

COLLECTIVE BARGAINING AND WAGE-SETTING IN ITALY

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Presentazione n. **17/2011**

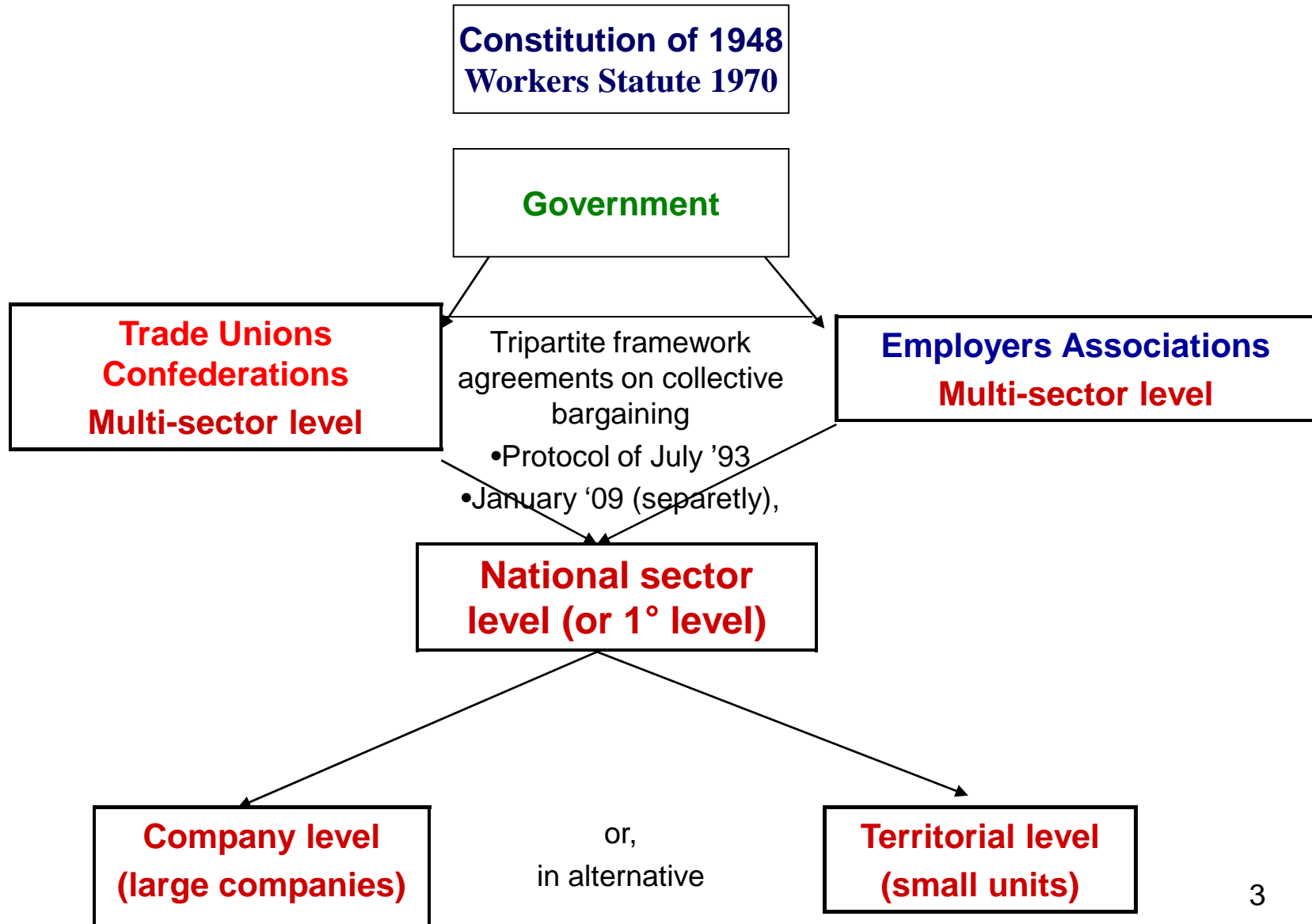
FAFO, Oslo 23-25 giugno 2011

The Italian system of industrial relations

Characteristics:

- high level of voluntarism and 'abstention of law'
- comparatively medium-high level of union (33%) and employers' density
- extensive level of collective bargaining coverage (~80%), without administrative/public procedures of binding extension of the effects
- good propensity for social dialogue, in the last 20 years, witnessed by an intense activity in terms of multi-sector bipartite agreements and tripartite concertation and social pacts,
- a traditionally strong capacity for workers mobilisation in industrial actions, strikes and demonstration.

The Italian system of collective bargaining



The 2° level of collective bargaining coverage 2000-08

It is not compulsory. It has been declining – instead of increasing – during the last decade: **-10%**

It covers:

50%, approx, of the wage earners

30%, approx, of the undertakings, normally medium-large in manufacturing sectors

- 4% of those in the South of the country
- 4-6% of those below 20 employees

In the medium-large enterprises > 50 employees

There're union reps, productivity and wages are higher

- added values per employee € 53,440 per annum.
- gross earnings = **€ 24,690**

In the small enterprises < 20 employees

There are not union reps, productivity and wages are remarkably lower.

