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The Institutional and Economic Limits to Bargaining Decentralization in Italy

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ABSTRACT

The Institutional and Economic Limits to Bargaining Decentralization in Italy*

Italy is not immune from the long term trend towards greater bargaining decentralization under way in Western Europe. The article surveys the main actions undertaken in recent years, either by social partners or by government intervention, in order to reduce the obstacles to this process, without altering the relative importance of different levels of bargaining. Empirical evidence shows that firm-level bargaining has been associated with innovative managerial practices, but also that a significant share of firms would be willing to sign contracts that would grant higher wages or preserve occupational levels in order to obtain higher flexibility in the use of the workforce. From an institutional standpoint, the main obstacles preventing the adoption of such deals are: i) unresolved issues related to the measurement of trade unions' weight at the national level and to the coexistence of two different workers' representation systems, ii) limits to contract enforcement, iii) limited scope for action of second level bargaining in determining both wages and work organization. The effectiveness of tax breaks encouraging a closer link between wage and productivity at the firm level has been undermined by poor monitoring and frequent changes to the eligibility criteria.

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1. INTRODUCTION

For some time now, Italy has witnessed the gradual erosion of the centrality of national collective labour agreements (NCLAs). This process culminated in the Inter-sectoral Agreement of June 2011 (transposed, unified and harmonized by the January 2014 Consolidated Act on Representation), which broadened the scope of decentralized wage-bargaining and defined the procedures for its activation. Meanwhile Article 8 of Decree Law 138/2011, converted into Law 148/2011, introduced the possibility of signing firm and local-level agreements in derogation of the law and of the national collective agreements. A series of measures were also taken to introduce social security and tax concessions for the portion of wages negotiated at local level.

From an industrial relations perspective, greater decentralization of contract negotiations should promote more innovative organizational practices better suited to firms' specific productive requirements, while simultaneously offering greater flexibility in the adoption of wage models. Much, however, remains to be done. A significant share of firms (including those that already practice decentralized bargaining) have expressed dissatisfaction about the current contractual arrangements. Legal contradictions and uncertainties can hinder the use of decentralized bargaining as a way of modifying and adapting at the local level the decisions taken at national one.

The paper is organized as follows: section 2 gives a brief history of industrial relations in Italy and describes how they are currently structured; section 3 provides some data on recourse to decentralized bargaining in Italy to meet firms' requirements; section 4 identifies the main outstanding issues, from a "regulatory" standpoint,[1] in the current system of industrial relations; finally, section 5 discusses the problems associated with tax incentives for productivity-related pay.

2. BACKGROUND AND CURRENT STRUCTURE OF COLLECTIVE BARGAINING

The Italian industrial relations system has traditionally been based on the centrality of national collective labour agreements (NCLAs), with limited scope for second-level bargaining. Indeed, this has developed without any legislative framework of reference for the stipulation and validity of the agreements.[2]

An analysis of the latest developments requires that we begin by looking at the structure defined in the Protocol of 23 July 1993, before retracing the interventions of recent years designed, in particular, to promote second-level bargaining. Table 1 outlines the original structure and subsequent changes as regards the margins and scope of application of decentralized bargaining. Based on the 1993 Protocol signed by the government and social partners,[3] the role of national collective agreements was to:

i) define the legislative framework for the use of labour;

ii) defend the purchasing power of wages through a mechanism based on the target inflation rate and the non-automatic recovery of any under- or overshoots with respect to underlying price trends; the anchoring of expectations of price increases has helped moderate wage demands and the resulting disinflation.

[1] Not only with respect to primary and secondary legislation, but also with regard to the adoption of bargaining agreements.

[2] See Treu (2012).

[3] The Protocol, which some commentators have also called the "Industrial Relations Charter" (see Giugni 1993), some aspects of which are still in force, had confirmed a collective bargaining structure that was based on a national industry-wide contract and a second firm or alternatively territorial level (whenever envisaged in each sector). The Protocol, moreover, by replacing the system of automatic wage adjustments, had set the duration of contracts at 4 years and envisaged an intermediary session every 2 years for the renewal of the economic aspects. See Brandolini et al. (2007); Del Punta (2012). For an assessment of the effects of the Protocol on wage dynamics and productivity, see Bazzana and al. (2005), Fabiani et al. (1998) and Tronti (2010).

The second level, hierarchically subordinate to the national one, concerned instead "different and non-repeatable areas and arrangements" (*the non-repeatability clause*) "with respect to the remunerative aspects proper to the NCLAs", aimed at introducing possible wage increases negotiated at local or company level based on productivity gains.[4] The second-level contract accordingly acquired a supplementary and applicative function with respect to the national one, with a degree of specialization and autonomy bearing on powers of remuneration.

The exercise of trade union representation and prerogatives was the subject of the Inter-sectoral Agreement of 20 December 1993, which regulated and favoured recourse to the unitary workplace representation model, sanctioned by the vote of all workers. This was flanked by the firm-level trade union model, envisaged under Article 19 of Law 300/1970 (*the Workers' Statute*), covering only the workers enrolled in a given union (Table 2 distinguishes between unitary trade union bodies – RSUs – and firm-level bodies – RSAs).

This set-up was profoundly altered by the initiatives taken by the Fiat group, first, through the stipulation on 29 December 2010 of a group-level stand-alone agreement (*first-level contract*) in lieu of the national collective labour agreement governing metalworkers, which derogates from the NCLA in several ways with respect to organizational and regulative aspects of the employment relationship; and second, through the rescission on 3 October 2011, effective as of 31 December 2011, of the Fiat group companies from the Confederation of Italian Industry (*Confindustria*) and, finally, the rescission from "all the contracts applied in the Fiat group and from all the other contracts and company and local-level collective agreements in force", notified by the company on 21 November 2011.[5]

These initiatives helped reveal a number of problems linked, in particular, to the absence of clear and certain rules for the stipulation and binding nature of the agreements at both national and decentralized level, with repercussions for legal risks and disputes, and to the system's limited flexibility, owing to the subordination of second-level bargaining to NCLAs.

Partly following these events, in recent years numerous measures have been adopted to alter the traditional structure of Italy's industrial relations, especially as regards: *i*) the identification of commonly-agreed rules to which to refer for the stipulation and validity of agreements; *ii*) the progressive erosion of the centrality of national collective labour agreements, leading to greater autonomy for decentralized bargaining; *iii*) the introduction, in the form of incentives, of social security and tax breaks for company policies designed to raise production efficiency, to be defined through second-level bargaining.

2.1. Identifying rules for industrial relations "management"

In recent years the social partners have signed numerous agreements regulating the stipulation and validity of contracts at both firm and national level, in particular as regards: *i*) the criteria for measuring the actual level of representation of trade unions; *ii*) procedures for exercising trade-union representation within firms; *iii*) the enforceability of contracts.

The first step in this direction was made in the Inter-sectoral Agreement of 28 June 2011, signed by Confindustria and Italy's three main trade unions: CGIL, CISL and UIL. The agreement provided, first, for the certification of the representativeness of trade union bodies based on the pooling of membership data (taken from Italy's National Social Security Institute – INPS) and information on electoral consensus in the elections of the unitary trade union bodies (RSUs), to be updated every three years and compiled by the National Council for Economy and Labour

[4] Second-level bargaining could benefit from the greater room for manoeuvre resulting from the national collective contracts' decentralization of the regulation-renegotiation of arrangements or areas normally negotiated at national level (*the referral clause*), without prejudice to recourse to company/local-level bargaining for areas and arrangements not covered or only generically covered by NCLAs.

[5] For more on these events, see Tursi (2012).

(CNEL).[6] The introduction of objective parameters for measuring greater representativeness to legitimize collective national bargaining (from a comparative perspective among trade union organizations), enables the subjective criteria of a "relatively more representative" or "more representative" union as developed in case law to be superseded.[7] Moreover, the agreement established criteria on the basis of which collective firm-level contracts would apply to all of the firm's personnel (the *erga omnes* effect)[8] and affirmed the possibility of including *no-strike clauses* in firm-level contracts, to guarantee the enforceability of the commitments made as a result of collective bargaining.

In addition to the provisions of the 2011 Inter-sectoral Agreement, a Unitary Representation Accord was signed on 31 May 2013 which, in addition to specifying some of the contents of the 2011 agreement, introduced rules on the binding nature and enforceability of the collective contracts stipulated at national level. For example, by extending the majority-approval mechanism already in place for firm-level agreements, with a commitment by the signatories to the Accord to not promote initiatives running counter to the agreements as defined.[9] The accord also envisaged a number of amendments to the rules on representation in firms, aimed at promoting the unitary representation model by – among other things – the transition to an exclusively proportional voting system.[10]

The Consolidated Act on Representation of 10 January 2014, by transposing, unifying and harmonizing the content of the 2011 Agreement and the Unitary Representation Accord, established the procedures for measuring the data on membership and adapted the rules of the RSUs, previously set out in the 1993 Inter-sectoral Agreement, to the principles identified in the 2013 Accord.

[6] The CNEL measures representativeness by combining the membership data on trade union adherence by workers, compiled by INPS, with those on the consensus obtained in the periodical elections of the unitary trade union bodies, which are updated every three years, and transmitted by trade unions. For the legitimization of national collective bargaining, the data on representativeness measured in this way for each trade union association must exceed 5 per cent of the total workers in the industry to which the national collective agreement applies. For more on these issues, see Carinci et al. (2013).

[7] See, for example, Court of Cassation Rulings No. 10392 of 27 October 1990 and No. 1320 of 1 March 1986; Constitutional Court Rulings No. 492 of 4 December 1995 and No. 334 of 24 March 1988.

[8] This effect applies when the contract is approved by a majority of the members of the unitary workplace union bodies (RSUs) or, for companies with firm-level union bodies (RSAs), by those with most members (on the distinction between RSUs and RSAs, see Table 2). If approved by the RSA, the contract must be submitted to a vote by workers, whenever this is requested by at least one of the signatory bodies or by 30 per cent of the firm's workers, within ten days of its stipulation. The vote is valid if at least 50 per cent plus one of those entitled to take part do so; the agreement is rejected by simple majority.

[9] More specifically, the Accord confirms that only trade union bodies having, within the field of application of NCLAs, a level of representativeness of not less than 5 per cent shall be admitted to national collective bargaining. Representativeness is measured according to the criteria already identified in the 2011 Inter-sectoral Agreement (the average between membership and electoral data). However, for the purposes of measuring the vote expressed by workers in the election of the RSUs, only the total votes cast for each trade union body belonging to the signatory confederations of the Accord shall be admitted. It further provides that the NCLAs formally subscribed by the trade unions representing at least 51 per cent of the workers determined according to the above criteria, subject to the certified consultation of all the workers by simple majority, shall be effective and enforceable, with a commitment by the signatories to not promote any initiatives running counter to the agreements as defined. Each NCLA is responsible for identifying cooling-off clauses and/or procedures aimed at ensuring, for all the parties, the enforceability of the undertakings made. See Romagnoli (2013) and Ichino (2013a).

