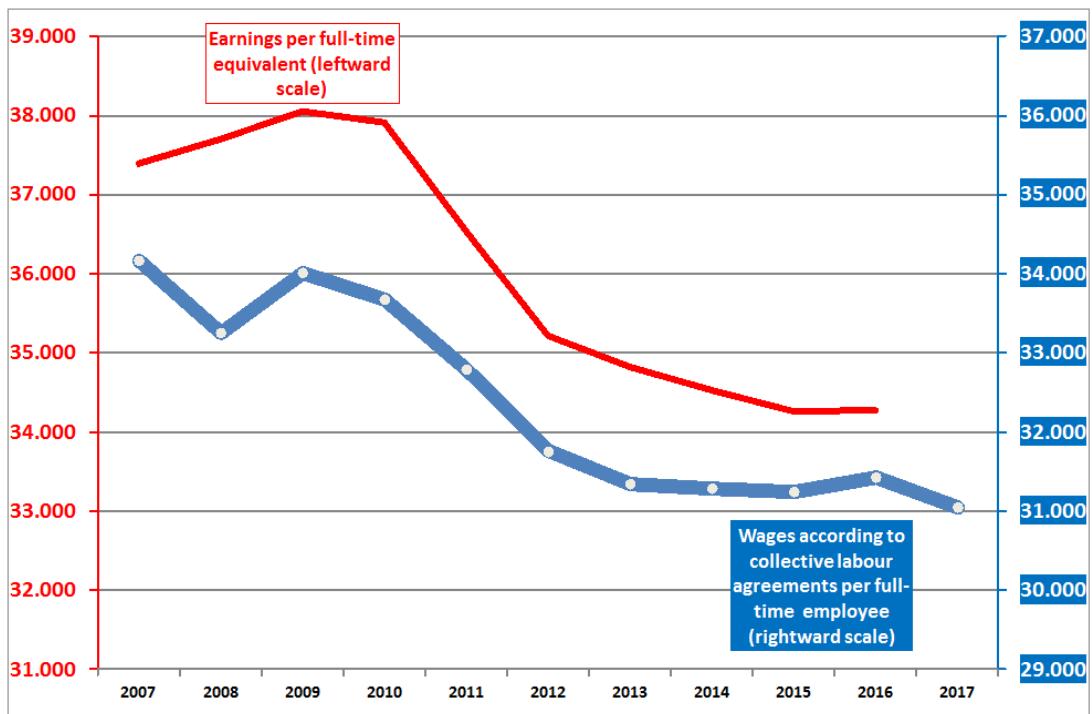
Note: * Accrual concept.

Source: Author's calculations based on ISTAT data (National Accounts and Gross contractual wages, length of work contract and yearly wages and salaries survey).

There is a large divide during all these years between private and public sector, with the latter having the wages frozen in *nominal terms* since 2011 to 2016 (see Figure 2 and 3). The difference is striking: the loss for public sector is at about 10% in real terms, whereas the private sector recorded a 3-4% increase. Anyway, in both cases, the wage gap between earnings and collectively agreed wages, both in relative and absolute terms, is now lower than in 2007.

The pivotal role of national industry-wide bargaining in the Italian wage-setting mechanism has thus been confirmed, as has its vulnerability, as the 2017 decrease happened in concomitance with an inflation growth rate (+1.4 per cent) still well below the ECB target (+2.0 per cent).

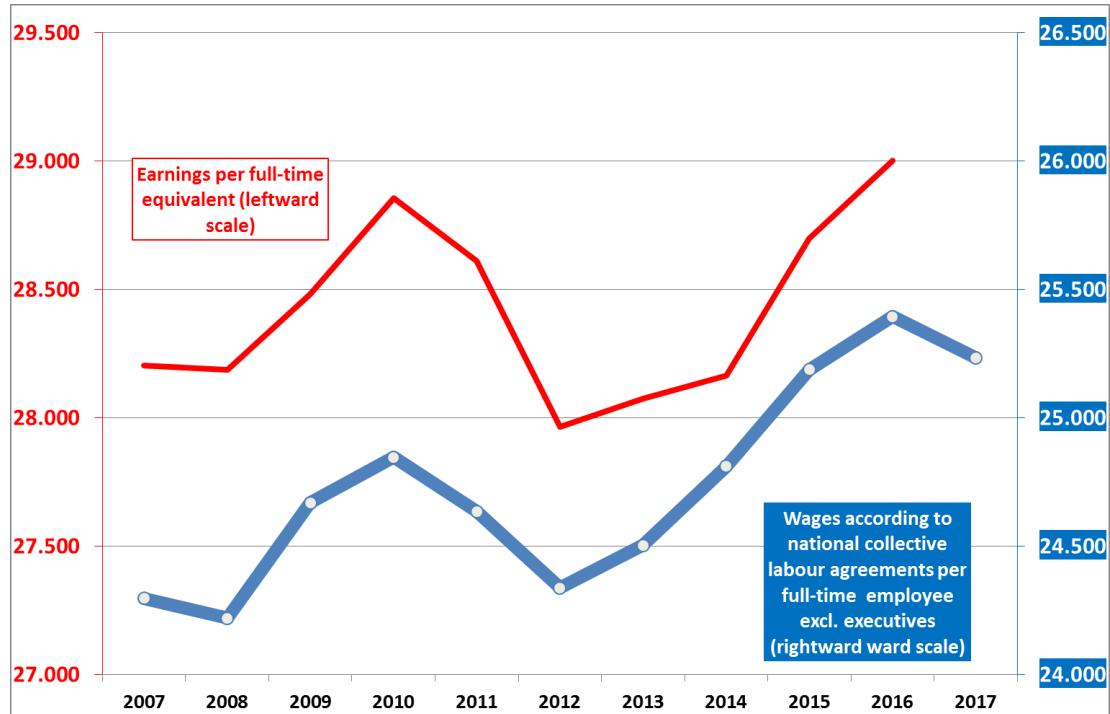
Figure 2: Public sector real earnings per full-time equivalent and wages* according to national collective agreements per full-time employee (euros at 2017 prices, HICP)



Note: * Accrual concept.

Source: Author's calculations based on ISTAT data (National Accounts and Gross contractual wages, length of work contract and yearly wages and salaries survey).

Figure 3: private sector earnings per full-time equivalent and wages* according to national collective agreements per full-time employee (euros at 2017 prices, HICP)



Note: * Accrual concept.

Source: Author's calculations based on ISTAT data (National Accounts and Gross contractual wages, length of work contract and yearly wages and salaries survey).

At the sectoral level, since 2008 not much has changed in terms of real hourly wage rates, at least in the cases for which data are available.⁵ Since 2012, only mining, accommodation and food services have experienced conspicuous growth. On the other hand, sectors with a strong public sector presence (education, health care, transportation) have reported a substantial real loss.

Table 1 Average hourly gross wages in euros at 2017 prices (HICP) by NACE Rev. 2 section, 2008 and 2012–2016

	2008	2012	2013	2014	2015	2016
B-S_X_O - Industry, construction and services (except public administration, defence, compulsory social security)	20.4	20.5	20.5	20.6	20.6	20.5
B-N - Business economy	19.5	19.7	19.8	19.9	20.0	20.0
B - Mining and quarrying		31.2	31.7	33.1	34.6	34.7
C - Manufacturing		19.8	19.8	20.0	20.1	20.1
D - Electricity, gas, steam and air conditioning supply		27.5	27.5	27.6	28.4	27.3
E - Water supply; sewerage, waste management and remediation		19.5	19.7	20.2	20.3	20.2
F - Construction	17.1	17.2	17.3	17.5	17.1	17.2
G - Wholesale and retail trade; repair of motor vehicles and motorcycles		17.7	17.9	17.9	17.8	18.0
H - Transportation and storage		18.6	18.7	18.4	17.9	18.2
I - Accommodation and food service activities		13.6	14.2	14.2	14.4	14.9
J - Information and communication		26.1	26.2	26.5	26.1	26.5
K - Financial and insurance activities		34.6	34.3	34.8	34.9	35.3
M - Professional, scientific and technical activities		25.6	24.9	24.8	26.0	25.6
N - Administrative and support service activities		13.5	13.7	13.7	13.9	13.5
P - Education		27.8	27.7	27.6	27.1	26.2
Q - Human health and social work activities		21.5	21.0	20.9	20.7	20.5
R - Arts, entertainment and recreation		29.1	28.8	28.7	28.7	28.7
S - Other service activities	14.3	14.5	14.7	15.3	15.2	

Source: Author's calculations based on EUROSTAT (Labour Cost dataset: Labour cost levels by NACE Rev. 2 activity) and ISTAT (for HICP) data.

The fairly conservative picture that emerges from the sectoral data differs from what emerges from an analysis of occupational wages with positional averages (first to ninth deciles, median). The source in that case is the Structure of Earnings Survey (firms with at least 10 employees), and the most recent data are from 2014. We have already mentioned that occupational group size has changed greatly during the crisis and its aftermath, and so probably have their internal features. The population of the EUROSTAT sample decreased by more than 2 million (from 10.4 to 8.3 million) between 2006 and 2014.

⁵ The following data are from the EUROSTAT Labour Cost dataset. The original information was retrieved from enterprises or local units, so the figures probably refer only to registered employment, which differs from the National Accounts wage figures, which also include the shadow economy.

Table 2: industry, construction and services (except public administration). Average annual gross wages by main occupational group at 2017 prices (HICP): median, 1st decile and 9th decile

		2006	2014	% change
Median earnings in euros	Managers	90 382	91 117	+0.8
	Professionals	46 691	35 914	-23.1
	Technicians and associate professionals	37 590	33 927	
	Clerical support workers	31 917	29 061	
	Service and sales workers	25 581	24 724	-3.3
	Skilled manual workers	26 144	26 467	+1.2
	Elementary occupations	21 170	21 722	+2.6
Ninth decile earnings	Managers	163 431	184 114	+12.7
	Professionals	68 265	80 241	+17.5
	Technicians and associate professionals	60 845	59 324	
	Clerical support workers	53 039	48 895	
	Service and sales workers	40 913	35 879	-12.3
	Skilled manual workers	40 637	39 432	-3.0
	Elementary occupations	31 315	31 175	-0.4
First decile earnings	Managers	34 476	38 533	+11.8
	Professionals	29 435	25 592	-13.1
	Technicians and associate professionals	21 903	22 728	
	Clerical support workers	20 940	21 178	
	Service and sales workers	17 898	19 702	+10.1
	Skilled manual workers	18 300	18 536	+1.3
	Elementary occupations	15 571	17 122	+10.0

Source: Author's calculations based on EUROSTAT (Structure of earnings survey dataset: annual earnings) and ISTAT (for HICP) data.