- added value per employee € 28.770 per annum
- gross earnings = **€ 16.510**

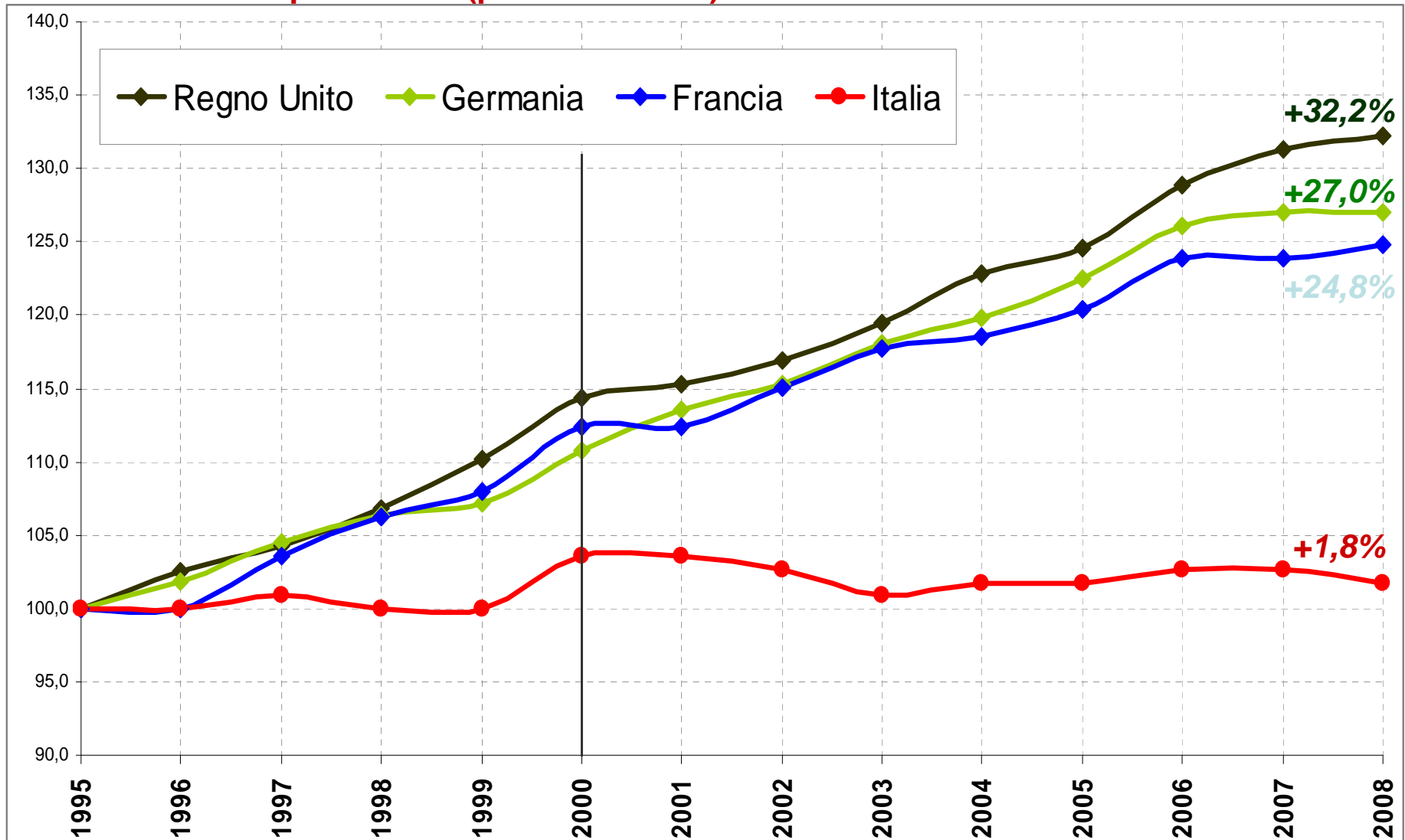
Real GDP: the fall

	1971-1980	1981-1990	1991-2000	2000-2007	2008-2012
Francia	3,7	2,4	2,0	2,1	2,8
Germania	2,9	2,3	2,1	1,5	4,2
Italia	3,8	2,4	1,6	1,5	-2,5
Regno Unito	3,3	2,8	2,5	2,7	0,4
Spagna	3,6	3,0	2,9	3,6	-0,3
UE-27	3,1	2,3	2,3	2,6	0,9
USA	4,5	3,3	3,4	2,6	5,4
Cina	n.d.	9,3	10,5	10,5	48,3