[10] Based only on the votes actually attained, superseding – therefore – the rule of the so-called "one-third reserve" whereby one third of the members had to come from trade union associations that had signed the NCLA applied in the productive unit (i.e. CGIL, CISL and UIL). See Del Punta (2012).

2.2. Measures circumscribing the role of industry-wide collective labour agreements

While the drive to renew the procedures for drawing up agreements at decentralized level are rather recent, efforts to broaden the areas negotiated at firm level date back further in time. The first indications of this trend were seen around the functional integration of the law and collective contracts, in other words the referral (or mandate) by the legislator to engage in collective bargaining, which – in some instances – was directly concerned with decentralized collective bargaining (at company or local level).[11] Second-level contracts became increasingly frequent following the enactment of Law 276/2003 (the Biagi Law, after its author Marco Biagi), which dealt in particular with the requirements and limits of recourse to the various kinds of so-called flexible employment contracts.[12]

The Framework Agreement of 22 January 2009, signed by CISL, UIL and UGL (but not by CGIL), availed of the strategy of accords in derogation of the national contract,[13] enabling specific agreements to be brokered to manage directly, at local or firm level, crisis situations or to promote economic development and employment: these agreements were allowed, in fact, to define special procedures, means and conditions for modifying, including only experimentally and temporarily, the individual economic or legal arrangements of the industry-wide national collective labour agreements.[14]

The events involving Fiat stimulated the definition of more incisive interventions, both contractually speaking and at legislative level, designed to extend the scope of application of decentralized collective bargaining:

i) the abovementioned Inter-sectoral Agreement of 28 June 2011 (which, unlike the 2009 agreement, was also signed by CGIL), considerably extended the margins within which second-level contracts, including in a pejorative sense, could derogate from national collective labour agreements, by superseding the *non-repeatability clause* and anchoring contracts to the sole limit of matching more closely the requirements of specific productive contexts,[15] and envisaging procedures for approval that would involve their extension *erga omnes;*[16]

ii) Article 8 of Decree Law 138/2011, converted into Law 148/2011, granted firm-level and local agreements ("*contratti di prossimità*") the possibility of derogating in pejorative terms not only from the industry-wide collective labour contracts but also from legal provisions,[17] in opposition to

[11] For more on these issues see Pirrone and Sestito (2009).
[12] See D'Elia (2013), Garofalo (2012), and Giorgiantonio (2011).
[13] The Framework Agreement was later transposed into the Inter-sectoral Agreement of 15 April 2009 (also not signed by CGIL). It was an experimental agreement lasting four years and dealt with the rules and procedures for negotiating and the management of collective bargaining, in place of the existing regime. The effectiveness of national collective contracts was set at three years for both the regulatory and remunerative aspects, and new rules were introduced for the calculation of wage adjustments, determined no longer on the basis of the target inflation rate but in relation to a new "forecasting index built on the harmonized index of consumer prices (HICP) in Europe for Italy, net of imported energy prices." These automatic mechanisms may have reduced the margins for negotiation of wage increases. See Ferrante (2012) and Garofalo (2012).
[14] There was, moreover, a rebalancing of decentralized firm-level and local bargaining, given that the latter was no longer confined to cases where it was already provided for (as the 1993 Protocol had established), but other cases could instead be identified at a later date through "specific agreements" with a three-year duration. On these questions see Lassandari (2009), Garofalo (2012), and Del Punta (2012).
[15] In any event, the centrality of the NCLAs was preserved, by establishing that it should define the limits and procedures within which firm-level contracts could derogate from the provisions of the national collective labour agreements themselves. Firm-level collective contracts could in any event modify the arrangements of the NCLAs, which govern the services provided, working hours and organization, in order to manage crisis situations or given significant investments to promote economic development and employment at the firm.
[16] The contents of the agreement were subsequently transposed by the Consolidated Act on Representation: see the previous section.
[17] These local agreements could regulate areas such as the organization of labour and production with reference, among other things, to workers' tasks, the classification and assignment of personnel, rules on working hours, procedures for

the characteristics of the Italian system, which is based on national representation. These agreements covered all the workers affected, so long as they were signed – based on a majority criterion – by the most representative workers' associations at national or local level, or by their trade union representatives in the firm pursuant to the legislation and inter-sectoral agreements in force.[18]

However, on 21 September 2011, the social partners – at the time of the ratification of the Inter-sectoral Agreement of June 2011 – pledged to abide by the provisions of this last Agreement in the regulation of decentralized collective bargaining, omitting every reference to Article 8.

On 21 November 2012 the main business and trade union associations, with the exception of the CGIL, signed the "Guidelines for increasing productivity and competitiveness in Italy" (Productivity Agreement), in which they confirmed their desire to continue according to the model agreed first in the 2009 Agreement and subsequently in that of 2011. The productivity agreement assigned the NCLAs the function of ensuring certainty regarding common economic and legislative treatments for all workers and gave decentralized collective bargaining the task of stimulating productivity, by forging a stronger connection between it and workers' wages and better labour organization. In particular, the NCLAs would have the option of allocating a share of wage increases to bonuses related to productivity and profitability, defined by second-level bargaining.[19]

2.3. Social security and tax advantages for corporate policies to raise production efficiency

The 1993 Protocol already envisaged the introduction of specific incentives, in an *ad hoc* legislative provision, for firms' remuneration policies geared towards productive and managerial efficiency.

These provisions were initially implemented in Decree Law 67/1997, converted into Law 135/1997, which provided for social security reductions for such payments. Subsequently, under the Protocol of 23 July 2007, Law 247/2007 abrogated the pre-existing regime; adopting a more cautious approach, it introduced social security concessions on an experimental basis for the years 2008, 2009 and 2010;[20] it also introduced tax concessions in a series of further measures.[21]

Notwithstanding several amendments and a rather haphazard approach, the social security and tax incentives for productivity bonuses were later extended from year to year, up to and including 2012 (Table 3 gives a brief description of the various interventions).

Article 4, par. 28 of Law 92/2012 (the Fornero Reform after the then Minister for Labour, Elsa Fornero), which was implemented with Ministerial Decree of 27 December 2012, made the social security concessions for operating results and productivity bonuses permanent, even if the

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hiring and rules for working relationships, the transformation and conversion of working contracts and the consequences of the rescission from a contract.

[18] Second-level contracts and local agreements are the main instruments of decentralized collective bargaining. The difference between the two is given by their different fields of application. "Traditional" firm-level contracts, regulated by the Inter-sectoral Agreement of 2011, can modify the law or national collective contracts only if one of these sources confers on them a specific mandate in this sense; local-level contracts, by contrast, embody much greater scope for derogations.

[19] These bonuses would also benefit from tax and social security concessions. The portion of resources would remain, however, an integral part of the economic treatment of all workers falling within the sphere of application of national contracts, in the event that there was no second-level bargaining. The agreement also specified that the system of wage adjustments based on the HICP, introduced in 2009 (Visco 2008), would constitute the "maximum threshold" of indexation, and could even fall below that level in order to take account of the general state of the economy, the labour market and international conditions.

[20] See Article 1, pars. 67 and 68, of Law 247/2007.

[21] See Article 1, par. 70 of Law 247/2007 and Decree Law 93/2008, converted into Law 126/2008 (Article 2). For more on these issues, see D'Amuri and Marino (2008).

amount eligible for concessions and its distribution between firm-level and local agreements would have to be determined anew each year – depending on the available financial resources. Subsequent legislative interventions significantly reduced the allocation; initially set at €650 million, the fund was first reduced by Article 1, par. 249 of Law 228/2012 and then by Decree Law 102/2013 (the IMU Decree), converted with amendments into Law 124/2013; the allotment for 2013 amounted to €368 million.

Paragraphs 481 and 482 of Article 1 of Law 228/2012 (the 2013 Stability Law), implemented by Prime Ministerial Decree of 22 January 2013 – partly in observance of the provisions of the Productivity Agreement – adopted a more selective approach, establishing for 2013 and 2014 a favourable tax regime exclusively for the sums disbursed in the form of "*productivity-related pay*",[22] in execution of collective labour contracts signed at firm or local level by the associations of workers that were comparatively more representative at national level, or by their trade union representatives operating in firms.[23]

Summing up the various legislative interventions for its promotion (Table 4), under the current system firms and workers have recourse to decentralized bargaining via two channels, with different margins for manoeuvre and "legal" risks: *i*) the second-level agreements, stipulated according to the provisions of the Inter-sectoral Agreement of 28 June 2011 (now the Consolidated Act on Representation of 10 January 2014), which can derogate from the provisions of law or the NCLAs only if one of these source grants them a specific mandate in this sense; *ii*) local-level contracts, governed by Article 8 of Decree Law 138/2011, with much broader scope for derogations, given that the contracts must comply with the Constitution, EU law and international conventions. Both benefit from tax and social security incentives for productive and corporate efficiency. The agreements signed by the Fiat group are a case apart; although they were brokered at firm level these formally qualify as first-level agreements, given the company's decision to exit Confindustria.

3. TRENDS IN DECENTRALIZED COLLECTIVE BARGAINING: THE EMPIRICAL EVIDENCE

It is commonly thought that the system introduced in 1993 was effective in moderating wage increases by anchoring inflation expectations.[24] The spread of firm-level bargaining has instead proved limited, especially in small-sized enterprises and in the South of Italy. Second-level bargaining, moreover, is more widespread in industry and in services.

The failure of decentralized bargaining to take root may be partly due to the structure of production in Italy, where small firms dominate for which the fixed costs of bargaining could make second-level bargaining unattractive. Moreover, the disappointing trends in productivity have – de facto – depleted the resources to be distributed at local level.

[22] More specifically, the tax relief can be applied to wages paid, for firm-level and local contracts, with specific reference to quantitative indicators (productivity, profitability, quality and efficiency/innovation), or – alternatively – to wages paid in relation to contracts that provide for the activation of at least one measure in at least three of the following areas: *i*) flexible work hours; *ii*) flexible holiday leave planning; *iii*) innovative organizational-managerial models and new technologies; *iv*) measures to promote the interchangeability of tasks. See Article 2 of the Prime Ministerial Decree.

[23] Within the limits of a maximum allocation of €950 million, the sums indicated above are subject to a tax in lieu of personal income tax and of the regional and communal surtaxes of 10 per cent. To monitor the development of the tax reduction measures employers must deposit contracts with the relevant Local Employment Bureaus within thirty days of their stipulation, accompanied by a self-certification of conformity to the agreement filed as per the provisions of the Prime Ministerial Decree. The Ministry of Labour arranges for the collection and oversight of the contracts deposited. See Articles 1 and 3 of the Prime Ministerial Decree.

[24] See Brandolini et al. (2007), Brandolini and Bugamelli (2008), Visco (1999).

