



COUNTRY REPORT

ITALY

ADAPT

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Executive summary

Cross-sector wage differentials

Wage polarization between high-skilled sectors (high minimum wages) and low-skilled sectors (low minimum wages) is regarded as a physiological effect of pay dynamics, especially in light of the current structure of the articulated wage negotiations on a sectoral basis. However, the policies of income set out in legislation and tripartite social dialogue, oriented to the containment of labour costs, have indirectly affected the cross-sectoral wage distribution, with contained effects of dispersion, accentuated by the recent economic and financial crisis.

Undeclared work, 'pirated' contracts and the legal minimum wage

The high coverage rate of collective bargaining has never brought the matter of the legal minimum wage to the centre of the political and trade-union debate. The measure, proposed by the current Renzi government, is mostly experienced by the trade unions as an attempt by the executive to undermine the national collective labour agreements (NCLAs) in favour of a strong decentralization of wage bargaining. Recent studies, however, show that Italy is the European country with the highest minimum wages in proportion to the median wage. This means that the minimum wage is not always respected: if it were, the median wage should be higher or equal to the maximum. Consequently, the legal minimum wage could prove a useful tool in Italy to contain the phenomenon of undeclared work and foster the rule of law in labour relations.

However, in the five-year period coinciding with the economic crisis, competition between different collective agreements covering the same scope, the highest expression of the principle of trade union pluralism, has become, especially in the sectors most affected by the decentralization of the production process (e.g. tertiary; transport; tourism; multi-service; cooperatives etc.), a competition resulting in an actual contractual dumping phenomena, which is called "pirated contracts". Measures to tackle such form of contractual dumping have been promoted by labour inspectors and the legislator: legal devolutions of power towards collective bargaining have been introduced in order to allow collective agreements signed by the most representative trade unions and employers' organisations to enable the flexible implementation of labour legislation (e.g. working time; non-standard employment contracts and so forth), thus making the non-representative collective agreements less attractive for employers.

The wage structure in collective agreements and sectorial differentials

The main part of the remuneration is determined as a fixed amount by national collective agreements. This is due in large part to a series of automatic payments provided for by the national collective agreement (e.g. the so-called “Seniority”, or promotional automatism) and, above all, a system of classification and grading of inelastic personnel with respect to the performance of individual workers. Therefore, with the same level of classification, the wage differentials arising from sectoral bargaining in four sectors depend solely on the length of service. In addition, predetermined parametric scales generate, at each renewal, an increase in labour costs of each framing level without taking into account the positioning of their professionalism in the labour market. In this institutional framework, it can be said that the containment of wage differentials has taken place at the expense of merit.

The abovementioned institutional framework involves some difficulties in managing the workforce: the recognition of the upper level in the classification scale, made in response to motivational needs or to professional developments, would imply the assignment of worker to different jobs and responsibilities. In order to avoid this mechanism, companies tend to resort to unilateral wage increases, with the consequence that trade unions and collective bargaining lose their equalising role, as well as the capacity to influence managerial wage policies.

Bargaining decentralization, individual contract negotiation and wage differentials.

Analysed from the perspective of the decentralised bargaining, the subject of retributive inequalities assumes contradictory characters. Given the scant development of firm-level collective bargaining, especially in SMEs, the Italian multi-employer bargaining system, established in 1993, has inevitably led to a decrease in the labour income share, by reducing the incentives for social partners to accelerate labour productivity. This condition ended up hindering a more and better distribution of profits.

Since 2009, some legislative and contractual measures have been underway to promote the decentralization of collective bargaining that entrust more power, even derogatory, to company contracts. However, the quantitative dimension of productivity agreements has remained low.

On the one hand, the institutional framework of wage setting hinders firm level agreements to worsen the wage levels set by national sectoral collective agreements; On the other hand, local negotiations are entitled to raise them or to increase weightings linked to flexible working time arrangements. Therefore, wage differentials stemming from decentralised bargaining can just be determined by the better conditions negotiated in some companies. However, in times of crisis, in all the sectors analysed, a wave of concession bargaining contributed to realign working conditions negotiated at company level to the standards set by national sectoral collective agreements, thus contributing to equalise wage differentials within the same industries.

Although decentralised bargaining contributes to increased wage inequality, either between companies or territories that operate in the same sector, a certain degree of

uniformity can be found in the compensation arrangements between workers belonging to the same company. This is mainly due to the fact that the level of diversification of profit-sharing and gain-sharing plans is rather limited. Similarly, to what was said in reference to the collective agreements, even in this case, pay equality is at the expense of merit.

Even if we refer to individual bargaining, the institutional arrangement of salary structure prevents the salary dispersion of downward trends and prevents the natural setting of better salary dynamics, especially for mid and high-end work positions.

It follows that wage drift increases with the level of classification, with the result that the levelling effect of the collective bargaining of the category is reduced with increasing professional complexity, and increased compared to standardized, routine-like and lower educational content. Unlike the unifying effect of enterprise bargaining, the dynamics of integrative treatments paid at the individual level determines, by definition, a wage differentiation between workers employed in the same company.

Wage differentials among workers

Although large, the wage gap that separates the different professional roles raises less concern on the part of the representative organizations. Recent OECD studies also show that the economic and financial crisis has contributed to reducing the gap between the salaries of both the high end and low end of the labour market. In this perspective, collective bargaining has played an important role: many measures have been promoted in several sectors, which will undoubtedly help contain the cost of labour of the managerial staff and, therefore, to reduce income disparities compared to other professional groups. This effect was neutralized, however, if not cancelled, by the action of individual bargaining, which in the case of managers, remains the main source of determining pay levels. The majority of respondents (social partners) were reticent about the need to limit top management income, emphasizing instead the importance of linking the salaries of executives in the objectives and corporate surplus value obtained. The situation is different with regard to top managers: in the banking sector, for example, several trade union campaigns have been promoted in favour of a law on the ceiling cap to the salaries of CEOs.

The company's collective bargaining on organizational flexibility exerts an impact on wage differentials of workers employed. With regard to the types of contracts, for example, in some situations the reward pay systems are not applied to apprentices, who are also who are also affected by an entry-level salary. In addition, mitigation measures of labour costs, such as entry-level salary or pay freezes, usually apply only to newly hired workers.

Concerning the organization of work, in the automotive and retailing sectors, collective bargaining, both at a national and company level, expects price increases for workers who serve on disadvantaged shifts (night, Sundays or public holidays). Accordingly, the remuneration of shift workers is comparatively higher than that of people enrolled in normal working time arrangements.

Gender pay gaps

From World War II until today, the issue of gender differentials has monopolized the debate about income inequality in Italy. The social partners in general, and the union in particular, have indirectly impacted this issue, by promoting laws and contractual policies to ensure work-life balance, thus promoting better employment opportunities for women. The data analysis shows that these policies have been effective, especially in reducing the gender pay gap of blue-collar and white-collar workers.

Geographical differences

The field of application of the NCLAs has undoubtedly helped to contain, but not eliminate, the regional wage differentials. So much so, that by the documented research and the accounts of those interviewed, southern Italy seems to suffer significantly with a gross gender pay gap, especially given the low rate of education of workers in the south, stuck at lower levels of classification and at lower pay bands, with little possibility of access to senior management. It is a troubling inter-regional gap, which influence not only the different professional qualifications and local economic conditions, but also the uneven distribution of the company's collective bargaining across the country.

Size of the company of wage differentials

The analysis of wage policies in the areas surveyed confirms the widespread tendency to associate higher wages to the larger production companies. This is mostly because of the higher rate of unionization and the spread of integrative bargaining, and more generally because of a more expansive wage policy than the one generated in small and medium sized businesses. In most of the sectors considered, however, territorial bargaining is (almost) completely absent, which, applying to companies not covered by company bargaining, could instead bridge the gap with the realities covered by company-level agreements.

Decentralization of production and wage differentials

Some forms of vertical disintegration added to the outsourcing of production, represented without a doubt, a further focal point that determined the inter-company wage differentials. Outsourced activities are still applicable with collective bargaining agreements, whose wage levels, however, are below those applied by the outsourcing company. The issue is mostly felt by the three central trade unions confederations, which are promoting the following actions: application of the main collective agreement to the outsourced activities; social clauses in the subcontracting agreements that require the new subcontractor to hire all the workers of the former subcontractor; the recognition of working seniority to employees in transition from a subcontractor to a new one; unification of works councils between subcontractors and outsourcing companies; joint liability for outsourcing companies.

Introduction

In their analysis of the efforts to redesign the framework for Italian industrial relations in the early 1990s, Locke and Baccaro argued that the reform could be interpreted in two contrasting ways – i.e. continuation vs. fundamental break with Italy's never ending, ad hoc and sometimes inconsistent institutional reform process. They concluded that only time would adjudicate between these two interpretations (Locke, Baccaro 1996; Locke, Baccaro 1998). In a similar vein, Thelen observed that the trajectory of change of Italian IR institution in 1990s seemed to parallel developments in the CMEs (Thelen 2001), characterised by relatively high wages and an equal distribution of income.