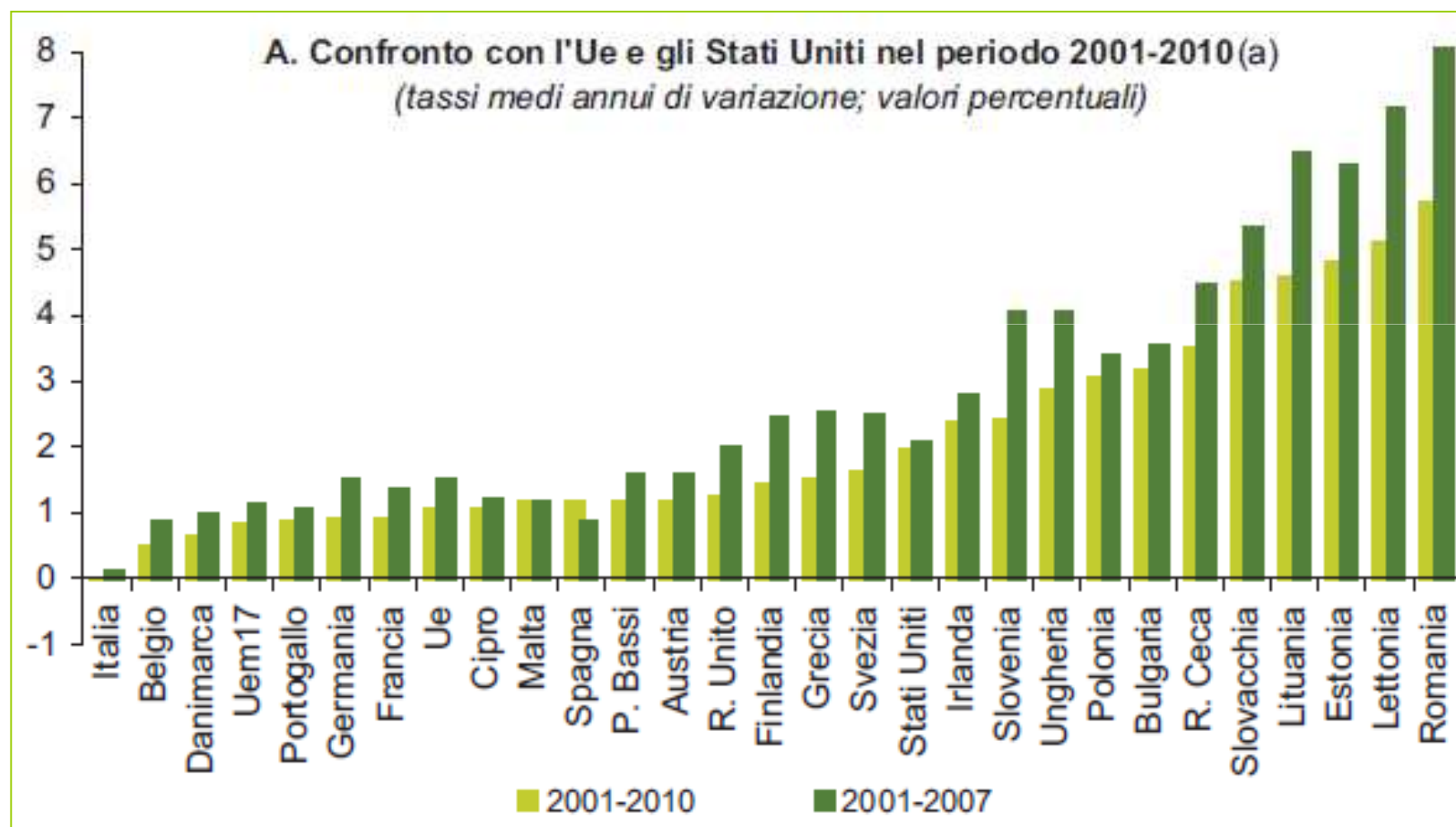
Productivity

Real added value per worker (private sectors)

