



**Collective Bargaining in the
Italian Metal Industry in the Shadow
of the European Monetary Union**

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Content:

1. The institutional framework of industrial relations*	p. 3
2. The actors of industrial relations	p. 5
3. The system of collective bargaining	p. 7
3.1 The basic structure of the collective bargaining system	p. 7
3.2 The agreement of July 1992	p. 10
3.3 The objectives of the agreement of 23 July 1993	p. 10
3.4 The reform of the collective bargaining system: sectoral and company level bargaining	p. 11
3.5 The role of the government	p. 13
4. Collective bargaining: experiences and prospects	p. 14
4.1 The wage policy of the metalworkers' unions	p. 15
4.2 Working hours	p. 25
4.3 Types of contract	p. 28
4.4 Training/education	p. 29
4.5 Health and safety at work	p. 29
5. Results of the company-level bargaining	p. 30
6. Challenges and tendencies of the collective bargaining system	p. 33
6.1 The evaluation of the 1993 agreement	p. 33
6.2 The policy pursued by the metalworkers' unions on the matter of bargaining levels	p. 33
6.3 The policy pursued by the employers' associations on the matter of bargaining levels	p. 35
7. Subjects on which collective bargaining will concentrate in the next years	p. 35
8. Implications of the European Monetary Union	p. 39
8.1 General attitude towards the EMU	p. 41
8.2 Impacts on the collective bargaining policy	p. 42
8.3 Trade unions' positions, expectations and strategies in view of a Europe-wide coordinated collective agreement policy	p. 45
Bibliography	p. 47

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1. The institutional framework of industrial relations

Since 1996 the Italian political and social scenario has been characterised by the victory of the centre-left coalition. Until the spring of 1998 the fundamental problem faced by the government has been to reduce the public deficit with a view to meeting the Maastricht convergence criteria. It must be considered a success that the government has managed to improve the budget situation and lower inflation. As a result Italy has been able to join the European Monetary Union from its initial phase. Simultaneously, the government has had to face another central problem, namely the high level of unemployment which is still on average around 12% and in Southern Italy over 20%. The *Pact for Employment* which was signed by the government and the social partners on 24th September 1996 has not yet been able to reverse the trend. The reduction of working hours pushed through by the Communist Party has not been put into practice either. Therefore, the problem of unemployment remains the major challenge to be faced in the upcoming future.

As regards industrial relations, even today one of the most striking features of the Italian system is that the trade union system (in the private sector) is among the least (externally) regulated of all the developed countries with a market economy. None of the principal institutions which make it up (trade union freedom, the trade union as an organisation, collective agreements and forms of self-protection) are subject to *legislative control*. Traditionally, i.e. since the end of the 1960s, the bargaining structure in Italy was especially characterised by a high degree of autonomy externally and a relative absence of procedural rules internally.

The main legislative provision supporting trade union activity within companies is contained in the so-called "Workers' Statute", Law No. 300/1970. It came into being under the impulse of the trade union achievements in 1969. This guarantees:

- the freedom and dignity of the worker: right of opinion, ban on the use of audiovisual equipment for checking on workers, disciplinary sanctions, health protection, recognition of roles at work;
- trade union freedom: right to belong to a trade union, non-discrimination and non-dismissal as a result of trade union activity, recognition of trade union representations at company level and paid leave for anyone carrying out trade union activities, right of assembly;
- regulation of engagements and trade union control over local job training commissions.

Other significant laws of a more recent date regard the non-dismissal of a worker other than for good reason, redefined by a law passed in 1990 and extended to smaller businesses, restriction of the right to strike for services of public utility passed in 1990, the law on the equality of the sexes passed in 1991, and the recent reorganization of the pension system in

1995.

In this context it is necessary to consider the legislation on the subject of national collective agreements and the possibility of imposing a collective sectoral agreement on workers who are employed in companies which are not affiliated to the sectoral employers' association which has entered into the collective agreement. The legislation provides that all enterprises have a national collective agreement (among the various ones stipulated for each branch or sector), regardless of whether or not they are affiliated to an employers' association. There are no exceptions for any enterprises.

Generally speaking the impact of the legislation on working conditions and on wages has had differing impacts not only with regard to the various bargaining issues but also in relation to the historical period in which this intervention has taken place. In most cases we have a practice of bargained legislation, i.e. the incorporation of union-employer agreements into government decrees or legal statutes. That means that the legislative intervention has been preceded by the negotiated definition of the matter which subsequently has been "acknowledged" by the Legislator.

From 1976 onwards, the relationship between the social partners and the state has become closer, giving rise to a number of instances of *tripartite cooperation* mainly aimed at combating the high rate of inflation during this period. This tripartite cooperation took the form among other things of legislative intervention to exercise direct control of labour costs (in particular of the "sliding-scale mechanism") and hence of the collective autonomy of the social partners which had hitherto been the sole regulator of such matters. This was undoubtedly a departure from the model of legislative abstention, but has gradually lost significance with the slowing-down in the rate of inflation.

Calls for greater institutionalization of industrial relations then came from various quarters in the face of the increasing turbulence of the economic and social scene; but even more than legal regulation of the various aspects of industrial relations (conflict, trade union representation, bargaining), they stress forms of regulation agreed between the social partners, although there is a growing pressure for legislative intervention. The tripartite agreement of July 1993 has been up to now the most advanced experience of institutionalization of industrial relations, especially with regard to trade union representation and the system of collective bargaining. At present (summer 1998) a draft bill which should regulate the election of workers' councils is being discussed.

With regard to the labour market the most important institution is the Wages Guarantee Fund which is a special public fund used to guarantee a proportion of earnings to employees in companies and sectors undergoing an economic crisis or in the process of restructuring. The fund is financed by companies and the state and administered by the National Institute of Social Insurance. In cases laid down by law, the Wages Guarantee Fund makes up the

pay of employees affected by lay-offs or short-time working, up to 80 % of the lost pay.

The fund has proved to be a highly effective protective instrument of the legislation assisting companies suffering economic difficulties and those employed by such companies. In the past it has favoured sizeable structural adjustments to Italian industry without mass redundancies. In the same way it has created a protective network for the presence and activity of trade unions confronted with company restructuring.

2. The actors of industrial relations

The Trade Union structure

As regards the Italian organizational model of a trade union, from the very beginning this has been based on a combination of vertical structure, the industrial federations, and horizontal structures, the Chambers of Labour or groupings of unions on a geographical basis, converging at the top into the Confederation. The presence of a strong horizontal component serves to promote trade union initiatives in the sphere of economic policies and to allow some control of the negotiation autonomy of the various industrial federations.

The industrial structures (vertical) encompass national, regional and district unions, while the horizontal structures also make provision for national, regional and district confederation levels. The industrial federations in the metalworking industries are FIOM/CGIL, FIM/CISL and UILM/UIL. All unionized employees in the sector belong to the federation, whatever their skill level or grade. At present, unionization in the overall metalindustry stands at 45 %, excluding the artisanal sector unionization rises to 53 %.

Union plant representation

Trade union representation in the workplace was strengthened in the late 1960s, particularly in the industrial sector, by the spread of workers' councils. This was an organizational model of the *single channel* type. Since the mid 1980s the changes in the labour force and the difficulties in inter-union relationships weakened this unitary form of representation. As a result of the agreement of July 1993 a new form of workers' councils has been introduced.

The *RSU (Rappresentanze Sindacali Unitarie - Joint Union Representations)* are unitary structures of plant representation, elected by employees and, for the first time ever, recognized by employers. So far, the elections of the in the metal industry have been a success of the metalworkers' unions FIM-FIOM-UILM. Voter turnout appears to be high, more than 80 % of the eligible workers take part and the confederal unions, i.e. FIM-FIOM-UILM, poll more than 90 %. The franchise extends to all employees, irrespective of union membership, but the unions which are party to the sectoral collective agreement reserve the

right to appoint up to one-third of the seats in the RSU. This clause was strongly favoured by employers, who wanted an assurance that the RSU is dominated by the same unions as those that sign the sectoral agreement. The one-third rule also acts as insurance for the smallest of the confederations, or for the one that is least favoured by the electorate.

The employers' association

The organizational model of employers' associations has been historically based on that of the trade unions, and it consequently likewise displays the dual vertical and horizontal structure. The horizontal component has traditionally played the leading role. In fact, only a few industrial federations within the CONFINDUSTRIA (General Confederation of Italian Industry) (for example the metalworking employers' federation) engage in autonomous industrial relations activity, and even then under control exercised by the Confederation.

The most powerful employers' association, CONFINDUSTRIA, groups together private companies of various sizes in all industrial sectors. FEDERMECCANICA is the most important Federation of Metalworking Industries affiliated to CONFINDUSTRIA.

The employers' associations in the metal industry are:

- *Federmeccanica/Assistal* to which more than 10,000 businesses belong with about 900,000 employees;
- *Unionmeccanica Confapi* (small and medium-sized enterprises) to which 10,000 businesses belong with 400,000 employees;
- *Intersind* (businesses owned by the State, about to converge with Federmeccanica) which represents about twenty groups or companies with 120,000 employees;
- the associations of the *Cooperative metalmeccaniche* to which 1,400 cooperatives with 9,000 employees belong;
- *Federorafi/Federargentieri* which represents around 250 goldsmiths' and silversmiths' businesses which employ 9-10,000 staff;
- the associations of the *Artigiani metalmeccanici* (115,000 businesses with 400,000 dependents);
- the associations of the *Artigiani orafi* with 1,500 businesses and 3,500 employees;
- the associations of the *Odontotecnici* with 1,200 businesses and 5,000 workers.

The state

The intervention of the state as a direct participant in the various episodes of social

concertation plays an important part in Italian industrial relations. The most important examples are the 1977 agreements on labour costs; agreement of January 22, 1983; Protocol and Decree of February 1984. Among the common characteristics of these episodes in social concertation was the direct and decisive intervention by the state using public resources in order to facilitate the agreement between the social partners which was regarded as necessary in order to achieve economic stability; in particular in order to encourage voluntary wage restraint and industrial peace on the part of the trade unions, as well as acceptance of the employers' demands for greater flexibility and increased productivity. In the face of the European integration process this kind of political exchange was no longer acceptable. In this context the social pact of July 1993 is expression of a changed logic of social concertation.

3. The system of collective bargaining

3.1 The basic structure of the collective bargaining system

Collective bargaining is the most usual mode of action and the cornerstone of the Italian industrial relations system. In the past the use of participatory instruments in the broad sense in order to resolve individual and collective problems of the employment relationship through "cooperation" has not been very significant. It is not by chance that Article 46 of the Constitution, which sanctions the right of workers to co-operate in the management of enterprises, is the weakest and least meaningful of the constitutional norms. Only since the end of the eighties new forms of collective action other than collective bargaining appeared to be on the increase.