Results-based bonuses (whether at firm or individual level), can be conceded even outside of firm-level bargaining and are decidedly more widespread.[25] Such bonuses, however, appear sporadic and for low amounts, although trends do differ depending on whether there has been second-level bargaining or not.[26] Several studies demonstrate, moreover, how firms covered by second-level bargaining are characterized by lower wage dispersion internally.[27]

3.1. Wages: the weight of the contractual minimums established in national collective labour agreements

The Survey of Industrial and Service Firms conducted annually by the Bank of Italy[28] gathers information on the weight of the minimum wage components established in the NCLAs and on that of any additional components. The latter do not necessarily depend on the presence of second-level bargaining but could be attributable to other forms of compensation (for example, individual increments above the contractual minimum).

In the period 2002-2012, the share of wages above the contractual minimum as a proportion of total remuneration averaged 10.5 per cent (Table 5). It was higher among white-collar workers (12.4 per cent) than among blue-collar workers (9.5 per cent). Moreover, this share increased with firm size and was greater in industry excluding construction (11.1 per cent) than in services (9.7 per cent).

In addition to the average trends it is interesting to analyse the variation in the distribution over time of average wages, for the component linked to the contractual minimums established in NCLAs and for that related to accessory components.

From 2002-2012 the distribution of minimum wages as determined by the NCLAs (Figure 1) did not change significantly; in real terms, wages of slightly over €20,000 were the most commonplace. However, their frequency diminished slightly in 2012 in favour of higher wages (of around €30,000). No particular differences emerge for average wages of over €40,000. The analysis of the subcategories relative to blue-collar workers (Figure 2) and white-collar workers (Figure 3) confirms the basic stability of the distribution of minimum wages.

Turning to the components above contractual minimums (Figure 4), we can observe a reduction over time in the frequency of low wages negotiated outside NCLAs, which instead increased for those between €4,000 and €7,000. However, the basic stability in the distribution of the average wages is confirmed also in this case, as are the trends among blue- and white-collar workers (Figures 5 and 6); among the latter, extra-NCLA components are more considerable and more commonplace.

The persistence of the wage components above the contractual standard, calculated by each firm as an autocorrelation across various time horizons (from one to four years) is similar to that of the minimum wage components established by the national collective labour agreements (Table A2).

The descriptive analysis reveals, therefore, that wage components above the contractual standard, which are more significant in industry and in larger firms, have demonstrated a level of persistence over time similar to that of minimum wages. This result appears to confirm the basic

[25] See Casadio (2008).

[26] In their analysis of a sample of manufacturing firms in the province of Brescia, Cristini et al. (2005) find that results-based bonuses tend to be lower, but more constant over time, in firms where there is firm-level bargaining compared to those where the bonuses are granted outside of second-level bargaining. The level of bonuses rises further in firms in which there is a system for the systematic assessment of individual performance.

[27] See Checchi and Pagani (2005) and Dell'Aringa and Pagani (2007).

[28] See Banca d'Italia (2013a). The survey sample is composed of firms with 20 or more employees and represents over two-thirds of employment in industrial firms and firms operating in the non-financial private services sector (Table A1 in the Appendix).

"stickiness" of these components, which tend to take the form of permanent items that accumulate over time (Casadio, 2008).

3.2. The diffusion of tax relief on productivity-related compensation

The Survey of Industrial and Service Firms enables the share of firms that have benefited from tax relief on productivity pay to be estimated (see Section 2.3). In 2008, the year in which tax relief was introduced for earnings from overtime and productivity pay, about 70 per cent of firms appear to have availed of the tax concession (Figure 7, the percentage is slightly higher in industry). In subsequent years, when the definition of the wage components that could benefit from tax relief was broadened, the share fell to between 50 and 60 per cent, remaining highest in industry, where both overtime and decentralized bargaining are more commonplace. Considering beneficiary firms only, a basically stable proportion of workers equal to around 50 per cent benefited from tax concessions. Also in this case the bonuses mostly involved workers in industry (Figure 8).

Finally, the Business Outlook Survey of Industrial and Service Firms for 2013[29] provides more detailed information on the circumstances in which, based on the formulation of Law 228/2012 (2013 Stability Law), firms were allowed to exploit tax concessions (Table 6). The payment of wage increments linked to productivity, efficiency and quality indicators is very frequent (92 per cent), followed by those linked to flexibility of working hours (32 per cent) and annual leave (10 per cent) and – finally – to the interchangeability of tasks (10 per cent). By contrast, wage increases justified by the introduction of systems for the remote monitoring of workers are uncommon (2 per cent).

3.3. Second-level bargaining, wages and work organization

The economic literature on industrial relations suggests that greater contractual decentralization facilitates the testing of innovative organizational practices that are more suited to firms' specific productive needs (Katz 1993). Blasi et al. (2010a) emphasise the strong complementarity between flexible wage polices and other practices that are normally associated with the improvement of a firm's performance. In particular, they show that wage polices based on results are more widespread in companies where workers enjoy greater autonomy and are called on to participate directly in the definition of firms' strategies. The empirical analysis, conducted based on data for the US and UK, show that the positive effect of each of these practices is greatest when implemented in tandem.

The Survey of Industrial and Service Firms enables us to examine whether similar dynamics exist in Italian firms too. In fact, the 2010 survey contained a separate section on second-level bargaining. According to the survey (Table 7), 21 per cent of firms had some form of second-level agreement. The percentage was higher for industry excluding construction and increased with firm size. Second-level bargaining was, moreover, much more widespread in firms with trade union bodies (25.5 per cent, as against 2.8 per cent).

The 2010 survey also examined several other aspects of second-level bargaining: *i*) the direct link between firms' performance and wage increments granted and *ii*) the link between these increases and organizational changes.

Regarding the first aspect, about 75 per cent of the firms with second-level bargaining also had wage increases which were at least partially linked to the company's performance. Supplementary bargaining, therefore, appears to permit not only the differentiation of wages among firms (those that do not have this contract are likely to be less productive or, in any event, not large enough to be able to afford it), but also within individual firms depending on the results obtained.

[29] The survey is conducted annually by the Bank of Italy: see Banca d'Italia (2013b).

In about 10 per cent of the firms with second-level bargaining, the supplementary contract in force introduced organizational changes. Supplementary bargaining also tends to be accompanied by more performance-based human resource management practices (Table 8); in particular, teamwork is more commonplace, as is variable pay for managers and the participation of lower managerial levels in corporate decision-making.

The wider diffusion of innovative practices in businesses with firm-level bargaining could simply reflect their different composition in terms of observable characteristics. However, an econometric analysis that controls for these composition effects (Table A4 in the Appendix) confirms that businesses with firm-level contracts are significantly more likely to utilize teamwork (+12 percentage points) and variable pay (+8.6 percentage points); the value associated with involving lower-level staff and management in decision-making is positive (+6.2 percentage points), but not statistically significant. These results suggest, therefore, the existence of a correlation between the adoption of organizational innovations and a second-level bargaining contract; however, the data available (for just one year) do not permit us to infer the direction of the causality.

Finally, an analysis of a sample of firm contracts,[30] stipulated between 2002 and 2009, enables us to obtain a more detailed picture of the incidence and type of changes introduced at local level and as regards organizational or economic aspects (Table 9). In the basic metal and engineering industry changes to rules on the distribution of working hours, work shifts, and annual leave were especially frequent and were present in more than 20 per cent of supplementary contracts. The incidence of these changes was, by contrast, lower among workers in the chemical industry and in wholesale and retail trade. In more than 50 per cent of all three categories incentives linked to results (attendance and quality) were very widespread. Increments above the contractual minimum and productivity bonuses were fairly common in industry and in wholesale and retail trade (20 per cent), less so among chemical workers (8 per cent).

3.4. Firms' views on current contractual arrangements

By combining the data in the Survey of Industrial and Service Firms and the Business Outlook Survey it is possible to obtain more information about the role of decentralized bargaining. In the 2011 Business Outlook survey and in the two years that followed, firms were asked a question designed to measure the degree of satisfaction with existing contractual arrangements and the desire to avail of derogations envisaged under Article 8 of Decree Law 138/2011 (see Section 2.2).

As Table 10 shows, in 2011 roughly one in three businesses declared that they were dissatisfied with contractual arrangements, a percentage that rose to 44 per cent for those with supplementary firm-level agreements. The share of dissatisfied firms remained basically unchanged in the two years that followed, notwithstanding the stipulation of the Inter-sectoral Agreements.

The scant satisfaction of firms with the current arrangements is not in itself surprising, insofar as there will always be economic or legal aspects of a contract that one side of the negotiating table perceives to be overly penalizing but nonetheless vital to achieve the consensus of the other side. What is more telling is the level of interest shown by employers in possible concessions to workers in exchange for contractual innovations. Around two thirds of the firms declared in 2011 that they were at least moderately interested in the possibility of making working hours more flexible in exchange for employment guarantees (Table 11); this percentage dropped only slightly (62 per cent) if wage increments were to be offered instead of guarantees. The percentage fell slightly, while remaining high, when it came to greater flexibility on tasks; while hypotheses of wage reductions in return for employment guarantees were seen as less attractive.

[30] See CNEL, sample survey on decentralized bargaining, available at: http://www.cnel.it/347?contrattazione_testo=45

All other conditions being equal (see Table A6), interest in obtaining greater flexibility in exchange for employment guarantees or wage increases was decidedly more commonplace (about +15 percentage points) among firms with more than 200 employees, where there were no significant differences between industry and services. The need to keep wages down in exchange for guarantees on employment levels was especially deeply felt by firms that are most active in the international markets (with exports accounting for more than one third of turnover). Moreover, the interest in obtaining greater flexibility in exchange for guarantees or wage increments was also commonplace among firms with second-level agreements which, however, were less inclined to give guarantees on employment in exchange for flexible working hours (-8.1 percentage points) or wage compression (-8.8 percentage points).

Despite the fact that dissatisfaction over contractual arrangements remained basically unchanged from 2011 to 2013, the interest shown in derogations pursuant to the provisions of Article 8 has, instead, waned over time (17 per cent in 2011, 12 per cent in 2013, Table 10). Over 70 per cent of firms that were unsatisfied with contractual arrangements, but did not intend to avail of Article 8, complained about problems linked to legal uncertainty (Table 12).

The data available point to how: *i*) supplementary bargaining is associated with innovative management practices; *ii*) a significant share of firms declare themselves unsatisfied with current contractual arrangements and willing to sign agreements that enable, on the one hand, greater flexibility in labour utilization and, on the other, higher wages or employment guarantees for workers; *iii*) legal uncertainty may play an important role in explaining the failure to reach such agreements.

4. UNRESOLVED ISSUES IN COLLECTIVE BARGAINING ARRANGEMENTS

The recent evolution of collective bargaining and the available evidence appear to testify to the permanence of several problematic aspects bearing on the current arrangements.[31]

Article 8 of Decree Law 138/2011 raises doubts of constitutional legitimacy (especially with regard to Articles 3 and 39), with the attendant danger of undermining the concrete application of the firm and local-level contracts founded on that same article.[32] Moreover, the notable breadth of derogations that it permits (in sensitive areas and materials such as the levels of protection of workers) has in any event transferred to judges oversight of the legitimacy and contents of the individual agreements, including in relation to the aims pursued therein.[33] The elements of uncertainty and risks of legal disputes have, in reality, led social partners to declare that they do not want to avail of the instrument.