Proceeding with caution, the data in Table 2 signal a negative tendency for intermediate occupations, comparing the 2006 median to the 2014 one. Apart from professionals, the outlook is negative also for the upper echelons (9th decile) of intermediate groups. The winners are the upper echelons of the groups at the top of the occupational ladder (managers and professionals). The first deciles (the poorest) of the low and middle-skill groups are not penalized and the median of manual workers (skilled and unskilled) slightly increased. The data are consistent with the middle-class squeeze narrative, with the top echelons gaining and the low-skill occupations remaining relatively unscathed.

At least in wage terms, *industry and construction* (Table 5) fared better than average (excluding public administration). That is especially true for service and sales workers, skilled manual workers and elementary occupations. The lower (1st decile) end of each occupational group scored a wage hike from 2006 to 2014. This is consistent with firms' choices during and in the immediate aftermath of the Great Recession. In *business services*, the top echelons (9th decile) of managers and professionals fared fairly well. Technicians and associate professionals and clerical support workers struggled to preserve previous wages levels. *Service and sales workers* maintained their real wages at the median and gained at the 1st decile, instead suffering a setback at the top (9th decile). For *Education, Human health and social work activities, Arts, entertainment and recreation* and

Other service activities the wage outlook is utterly negative at nearly every level of the occupational ladder. The 2014 median wage was substantially higher than in 2006 only for managers and elementary occupations.

The ratio between the upper extreme⁶ and the lower extreme (managers 9th decile to elementary occupations 1st decile) did not change drastically between 2006 and 2014. Instead, the upper extreme of the quintessential middle-skill *Clerical support workers* median ratio increased substantially.

Table 3: occupational wage ratios, 2006 and 2014 (9th decile/1st decile and 9th decile/median)

	Managers 9th decile/ Elementary occupations 1st decile		Managers 9th decile/ Clerical support workers median	
	2006	2014	2006	2014
Industry, construction and services (except public administration, defence, compulsory social security)	10.7	11.3	5.1	6.2
Industry and construction	11.1	11.5	5.3	6.3
Services of the business economy	11.1	12.1	5.3	6.7
Education; human health and social work activities; arts, entertainment and recreation; other service activities	9.4	6.3	4.5	3.5

Source: Author's calculations based on EUROSTAT (Structure of earnings survey dataset: annual earnings) and ISTAT (for HICP) data.

It is worth mentioning that taking the occupational wage median for the extremes (managers and elementary occupations) instead of the first and ninth deciles, there is no increase in the relative distance between managers and elementary occupations. The managers/clerical support workers ratio still increases, but to a lesser extent.

Table 4: occupational wage ratios, 2004 and 2016 (median/median)

	Managers/Elementary occupations median		Managers/ Clerical support workers median	
	2006	2014	2006	2014
Industry, construction and services (except public administration, defence, compulsory social security)	4.6	4.4	2.8	3.1
Industry and construction	5.1	5.2	3.2	3.6
Services of the business economy	4.0	4.2	2.5	2.9
Education; human health and social work activities; arts, entertainment and recreation; other service activities	4.6	3.0	2.9	2.1

Source: Author's calculations based on EUROSTAT (Structure of earnings survey dataset: annual earnings) and ISTAT (for HICP) data.

⁶ The 9th decile, managers, in fact corresponds to senior executives, whereas the broad occupational group includes also middle managers.

Table 5: industry and construction. Average annual gross earnings by Main Occupational Group at 2017 prices (HICP): Median, 1st decile and 9th decile

		2006	2014	% change
Median earnings in euros	Managers	100 906	107 674	+6.7
	Professionals	46 163	45 701	-1.0
	Technicians and associate professionals	37 630	36 701	-2.5
	Clerical support workers	31 971	30 810	-3.6
	Service and sales workers	28 416	30 904	+8.8
	Skilled manual workers	25 287	28 171	+11.4
	Elementary occupations	22 358	26 148	+17.0
Ninth decile earnings	Managers	169 363	187 594	+10.8
	Professionals	76 633	76 427	-0.3
	Technicians and associate professionals	62 400	60 803	-2.6
	Clerical support workers	52 091	49 878	-4.2
	Service and sales workers	48 917	58 493	+19.6
	Skilled manual workers	38 218	40 788	+6.7
	Elementary occupations	32 362	36 557	+13.0
First decile earnings	Managers	42 002	66 570	+58.5
	Professionals	25 917	26 572	+2.5
	Technicians and associate professionals	20 363	24 345	+19.6
	Clerical support workers	20 862	21 567	+3.4
	Service and sales workers	18 851	20 626	+10.1
	Skilled manual workers	18 002	20 442	+13.6
	Elementary occupations	17 168	19 725	+14.9

Source: Author's calculations based on EUROSTAT (Structure of earnings survey dataset: annual earnings) and ISTAT (for HICP) data.

Table 6: business services, average annual gross earnings by main occupational group at 2017 prices (HICP): median, 1st decile and 9th decile

		2006	2014	% change
Median earnings in euros	Managers	80 055	86 999	+8.7
	Professionals	43 758	43 993	+0.5
	Technicians and associate professionals	39 779	39 290	-1.2
	Clerical support workers	31 954	29 691	-7.1
	Service and sales workers	24 965	24 978	+0.1
	Skilled manual workers	29 911	23 661	-20.9
	Elementary occupations	19 835	20 802	+4.9
Ninth decile earnings	Managers	169 855	197 638	+16.4
	Professionals	72 274	86 843	+20.2
	Technicians and associate professionals	67 822	69 321	+2.2
	Clerical support workers	54 069	50 773	-6.1
	Service and sales workers	42 200	35 020	-17.0
	Skilled manual workers	49 872	36 320	-27.2
	Elementary occupations	29 795	29 136	-2.2
First decile earnings	Managers	34 476	30 869	-10.5
	Professionals	23 997	26 546	+10.6
	Technicians and associate professionals	22 653	23 709	+4.7
	Clerical support workers	21 126	21 269	+0.7
	Service and sales workers	17 965	20 336	+13.2
	Skilled manual workers	20 316	17 215	-15.3
	Elementary occupations	15 293	16 296	+6.6

Source: Author's calculations based on EUROSTAT (Structure of earnings survey dataset: annual earnings) and ISTAT (for HICP) data.

Table 7: education; human health and social work activities; arts, entertainment and recreation; other service activities. Average annual gross earnings by main occupational group at 2017 prices (HICP): median, 1st decile and 9th decile

		2006	2014	% change
Median earnings in euros	Managers	91 777	62 781	-31.6
	Professionals	47 264	33 420	-29.3
	Technicians and associate professionals	37 243	30 676	-17.6
	Clerical support workers	31 750	25 875	-18.5
	Service and sales workers	26 654	22 694	-14.9
	Skilled manual workers	29 913	20 686	-30.8
	Elementary occupations	25 879	20 444	-21.0
Ninth decile earnings	Managers	144 454	103 305	-28.5
	Professionals	65 670	79 690	+21.3
	Technicians and associate professionals	52 336	38 175	-21.1
	Clerical support workers	48 011	33 397	-30.4
	Service and sales workers	33 469	29 215	-12.7
	Skilled manual workers	45 674	27 908	-38.9
	Elementary occupations	36 029	24 247	-32.7
First decile earnings	Managers	30 627	42 144	+37.6
	Professionals	31 745	25 251	-20.5
	Technicians and associate professionals	23 203	20 481	-11.7
	Clerical support workers	20 658	20 477	-0.9
	Service and sales workers	17 530	17 763	+1.3
	Skilled manual workers	18 712	16 691	-10.8
	Elementary occupations	16 278	17 354	+6.6

Source: Author's calculations based on EUROSTAT (Structure of earnings survey dataset: annual earnings) and ISTAT (for HICP) data.

1.4 Institutional changes

Over the years, the Italian collective bargaining system has encountered practical limits, as well as significant criticism. The growth of productivity and wages, which largely depend on company-level bargaining, have suffered from the failure of the latter to take off. The paucity of statutory norms with regard to social partner representativeness and collective bargaining effects has paved the way for uncertainty and disputes, including before the courts.

The issue of the signatory representativeness of collective agreements, which is not defined by any law, is the Achilles' heel of the whole system. It not only affects the trade union side, but also the employers' associations, whose acute fragmentation continues to be one of the weaknesses of the Italian collective bargaining system. Individual companies (FIAT is by far the most famous case), groups of enterprises or branches (such as in the area of hypermarkets or small and medium-sized enterprises) have chosen to exit from their employers' associations, to create their own new contractual units (Bellardi, 2016). This is one reason – with the proliferation of new and unknown associations – why there are so many national sectoral agreements. According to the archive of the National Council of Labour and Economy (CNEL), at the end

of 2017, the striking quantity of 864 national industry agreements were received and archived, only 250 of which had been signed by the sectoral federations affiliated to the three main confederations. Ten years ago, in 2008, less than half this (396) had been recorded, of which fewer than 300 had been endorsed by the large confederations. It is worth emphasizing that 22 national agreements alone represent around 70 per cent of the total wage bill for the economy (D'Amuri and Nizzi, 2017). So-called 'pirate' agreements, however, signed by unknown or ambiguous associations, risk undermining the system of collective bargaining 'from the top', fostering fraudulent strategies and downward contractual dumping. The cost gap between a national agreement signed by the most representative unions and one signed by others – in the same contractual unit – can be several thousand euros a year and with lower pay rates (by up to 20 per cent), which is dumping by any estimation.

Another difficult issue is collective bargaining decentralization. The recent state interventionism on the labour market and industrial relations has posed a serious challenge to the traditional primacy of multi-employer bargaining and has exacerbated an insidious process of segmentation with regard to labour standards and protections. Moving on from the archetypical 'organized decentralization' designed in 1993, we have entered a phase of rapid changes, aimed – to various degrees and through different processes – at strengthening the decentralization of collective bargaining. The major changes occurred from 2009, a year after the international financial crisis commenced. Schematically, the timeline of the major changes (presented below) has been non-linear:

1. Weakly organized

The Tripartite Agreement for the Reform of Collective Bargaining (2009). The new rules safeguarded the two-level structure of collective bargaining, with the provisions of sectoral collective agreements continuing to serve as a minimum nationwide threshold within the sector, but with the aim of empowering the second level of collective bargaining. The agreement adopted changes implying the unprecedented possibility of introducing opening clauses, allowing deviations from national agreements.