The collective agreement, as such, has acquired a legal identity on the basis of the principles of private law worked out by creative case law.

The Italian bargaining system is divided into several levels: national multi-industry, industry-wide, company and sometimes geographical. The importance of the various levels and their inter-relationships have differed greatly over the years. The role of *multi-industry bargaining* was a central one during the post-war reconstruction period, then again in the years 1975-1985 at a time of rapid inflation and once again since the beginning of the 1990s in order to meet the standards set by the strategy of European integration. This level consequently seems to be characteristic of "crisis" phases; it has been used mainly to provide basic regulatory standards for the treatment of rights of large sectors of the economy: in the immediate post-war period, for instance, the agreements on collective and individual dismissals and on works committees, and subsequently on the Wages Guarantee Fund and on the automatic cost-of-living adjustments (*scala mobile - sliding-scale*). It

represents a tendency towards political bargaining with the state, as has occurred in the instances of social concertation: in this case it also has the function of controlling (particularly pay) bargaining at the lower levels.

The *sliding-scale* was of particular importance as it was a mechanism which was automatically linked to the rise in the retail-price index, and which in this way governed the raising of the cost-of-living allowance and, consequently, the operation of the system of pay indexation. The system in operation from the mid-1970s, based on the automatic payment of equal amounts to all employees regardless of individual pay levels, led to criticism both because it was seen as aggravating the inflationary tendencies present in the Italian economy and because it was a source of compression of pay differentials.

The *industry-wide agreement* has always been the fulcrum of the system since the 1950s. It concerns general pay and working conditions, establishing the standard agreements which can then be supplemented at the level of the individual company. During the 1970s it extended its scope to cover qualitative aspects of the administration of the employment relationship. In addition to wages, pay scales and job classification, industry-wide agreements set standards on working hours, overtime, health and safety provisions, workloads, staffing levels, labour mobility, and in some cases ergonomic standards and rules for the use of new technology. Furthermore, sectoral agreements covered aspects of company policy (with the introduction of the rights of trade unions to receive information on and monitor investments, restructuring, etc.) and general trade union rights (time off and training for union plant representatives). The collective agreement for the metalindustry usually served as a trendsetter for the other sectors.

With regard to the possibility to impose sectoral collective agreements on workers in enterprises which are not affiliated to an employers' association which has entered into the collective agreement this question, i.e. the "erga omnes" applicability of national agreements has been resolved, at least for all agreements regarding pay, or which in some way have economic implications (therefore holidays, increases in overtime, etc.) by pronouncements which the magistracy has been reinforcing for the last fifty years.

In fact the magistracy, taking as its starting point the provisions of the Constitution which make reference to the worker's right to a fair wage, has maintained and still maintains that a fair wage is the one established by national contracts. Therefore a minimum wage guaranteed by law does not exist, but in reality this minimum wage is guaranteed by the various national industry-wide agreement.

This interpretation does not apply to agreements which do not have economic implications such as trade union rights and the protection of the dignity of the worker. In these cases, however, despite being the best contractual provision of that minimum provided for by the laws, the difference is not so marked as to constitute an incentive not to apply the national

contract, a choice which, however, does involve a heavy cost at the political and trade union level for the company and particularly with regard to judicial unrest. In reality each Italian industrial business is obliged to apply one of the national agreements for the sector to which it belongs, regardless of whether or not it is associated to an employers' association. If it does not, it can be obliged to do so by resorting to the magistracy. The problem remains that in some small companies, where trade union control is less effective, these regulations are evaded.

There have been frequent cases in which the magistracy or laws wait for specific contractual provisions to be defined before applying the regulations. These are episodic phenomena and no structural intervention is provided for.

Company-level bargaining played a decisive role in the strong growth and innovation of the system between 1968 and 1975: it was decisive in bargaining for economic and regulatory conditions which improved the industry wide standard conditions and were geared to specific production situations and the individual company's ability to pay, without any precise limit being laid down as to the matters covered. Attempts to prescribe limits in a definitive manner, for instance through delegation or referral clauses from the industry-wide agreement, have not proved successful because of trade union resistance or opposition.

Since the end of the 1980s, there has been a tendency towards a decentralisation of bargaining. It reflects the general trends in the economy which are favoured by the flexibilisation of production processes. It often appears to be encouraged by initiatives on the part of employers. However, even in this case the push for decentralisation has been contained and controlled from the centre; there is a lasting importance of the industry-wide collective agreement as a stabilising element, in particular for the myriad small firms which make up the greater part of the Italian production structure and for which industry-wide bargaining is realistically the only practical system.

No exact figures are available on the percentage covered by the company-level bargaining. An analysis of pay differentials shows that they are particularly affected by size of company, partly as a consequence of the differing extent of company-level bargaining. This is less developed in small firms, where pay may consequently be 20-30 % less than in relatively large firms.

The multiplicity of bargaining levels and above all the absence of precise functional co-ordination between levels, understandable while the system was in the development phase, became an element of instability and even an obstacle to the full development of bargaining in the second half of the 1980s. Therefore, at the beginning of the 1990s partners came together in order to reorganise the system guaranteeing a rational distribution of spheres of competence between the levels and controlling the company level in particular, without however suffocating it.

3.2 The agreement of July 1992

At the beginning of the 1990s the amount of deficit spending and the size of the public debt became a serious political problem in the light of 'Europe 1992' and the approach of European Monetary Union (EMU). Faced with the public finance crisis and the risk that European economic and monetary integration might leave Italy behind in January 1990 unions and employers agreed to press the government to reduce social security contributions in order to bring indirect labour costs nearer to the European average. This was intended to facilitate the renewal of sectoral agreements, which had expired in 1989. During the negotiations employers insisted on the abolition of automatic cost-of-living adjustments. Thanks to political mediation, it was agreed to put the issue on ice until the end of 1991. But the unions had to commit themselves to a complete overhaul of the system. In July 1992 they formally signed a tripartite agreement which removed the indexation clause. The government proposed drastic cuts in public expenditure, wage restraint and substantial tax increases. The centrepiece of the agreement was wage restraint through the abolition of automatic cost-of-living adjustments. There was considerable opposition, mainly but not only within the CGIL. The spate of opposition and worker unrest which followed this agreement placed the reform of bargaining structures, especially the relationship between sectoral and company bargaining, high on the agenda.

3.3 The objectives of the agreement of 23 July 1993

Still in the grip of a crisis that was taking on alarming political dimensions, the bargaining partners reached a new tripartite agreement in July 1993. This agreement contains a series of institutional innovations affecting the bargaining process. The 1993 agreement introduces concertation designed to achieve wage restraint as a final, formal step in the process whereby industrial relations in Italy move into line with the new European climate of economic and social convergence. The incomes policy agreement is based on the same guiding principles which characterise the gradual approach to European integration: an inflation rate in line with the average in the most sound Community economies, and a reduction in the public debt and deficit. Therefore, one might say that the agreement sets out a new constitution for Italian industrial relations.

National industry-level agreements is now split into two sections. The normative section is renewable every four years, and substantive issues every two years. Wage increases are to be based on an explicit inflation forecast. For 1994, for example, the projected inflation rate was put at 3.5 %. Revisions are possible at the end of each two-year period. When the contract expires and after three months no new contract has been negotiated, there will be

an automatic but limited wage increase to compensate for price rises. This is supposed to encourage unions and employers to speed up the renewal of sectoral contracts and prevent the occurrence of 'contract-free' periods. With regard to the company level in the agreement is laid down that company bargainers cannot take up issues which have already been dealt with at the industry level. Wage negotiations at this level cannot be linked to inflation but have to be related to company and employee performance or productivity.

3.4 The reform of the collective bargaining system: sectoral and company level bargaining

The current Italian system of collective bargaining is redefined by the agreement between the trade union confederations, the employers' associations and the Government which was signed on 23rd July 1993. It is based on two levels of bargaining: the industry-wide bargaining at national level (for example in the metalindustry, the chemical industry, etc.) and a second level which can be either company or territorial (region, district) level. After the 1993 reforms industry-wide agreements are negotiated for four-year periods with regard to the normative section and for two-year periods with regard to wages.

The policy of the metalworkers' unions FIM-FIOM-UILM is to guarantee minimum rights and social and pay conditions by means of the national industry-wide agreement. The national agreement is a safeguard for all workers in the sector. On the basis of this, bargaining must be carried out in all enterprises with the aim of increasing, on the part of the workers' council (RSU - Joint Trade Union Representation), trade union control over working conditions and in general over all the specific problems in the enterprise.

The second level regards the four-year company agreements, explicitly limited to subjects and measures not covered by the national agreements. In practice these relate to company productivity, product quality and profitability.

There are also local or regional agreements; they are to be seen as the equivalent of company agreements for the small firm sector (especially artisanal companies), negotiated by provincial union officials and regional employer representatives.

Precise figures concerning the coverage of sectoral agreements are not available, but in metal manufacturing it may be in the range of 50 - 60 %.

It was seen as a positive sign that in the metal industry the sectoral agreement for renewal in 1994 was concluded within a brief space of time and within the norms of the central agreement of July 1993, adding various procedural aspects of relevance to sectoral regulation. But then the bargaining of pay increases in 1996/97 has been extremely conflictual. The conflict was a result of the profound differences with regard to the interpretation of the functions of the two levels of collective bargaining and the criteria to

adopt for the calculation of wage increases.

National industry-wide bargaining

The level of industry-wide bargaining at national level is stable and consolidated, thanks also to the "erga omnes" extension mechanism operated by the magistracy (see below).

In the metalindustry exist altogether 8 national agreements of which five relate to the engineering sector in the strict sense and three to similar sectors (one for the artisan and industrial dental technology businesses and two for the goldsmiths' sector, one for industrial businesses and one for artisan businesses respectively). The five contracts for the engineering sector are in their turn separated into four industrial agreements (one per entrepreneurial association) and one for artisan businesses. The various national agreements cover all the metalworkers. The bargaining at regional second level exists only for artisans and naturally coexists with the national one. In the other cases there is a combination of the national industry-wide agreement and company-level bargaining. With a certain approximation it can be said that the agreements are fairly homogeneous: the agreements with the associations of industrialists and the contracts with artisan employers have a very similar contractual framework and economic and normative approach.