The "traditional" second-level contracts, drawn up under the Inter-sectoral Agreements, appear to represent a more viable alternative. However, these too have their limits, attributable – in particular – to the absence of clear and timely rules for the stipulation of the agreements,[34] with

[31] See Sestito (2012) and Giugni (2003).

[32] Article 3 of the Constitution, given the possible infringement of the principle of equality with reference to the generic nature of the criteria justifying the stipulation of agreements in derogation; Article 39, in relation both to the *erga omnes* efficacy of local-level bargaining and to its links with the national collective labour agreements, and the extent of functions assigned to it. See, amongst others, Liso (2012), Romagnoli (2011), Scacco (2011), Carinci and others (2013), and Ghera (2014).

[33] Article 8 is also vulnerable to risks of excessive fragmentation of the contractual policies that could derive from a system of derogations linked to the firm and local sphere, jeopardizing the overall consistency of the bargaining system of the various productive sectors, with differentiations in very important areas, especially as regards protection levels, in relation to the variability of existing power relations. See Cipolletta (2011) and Scarpelli (2011).

[34] It is no coincidence that Article 39 of the Constitution has never been enacted. Nor was the 1993 Inter-sectoral Protocol, which referred to legislative interventions, including at constitutional level, on collective bargaining and its relative efficacy. See Ferraro (2008).

obvious repercussions also in this case in terms of uncertainty and litigation. These limits have been to some extent circumscribed so long as the practice of *de facto* trade union unity has continued, and so long as contractual renewals have always had "acquisitive" content. However, in recent years, with the economic crisis and trade union splits on significant issues, they have re-emerged. Nor have the agreements stipulated in recent years by the social partners (the 2011 Inter-sectoral Agreement, the 2013 Unitary Representation Accord, and the 2014 Consolidated Act on Representation) completely eliminated these uncertainties.

i) *The stipulation and binding nature of the agreements*. The agreements stipulated at inter-sectoral level in recent years have identified rules, in the negotiation phase, for the stipulation and binding nature of agreements at firm, local and national level. In particular, they anchor the measurement of the actual representativeness of the trade unions to objective parameters based on duly certified quantitative indicators, enabling the removal of numerous uncertainties linked to the aforementioned jurisprudential notion of the "comparatively more representative" or "most representative" trade union; they identify rules for the valid subscription of first- and second-level contracts based on majority decision criteria, as well as their general enforceability, including through cooling off and conciliation procedures for the settlement of disputes, facilitating decision-making and the resolution of potential deadlocks.

Many of these measures, however, have yet to be implemented. The criteria for assessing the actual representativeness of the trade unions, already set out in the 2011 Inter-sectoral Agreement, are still inoperative, lacking – among other things – agreements with the entities appointed to collect and certify the information (INPS and the CNEL). Moreover, it is provided that, for the purposes of measurement of the vote expressed by the workers, only the absolute votes cast for each trade union confederations adhering to the Inter-sectoral Agreements are useful for the measurement of representativeness. This implies the exclusion of the trade unions that have not signed such Agreements from the representation of first-level bargaining, regardless of the actual degree of consensus among the workers.

The Inter-sectoral Agreements are valid only with respect to the signatories or those that in any event adhere to them,[35] with the attendant uncertainties and asymmetries between the trade union organizations that can derive therefrom. The lack of sufficient certainty about the *erga omnes* enforceability of the collective agreements (so even against those who have not subscribed them) represents another significant criticality of the system.

Recourse to the legislative option, already experimented in the public sector, could – for example – guarantee more certainty and stability to the system thanks to its general enforceability.[36] With the right adaptations, the rules established in the agreements of the recent years could be transposed into law, which already identify: *a*) objective parameters to determine the parties authorized to negotiate and stipulate agreements; *b*) procedures for the approval of agreements by

[35] In fact, their *erga omnes* efficacy is hindered (therefore, also with respect to those who haven't signed them) by the general principle of the validity of the contract for the signatories only (*inter partes*), not simply surmountable by on the basis of contractual agreements (see, among others, Carinci 2011 and Scarpelli 2011). The situation could be further exacerbated by Ruling No. 231 of 23 July 2013 of the Constitutional Court on Article 19 of the Workers' Statute, which recognized the right to form RSAs including with respect to trade union associations which, while not signatories of collective contracts applied in the productive unit, had nonetheless taken part in the negotiations relative to the same contracts as representatives of the firm's workers. In fact, according to the Unitary Representation Accord, a signatory trade union organization with 5 per cent representativeness is entitled to take part in industry-wide national negotiations: accordingly, it could be justified in establishing RSAs even if it does not subscribe a collective contract and, accordingly, is not exposed to the system of sanctions envisaged in that instance. See Carinci (2013).

[36] See, for example, Carrieri (2011) and Sestito (2012).

the majority of the workers concerned; *c*) the binding nature and universal enforceability of the agreements so approved.[37]

ii) *Representation in firms*. The Inter-sectoral Agreements provide for the coexistence of two representative bodies: *i*) the RSAs, envisaged by law (Article 19 of the Workers' Statute) and representing only the workers enrolled in a given trade union; *ii*) the RSUs, governed by negotiated accords (formerly the Inter-sectoral Agreement of 20 December 1993 and now the Consolidated Act on Representation), which enable universal representation because they are legitimated by the votes of all the workers, enrolled and not enrolled in trade unions (the main differences between the two bodies are summarized in Table 2).[38]

This mix of law and legislation on agreements has led to the emergence of uncertainties of application, with negative repercussions also on the number of disputes. Particularly significant, in this regard, are the numerous controversies that arose between the Fiat group and the trade union FIOM, which – up until the recent ruling of the Constitutional Court on Article 19 of the Workers' Statue – had been prohibited from forming RSAs because it had not signed the agreements, despite the fact that it was one of the main trade union bodies of the sector.[39] Not even the criterion identified by the Court to establish the legitimation or not of a trade union to establish an RSA appears, moreover, sufficient for overcoming the potential conflicts. In fact, the "participation in a negotiation", unlike the signing of a contract, is a much more evasive notion, and as such open to very different interpretations,[40] with the risk of intensifying any disputes.

By contrast, in the public sector, RSUs are also subject to legislation,[41] which – irrespective of the greater representativeness of the system based on electoral legitimation – had the merit of tending to identify a single interlocutor for employers. The Consolidated Act on Representation also appears to move in this direction by favouring – at least within certain limits – the establishment of

[37] The legislative provision for the universal enforceability of the NCLAs appears to encounter, nonetheless, an obstacle in Article 39 of the Constitution, which – among other things – attributes only to the trade unions registered with legal personality the power to draw up collective contracts with *erga omnes* application (according to some interpreters, Article 39 of the Constitution regards only the collective labour agreements and not the second-level agreements: see, among others, Treu 2012). Precisely in view of the problems raised by the current formulation of this constitutional provision, which moreover has never been enacted, many commentators have called for it to be revised, in order to attribute to the ordinary legislator the task of regulating the forms of trade union democracy by which collective contracts having *erga omnes* application can be drawn up, at both national and secondary levels. See, among others, Ichino (2006) and Ghera (2014). See also Senate Bill No. 2520 of 11 January 2011.

[38] See, among others, Bellocchi (2011), Carinci (2012) and L. Zoppoli (2014).

[39] More specifically, until it was declared unconstitutional in July 2013, Article 19 of the Workers' Statute provided that only the trade union associations that had signed a collective agreement applied in the productive unit could establish RSAs. This rule, the only one applicable in the Fiat companies given its exit from Confindustria, making first-level negotiations the only ones possible, had prevented FIOM from establishing RSAs because it had not underwritten the agreements, despite representing one of the largest trade unions in the sector (see Ballistreri 2012 and A. Zoppoli 2014). Also for this reason, the provision in question was declared unconstitutional (see Constitutional Court Ruling No. 231 of 23 July 2013). Accordingly trade union associations that had not signed collective contracts applied in the productive unit, but who had nonetheless taken part in the negotiations relative to the same contracts, were granted the possibility of establishing RSAs. However, the criterion identified by the Court to establish the legitimation or not of a trade union to establish RSAs could be insufficient for overcoming the potential conflicts. In fact, "participation in a negotiation", unlike the signing of a contract, is a very evasive notion and as such open to very different interpretations, with the risk of exacerbating any disputes on the matter.

[40] See Ichino (2013b), according to whom if one believes that "participation in negotiations" has occurred when a trade union has presented a platform of demands, even if the undertaking has not taken it into any consideration, all trade unions can claim to meet the requirement. Otherwise, the practical effects of the sentence of the Constitutional Court risk being very diluted indeed. Accordingly, the actual application of the principles established by the Constitutional Court on the part of the ordinary courts will be crucial.

[41] It is noteworthy how, in recent years, numerous bills have been presented with the aim of introducing a positive set of rules on trade union representation, including with reference to private employment relationships.

RSUs.[42] However, its binding nature is limited to the signatories or to those who in any event adhere to the agreement, given the merely contractual nature of the instrument.

Also in this case, the recourse to the legislative option could guarantee more certainty and stability to the system thanks to its general enforceability. It could also allow to harmonize the discipline of the two representative bodies (RSA and RSU), encouraging the use of RSU, as in the public sector.

iii) *The areas covered by decentralized bargaining*. Although the Italian system has delegated the regulation of relevant aspects relating to the organization of employment relationships to collective bargaining (for example, time flexibility)[43], some aspects which may affect the issue of labor productivity are primarily or exclusively regulated by the law: for example, this is the case of the equivalence of tasks and integration of skills (so-called *ius variandi*)[44].

Legislative limits to the *ius variandi* of the employer are justified by the lower bargaining power of the worker, who might be induced to accept disadvantageous agreements. However, the ongoing reorganization of production processes, made possible by technological innovation and by the increasing possibility of outsourcing (Acemoglu and Autor, 2010), implies a variability of tasks much higher than that prevailing in the past. Therefore, too rigid legislative constraints are likely to affect the business needs of the rational and efficient management of resources, even to the detriment of the worker himself, when the alternative is the loss of the job. The law already provides for specific exceptions to the general rule, for example in the case of mobility procedures, under which it is possible to assign workers to lower tasks, in the presence of collective agreements that provide for the full or partial employment of excessive workers.

In order to balance the needs of greater management flexibility with protection of the worker, also reducing the risk of litigation, the aspects concerning the equivalence of tasks and integration of skills could be delegated to collective bargaining, providing that second-level bargaining may derogate legislative provisions only in the presence of the conditions and limits laid down by collective bargaining at national level, for example in relation to guarantees on employment levels in situations of crisis or delivery of prizes[45].

