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The collective bargaining of flexicurity: A case for sector-level analysis?

The Italian chemical and metalworking sectors compared

Abstract

While employment relations in Europe have long been seen as a factor of rigidity, limiting managerial discretion and adaptability, in the last thirty years they have witnessed a trend towards decentralisation of collective bargaining and negotiations increasingly centred on flexibility-security trade-offs between employers and employees. Research on the contribution of collective bargaining to the so-called flexicurity has mostly focused on national-level institutional arrangements. In this article, we contend that meso-level differences need to feature more prominently in the debate. Our comparison of two sectors in the same country (chemicals and metalworking in Italy) shows that decentralisation has divergent effects on flexicurity issues depending in particular on differences in market structures and on depth of bargaining. The interplay between these two factors affects what we refer to as procedural security, which we view as important in ensuring sustainable trade-offs between flexibility and security.

Keywords: *flexicurity, collective bargaining, employee relations, joint regulation*

1. Introduction

Research into work and employment has increasingly explored the interplay between macro-level dynamics and organisational practices. For example, recent studies of national systems have sought to explore the extent to which organisational practices are shaped by national-level institutions (Doellgast and Marsden, 2019; Goyer et al., 2016; Björkman et al., 2007). Similarly, critical human resource management (HRM) studies have become increasingly sensitive to the influence of national context and institutions on the approach firms take to human resource management (Kaufman, 2015; Cooke, 2018).

Notwithstanding the recognition in extant research of the influence of institutional effects on organisation level HRM practices, there is a tendency in HRM and broader employment relations (ER) studies to overlook that the effects of national institutions are significantly mediated by meso-level ones. 'Meso-level' refers to the level between the national and organisational one. Sectoral dynamics, in particular, are an important source of institutional variation with effects on the governance of work and employment within organisations. In this article, we focus on the influence of sector-specific factors on collective bargaining (CB) over flexibility and security trade-offs and the manner in which this, in turn, exerts pressures on the organisational level.

Being situated in an intermediate position between the prevalent modes of labour market governance, sector-level CB represents a significant, albeit overlooked, policy arena within which flexibility and security balances can emerge. In multi-employer bargaining systems, it is the sector agreements that set guidelines and create incentives towards economic and social targets which companies then translate into various work practices, including training, flexible contracts, personnel rotation and pay-systems (Pulignano et al., 2016). Institutions at sector level are still predominant in most Western Europe. In the UK, such institutions have largely eroded in favour of company or individual negotiation. However, sector-level CB has been recently rediscovered by the

opposition Labour Party as something to restore, exactly in order to balance flexibility *and* security¹. Despite its traditional neoliberal views, even the OECD has recognised in its latest Employment Outlook the positive effect of sector CB in reducing inequalities (OECD, 2018). While prior research has demonstrated how different *national* systems of CB have dealt with flexicurity, little is known about *sector* differences in the capacity of CB to address flexibility and security and to affect the resources available at the company level to deal with uncertainty. Therefore, we make a unique contribution by providing a meso-level analysis that explores structural and institutional variations in key sectors (chemical and metalworking) and the impact these have on the bargaining agenda in Italy.

More rapidly changing markets and technological conditions since the decline of ‘Fordism’, have resulted in a need for employers to increase flexibility in labour use while simultaneously ensuring the requisite workforce commitment and loyalty to enhance technological innovation and ensure product quality. However, for employees, this has the potential to increase uncertainty and the risk of unemployment and poverty (Pulignano et al., 2016). As such, inspired by national welfare models in countries such as Denmark, the flexicurity concept has emerged at European level as a flagship employment policy to address such tension. Flexicurity is based on the notion that it is possible to promote organisational labour flexibility, while simultaneously providing employment (and financial) security via active labour market policies and national social security systems (which provide compensatory safety nets for the unemployed) (Wilthagen and Tros, 2004). Thus far, research has highlighted that most (national) experiences have increased flexibility at the cost of security (Meardi, 2011; Heyes, 2011). However, these studies risk masking the possibility of considerable within-country variation. In this article, we contribute to theorising the impact of meso-level institutions such as sector CB on organisational practices, by analysing the flexicurity agendas of chemicals and metalworking. This is important given the varying capacity of firms in different industries to deal with economic uncertainties.

¹ Labour Manifesto, ‘Fair deal at Work’, point 4 (<https://labour.org.uk/manifesto/fair-deal-work/#first>)

Flexicurity is, in theory, a typical mutual gain, positive-sum area on which CB can make a positive contribution (Ibsen and Møllgaard, 2011; Paolucci, 2017; Hayter, 2011; Eurofound, 2015). For example, while negotiating, unions may accept the removal of job demarcation in order to gain functional flexibility and protect jobs. In return, employers may strengthen their commitment to training and education to provide greater employment security.