Bargaining is carried out by the trade union organizations which, nevertheless, take into account the opinions of unenrolled workers and in several cases requests and agreements are subjected to a referendum participated in by all the workers (enrolled or not). During the renewal of the national agreement in 1994 two referenda were held to approve the requests to be made to the employers' association and to approve the final agreement. More than 800,000 workers took part in these referenda, equal to about 80% of the parties interested in the renewal of the national agreement. The same is true for the industry-wide wage bargaining in 1996/97.

Second level bargaining

Second level bargaining, which up until 1993 was not regulated by any norms, has been achieved through mobilization and the efforts of the trade unions. This has meant that the last round of renewal of company-level agreements has proceeded in all large enterprises in the interval between one national agreement and the next, whereas in small enterprises this has taken place in a more episodic way.

The national collective agreement defines the methods and subjects with regard to which decentralized bargaining must take place. Whilst all the RSU (in concert with the territorial trade union organizations) may air in-company disputes, it is not obligatory to reach a

company-level agreement. Indeed in many small companies decentralized bargaining does not take place even if the trade union seeks to extend it.

In company-level bargaining the trade union organizations and the workers' council (RSU) are jointly in charge of the talks. The RSU is elected by all the workers in the firm with lists (divided into blue-collar and white-collar workers) proposed by the trade union organizations or by groups of workers. The RSU, not being a direct expression of the trade union organizations, can also decide not to follow (although this happens very rarely) the trade union policy line proposed by the most representative trade unions.

3.5 The role of the government

We can identify four typologies of bargaining and in at least three types government intervention assumes or can assume totally different characteristics:

- 1.) The first type of bargaining is that defined at the level of the confederations and regards the total number of dependent workers, be they in a sector relating to industry, to services or to public dependents. In this type of bargaining, which is often of great political importance, as for example in the case of the abolition of the "sliding scale" (a part of inflation automatically collected as pay) in 1992, the regulation of the bargaining structure in 1993 or the reform of pensions in 1995, the Government takes on a double role as employer (for public dependents) and legislator, in as much as it is committed to translating into legislative interventions the points of the agreement which may need legal backing. Confederal agreements are valid for all dependent workers.
- 2.) The second type regards industry-wide bargaining at national level (for example in the metalindustry) for which government intervention may be requested when the trade union and the entrepreneurial association do not manage to conclude negotiations. Since 1990 two national contracts have been renewed, the first of which was entered into in 1990 with the mediation of the Ministry of Labour. In 1994 this intervention was not necessary, thanks to, among other things, the rules defined in the confederal agreement of 1993. In 1996/97, however, the mediation of the government was again necessary to conclude the wage negotiations which take place every two years.
- 3.) The other two types of bargaining regard the total number of workers in a single company. The two types of bargaining are distinguished according to the subject they deal with: as a matter of fact there is a type of bargaining which integrates, modifies and often increases what has been established at national bargaining level, known as "supplementary" or "second level" bargaining and a type of bargaining which

confronts social and employment-related problems which derive from company reorganization and restructuring. While in the first of the cases mentioned here government intervention is most unusual, intervention by the Government and the Ministry of Labour in company reorganization and restructuring is fairly common and increasingly frequent in the last few years, especially in large enterprises. In this case the government plays a mediating role but also often prepares the "social instrumentation" necessary for protecting the workers' income at the very least (for example, early retirements and solidarity contracts).

Since the 1960s the national collective agreements have been renewed every 3-4 years. Government intervention in the 1990s has been more intense than in the previous decade because of the important agreements made with the trade union confederations and with the confederation of entrepreneurs. Since 1992 the sum total of these interventions has also initiated a redress in the dramatic financial situation of the State accounts through the reorganisation and rationalisation of the welfare state, maintaining the principal rights of workers as opposed to what had been requested by certain entrepreneurs.

The main effects of the anti-inflation policy pursued since 1992 have been the drop in the inflation rate and a decrease in the share of income from work from 75.1% of GNP in 1991 to 69.6% in 1995. While the purchasing power of incomes fell by more than 3 % on average until 1995, after 1996 real incomes began to grow again by over 1% per year and the share of work income rose from 69.6% to 71.1%. That means that anti-inflation policy pursued by the Italian government has achieved the objectives set out in the 1993 agreement (www.eiro.eurofound.ie).

4. Collective bargaining: experiences and prospects

Influence of trade unions on government policy

In the 1990s following the major economic crisis and the great social and political changes which took place in Italy and in the world, the trade union has had to face a massive counteroffensive from employers and from the government. This offensive aimed to dismantle the welfare state which had been constructed with the help of the trade union over several decades of social and political struggle. It should be remembered that in Italy between 1992 and 1993 there was a total change in the political class in government with the disappearance of the principal parties which sprang up at the end of the war and the birth of new political formations (which are still undergoing a period of adjustment). Confrontation with the various governments which have alternated since 1990 has allowed managerial offensives to be contained by means of important agreements to defend the employee's purchasing power and has allowed industrial restructuring to take place with a

reduction in employment but by non-traumatic means. There were no collective dismissals and overmanning was dealt with by having recourse to early retirements, voluntary redundancies, and, even if to a lesser degree, by mobility from one job to another.

In short the trade union has managed to influence government policy considerably, but more in terms of defence than attack precisely because of the difficult economic and political conditions in which it has found itself operating.

4.1 The wage policy of the metalworkers' unions

The wage structure

The worker's total pay is made up by direct and indirect and/or deferred components. While direct components include the wage-tariff minimum, automatic seniority increases and other allowances of various kinds the indirect and deferred components regard holiday pay, extra month's pay and end-of-service allowance.

The minimum wage indicates the basic pay fixed by the collective agreement for the metal industry at differentiated amounts based on workers' different job classification levels. The most important supplementary components of pay are:

- special rates of pay for overtime, night work and work on public holidays;
- the so-called "supermini" (see below);
- merit increases;
- allowances, bonus payments and bonuses (eg. thirteenth month's pay).

The personnel classification is defined by the national agreement for the metal industry, in order to differentiate the treatment of workers, in terms of pay and conditions, on the basis of skill and, in general, evaluation of the work they do. Today, the job classification system is made up of seven skill levels. For each level there is a corresponding definition of the general characteristics of the jobs grouped within it, which can be extremely heterogeneous from the functional standpoint (e.g. driver, secretary, production worker) and have in common only the equal evaluation assigned to them. When employees are taken on, they have the right to be classified at the level corresponding to the jobs assigned to them and to receive the appropriate treatment in terms of pay and conditions. Because of their static nature, traditional classification methods are proving largely unsuited to the increasingly fluid nature of work organization and hence of employment.

A reclassification, i.e. the change in an employees' grade is frequently undertaken in compliance with obligations arising out of company-level bargaining. A reclassification is usually accompanied by a change of job. Collective bargaining often makes provision,

particularly as regards the lowest grades, for automatic advancement to the next higher grade on the basis of seniority alone.

The end-of-service allowance is a payment which has replaced the seniority allowance. The method of calculating the end-of-service allowance is based not on the last level of pay multiplied by the number of years of service with the same employer, but on the sum total of portions of the employee's pay set aside every year in accordance with criteria laid down by the Law.

The pay scales annexed to national agreements list the separate rates of pay for different job classification levels. This is why minimum wages are also commonly referred to as wage tariffs.

The so-called "superminimo" is a sum paid to an employee within a company over and above the minimum wage fixed by the national collective agreement. These payments may be the result of (company-level) collective bargaining, individual negotiation or a unilateral decision by the employer. Whatever the circumstances, they are one factor contributing to wage drift.

The social security contributions

The social security contributions are fixed as a percentage of the pay received by the insured employee. There is a distinction between compulsory contributions, payable by all workers who are subject to compulsory insurance, and voluntary contributions, which may be paid by employees who interrupt the employment relationship or have reached pensionable age and under certain circumstances are unemployed, either in order to ensure continued cover or in order to reach the minimum number of contributions required to acquire entitlement to a pension.

The composition of wages

In order to show the composition of an average gross wage we refer to the fifth skill level of the national collective agreement. At this level we find qualified workers.

Table: Wage components guaranteed by the national industry-wide collective agreement:

wage-tariff minimum	1.114.000 LIT
cost-of-living allowance	1.029.000 LIT
automatic seniority increases	256.000 LIT
production bonus	7.000 LIT
monthly gross wage	2.406.000 LIT
company-level components (about 25 %)	601.500 LIT
total monthly gross wage	3.007.500 LIT
- 9 % social charges	270.675 LIT
- 25 % income tax	751.875 LIT
monthly net wage	1.984.950 LIT

In general the monthly gross wage guaranteed by the industry-wide collective agreement makes up about 75 % of the worker's total pay. The remaining 25 % are paid at company level. A part regards the merit increases and the so-called "superminimi" which are the result of individual negotiation or a unilateral decision of the employer, another part - in general the smaller one - regards the results bonus as a wage component fixed by company-level bargaining. It is obvious that the wage components which are the result of individual negotiation or a unilateral decision of the employer can vary much from one company to another and according to the different skill levels. There are cases in which this wage component makes up 40 % of the total monthly gross wage.

Table: Composition of the total annual gross wage of a fifth skill level:

annual gross wage (fixed by the industry-wide agreement)	30.000.000 LIT
results bonus (fixed by company-level bargaining)	2.500.000 LIT
merit increases/"superminimi" (individual negotiation/employer's decision)	7.500.000 LIT
total annual gross wage	40.000.000 LIT

The trade unions' wage policy till the 1980s

In the past trade union strategy focused on narrowing the pay differentials existing between the various grades of worker and the various sectors of production and on reducing the differences in terms and conditions of employment between blue-collar and white-collar workers and between employees of large firms and those of small and medium-sized firms. It was characteristic of a phase in Italian trade union history, lasting approximately from the famous "hot autumn" (1968-1969) until 1975, which was marked by a high level of industrial conflict and a considerable increase in real earnings.

The following are all instances of this strategy:

- the demand, when negotiating the collective agreement renewals falling due at that time, for equal fixed-sum pay increases for all;
- the abolition of lower groups of grades, with automatic advancement to higher grades on the basis of seniority;
- the unitary classification for blue-collar and white-collar workers, implemented by the 1973 industry-wide agreements;
- the change, under the 1975 national multi-industry agreement, made to the pay indexation system in use in industry (with the introduction of the flat-rate cost-of-living allowance) and its application to the other branches of the economy.

Between 1975 and 1983 compression of pay differentials between workers of different grades was particularly marked in Italy because of the practice, when renewing collective agreements, of claiming a fixed-sum increase for all (regardless of individual wage rates), and above all because of the effect of the flat-rate indexation mechanism.