2. Totally disorganized

- from the bottom, the *Fiat model* (2009–2010); the only meaningful example of a company-level agreement was signed that fully substituted rather than merely complemented the industry-wide agreement;
- from the top, Article 8 of Act 148/2011 where, under pressure from the ECB, the government introduced the possibility for 'specific agreements' signed at company or territorial level to deviate from the law and national industry-wide collective agreements. Such derogating agreements must be formally justified. The range of topics with regard to which opting out is now possible is very large and includes working time, the introduction of new technologies, changes in work organization, job classification and tasks, fixed-term and part-time contracts, temporary agency work, transformation and conversion of employment contracts, hiring and firing procedures and the consequences of employment terminations. Exceptions are related to 'fundamental rights', in conformity with the Italian Constitution and international norms and requirements (union rights, discriminatory dismissal, pensions).

3. Organized decentralization

The three inter-confederal agreements on representativeness and bargaining (2011, 2013, 2014). As regards coordination between national- and company-level bargaining, the primacy of the former is explicitly confirmed, although there is a possibility to negotiate 'modifying agreements' at company level, albeit subject to coordination and in accordance with parameters and procedural limits laid down in the national agreement. Collective bargaining at company level takes place with regard to matters delegated and in the manner defined by the national collective agreement in the sector or by law.

To date, disorganized decentralization, with firm-level agreements used as an open alternative to sectoral ones, has not taken place. Empirical surveys all agree that derogating from sectoral agreements concerns probably between 5 and 10 per cent of company agreements (Olini, 2016; ADAPT, 2017).

The negotiation closest to the workplace (company or territorial) still seems to play an important role in adapting working conditions to ongoing changes. After the turmoil of 2011–2014, in 2015 and 2016 decentralized bargaining came out of a predominantly defensive phase, mostly engaged in crisis management and job saving, to take up a new role in terms of variable wages, occupational welfare, working time,

employee involvement and work organization. According to the CISL observatory on firm-level bargaining (OCSEL, 2017), wage bargaining was a feature of 50 per cent of agreements in 2015 and of 36 per cent in 2016, compared with 22 per cent in the previous two years, when crisis and restructuring were absorbing most efforts.

2 Methodology and fieldwork

At the time of writing this case study, an important and long-lasting negotiation between the three union confederations and the largest association of private companies, Confindustria, is going on, and some outcomes in terms of a new framework agreement could see the light in the next few weeks. The key issues on the table are basically the same as those with which CAWIE3 is concerned: how to combine more productivity and higher wages? What role and prerogatives for the two levels of bargaining and what degree of organized decentralization? How to push innovation and competitiveness without dismantling labour rights? How to develop stronger employee participation in enterprises? How to regulate actors' representativeness in order to fight the downgrading of private agreements and contractual dumping? What to demand from law makers in order to make the system more enforceable than today, without affecting free collective bargaining too much?

Answering questions like these was the aim of our qualitative survey and indeed what we did during the fieldwork survey for our country report. The following sections based mainly on a number of semi-structured interviews with representatives of national social partner associations. All the three main trade unions confederations (CGIL, CISL, UIL) were covered in the persons of national officials in the collective bargaining or economic departments. Employers' associations were also involved in the persons of an official at the National Confederation of Craft and Small Enterprises (CNA) and the General Director of the largest association of the metalwork employers (Federmeccanica).

The sectors involved are those decided on by the project team: metal and retail, with interviews with the general secretary of CISL's metal federation (FIM) and CGIL's retail, tourism and other tertiary branches (FILCAMS).

Furthermore, we conducted a couple of interviews with academic experts: a labour economist and a labour lawyer. Five interviews were face-to-face, four conducted by e-mail.⁷

The volume and quality of information obtained was outstanding, so that it seems reductive here merely to sample all the analysis and stimuli we were able to gather.

The order follows the summary agreed with the partners: the actors' targets and logic of the bargaining strategy, the definitions of inclusive growth, the role of collective bargaining in an inclusive growth strategy and considerations of fairness.

⁷ Five interviews with high national representatives of trade unions: three national confederations: Riccardo Sanna, Economic Dept. Nat. CGIL; Gabriele Olini, Collective Bargaining Dept. Nat. CISL; and Michele Tartaglione, Collective Bargaining Dept. Nat. UIL; and two industry federations: Marco Bentivogli, General Secretary of FIM-CISL (metalworkers); Mariagrazia Gabrielli, General Secretary of FILCAMS-CGIL (trade and retail, tourism, domestic work). Two high national representatives of employers' associations: Stefano Di Niola, National Responsible for industrial relations of the CNA (craft and SMEs); Stefano Franchi, General Director of Federmeccanica (largest metalworkers association). Two academics: Leonello Tronti, labour economist, Univ. Roma Tre; Fausta Guarriello, Labour lawyer, Univ. Pescara.

2.1 The sectors⁸

2.1.1 The metal industry and its system of industrial relations

A total of 1.6 million people work in the metal industry in Italy, one of the highest figures in Europe. Its added value in 2014 amounted to 113 million euros, corresponding to 55.3 per cent of the Italian manufacturing sector's gross value added. The bulk of this is concentrated in two sub-sectors: the manufacture of machinery and equipment (n.e.c.) and the manufacture of fabricated metal products, excluding machinery and equipment. The number of active enterprises registered in 2014 was 196 507, representing 5.2 per cent of the total economy (excluding finance and insurance). As in many other European countries, the manufacturing sector in Italy has witnessed a constant decline in recent decades, in terms of both companies and employment. The economic crisis that started in 2008 aggravated this trend. Between 2008 and 2014 the workforce in the metal sector shrank by more than 324 000 (-12.5 per cent). Unlike the manufacturing sector, the metal industry is characterized by bigger than average enterprises. However, value added decreased steadily in the years of the crisis. This trend had serious repercussions for both employment levels and labour productivity, which fell steadily compared with the European average.

Trade union density in the Italian metal sector is 32.8 per cent, slightly higher than that of the manufacturing sector (31.4 per cent) and a bit below the – estimated – national average of 33.4 per cent (Carrieri and Feltrin, 2016). The most representative sectoral unions are FIOM-CGIL, FIM-CISL and UILM-UIL. Employer density is estimated at around 50 per cent, with a number of employers' associations. The largest and most influential of the latter is Federmeccanica (affiliated to Confindustria), with more than 16 000 enterprises, employing 800 000 workers. The second is Unionmeccanica (affiliated to Confapi), representing 80 000 small and medium-sized enterprises, employing 800 000 workers, with 400 000 in the metal sector proper). Cooperatives and craft industry have their own confederations and sectoral federations, also in metalworking. In 2013, a new breakaway employers' confederation – Confimi Industria – was founded by local and sectoral employers' associations from Confapi and Confindustria.

The whole metal industry is covered by five main national collective agreements, all signed by the same unions with the various employers' associations, depending on firm size and economic subsector: large industry, small and medium, cooperatives, craft and goldsmiths' wares. To date, all the main national collective agreements have been renewed. Only the craft sector has not yet renewed its collective agreement.

Since 1993 collective bargaining has taken place at two levels in Italy. The two-tier bargaining system is based on industry-wide agreements. In recent years trade unions have reinforced the role of second-level bargaining with the aim of increasing flexibility and productivity. In general terms, the Italian two-tier bargaining system is made up of high minimum wages negotiated in collective agreements and a relatively compressed wage scale (Garnero, 2017). The estimated sectoral Kaitz index⁹ in the metal industry (78.3 per cent) is slightly lower than in the manufacturing sector as a whole (79.88 per cent). A high sectoral Kaitz index corresponds to a substantial number of workers being paid at the minimum wage level, with a very narrow distribution. Alternatively, it may indicate a large number of low-paid workers below the minimum wage.

⁸ This section is borrowed from the Italian report of the recent project DECOBA and its sectoral survey, see S. Leonardi and R. Pedersini (eds) (2018). Special thanks to Andrea Ciarini and Maria C. Ambra, the authors of the relevant sections.

⁹ The level of the minimum wage compared with the median wage.

Pay negotiations in metalworking have, in most cases, been characterized by wage moderation. This trend is confirmed if we look at the metal industry's wage share. Despite a steady increase after the recession that started in 2008 this ratio is still far below the pre-crisis level.

As far as secondary-level bargaining is concerned, the metal sector shows similarities to and differences from the national trend. As already noticed in previous sections there is a close relationship between firm size and decentralized agreements in Italy. Approximately 35 per cent of employees in the private sector are covered by a second-level agreement, equivalent to 3.7 million workers (Fondazione Di Vittorio, 2016). In smaller enterprises, most employees are not covered by any workplace representation, with the consequence that company-level bargaining is limited. Due to the higher number of companies in the metal sector with more than 250 employees, second-level bargaining has a higher incidence there than in the rest of the economy. In order to improve flexibility and productivity decentralized and territorial-level bargaining have been strengthened in the past two years, by focusing on company welfare agreements. The new national industry-wide agreement is fairly representative of this new trend.

Negotiations on the new national industry-wide agreement were difficult and protracted, taking more than one year. The last two renewals had been signed without FIOM-CGIL and there was a risk, at the beginning, of a similar outcome. Confindustria and its affiliate (Federmeccanica) demanded more collective bargaining decentralization towards the firm level in wage setting. In the metal sector, the biggest company, FIAT, left Federmeccanica and Confindustria in 2009, so as to overcome what it regards as the 'rigidities' of the collective bargaining system and to implement its own establishment-level contract.

In 2015, the metalworker federations presented two platforms to the employers' federation: one FIM-UILM and another FIOM. In the end, they were brought together. Federmeccanica presented its own platform, called the '*renovation of the metalworkers' national collective agreement*', calling for just one level of negotiation and a national guaranteed wage only for those uncovered by any collective or individual enterprise agreement (covering just 5 per cent of metalworkers), its amount to be defined every year. Nothing happened in 2016 because wage rises already exceeded real expected inflation. In July 2017 wages were set to be increased based on the previous year's inflation; 260 euros per year as a production bonus or welfare vouchers; an increase in health coverage insurance; permanent training lasting 24 hours every three years; and an increase in supplementary pension.

At the end of difficult negotiations, an agreement was reached in November 2016 with all the most representative trade unions, and signed after the workers approved the draft in a ballot.

Compared with the past, the new agreement provides considerable novelty.

Wages: there was no planned wage increase for 2016, but there was a one-off sum of 80 euros (gross) in 2017 wages. As of 2017, a new inflation adjustment mechanism was introduced, which is no longer based on expected inflation (on the basis of the foreseen or expected inflation rate) but defined every year ex post, and not ex ante, as in other sectoral agreements.