In areas in which organizational and administrative aspects of employment relationships are left to collective bargaining, the Inter-sectoral Agreement of June 2011 first, subsequently refined in the November 2012 Productivity Agreement, delegated the rules to second-level bargaining. However, the same Inter-Sectoral Agreement (later transposed into the Consolidated Act on Representation) delegated to the various NCLAs the definition of the limits and procedures based on which firm-level contracts can derogate from the provisions of the same national collective contracts.[46]

To encourage and speed up this process, one could – for example – introduce a legislative provision whereby, if individual NCLAs are not reached within a certain timeframe, decentralized

[42] The reconciliation of the need to ensure the complete representativeness of the body and that of reaching binding decisions for all the workers was pursued by assuring that the composition of the unitary representative body of workers would be based on a proportional criterion, eventually providing for a threshold as a percentage of the valid votes expressed, and with procedures for decisions to be taken on a majority basis by the body itself (Part II, Section II, par. 8 of the Consolidated Act on Representation). See L. Zoppoli (2014).

[43] See, for example, the Legislative Decree 66/2003.

[44] See article 2103 of the Italian civil code.

[45] See article 4, paragraph 11, of the Law 223/1991.

[46] As has already been pointed out (see Usai 2013), in the bargaining dynamics for national sector renewals, the parties are not always interested in transposing the indications and referrals of the Inter-sectoral Agreements.

bargaining can in any event derogate from the first level in the regulation of the organizational and managerial aspects of employment relationships.[47]

The broadening of the tasks left to second-level bargaining and the promotion of wage dynamics linked to productive efficiency could be offset by the introduction of procedures to verify the outcomes of the decisions reached. This could happen through the extension of the sphere of application and strengthening of rights of information and consultation with workers,[48] in order to guarantee greater transparency and monitor firms' performance.[49] In this way, recourse to derogations from the rules set out by the national collective agreements and, where envisaged, the law for firms' productive needs, would be tempered, in order to safeguard workers, by making it possible to monitor compliance with the commitments made by employers. In this sense it could, for example, be helpful to arrive at a definition of the fundamental aspects of these safeguards at legislative level, leaving the concrete specification up to the individual national collective contracts, with a view to conferring greater certainty on the arrangements made and to reaching broader consensus among the parties involved.

Finally, the particularly complex structure of our current system of industrial relations is of note, having as it does over 400 types of industry-wide national sector agreements.[50] A simplification and reduction of the number of contracts could facilitate the processes of decentralization already under way, enabling energies and attention to be channelled to a limited number of arrangements and areas, and entrusting all remaining matters to second-level bargaining.

5. UNRESOLVED ISSUES REGARDING INCENTIVES FOR PRODUCTIVITY-RELATED PAY

Legal uncertainties may have curbed the efficiency of the incentives for productivity-related pay (see Section 2.3).

From a tax perspective, these incentives reduce the horizontal equity of personal income tax, which require that individuals with a similar "pre-tax" income must continue to have a similar income even after they have paid their taxes (Musgrave 1990). Tax relief can, moreover, favour tax avoidance. Distorted uses have been identified, primarily aimed at minimizing the fiscal burden through so-called "cosmetic agreements",[51] with scant repercussions on productivity. More specifically, in many cases there were decentralized agreements signed with the sole aim of declaring the existence of positive repercussions in terms of efficiency, and therefore the tax

[47] The Consolidated Act on Representation, whose formulated is less than clear, seems to provide for this possibility only in order to manage situations of crisis or in the presence of significant investments to favour economic development and job creation in firms.

[48] It is interesting to note how several studies (see Antonioli et al., 2013 and 2010, Antonioli (2009), Gritti and Leoni, 2012) have detected a connection between the greater involvement of workers in firms' decision making and innovation.

[49] Currently regulated, for firms with more than 50 employees, by Legislative Decree 25/2007, *Implementation of Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community* (see Del Punta 2012). This, moreover, would be consistent with a series of provisions in the 1993 Protocol, which aimed to establish stable relationships between the parties at firm level, defining a sort of general framework for "information, consultation, verification or negotiation", which would enable a joint assessment, also at strategic level, of the firms' and labour conditions (see Magnani 2000). This study does not enter into the merit of the advisability of introducing forms of codetermination: in fact, despite the numerous calls from Europe (see, for example, European Commission 2008), there are few universal and conclusive results in the literature about the effects of codetermination on firms' productivity and value (for a survey of the literature, see Addison and Schnabel 2011).

[50] See the Guidelines for the Reform of Negotiations (platform approved by the National Executives of CGIL, CISL and UIL on 12 May 2008).

[51] See Antonioli and Pini (2012).

deductibility of several variable wage components already envisaged under national bargaining.[52] Accordingly oftentimes tax reliefs have not led to organizational change or greater variability in pay but have only served to reduce the fiscal burden on the already existing components that have been previously defined at central level.

Even with these limits, tax relief on productivity-related pay can increase consensus among the social partners for overcoming the abovementioned obstacles that limit the role of decentralized bargaining.

For this purpose, a context of certain rules must be defined which can be applied to firms and, at the same time, limit the risk of possible abuses. Up to now, there have been frequent variations in the platform of beneficiaries and the type of incomes subject to tax relief, which – in some years – have included earnings from overtime and shiftwork. Moreover, although social security relief became – at least in part – a structural feature following the Fornero reform, the Prime Ministerial Decree of 22 January 2013 renewed the tax benefits for the two subsequent years only, and accordingly provided no incentives for firms to adopt management plans based on longer time horizons.

As for the fight against tax avoidance, the extensions of the tax reliefs introduced by Prime Minister Decree of 22 January 2013 made the possibility of exploiting tax concessions conditional on the existence of a quantitative link between wages and productivity indicators, or on the existence of a number of organizational reform scenarios. The real efficacy of these provisions will depend on how this conditionality is interpreted. The idea of listing all the scenarios in which decentralized bargaining can have a positive effect on productivity and of verifying its actual effect at local level seems unrealistic, on the part of the legislator.

The distinction between the two tiers of bargaining, and the attribution of tax benefits to the portion of wages actually negotiated at local level, is a necessary precondition for the provision's effectiveness. The possibility of defining at national level a share of wages that could be earmarked for second-level bargaining, envisaged under the November 2012 Productivity Agreement, circumscribes the degree of autonomy of decentralized bargaining and could easily lend itself to avoidance, insofar as it increases the margins for collusion, at central level, between employers and workers with a view to transferring a portion of wages from the first to the second level and benefiting from the related tax concessions.

One limit on the diffusion of productivity-related wages could be the presence of the so-called "guarantee component" (or equalization), i.e. a fixed wage increase, identified by NCLAs, for workers in firms without second-level bargaining. This arrangement increases the expected cost of an eventual second-level contract, insofar as the employer will be called on to concede greater wage increases with respect to those already envisaged by the guarantee.

Finally, it would be useful to envisage checks for assessing current labour policies. To this end it is necessary that the monitoring of tax concessions, provided for in the recent Prime Ministerial Decree of 22 January 2013, be effective and based on the contents of the second-level agreements that benefited from them. In this regard it is noteworthy that while the 2013 Decree envisages that to monitor the development of tax relief measures, employers must deposit second-level contracts with the competent Bureaus of Labour within thirty days of their subscription, at this point in time no sanction is envisaged for any failure to do so. Moreover, already in other circumstances provision was made for monitoring of tax relief measures (see Article 2.5 of Decree Law 93/2008, converted into Law 126/2008): however, this was never implemented in practice. Consideration could be given, for example, to the adoption of an *ad hoc* self-certification procedure

[52] Fazio and Tiraboschi (2011) highlight the great homogeneity of various firm-level contracts subscribed in 2011 (those made public), signed with the sole aim of establishing a link between several accessory wage components already negotiated at central level and greater productivity.

by firms, which would be obliged to transmit standardized data online in order to exploit concessions. This source of information could be used in the future to assess the efficacy of the incentives and to identify and promote best practices.[53]

6. CONCLUSIONS

Italy is not immune from the long term trend towards greater bargaining decentralization under way in Western Europe. Empirical evidence shows that firm-level bargaining has been associated with innovative managerial practices, but also that a significant share of firms would be willing to sign contracts that would grant higher wages or preserve occupational levels in order to obtain higher flexibility in the use of the workforce. Notwithstanding the major steps undertaken by social partners and the legislator to favor its diffusion, decentralized bargaining is mainly restricted to bigger firms, while its perimeter of action is still severely constrained by the hierarchical nature of the Italian industrial relations system, in which sector specific national bargaining traditionally plays the major role in determining pay developments and working conditions. The legislative attempt to make this hierarchy less stringent, introducing ample possibilities of opting-out both from national contracts and legal provisions related to firing procedures and contractual arrangements, failed for two reasons. On one side, the new norms operated at the margin while trying to reach the ambitious target of introducing higher flexibilization. A more organic intervention establishing the main pillars of the industrial relation framework (more on this below) was instead the necessary condition for effectively defining the opting-out procedures. On the other side, the new provisions faced main social partners' opposition, determined to resist a third party attempt to intervene on the architecture of an industrial relations system that is traditionally based on private agreements, and afraid of losing their monopoly in representing either workers or firms due to the competition possibly brought at the local level by new actors, for whom the presence of a national contract traditionally constituted a formidable entry barrier. Probably the most striking result of an in-depth analysis of the recent evolution of the Italian bargaining framework is constituted by the considerable inertia of industrial relation practices, as determined by social partners' interactions, even in presence of an environment in which long term forces such as the increasing unbundling of production and competition from emerging countries introduce a strong pressure towards higher flexibility both in pay and in work organization. This is partly attributable to the traditional absence of a clear legislative framework defining the field in which social partners can exercise their prerogatives transparently and without prejudices. From this point of view, the main unresolved issues are related to the identification of the actors entitled to participate to bargaining rounds, to the measurement of their weight (in particular at the national level), and to the absence of clear rules for contract enforcement. A wider scope for local level bargaining should anyway be balanced by a higher workers' involvement through the provision of structured forms information and consultation, that could also facilitate the introduction of bottom-up innovation. Finally, the effectiveness of tax breaks encouraging a closer link between wage and productivity at the firm level has been undermined by poor monitoring and frequent changes to the eligibility criteria. These incentives reduce the horizontal equity of personal income tax and can favor tax avoidance; nevertheless, they can increase consensus among the social partners for overcoming the abovementioned obstacles that limit the role of decentralized bargaining.

[53] Consider that, as regards second-level negotiations, at date only sample databases are available.