The rule on wage bargaining coordination was the cornerstone of the Protocol of 23 July 1993, which restructured the collective bargaining architecture in order to make it more rational and functional to the economic policies. Accordingly pay increases are to be set at the industry level in line with the (projected) inflation rate, and company or local increases must be linked to productivity and other factors related to a firm's economic performance. Originally aimed at controlling inflation, this policy was confirmed by the economy-wide framework agreement of 22 January 2009 with the aim to align wages to productivity. Therefore the 2009 agreement gave decentralised bargaining the essential, if not exclusive, task of connecting remuneration to productivity and profits, measured variably. In contrast, the only competence entrusted to the national agreement was that of safeguarding the overall buying power of wages.

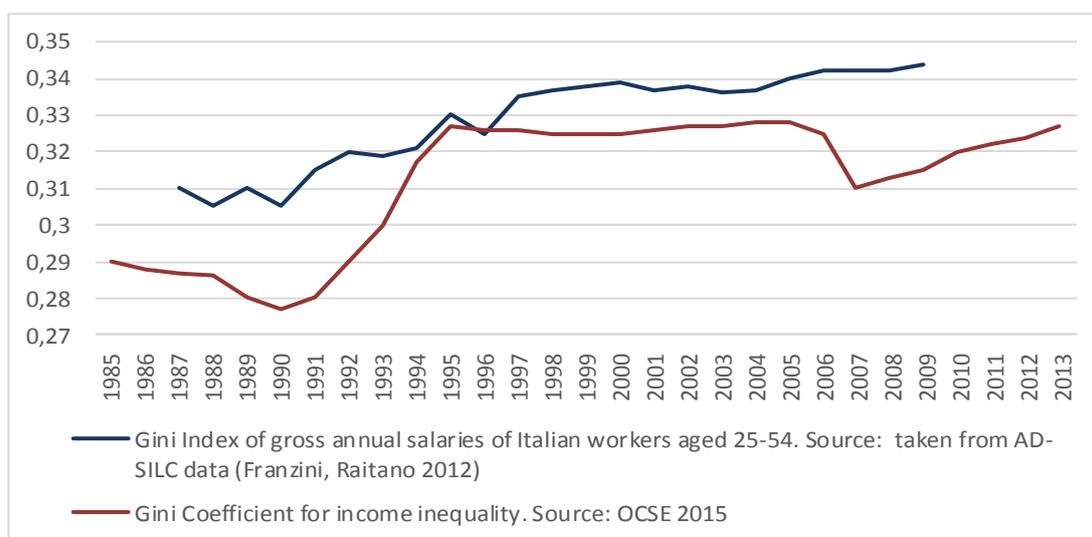
The aim of this report is to analyse the effects of this framework of multiemployer bargaining on wage differentials. Section 1 of the report provides a national overview on trends in income inequality and the role of remuneration in the country. Both cross-sectoral and societal wage differences are described in relation to their different determinants and dimensions. Building on the results of desk research and interviews with national and sectoral social partners, Section 2 analyses the national debate and union strategies on wage inequality. Section 3 focuses on the link between collective bargaining and national and industry wage developments in the retail sector, the banking sector, the metal industry and schools. Based on interviews, content analysis of collective agreements and data flowing from primary official statistic sources, this part of the report provides an in depth insight on systems of job classification and articulation of wage structure, wage differences, pay policies and the role of social partners within the four sectors and in a comparative perspective.

1. National overview

1.1. Trends in income inequality and the role of remuneration

Although the incidence of wages on the composition of household income is proven (ILO 2014, OECD 2011a), the distance between income inequality (OECD) and remuneration (AD-SILC dataset, derived by crossing the EU-SILC and INPS data) in Italy (graph 1) shows that the value of income disparities and wage almost never coincide. This change is highlighted by the effects of the economic crisis, as discussed in the following section by comparing the latest values of the OECD and those provided by the European Parliament (EU-SILC data).

Graph 1. Comparing trends of wage and income inequality in Italy

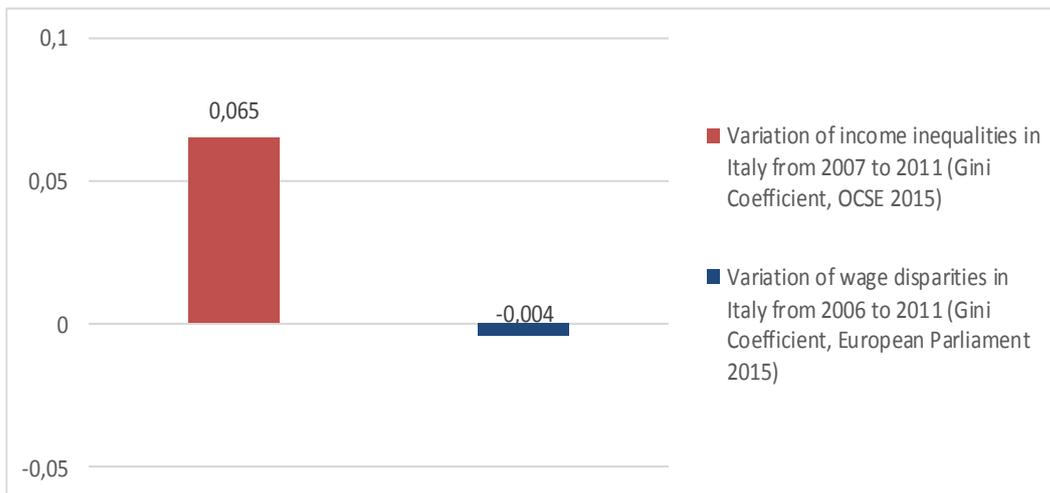


In the past few years, particular attention has been paid to remuneration as a key component of broader and more complex strategies aimed at combating poverty and income inequality (ILO 2014). In fact, among adults of working age, wages constitute about 75% of the entire family income, representing the main determinant of disparities (OECD 2011a). In the specific case of Italy, however, self-employment and pensions have a significant weight on the composition of the income and the incidence of wages falls to the 50/60% (ILO 2014).

By documented analysis – except for a consensus on growth in inequality since the mid-eighties (when a significant component of national income began to be concentrated in the pockets of the minority of the population) – the trend of income differentials in the country is a matter not easily interpreted and often controversial because of the different

indicators used to measure them. If we consider the EU-SILC (EU – Statistics on Income and Living Conditions) source, it shows that between 2006 and 2011, while inequality increased in about two thirds of the member states, Italy recorded a brief decrease (soon followed by a return to previous levels) of income inequality between the richest 20% and poorest 20% of the population, caused by the simultaneous reduction of GDP (Eurofound 2015). A recent OECD study (OECD 2015b) reveals, however, that from 2007 to 2013, the Gini Coefficient¹ rose in Italy, going from 0.313 in 2007 to 0.327 in 2013. This value corresponds to the sixth highest in Europe and the thirteenth among OECD countries, which on average registered a much more content increase in income inequality in the same period (from 0.314 to 0.315). Furthermore, considering the OECD research (OECD 2015b), 10% of the poorest population in Italy has suffered a drop in income of 4% per annum between 2007 and 2011, while the income of the richest 10% has declined by only one percentage point. With specific reference to the relationship between income inequality and unequal pay, Eurofound (2015) points out that especially in the Baltic States and Eastern Mediterranean, the differentials in income distribution would grow rapidly after the start of an economic crisis, while the pay inequality would remain unchanged or decrease slightly. In the specific case of Italy, the Gini index for wage inequalities suffered a slight decrease, from 0.359 in 2006 to 0.355 in 2011 (European Parliament 2015). The impact of the employment crisis affected those trends, which has increased income inequality, drastically reducing the income of those who lost their jobs, and at the same time decreasing the wage gap, eliminating segments of underpaid labour.