Occupational welfare, both at sectoral and company level, plays a key role in the new collective agreement. It consists of health insurance, training (24 hours every three years), complementary pensions and a wide range of benefits provided at company level through vouchers. New parameters and a different relationship between occupational welfare at company and at sectoral level have been established. Since 1 June 2017, companies have been committed to providing flexible benefits for all workers up to a maximum of 100 euros in 2017, 150 euros in 2018 and 200 euros in 2019. It must be said that the first real increase, in June 2017, was a pitiful 1.5 euros for a typical blue-collar worker. Likewise, supplementary pensions and supplementary health insurance have been extended to all workers. As an alternative to monetary bonuses,

workers can opt – entirely or partly – for in-kind welfare services collectively bargained at company or territorial level.

Training: the contract focuses heavily on training and the individual right of all workers to choose training related to innovation (linguistic, technological and organizational, transversal or relational skills). This right is currently limited to 24 hours (or 16) over three years, after which there is a 150-hour reinforcement and university training (security training and RLS are also strengthened).

Participation: support for the direct participation, in different ways, of workers (observers and committees in second-tier negotiations and security), the establishment of a new *participation advisory committee* in larger companies (1 500 employees or so) and a national committee on active labour policies.

2.1.2 The trade retail sector and its system of industrial relations

Most employment (about 97 per cent) is concentrated in firms with fewer than 10 employees. In 2014, the total number of persons working in the trade sector in Italy was 3 302 311. If one considers only employees, however, they numbered 1 941 454, about 58 per cent of the whole. This falls further to 1 502 830 if one considers full-time employees. From 2008 to 2014, the economic crisis led to the closure of 91 908 enterprises in the Italian trade sector as a whole (–8 per cent); more than 57 per cent of this reduction (52 978 firms) was in the retail sector.

In the retail sector, there are three main trade union organizations: Filcams-CGIL, Fisascat-CISL and Uiltucs-UIL. These unions represent workers in the largest part of private services, including trade and retail, restaurants, hotels and cleaning. Their overall number is growing year after year. In 2014 these three trade unions (as a whole) had about 900 000 members.¹⁰

Nevertheless, union density in these sectors remains one of the lowest. Union density in the retail sector as a whole was about 17 per cent in 2014 (Feltrin and Carrieri 2016), lower than in all other sectors. It is growing, however, especially in large multinational distribution companies.¹¹

There are four main employers' organizations in the trade sector and retail: (i) Confcommercio; (ii) Confesercenti; (iii) so-called 'cooperative distribution'; and (iv) Federdistribuzione, representing 'modern distribution companies'. Confcommercio declares that it has more than 700 000 affiliated firms and almost 2.7 million employees; Confesercenti claims to represent around 350 000 SMEs with more than 1 000 000 employees. According to the last Federdistribuzione data, they represent about 200 large companies and multinationals (such as Carrefour, Auchan, Esselunga, Ikea and so on), with more than 220 000 employees. The problem is that every employers' association collects its own data. In Italy there is no law similar to the one in France that establishes criteria to be followed to measure the representativeness not only of trade unions but also of employers' organizations.

Until 2011, *Federdistribuzione* was part of *Confcommercio*; in 2012, they split. An influential trade unionist underlined that the split of Federdistribuzione from Confcommercio occurred after or was somehow linked to Law Decree 201/2011 on liberalization. Confcommercio has its critics; Federdistribuzione supported liberalization. This means not only the possibility of keeping shops open 24 hours a day but also the possibility of opening new outlets by loosening the criteria established by regions and provinces (Gabrielli,

10 According to trade union data, from 2008 to 2014 Filcams, Fisascat and Uiltucs taken together increased their membership from about 674 426 to 900 993 (+33.6 per cent). Fiom, Fim and Uilm together increased from 654 237 to 655 781 members (+0.2 per cent).

11 According to union data, in 2014 almost 900 000 workers were members of Filcams, Fisascat or Uiltucs. According to Istat data, in 2014 about 2 800 000 workers 15–64 years of age were employed in the retail sector (G), and in hotels and restaurants (I). For this reason union density in retail, hotel and restaurant sectors (g-i) in 2014 cannot be higher than 32.1 per cent. This is an overestimation because we do not know how many workers who are union members are working in other sectors (for instance, as cleaners).

Filcams CGIL General Secretary). Such employer segmentation affects the number of national collective agreements in the retail sector. The following are the main agreements signed (or under negotiation) by Filcams CGIL, Fisascat CISL and Uiltucs-UIL:

- The national collective agreement for *Tertiary, Distribution and Services (TDS)* with *Confcommercio*, last renewed in March 2015 (it will expire on December 2017).
- The national collective agreement signed with *Confesercenti*, renewed in July 2016.
- The national collective agreement in cooperative distribution, expired in 2013.
- Ongoing negotiations for the first national agreement with *Federdistribuzione*.

The national collective agreement with *Confcommercio*, last renewed in March 2015, was due to expire in December 2017. This national agreement was the first jointly signed by all three most representative unions, CGIL, CISL and UIL, because Filcams CGIL refused to sign the previous two, in 2008 and 2011. According to Uiltucs data, it covers about 1.2 million workers.

The national collective agreement signed with *Confesercenti* in July 2016 is quite similar to the Confcommercio national agreement. One novelty is the possibility to adopt a new type of ‘temporary contract’. This agreement allows companies located in tourist locations derogations on the limits set by national collective bargaining. It covers about 50 000 workers.

From a normative and economic point of view, national agreements in the trade sector (with Confcommercio and Confesercenti) are essentially identical. Furthermore, each collective agreement has its own bilateral and autonomous system. The national collective agreement in *cooperative distribution* expired in 2013 and negotiations are still ongoing. Unions in the past were able to exchange more favourable working conditions and career development in exchange for labour cost cuts. Cooperative work in Italy can take advantage of the statutory public tax credit to foster the development of cooperative work.

3 Qualitative report

3.1 Targets and logic of the bargaining strategy

What do the social partners think about collective bargaining and wage setting? What is their economic reasoning and what are their aims? How do they evaluate the link between productivity and wages? And what about the last two rounds of collective bargaining?

3.1.1 Main goals and targets of actors' organizations

Considering first the employers' associations' viewpoint, we have to bear in mind their different scope and targets, very much related to affiliate size and degree of exposure to international competition. The differences between the approaches to the issues highlighted here are substantial. Large companies are in fact very much in favour of pushing towards bargaining decentralization at firm level, whereas SMEs still support the primacy of the national industry level.

For the largest and influential metal sector employers' association, Federmeccanica, a ‘cultural renewal’ is urgent, both internally and in industrial relations. In our interview with the General Director, he told us: ‘We cannot imagine trying to adapt to the changing world of production with the same work organization for all companies in the industry. Topics such as working hours, performance arrangements, internal and professional mobility must be managed in a way that responds to different and changing needs and in a very short time.’ This emphasis on the cultural element also emerged in our conversation with the General

Secretary of the CISL metalworkers' federation (FIM), which takes the pragmatic and participatory approach to industrial relations. He told us:

"The aim ... of my organization is essentially *to renew union culture and practice* to better cope with the radical transformations of the new global scene. We are therefore for a trade union open to change, which goes beyond the old practices of contestation and centralization, and which challenges companies in terms of innovation, training, employees' participation and collective bargaining. [Such change] produces knowledge, innovation and wealth, and finally redistributes the outcomes."

Back to the employers' side, one of the key assumptions is that, at the present time, 'nothing can be taken for granted'; the rules of collective bargaining must be rewritten. An official document of Federmecanica entitled '*Contractual Renewal*' (2015) states:

"Our sector is no longer able to bear wage increases, which should be linked exclusively to real company results because otherwise such increases would provoke a further loss of competitiveness and/or reduction of profit margins ... Wage rises are possible only where gains are registered, that is at the company level, and must be strictly correlated with objective parameters of the profitability and productivity of individual firms."

Besides variable wages at company or territorial level, occupational welfare plays a key role. Unlike monetary increases, employers are available to accept higher payments for complementary health insurance and pensions, vocational training and individually designed welfare benefits.

On this basis, the national industry agreement would maintain only a residual role of fixing a 'guaranteed wage' for workers not covered by any other decentralized performance-related wage increase. In approaching the last round of bargaining the initial position was: *there is no money for wage increases*, as the wage rises given for the past years were higher than expected real inflation. The employers claim that all forms of automatism should be abrogated, and inflation-related wage increases should be strictly calculated ex post – never again ex ante – on the basis of the annual data issued by the National Institute of Statistics in May the previous year. Actually, such a request was included in the new sectoral agreement, signed after a year of negotiations on November 2016. It is a fairly unique calculation system in the current panorama of Italian national agreements, still based on the 1993 criterion – amended in 2009 – of the forecast harmonized index of consumer prices.

While this is the position of broad segments of large companies and their associations, SMEs opt for a different approach, still very much based on the primacy of the national industry-wide agreement. Where firm-level bargaining is normally absent, and where second-level bargaining is territorial (regional or provincial), the multi-employer agreement is an unreplaceable pillar of the whole system, an instrument for keeping throat-cut competition under control among enterprises, focused on labour costs and wage dumping. National agreements avoid the transitional costs of firm-level bargaining, as well as possible pushes for wage increases where workers are better organized.

Within the framework of the SME sphere, which in Italy accounts for by far the largest part of the economy, there is a very high risk of avoidance with regard to collectively agreed wages and labour standards. In recent times, unknown associations of employers and workers have signed a number of national agreements with the precise objective of lowering labour costs. Associations such as the CNA are making strenuous efforts to avoid such a deterioration, choosing to negotiate only with the most representative unions, and campaigning with their affiliated and target groups in order to escape from the temptation to adhere to 'pirate agreements' (as they are usually called). 'Many of our affiliates are tempted to change the reference contract, choosing the one that costs them a third or even half ours. Our local offices play a major role in

explaining to individual entrepreneurs that this choice is a mistake' (CNA). Labour inspectors are called on to detect irregularities and impose sanctions on businesses that implement 'pirate' sectoral contracts.

The true pillar of the industrial relations in the craft sector and SMEs is –and has been for many years now – the social partners' management of volunteer funds for providing complementary benefits pertaining to health assistance, vocational training, temporary employment suspension. This is so-called 'bilateralism', which has been historically strong in the construction sector and has enjoyed spectacular development in the craft industry. Hundreds of bilateral funds, financed by companies on the basis of collectively agreed fees, supply much appreciated services to workers who otherwise lack legal protections and public welfare schemes.

Moving now to the trade union side, the core issues and achievements seem to be the following:

- how to reform the collective bargaining system in order to enhance productivity and wages, which have stagnated for too long;
- how to preserve a satisfactory level of organized coordination of collective bargaining, expanding number and coverage of firm and territorial agreements, without affecting the cross-sectoral solidarity that only national industry agreements are able to guarantee;
- how to make collective bargaining more inclusive, reaching the growing number of atypical employees and responding to the new challenges of technological change and labour market polarization.