However, in their exploration of the metalworking sector in six European countries, Marginson and Galetto (2016) found that recent trends towards further CB decentralisation have had significant effects on the content of collective agreements (CA). In particular, where decentralisation is *delegated* through the use of “opening clauses” (i.e. the sector identifies specific limits within which firms can negotiate), the substantive scope to negotiate flexibility and security tends to be more restricted. In contrast, where decentralisation is *demarcated* (i.e. sector CB devolves specific competences to firm-level bargaining), the substantive scope for flexibility and security tends to be wide. If similar differences exist between sectors within a given country, this highlights the possibility for considerable within-country variation in the potential for CB to deliver flexicurity, which national-level cross-country analyses might fail to identify. Therefore, this study aims to develop a more nuanced understanding of the role of sector-level institutions in accounting for differences in flexicurity outcomes in different sectors within the same country.

Our study, as mentioned above, compares the content of CAs in two different manufacturing sectors (chemical and metalworking) in a single country (Italy). Crucially, Italy’s multi-employer bargaining system has been defined as one of ‘flexible rigidity’; providing flexibility at the company level while continuing to offer security via sector-wide collective agreements (Marginson and Sisson, 2006). Our analysis of sector-level collective bargaining is informed by the interaction between structural and institutional factors. First, structural characteristics of the sectors, such as skills, technology, the nature of capital, and company size, are found to shape the substantive agenda of sector-level agreements, leading to what we term *embedded flexicurity*. Second, the

differential presence of shop-stewards at the company-level, which affects what Clegg (1976) referred to as depth of bargaining, is found to affect what we term *procedural security*, i.e. a shared understanding of and compliance to the rules governing the relationship between social partners across bargaining levels.

The ensuing section develops two propositions regarding within-country, cross-sector variations. We then apply these to the case studies (section 4). Section 3 describes our methods and 5 presents the empirical investigations of our propositions. The paper's final section offers discussion of our findings and concluding remarks.

2. Same challenges, different sectors: CB paths to flexicurity

2.1 The bargaining agenda

Though national institutions have been shaken by converging international pressures towards deregulation, differences in *structural conditions*—technology, cost of capital, level of skills and market barriers—produce cross-sector divergence in the operation of capitalist forms of production and consequently in the substantive agenda of CB.

Research shows how the greater the vulnerability of capital to workers' direct action, the more employers feel compelled to accommodate workers' demands (Silver, 2003). This means that structural conditions affect the extent to which working conditions can be regulated through CB. With increasing market volatility, the focus of CB shifted from productivity to firms' competitiveness, leading to agreements aimed at meeting both economic (short-term) and social (long-term) objectives (Léonard, 2001). CB has progressively engaged with items ranging from the liberalisation of working-hours, non-standard employment contracts, part-time work, functional mobility of employees and performance-related pay to the recognition of social benefits, lifelong learning and skills development (Eurofound, 2015). Thus, the extent to which employers use multi-employer

bargaining to handle economic pressures has become crucial in shaping the scope of sector-level agreement which can be either ‘complete’— when encompassing a wide range of topics—or ‘incomplete’—when only a few topics remain the object of CB (Marginson and Sisson, 2006: 181). This has important consequences for companies. First, the scope of sector CAs affects the degree to which company-level managers and employees are constrained by higher-level standards. Secondly, the potential transferability of firms’ policies largely depends on sector-level institutions (Paauwe and Boselie, 2003).

Drawing on this body of work for our flexibility-security analysis, we therefore expect that in sectors with volatile product demand and labour-intensive context, characterised by low skills and technology requirements, employers have a high need for flexibility. In such sectors, employment security is more expensive and therefore more contested, and the scope of CA will tend to be ‘incomplete’. By contrast, in sectors with less volatile product demand and capital-intensive context, characterised by high skills and technology requirements, there is more scope for sector-level agreements to cover flexibility as well as security-enhancing measures in a ‘complete’ way.

In other words, *structural sector characteristics, such as demand and capital-labour composition, will affect the trade-offs between flexibility and security of the sectoral CB agenda* (Proposition A).

2.2 To delegate or *not* to delegate? Sector-company relations

Scholars demonstrated that sector-specific structural characteristics have had a further key role: by developing incentives for collaboration between unions and employers, they contributed to the establishment of well-functioning second-tier bargaining. Marginson and Sisson (2006) argued that in largely internationalised markets, intensive in capital and skills, employers were generally more

inclined to legitimise the presence of shop-stewards at the workplace as, by engaging in collective negotiations, they could acquire ways to respond quickly to changing and competitive environments.

Despite a tendency in employee relations (ER) literature to portray employers as a monolith, either driven by a logic of cost minimisation or passive ‘institutions takers’, evidence suggests that their interests are actually heterogeneous and can cut across territorial, as well as functional and business boundaries (Sheldon et al., 2019; Ibsen and Navrbjerg, 2019; Behrens and Helfen, 2019). In industries dominated by organisations with similar operating models (because, for example, they are all largely internationalised, well-established in their niche global market, intensive both in capital and skills), employers have historically avoided disruptions at the workplace and oriented their relationship with unions towards securing consensus (Silver, 2003). The resources available to sectors with a large number of multinationals have given enormous advantages to employers in dealing with workplace-based employee representatives. In contrast in more diversified sectors featuring small and large businesses (domestic and foreign-based), where both wage share and international competition are high (e.g. metalworking), employers have been generally less preoccupied with containing conflict and with fostering collaborative relationship on the shop-floor. Here, fewer resources available to invest in social dialogue as well as on employee development have reduced possibilities for win-win compromises (Pulignano et al., 2016) or mutuality in employment relationships (Boxall, 2013).