1995=100



Comparing productivity 2001-1010

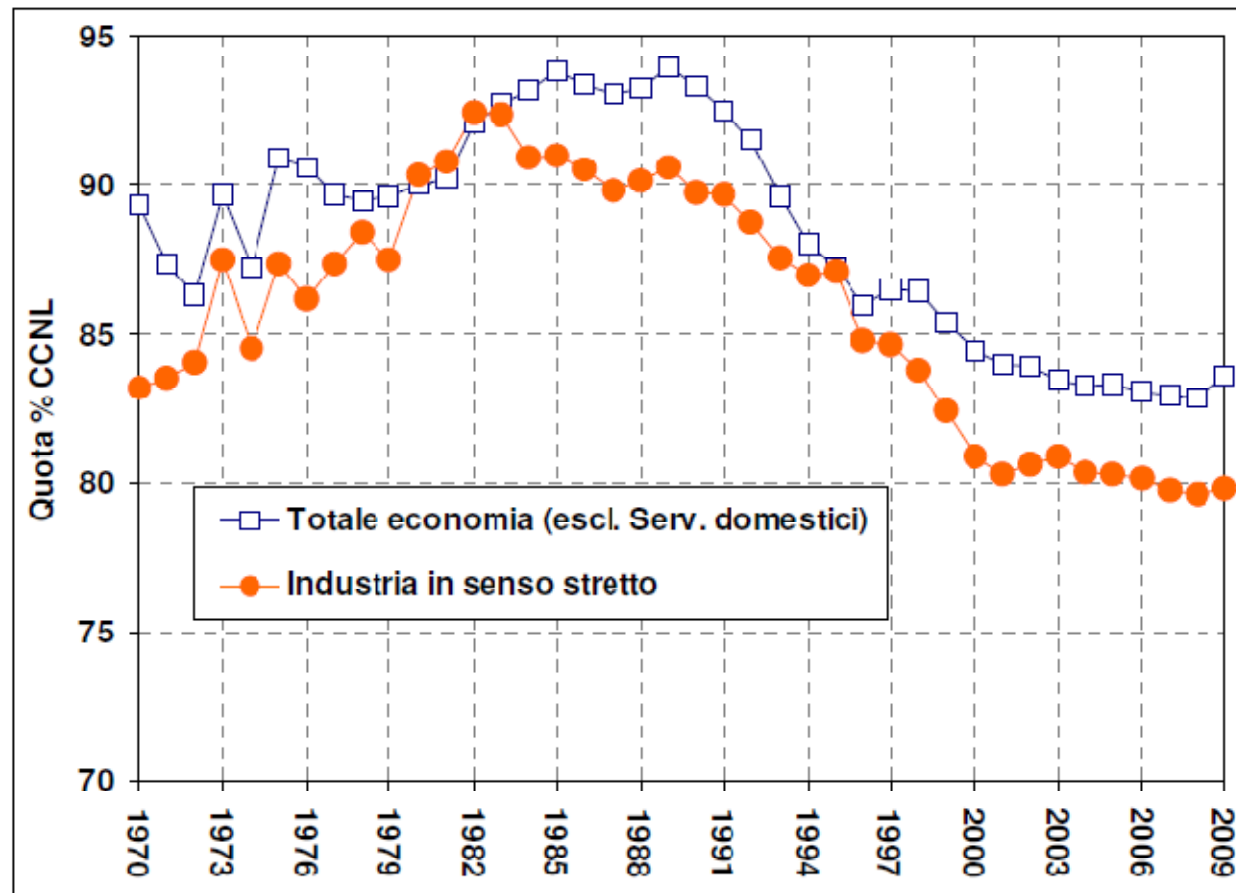


Wages institutions

- **The minimum wage is not fixed by law, but through collective bargaining**
- In place of the concept of "minimum" wage, it has been preferred the concept of "**fair**" **pay**, based on the combined effect of the "**sufficiency**" and "**proportionality**" **principles**, as they are enounced in the Constitution of 1948 (article 36)
- A "fair pay", proportional and sufficient to a "dignified existence for the workers and his/her family", is assumed by the unions and by the courts beyond the concept of a mere subsistence "minimum".
- Trade unions consider the wage items as their own fieldwork and are quite against any perspective of ruling minimum wages by law
- Scholars of different orientation are instead in favour of it, since too many workers, atypical and irregular, are excluded anyway
- Scholars and sectors of unions (metal CGIL) are instead for some kind of "basic income" of citizenship

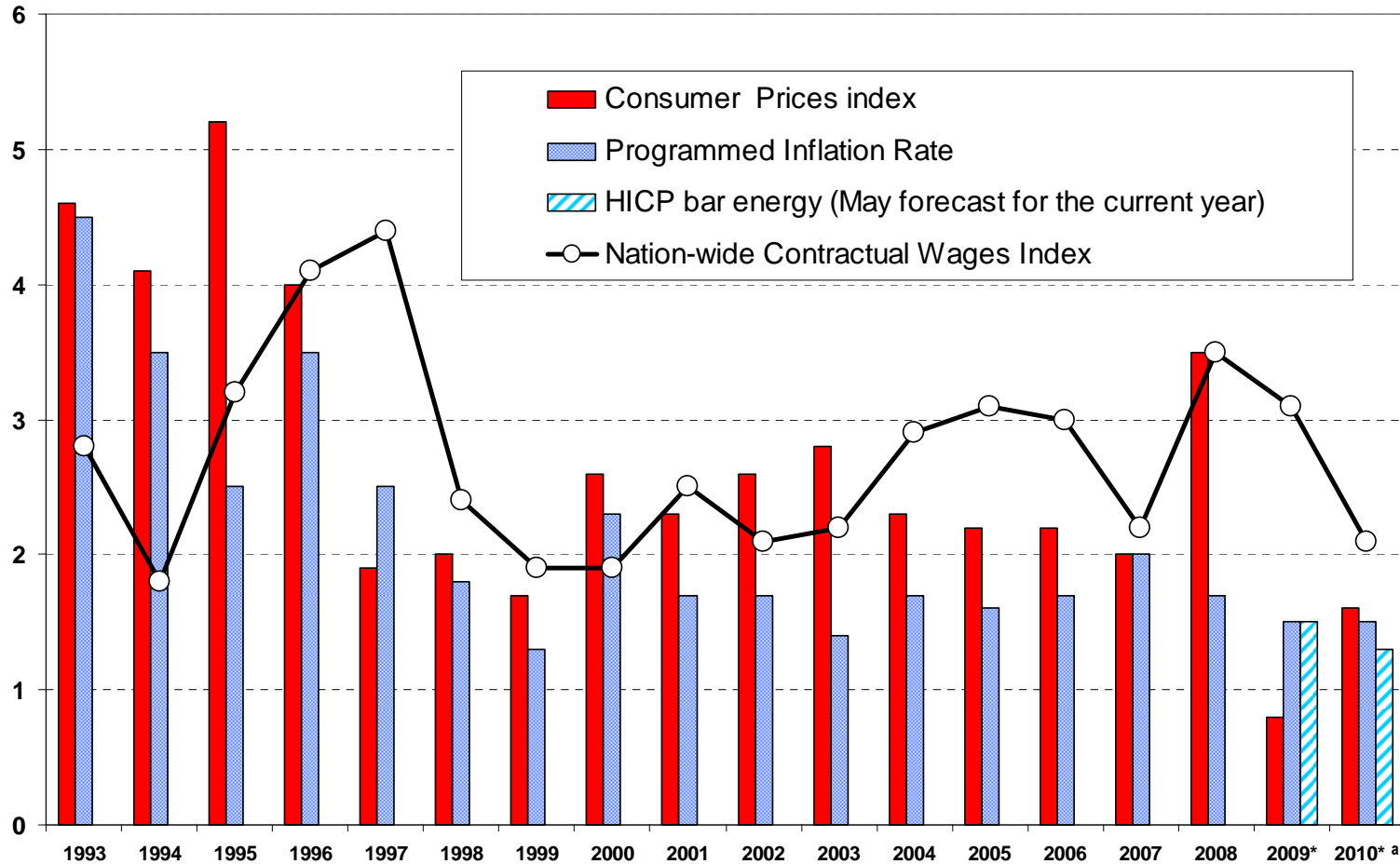
Wage-gap: (national) contractual wage share on total earning 1970-2009