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Figures and Tables

Figure 1

The distribution of average wages defined by NCLAs: 2002 and 2012

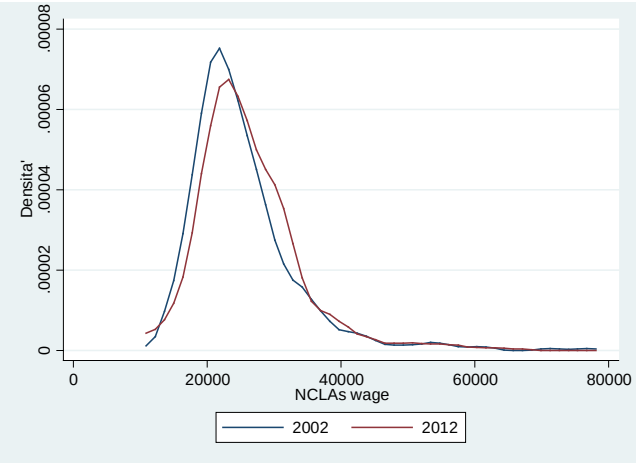


Figure 2

The distribution of average wages defined by NCLAs, blue-collar workers: 2002 and 2012

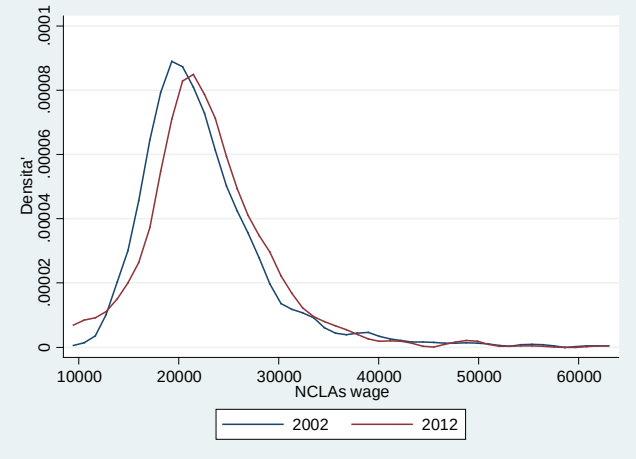
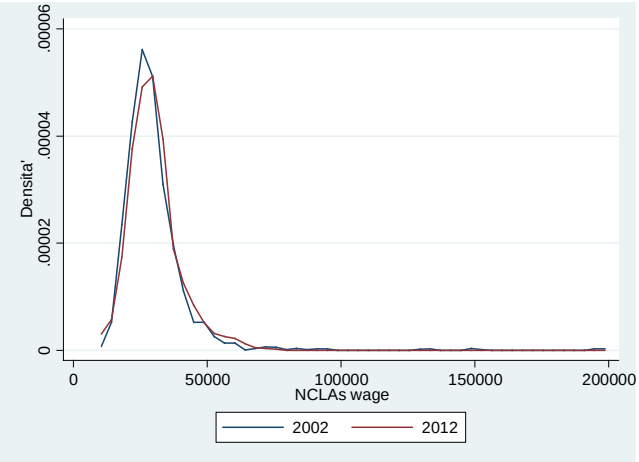


Figure 3

The distribution of average wages defined by NCLAs, white-collar workers: 2002 and 2012



Values expressed in 2013 euros nonparametric estimates, based on data from the Bank of Italy's Survey of Industrial and Service Firms.

Figure 4
The distribution of average wages above NCLA minimum levels: 2002 and 2012

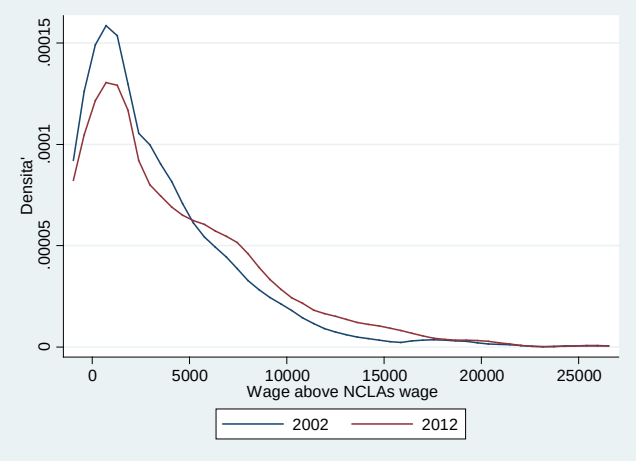


Figure 5
The distribution of average wages above NCLA minimum levels, blue-collar workers: 2002 and 2012

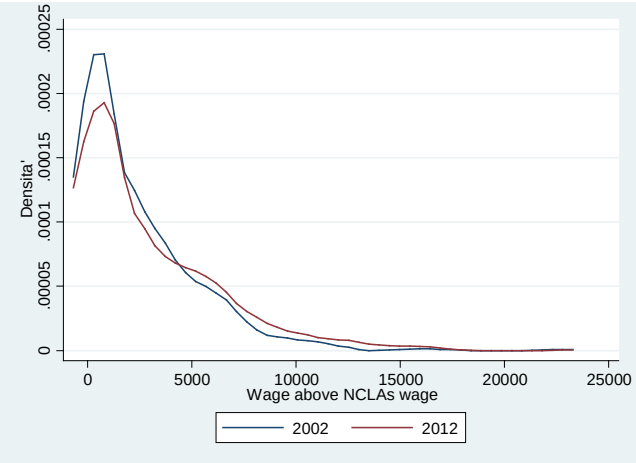
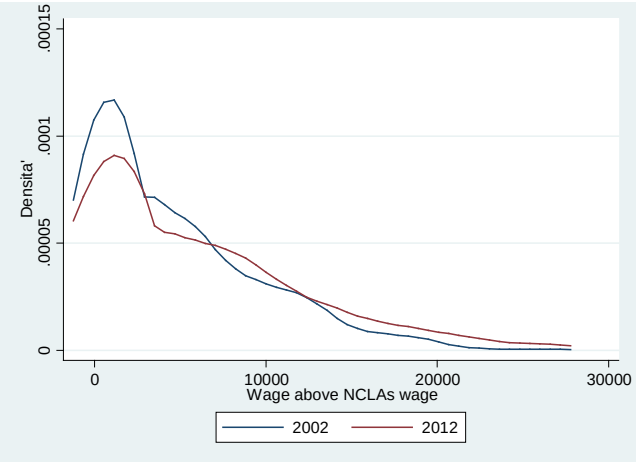
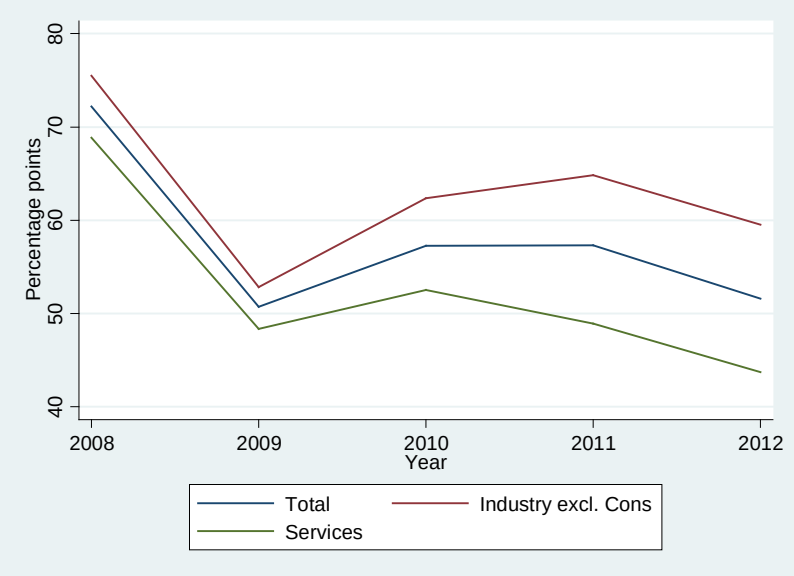


Figure 6
The distribution of average wages above NCLA minimum levels, white-collar workers: 2002 and 2012



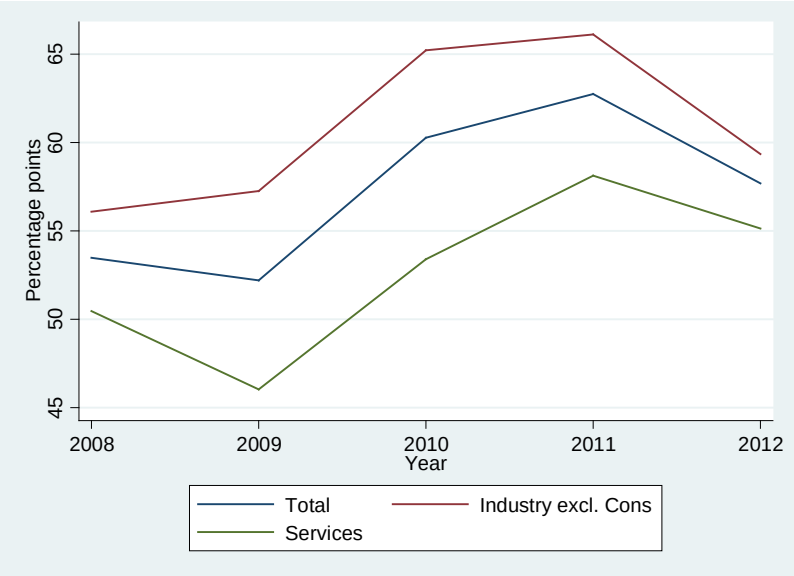
Values expressed in 2013 euros, nonparametric estimates, based on data from the Bank of Italy's Survey of Industrial and Service Firms.

Figure 7
The share of firms that utilize tax breaks on productivity-related pay



2008-2012

Figure 8
The share of workers that utilize tax breaks on productivity-related pay



Years 2008-2012; calculated only with respect to firms that benefit from the tax concessions, based on data from the Bank of Italy's Survey of Industrial and Service Firms.

Table 1
The main recent developments in the Italian system of industrial relations

Measures	Summary
Protocol of 23 July 1993	Some aspects of this agreement, which confirmed the two-tier structure of collective bargaining, remain in force. The national collective labour agreement (NCLA) was dominant with respect to the second level, with procedures and spheres of application defined. The NCLAs defined the legal framework for labour utilization and defended the purchasing power of wages. The second level, hierarchically subordinate to the national one, concerned instead different and non-repeatable subject matters and arrangements – the "non-repeatability" clause – compared with the wage components proper to the NCLAs, with the aim of introducing margins for salary increments and organizational changes. Through referral clauses, the NCLAs could also entrust the regulation-renegotiation of arrangements or subject matters belonging to the national level to the decentralized level.
Framework Agreement of 22 May 2009 (CGIL dissentient)	This was a trial agreement in place for four years. The effectiveness of the legal and economic aspects of national collective labour agreements was set at three years. It also introduced new rules for calculating wage adjustments, no longer based on the target inflation rate but on the HICP net of imported energy prices. It lightened the content and functions of the NCLAs, enabling specific agreements to be reached at local and firm level for managing crisis situations or in order to promote economic and employment growth.
Inter-sectoral Agreement of 28 June 2011	This agreement increased the scope for derogation of second-level contracts – including in a pejorative sense – to NCLAs, superseding the "non-repeatability" clause and imposing the sole limit of the goal of matching the needs of specific productive contexts more effectively. However, it maintained the centrality of the NCLAs, confirming that they defined the limits and procedures within which firm contracts could derogate from the provisions of the NCLAs themselves. It established criteria based on which collective firm contracts would apply to the total workforce.
Article 8 of Decree Law 138 of 13 August 2011	Article 8 introduced the possibility of signing firm-level agreements that could derogate both from the NCLAs and the law. The agreements would be effective for all the workers involved, so long as they were signed – based on a majority criteria – by the most representative of the employers' associations.
Productivity Agreement of 21 November 2012 (CGIL dissentient)	The NCLAs could define a portion of the increase agreed at national level ("productivity-related wage") that second-level bargaining could then associate with the realization of increases in productivity and profitability, benefiting from tax and social security concessions. The parties committed to implementing the 2011 Agreement and to defining the regulatory aspects relative to representation, representativeness and enforceability.
Local Framework Agreement of 24 April 2013	This facilitated local-level agreements that would also enable enterprises without firm-level representation to extend to its employees the concessions envisaged in return for improvements in firm productivity stemming from flexible working hours.
Representation Agreement of 31 May 2013	This defined quantitative criteria for establishing the legitimation of the various trade unions to engage in national bargaining. It envisaged mechanisms for majority approval to ensure the generalized enforceability of the NCLAs. The Agreement proposed the promotion of recourse to unitary representation (RSUs), envisaging – among other measures – an exclusively proportional criteria for its constitution.
Constitutional Court Ruling of 4 July 2013	The Ruling declared the constitutional illegitimacy of Article 19 of the Workers' Statute, relative to the provision that barred the establishment of firm-level representation (RSAs) also within the sphere of trade union associations which, while not party to NCLAs applied in the productive unit, had nonetheless taken part in talks relative to the same contracts as representatives of the workers in the firm.
Consolidated Act on Representation of 10 January 2014	The Act transposed, unified and harmonized the provisions of the 2011 Agreement and the 2013 Representation Agreement. In particular, it: *i*) established the procedures for measuring trade union data; *ii*) adapted the rules of unitary representation (RSUs), which were previously set out in the Inter-sectoral Agreement of 20 December 1993, to the principles identified in the 2013 Representation Agreement.