By shaping a *force field* (Baccaro and Howell, 2017) within which different types of employers and employees set the terms of their (collaborative/adversarial) relationship, structural characteristics have historically opened (or not) the possibility for unions to strengthen their presence in firms, thereby conditioning the centrality accorded to the company level in multi-employer bargaining systems (Iversen, 1996). This *micro-macro linkage* between market conditions and institutional factors is reflected in the *depth of CB* (Clegg, 1976), namely, the capacity of sector-level unions to impose constraints on employers by coordinating their actions with workplace-level representatives.

We argue that in the process of labour market liberalisation and CB decentralisation that has affected Western European countries, including Italy (Colombo and Regalia, 2016), sector differences are becoming increasingly important for the scope of CB. Within two-tier bargaining systems, in sectors characterised by widespread presence of workplace-level representatives, social partners will trust the capacity of company-level actors to find workable compromises and, through *programmatic* broad agreements, will steer—rather than control— their agenda items. In contrast, in sectors characterised by a low depth of bargaining, the limited capacity of the company social partners to negotiate suggests that the sector may be accorded higher regulatory functions, i.e. the sector agreement will be increasingly *prescriptive* in what to negotiate at the lower level. Put differently, *the depth of CB will affect the nature of coordination between sector and company-level bargaining and therefore the confidence in manageability of flexibility at lower levels (Proposition B).*

3. Methodology

Scholars have warned against ‘methodological nationalism’ and suggested that comparative research moves beyond ‘national models’, which imply coherence and homogeneity, to explore differences across sectors (Bechter et al., 2012). Our contextualised comparison (Mahoney, 2007; Cooke, 2018) is therefore based on a qualitative, in-depth comparative analysis of sector CB in the chemical and metalworking industries in Italy.

Despite belonging to the overarching umbrella of manufacturing, the nature of the selected industries differs noticeably in terms of skills, technologies, and product market. The focus on sectors likely to display distinctive demands for flexibility and security provided meaningful insights into the evolution of traditionally homogeneous national CB institutions. With its multi-employer system, Italy exemplifies a case of relatively well-governed CB arrangements and ‘organised decentralisation’ (Crouch and Traxler, 1995) where decision making is organised between sector -

establishing minimum levels of key working conditions - and company – engaging in organisation-specific needs. Like other EU countries, Italy has recently undergone significant reforms of the national, inter-sector framework of ER (in 2009 and in 2011 – details below) which, while maintaining the two levels of CB, has given greater discretion to the company-level, calling into question the sector-level capacity to coordinate and address flexibility and security.

To assess the impact of these reforms on the flexicurity CB agenda, we carried out a content analysis of all sector-level agreements in the Italian chemical and metalworking sectors over the past two decades (from 1998 for chemicals, 1999 for metalworking, to those most recently signed at the time of the research, 2015 for chemicals and 2016 for metalworking). These were coded according to their contribution to the dimensions of *flexibility* and *security*. Given that CAs were signed in different years for the two sectors and have varying duration (four years until 2009 and then three years), they were grouped into five-year blocks to facilitate the comparison (Table 3). Our research then draws on 30 semi-structured interviews undertaken between 2010 and early 2017 with sector-level employers' associations and trade unions officials, as well as with experts of relevant research centres. This was complemented by a close analysis of relevant reports and publications, press releases, specialised websites and journals.

The operationalisation of the content analysis was based on the four forms of flexibility (external, working time, functional, and wage) and the four types of security (job, employment, income and combination) designed by Wilthagen and Tros (2004: 171), summarised in Table 1 and most commonly found in the flexicurity literature. The content of collective agreements was classified in relation to their capacity to address internal (working-time, wage, and functional) and external (hiring and firing employees and use of non-standard contracts) forms of flexibility, as well as different forms of security—job protection, provisions to ensure employability, stability and continuity of income and 'combination' security, which refers to the security enjoyed by a worker who is able to *combine* work with other private responsibilities or commitments. As in previous

studies, through negotiations in these categories, the social partners generate multiple flexicurity outcomes. To give an example, CB on training could boost functional flexibility for employers while increasing the value of employees in the labour market, providing them greater employment security; or social benefits and entitlements could improve security for employees in exchange for different forms of flexibility, i.e. wage or working-time flexibility.

[Table 1 – here]

In the next section we review how the latest developments of the Italian ER system reshaped the role of sector-level bargaining. Then, we introduce the sector-specific characteristics – structural and institutional – which are expected to affect the capacity of sectoral bargaining to address flexibility and security in the two strategic industries of metalworking and chemicals.

4. Our cases: chemicals and metalworking compared

In line with a trend common in most European countries, increased market competitiveness in Italy led to the reconfiguration of bargaining towards greater decentralisation from sector to company-level bargaining. In 2009, a new ‘Framework Agreement for the Reform of the Collective Bargaining System’ (FARCB) was signed by the union confederations—Cisl and Uil (although not by the largest, Cgil)—and Confindustria, the largest employers’ organisation. The inter-sector agreement recognised *opt-out clauses* to allow company-level bargaining to derogate from sector-level provisions as a way of coping with a ‘situation of economic crisis’ or promoting vaguely defined ‘economic and employment growth’ (Burrone and Pedaci, 2011). It did not include any explicit control over the decentralising provisions, blurring the traditional boundaries of competence demarcation and increasing the distance between sector and the company levels. In 2011 another

inter-sector agreement was signed, this time by Cgil too, which reinforced the 2009 decentralisation trajectory.