Since the second half of the 1980s, however, as trade unions realized that greater recognition must be given to the differing professional skills of employees who perceived themselves to have been punitively affected by previous over-egalitarian pay strategies a redesignment of payment structures has taken place. Therefore, new basic rates of pay by skill level or grade incorporating wider differentials have been defined in the context of national collective bargaining.

In conclusion, the objectives of the metalworkers' unions' wage policy differed at different times, depending on the socio-economic context. They were characterized by

- a compression and then by a widening of pay differentials;
- an adjustment of differentials with regard to other sectors;
- an index-linked growth of pay;
- a containment of the rate of growth of pay with the aim of reducing inflation.

Unitary classification

The unitary classification is a system of job classification introduced in Italy during the 1973 agreement renewal, characterized by the harmonization of white-collar workers and blue collar workers into a single hierarchical scale, with the resultant redistribution of blue-collar and white-collar workers over all of the job classification levels, usually with the exception of the lowest level, reserved for manual workers, and the three or four highest levels, reserved for professional and managerial staff, professionals and technical specialists. At all the other levels both blue-collar and white-collar jobs are grouped together, their hierarchical ranking based on professional competence and status and the actual contribution made to the work/production process. Historically speaking, the adoption of this classification system was accompanied by a bargaining system and strategy inspired by egalitarianism which since the end of the 1980s has become subject of criticism and review by enterprises and by the metalworkers' unions themselves.

To sum up, nowadays there are no longer any differences between white-collar workers and blue-collar workers in the treatment provided for by collective bargaining and by the law itself as regards the end-of-service allowance, annual holidays, monthly pay system and pay and job security in cases of illness.

Labour costs

In Italy, the debate about the problems relating to labour costs has been intense from the late 1970s onwards, chiefly with regard to the private sector of the economy. In particular, the discussion has highlighted the existence of a gap, larger than in many other countries, between overall labour costs and the net pay received by employees.

The wage policy of the metalworkers' unions since 1990

According to the tripartite agreement of 23rd July 1993 it is possible to raise pay claims both at national level and at the decentralized level. Wage increases are decided on according to two types of claims: the first aimed at the defence of purchasing power, the second tied to the productivity of companies and their competitiveness. The defence of wages in real terms is the exclusive province of the national bargaining level and takes place every two years. On the other hand negotiation regarding that part of the wages tied to a company's productivity can be conducted both at national level and at the decentralized level. Based on the 1994 national collective agreement, the productivity pay of enterprises in the metalindustry is entirely a matter for company-level bargaining. FIM, FIOM and UILM have decided to aim for the maximum exploitation of decentralized bargaining, ensuring the talks are lent exceptional momentum by the fact of negotiating a part of the wages.

Naturally this choice involves some risks: if no talks were opened in a company, the workers of that firm would lose the wage-increase in productivity trade-off.

The collective agreement for the metal industry of 1994 was the first one to be concluded on the basis of the rules defined by the tripartite agreement of 23rd July 1993. As the part of the pay linked to productivity increases had to be negotiated at company level the national collective bargaining process was aimed at defending the purchasing power. In the 1993 agreement is laid down that the increases in order to defend the purchasing power are to be based on the inflation forecast made by the government. The government's forecast for 1994 was 3.5 %, for 1995 2.5 % and for 1996 2 %. As the period of validity of the collective agreement began 1st July 1994 and ended 30th June 1996 the increase for this two-year period had to be 5.25 %. The difference between the forecasted and the real inflation rate was taken into consideration during the following round of collective bargaining in 1996.

With regard to the basis of calculation the position of employers and the metalworkers' unions differed. While the employers' association wanted to calculate pay increases on the basis of the minimum wage laid down in the national agreement the trade unions proposed to take the average annual gross pay of a metal worker as basis for the calculation of wage increases. The difference is substantial: only about 75 % of the pay allocated to each worker is made up of the wage defined by the national agreement, while the part which is not discussed at national level represents about 25% of global remuneration: one part is negotiated within the company, while another part consists in unilateral allocation by businesses (so-called merit increases). Finally, the trade unions succeeded in pushing through their proposal to take the average annual gross pay as basis for the calculation of pay increases.

The development of wages in real terms since 1990

Metalworkers' pay is differentiated by professional category; the ratio between the wages of the lowest blue-collar worker category and the highest white-collar worker category is around 100-300 on an average gross wage (including taxes and the social contributions paid by the worker) of 33.7 million lire per annum in 1993.

The ratio between net pay and the cost of work in Italy is among the highest in Europe: taking by way of reference 1992 and given that 100 was the cost of work, gross pay was equal to 66.3% and net to 48.6%.

The trend of wages since 1990 has followed the trend of the economic situation. In real terms (and therefore net of inflation) the wages of metalworkers went up in 1990 by 1.7% and in 1991 by 2.8% while in 1992 they went down by 0.6% and in 1993 by 1% while in

1994 they remained static.

The trade union's policy with regard to a wage based on individual performances

With regard to wage drift about 12% of the gross wage is allocated unilaterally by companies and is not owed to trade union agreements. This amount is in fact individual and varies greatly according to professional categories. The blue-collar worker categories and the lowest ones in general have a fairly low individual amount of pay while this can be as much as 50% of the entire remuneration for the highest professions. The trade-union has always blocked this pay policy by businesses and tends to reduce as much as possible the level of discretion regarding wages. In businesses with greater trade union control the phenomenon is more limited, while in the companies where there is a greater number of white-collar workers the companies' management margins are wider and with the pay lever they also define professional dynamics. This type of pay has remained fairly unchanged since 1990.

The trade union's policy on variable wages: the production bonus

Before the agreement of July 1993 the production bonus was a supplementary component of pay provided for in the national agreement for the metal industry, which delegated agreement on its detailed conditions to company-level bargaining. The production bonus was introduced in some companies in the company-level bargaining carried out in the years 1988-1990. Despite its name, the production bonus tended to have no specific connection with the attainment of specified output targets by the employees. The production bonus was a wage component of a collective, not individual, type and has never exceeded 7-8% of the overall wage.

With the national agreement of 1994 a new wage item called *results bonus* was instituted; it is to be negotiated at the company level. This is a bonus (calculated on an annual basis), for all workers, calculated on the basis of results obtained in the realisation of programmes, agreed between the parties, which might regard increases in productivity, quality, profitability or any other measure of improvement in company competitiveness or in the economic trend of the business. Productivity and quality are measures tied to the production cycle, profitability to the economic trend.

Regulation of wages in relation to the results of the enterprise

The generalisation of variable wage bargaining at the company level defined by the national agreement in 1994 through the institution of the *results bonus* presents the worker with

risks and opportunities at the same time. The main risk is that of venturing on a complex negotiation without being sufficiently prepared to confront it, and therefore, for example, refusing strategies which are not understood and taking refuge in more traditional solutions which are less advantageous.

With the results bonus the participative philosophy is accomplished in work procedures. For the trade union it is an opportunity for not playing to lose, by passively accepting the management strategies aimed at involvement and incentives, but to intervene directly on new stimulating systems. Of course from this new perspective, the trade union (and the RSU in particular) will have to concentrate its energies on the functioning of companies, on their organizational model, on production cycles, on the utilization of resources, on the relationship between productive system and social system.

The incentive system is, however, only one aspect. It would be restrictive to concentrate on this alone the weight of a trade union initiative which must involve all aspects of work organization. It is possible, in this regard, to outline two wage policy trends.

The first regards the so-called *participation wage*, a phenomenon fairly widespread in the 1980s in the USA and in Scandinavian countries (but a law on the subject was also passed in France), which also characterized a phase of bargaining in Italy with agreements of several large groups at the end of the 1980s. The participation wage aims at establishing automatic ratios between company trends and redistribution of the financial resources realized: it is in fact a system which adjusts the growth in the cost of labour to that of other economic indicators (turnover, added value...), macroeconomic balance sheet ratios tied to strategic factors which are difficult to control by the trade union. In the past some people have attributed to the participation wage an incentive value, seen as a stimulus with regard to the identification with the company. In Italy the prevalent tendency today, however, is to be oriented towards indexes which are tied more closely to the work, and therefore more directly dependent on the worker's performance.

From the trade union point of view the critical points with regard to the definition of incentives are the following ones:

- it is important to clarify what are the objectives of incentives. For this reason a correct analysis of the company's organization and strategy is indispensable;
- work cannot only be valued in relationship to the objectives. There is also a component regarding the professional competence which cannot be related neither to the company result nor to incentives;
- on the basis of the social and organizational analysis of the company the right level for the fixing of an incentive has to be identified (team, shop floor, department, plant, etc.).

The role of the principle "the same pay for the same job"

The principle of same job same pay is sanctioned by all the trade union agreements; no exceptions are provided for. Proposals have been made to introduce so-called *entrance wages* for young people but this proposal has caused dispute in the trade union, while in order to favour access to work there is a special training-work contract whereby the young employee does a professional training course as well as working. Financial relief is provided for with these contracts and therefore businesses have reduced labour costs.

Job classification according to the unitary classification system

The job classification of Italian metalworkers is defined by the national collective agreement for the metal industry. For each professional category a pay level is allocated. The pay increases in the last contractual renewals were differentiated by category with a parameter of 100 for the lowest one and 250 for the highest.

The present regulations on job classification were introduced in the contractual renewal in 1973. At that time the so-called *unitary classification system* was established, a single classification for blue-collar workers, white-collar workers and specialized workers. All workers were therefore placed in a single classification spread out over seven (or eight for some contracts) professional categories and the same number of pay levels. The unitary classification policy is implemented on the basis of knowledge acquired at school or on the job and on the activities which the worker is capable of carrying out and is known as *declaratoria*. The national agreement, in order to facilitate the correct classification of each worker, provides illustrations of professional profiles for each category and examples which can be made to correspond by analogy to all the jobs carried out in the company. In this way the specific professional content of the various roles is defined for each level.

The system of the single classification of workers was updated in the 1987 national collective agreement by extending the application beyond blue-collar workers, white-collar workers and specialized workers to include the new category of *professional and managerial staff* provided for by law 190/85.

This system of professional recognition has the value of defining unequivocally the professional position and the wage level of all workers without distinction between blue- and white-collar workers (the blue-collar workers are placed between the first and the fifth category while the white-collar workers are placed from the third to the seventh and the management in the seventh). The first and the second category of workers are in transit, in that after a certain number of months they pass to the third category which is in fact the lowest category in the company.