Figura 26. Italia. Quota % della retribuzione del CCNL sulla retribuzione di fatto. Anni 1970-2009



elaborazioni IRES su dati ISTAT (Indagine sulle retribuzioni contrattuali; Conti economici nazionali, agosto 2010).

Nation-wide Contractual Wages Index and Inflation: annual percentage rates 1993-2010



Source: IRES calculations on ISTAT and MEF data.

Wages dynamic in the last decade

2001-2004:

Decline in nominal contractual wages and in nominal gross earnings, because:

- a) planned inflation rate fixed by the government well beyond the real one;
- b) big delays in renewals

2004-2007:

Stability of contractual wages, gross earnings and inflation rate of growth, until at least 2006. In 2007 sharp decline of the contractual wages and gross earnings' rate of growth, due to the delayed renewal of 37 sectoral agreements

2008-2010:

- a) Increase in contractual wages and gross earnings' rate of growth, probably due to:
 - the sudden fall in the inflation rate
 - the timeliness with which some of the 35 contractual closed renewals
 - the statistical exclusion either of workers in lay off and low paid atypical workers now dismissed.

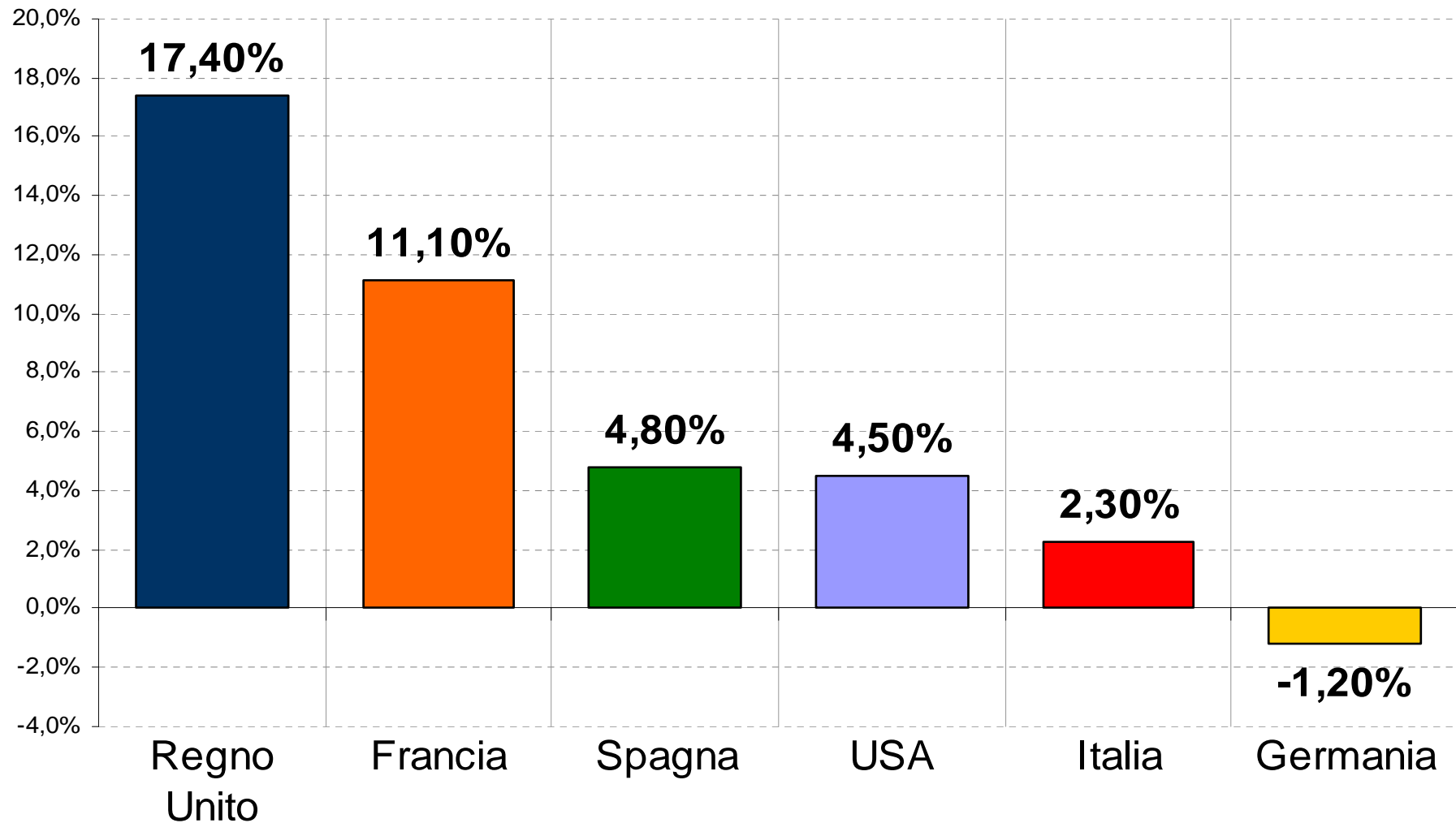
- b) Drastic fall of monetary gross earnings' rate of growth, following the reduction of overtime and the impact of recession on variable premiums, individual and collective