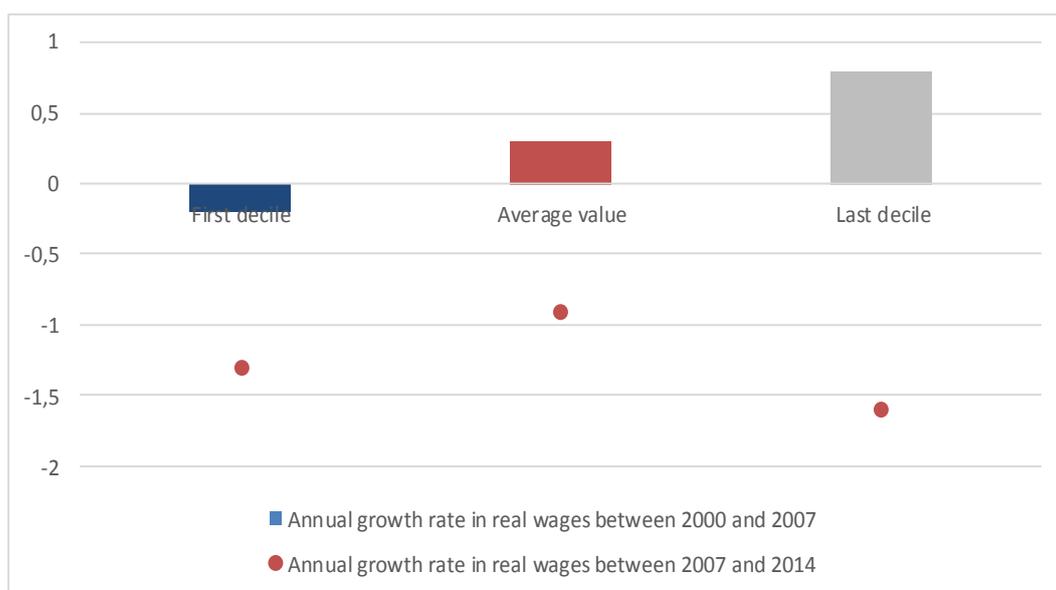
Graph 2. Comparing the most recent data relating to changes in income inequality and wage inequality in Italy



¹ The Gini Coefficient is a statistical measure of the degree of inequality. It is comprised between 0 and 1, where 0 corresponds to the value of perfect equality and 1 to maximum inequality.

Finally, the economic and financial crisis seems to have reduced the wage gap that separates the first and the last decile of the Italian population by condemning both segments to an annual decrease in salary from 2007 to 2014 (OECD).

Graph 3. Annual growth rate of real wages of the different deciles of the population between 2000 and 2007 and between 2007 and 2014



Source: OECD (2016)

Since the outbreak of the crisis and considering overall economic trends, the agreed wages per hour reported a lower growth rate compared to real wages per work unit (graph 4). This is due to slower dynamism in sectoral level bargaining, which concerns the non-renewal of collective agreements (e.g. in the public sector), and limited economic incentives in those collective agreements that were renewed. This situation persisted particularly until 2015. Against this background, one might assume that decentralized bargaining and individual bonuses were used as supplements at least until 2012. Afterwards, especially in larger firms, retrenchment policies concerning labour costs were adopted, which presumably helped to bring the value of real wages per work unit closer to that of the agreed wages per hour.

Graph 4. Trends of agreed wages per hour and actual wages per work unit (2005-2012)

Source: ADAPT re-elaboration of ISTAT data (2016)

Instead, graph 5 shows a structural problem of the Italian economy, that is the anti-cyclical trend of *quota salari* (“wage share”), namely the part of remuneration provided to salaried employees with a view of functionally dividing income among a number of production factors (e.g. wage, profit, annuity), in consideration of production. In other words, when production increased, the salary quota decreased, and vice versa. Since 2009, the salary quota significantly overcame production, reducing Italy’s levels of competitiveness considerably. The fluctuating trend of the salary quota can be explained with the Italian contractual model (Tronti 2005, 2008, 2010); according to it, the agreed personal salaries should have kept salaried employees’ purchasing power unaltered, by associating such personal salaries with the inflation rate, while decentralized bargaining should have made the trend of real wages dependent on productivity. Nevertheless, the limited diffusion of decentralized bargaining caused real wages to remain unaltered, even if labour productivity grew at first (until 2000) before decreasing. With real wages being unchanged, increases (or reductions) of productivity caused reductions (or increases) in salary quota. This state of things gave rise to a sort of contradiction in the functional distribution of income. In this sense, an increase in productivity produced a reduction of the quota destined to salaried employees, while the quota to be allocated to employers and rentiers increased. On the contrary, when productivity plummeted, the salary quota increased, whereas the share of income to be assigned to other quotas reduced.

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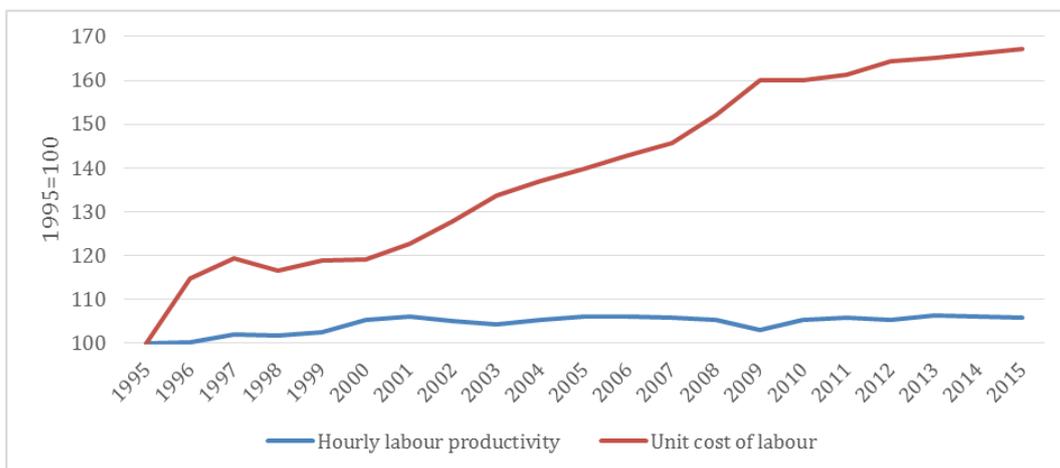
Graph 5. Progress of productivity and salary quotas in incomes (1995-2015)



Source: ADAPT re-elaboration of ISTAT data (2016)

Apart from this problem that characterizes Italy’s labour market, there is also the persisting mismatch between flat-lining productivity and the growth of the unit cost of labour (graph 6). This state of things is caused not so much by an increase in remuneration, which is totally disconnected from economic dynamics, as by the tax burden borne by companies even in a time of productivity stagnation.

Graph 6. Unit cost of labour and its productivity in Italy (1995-2015), 1995=100



Source: ADAPT re-elaboration of ISTAT data (2016)

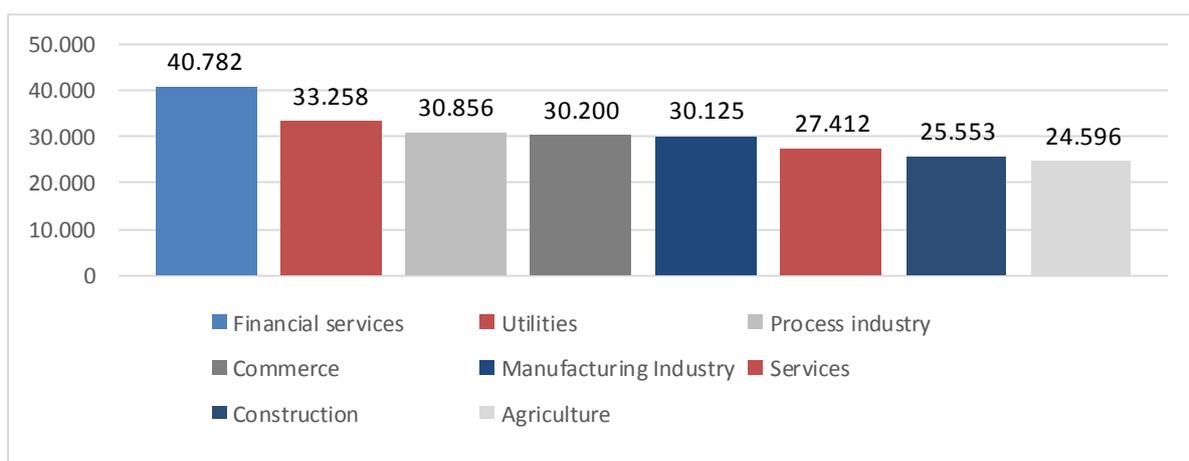
1.2. Cross-sectoral wage differences

According to research conducted by Job Pricing (2015)², in 2014 the gross annual salary of an Italian worker on average amounted to EUR 28,977, corresponding to approximately EUR 1,560 net per month. However, some changes were recorded among the sectors of the Italian economy in compensation levels. Considering ISTAT data (2013)³, it shows that in 2010, the gross hourly wage for activities related to pharmaceutical production was quite high (EUR 22.2), especially if compared to the wage received by workers of the textile industry (EUR 11.8). However, the most significant wage disparities are recorded in the service sector, where in 2010 the gross remuneration for the operators of credit companies amounted to EUR 26.5 per hour, while employees of hotel and catering trades perceived EUR 10.9 per hour (ISTAT 2013). This gap has been recently confirmed by *the JP Salary Outlook 2015* report, according to which, in 2014, the gross annual salary of a worker employed in the banking sector (banks and insurance companies) corresponded to an average of EUR 40.782. Diversely, the less profitable segments of the Italian economy are the service, construction, and agricultural sectors, where workers earn one gross annual salary amounting to 27.412, 25.553 and 24.596 Euro (graph 4). In Italy, wage inequalities between sectors are mainly attributed to a certain polarization of the labour market, which consists in the high concentration of skilled workers in some sectors and in the prevalence of workers with low skills and qualifications on the other.