It has also had the merit of bringing closer together, if not annulling totally, the

differentiations between categories, in as much as it has permitted some normative differences between blue- and white-collar workers which existed in the previous classification system to be done away with.

The experience of professional classification through the integrated salary policy has also proved to have some limits:

- 1.) The professional profile by qualification had a certain correspondence only for the first few years of application but in time, because of the modification and articulation of the professional profile following the remarkable technological and organizational innovation which has been going on since the end of the 1970s, a large gap has appeared in the *declaratoriae*, between the profiles and the actual roles of the workers. New technology gives rise to professions and functions which now are related only by analogy to existing classifications, but which have almost nothing to do with the old *declaratoriae*.
- 2.) Scant attention has been paid to the goal of promoting professional mobility between the various levels, along professional career channels. This has caused a certain rigidity in the transition from one category to another which is why some companies, although respecting the contractual provisions, have introduced systems of parallel classification systems for the highest levels, and not contracted with the trade union, and by so doing have allocated pay in a unilateral way.

Relationship between wages and the job creation policy

The defence of purchasing power for employed workers is an absolutely necessary objective for the trade union and it is not thought that it could significantly influence employment. There is a willingness to sign job security agreements which imply pay sacrifices accompanied by reductions in hours in order to maintain employment, on the condition that these wage reductions are limited to negative phases in the business trend.

There is also a wide-ranging debate currently going on regarding the opportunity to re-establish different wages in the various regions of Italy (higher salaries in the regions with low unemployment and vice versa). According to the entrepreneurs this would favour the creation of new jobs especially in the south of Italy. The trade union tendency is to reject this proposal despite knowing that in any case as a consequence of different pay bargaining at the company level, remuneration in weaker regions is less than that in richer regions: in companies which are going well more money is required than in companies which are going badly.

4.2 Working hours

The principal source of regulations on working hours is collective bargaining, operating within the scope of the general principles laid down by Article 36 of the Constitution, Articles 2107 and 2108 of the Civil Code and Royal Decree No. 692 of 1923. The law which regulates the working hours fixes the duration of normal hours at 8 hours a day and 48 hours a week. The maximum overtime allowed is 2 hours a day and 12 hours a week. For hours worked after the 48th hour a week businesses pay an additional tax of 15%. The national collective agreements have therefore reduced the hours worked with respect to the law.

Furthermore, the general legal principles cover maximum limits and special provisions relating to female employment, the employment of minors, night work, and specific categories of employees such as senior white-collar workers and managers. Collective bargaining exercises control over the duration and distribution pattern of working hours, in the interests of improving on the legal limits imposed to protect employees' health, of affording them more leisure time and, more recently, of reducing individual working hours so as to share out jobs between more people and thus increase employment.

An example are *job-security agreements/job-creation agreements*. These are company agreements which, in order to avoid collective dismissals or lay-offs or in order to permit the hiring of new personnel, provide for a reduction in the working hours and pay of all the company's employees. The job-security agreement concluded to avoid staff cuts, known as a defensive agreement, attracts assistance from the Wages Guarantee Fund equal to 50 % of the loss of pay, for a maximum period of 24 months. If, however, the purpose is to permit the hiring of new personnel, i.e. the offensive job-creation agreement, the employer is paid a contribution for each new employee hired.

The union policy of reducing working hours that was prompted by economic development and, subsequently, by the economic crisis today is tending to be replaced by one which is shaped by the increased pressure of international competition on firms and is largely based on a trade-off between reduction and flexibility of working hours (see the case of the BONFIGLIOLI GROUP).

Annual Holiday

The annual holiday is an employee's right defined by Article 2109 of the Civil Code and then by Article 36 of the Constitution. Holiday entitlements are fixed by collective agreements. A relevant legislative reference point is to be found in Law No. 157 of April 10, 1981, which ratifies and implements ILO Convention No. 132 of June 24, 1970.

The trade union policy regarding working hours

One of the main objectives of Fim-Fiom-Uilm is to reduce hours of work gradually in the awareness that this is one of the fundamental levers for resolving employment problems. The goal in the medium term is to arrive at an average working time of 35 hours.

In general there are three possibilities to reduce working hours:

1. a general reduction of working hours irrespective of the situation of the single companies;
2. a reduction of working hours in return for productivity increases at company level;
3. a reduction of working hours in return for a reduction of pay.

On the occasion of the last renewal of the national collective agreement in 1994 the metalworkers' unions agreed that in the Italian context the first and third possibility had to be excluded. Therefore, the trade unions decided not to demand a general reduction of working hours, but to make use of the reductions of working hours (104 hours) obtained in the previous collective agreements (see below).

With regard to the method to be adopted in order to carry out the reduction of working hours the national collective agreement defines the general framework whereas the concrete application is delegated to the workers' councils at company level. This approach is to fit in the reduction of working hours with company specific situations. Generally it is possible to negotiate reduction of working hours on an annual, weekly, multiweekly or daily basis.

The average working hours in the metalindustry

The renewal of the national collective agreement in 1990 was based on a request for a reduction in working hours to 37.5 hours a week. Opposition from entrepreneurs prevented this goal being reached and therefore the new agreement led to a reduction of only 16 hours per annum, establishing an average working week of about 38.5 hours for the metalindustry. We talk of an average working week in as much as according to the collective agreement the formal working week is still 40 hours; 8 hours a day with a minimum of 4 weeks holiday (holidays increase with company seniority). But there is an increase in the package of hours per annum to be reduced, which are distributed according to methods agreed at company level.

These reductions - mainly for shiftworkers - are provided for on an annual basis equal to 104 hours for the whole metalindustry (which brings the hours which can be worked on an annual basis to 1,774) rising to 112 (1,736 hours of work per annum) for the electromechanics and to 132 for the iron and steel workers (1,716 hours of work per annum). The artisans work 48 less hours, still on an annual basis. By using this mechanism it

can be said that the average working week of the metalworkers is 38.5 hours with the addition of a certain number of hours of paid leave which can be taken by each worker on an individual basis.

Absenteeism (illness, accidents, unpaid leave, strikes) estimated by a sample survey was evaluated in 1993 with an average of 135 hours on an annual basis.

From the contractual point of view the working hours between 1990 and 1993 have been reduced by 16 hours on an annual basis. However, the average hours per annum actually worked in the metalindustry in 1993 was 1,586 (Federmeccanica sample). In 1990 the annual hours worked were 1,549 (owing to higher absenteeism equal to 185 hours per annum).

Table: Contractual and actual working hours in the metal industry (1993-1995):

	1993	1994	1995
average annual contractual working hours	1.750	1.750	1.750
+ overtime (per capita)	62	77	97
+ work on holidays	16	24	26
- wages guarantee fund	231	100	22
actual working time (absenteeism excluded)	1.597	1.751	1.851
variation with regard to contractual working hours	-153	+1	+101

Flexibilisation of working time

The current trend, even in phases of an upturn in production is to fix the personnel at the lowest levels possible. The working hours are managed at the company level in such a way as to permit a certain flexibility. The methods which businesses employ are, according to the economic cycle, alternately or simultaneously overtime and the wages guarantee fund (a method provided for by the law whereby when companies have workload problems they make a request to the Ministry of Labour to allow part of the staff not to work although they are paid - around 80% of their wages - by drawing on an assistance fund primarily sustained by contributions from workers and businesses).

In 1990, still with reference to the survey of the employers' association FEDERMECCANICA, 71 hours of overtime per capita were worked and 60 hours paid by the wages guarantee fund. In 1993, years of acute crisis, the hours of overtime were 61, while the hours paid by the wages guarantee fund went up to 237. With the production

upswing in 1994-1995 redundancy payments were again decreased but overtime hours increased considerably.

The position of the trade union, as regards productive flexibility, is to reduce as much as possible the use of these methods and to achieve it in other ways. When there is more work there should be recourse to special methods of taking people on, considered by the law and regulated by the national collective agreement: vertical and horizontal part-time work, temporary employment, increase of the turnover system. In order to increase the flexibility of the hours worked by the manpower already in force in businesses, recourse should be had to the bargaining of multiweek timetables (in some periods of the year more than 40 hours a week are worked and in others fewer), and to a concentration on the reduction of working hours on an annual basis in the periods of the year with less work.

There has also been an attempt in company-level bargaining to manage the restructuring of companies through a reduction of hours even if this is accompanied by a partial pay cut. Since 1993 an instrument provided for by the law known as the "Solidarity Contract" has been utilized in a more extensive way, whereby the weekly hours worked have been reduced even by sizeable amounts (up to 50%) while pay is reduced by 25-30% for the hours not worked (the wage supplement is covered to a large extent by the State and in part by the firm). In this way, unlike with the redundancy fund, no worker is distanced from his job.

4.3 Types of contract

Fixed-term contracts

The open-ended contract, provided for by law, is regulated by the national collective agreement. There is a list of cases in which companies can engage staff on a fixed-term basis. Companies can not engage staff on a fixed-term basis for all those workloads and those professions for which there is a constant need. It is possible, however, in the case of substituting workers on holiday, when there are increases in the workload owing to seasonal demand, unforeseen peaks of work and similar situations.

In 1993 57% of the engagements in engineering businesses were open-ended, 4.5% part-time, 14.4% on training-work contracts and 23% for a limited period. It must be borne in mind that almost all the engagements for training-work and a considerable part of those for a limited period become open-ended engagements. In comparison with 1988 the number of limited engagements has gone up while the number of training-work contracts has gone down (not least because improper use was made of this type of contract).

4.4 Training/education

Trade union policy on training

The trade union regards training as an essential strategy for maintaining jobs. The agreement of 23/7/93 defines training as an instrument of industrial policy and occupational support. Training, ideal *trait d'union* between the world of school and the job market, has been in the last decade utilized solely under the impulse of corporate crises, and requalification has been interpreted as a "parking place" for workers waiting for better times.

The 1990 national contract made some provisions, but the results were decidedly disappointing. However, some steps forward were made at corporate level; the decentralised bargaining at the end of 1993 and the beginning of 1994 led to significant innovations. Take the case of the *requalification contracts*, which demolished the concept of training-"parking place". With this type of contract, requalification is directed at a wider spectrum than the redundant manpower; training courses aim to develop the professionalism of dependents, and therefore also involve workers not directly involved in restructuring procedures.

The 1994 collective agreement left the competence on the matter of training to company-level bargaining. A national commission for professional training and territorial commissions have been set up. FIM, FIOM and UILM had asked their counterparts to arrive at a form of co-management of the training procedures. Although their request was not successful, they succeeded in providing for the workers' councils (RSU) to have a precise right of information regarding companies with more than 500 dependents.