2010-2011

Slowdown in contractual wages' dynamic and worsening overall earnings

Gross wage dynamics: (parity power purchasing) 2000-2008

(settore privato, var. % e euro 2008 – Parità di Potere d'acquisto)



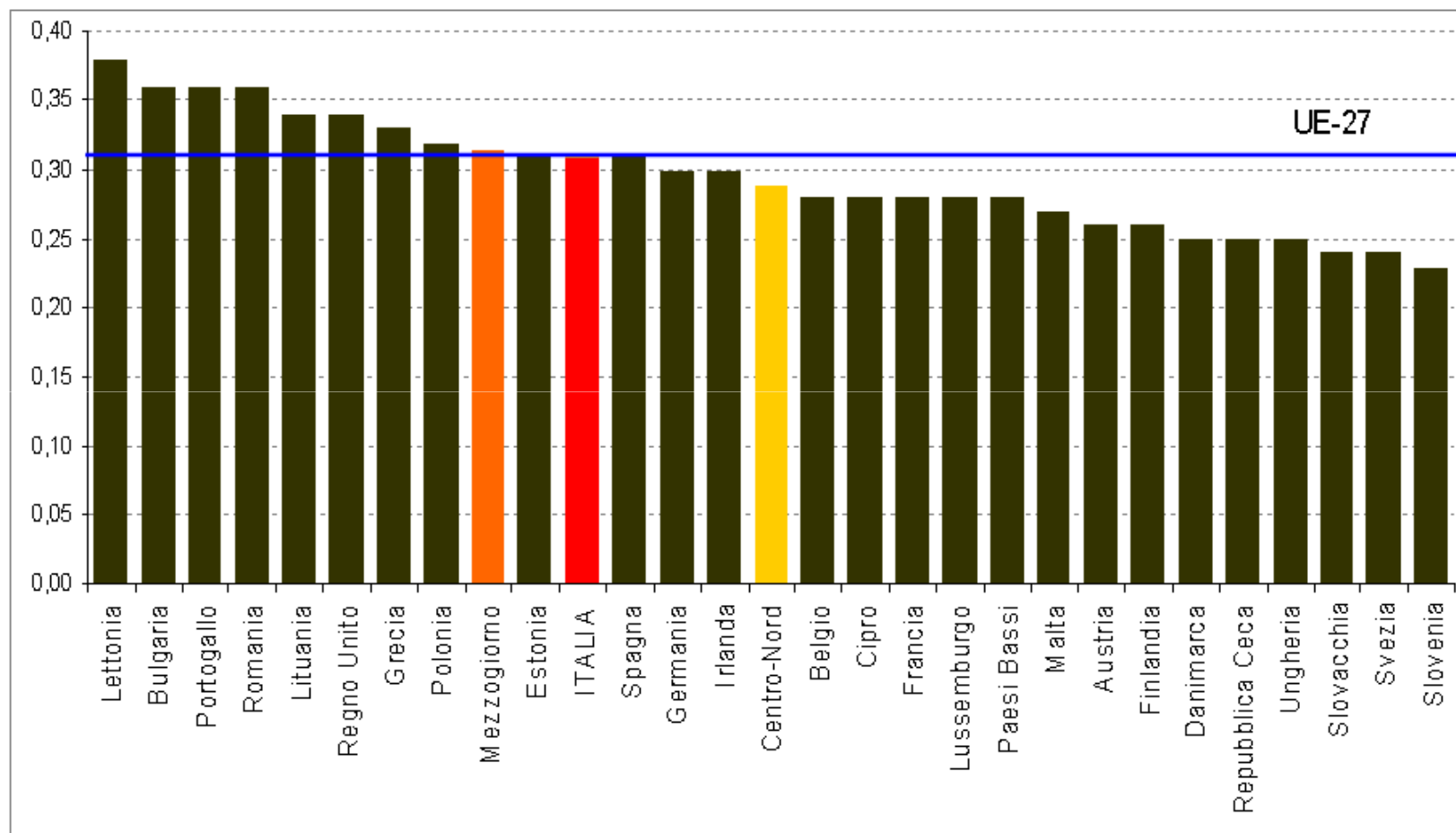
Cost of labor, gross and net salaries, social contribution, taxes on wages