² Job Pricing refers to the RAL (annual gross remuneration) which is the monetary base salary, excluding performance bonuses and forms of deferred compensation. The Job Pricing database used for JP Salary Outlook 2015 is made up of approximately 100 thousand profiles of employees of private companies, collected in 2014.

³ The ISTAT data refers to gross remuneration of social security contributions and taxes paid by the employee income and other deductions (union, etc.).

Graph 7. Gross Annual Salary average for the sector – Year 2014 (only employees of private companies)



Source: *Job Pricing 2015*

The wage gap between public and private sectors in Italy is rather low, thanks to the centralization of collective bargaining and the high rate of contractual coverage and unionization: these are factors that translate into earnings that are less sensitive to the production trend (Christofides, Michael 2013). However, in 2010, the gross hourly earnings in the public sector exceeded those of private businesses by almost 6 Euros. This difference was attributed to the presence of highly skilled employees within the Public Administration (ISTAT 2013).

1.3. Societal wage gap

1.3.1. Regional inequalities

The disparities between northern and southern Italy originated in the eighties due to the second oil crisis, and continued to rise during the economic recessions of 1992 and 2008. (Inequality Watch 2012). In 2010, the gross hourly earnings in the southern regions were lower than the national average by 3.6% (ISTAT 2013). Similarly, the northeast areas have been affected by wage packages lower than the average values. In fact, in 2010 the wage gap amounted to 4.2% (*ibid.*). In addition, as revealed in the *JP Salary Outlook 2015* report, in 2014 the annual gross remuneration of northern Italy (EUR 30,134) workers was exceeded by 19.8% of the South and Islands workers' remuneration (EUR 25,148). The conditions of the female workforce employed in southern Italy are particularly alarming, where the gross hourly wage in 2010 was 29.5% lower compared to the national average (ISTAT 2013).

As evidenced by Casadio (2009), from 2002 to 2007 the wages of the workers of northern Italy exceeded 15% more than the wages received by colleagues in the southern regions.

With reference, however, to the blue-collar workers, wage differences amounted to about 22%. These inequalities are partially explained by the limited diffusion of the company-level collective bargaining in the regions of southern Italy, where workers tend to essentially perceive pay levels established by the social partners in national sectoral collective bargaining.

Finally, it must be pointed out that the pay gap between the Italian regions has to be evaluated by taking into account the cost of living. In fact, in the northern areas, higher wages correspond to higher prices of goods and services.

1.3.2. The question of gender

In Italy, the gender pay gap seems a rather limited phenomenon: In fact, in 2014, women's wages were lower than those of men by only 7%, compared to a European average of about 16.4% (Eurostat website, *Gender pay gap statistics*). This differential can be attributed both to the Italian workers' propensity to be employed part-time – in 2010, the number of women constituted 77.8% of the labour force employed on a part-time contract (ISTAT 2013) – as to their concentration in the sector services, among the least profitable of the Italian economy – in 2010, 69.7% of those employed in the social and personal services sector were women (ISTAT 2013). To provide a more complete picture of the situation of women in the labour market, it should also be emphasized that, according to the *Closing the Gender Gap* (OECD 2012) report, Italy ranks third from last among OECD countries for female participation rate to work (51%). In addition, although in 2010 a third of the staff with managerial functions was made up of women, and in 2009 the number of women on company boards was equivalent to 7% (just below the OECD average of 10%), the Italian female entrepreneurs remain a minority and run mainly small and medium-sized enterprises. Also weighing on these conditions is the presence of an essentially cultural anathema, which makes the career advancement of female workers a slow and tortuous process.

1.3.3. Employment contracts

As revealed by the Eurostat website (*Earnings Statistics*), in 2010, 26.7% of Italian workers with a fixed-term contract were among the subjects with low incomes, while only 11.1% of employees with full-time contracts belonged to the same category. In particular, the gross hourly earnings of full-time workers amounted to about EUR 16.4, while the workforce with temporary contracts sensed EUR 13.1 gross per hour (ISTAT 2013). In addition, in 2010 the Italian employees with full-time contracts received an hourly wage that exceeded approximately 5 Euros than the wage received by workers on part-time contracts (ISTAT 2013).

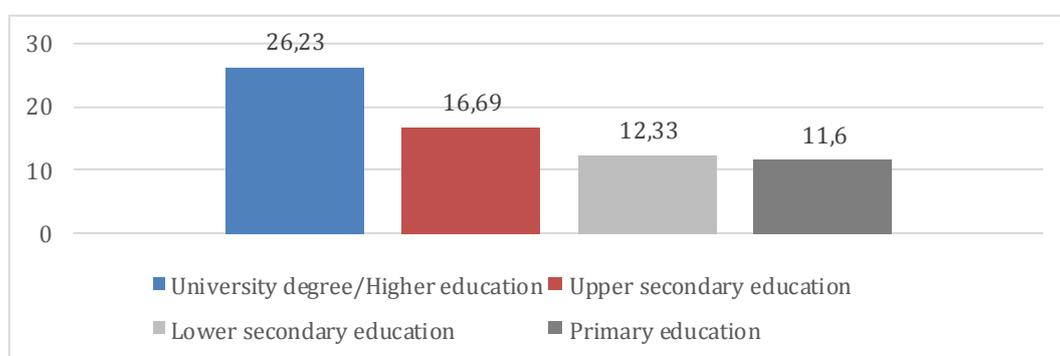
Finally, it should be emphasized that, according to OECD figures (OECD 2011b), changes in self-employment income are a key factor of wage disparities in Italy. In fact, since the mid-eighties, the share of self-employed earnings grew by 10% of the total

revenue. Moreover, unlike what happens in other OECD countries, self-employment in Italy interests mainly high-income individuals.

1.3.4. Education

Overall, among the European Union countries, “a high level of education guarantees higher earnings” (site Eurostat, *Earnings Statistics*). With specific reference to the case of Italy, in 2010 the gross hourly earnings of workers with a high level of education (EUR 26.2) almost doubled that received by employees with only a title of primary education (EUR 11.6) (graph 5).

Graph 8. Annual salary by hour paid by level of education – Year 2010



Source: ISTAT 2013

In addition, while the number of low-income workers corresponded to 2.6% of the educated workforce, this figure reached 20.9% among workers with a lower level of education (Eurostat site, *Earnings Statistics*).

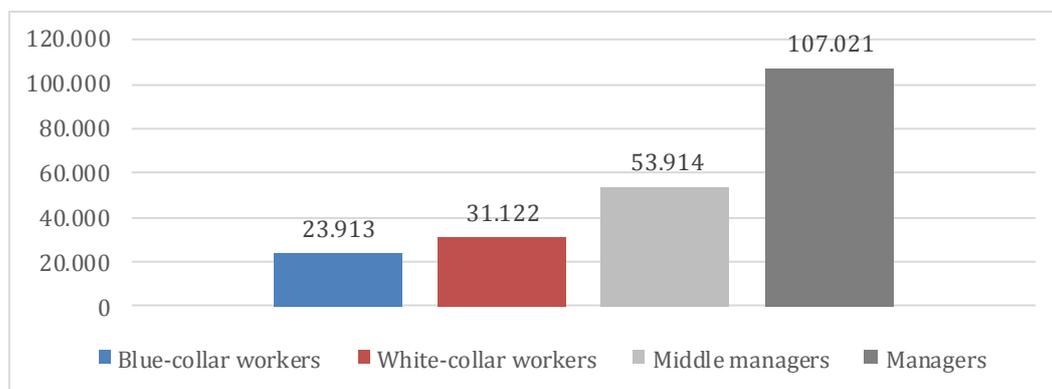
It must also be emphasized that, as noted in the *JP Salary Outlook 2015* report, the pay gap by level of education is essentially attributed to increased possibilities for the first to reach the top of the corporate organizational pyramid. Consequently, inequality between workers with a high level of education and those with lower educational qualifications appear to increase progressively in the senior positions of the corporate hierarchy (Job Pricing 2015).

1.3.5. Professional levels and length of service in companies

As shown by ISTAT (2013), in 2010 the Italian executives earned on average EUR 43.3 per hour, while low-skilled workers received 11 Euros. The monthly salary of a top managers corresponds to 3.2 payrolls of a worker, and in 2014, the net monthly salary of a worker amounted to EUR 1,327, while an executive corresponded to about EUR 4,257

per month (Job Pricing 2015). The chart below compares the annual gross compensation value by professional category.

Graph 9. Gross Annual Salary media resourced by category – Year 2014 (only employees of private companies)



Source: *Job Pricing 2015 (values in euros)*

Moreover, in 2010, workers with less than five years of seniority were granted EUR 13,7, while employees employed in the company for at least 15 years earned EUR19.9 per hour (ISTAT 2013). Therefore, in the same year, 25% of Italian workers with less than 30 years of service were among the subjects with low incomes, while only 11.6% of workers 30 to 49 years and 9.1% of the workforce over 50 belonged to the same category. Overall, the hourly gross wage tends to increase accordingly to the age of the person (ISTAT 2013). In fact, as confirmed by Job Pricing (2015), in 2014 the wage disparity between workers close to retirement and those new employees reached 107%.