4.5 Health and safety at work

The contractual instrumentation of the Italian metalworkers is very wide-ranging on the matter of safety and the environment and goes back to the 1970s. Competence on the matter of the two levels of bargaining provides that:

- a) the national collective agreement has a programmatic/normative role;
- b) concrete interventions are discussed and negotiated in the company.

In September 1994 the Italian legislation (law 626/94) acknowledged 8 important EEC guidelines, among which was the guideline 391 of 1989, introducing the figure of the workers' representative for safety in the workplace. At the national Commission headquarters provided for by the national collective agreement the regulations of application of the law are being defined with particular reference to the training and instrumentation necessary to practise effectively the role of "safety delegate". In many big companies the

law was anticipated by specific agreements in which "Joint Company/Trade Union Commissions" operated to programme and produce improvements as regards environmental conditions and prevention of accidents in the workplace.

5. Results of the company-level bargaining

In 1995, before the new round of decentralized bargaining the employers' association FEDERMECCANICA defined six major objectives:

1. not to extend second-level bargaining to companies in which bargaining never had taken place before;
2. not to negotiate other aspects than the results bonus;
3. to link decentralized bargained pay components to the profitability of the companies;
4. to exclude indirect pay components from the basis of calculation for pay increases;
5. to calculate the bonus also on the basis of attendance;
6. to accept only variable pay increases at company-level.

With regard to the first objective it can be observed that compared to previous rounds there has been a quantitative extension of second-level bargaining. At the end of September 1997 about 1.1 million metalworkers were covered by second-level bargaining; that means a rate of about 55 % of the overall workforce in the metalindustry. Although this extension must be considered a success of the metalworkers' unions - in the other sectors we have an average coverage of 15 % - it remains of course a problem that 45 % of the workforce do not have the possibility to apply a decentralized agreement. These limits can be put down to the dominance of small sized enterprises in the Italian metal industry. In 1995 53.5 % of the employees worked in enterprises with less than 100 employees and 27.7 % in enterprises with less than 20 employees. This structure makes it very difficult to extend the coverage.

The statistical data show very clearly that there is a wide-spread bargaining activity in the more developed areas in Northern Italy and nearly no second-level bargaining in Southern Italy. Excluding big industrial groups only 3 % of the workforce in the metal industry in Southern Italy is covered by second-level agreements. This problem can be put down to both the difficulties of economical development and the organizational problems of the trade unions.

In September 1997 3,992 decentralized agreements had been signed and 793 negotiations had still to be concluded. The highest number of decentralized agreements is to be found in Lombardy (1,245 agreements and 272 still to be concluded) and Emilia-Romagna (1,057 and 85). With regard to the number of employees covered by decentralized agreements the

most important regions are Lombardy (137,496 and 31,106), Piedmont (80,731 and 7,700) and Emilia-Romagna (78,067 and 6,228).

With regard to company-size the situation in 1993 saw the total number of companies with more than 500 employees covered by a corporate contract, while for small enterprises the figure is less than 50% of businesses. In companies with less than 50 employees decentralized bargaining is almost non-existent. In terms of employees, however, it is estimated that over 70% of metalworkers in industry have a supplementary company agreement. Artisan employers are an exception to this situation (115,000 businesses with little fewer than 400,000 employees) and on the contrary apply second level bargaining in the regional context.

As to the contents of decentralized bargaining more than 50 % of the agreements deal with more than one item. With regard to the results bonus in most cases the indication of the employers' association to link decentralized bargained pay components to the profitability of the companies has not been taken into account. In general the results bonus is linked to a combination of parameter, i.e. to quality, productivity and profitability. A serious limit of decentralized bargaining regards the difficulties to intervene in work organization. From the trade unions' point of view it has to be considered a shortcoming that often they did not succeed in carrying out jointly defined productivity programmes which had to be linked to changes in work organization.

In about one third of second-level agreements pay increases are also linked to the parameter of attendance. The employers succeeded only partly in carrying through their objective to accept only variable pay increases at company-level. In other agreements the pay increases have partly become structural components on the basis of the real trends of productivity, quality and profitability.

As a result of changes in work organization in some agreements new systems of job classification are fixed. The DALMINE agreement, for example, defines a system of job classification based on a system of valuation which measures the professional competence needed as well as the competence rendered by the employee.

In the case of ABB there has been an interesting analysis of the work process, the plant organization and the different methods of valuation of professional competence. On this basis it is tried to find new methods based on the recognition of management-, interrelation- and integration-competences.

With regard to the bargaining of the results bonus there are different cases, for example in Emilia-Romagna, in which the results bonus is linked to the lead time or to quality parameters. Trade unions try to use this approach in order to develop autonomous proposals with regard to new forms of work organization. As to the amounts in the case of

the ZANUSSI agreement it is possible to reach a bonus of 3.6 million Lire per year.

In many cases the reduction of working hours going beyond the standards set by the national agreement is a result of company level bargaining processes. Nevertheless, all the regional observatories on second-level bargaining found that the reduction of working hours has not been one of the main topics of company-level bargaining.

The BONFIGLIOLI company-level agreement is considered one of the most advanced cases with regard to reduction of working hours. BONFIGLIOLI is a medium sized company in Bologna which produces a wide range of power transmission products. As a result of product innovation BONFIGLIOLI has set up a new line of production. In order to guarantee a maximum utilization of the new machines the company asked for an extension of the production cycle and a flexibilization of working hours, i.e. to introduce night work and work on Saturday. The latest company agreement (April 1996), i.e. the collective agreement concluded at company level between the management of the BONFIGLIOLI GROUP on the one hand and the workers' council (RSU) assisted by the territorial union structure on the other, defines new working hours. The company achieved the requested extension of the production cycle (now from Monday 6.00 am to Saturday 10 pm). In return the union obtained a considerable reduction of working hours. Working three shifts the average working hours a week are 30 being present in company for 31.5 hours. The worker is paid for 40 hours and in addition he gets also a bonus for shift work and work on Saturday. Furthermore, due to the introduction of a new production line and to the reduction of working hours the level of employment has increased. During the last two years nearly 300 employees have been taken on. Today the BONFIGLIOLI GROUP has 1,048 employees. In synthesis, the BONFIGLIOLI GROUP represents a case of an expanding enterprise which needs to increase the plant utilization rate and, consequently, to change work organization. In return the metalworkers' unions obtain a reduction of working hours for shift workers.

The ITALTEL company-level agreement is another case in which the reduction of working hours (six working days a year) is interrelated with changes in work organization and productivity increases. Furthermore, the agreement fixes a flexibilization of working hours. The employees have an account of yearly working hours and every month they receive a statement of account which shows the deviation from the average defined by collective agreements. Among other things the system of flexible working hours makes it possible to have a working day between 0 and 10 hours on the basis of a weekly working time between 30 and 45 hours and a sixth months period in which compensation is possible. In this way employees to a certain degree are able to organize individually their working hours. It has to be underlined that the planning of the working hours is not carried out unilaterally by the management but in cooperation with the workers' council.

The introduction of company-level participation is mainly to be found in the agreements of big groups (FIAT, ZANUSSI etc.). In most cases participation takes place through bilateral commissions which tackle topics like vocational and further training, health and safety at work and in some cases also work organization. In the Italian context ZANUSSI has implemented one of the most developed participation systems. In this case participation is strongly focused on influencing central enterprise decision-making. As ZANUSSI is part of a transnational group (ELECTROLUX) that means that also participation is strongly centralized. On the contrary WHIRLPOOL represents a case in which participation at the plant level is more dominant. In other cases, for example ITALTEL, a system of participation has been introduced in order to face processes of reorganization and in particular aspects like the allocation of production, working hours, work load, etc. In the case of BONFIGLIOLI participation is mainly aimed at managing the process of expansion.

In general, there are only few agreements dealing with innovative items as for example

- environmental protection,
- atypical work,
- equality of opportunity,
- information systems with regard to the experiences with bonus payments,
- social exclusion and discrimination.

6. Challenges and tendencies of the collective bargaining system

6.1 The evaluation of the 1993 agreement

According to the metalworkers' unions the 1993 agreement which in 1998 will be evaluated by the all the parties involved, i.e. trade unions, employers' associations and government, has produced several positive results. The main trade unions succeeded by means of industry-wide agreements in defending the purchasing power. Another positive result regards the extension of company-level bargaining. At this level wage increases linked to productivity, quality and profitability are to be bargained.

Furthermore, the 1993 agreement permitted a substantial renewal of the workers' councils (RSU).

6.2 The policy pursued by the metalworkers' unions on the matter of bargaining levels

At the end of the first four-year cycle of collective bargaining an evaluation of the central

tripartite agreement ("social pact") of 1993 is planned. This evaluation should have taken place till the end of 1998. According to the three metalworkers' unions the tripartite agreement has shown to be very effective. On the one hand it has contributed to both the decrease of the inflation rate and the public deficit creating in this way the possibility to meet the convergency criteria of Maastricht, on the other hand also the purchasing power of wages has basically been defended. The greater part of productivity gains, however, has been incorporated by profits.

The policy of FIM, FIOM and UILM on the matter of bargaining levels is to extend and consolidate the model defined by the agreement of 1993, generalizing the second level of bargaining (company and territorial). Nevertheless some adjustments seem to be necessary. In order to avoid an overlap of collective bargaining at centralized and decentralized level it might be useful to fix a certain period in which decentralized bargaining has to be carried out. In this context, trade unions also endeavor to find ways how to distribute productivity gains to all the metalworkers and not only to those ones who are covered by second-level bargaining.

6.3 The policy pursued by the employers' associations on the matter of bargaining levels

The employers' organizations have blocked the consolidation of the double level of bargaining in every way possible. Finally, following the trade union's resolute determination and capacity for mobilisation, they "resigned" themselves to the application of national bargaining. However, some of them still continue to propose the abolition of national bargaining and the limit of trade union confrontation to enterprise level only.

The more pragmatic and concrete of them are trying on the other hand to limit the context and circumscribe the contents of second level bargaining. There is greater resistance in small enterprises in which up until now there has been no company-level bargaining. In these the Employers' associations tend not to enter into company agreements.