In January 2016, the three most representative confederations (CGIL, CISL, UIL) signed a memorandum of understanding entitled '*A modern system of industrial relations for economic development based on innovation and quality of work*'. The strategy is focused on three pillars: binding collective bargaining, social partner representativeness and employee participation (organizational, financial and in corporate governance), which require policymakers to introduce new statutory rules. Furthermore, wage expansion is required, among other things to foster sustainable wage-driven growth. Wage increases would act as an indispensable driver of consumption and domestic demand. The economic conditions considered relevant for economic policy will no longer be confined to the recovery of purchasing power, as has been the case hitherto and has become marginalized by deflation, but will include macroeconomic variables such as industry output or average productivity. Given the low diffusion of decentralized bargaining, unions consider it necessary to safeguard the primacy of national collective agreements as the most effective and fair tool for the redistribution of industry-wide added value.

For CGIL, the bargaining strategy must be founded on three main goals: (i) full and decent employment, as resulting from the 'Plan for Jobs' launched by this organization in 2013, with a well articulated proposal including objectives, public investment, actors and procedures, as well as what resources are needed; (ii) 'balanced' growth and greater equity in the distribution of primary income, with wage increases in line with the real inflation rate and average sectoral productivity; and (iii) new effective rights for all kinds of jobs, through an inclusive statutory regulation able to cope with the mounting needs of the changing world of labour, as resulting in the Charter of Universal Labour Rights, an ambitious bill of 90 articles aimed at recasting the whole system of labour law, welfare state and industrial relations. In collective bargaining, the objective remains to increase the purchasing power of wages, 'both for reasons of equity and support for consumption and therefore for domestic demand'. These must be actual monetary increases in basic pay, with welfare benefits as supplementary and not a substitute. The main indicator must be the inflation rate – which is very low today – without adjustments or revisions during the contract period. The differences between actual and expected inflation are to be considered only at the end of the three-year contract period (FILCAMS-CGIL). This is the opposite of what happened with the last agreement in the metal sector.

CISL's key assumption is that expansive economic and fiscal policies are needed, through either wage increases and a tax reduction on labour costs, as Italy's tax wedge is one of the highest in the world. In addition to the problem of economic demand, however, there is also a problem of supply. In fact, one of the main causes of low productivity growth is inadequate investment – public and private – in education and innovation, but also failure to improve work organization. In CISL, employees' participation is considered a possible driver of a new phase of labour and industrial relations. To make workers more productive, companies have to accept new forms of employees' involvement, either direct or indirect, giving more room for high performance work practices, such as team working, overcoming traditional hierarchical approaches and repetitive work tasks requiring low skills. 'Workers have to feel motivated, to participate creatively in the success of the company. And this implies recognizing their skills with continuous training and better pay' (CISL). Quite out of the confederations' mainstream, the General Secretary of the CISL metalworkers' federations stated:

"In my view, the issue of the wage moderation, as complained about by a large part of European and Italian unionism and think-tanks, is banal. In a country like Italy, we have a very different situation. If we abandon dogmas and totems, we will see that supply policies have contributed more to higher wages than to demand. These policies have been implemented by governments in the countries where wages have grown the most. I believe that even John Maynard Keynes, if he had lived, would have confirmed this. Italy has long had two serious problems that also affect industrial relations and working conditions: very low productivity and a very high public debt. Yet, there is a strong dualism between companies open to the international market – which invest, innovate and train their workers – and others that instead look only at the internal market, do not innovate and who depend on the social safety net. Such a divide is largely a matter of firm size. The trade unions, certainly mine, has to cope with this. Our paradox is to have low wages and a high labour cost per unit. If we look carefully at the latter, we see that over 200 employees, our firms can compete with the Germans, but in the very small ones, below 20 employees, the outcomes are disastrous. The problem is that we have few companies above 200 and the majority under 20." (interview FIM-CISL)

According to the UIL representative:

"Unions are expected to give answers to the needs of workers. Then, we must be able to pay constant attention to the changing economic context, to income dynamics, to social policies. In order to do that, the main tool for us remains the ability to achieve collective bargaining wherever possible. We believe that only a model of industrial relations able to interpenetrate, in an orderly manner, the national sectoral agreement with secondary-level bargaining, even territorial, can guarantee an adequate system of social and economic protection for all the 'citizens' of our country." (interview UIL)

3.1.2 What happened in the last two rounds in collective bargaining?

In fairly adverse circumstances, the last bargaining rounds reconfirmed the value of Italy's two-tier bargaining system. The last two contractual rounds took place in a period characterized by the Great Recession of 2008–2013. In a situation of this kind it was very difficult to find openings. There have been very important outcomes and changes in the evolution of the industrial relations system, however. According to economist Leonello Tronti:

"A certain level of unity of action was recovered, both at the central and the professional level. CGIL has broken the state of isolation into which it was pushed with the series of "separate agreements" launched in 2002 (Pact for Italy) by the hostile governments of centre-right, and lasted

– with a short break (2006-07) – until 2011. It took the initiative with a wide range of quite successful initiatives and mass campaigns, as with the Plan for Jobs in 2013, the Charter of Universal Labour Rights in 2016, the two referenda for the abolition of the Jobs Act and vouchers in 2017. Such a rediscovered unity of intention and perspectives can foster the maturation of a new vision of industrial relations to better cope with the rapid ongoing economic, institutional and technological changes. The Protocol of January 2016, the united signing of all the most important industry national agreements, starting with the long problematic metal sector, are signs of such a new capacity.”

The national agreements signed over the past couple of years give us a picture of a country with increasing cross-sectoral differences, but ‘all of them, in their own way and with different dynamics and mechanisms, have tried to go beyond merely protecting purchasing power: this is the positive fact that we feel we can report’ (interview UIL).

In one of the pillars of the manufacturing sector, metalworking, the new national agreement was signed at the end of 2016. It was the first to be signed by all the main sectoral unions; the largest, FIOM-CGIL, had not signed the previous agreements. According to the signatories, the evaluation is positive. For the FIM-CISL leader: ‘The agreement contains various important innovations. The national agreement maintains the role of guarantee, coordination and orientation for the whole sector, and opens up important spaces for bargaining at company level’. Innovations are established on the ground of occupational welfare and participation. Vocational training is now considered a worker’s subjective right, consisting of 24 hours to be used over a three-year period. ‘In our view, it is an indispensable achievement for a country that has serious lags with regard to the skills of its workforce.’ The other pillar is welfare, with new resources from companies for strengthening complementary social security and health care schemes. Employee participation has been boosted by the creation of advisory committees in companies with over 1 000 employees. The aim is to give workers and their unions a voice in corporate governance, in a country lacking a dualistic system and board-level employee representation. There was also a fairly important and controversial development with regard to inflation, which is no longer calculated *ex ante*, on a forecast basis – as it had been since the framework agreement of 1993 – but *ex post*, according to actual performance and announced by ISTAT each spring. This was a particular request of the employers and now makes the metalworkers’ bargaining system rather peculiar compared with the rest of the country.

The past few years have been very difficult in the private service sectors, which were hard hit by the crisis. The renewal of national agreements was de facto frozen because of the employers’ very inflexible position. Out of twelve national sectoral agreements, six expired four years ago and cannot be renewed yet.

“The collective bargaining of these years was essentially on the defensive, with just a few significant improvements. At the negotiating table, the employers have always demanded more and more flexibility at work, insisting on the issues of productivity and competitiveness, to be based essentially on the reduction of labour costs and the prolongation of working hours, especially the extension of opening days and hours, worse work shifts, overtime, pauses and leave. As regards wages, they aim to transform expected monetary increases into vouchers and services, as encouraged by the recent laws on reducing taxes on collectively agreed productivity increases and welfare benefits. We are trying to resist, defending wages and their real purchasing power, with monetary increases first and welfare benefits as integrated extras. But it’s not easy. In times of mounting precariousness and fears of job losses, it is quite difficult in our branches to call on the workers to mobilize.” (interview FILCAMS-CGIL)

3.2 The inclusive growth paradigm

3.2.1 Definition

As we realized in our interviews and conversations, this is a theme with many variations. At first glance, growth can be called ‘inclusive’ when it creates opportunities for quality jobs with decent working and life conditions, fair employment relationships, an equitable income distribution and good opportunities for developing individuals’ attitudes and capacities. It represents an indispensable tool for ameliorating widening and intolerable economic and social inequality that have been growing for years, closing the gaps that have opened up in terms of social class, education and skills, nationality, type of employment contract, gender, territory, sector and age. It should be understood as growth ‘that involves active participation in the social life of young people, adults and the elderly, men and women, citizens and immigrants, through dependent work; it should boost people’s autonomy and participation, as well as enterprise, besides providing opportunities for phases of training, retraining or reconversion towards different or higher skills’ (interview labour lawyer). The economist we interviewed declared that:

“growth is either inclusive or otherwise it does not occur. Non-inclusive growth does not realize the potential of economic development because it tends to reduce the opportunities given to large sections of society. If we look at the astonishing increase in economic inequality, taking place globally since the second half of the 1970s, it is clearly associated, at least in the Western economies, with a generalized slowdown in growth rates. Thus, the recovery of growth may not be in any way separable from the recovery of inequality.” (interview Tronti)

According to the employers, in the era of the so-called ‘fourth industrial revolution’, *inclusive growth* ‘must be based on the affirmation and enhancement of the person’ (interview Federmecanica). The centrality of the person, the management of risk and the shared creation of value mean that it is indispensable to adopt innovative and effective participatory systems, capable of empowering and involving workers in the success of the company.

“We are for an Italian way of participation based on experimental research into innovative solutions in every single company, on a voluntary basis, without any interference of the law in this regard and without emulating models developed in other countries and useless for us. We think of forms of direct participation and internal relations that are not opposed to traditional industrial relations with trade unions. On the contrary, our idea of ‘modern industrial relations’ entails the full involvement of the trade unions. Between 2011 and 2014, our confederation – Confindustria – signed inter-confederal agreements in which we defined rules on representation and collective bargaining, with rules for the certified measurement of the representativeness of those who sign collective agreements. In compliance with the majority principle and the outcomes of the agreements signed.”