Country	Tax Wedge Totale (2)	Taxation on the salaries	Social contribution				
			Employee	Employer	Labor cost (unit)	Gross salaries	Net salaries
Korea	19.7	3.8	6.9	8.9	35318	32163	28375
Luxembourg	34.0	12.7	10.9	10.3	41840	37511	27621
United Kingdom	32.5	14.6	8.3	9.6	40466	36577	27324
Norway	37.4	19.1	6.9	11.3	42614	37779	26697
Switzerland	29.3	9.4	10.0	10.0	36877	33208	26061
Netherlands	38.0	15.1	13.8	9.1	40498	36805	25116
Japan	29.2	7.0	10.8	11.4	34262	30346	24250
Australia	26.7	20.7	0.0	6.0	33019	31032	24193
Ireland	28.6	12.9	6.0	9.7	33715	30443	24079
United States	29.4	13.4	7.0	9.0	31439	28623	22209
Austria	44.7	12.1	14.8	17.8	39137	32177	21640
Sweden	43.2	13.9	5.3	23.9	35956	27359	20435
Canada	30.8	13.9	6.5	10.3	29232	26209	20235
Germany	50.9	17.3	17.3	16.3	41015	34329	20143
Finland	42.4	18.6	5.1	18.7	34905	28378	20102
Denmark	39.4	29.1	10.3	0.0	31860	31860	19316
France	49.2	9.9	9.6	29.7	36797	25859	18687
Spain	38.2	10.3	4.9	23.0	29668	22839	18345
Belgium	55.2	21.1	10.7	23.3	40734	31228	18264
Greece (5)	41.5	7.1	12.5	21.9	31211	24372	18262
New Zealand	18.4	18.4	0.0	0.0	21598	21598	17619
Iceland	28.3	22.3	0.2	5.8	23921	22531	17155
Italy	46.5	15.0	7.2	24.3	29173	22088	15610
Portugal	37.2	9.1	8.9	19.2	22111	17867	13886
Czech Republic	41.9	8.3	8.2	25.4	18312	13666	10634
Turkey	37.5	10.5	12.9	14.2	15931	13674	9953
Poland	34.0	5.6	15.5	12.9	14798	12893	9766
Slovak Republic	37.6	6.3	10.6	20.8	14683	11635	9156
Hungary	53.4	15.9	12.8	24.6	17398	13110	8108
Mexico	15.3	3.5	1.2	10.5	8144	7288	6901

Wage disparity

Typology of wage earner	Net average monthly salary	Var.
<i>Male standard employee</i>	1.260 euro	
<i>Female employee</i>	1.109 euro	-12,0%
<i>Employee in a small enterprise (1-19 add.)</i>	1.031 euro	-18,2%
<i>Employee in a Southern region</i>	1.008 euro	-20,0%
<i>Migrant worker (extra-UE)</i>	949 euro	-24,7%
<i>Fixed-term contract employee</i>	929 euro	-26,2%
<i>Young worker (15-34 y.o.)</i>	920 euro	-27,0%
<i>Worker on collaboration project</i>	841 euro	-33,3%