How was such enhanced freedom to decentralise and derogate from sector-level agreements to be interpreted in structurally different sectors? This question motivated our research and the chemical and metalworking sectors were a natural choice for comparison. Several studies of key transformations in CB are based on these two well-established sectors as they typically exemplify distinctive ER models marked, respectively, by cooperation and conflict (to name the most recent, Colombo and Regalia, 2016; Pulignano et al., 2016; Dorigatti, 2016). In our case, moreover, chemical and metal sectors combined make Italy the second largest manufacturing country in Europe. They differ not only in terms of product market (structural characteristics) but also in how company-level interests are represented in CB. Firstly, both chemicals and metalworking are internationalised and export-dependent manufacturing industries. Their production processes are organised on a continuous basis and traditionally characterised by well-established relations between trade unions and employers' associations. They differ, on the other hand, in terms of companies' size, workforce skills, investments in R&D, wage share and volatility of demand in their respective markets, as is evident in the greater downturn experienced by metalworking following the 2008 economic recession. The key characteristics of the two sectors are summarised in table 2.

In capital-intensive contexts with low(er) volatility of product demand, as in the chemical sector, CB is expected to have a greater capacity to grant security-enhancing measures (Proposition A).

Secondly, while the same two-tier, demarcation structure of CB applies to both chemical and metalworking sectors, the workforce covered by company-level bargaining varies significantly mainly due to differences in their respective product markets (i.e. company size, nature of capital, technology, skill requirements). Estimates on the percentage of employees covered by company-level CB show 80% in the chemical sector as opposed to 40% in metalworking (Burroni and Pedaci,

2011). Alternative capital-labour combinations in the chemical and metalworking sectors, namely, skilled employees in the market and cost-insensitive employers in the former, and weak(er) employees in the market and cost-sensitive employers in the latter - to use Iversen's terminology - have, over time, affected the institutional configuration of their multi-employer arrangements, particularly the strategic relevance of company-level bargaining. As put forward by Proposition B, where the depth of bargaining is low(er), such as in metalworking, the sector-level CB is expected to have greater regulatory function.

[Table 2 – here]

The National Federation of the Chemical Industry (Federchimica) and the National Pharmaceutical Industry Federation (Farindustria), are the employers' organisations. On the union side, the three most representative sector organisations are the Italian chemicals, textile, energy and manufacturing workers federation (Filctem-Cgil); the Energy, chemicals and allied industries federation (Femca-Cisl); and the Chemical, energy and manufacturing workers union (Uilcem-Uil). Despite the fact that traditional political affiliations are still important within the chemical sector at the confederal level, employers and trade union organisations have historically shown a distinctive level of pragmatism (Colombo and Regalia 2016). In particular, unions in this sector have long realised that in a climate of growing international competition, technological change and new skills requirements, the only way to deflect continuous attempts at marginalisation was to secure well-functioning company-level CB, as well as strong links between sector and company-level actors. The social partners in the chemical sector jointly agreed upon, and committed to, the need to govern rather than resist bargaining decentralisation. The unions' collaborative approach, combined with the willingness of the employers' associations to avoid tensions, was apparent in the last three

bargaining rounds when, in contrast to other manufacturing sectors, the actors jointly signed smooth and speedy renewals of their sector CAs.

In metalworking, the main employers' organisation is Federmeccanica, while for employees the three main sector organisations are the Italian Federation of Metalworkers (Fiom-Cgil) (the oldest union and still the largest), the Federation of Italian metalworkers (Fim-Cisl), and the Italian union of metalworkers (Uilm-Uil). The three generally collaborated until the 1990s and shared similar views, but in the last 30 years their relationship has become increasingly dialectical, featuring the more radical Fiom-Cgil on one side and Fim-Cisl and Uilm-Uil on the other. Their conflicting positions started to arise over successive trends of decentralisation towards company-level agreements, changing mechanisms of wage determination and managerial discretion in imposing flexible working time arrangements. Since the beginning of the 2000s, in particular, Fiom-Cgil committed to resist further decentralisation, in order to protect employees in small companies from further flexibilization (70% of the workforce is employed in companies with less than 250 employees – Federmeccanica, 2018). The greater vulnerability of lower skilled employees (a larger number of whom work in this sector than in chemicals) and the increased threats of relocation and outsourcing of operations (a common business strategy during the crisis) exacerbated the tension between the social partners. This led to 'separate agreements', when Fiom-Cgil refused to sign the renewals of the sector collective agreements, especially after the 2009 national reforms, questioning the validity of the national ER framework and contributing to uncertainty both at sector and company level.

5. Findings

Through the in-depth analysis of the CAs of the past twenty years, we were able to gauge the effects of both structural and institutional characteristics on the flexicurity trade-offs between employers and employees.