Table 2
RSAs versus RSUs

	Firm-level Representation (RSAs)	**Unitary Representation (RSUs)**
Recognition	Under law (Article 19 of the Workers' Statute)	Via negotiations (especially, the Inter-sectoral Agreement of 20 December 1993 between Confindustria/Intersind and CGIL, CISL and UIL; the Inter-sectoral Accord of 16 September 1994 between the National Cooperative League and the Mutual/Italian Cooperative Confederation/General Italian Cooperative Association and CGIL, CISL and UIL; the Inter-sectoral Accord of 29 September 1994 between CISPEL, CGIL, CISL and UIL). The establishment of RSUs, as a result of a trade union agreement, did not abrogate the legislation establishing RSAs. Accordingly, RSAs and RSUs can co-exist within the same productive unit.
Means of constitution	RSAs can be established as the result of an initiative by the workers within individual productive units, within trade union associations that have signed NCLAs applied in the productive unit or which have in any event taken part in talks relative to the same contracts as representatives of the firm's workers.	RSUs are elected by all the workers in a firm on the basis of lists presented by the trade unions that have signed the NCLAs or that can count on a number of signatures equal to 5 per cent of the workers in the firm entitled to vote.
Type of representation	Representation of the members	Representation of all the workers in the firm
Legal foundation of the representation	Designation by the trade union	Election on the basis of trade union lists
Roles and functions	Safeguarding the members' interests	General representation of the workers within the workplace: *i*) as regards industrial relations, through the exercise of oversight and administrative functions, verification of application of legislation, consultation, as well as of the rights to information envisaged by law and by the contracts; *ii*) as regards contracts, entitlement, along with the trade union organizations of the workers belonging to the organizations that drew up the NCLAs applied in the productive unit, to second-level bargaining.

Table 3
Evolution of social security and tax breaks for second-level bargaining

Decree Law 65/1997 converted into Law 135/1997 (Article 2)	This introduced automatic tax reliefs for wage increases (linked to productivity) introduced under second-level bargaining, up to a maximum of 3% of contractual wages earned, in the calendar year of reference, by the workers entitled to receive it; it also introduced a solidarity contribution of 10%.
Law 247/2007 (pars. 68 and 69 of Article 1)	This replaced the previous system, introducing relief on social security contributions for second-level wages on a trial basis and subject to request for 2008, 2009 and 2010: it reduced by one quarter the social security rate of contributions paid by employers and cancelled that payable by workers.
Decree Law 93/2008, converted into Law 126/2008 (Article 2)	This introduced, for a limited period of time (1 July – 31 December 2008), a favourable taxation regime (a single rate of 10% substitutive of personal income tax - IRPEF) for wages disbursed at firm level for overtime and night shifts and for those disbursed, again at firm level, for increases related to productivity, innovation and organizational efficiency and to other elements of competitiveness and profitability linked to the economic performance of the firm (*productivity bonuses*), which until then had been subject to ordinary taxation. The maximum tax-deductible amount was set at €3,000 a year
Decree Law of 29 November 2008, converted into Law 2/2009 (Article 5)	This extended tax concessions for productivity bonuses to end-2009 and broadened the range of beneficiaries.
Law 191/2009 (Article 2, par. 156)	This extended tax concessions for productivity bonuses to end-2010.
Decree Law 78/2010, converted into Law 122/2010 (Article 53, enacted by Article 1, par. 47 of Law 220/2010 – the 2011 Stability Law)	This extended the social security contributions and tax incentives to end-2011. It initially appeared to exclude overtime from tax relief: however, a subsequent interpretative circular issued by the Inland Revenue Office readmitted these incomes to tax relief. The maximum deductible amount was raised to €6,000 per year.
Decree Law 98/2011, converted into Law 111/2011 (Article 26)	This extended tax concessions for productivity bonuses to end-2012.
Law 92/2012 (Article 4, par. 28)	This made permanent the social security contribution relief on bonuses for results and productivity, even if this meant defining from year to year – on the basis of the available financial resources – the amount of earnings to which it would be possible to apply the concessions and its distribution among firm-level and local agreements. For 2012 the Ministerial Implementing Decree of 27 December confirmed the same measures established for 2011, in other words relief on bonuses equal to 2.25 per cent of the contractual earnings received by the employee and a distribution of 62.5 per cent of resources for firm-level bargaining and the remaining 37.5 per cent for local-level bargaining (the overall endowment amounted to €650 million).
Law 228/2012 – 2013 Stability Law (Article 1, pars. 481 and 482), enacted by Prime Ministerial Decree of 22 January 2013	This extended the tax concessions to 2014, but – using a more selective approach – limited their application to wages received based on quantitative indicators or in the presence of defined scenarios that potentiated the level or flexibility of labour utilization.

Table 4
The main instruments for contractual decentralization

Instruments envisaged by the system		Initiatives outside the system
"Traditional" second-level contracts (Inter-sectoral Agreement of 28 June 2011, transposed by the Consolidated Act on Representation of 10 January 2014)	**Local-level contracts (Article 8 of Decree Law 138/2011)**	**FIAT Agreements**
These could derogate from the provisions of law or NCLAs only if one of the two sources conferred a specific mandate to that effect. Benefited from tax benefits.	These were bound almost exclusively to compliance with the Constitution and the obligations stemming from EU law and international conventions: accordingly, they had a potentially much larger scope for derogations than the "traditional" second-level contracts and benefited from fiscal benefits.	Not bound by the industry-wide NCLAs.

Table 5
The portion of wages exceeding the mimimums defined in the NCLAs as a share of the total
(2002 – 2012)
(per cent)

Sector	Blue-collar	White-collar	Total	Observations
Total	9.5	12.4	10.5	30726
20-50 workers	9.2	11.6	9.7	12259
50-200 workers	9.8	13.6	11.4	11383
200+ workers	11.9	17.6	14.6	7084
Industry excl. construction	9.2	13.8	11.1	22650
Services	10.1	10.9	9.7	8076

Source: Based on Bank of Italy data from its Survey of Industrial and Service Firms.

Table 6
Factors determining wage increases subject to fiscal concessions in 2013
(per cent; respondents could select up to three options)

Quantitative indicators of productivity, profitability, quality, efficiency or innovation	92
Flexible working hours	32
Flexible holiday leave planning	9
Remote monitoring of workers' activity	2
Interchangeability of tasks	10
Observations	308

Source: Based on Bank of Italy data from its Business Outlook Survey of Industrial and Service Firms.

Table 7
Diffusion of supplementary firm-level bargaining in 2010
(per cent)

	Total	**Sector**		**Workers**			**Trade unions**	
		Industry excl. construction	**Services**	**20-50**	**50-200**	**200+**	**Yes**	**No**
Firm-level contract	21	24	18	13	35	55	25	3
Firm-level contract with organizational changes	2	1	2	1	3	7	2	0
Firm-level contract with participation in results	15	18	11	9	26	40	18	2
Observations	3510	2564	946	1338	1295	877	2991	519

Source: Based on Bank of Italy data from its Survey of Industrial and Service Firms.

Table 8
High performance human resources practices in 2010
(per cent)

	Total	Sector		Workers		Firm-level bargaining	
		Industry excl. construction	Services	50-200	200+	No	Yes
Teamwork	34	38	30	32	46	28	43
Variable pay for management	28	34	21	23	50	21	38
Involvement of lower levels in decision making	37	38	35	35	43	32	43
Observations	833	607	226	501	332	443	390

Source: Based on Bank of Italy data from its Survey of Industrial and Service Firms.

Table 9
Changes introduced in a sample of decentralized agreements, 2002 – 2009
(per cent)

Sector	**Mechanical engineering**	**Chemicals**	**Wholesale and retail trade**
Number of contracts (2002-2009)	**254**	**149**	**95**
Organizational aspects			
Organizational changes	4	6	12
New technologies	1	1	0
Staff management	6	7	12
Contractual working hours and its distribution	22	7	26
Overtime	7	4	7
Shiftwork	23	7	11
Night work	6	4	17
Weekly rest period	3	2	7
Holidays and leave permits	18	7	23
Legislation on flexibility and economic aspects	18	9	17
Economic aspects			
Basic salary	3	-	-
Seniority	2	1	1
Extra monthly wage	3	1	3
Allowances and productivity bonuses	20	8	20
Incentives (attendance, quality)	55	58	51

Source: Based on CNEL data, sample survey of decentralized bargaining in the private sector.

Table 10
Dissatisfaction over existing contractual arrangements
(per cent)

	Total	Sector		Workers			Firm-level bargaining		Obs.
		Industry excl. construction	Services	20-50	50-200	200+	No	Yes	
Dissatisfaction over contracts									
2011	33	33	32	31	34	41	30	44	1898
2012	30	29	30	27	34	45	-	-	2292
2013	30	30	30	27	36	46	-	-	2620
Willingness to use derogations ex. Art. 8									
2011	17	18	17	16	18	25	14	29	1898
2012	14	13	15	12	17	27	-	-	2292
2013	12	10	13	8	17	27	-	-	2620

Source: Based on Bank of Italy data from its Business Outlook Survey of Industrial and Service Firms (various years).