For the unions inclusive growth is an instrument for fighting inequalities and enhancing workers and other people’s access to resources, which are first of all economic (wages, incomes) but not only that, overcoming the gaps in labour law caused by too many forms of precarious and non-standard employment. It includes issues such as lifelong learning, information, participation, sustainable growth and good quality industrial relations. ‘Inclusive growth’ for the UIL is that which tends to overcome the gaps that afflict Italy: regional, gender, generational and in the labour market between standard and non-standard workers. The first way to do this is to move from the concept of *difference* to that of the *gap*. ‘One thing is certain: a civilized country must put all its citizens in a position to live a dignified existence and be active workers and when we have earned the right, to rest as dictated by age and the type of work done’. (interview UIL)

For the secretary of a union very much affected by the phenomenon of the working poor and polarization (commerce, hotels, domestic and cleaning work): ‘We must prevent workers from the same sector, or from the same company, receiving significantly different treatment. Unions must be able to broaden their social scope and representation in negotiation to all the realities of the world of labour that today impose intolerable conditions of precariousness and exploitation’ (interview FILCAMS-CGIL). To this end, it is also necessary to envisage policies to extend welfare and tax measures characterized by progressiveness, fairness and legality, as well as more incisive policies to fight poverty and irregular work.

At its recent programme conference the CGIL shared the positions of the UN on sustainable growth, very much focusing on quality of development from the environmental and social points of view. Rights to information and consultation foreseen in collective agreements should, in such a view, extend along the subcontracting chain in order to make sure that labour rights and standards are fully respected.

FIM-CISL has set up an annual award, aimed at companies that have invested most in sustainable development and growth, from the point of view of the environment, employees’ rights and quality of industrial relations. The winners are usually not particularly famous companies and operating in difficult areas, but where a climate of participation has favoured advanced solutions. This is one concrete example of their engagement in supporting best practices with regard to growth and inclusion.

3.2.2 The social market economy

As one might expect we found a range of views on this issue. For the economist:

“It depends what we mean by this expression. If the inspiration is that of the Ordoliberal School (Eucken) or, even worse, from the Cologne school (Erhard), I fear that we will not deviate from the neo-mercantilist model that has been driving Germany to realize its horrendous trade surpluses in recent years. It is a model that penalizes both the rest of the world and the other European countries, not to mention German workers, and should not be pursued by either Germany, the euro zone or the European Union as a whole. The social aspect of the definition should, if anything, drive an economic policy aimed at the continuous improvement of the living conditions of the population, of the entire population. To this end, the operation of the markets must be coordinated through both public policies and the concerted behaviour of the social partners; but what matters most is the growth of well-being in all European countries, without damaging commerce and the planned reduction of economic and social divides among member countries through measures of open solidarity.” (interview Tronti)

For the CGIL official: ‘This objective can be shared if, and only if, by ‘social market economy’ we mean a reform of capitalism based on greater economic democracy and socialization of investments (Keynes), and not just “liberalism with more welfare”.

For the CISL, growth and social inclusion must be activated at the same time, as objectives on the basis of which to work out new policies for fair and social economic development.

For the UIL, after years of austerity, it is good that the EU has decided to combine the word ‘social’ with ‘market economy’. ‘We need a regulated market that also looks to the those worst off; which, in fact, knows how to combine private interests with collective ones: in other words, a social market economy.’

3.2.3 Cost competitiveness or wage growth: what comes first?

Do cost competitiveness and wage growth go hand in hand or does one take precedence over the other? According to the representative of the large metalwork companies, “competitiveness comes first. To be able to redistribute wealth, you must first create it. And to create it, everyone must try to improve productivity

and production quality. Conquer new market shares. A competitive enterprise, which knows how to enhance the role of workers, will certainly achieve better wage dynamics. And therefore, encourage an increase in demand” (interview Federmecanica). Wage increases can be achieved in various ways; through a reduction in taxation, as required by the latest laws that incentivize wage bargaining in companies through to the recognition of indirect forms of remuneration, with welfare and flexible benefits.

The position expressed by the craft SMEs official is somewhat different:

“Many companies focus on solving problems, perhaps by signing collective agreements with non-representative associations, with the sole aim of cutting labour costs. Or avoiding labour protection regulations. It is a choice that we consider wrong. If it is indeed true that we are suffering from competition from products from China and other developing countries, it will not be by chasing down prices that we will be able to survive. Then there is a problem of productivity, and one of wage growth. Both are inadequate. In the first case, there is often confusion on the side of companies, thinking that to increase productivity we need to increase working time. It is not so; a part-time worker may even have a higher productivity.” (interview CNA)

The quality of work, in terms of skills and organization, is important and useful and – this is the assumption – it can be achieved only by investing more in continuous training and innovation, of both processes and products.

Differences exist also on the union side. According to the CISL, productivity growth and wage dynamics are inevitably intertwined. On one hand, trade union action will have to try to increase the speed of renewal in the most backward parts of our economy; on the other hand, they will have to negotiate innovation in the evolved parts of the economy so that productivity gains are distributed equally in workers' wages. This attention to work organization and therefore to a greater commitment in the workplace is central to facing this new economic and political phase. For the FIM-CISL leader:

“Italian wages are low: it's true. But using recipes from France and Germany in Italy is misleading. In those countries, 90 per cent of workers do not work in companies with under 20 employees, as we do. Nobody needs to be convinced of how wage growth is important. The true issue is how. If we agree (and I have some doubts) to link wages to productivity, we need to know that productivity is achieved in the company (certainly because of factors outside the company) and should be distributed.”

Wage increases in themselves, this is the point, do not increase productivity, as it is not true that wages are the main problem facing productivity.

As a principle, the CGIL has always been convinced that:

“wages come first and efficiency follows. However, many agreements with companies were made on the basis of the belief that they go hand in hand” (interview CGIL). Competitiveness and productivity are both real needs, which concern companies but also workers. “But they cannot be pursued – as companies claim – at the expense of workers alone. If wages are stagnant, consumption is affected and so are companies' turnover.” (interview FILCAMS-CGIL)

As 80 per cent of Italian companies produce for the domestic market, as the UIL pointed out, increasing wages means increasing consumption, and thus production and employment.

“We argue that the time has come to get out of the logic of wage moderation, which translates into the simple defence of purchasing power, to arrive at an expansive wage policy that aims to increase spending power. This means going beyond inflation. But where and how to do this? First of all, there is a need for productivity quotas to be distributed even at national level. On the other hand,

we are convinced that at the second level we must continue to redistribute the wealth produced on site through variable premiums linked to measurable objectives. One could argue that productivity should be redistributed exclusively at the second level. This assumption can be agreed in theory but continues to clash with a reality that sees firm-level bargaining taking place only in less than 30 per cent of private companies. So that the question of 'how' remains. We are convinced that wages must be increased without affecting company competitiveness in any way. The UIL is convinced that to establish wage increases at national level it is still useful to start from inflation and, in particular, from the assumption of consumer price dynamics. But, as a corollary to all that has been said so far, we consider it essential to go beyond this by entrusting the individual national agreements with the ways of, depending on specifics, achieving this goal." (interview UIL)

The economist, in turn, reflects on the long-lasting stagnation of Italian wages. "For decades, Italy has had one of the deepest and longest wage stagnations. According to the OECD, in the years between 1990 and 2016, the average real wage of a full-time employee grew by 3.1 per cent in Italy, 12.5 per cent in Spain, 28.6 per cent in Germany, 32.9 per cent in France and 42.6 per cent in Britain." Why? First, Tronti cites the misleading use of a key indicator of competitiveness: unit labour costs. But this indicator says little or nothing about the effective competitiveness of production, or the relationship between how much a labour unit costs and how much it produces, because it is profoundly influenced by the price trend, from which the wage increases of the national sectorial bargaining are achieved. In other words, it is an indicator of 'labour price' for the company that can be usefully compared with the price of the product, to evaluate the trend of the so-called 'product wage'. But, since the nominal unit labour cost does not measure anything other than the ratio between the change in labour costs, essentially anchored to inflation, and that of productivity which, being measured at constant prices, can only grow at less than inflation, the indicator can only continually increase and communicate an alarmist and unfounded message of excessive wage growth. The correct indicator of cost competitiveness is instead the so-called 'real unit labour costs', widely used internationally (OECD, European Union, IMF) but completely neglected in Italy, which represents the cost of labour per unit of work – at current prices – per product, also expressed at current prices. In this way we obtain a real indicator that coincides with the share of labour in the correct income for dependent work: this is a signal that provides significant indications of cost competitiveness both in absolute terms (for comparisons between sectors, companies or territories) and in dynamic terms. Second:

"Why are wages not growing in Italy? The answer is simple: because they are not expected to grow! The Italian bargaining model has in fact established since 1993 that national agreements are supposed to target inflation, with company or territorial agreements charged with going beyond that, according to effective productivity growth. As the majority of employees are excluded from second-level bargaining, they're condemned to see their wage dynamic anchored to the value of 1993. While for those lucky enough to have a business or territorial agreement, growth is still very modest. Italian companies – he concludes – have been able more than others (even German ones) to impose the burden of maintaining price competitiveness on wages." (interview Tronti)

3.3 The role of collective bargaining in an inclusive growth strategy

3.3.1 Collective bargaining: levels and coordination

Collective bargaining plays a fundamental role in maintaining the balance of the system, because it allows companies and workers' organizations to jointly define the operating rules of the labour market represented and wage determination. If there were no collective bargaining, working conditions would be determined unilaterally by the employer, who would have ample capacity to blackmail individual workers, without any

form of redistribution of profit and without recognition of rights. As was said in the interview with the labour lawyer, work covered by a collective agreement implies recognition of the needs of the person and of a dignified life, accompanied by the exercise of rights in the employment relationship. It also implies the recognition of trade union freedom, that is, to join forces and to negotiate collectively to obtain better conditions of life and work, the right to strike as a means of struggle and rights to participate in business decisions that concern them.

From the perspective largely shared by the Italian trade union movement, the national industry-wide agreement maintains the essential function of guaranteeing minimum economic and regulatory treatment throughout the country, as well as defining some fundamental institutions for the development of advanced industrial relations, in line with the emergence of new needs. The national industry-wide agreement is in itself a formidable tool for inclusion and growth.

For the economist:

“Coordination of wage growth is essential at various levels. From the territorial to the sectoral level, up to the national level and among the branches, which should be ensured by means of dialogue and interaction between the government and the social partners. Transnational coordination has become an absolute necessity in the case of multinational companies (MNCs). But wage coordination at the group, supply chain and district level is equally important.”

The employers, with meaningful differences between large and SMEs enterprises, are generally in favour of bargaining decentralization through stronger prerogatives to the firm level, in terms of derogation and opening clauses. For Federmecanica, the bargaining system must produce a real link between wages and productivity.