Income concentration and inequalities

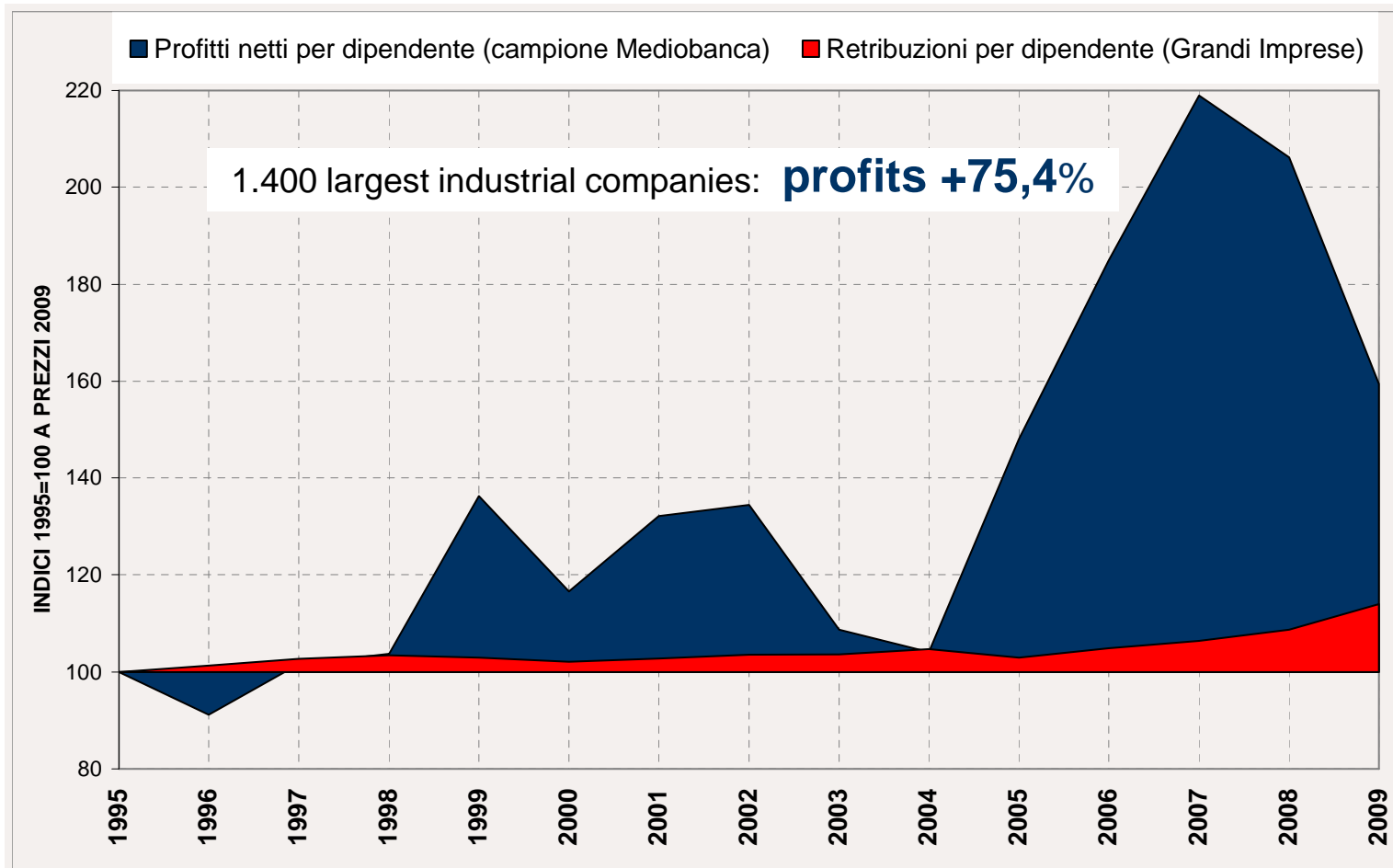


Wage share as labour income of national income: 1995-2008 (in %)

BG	-28.21	BE	-4.83
PL	-14.71	EU27	-4.18
AT	-13.17	IT	-4.01
IE	-13.13	EU15	-3.88
EE	-12.89	GR	-3.84
SI	-12.34	MT	-2.66
ES	-9.86	FR	-1.69
LU	-8.49	PT	-1.20
DE	-8.41	CY	-0.80
SK	-8.32	DK	-0.73
LV	-7.44	UK	1.62
NL	-6.64	SE	2.72
Euro 13	-6.36	CZ	3.33
FI	-6.06	LT	5.02
HU	-5.51	RO	5.11



..and profits have grown up!



The framework agreement of reform of the collective bargaining system 2009: the main novelties

Signatory parties: the largest trade unions confederation, CGIL, didn't agree and sign it

1) First level of collective bargaining

Duration: 3 years, incorporating and uniting either the normative and economic parts (before it was 4 years for the former and 2 for the latter)

Salary:

- a) a new method for calculating:
 - a new indicator “European Harmonised Consumer Prices Index” (HCPI) calculated by a third institutional party (ISAE) replaces the old “Planned Inflation Rate”
 - the purchasing power will be not programmatically full, since the new indicator excludes the imported energy costs

- b) an unprecedented role is attributed to inter-confederal level, through a bipartite Joint Committee with the task of resolving disputes about the “meaningfulness” of the gap between the new indicator of consumer prices and the real ones (*centralisation*)

2) Second level of collective bargaining

To enhance a *decentralisation* through:

- a) ‘exit clauses’ from sectoral collective agreements at company level, within a set of limits fixed by the former
- b) incentivation through fiscal and social contributions reductions on the variable wage
- c) “element of wage guarantee”, fixed by the sectoral agreements, for the small firms short of decentralised collective agreements

The separate framework agreement two years after: a critical appraisal

- 86 sectoral agreements on 89 have been renewed jointly by all the unions, but some a few but pivotal ones were signed separately, without CGIL's federations (metal, school, trade): over 7 million workers are in such a situation
- The new contractual system has not achieved its objectives of productivity growth
- Decentralized bargaining has not taken off
- The workers representative councils at the workplace level do not face any particular expansion
- Separate contracts and agreements exacerbate tensions and breaks among unions, fostering a general climate of uncertainty, conflict and legal disputes
- Still not achieved a sufficiently reliable, effective and democratic frame of shared rules