5.1 Meanings of flexicurity: negotiating an embedded flexicurity

Our study shows how the role of CB in addressing substantial issues of flexibility and security varies according to the structural characteristics of the sector—volatile product demand and high workforce skill levels being the most prominent. Starting with flexibility, the chemical industry shows greater capacity to enhance it both in the internal and the external labour market. In 1998, the social partners had already agreed measures on intensifying training and relaxing job classifications to meet high levels of *functional flexibility* demanded by a sector characterised by intense and continuous process-based technology. The reform of job classifications was aimed at achieving a multi-skilled and multi-functional workforce, while ‘normalised’ working weekends and experimental plans, such as overtime accumulation in exchange for personal time-off, were intended to improve *working-time flexibility*. This resulted in internal forms of flexibility being more prominent than external forms of flexibility, such as for example the use of atypical employees.

By contrast, metalworkers’ job classification has been the object of long and unresolved discussions since the 1970s. Unions in particular have been reluctant to revise it because of the potential implications on the pay-scale. The most prominent form of flexibility emerging from our analysis is therefore *working-time flexibility*, which is achieved through the categories of working-time and measures for employment. Examples of measures for employment include short-time schemes - to favour reduced working time or rotation of workers in place of dismissals - and state-funded forms of income support. In line with Proposition A, flexibility in metalworking has been negotiated primarily to the detriment of employees who are forced to choose between working longer hours and sacrificing their work-life balance (for example, requests for part time arrangements were

restricted in 2009) or reducing their working-time in order to save jobs (solidarity agreements at company level aimed at sharing the working hours amongst those employed to avoid redundancies). The type of flexibility required by employers—especially after the 2008 economic crisis—involved the erosion of important employees’ protections and the unions – especially Fiom-Cgil – have been reluctant to bargain over the existing provisions. Moreover, training in metalworking is consistently aimed at protecting vulnerable, low-skilled employees and at increasing employability through the provision of ‘portable’ skills. Targeted mainly at groups such as apprentices and migrant employees, training is used to boost *employment security* rather than *functional flexibility*. Finally, given the demarcation provided by the inter-sector agreement, the bulk of wage increases was traditionally established at sector level and implemented industry-wide.

Focussing on security, the chemical industry shows greater capacity than the metalworking industry to enhance this dimension, in particular *job security*. Again, consistent with Proposition A, given a product demand that is relatively less vulnerable to economic fluctuations, as well as the high technological content of their activities, employers in chemicals are more likely to invest in training and skills than in metalworking, as confirmed also by interviews. Hence, while employers have developed incentives to retain employees and contributed to functional flexibility through continuous on-the-job training both for permanent and non-permanent employees, apprenticeship programmes and a relaxation of job classifications, unions have gained enough power to secure generous salary provisions and social entitlements, such as integrative pension plans and health insurance, along with significant job and employment security.

In the metalworking sector, the most bargained forms of security have been employment and income. *Employment security* was negotiated via the extension of training for atypical employees in the sector. *Income security* is a cornerstone of this sector’s negotiations. Pay scales for all employees were an exclusive competence of sector-level social partners, while only variable, productivity-related pay was established at company level. However, the role of national-level sector agreements

was progressively challenged by the mounting economic pressures. In the most recent, long-overdue metalworking agreement renewal (2016), only pay adjustments to inflation were secured at sector level and *only* for the lowest paid employees. All other employees would see their pay increases entirely determined at company level. This represents an epochal change for metalworkers and suggests that in sectors where product demand is volatile, the wage share is high and workforce skills and technology relatively low, it is more challenging for trade unions to protect jobs (and will therefore make concessions on pay) and to develop security in the internal labour market.

By engaging with a wider range of bargaining topics, primarily, working-time, job classifications, training and social benefits, CB in the chemical sector has consistently produced a variety of balanced flexicurity outcomes. Structural conditions in metalworking, on the other hand, led to defensive CAs. Controversial items such as revision of job classification, digitalisation of work and professional training were excluded from sector-level negotiations for a good part of the 2000s and 2010s. By restricting the scope of bargaining, metalworking CAs had the aim of preventing the negotiation of unbalanced flexicurity outcomes. Traditional items, such as working time, remain the main ‘currency’ used to secure, as much as possible, jobs; since the crisis, training has been used to enhance employability in an increasingly vulnerable labour market. In 2016, 250 hours are granted to employees attending compulsory education, as opposed to 150 for more professional training.

While this confirms that sector-level CB is indeed an arena for trade-offs between flexibility and security, the analysis also highlights how sector-specific characteristics lead to an *embedded flexicurity* (Proposition A).

[Table 3 – here]

5.2 Who wants less rules? The importance of procedural security

The inter-sector agreements of 2009 and 2011 pushed for a decentralisation of CB at company level and opened up all sectors to derogations. Greater room for manoeuvre is usually regarded as desirable for business, but our cases reveal polar opposite responses from the relevant actors in the chemicals and metalworking. The former resorted to self-regulation, while the latter struggled to save both sector and company-level CB due to adversarial relations. In other words, greater scope for decentralisation promoted at the national level has taken different shapes across the two sectors affecting an important dimension: the *procedural security* provided by the sector to lower level bargaining. Table 4 identifies the items of flexibility and security that, according to the relevant sector-level CA, were left to be negotiated at company level.