2. National debate and union strategies on wage inequality

The phenomenon of wage differentials is considered both psychological and inherent to our society. This is demonstrated by the results from a set of semi-structured interviews with various sectoral representatives (credit and insurance, metal mechanics, schools, large retailers) and national social partners (8 union representatives and 8 employer representatives answered). All of those interviewed immediately expressed their willingness to distinguish between two different aspects of the same reality. On the one hand, there is pay differentiation, which is considered not only appropriate, but also essential when founded on consistent parameters relevant to skills and professional roles, responsibilities and job performance, to give incentive for the individual worker. On the other hand, there is wage discrimination, which refers to unequal pay to two different employees doing the same type of work with the same performance levels.

Trade union representatives have been particularly concerned with this issue. Generally speaking, wage differences seem to have widened and this is confirmed by the data collected in section 3 of this report. In some cases, we also considered the phenomenon from an international perspective. A trade union representative observed that: «At the moment, 1,5 billion people have no rights and are competing with 300/400 million people who somehow “acquired” those rights. However, it seems like they are trying to “limit” the rights where there are some instead of trying to ensure them to people who don’t have any (there is no international trade union policy in this respect)».

2.1. Cross-sectoral wage differentials and income policies

Within the political-trade union debate, cross-sectoral wage differentials have traditionally been of little importance. The wage polarization between high-skilled sectors (high wages) and low-skilled sectors (low wages), testified by the recent Job Pricing (2015) report has been regarded as a physiological effect of wage trends, compared to collective bargaining, or more generally, the trade policies they could not otherwise influence (see Interview 1, Interview 3). This is especially true under a contractual system, which was intentionally constructed on a sectoral basis, which was established to enhance the specificity of the different productive sectors, associated with varied logistical organization as well as with different market curves.

If this is true in terms of endo-union strategies within different sectors, the same cannot be said if the analysis shifts on income policies established on a legislative and trilateral level, which directly influenced, to some extent, the cross-sectoral wage distribution, which generally contains effects of dispersion. First of all, it must be said that some legislation measures were adopted in the late seventies and mid-eighties in response to the economic demands to contain labour costs as well as the inflation rate, by stripping

collective bargaining which may then provide salary increases above some ceiling caps (see Act n. 91, 31 March, 1977; Act n. 297, 29 May, 1982; Decree n. 70, 17 April, 1984). In the credit sector, for example, such measures helped contain the wage gap with other economic sectors.

Still in an indirect manner, a further element of coordination and wage realignment between the sectors has certainly been the income policy built on the projected inflation rate according to the rules established by the Protocol of 23 July, 1993 (also called Protocollo Giugni) (see Treu 1993; Tronti 1996; Zoppoli 1996). In fact, from 1993 to 2009, the minimum wage levels had been established by the CCNL (*National Collective Agreement*) on the basis of the expected cost of living, in which the value was predetermined by the social partners in a cautious manner, so as to always be lower than the actual inflation growth during the reporting period and to avoid inflationary spiralling (see Fazio, Massagli, Tiraboschi 2013). This trend has been monitoring the risk of a large growth in negotiated wages, even in capital-intensive and high-skilled sectors, which are traditionally more inclined to grant higher wage increases because of the lower impact of labour costs on the price of the final product. From 2010 onwards, the economic and financial crisis has shown additional factors curbing the cost of labour in these sectors, thus contributing to reduce the gap in wage differentials, compared to the labour-intensive sectors, where the wages have been less impacted by negative swings, sometimes even at the expense of employment (see ADAPT Database on collective bargaining, www.farecontrattazione.it).

2.2. The legal minimum wage

The high rate of the national sectoral collective bargaining (NCLA) coverage has never brought the legal minimum wage question to the centre of the political-trade union debate (see Interview 1; Interview 3). Only in the last two years, even in the wake of the reforms adopted in Germany, has the Renzi government repeatedly proposed legislative action on the subject. This solution, stated not only by the interviewees, but more generally the gauge of the union debate, that it will not only have no effect on reducing inequality, but could actually have a negative impact on sectoral bargaining, which would see its role lose its importance (see Interview 2; Interview 3; Interview 4; Interview 5). This measure, in other words, is experienced by the union as an attempt by the executives to undermine the national collective agreement in favour of the decentralisation of wage bargaining. A trade union representative made some clarifications regarding this topic, pointing out different ways to introduce the legal minimum wage and welcoming a provision that might ensure the *erga omnes* extension of the right to minimum wage, as laid down by the collective agreement concluded at a sectoral level. On this topic, it was established that: “Article 36 of the Constitution currently applies to workers on open-ended contracts, while it does not apply to the self-employed (i.e. those registered for VAT) and to those on ‘collaboration’ contracts. Yet I think that national collective agreements should set forth a minimum wage that applies to all. Should that be the case, it would be up to the social partners, and not to the government, to increase the minimum wage”.

Yet, recent studies have shown that Italy is “the European country with the highest minimum wages in proportion to the median wage” (Kampelmann, Garnero, Rycx 2013). This means, “the minimum wage is not always respected”, because if it were, “the median wage should be higher or equal to the maximum wage”. It is of no coincidence that the contractual minimum wage is normally higher than the median wage in construction, agriculture, fisheries, hotels, and catering, where irregular and undeclared work is widespread (see Bellavista 2014).

2.3. Wage differentials and commonly known “pirated” contracts

In the five-year period coinciding with the economic crisis, competition between different collective agreements in the same sector, as the maximum expression of the principle of trade-union pluralism, has turned into a downward competition giving rise to a contractual dumping phenomena, that is taking the shape of a veritable social plague (see Interview 1; Interview 5). This is especially true in the economic sectors which are most affected by the process of production decentralisation (e.g. Retailing and service industry; Transport; Tourism; Catering services; Multi-service and Cleaning; Cooperatives). This phenomenon is commonly known as pirated contracts, and are namely agreements “negotiated and then signed by smaller unions, without real representation, and by compliant business associations, who openly declare that their aim is to enact an alternative to the national collective agreement, so as to enable the employer to formally assume the interpretation of the law – and therefore its benefits – to apply to those who apply the collective agreement” (Maresca 2010, p. 29). From the trade-union’s perspective, this is the kind of a collective agreement through which smaller unions “exchange contractual favour by defining both economic and regulatory treatment less burdensome for employers” (see Paone 214, p. 255). The use of pirated contracts is spreading (www.cnel.it, archive of collective agreements).

Measures to combat such form of contractual dumping have been promoted by labour inspectors and the legislator: legal devolutions of power towards collective bargaining have been introduced in order to allow collective agreements signed by the most representative trade unions and employers’ organisations to enable the flexible implementation of labour legislation (e.g. working time; non-standard employment contracts and so forth), thus making the non-representative collective agreements less attractive for employers (see Tomassetti 2016a). The scope of functionality of the selection of the law to delegate collective autonomy also acts as a disincentive mechanism for companies to apply the pirated collective agreements. Though more advantageous in terms of direct costs, discount reduced attractiveness due to the lesser degree of management flexibility of labour relations which regulate, resulting from the inability of the signatories to remove – with legal effects – regulatory rigidities governed by law or give access to the economic benefits provided by the so-called incentive rules.

2.4. Income policy and bargaining decentralisation

Analysed from the perspective of decentralised bargaining, the issue of wage inequality assumes rather contradictory characteristics (see Interview 2; Interview 3; Interview 5; Interview 7). In the context of an income policy aimed to contain labour cost, the failure to develop negotiations at a decentralised level has resulted in an automatic compression of the share of labour in income, thus depressing the growth of labour productivity and the economy, the opportunities for more and better redistribution of wealth, and a greater alignment between wages and productivity (see Tronti 2010; Tronti 2008; Tronti 2005). For this reason, the reform of collective bargaining on 22nd January 2009, marks the overcoming of a wage-setting mechanism established by the Giugni Protocol, providing the consumer with a price index harmonized at the European level as a parameter to measure inflation (HICP), along with a series of legal and fiscal incentives for the development of decentralised bargaining (including tax exemption, for example) (see Fazio, Massagli, Tiraboschi 2013).

Signed by both the government and social partners, the same trilateral agreement envisages the commitment of the public authority above all, enforced by a series of supporting regulations, to promote the so called productivity bargaining. The legislator defines what is a productivity agreement in order to incentivise this kind of contracts through fiscal and contribution incentives. Accordingly, the share of wages resulting from “productivity agreements”, as defined by the legislator, can benefit from a reduced level of taxation and social security contribution (Massagli, Pignatti Morano 2016). In the perspective of wage inequality, this measure assumes a contradictory aspect: on the one hand, it encourages a wider dissemination of decentralised bargaining. On the other hand, it contributes to increasing the wage gap between workers covered by company bargaining and non-covered workers (see Interview 8).