7. Subjects on which collective bargaining will concentrate in the next years

During the next round of collective bargaining the metalworkers' unions will try to face the unemployment problem which has become the main challenge especially with regard to the situation in Southern Italy. While in some Northern Italian districts the unemployment rate is under 3% there are at the same time districts in Southern Italy where unemployment rates

are higher than 30 %. Therefore, trade unions are convinced of the necessity to ask for a further reduction of working hours. That also means that trade unions are not against a legislative initiative which is planned by the Italian government, but only on condition that the law does not undermine the role of collective bargaining. According to the metalworkers' unions a future law therefore should

- leave to national collective agreements the possibility to fix the contractual working hours also by taking into account the running time of machines,
- foster part-time work and parental leave,
- give incentives to the application of the 35 hours week by burdening the employer with social security contributions for the utilization of overtime, especially for the time exceeding the 40 hours,
- facilitate the application of instruments fostering flexibility like working hours' accounts,
- not exclude small sized enterprises from the sphere of validity.

With regard to the legislative initiative according to the trade unions the first step must be to cut down the practice of doing overtime, what means that the real working hours have to be brought down to the working hours fixed by the national collective agreement. To tackle this problem is quite difficult as the relation between the low level of net-wages and the practice of overtime is well-known. The metalworkers' unions therefore ask to get rid of the convenience for employers who have to pay less for an hour of overtime than for a working hour of a new engaged employee.

As to the next round of collective bargaining the metalworkers' unions do not intend to ask for a generalized reduction of working hours. Their approach consists in

- a) linking increasing running times of machines to the reduction of working hours,
- b) delegating the possibility to distribute productivity gains by choosing a reduction of working hours to the company-level bargaining.

Furthermore, companies have the problem of flexibility. According to the changes in market demand companies will have to increase or reduce the level of production in different periods of the year. The trade unions therefore propose the fixing of the annual working hours and the introduction of working hours' accounts.

Another gap regards the insufficient dissemination of part-time work which in the past was due to the relatively high costs for enterprises. The application of the so-called Treu-package should help to surmount this cost problem. In addition, the next collective agreement should contribute to a further dissemination of part-time work.

The second crucial point to be faced by the next round of collective bargaining regards the

problem of job creation. In order to create new employment the metalworkers' unions think that it is essential to follow a policy of industrial development and redressing of the various regions in the nation. In order to increase the employment base it is necessary furthermore to follow a careful policy of professional requalification. A reduction in hours is one of the tools used to increase the employment base but this is carried out in conjunction with a reorganization of all the work both within and outside companies.

In this context the main challenge regards the strong imbalance between Northern and Southern Italy with regard to economic development. While in Southern Italy the unemployment rate is over 20 % in Northern Italy there is a lack of qualified workforce. The trade unions propose to set up an institution for the development of Southern Italy. In this context the contribution of trade unions might be

- information on possible areas which might be interesting for investment using the method of decentralized concertation,
- guarantees with regard to the availability of workforce,
- readiness to negotiate flexibilization.

A general trade unions' objective is to increase the level of involvement of workers in the control of company strategies and all those activities which affect working conditions. This must come about by means of the extension to all companies of decentralized bargaining. At the more general level the main aim of the metalworkers' unions is to develop employment both through bargaining of industrial policies at the company and sectoral (iron and steel, car, electronic, engineering industry etc.) level, and a generalized reduction of working hours which should reach an average of 35 hours a week in a structural way as soon as possible (with the possibility to apply flexible schemes which are negotiated in relation to the needs of the firm).

Another important challenge for collective bargaining will be to tackle the problem of atypical work which is not protected by collective agreements. The metalworkers' unions' objective consists in covering these workers by the national agreement and regulating the mobility. As there has been a strong diversification with regard to the forms of entrance in the labour market trade unions will try to negotiate minimum standards of protection for workers employed on the basis of part-time work, temporary employment, apprenticeships, work/training contracts etc. For this reason trade unions strive for a specialization of industrial relations at territorial level in order to focus on items regarding the labour market and vocational training.

Trade unions also want to address themselves to the reform of job classification which has become necessary after profound changes of professional competences. The redefinition of the job classification system is of utmost importance as FIM, FIOM and UILM need to

regain control over the actual wages and, consequently, to reduce the practice and the weight of individual bonuses provided by the employers. That means that it is necessary to find adequate criteria to classify employees according to their competences. Up to now innovative approaches have only been experimented in various company level agreements. The next step is now to generalize these innovative approaches at the sectoral level. Therefore, the metalworkers' unions are asking to intensify the activities of the National Commission for Job Classification. According to the metalworkers' unions proposal concrete steps on the way to a reform of the job classification system could be the following ones:

- a) the possibility to redefine job classification systems at company level by taking into account the real professional competences;
- b) the need to develop technical and methodological guidelines for the redefinition of job classification systems at company level;
- c) the carrying out of profound reforms at two levels:
 - for all companies: the reopening of the scale of parameters in order to allow a splitting of the third, fifth and seventh level and a modernization of profiles;
 - the possibility of further personalization in case of request.

Further campaigns will regard equal opportunities for men and women following the application of the 1991 law as well as the management of the reorganization and requalification of workers following the major changes in the structure of enterprises and technological and organisational innovation.

With regard to the system of industrial relations trade unions are interested in setting up more sophisticated structures of participation. While in the past the main form of participation operated through procedures of consultation and rights to information today the metalworkers' unions are claiming precise rules for an extension of the system of participation. In the context of the renewal of the national collective agreement the trade unions, therefore, will try to achieve the right to introduce new commissions and procedures at company and territorial level. These commissions should face problems in the field of work organization, vocational training, health and safety, environmental problems, etc.

As to *decentralized bargaining* the metalworkers' union will put more emphasis on developing autonomous proposals with regard to the introduction of new forms of work organization. It is obvious that other issues of company-level bargaining are closely linked to changes in work organization. The most important ones are

- distribution of productivity gains,
- job classification,

- vocational and further training,
- reduction of working hours,
- health and safety,
- new forms of participation.

The balance of power between trade union organisations and the management

With regard to wage claims at the national sectoral level the metalworkers' unions will have to face employers' associations which are not ready to accept considerable wage increases. FEDERMECCANICA argues that

- a) wage increases cannot exceed the inflation rate which is very low (between 1.5 % and 2 %);
- b) wage increases will be even lower if the metalworkers' unions decide to ask for a reduction of working hours.

The power struggle between trade union organizations and employers' associations can improve in relation to the evolution of the national political picture which is still unstable, and to the capacity of Italy to integrate fully into a Europe united not only in market terms but also in terms of social policy.

8. Implications of the European Monetary Union

The fundamental problem faced by the new centre-left government has been that of reducing the public deficit in order to meet the Maastricht convergence criteria, thereby ensuring that Italy will be able to join the European Monetary Union as from its initial phase. This is a key element of the government's political and economic strategy. As such, the question of Europe has represented, and continues to represent, one of the central elements of socio-economic debate in the country, including on the industrial relations front.

Today the social and economic situation is marked by a few significantly positive developments - in particular the improved budgetary situation and lower inflation - but, simultaneously, by the persistence of the central problem now effecting all European countries, namely unemployment.

On the one hand, the tremendous effort devoted - since 1992 - to getting national accounts back onto track - via a series of annual budgets designed to reduce the budget deficit by a total amount of more than 250,000 billion lire (approximately 130 billion ECU), bringing it down from 12 % of GDP to 3 % in 1997 as required by the Maastricht criteria for admission to the EMU - has produced results which, at least according to the government,

indicate that the Italian economy has finally entered a "virtuous circle". These include the reduction of inflation to 3.9 % in 1996; the lira's return into the ERM, and the maintaining of parity against the D-Mark; a resulting reduction of interest rates on the public debt to below 7 % and consequent reduction of debt-servicing costs.

On the other hand, adverse elements persist, giving cause for concern: unemployment remains at around 12 % and there are no signs of a significant reversal of the trend; the economic climate was marked throughout most of 1996 by a phase of stagnation, with signs of a possible recovery perceptible only at the end of the year, whilst in 1997 modest GDP growth of about 1.3 % can be noted. The budgetary situation remains critical: in order to achieve the objective of a 3 % deficit, at the end of March 1997 the government presented a corrective budget bill for some 15.5 billion lire (8 billion ECU) which, after weeks of tough discussion, was approved by the trade unions but severely contested by *Confindustria* and other employers' organisations.

The reduction of the public deficit has led to public expenditure cuts of around 80,000 billion lire (41.6 billion ECU), 62,000 billion of them under the auspices of the 1997 budget bill, in order to bring the public deficit down to 3 % of GDP. The major reduction in the public deficit was achieved - thanks to the mode of consultation developed between the government and the social partners - in accordance with criteria which the trade union movement judged to be substantially fair. The consultation led, in September 1996, to a major agreement, the Pact for Employment, though, a few months later, the trade union movement protested that the government had not yet translated the agreement into precise legislation and specific measures to foster investment. On 22 March 1997, a major national protest demonstration took place, demanding that the question of employment and the application of the September agreement be placed at the centre of consultations with the government.

In its presentation of the spring corrective budget bill, the government announced that in April it would embark on consultations for a reform of the welfare state, with a view to achieving the structural reductions in public expenditure considered essential for lasting compliance with the Maastricht criteria. The trade union movement declared that it was prepared to take part in consultations, while warning the government that the cost of welfare and pensions could not be discussed until the effects of the 1995 reform could be ascertained, i.e. at the end of 1997.

A government-appointed committee of experts has presented a draft proposal for reforming and rationalising social expenditure. Its findings show that the level of social expenditure in Italy (19.5 % of GDP) is substantially in line with that of the other European countries - though according to other, and more detailed estimates, it is below this average - but that it is clearly biased in favour of pension expenditure, to the detriment of other forms of social

protection. Thus, according to the government committee, the Italian welfare system provides over-protection for the "risk of ageing", to the detriment of protection against other forms of risk (job loss, training, housing, family, etc.).

But the most controversial item in the Committees's proposal is its recommendation that social expenditure should be steadily reduced (as a component of budgetary rigour) at least up to the year 2000, returning thereafter to the 1995-1996 levels. In the view of the trade unions, social expenditure - which is already lower than the European average - needs to be reformed, but certainly not reduced.

8.1 General attitude towards the EMU

The main objective of the incomes policy set out in the 1993 agreement was to contain inflation and labour costs. For this reason the agreement aims at establishing an incomes policy as an instrument of economic policy, along with the appropriate budgetary policies (control of inflation and reduction of the public sector deficit and debt). The government as the third party no longer has the resources with which to bargain in order to reach a consensus, and its only scope for involvement lies in a difficult policy of price and tariff controls. Thus the traditional political exchange has been replaced by the external constraints resulting from the European integration process.