[Table 4 – here]

As early as 2006, chemicals had already jointly agreed ‘Guidelines for company-level negotiations and derogations of national provisions’. In contrast to the new inter-sector agreements, these guidelines provided stricter rules for *derogations*, as well as mechanisms to preserve the hierarchy between the two bargaining levels. By setting specific boundaries of competences at company level but also allowing for and monitoring derogations, they enlarged both the breadth and scope of firm-level bargaining. This leads to an increased regulatory capacity of company-level actors. While relying on the *procedural security* set by the sector-level agreement (i.e. shared framework), organisations can strike their own, firm-specific flexibility and security balances.

Consistent with this, a key feature unanimously emphasised by the social partners interviewed, is a ‘culture of two levels of collective bargaining’, where the sector agreement provides a ‘menu’ of options from which the company-level actors are trusted to pick what best fits their own organisational conditions. All the categories of flexibility and security which are relevant to this study can be object of lower level negotiations, namely, pay, training, working-time, social benefits, provisions for atypical workers, job classifications and any measures to boost employment. This

opportunity is used by companies to negotiate primarily on issues such as for example productivity bonuses, overtime premia, shift allocation criteria and training opportunities. A recently introduced item in chemicals CA is that of a sectoral fund² aimed at co-financing the early-retirement of senior employees who, before leaving, mentor newly hired staff. The so-called *generational bridge* allows employers to continuously acquire up-to-date skills and enhance employees' performance through inter-age work teams. Such sector initiatives are highly valued by employers. While the main function of sector-level social partners is to negotiate employment conditions and foster a culture of 'constructive' social dialogue, company-level actors, unions *and* HR managers, can translate higher level guidelines into *ad-hoc* provisions to improve productivity and competitiveness.

Sector-level social partners report that this 'participative' culture of 'trust' and 'collaboration' across bargaining levels' was developed by unions and employers within a favourable economic context and reproduced over time through ongoing negotiations. Until the late 1990s, the chemical sector had a larger share of state-owned enterprises than metalworking. A tradition of 'investment in human resources' survived waves of privatisation and the arrival of foreign, large multinational companies. CB became central to the sector as it offered both the normative stability in the face of massive privatisations and companies' restructuring (job security) and the capacity to improve efficiency and productivity levels in the face of increased international competition (flexibility). These structural conditions, while strengthening mutual interdependencies between the social partners, put a premium on company bargaining whereby employers gained the flexibility they needed to cope with market uncertainty. At the same time, unions increased their involvement in the sector's strategic choices and saved jobs in times of economic difficulties. While firm-level actors continue to rely on the protection of sectoral provisions which frame and steer their agreements, CB becomes an autonomous space whereby pragmatic and organisational aspects of work can be (re)negotiated.

² The first ever introduced in manufacturing

Conversely, the 2009 ER reform had a substantial impact on the procedural agenda of CB in metalworking. Not only did Cgil (the largest union in Italy) not sign the 2009 inter-sector agreement, but Fiom-Cgil opposed the implementation of the 2011 reform in the sector. As a result, the refusal of the largest sector union to sign the renewals of the metalworking agreements in 2009, 2010 and 2012 increased tensions at company levels between the various unions, increased uncertainty on the rules and validity of sector and company agreements and, in brief, seriously affected the governability of ER in the sector until 2016. The tension between the social partners reached a peak with the 2011 reform because it included 'dismissal protections' amongst the issues to be derogated to company level. In response to Fiom's protests, FIAT, the largest car manufacturer in Italy, left Federmeccanica (the employers' association) opting for a company-level only collective agreement³, undermining altogether the multi-employer bargaining structure. The 2016 CA renewal, eventually jointly signed by all the three major unions and Federmeccanica, is the result of an increased concern of unions to preserve the procedural function of the multi-employer bargaining arrangement itself.

Interviews to the metalworking unions reported that their main concerns were businesses' threats of relocation and outsourcing and the implications this would have for smaller, often contracted, companies with no workplace-level representation structures. The adversarial relationship between the social partners until 2016 undermined the already shaky ground on which the two CB levels rested. Prescriptive rules were therefore established at sector level over possible exchanges between flexibility and security. Due to the reduced capacity of the unions to push forward the interests of employees in a weaker structural position, the sector agreement has traditionally been interpreted as a mechanism for minimum, universal floor setting, particularly by Fiom-Cgil, acutely aware of imbalances of power at company-level bargaining tables. Before 2009, the metalworking sector agreements consistently referred to the *demarcation* established in the 1993 ER framework:

³ About the Fiat case see for example Pallini et al., 2011

company-level CB would have covered issues outside the scope of sector CAs and always *in meljius*, according to the principle of favourability. Examples traditionally included work organization, additional holidays, contributions to additional pensions schemes or social insurance. After 2009, given the economic problems of many firms, at sector level wage moderation and working time flexibility were exchanged for employment security. However, in the latest renewal wage was negotiated at sector level only for workers at the lowest point of the pay scale; all other employees' pay is now matter of company-level bargaining. Training too is mainly responsibility of company negotiations and employers now have greater discretion in modifying the sector provisions.