Second, the framework agreement of 2009, institutionalised for the first time at an inter-professional level, the possibility for the company's collective agreement to deviate and derogate from the NCLAs (see Bellardi 2010a; Bellardi 2010b; Voza 2010; Bellardi 2009). This derogation right was then transposed in the various collective agreements based on the Confindustria, Cgil, Cisl and Uil agreement on the 28th June 2011, and subsequently, sanctioned in a legal provision enacted in the face of an explicit request from the European Central Bank. It refers to the 8th Article of Decree no. 138/2011, converted into Law no. 148 of 2011 (Tiraboschi 2012). As far as exceptions are concerned, two models exist, depending on the contract or the legislation in force, which represent two different ways to encourage decentralized bargaining: organized decentralization and disorganized decentralization (Traxler 1995).

Although the risk of a disorganised decentralisation of labour relations, and a diversification boosted by regulatory treatments opened by the latter option has been the subject of heated debate, both at the academic level and at the political-union level, where derogation clauses were rarely used in the practice of industrial relations (see Tomassetti 2015; Tomassetti 2014a; Tomassetti 2014b, ADAPT databank on collective bargaining, www.farecontrattazione.it). With the inter-confederal agreement on the 21st September 2011, Confindustria, Cgil, Cisl and Uil have nevertheless agreed to follow only the

decentralized bargaining model defined by the Agreement on the 28th June 2011, committing not to resort to Article 8 (see Interview 1, Interview 2, Interview 3, Interview 5; Interview 7; Interview 8).

2.4.1. Intercompany wage differentials and decentralised bargaining

In any event, it should be emphasized that Article 8 does not provide for the possibility to drop wages, even by companies in financial difficulty. The list of the matters that can be derogated is extensive. However, it is also mandatory, and the list does not include the remuneration elements. In fact, in Italy, the national collective bargaining agreement serves as a macroeconomic function, which in other countries is managed by the law by fixing the minimum wage. The exemption to the minimum wage would then meet the limit of Article 36 of the Constitution in conjunction with Article 2099 of the Civil Code. They may apply for deferral mechanisms of contractual increases, just as it happened in the last renewal of the Metalworkers and Chemists' collective agreement. Eventually, however, the contractual remuneration must be paid in its entirety. Unlike the case of corporate realignment exemptions, which are diachronic. Derogations, which if compared to a previous company agreement, over time become too onerous. Whether it's unilateral cancellation or concession bargaining, in this case the company's agreement exempts itself, to reduce the gap between the economic elements agreed in the company and those established by the collective bargaining at the national level, thus resulting in a lower salary drift (Tomassetti 2016b; Tomassetti 2015).

This last statement is even more important if we consider the wide distribution of economic gains in the company's bargaining, paid as a fixed amount (see ADAPT Databank on collective bargaining, www.farecontrattazione.it) and it violates the rules of contractual arrangements' articulation, according to which at the decentralized level, only variable salary increases linked to productivity, quality parameters, profitability and efficiency may be considered. The wage differentials between workers employed in different companies in the same sector, when stemmed from contractual increases in fixed rates, pose a serious problem of equity and distributive justice of collective action of trade unions. In fact, negotiating wage increases, disconnected from any individual or collective performance indicator that would justify wage slips within the company, the union ends up serving as the determinant of a singular form of dualism in the labour market. The workers covered by such collective agreements, moreover, have a comparatively higher salary level not by their merit or the one of their company, but by the mere fact of fitting within the range of a trade union organization with a certain conflict capability. Articulated in this way, wage disparities show unreasonable features to assume, at least in terms of political and trade union evaluation, the appearance of discrimination (see Interview 7; Interview 8).

Generally, the effects of decentralised bargaining on wage differences are contradictory. On this topic, a trade unionist pointed out that the diffusion of company-level bargaining might widen “disparities, either between workers to whom the collective agreement does

not apply and to those to whom it does or between collective agreements themselves, as they evaluate and remunerate one's expertise differently".

2.5. Wage differentials among workers

Therefore, despite the numerous reform interventions set to get a more flexible wage structure, the main part of the remuneration is determined as a fixed amount by national collective agreements. This is in large part due to a series of automatic remunerations provided by the National Collective Bargaining Agreement (e.g. seniority within the company, in some cases) and, above all, a system of classification and grading of staff, which is not flexible, compared to the *performance* of individual workers. Concisely, the workers are paid based on the tasks with which they are hired for, corresponding to different levels of employment and pay governed by the collective agreements. The classification system, however, while defining professional declaratory judgements in different framing levels, cares only about the definition of *which* tasks the employee is expected to perform, linking them to a specific level of pay, and does not define *how* the work performance should be carried out, thus excluding the qualitative dimensions of the work actually performed by the wage structure defined by the national collective bargaining agreement.

Presented in this way, the "equal pay for equal work" principle has generated, over the years, a flattening of professionalism around the minimum wages set by collective bargaining: even the most deserving workers are inclined to do the bare minimum because in any case, most of the merit would not be adequately recognized; on the other hand, the least deserving employees will continue to play the role of the *free rider* since poor attendance and lack of care in the performance of work, but not would undermine the minimum wage levels associated with the respective grading level. It is clear that, in this institutional framework, the containment of wage gaps has occurred at the expense of merit (Interview 1, Interview 2, Interview 7).

If in the seventies, the grading system was structured in such a way to mostly respond to the instances of solidarity of the working class; the failure to overcome the rigidity of the wage structure today is mostly determined by the needs of companies, which, especially in labour intensive sectors, show a strong interest in maintaining the certainty of labour costs, which obviously would be lost if the minimum wage laid down by the national collective bargaining agreement were also attached to the soft skills of the workforce (see Interview 4; Interview5; Interview 6). In contrast, in those areas which are characterized by greater capital intensity, some companies are experimenting new techniques of classification and grading of staff aimed at enhancing the qualitative aspects of work performance (e.g. Chemical NCLA).

Nevertheless, among the social partners interviewed, it is widely believed that more qualitative factors such as technical knowledge, acquired through education, training, and so-called soft skills mainly related to the professional experience, should affect the determination of wage. It then seems to belong to another era, the belief that the worker's wage has to be related exclusively to his seniority and professional level: these

parameters are nevertheless still taken into account in wage dynamics. In fact, the “automatic” wage, and in particular the so called “Seniority”, occur in all economic sectors targeted by the project, where they are broken down into pay levels, with a three-year average basis, and linked to the different levels of classification in the national collective agreement reference. So in Italy, despite the different intentions of surveyed representatives, wage increases are tied to length of service and remuneration tends to increase with the age of the person (ISTAT 2013). Consequently, in 2014, the generational pay gap between those who were about to conclude their working career and those who were about to start it was 107% (Job Pricing 2015).

Still, even in the perspective of a progressive alignment between wages and productivity, individual and corporate performance should become a priority, as demonstrated by the commitment of the trade union and employers' representatives in negotiating wage incentives in the decentralized bargaining (see interview 1; interview 2; Interview 7). It is in fact, in this context, that you play not just the game of productivity of individual sectors, but also the game against pay discrimination.

There was less concern about the remuneration gap that separates the different professional roles, even if it highlighted significant divergences. At the base of the pyramid there are the standardized tasks, instrumental and functional to those tasks considered most strategic. At the top, ranks the top management, whose wage levels (in Italy, “an executive earns a monthly income equal to 3.2 times that of a worker,” informs Job Pricing again) feed the political and social debate on the need to put maximum limits to salaries. Yet, the majority of respondents were reticent towards this solution, stressing instead the importance of linking the salaries of executives in the objectives and corporate surplus value obtained (see Interview 1; Interview 2; Interview 7). The situation is different in regards to top managers: in the banking sector, for example, various trade union campaigns have been promoted in favour of a law on the books to put a ceiling on the remuneration of the CEO. Among the most significant campaigns, it highlights the one promoted by Fisac-Cgil in 2013; Fiba-Cisl (First-Cisl) in 2014 in support of the law proposed by popular initiative.

The trade union representatives in the metalworking sector showed some interest in this topic, by welcoming a provision that might set an upper limit to top managers' remuneration. As one trade union rep has argued: «Let's just think about the wage discrepancy between a salaried employee and a CEO! Sergio Marchionne (Fiat Chrysler Automotive's CEO) declared that he earns Euro 150,000 per day, not including stock options, that is equal to the annual pay of four workers at his firm!»