Sectorial bargaining now takes place nationally, in broadly designed bargaining domains. A re-hierarchization and differentiation of the bargaining system, between sectors and companies, has taken place. Furthermore, there is the acceptance of monetary discipline. The abandonment of automatic cost-of-living adjustments can be interpreted in the same light.

The new framework of European convergence has effectively led to an intransigent attitude to wage restraint, with priority being given by the government to the reduction of the public debt, at the cost of temporarily abandoning the commitment contained in the 1993 agreement to protect the purchasing power of the working population.

Italian trade unions have undoubtedly been a powerful source of support in the action of nominal convergence. The sound orientation of monetary policies has been helped by the presence of the incomes policy pact which has strengthened the credibility of monetary policies, helping to stabilize the exchange rates after episodes of depreciation (Damiano).

As we have seen wage policies can be characterized simultaneously by the degree of State intervention and the part that collective bargaining plays in them. The State plays an active role at various levels, especially by defining the general macroeconomic framework, which represents the reference point for wage negotiation. In this context there are two phenomena which seem significant: the experience of the *social pact* (1993 agreement) and

the trend towards the *decentralization* of wage negotiations. They are indicators of the need for changes in wage policies and the questions which this raises.

While in some countries the attempt to conclude social pacts has been used as an opportunity for the government to demonstrate its willingness for concertation which allowed it, in case of failure, to legitimate the decisions taken by the public authorities in Italy the objective of the social pact between the government, employers' associations and trade unions was actually the signature of a tripartite agreement in order to guarantee a broad consensus and commitment of the social partners.

On the other hand there has been the trend to a certain displacement of the level of wage negotiations from the industry-wide to the company. This process has been controlled by the metalworkers' unions and has not led to a reduced union role in wage determination, but it means, of course, increased differences in the pay increases. Nevertheless, the national sectoral collective agreement keeps to be the centre of the collective bargaining system. This evolution doubtlessly corresponds, at least in part, to the need to adapt the wage negotiation system to the profound changes which are affecting productive processes, the forms of work organization and, consequently, the policies of labour management.

Apart from this policy of wage moderation and differentiation in order to guarantee price stability and competitiveness employers, referring to increased international competition, demanded more degrees of freedom in pay setting across different segments of the labour market, especially for disadvantaged areas (eg South Italy). According to the employers' associations the idea that the 'real wage' could be fixed independently of general or local economic conditions and uniformly across industries and regions has to be abandoned for a more "flexible" mode of wage formation, i.e. increasing decentralization of wage setting and greater individualization of pay. The call for increased flexibility in the labour market is essentially a plea for a move in the direction of the Anglo-American model. This model, however, implies the risk of high inequality and insecurity and therefore it has been repulsed by the trade unions.

8.2 Impacts on the collective bargaining policy

In the recent past exchange rate movements helped countries like Italy, Great Britain and the United States to stay competitive on the world market. Wage increases over and above productivity gains could be mitigated by devaluations. With the introduction of the Euro this kind of adjustment ceases to exist for the member countries of the currency union, among them Italy. Hence if unit labour costs now diverge among these countries a severe crisis may occur where unit labour costs are too high. The problems of employment, wages and competitiveness will be inscribed from now on within an economic, political and

institutional context which has been profoundly changed. The introduction of the single currency and the development of European integration, which is being actuated especially through the opening of the markets (capital, goods and services, and labour), is destabilizing the wage logic on which previous compromises were based.

What is needed is a convergence of unit labour costs in the Euro region. The most recent data, however, indicate that we are still far away from that. This is so because a large country like Germany for example which, although it has always been considered as a high labour costs country, in recent years has shown a very favourable development of unit labour costs in domestic currency now has started a downward wage race leading to strong pressure for other countries to follow (Horn 1998). In order to stand this pressure on wages it will be necessary for a country like Italy to focus on productivity increases.

One of the key questions therefore regards the degree of cooperation among national policies and, consequently, there should be a reflection on the conditions in which different forms or degrees of cooperation or coordination can be realized and the consequences this can have at the different wage negotiation levels. This reflection, too, is inscribed in a context where employment objectives are becoming increasingly important.

With regard to the objectives and contents of the negotiations the following issues are to be taken into consideration:

- a) *The objective of price stability.* The European countries which belong to the "first wave" of the single currency will have to respect a common objective of price stability and it will be the European Central Bank to define the parameter of the stability pact. From the trade unions' point of view this sharing of an objective should be a motivation for thinking about forms of coordination that transcend national frameworks, especially in the sense of coordinating collective bargaining on wage increases at the European level.
- b) *New objectives.* The prospect of European integration leads to the question of the necessity of a real convergence between the economies of the member countries which would mean to define the pertinent criteria (productivity levels, wages, social security, unemployment, etc). This presupposes an adaptation of the contents and forms of wage negotiation, as well as a newly defined articulation among the different levels of negotiation.
- c) *The devision of productivity gains.* At a general level, this subject raises a series of questions:
 - the search for greater wage flexibility leads naturally enough to questions about the degree to which productivity gains are mutual, the concrete forms of division of these productivity gains, and the appropriate level for bargaining;
 - the division of productivity gains between pay raises and increased employment

implies a search for effective and credible counterparts to be offered with regard to employment. Discussions on working time can constitute a means for making progress in this area;

- a specific place should be reserved for working time as it is an important object of collective bargaining. Not only because it represents a non-negligible lever, even if not the only one, for improving the employment situation, but also because working time constitutes a real variable by means of which convergence goals can perhaps be more easily defined. In this sphere, there are numerous elements in negotiation (hours worked per week, paid leaves, voluntary part time, the accommodation of working time in an active life) and they can be the object of discussion at different levels.

As to the different levels of collective bargaining the Italian networkers' unions stress the fact that the Italian collective bargaining system seems to be adequate in order to meet the challenges of both a generalized defence of working and living conditions and the differentiation of bargaining issues. In this context we have to distinguish three levels:

1. *The central or interprofessional level.* The principal function of a central forum for the coordination of wage negotiations is to allow the parts involved to tackle the most difficult problems at the most suitable decentralized level, and moreover, to find solutions to problems which can only be solved at that level. In a changing context, one of the prime functions of a central coordinating forum could be to define a fixed frame of reference, needed for coordinating more decentralized negotiations, and to disseminate information about problems that need to be solved. Besides discussions on wages, a number of other more qualitative questions can be examined at this level (new systems of remuneration, accommodation of working time, professional training, etc). One of the advantages particular to this type of concertation is to examine issues on which isolated action by companies is difficult.
2. *Industry-wide bargaining.* Industry-wide agreements generally fix minimum pay levels and play an important role in determining pay increases. These agreements generally leave a non-negligible margin of negotiation to the more decentralized levels. Another important function of the industry-wide agreements is to define a frame of reference for company-level negotiations aimed at adapting work organization to the changes in production processes. The introduction of organizational changes can constitute an essential element to permit businesses to meet the need for competitiveness and increased competition.
3. *Company-level bargaining.* The transfer of wage negotiation to the business level has already made it possible to increase wage flexibility. The attempts to partially flexibilize wage increases poses at least two questions: a) whether to link them to the individual or collective performance of employees; b) which parameters should be used and c) under

which conditions? With regard to the first question it seems reasonable to prefer a link to collective performance and only such parameters which are directly related to the employees' performance should be used. Furthermore, the attempt to link wage increases to the employees' performance presupposes 1.) joint control over the parameters which are going to be used and 2.) the possibility to make autonomous proposals how to increase the performance, for example by changing work organization.

The impacts of the European integration process on the practice of collective bargaining are manifold.

The Italian trade unions consider the EMU a necessary step in order to be able to compete at a global level. Therefore, they decided to support the government's policy aimed at meeting the Maastricht criteria. At the *interprofessional level* the policy of concertation (see the 1993 agreement) was aimed at reducing public debts and the inflation rate in order to meet the Maastricht convergency criteria.

As a consequence of the stability pact and the role of the European Central Bank the objectives of concertation at national level will have to change. In future, concertation will probably address the two main social challenges Italy has to cope with: the reform of the welfare state and new initiatives to create employment (Damiano, Caprioli). Another important issue in order to improve the competitiveness of the Italian economic system regards the necessity to create a favourable environment for entrepreneurial activities by reforming public administration and rendering it more efficient. In this context from the point of view of the Italian metalworkers' unions it seems to be important to adopt strategies which correspond to the particular needs and challenges of a certain region.

As we have seen the next round of *collective bargaining* in the metal industry which will start in October 1998 will take place within the new framework of European integration. The scope for the collective bargaining process will be limited by the disappearance of exchange rates, a very low inflation rate, a rigorous monetary policy, and an increased international competition. Furthermore, in the case of reduction of working hours the employers' associations will become even more reluctant to concede wage increases.

8.3 Trade unions' positions, expectations and strategies in view of a Europe-wide coordinated collective agreement policy

According to Italian trade unions, the EU Economic and Monetary Union will have consequences for industrial relations as the importance of the supranational level is bound to increase. The trade unions will have to address challenges deriving from the EMU in terms of political strategy and organisational structure. According to Sergio Cofferati, General Secretary of the CGIL, the trade unions will have to press for the introduction of uniform

labour legislation while also addressing the question of the introduction of European-level collective bargaining (www.eiro.eurofound.ie).

Although FIM, FIOM and UILM are in favour of a supranational coordination of labour relations and trade union policies in order to prevent uncontrolled social dumping practices they also admit that there has not yet been a real discussion about organizational structures and a sectoral trade union policy at European level.

However, they stress the difficulties with regard to a coordinated integration of different industrial relations regimes and wage policies which are due to the heterogeneity of the national systems. From the point of view of national trade union organizations it might be a risk to give up their authority in favour of a supranational actor whose powers, competencies and legitimacy are still to be defined. Especially, the concrete competencies of a supranational coordination have to be defined very precisely. The question is whether it is intended to create a new Europe-level collective bargaining system or an organ aimed at coordinating national collective bargaining policy.

With regard to the *multi-level system for a European co-ordination of national collective bargaining policy in the European metal industry* proposed by the IG Metall a question to be discussed might regard the criteria to be adopted in order to guarantee the representativeness of the *Executive Collective Bargaining Committee* which depends to a certain extent also on the representativeness of the single member unions, i.e. their capacity to establish themselves as one of the actors in the industrial relations system, by virtue of a strength which is generally derived not only from its members but also from its recognition by the other parties and/or the law.

To sum up, Italian metalworkers' unions seem to prefer a representative Collective Bargaining Committee at European level which should have the task to define a framework of minimum standards which national trade unions have to refer to in collective bargaining processes at the national level.

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