We thus see that decentralisation has taken different shapes within the same national institutional framework of ER. The way in which the two sectors dealt with the *derogation* options - pushed for by the 2009 and 2011 reforms - produced significant effects on CB coordination. In chemicals, the ability to derogate is limited to times of crisis, it has temporary character (typically three years) and needs to be linked to specific objectives. Conversely, in metalworking the deterioration of the relationship between the social partners, exacerbated by the economic crisis, made it difficult to (re)negotiate coordination procedures. Company-level actors were left in a condition of legal ambiguity during the years of separate agreements, without institutional resources to participate in the regulation of flexibility and security.

Indeed, while our analysis confirms that structural conditions do affect the degree of collaboration/conflict between social partners, its enactment is contingent on a further important aspect: the presence and involvement of shop-stewards in company-level negotiations. Interviews in both sectors consistently highlight the importance of strong links with workplace-level structures and extensive coverage of second-tier bargaining. Chemical sector-level social partners can rely on shop-stewards representing employees within companies and hence feel more secure to open up the scope for firm-level bargaining. Benign structural conditions, together with a tradition of company bargaining (secured by a wider presence of unions in the workplace), have promoted

decentralisation with higher levels of *procedural security*. Sector-level collective agreements in chemicals take the form of a *programmatic* document that is aimed primarily at steering company-level bargaining. This accords to the sector, and potentially to company-level actors an important flexicurity function. In comparison in metalworking, where structural conditions are weaker and second-tier arrangements less widespread, social partners struggled to jointly agree and finalise *procedural rules* governing further decentralisation after the 2009 and 2011 reforms. A less robust presence of workplace representation structures suggests that despite the sector agreements retaining higher regulatory functions, the capacity of CB to serve as a flexicurity tool will in practice be limited. Currently, company-level actors in metalworking can opt-out of the sector-level provisions whenever economic conditions require them to, including on all the relevant flexibility and security categories. The dramatic exit from the sector collective agreement of one of the main employers, Fiat, and its preference for company-only CB, highlighted the system's vulnerability. The 2016 sector agreement, eventually signed by Cgil-Fiom too, was based, in particular, on the shared priority to preserve a role for sector CB as a trusted source of regulatory stability (a key factor to protect employers' investments) and as a minimum floor for those organisations lacking any company level CB (a key concern for trade unions). Despite the renewed agreement among actors on its basic pillars, such framework for the metalworking sector remains fragile.

In sum, the analysis of the two sectors reveals that even within the same national, institutional context of employee relations, their CB trajectories can diverge. By actively regulating institutional devices, such as opening clauses and derogations, social partners in the chemicals widened the scope for flexibility while offering an important element of security: the *procedural security* offered to company-level negotiators within a shared and well-established multi-employer system. In metalworking, on the other hand, the interplay between specific market conditions and institutional factors made it difficult for the social partners to agree on procedures of articulation between levels. As a result, company-level actors miss out on the protection offered by sector-level CB and are more

exposed to the effects of their own market structures. Employers will have to deal with higher degree of conflict and uncertainty at local level; employees with greater power imbalances. To conclude, while sector CB does indeed provide an arena of flexibility and security trade-offs, parallel one-size-fits all policies promoting decentralisation might introduce rigidity to multi-employer ER systems, producing diverging, and not necessarily more efficient, outcomes for firms and employees.

6. Discussion and concluding remarks

The analysis of CB agendas in the two sectors over the past twenty years has shown that both substantive and procedural items have been progressively decentralised from national to company-level. The interesting effect is a divergence in industry-level actors' capacity to use CB to adjust to technological and economic changes. In the chemical sector, a less-exposed industry, combined with a greater need for employers to avoid expensive disruptions, allowed for the introduction of a wide range of flexibility and security measures onto the CB agenda, in particular functional flexibility, showing the evolution of CB towards a 'complete' range of topics (Marginson and Sisson, 2006). On the other hand, the relatively higher concentration of low-skilled employees, the greater likelihood of delocalisation and outsourcing of businesses and a more volatile product demand in metalworking had a direct impact on employment insecurity. We found that what prevailed in sector-level negotiations were concessions on working time flexibility and wages. While some sectors continue to offer a platform where flexibility/competitiveness and security/solidarity can be reconciled, others—more volatile, lower skilled, competitive-oriented—engage mainly in defensive bargaining. The resulting trade-off enhanced by sector CB is therefore best defined as *embedded flexicurity*, responding to a force field made of sector-specific characteristics.

In addition, meso-institutional factors such as *depth* of bargaining and articulation affect the degree of procedural flexibility and security provided by CB, higher in chemicals than in metalworking. By

affecting the *de facto* possibility of company-level negotiations, depth of bargaining becomes at least as critical as the type of articulation mechanisms in place identified in Marginson and Galetto (2016). In combination, these dimensions mediate the impact of structural conditions, offering *procedural security* to company-level actors – a form of security so far overlooked by the literature on flexicurity. We demonstrated that more room for manoeuvre by the social partners at lower levels ‘does not imply that higher levels renounced their authority’ (Traxler 1996), *as long as* the multi-employer bargaining structure of each sector can rely on sufficient depth, i.e. there are relatively strong representation structures at company level to negotiate and enforce sector-level agreements. While there is almost unanimous consent both in scientific literature and international reports on the deterioration of CB institutions (e.g. Doellgast and Benassi, 2014; OECD, 2018), less attention has been paid to the (vertical) coordination offered by social partners. Our contribution uncovers the capacity of sector-level actors to self-generate rules for company-level actors who, as a result, are enabled to strike their own flexibility and security balances.