“Wage increases must take place where wealth is produced. Variable remuneration must be a primary objective for the whole system of Italian companies. The ex-ante adjustment of salaries to the inflationary dynamics between expected and actual inflation, as has happened up to now, is not good. The national collective agreement must contain minimum and basic guarantees, thus excluding any wage negotiating function at this level. Its coordination role must be understood in this way. It must be limited to containing clear and simple rules that are easy to apply. It must guarantee ‘minimum’ wages. Company bargaining, which today affects only 30 per cent of metalworking companies, must be developed and extended to become the norm and not the exception. At company level, variable wages will be negotiated, through results and productivity bonuses. Thanks to the tax incentive measures adopted by law, the taxation of increases at the company level will be 10 per cent compared with 32 per cent of the traditional ones at the national level of the sector. This is a good way to reduce the cost of labour.” (interview Federmecanica)

SMEs, on the other hand, confirm the priority of the national industry-wide agreements over the firm level, at which collective bargaining is rare and an important role is played by the territorial agreements. The multi-employer collective agreement, which here is national and regional, plays a crucial and absolutely indispensable role. “We consider it an absolute value, which not only protects sectors from competition without rules, but also from unbalanced power relations and even from the populist inclinations that are so worrying at present. It is crucial to foster orderly employment relationships and industrial relations in individual companies.” (interview CNA).

As already mentioned, the Italian unions are all in favour of some degree of central coordination, with a second level that has to be empowered and broadened but within a framework and precise limitations dictated by the national industry-wide agreements. The CISL is convinced that it is necessary to have a structured and articulated agreement-based model founded on two coherent and non-overlapping levels,

oriented to the maximum possible decentralization, and even that the national agreement is still a useful and irreplaceable way of binding the different sectors under regulation. In the CISL approach, enhancing decentralized bargaining through fiscal incentives – adopted by the 2016 Stability Law under pressure from CGIL, CISL and UIL – is important because it encourages innovative forms of workers' participation in changes in work organization. This is an essential factor in restarting companies' and national recovery.

The CGIL remains convinced that national sectoral agreements continue to prove crucial in the universal definition of the minimum level and gross pay increases. Decentralized bargaining, both at company or territorial level, serves to adapt the economic-normative part of the national agreement to the individual organizational and productive context; in particular working time, job and tasks classification, wage setting. The relations between the different negotiating levels should be based on the favourability principle, with possible derogations but only for the better. At the company level, in the private service sectors, there are strong pressures to derogate from national agreements, especially in southern Italy. "As a trade union, we have posed the problem and some agreements have expanded the possibility of modification, provided it happens within the framework established by the same national agreement and only on certain subjects, such as schedules and shifts, but certainly not basic wages or labour rights (holidays, maternity)." Some actors support territorial bargaining as a multi-employer form as an alternative to the disorganized firm level, also including experimentation. As we were told by the secretary of FILCAMS-CGIL. "As a trade union, we are promoting and experimenting with site and cross-sectoral bargaining, for example, in the case of large commercial outlets, airports and hospitals. But these are still very limited cases."

At the UIL, we were told: 'We believe that Italy must do it on the quality of production and work, increasing public and private investment. So not austerity, but careful use of resources with a view to sustainable balanced and growth.'

A variation on such an approach was found in the interview with the Secretary of FIM-CISL, who was clearly the most open to the empowerment of firm-level bargaining.

"It still makes sense to think of a national agreement as a guarantee framework for corporate or territorial contracts. But a too strong and invasive national contract is likely to have the opposite effect, favouring rather than preventing the growth of inequalities. It would reduce the space for negotiation at decentralized level, with the result of inducing employers to individually negotiate wages and working conditions, outside a collective framework and negotiations. We are among the few countries in the world in which, rightly, there are two levels of bargaining. But the overlap between the two levels has weakened both national and company agreements. The big issue concerns the link between wages and productivity. The underlying theme, in addition to content, will be 'where' to negotiate. We need 'guarantee frames', but if we want workers' performance to receive its due, we have to focus on the company level. Otherwise, we will continue not to obtain productivity gains in wages."

For FIM-CISL:

"In Italy there are innovative, export-driven companies and companies in difficulty, concentrating on the domestic market. Redistribution at national level would mean redistributing less than is appropriate for companies that are doing well, and more for companies in trouble. And I challenge anyone to convince a company to distribute something that it does not have and often even suffers from distributing. My organization is against adopting the idea that sectoral average productivity has to be shared at the national sectoral level. Its rationale is wrong because the concept of 'average' covers very different situations. I have no doubt that collective bargaining must be more and more 'tailor-made', as should production, in terms of territorial networks and production proximity.

Productivity improvements have to be redistributed not uniformly, but proportionately to the results achieved. Besides, territorial bargaining can help to engage businesses in joint innovation projects, to build a critical mass capable of meeting the challenges.” (interview FIM-CISL)

3.3.2 About the statutory minimum wage

For the labour lawyer:

“In countries in which collective bargaining is particularly weak, the most useful institutional tool for workers is the statutory minimum wage. Where the trade unions are not strong enough and also rooted, as for instance in the case of atypical work or the digital economy, mechanisms for extending the effectiveness of collective agreements appear useful because they are better able to reconcile the need for autonomy among collective actors with the need to guarantee social equity.” (interview Guarriello)

All the Italian social partners are more or less united against a statutory minimum wage, considering the national collective agreement to be the best solution for setting wage floors.

According to the employers:

“We are against the statutory minimum wage, as we think that the one established by collective bargaining is more suitable for defining specific economic measures. We are in favour of the possibility of extension *erga omnes* of the minimum set by collective sectoral bargaining.” (interview CNA)

All three main trade union confederations are against the idea of a statutory minimum wage. In Italy, the wage floor is determined by national industry-wide agreements, which in any case are too numerous (if we add ‘pirate’ agreements, resulting from the absence of rules on the representativeness of employers’ associations, we reach 864), which have a coverage rate above 80 per cent, much higher than the statutory minimum wage coverage of other European countries.

The UIL representative distinguishes between inclusion and standardization: “workers are entitled to remuneration commensurate with the quantity and quality of their work. Not all jobs are equal and not everyone can be remunerated in the same way.” The idea is that by differentiating wage floors according to the level of skills and seniority, collectively agreed wages safeguard inclusion and higher minimum wages (in Italy it is higher than in all countries with a statutory minimum wage), whereas taking the one size fits all approach leads to mere standardization and at a very low level; certainly never higher than 50 per cent of the median wage.

The position of all the Italian unions is essentially the one expressed by the UIL representative: “If the problem is to make sure that nobody falls below that threshold, the solution is not to build another tool that risks, among other things, reducing wages in a generalized way, but to make what we already have more effective.” In their memorandum of understanding signed in January 2016, the three confederations proposed to adopt by law not a statutory minimum wage, but an extension mechanism, as foreseen, though never applied, by the 1948 Constitution (Article 39), thereby giving *erga omnes* effectiveness to the industry-wide national agreements signed by the most representative associations.

On the union side, the only partial exception we encountered was from the secretary of the CISL metalworkers: “I am very supportive of the minimum legal wage for sectors not covered by collective agreements. This applies to the poorest paid 15 per cent of workers, including many gig workers and new and old part-time and underpaid jobs.” (interview FIM-CGIL).

Interestingly, the UIL representative offered some ideas why Germany chose to adopt a statutory minimum wage.

“We must avoid looking at our neighbours in a skewed way. We continue to praise their collective bargaining system, but we forget about the different industrial formation there. In the large German companies, secondary-level bargaining is flourishing, but so it is also in most large Italian companies. What is the difference? The fact that 90 per cent of Italian companies are small or very small. How is it possible to replicate the same model in such different countries? In Germany they introduced the legal minimum wage. They had to do so because their collective bargaining coverage is shrinking. We on the other hand cover 90 per cent of employees. Our problem is different: circumvention of agreements by some employers. Finally, why do most of those who favour the German model to the point of wanting to replicate it in Italy not put the same emphasis on the need to provide us, too, with the same level of workers’ participation as in Germany? I’m looking for, but I cannot yet find an answer.”

3.3.3 International context and markets

Globalization has led to an extension of ‘value chains’ and the internationalization of many companies and production. This has inevitably weakened traditional bargaining within national borders, fuelled international competition and generated social dumping. According to the experts we interviewed, there has been an objective convergence of problems, even if the solutions appear diverse. In all countries, driven by European recommendations (European Semester), crisis and competitive pressure, there are attempts to dismantle multi-employer bargaining systems in favour of company bargaining, which, however, can only accentuate differences if not centrally coordinated.

There are differences between sectors oriented to the external market – ‘Made in Italy’ – and others (in fact the vast majority) oriented exclusively to the domestic market. For the employers, the European and global economic environment is so crucial that every proposal in collective bargaining starts with the recognition of these constraints that restrict room to manoeuvre in negotiations. “We think that economic imbalances must be avoided, both as businesses and as a country. We believe that from this point of view there is a European convergence on these needs.” (interview Federmeccanica).

From the trade unions’ point of view, Europe and, even more clearly, Italy have experienced a drastic reduction in economic growth over the past twenty years. According to the unions, the main factor that caused the global financial crisis is thirty years of unequal distribution of income and increasing inequality to the detriment of the middle and bottom of the social spectrum.

The European Union, during the crisis, responded with a policy of fiscal austerity, which only aggravated the first recession (2008–2009) and generated a second, exclusively European one (2011–2013), exacerbating social suffering. The crisis, in fact, revealed all the fragility of the European project caused by having a single currency without legitimate political sovereignty, mutualization or sharing of fiscal policy and public budgets, not to mention European deposit insurance.

According to the CGIL representative,

“Europe could have curbed these macroeconomic imbalances, both between European countries and the rest of the world. Although they are measured and monitored by the institutions, their reduction does not constitute an effective political priority. On the contrary, they represent a determined economic policy. This is demonstrated by the excessive attention to inflation. A further proof of the awareness of the imbalances and the erroneous bet on international competition is given by the divergence of the current balance of payments, which represents one of the four

external competitiveness indicators out of a total of 14 that make up the European Commission's scoreboard for macroeconomic imbalance procedures. The limits of the institutional architecture and of European governance are evident, but macroeconomic imbalances are supra-national and divergences between member states have been amplified by political choices made by the European Commission, the ECB and the European Parliament itself."

The UIL representative, the organization of the current ETUC secretary, Luca Visentini, goes into detail concerning the European dimension of industrial relations.