2.6. Union policies and gender pay gaps

The debate on wage inequality in Italy has been monopolized, from World War II until today, by the issue of gender and geographical differences. In regards to the first subject, attempts by the union to hold direct gender differentials date back to the early sixties when the inter-confederal agreement on equal pay was signed (see Dell'Aringa 1976). In general, collective bargaining has been a limiting factor in inequality, because the

collective agreements, at all levels, cover men and women without distinction. Therefore, in the absence of a legal minimum wage, employers are required to apply the minimum wage set by the national labour contract to all workers, thus placing lesser leeway to differentiate remuneration policies. The pay gap between men and women was determined, rather, by the better career prospects for men. Victims of an essentially cultural anathema which makes their career advancement a slow and tortuous process, their propensity to be employed part-time and their concentration in the service sector, women are forced to an average annual wage that is 7% lower than the men's average. An obvious gap that affects the Italian female workforce, which are penalized by all the difficulty of reconciling the timing of life and work. Still, those social partners that we interviewed said that much is being done to tackle the pay gap related to gender. The analysis provided in Section 3 of this report confirms the view of social partners: the gender pay gap is low for blue-collar and white collar employees. The social partners in general, and the union in particular, have indirectly impacted this issue, by promoting laws and contractual policies to ensure work-life balance, thus promoting better employment opportunities for women (see Interview 1; Interview 2; Interview 3; Interview 8). Next to the action of institutional lobbying undertaken by the union on the basis of the European policies on affirmative action, the trilateral sectoral agreements go in the direction of ensuring greater gender equality in the workplace and aims to reconcile work-life timing (e.g. Actions in support of policies to balance family and work, Government, social Partners, March 7, 2011; Agreement regarding the conciliation of life and work, equal opportunities and corporate social responsibility, ABI, Trade Unions, April 19, 2013).

2.7. Geographical differences

As in the subject of gender gaps, territorial wage differentials levelling action had been started in 1968 by the union, with the inter-confederal agreement for the abolition of wage cages (see Dell'Aringa 1976). The nationwide scope of sectoral collective agreements has undoubtedly helped to contain, but not eliminate, the regional wage differentials. Both from the desk research, as well as from the words of the interviewees, it is south Italy that suffered most of the pay gap, especially given the low rate of education of workers in the area, stuck at lower levels of classification and at lower pay bands, with minor possibility of access to senior management. From 2002 to 2007, the workers employed in northern regions perceived a higher average salary by about 15%, compared to their counterparts in the southern regions. A troubling inter-gap, on which impacts not only the different professional qualifications and local economic conditions, but also the uneven distribution of the company's collective bargaining: discreet in medium and large companies in the north, little or almost absent in most of the productive reality of the south and islands, where the work performance will correspond almost exclusively with the minimum wage set at the national level (see Casadio 2009).

2.8. Decentralisation of production

Some forms of vertical disintegration added to the outsourcing of production, represented without a doubt, a further focal point that determined the inter-company wage differentials (see Interview 2; Interview 5; Interview 6). This subject is very important to Cgil, Cisl and Uil, which, during the programmatic agreement for an up-to-date system of industrial relations, have highlighted the relevance of the role of collective bargaining, which is called to take action in this matter at all levels, to “recover and consolidate the safeguard system, in order to protect the employment and the dignity of work”. In detail, the primary goals found by the unions are: the application of the prevailing contract, if the company operates in productive contexts covered by different collective contracts; the observation of the social provision in case of contract changes, that commits the company that has taken over to hire all of the existing workers from the previous company; the sterilization of article 7 of Legislative Decree n. 23/2015, to recognize the length of service to calculate the severance pay of workers within the contract change; the reassembly of representation (RSU/RSA) and the retention of collective agreement referrals, to resize the gaps by II level contract bargaining; the entrustment of liable responsibility to the company that has taken over, for the entire working cycle.

3. Wage differences, pay policies and collective bargaining in four production sectors

3.1. Description of sector-based case studies

3.1.1. Automotive

3.1.1.1. System of classification and articulation of wage structure

The majority of automotive companies, with the exception of those belonging to the FCA group and certain related suppliers, apply the national collective agreement (NCLA) for the metalworking and mechanical engineering industry. For blue-collar workers, clerical staff and managerial staff, the aforementioned collective agreement is structured on 10 professional levels (including management) and 10 pay levels. Each category provides professional declarations which exemplify the various profiles. The structure begins with the workers belonging to the first category (involved in simple production activities requiring nothing more than a period of initial training), and finishes with those in the last category (individuals with a considerable amount of experience and highly developed managerial skills).

There are several automatisms to note, such as the passage from the first category to the second (after a maximum of four months), and that from the second category to the third (in simple terms, those individuals who complete educational or training courses after a given period of time). The collective agreement also includes periodical pay rises for every two years of service for the same company which range from Euro 18.49 for workers in the first category to Euro 40.96 for those in the seventh category.

The national collective agreement for managers in the manufacturing sector is applied to executive staff, and this contract does not include any classification or placement system but simply outlines the distinctive characteristics of an executive position in art. 1.

Pay rises in the national collective agreement

The parametric pay scale in the metalworking NCLA goes from 100 to 210. Regarding the parameters of the case in question we can note that despite the unified classification system not having a horizontal orientation, the pay structure is actually relatively straightforward: a Euro 1 increase at the lowest level (par. 100) corresponds to a Euro 2.10 increase at the highest level (par. 210). The most common entry level corresponds to the fifth category (par. 160).

Pay rises are awarded every three years. The percentage of the increase is established based on the most common entry level and the trends of the Harmonized Index of Consumer Prices (HICP) in Europe. The rate of inflation is therefore the factor which has

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the greatest influence on the definition of increases to base pay, working on the premise that the national collective agreement has the role of safeguarding workers' buying power.

Work-related dynamics, sector-based productivity and other macroeconomic indicators have little effect on determining the pay rises fixed in the national collective agreement; the parties take them into partial consideration in the bargaining phase. Quality, productivity, profitability and the efficiency of labour and production processes are entirely allocated to the company-based pay policies. The only exception is the economic recognition of the professionalism of the workforce. Indeed, when the metalworking collective agreement was renewed in 2009 (explanatory statement in the third category, section IV, title II, metalworking national collective agreement) it specified that workers in the first subsection of the third category job description are those workers who have considerable work experience within the company and consistently do various jobs, have concrete skills used to collaborate in coordination with other – both more difficult and simpler – jobs in order to improve the process or the product and to achieve the best development of the company's professional abilities. Since 1st March 2009 these workers' right to pay related to their professionalism corresponding to parameter 121.7 of the base pay (to be adjusted to fit any modifications to the parametric table of base pay if necessary) with the absorption of any payment paid by the company on the same grounds. Nonetheless, it has still not been established who has the undeniable right to this payment and parties have left the decision to a purpose-built commission. Company bargaining therefore intervened on this subject providing, until industry-wide bargaining makes further provisions, a temporary definition of the parameters for the recognition of pay based on professionalism (the so-called third ERP).

Overtime is to be forfeited by managerial staff.

Pay-rises for executive staff are established using the following method: the considered level of guaranteed minimum annual wage from 2015 for all employed or appointed executives from 1st January 2015 is Euro 66,000. The same minimum annual wage is guaranteed for all executives who, on 1st January 2015, have held their role in the company for 12 months or less.

The second level of guaranteed minimum annual wage which was available after six years has become obsolete. A unique policy of calculating pay for all executives who have held their role in the company for between one and six years as of 1st January 2015 has therefore been created. This policy determines individual guaranteed minimum annual wages based pro-rata on the months of service accrued as of 1st January 2015 and calculated using the difference between the Euro 80,000 and Euro 63,000 levels of the previous contract.

As far as the application of longevity pay rises are concerned, the temporary discipline in article 3 of the collective agreement for managers in the manufacturing industry of 30th December 2014 specifically recognizes the right of executives who have not accrued the maximum number of 10 seniority increases to receive, from the moment of maturation, longevity pay of Euro 129.11, taking effect from the 1st of the following month until the end of the two-year period in question. This figure is neither absorbable nor adjustable to

any compensation which favours the executive, unless expressly stated, or to further compensation received from the employer.

Pay negotiation within the company

Company-level bargaining cannot disregard guaranteed minimum wages established in the NCLA should doing so leave the employee worse-off; its only competence relates to the variable part of compensation linked to productivity, quality, efficiency and profitability indicators. The rules governing the framework of contracts in the metalworking sector do not permit the bargaining of the fixed part of pay which is to be determined solely by the national collective agreement.

In practice, however, fixed pay rises are widely used in the form of one-off payments, collective extra allowances, extra month payments and fixed bonuses. Furthermore, performance-related bonuses, where stipulated, typically have a low level of variability and are predominantly linked to productivity- and quality-based indicators.

Individual pay rises

Individually defined economic modifications cannot disregard pay levels established by collective bargaining if doing so would leave the employee worse-off. The pay levels for blue-collar workers are generally aligned with the base pay established in the national collective agreement and with the supplementary conditions established by company-level bargaining. Although infrequent, clerical workers can receive individual pay rises, particularly in the form of extra allowances, bonuses or one-off payments, usually unilaterally and with absorption clauses. The base pay of management staff (managers and directors) is generally complemented by MBO (management by objectives) programmes.