These findings on diverging effects of decentralisation for flexicurity are relevant for current policy debates on CB. Sector CB is now recognised by institutions such as OECD and the EU, to improve social equality and to support companies’ better economic performance in the long run (OECD, 2018; Eurofound, 2019). However, as we show, a sector-sensitive methodology to the study of ER institutions is crucial. Our cases show that concomitant, continuous pressures to decentralise contribute to widen within-countries differences. As a result, collective bargaining institutions might allow for problem-solving in some sectors but decentralisation could also make it less effective in others. In countries where there is no sector-level CB, its introduction, as currently proposed for instance by the Labour Party in Britain, may provide a useful platform for positive-sum negotiations of flexibility and security, but this will be sensitive to the relevant, sector-specific structural characteristics. Its effectiveness will then be contingent on firms’ endorsement of such arrangements.

This contribution, to conclude, contends that academic and policy approaches that overlook structural and meso-institutional differences within countries may be counterproductive for employers, employees and firms. Reducing bargaining coordination in sectors with weaker structural conditions and a low presence of representatives in companies will expose local actors (unions and HR managers alike) to greater flexibility challenges. Within a nationally-rolled out process of decentralisation, meso-level forms of regulation, between national and company policies, become increasingly important contexts in which HR practices are embedded and can lead to more or less successful outcomes in their quest for a competitive but secure workforce.

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Table 1. Coding of collective agreement provisions enhancing flexibility and security

Items in CAs classified as enhancing flexibility (F) and/or security (S)	Flexibility dimension	Security dimension
Pay	Wage flexibility	Income security
Training and education	Functional flexibility	Employment security
Job-demarcation	Functional flexibility	Job security
Working time	Working time flexibility	Combination security
Provisions for atypical employees	External flexibility	Employment security
Social benefits	Wage flexibility	Income security
Measures for employment	External flexibility	Employment security

Source: Wilthagen and Tros, 2004; Ibsen and Mailand, 2011; Marginson and Galetto, 2016

Table 2. Key characteristics of chemical and metalworking sectors

	Chemical	Metalworking
Number of employees (% variation 2007-2018)	175.600 (-10%) (source: Federchimica)	1.6 million (-19%) (source: Federmeccanica)
Union membership	47% (source: Eurofound)	36% (source: Federmeccanica)
Employees covered by company-level CB (Pedaci and Burroni, 2011)	80%	40%
Employees working in firms with more than 250 employees	50.6% (source: Federchimica & Farindustria)	30% (source: Federmeccanica)
Innovative companies by R&D	61% (source: Federchimica, Sole 24 Ore)	N/A
Skills level of employees (% of employed staff holding a University degree)	30% (source: Federchimica)	14,3% (source: Community Media Research report for Federmeccanica, 2016)
In-job training	42% of employees (source: Federchimica)	14.2% (source: Community Media Research report for Federmeccanica, 2016)
Wage share	11-20% (source: Federchimica)	40-60% (income share spent on labour costs) (source: Federmeccanica and individual companies' budget reports)
Production levels (2007 – 2018)	+ 11.6% (source: Federchimica & Farindustria) 'True success story' (interview to Farindustria, 2014)	-22.7% (source: Federmeccanica) 'Post-war scenario' (interview to Federmeccanica, 2014)

Table 3. Bargaining items contributing to flexibility (F) and/or security (S) covered in sector agreements in chemical (C) and metalworking (M)

Years	1995-2000		2001-2005		2006-2010		2011-2016	
	F	S	F	S	F	S	F	S
Pay		C		C	M	M		
Training and education	C	C, M	C	C, M	C M	C M	C	C
Job classification	C	C			C	C	C	C
Working time	C M	C	C	C	M	M	M	
Provisions for atypical employees		M		C		M		M
Social benefits and entitlements		C		C	M			
Measures for employment					C M	C M		

Years of the chemical CAs analysed: 1998, 2002, 2006, 2009, 2012, 2015

Years of the metalworking CAs analysed: 1999, 2001, 2003, 2006, 2008, 2009, 2013, 2016

In **bold**, content covered in more than one agreement in the time frame

Table 4. Bargaining items contributing to flexibility (F) and/or security (S) *to be covered by company level* according to the relevant sector agreements - chemical (C) and metalworking (M)

Years	1995-2000		2001-2005		2006-2010		2011-2016	
	F	S	F	S	F	S	F	S
Pay	C	C			C*	C	C	C, M
Training and education					C*	C		M
Job Classification							C*	C*
Working time	C*, M	C*	C*, M	C	C*	C, M	C*, M	C*, M
Provisions for atypical employees							C*, C*	C*
Social Benefits and Entitlements					C	C	C	C, M
Measures for employment	C*	C*			C M*	C M	C	C

In **bold**, content covered in more than one agreement in the time frame;
 (*) subject to derogation;