"My organization believes in the importance of a united Europe, economically but also politically. We want a social Europe that points to development and not to austerity, which respects the different national needs by contemplating them in a systemic perspective. In this sense, European bargaining coordination can be an opportunity, but only if we aim to extend to all EU countries the highest levels of social and contractual protection currently present in the nations that are, from this point of view, more advanced. In our opinion, the European and global context widens the margins of 'traditional' bargaining. It is clear, however, that this can only happen in the presence of a coordination, in fact, that prevents economic imbalances. Today there is 'contractual dumping' between the different countries, due to the different economic and production, but also political and social contexts that characterize them. This can only be avoided by investing in quality and avoiding the rush to lower production costs; hence the convergence of the entire ETUC in the Pay-Rise campaign for wage growth. There must be, in other words, a harmony between European countries. This is why bargaining can do its part, seeking, as always, the points of balance that allow everyone to pursue national growth without negatively affecting that of neighbouring countries. Easy to say, difficult to do, one could say: it is clear, however, that this is a challenge that the European and Italian trade unions will have to face in the coming years." (interview UIL)

In some sectors the presence of multinationals is decisive. Their behaviour with regard to industrial relations has not been better than that of our few national groups. Most of them in the large retail sector (Auchan, Carrefour and so on) have detached themselves from the historical associations of the sector (Confcommercio), to create a new agreement, which does not renew the national agreement but uses the expired one of 2011, signed by their old association.

"There are groups that have unilaterally cancelled firm-level agreements and others who, after establishing good practices, [for example] dismiss a working mother with a severely disabled son just for being late for work. Finally, there are sensational cases, such as Amazon, where working conditions are [almost] unbearable. I think that in reality this kind of national union should be able to strengthen the role of EWCs and Transnational Company Agreements." (interview FILCAMS-CGIL).

For the CGIL,

"a supra-national level of bargaining should be concerned with: (i) fundamental rights, even if they differ in the various countries (this was the case of parental leave or teleworking); (ii) specific guidelines on wages, aimed at bringing the systems closer together and reducing the wage gap and social dumping from one country to another." (interview CGIL)

The labour lawyer considers transnational bargaining coordination to be an opportunity, even if it is difficult to figure out which institution would favour it.

"The only relevant one seems to be the ILO, while the EU level - Commission, ECB – and the OECD seem totally unsuitable to act as institutional support balanced with the role of social partners. In essence, I believe that this is a task for the social partners themselves, in particular the

European trade union organizations, which should promote strong coordination of collective bargaining and an inclusive project driven by national unions on the basis of best experiences, to protect workers in the digital economy.” (interview Guarriello).

3.4 Views on fairness

Fairness is first of all a matter of reducing inequalities, in the old and new forms of social gaps and divides, stopping and reversing the current trend towards the devaluation of work, in terms of individual and collective rights, remuneration, welfare, access to higher education and careers. Precariousness of work and life is becoming a permanent social and existential condition, especially for the younger generations. It is the main feature of the so-called ‘gig economy’ and fosters the worrying and widespread phenomenon of the working poor, as once protected sectors and jobs are eroded. *This is not work; it's exploitation* is the title of a recent bestselling book in Italy (Fana, 2017). Precarious and low paid workers are simply in no position to look at their future with serenity, prevented from living in present with tranquillity and mortified by the destruction of past achievements and efforts.

Precarious workers live in a state of perpetual uncertainty regarding their work position; this hinders their expectations of building a family and planning their own futures. On the other hand, female workers and temporary workers often do not see all the efforts made during years of study or apprenticeship rewarded and, in the end, as if this were not enough, any career breaks inevitably affect their retirement expectations. ‘In Italy we have slipped into the tunnel of precariousness and sub-employment. A plague that must be removed; a trend reversal is needed’, as one trade unionist put it (interview UIL).

Inequality in contractual forms requires the extensive application of a principle of inclusion and solidarity. But how?

“All forms of flexible or precarious work have [be made] to cost the enterprise more than standard jobs. Policy measures have [be implemented] to discourage the accumulation of human capital at the expense of workers' life plans and prospects. More inclusive social protections are needed to [enable workers] to face the discontinuities and weaknesses of their career paths and reduced ability to contribute to the welfare system. Therefore, for the majority of European economies, social fairness requires the adoption of a growth model driven by wages and the abandonment of the monetarist model, implicit in recent European economic policies.” (interview Tronti)

A very big issue for unions, perhaps even the main one, is the capacity to represent and organize the unrepresented and unorganized in the growing number of branches and jobs – fixed-term and precarious – that are outside the traditional scope of standard contracts and social and labour law protections. A worrying trend, accelerated by the gig and platform economy, the ‘uberization’ of services and employment relationships. Many international studies and surveys point out that the penetration of digitization and communication systems tends to determine the polarization of skills-related jobs. The 'high skill' and 'low skill' sectors are growing, while there is a decline in employment levels for those with intermediate or routine skills. The latter could therefore more easily be replaced by robots or ‘artificial intelligence’. This undesirable trend may be towards a growth in low-paid jobs. An overall strategy should be put in place that avoids such divergence, based on a number of key pillars: improvement of skills, social protection for people exposed to the risk of unemployment, social dialogue, activation policies.

In Italy, the trade unions have created specialized organizations for atypical workers; national and territorial departments for migration issues; organized campaigns to fight against overexploitation in fragile sectors such as agriculture, domestic work and logistics; and now they are trying to respond to the very latest challenges, such as food ‘riders’ (such as for Deliveroo). In the abovementioned memorandum of

understanding, signed by the three confederations in January 2016, the Italian unions stress the importance of a more inclusive model of collective bargaining, still two-tier and with primacy for the national level.

For the CISL, labour policies must modernize the system of rights and protections, starting from the valorisation of the open-ended contract, a precondition for improving the quality of work and life conditions, but also productivity. Like the whole labour movement, the CISL underscores the importance of active policies to enhance stable employment relations, training and lifelong learning, joint management of company crises and restructuring, fair sub-contracting, bargained bilateral funds and welfare plans.

The CGIL launched a strategy for more inclusive collective bargaining in order to include the weaker segments of the labour market, namely temporary and semi-autonomous workers, in the organizational and bargaining activities. Besides that, a national petition was launched in 2016 on a Charter of Universal Labour Rights, gathering a million signatures all over the country, aimed at establishing a universal and inclusive platform of universal rights and to adapt labour law and social protection to the changing workforce and social needs. This is a broad and ambitious project whose 90 articles reform employment contracts, individual labour rights, welfare provisions, representation at the workplace, collective bargaining and board-level participation. The same confederation, since 2013, has mobilized a massive campaign for a new ‘Plan for jobs’, aimed at full and decent employment through massive public investments in public works, infrastructure and the green and knowledge economies. The latest campaign is aimed at managing and conducting bargaining on technological innovation and digitalization, at both macro and micro levels: ‘Let’s negotiate the App?’ is the slogan, calling for shop steward training in the new technological challenges.

“We have called a number of strikes against this exploitation disguised as ‘innovation’ and ‘modernization’. For unions, representing and extending legal and social protections to young, atypical and also migrant workers is today considered an absolute priority. This involves both specific campaigns and mobilization, especially for a sectoral federation of private services, in which there are large segments of poor and precarious work in the form of atypical contracts and involuntary part-time, with extremely short periods of work, but also irregular work, as in the case of domestic work.” (interview FILCAMS-CGIL)

It is worth highlighting that in Italy there is now a national agreement for domestic workers and also for professionals (lawyers; architects, etc.): two extremes in the new occupational polarization, both lacking in traditional labour rights and collective representation. This is a concrete way of responding to the need for fair occupational relations in traditionally uncovered segments of the labour market. Italian unions are all open and inclusive with regard to migration issues. Today foreign workers are a key issue for trade unions everywhere, both as a growing constituency in the labour market and as a target group for potential new members in a revitalization strategy. “Specific attention should be paid in inclusion policies to migrant and third-country workers, also considering their precious contribution to solving the demographic problems of Italy and, in the same way, to increasing the workforce and potential growth” (interview CGIL). Unlike some other national unions, historically or even today, Italian unions have never opposed or asked for severe restrictions on the new large-scale immigration. Immigrants are a resource and not merely a threat. They are on the front line, with other social movements and actors, in pushing the political establishment to adopt measures that can facilitate and improve the integration and social citizenship of non-nationals and ethnic minorities. The trade unions have developed a mixture of universal, inclusive strategies for workers and low-income earners (universal social rights, full employment, inclusive collective bargaining, higher minimum wages) and specific positive actions for immigrants (servicing, organizing, tailored-campaigns).

4 Conclusion

In the Western economies, the growth of inequalities since the mid-1970s, has been associated with a generalized slowdown in growth rates. According to the economist we interviewed: “the recovery of growth may not be in any way separable from recovery from inequality. A fall in income inequality requires above all a resumption of functional or primary distribution in favour of labour incomes, and therefore a reduction in internal differences, especially between the incomes of managers and those of employees.” This approach is largely accepted by the trade unions. Wage moderation can function only temporarily and never without a substantial industrial policy to support investment and innovation, so that the largest share of profits is used for the general interest and returned to the economy in the form of decent employment and subsequent increases in wages due to increased productivity. Wage policy cannot be separated from the redistribution of wealth and therefore from that of greater income fairness. This also means that if there is a link between growth, productivity and inequality it is a pathological relationship.

Italian unions are calling for a domestic demand-driven economic policy, based on supporting workers’ incomes through changes in collective bargaining and fiscal reform, reducing taxes for workers and pensioners while increasing them on capital gains and combatting massive tax evasion. They are calling for a U-turn in European economic policy and approach, stating that the ‘New European economic governance’ and austerity policies have been the wrong answer based on a wrong diagnosis.

Together with new individual rights and welfare schemes, collectively-agreed wages are considered the main instrument for reducing economic and social inequalities, gaps and exclusions. They should be a pillar of real social and industrial citizenship, of economic but also political democracy.

Wage floor and dynamics are commonly considered the exclusive prerogative of the social partners’ collective autonomy. Italian employers and unions – united for once – are against the statutory minimum wage, which they consider ineffective for combining equitable basic levels with the necessary articulation in accordance with the different sectors and job classifications. Besides, it would risk a de facto marginalization of the social partners’ capacity in collective bargaining and wage setting. The current system, however, needs to be better organized, reducing the number of national agreements in terms of scope and units. This entails that the law intervenes with norms that, transposing framework agreements, give them stronger enforceability and effectiveness, on the ground of the actors’ real representativeness. The biggest problem today is the growth of collective agreements laid down by unknown or unrepresentative associations. Extension mechanisms are also needed to prevent contractual dumping, which is today the most insidious threat to the functioning of the system.

For the unions, the great challenge for today and the future comes from the individualization of employment relationships, now being strongly pushed by the new digital technologies, and potentially with dire consequences in terms of social fragmentation, cultural disengagement and a sense of political impotence.

For the unions, the state’s fiscal and labour policies are probably the most urgent means of reducing inequalities and fostering economic and inclusive social growth. Creating more new jobs in areas in which private business has no interest in investing would be an important response to social and economic collective needs and reduce poverty and inequality.

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