Table 11
Areas for further development of firm-level bargaining
(per cent)

	Total	Sector		Workers		Firm-level bargaining	
		Industry excl. construction	Services	50-200	200+	No	Yes
Flexible working hours for employment	65	57	72	63	75	65	67
Flexible working hours for wages	62	51	72	59	76	60	67
Flexibility of tasks for employment	55	48	64	54	67	55	60
Flexibility of tasks for wages	54	47	63	53	68	53	60
Lower wages for employment	47	42	52	47	49	50	45
Observations	817	228	569	471	326	440	357

Source: Based on Bank of Italy data from its Business Outlook Survey of Industrial and Service Firms (2011).

Table 12
Reasons for lack of interest in Article 8 – legal uncertainty
(per cent)

	Total	Sector		Workers			Firm-level bargaining		Observations
		Industry excl. construction	Services	20-50	50-200	200+	Yes	No	
2011	73	72	74	73	71	79	71	81	295
2012	79	80	79	82	73	78	-	-	384
2013*	87	85	88	87	86	89	-	-	479

Source: Based on Bank of Italy data from its Business Outlook Survey of Industrial and Service Firms (various years);
** The figures for 2013 are only partially comparable with the others owing to a modification of the question put to firms.*

Appendix

Table A1
Firms with 20 and more workers as percentage of the total (Survey of Industrial and Business Firms)
(per cent)

	Payroll work	Turnover	Investment
Industry excluding construction	71.1	81.3	81.2
of which: manufacturing	70.0	79.9	78.3
Non-financial private services	58.8	52.5	54.9

Table A2
Autocorrelations of the wage components

Number of delays	1	2	3	4
		All firms		
NCLA minimum wages	0.7811	0.7178	0.6764	0.6372
Wages outside minimum NCLA wages	0.7927	0.7097	0.6581	0.607
		Only firms with wages above the NCLA minimums		
NCLA standard wages	0.7665	0.6947	0.6549	0.6092
Wages outside NCLAs	0.734	0.6294	0.5722	0.5116

Table A3
Diffusion of firm-level negotiations
Linear probability model

Sector	Firm-level contract			Firm-level contract with organizational changes			Firm-level contract with participation in results		
	Total	Industry excl. construction	Services	Total	Industry excl. construction	Services	Total	Industry excl. construction	Services
Centre	-0.0410***	-0.00718	-0.0673**	-0.0382***	-0.0120	-0.0565**	-0.00454	0.00848	-0.0149
	(0.0156)	(0.0203)	(0.0267)	(0.0142)	(0.0189)	(0.0231)	(0.00593)	(0.00650)	(0.0119)
South	-0.175***	-0.167***	-0.188***	-0.138***	-0.141***	-0.140***	-0.0169***	-0.00852	-0.0274**
	(0.0166)	(0.0225)	(0.0273)	(0.0150)	(0.0209)	(0.0236)	(0.00629)	(0.00720)	(0.0122)
Services	0.0149			-0.0270			0.0173**		
	(0.0193)			(0.0175)			(0.00731)		
At least one third of turnover from exports	0.0358*	0.0277		0.00953	-0.00239		0.00220	0.00151	
	(0.0199)	(0.0185)		(0.0180)	(0.0172)		(0.00755)	(0.00592)	
No trade unions in the firm	-0.0111	-8.23e-05	-0.0194	-0.00249	-0.0105	0.00385	0.0102	0.00688	0.0152
	(0.0186)	(0.0259)	(0.0303)	(0.0169)	(0.0241)	(0.0262)	(0.00707)	(0.00830)	(0.0135)
Share of members in the trade union	0.00624***	0.00574***	0.00676***	0.00451***	0.00420***	0.00483***	0.00111***	0.000457***	0.00184***
	(0.000303)	(0.000377)	(0.000544)	(0.000275)	(0.000351)	(0.000472)	(0.000115)	(0.000121)	(0.000244)
Firm with 50-200 workers	0.159***	0.207***	0.106***	0.132***	0.188***	0.0710***	0.0143***	0.0194***	0.00805
	(0.0140)	(0.0173)	(0.0252)	(0.0127)	(0.0162)	(0.0218)	(0.00533)	(0.00556)	(0.0113)
Firms with more than 200 workers	0.314***	0.475***	0.164***	0.239***	0.413***	0.0756**	0.0427***	0.0619***	0.0226
	(0.0249)	(0.0324)	(0.0426)	(0.0226)	(0.0302)	(0.0369)	(0.00947)	(0.0104)	(0.0191)
Constant	0.0509**	0.0384*	0.0923***	0.0549***	0.0480**	0.0474**	-0.0180**	-0.00937	-0.00460
	(0.0212)	(0.0222)	(0.0236)	(0.0192)	(0.0207)	(0.0205)	(0.00804)	(0.00712)	(0.0106)
Observations	3,564	2,509	987	3,564	2,509	987	3,564	2,509	987

Linear probability models; the dependent binary variable is equal to one if the firm has a second-level contract and zero otherwise. Standard errors are in round brackets.
***Significant at 5 per cent. *Significant at 10 per cent.

Table A4
Management of high-performing individuals
Linear probability model

	Working groups	Variable bonus pay for managers	Little hierarchy
Firm level contract	0.113***	0.0718**	0.0594
	(0.0377)	(0.0354)	(0.0389)
Centre	0.0545	-0.0273	0.0365
	(0.0435)	(0.0411)	(0.0452)
South	-0.116**	-0.145***	-0.0842*
	(0.0478)	(0.0445)	(0.0492)
Services	-0.00436	-0.110*	-0.00572
	(0.0650)	(0.0607)	(0.0669)
At least one third of turnover from exports	0.0496	-0.0223	-0.00904
	(0.0657)	(0.0613)	(0.0676)
No trade unions in the firms	-0.0606	-0.175***	-0.201***
	(0.0581)	(0.0546)	(0.0601)
Share of members of trade unions	-0.00126	-0.00236***	-0.00182**
	(0.000841)	(0.000789)	(0.000870)
Firms with more than 200 workers	0.112***	0.230***	0.0677
	(0.0411)	(0.0385)	(0.0425)
Constant	0.278***	0.386***	0.432***
	(0.0693)	(0.0648)	(0.0714)
Observations	850	839	844

Linear probability models; in each column the dependent binary variable is equal to one if the firm adopts one of the managerial practices indicated, zero otherwise. Standard errors are in round brackets. *** Significant at 1 per cent ** Significant at 5 per cent * Significant at 10 per cent.

Table A5
Dissatisfaction over current contractual arrangements
Linear probability model

	Dissatisfaction			Willingness to use Article 8		
	Total	Industry excl. construction	Services	Total	Industry excl. construction	Services
Firm-level contract	0.0886***	0.0123	0.197***	0.125***	0.0578**	0.217***
	(0.0283)	(0.0317)	(0.0586)	(0.0214)	(0.0234)	(0.0454)
2011	0.00662	-0.0390	0.0517	-0.0491***	-0.0735***	-0.0253
	(0.0236)	(0.0293)	(0.0431)	(0.0178)	(0.0216)	(0.0334)
2012	0.00536	-0.0429	0.0539	-0.0752***	-0.106***	-0.0440
	(0.0235)	(0.0293)	(0.0428)	(0.0178)	(0.0216)	(0.0332)
Centre	-0.000595	-0.000845	0.00135	-0.00449	0.00669	-0.0122
	(0.0142)	(0.0178)	(0.0258)	(0.0108)	(0.0132)	(0.0200)
South	0.0155	0.0200	0.0119	0.000125	0.0155	-0.0127
	(0.0152)	(0.0198)	(0.0268)	(0.0115)	(0.0146)	(0.0208)
Services	0.0564***			0.0322**		
	(0.0180)			(0.0136)		
At least one third of turnover from exports	0.0667***	0.0666***		0.0168	0.0201	
	(0.0187)	(0.0166)		(0.0141)	(0.0123)	
No trade unions in the firm	-0.0702**	-0.0125	-0.103*	-0.00390	0.0272	-0.0140
	(0.0318)	(0.0424)	(0.0554)	(0.0240)	(0.0313)	(0.0429)
Share of members in the trade union	0.000618	0.00102	0.000320	0.000389	0.000477	0.000317
	(0.000537)	(0.000642)	(0.00102)	(0.000406)	(0.000474)	(0.000793)
Firm with 50-200 workers	0.0547***	0.0806***	0.0274	0.0455***	0.0582***	0.0344*
	(0.0131)	(0.0155)	(0.0251)	(0.00990)	(0.0114)	(0.0195)
Firms with more than 200 workers	0.140***	0.169***	0.118***	0.128***	0.173***	0.0922***
	(0.0241)	(0.0303)	(0.0434)	(0.0182)	(0.0223)	(0.0336)
Constant	0.238***	0.223***	0.306***	0.0914***	0.0942***	0.115***
	(0.0268)	(0.0296)	(0.0405)	(0.0202)	(0.0218)	(0.0314)
Observations	6,900	4,793	1,939	6,900	4,793	1,939

Linear probability models; in each column the dependent binary variable is equal to one if the firm is in the situation indicated and zero otherwise. Standard errors are in round brackets. *** Significant at 1 per cent ** Significant at 5 per cent * Significant at 10 per cent.

Table A6
Growth areas for firm-level bargaining
Linear probability model

	Flex. hours for employment	Flex. hours for higher wages	Flex. tasks for employment	Flex. tasks for higher wages	Lower minimum wages for employment
Firm-level contract	-0.0899**	-0.0575	-0.0430	-0.0161	-0.0941**
	(0.0366)	(0.0362)	(0.0382)	(0.0381)	(0.0393)
Centre	0.0184	0.0783*	-0.0135	0.00938	0.105**
	(0.0429)	(0.0423)	(0.0447)	(0.0447)	(0.0463)
South	-0.0651	-0.0665	-0.0398	-0.0698	0.0685
	(0.0516)	(0.0511)	(0.0540)	(0.0538)	(0.0555)
Services	-0.0806	-0.101	-0.0447	-0.0763	0.0203
	(0.0640)	(0.0632)	(0.0673)	(0.0671)	(0.0690)
At least one third of turnover from exports	0.0791	0.0965	0.121*	0.0618	0.158**
	(0.0648)	(0.0640)	(0.0681)	(0.0679)	(0.0699)
No trade unions in the firm	-0.0574	-0.201***	-0.222***	-0.195***	-0.173**
	(0.0644)	(0.0635)	(0.0671)	(0.0669)	(0.0706)
Share of members in the trade union	0.00221***	0.00164**	0.000398	-0.000221	0.000193
	(0.000792)	(0.000784)	(0.000827)	(0.000826)	(0.000851)
Firm with more than 200 workers	0.129***	0.149***	0.127***	0.145***	0.0354
	(0.0408)	(0.0403)	(0.0426)	(0.0425)	(0.0439)
Constant	0.604***	0.570***	0.541***	0.561***	0.398***
	(0.0707)	(0.0698)	(0.0743)	(0.0741)	(0.0764)
Observations	805	802	803	801	795

Linear probability models; in each column the dependent binary variable is equal to one if the firm would be willing to make the trade-off indicated and zero otherwise. Standard errors are in round brackets. *** Significant at 1 per cent ** Significant at 5 per cent * Significant at 10 per cent.