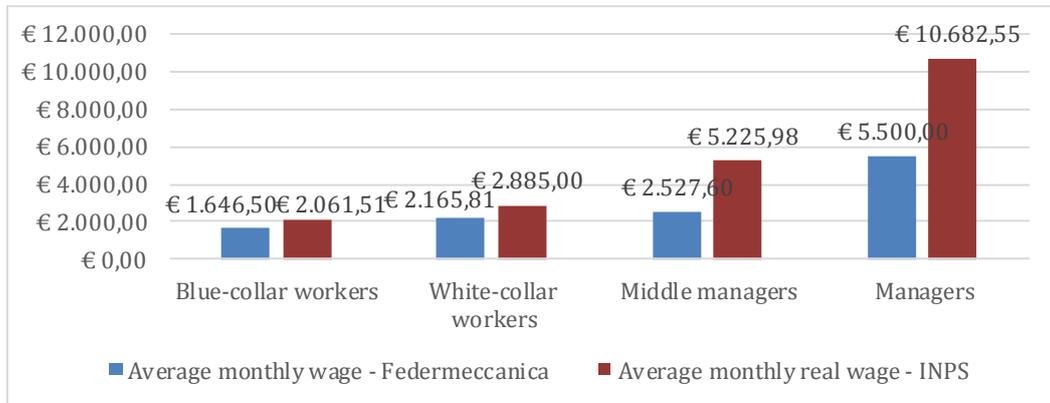
3.1.1.2. Wage differences, pay policies and the role of social partners

Real and contractual wages (nominal – CCNL)

Graph 10 shows how the wage drift in the metalworking industry takes place in each professional category, however increasing according to the professional level, due to the higher influence of individual bargaining for middle managers and managers.

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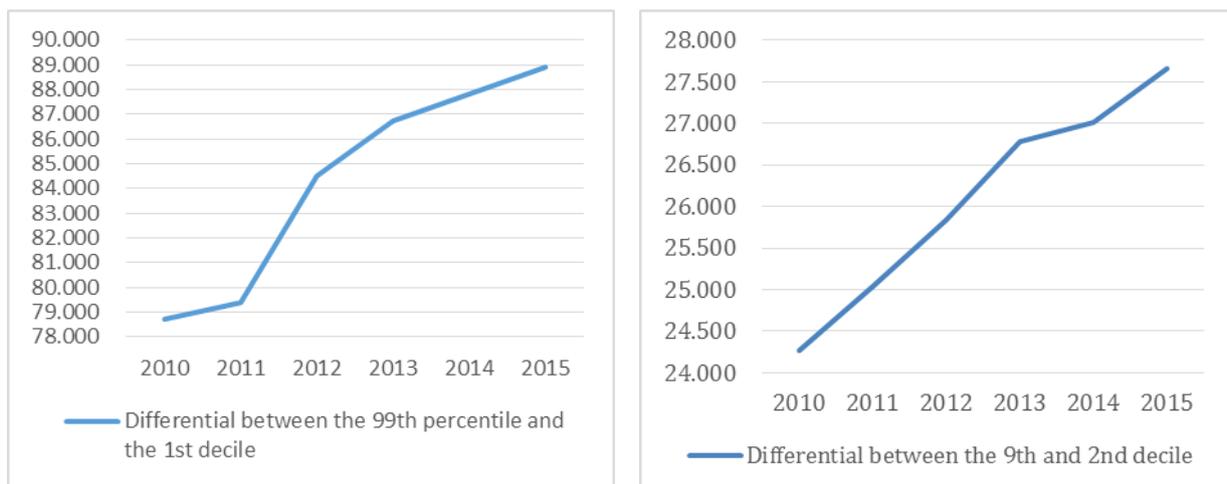
Graph 10. Average monthly wage and real wage. Full-time and permanent workers in the metalworking industry – 2014



Source: CCNL metalworking industry; INPS 2015

Graph 8 shows how the wage differentials between the 99th percentile and the 1st decile have grown, in absolute terms, more rapidly than those between the 2nd and the 9th deciles. From 2010 to 2015, an absolute increase equal to 10.172 Euros compared to the differential between the 99th percentile and the 1st decile was recorded. Conversely, the increase between the 9th and the 2nd decile was less significant, standing at 3.397 Euros in the period 2010-2015. In relative terms, the wage differential between the 99th and the 1st percentile is equal to 12.92%, whereas the one between the 1st and the 9th decile is 14%.

Graph 11. Delta between the 99th percentile and the 1st decile and between the 9th and the 2nd decile (Metalworking industry, 2010-2015)



Source: INPS, 2016

Competitive strategies and pay policies

Pay negotiation in the metalworking and mechanical engineering industry, which usually includes the automotive industry, has, in most cases, been characterized by the moderation of pay with the aim of maintaining the sector's competitiveness. Salaries are based on the level of classification: salary differences between levels of classification therefore increase over the years. Completely illogical in terms of social justice, this dynamic is in fact coherent with the objective of keeping a high-intensity work sector competitive and guaranteeing the employability of mid-to-low level professionals.

On the subject of pay realignment we can examine Federmeccanica's proposal to absorb all the fixed and continuous entries in individual workers' pay slips (base pay, individual and collective extra allowances, automatic seniority pay rises, fixed-sum hourly and monthly performance-based bonuses) in the increases set down in the national collective agreement, with the exception of compensation strictly linked to working behaviour (overtime, piece work, pay supplements for night work, etc.) and, obviously, any variable bonuses listed.

Similarly to the dynamics of executives' pay negotiation, pay rises linked to the rate of inflation will only be given should the difference between individual pay and the guaranteed pay of the worker's job classification level result as being negative.

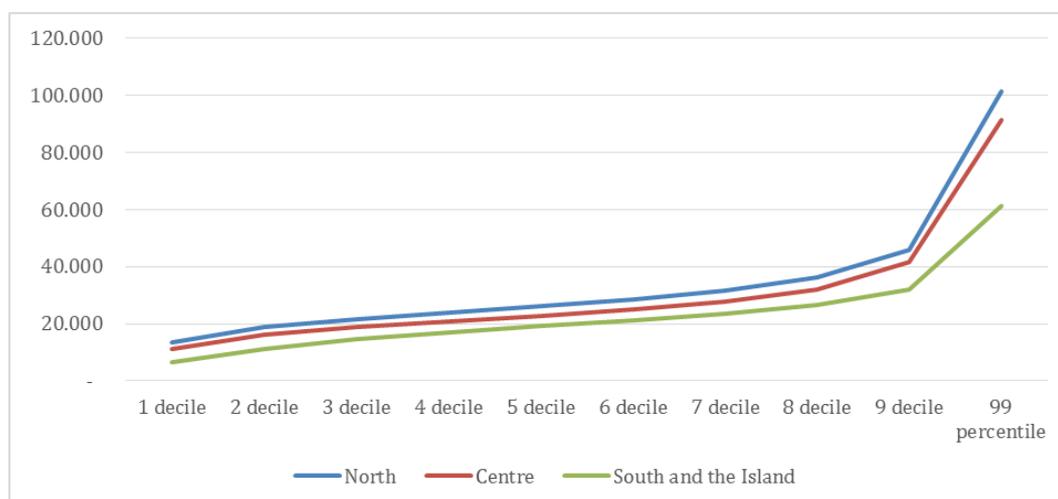
Derogations

As touched upon, the collective bargaining architecture in Italy does not permit company or individual bargaining to decrease the minimum pay established by the national collective agreement. Intercompany salary differences can influence favourable economic measures established in unionized companies using supplementary bargaining (see Introduction). It is, however, important to note the spread over the last five years of contractual retrenchment measures regarding the cost of work (e.g. cancelling additional economic elements established by company-level bargaining) which create forms of dualism between existing workers and newly-hired workers within the same company.

Geographical differences

On average, the difference between Northern and Southern Italy regarding the gap between the 1st and the 7th decile is 7,272, with a standard deviation amounting to 397 points. From the 8th to the 10th decile, the average gap between Northern and Southern Italy is 21,306, with a standard deviation of 16.605. As can be deduced from graph 9, the difference between geographical areas increases rapidly in the highest distribution areas, with a significant increase between the 90th and the 99th percentile (equal to 40.316).

Graph 12. Average monthly wages by decile and geographical area (Metalworking Industry, 2010-2015)



Source: INPS, 2016

The north-south gap has little impact on pay differences in the automotive sector for blue-collar and white-collar workers. Pay differences depending on geography are predominantly determined by the concentration of industrial zones (assembly and components) in certain specific areas of the country. Therefore, salary-based disparities do not really depend on the intrinsic socioeconomic characteristics of the area, but on the characteristics of the companies located in that geographical area. For example, in the area around Modena the automotive industry boasts higher average salaries as that is where the Ferrari, Macerata and Lamborghini factories are situated. From the point of view of trade-union politics, signing a single collective agreement for the Fiat-Chrysler Group (FCA) certainly represents a realignment of salaries in Italy's automotive sector. Nevertheless, Fiat's contractual model does allow for supplementary bargaining in individual companies. Different geographical areas will therefore have different contractual salaries depending on the economic performance of the various factories belonging to the FCA Group.

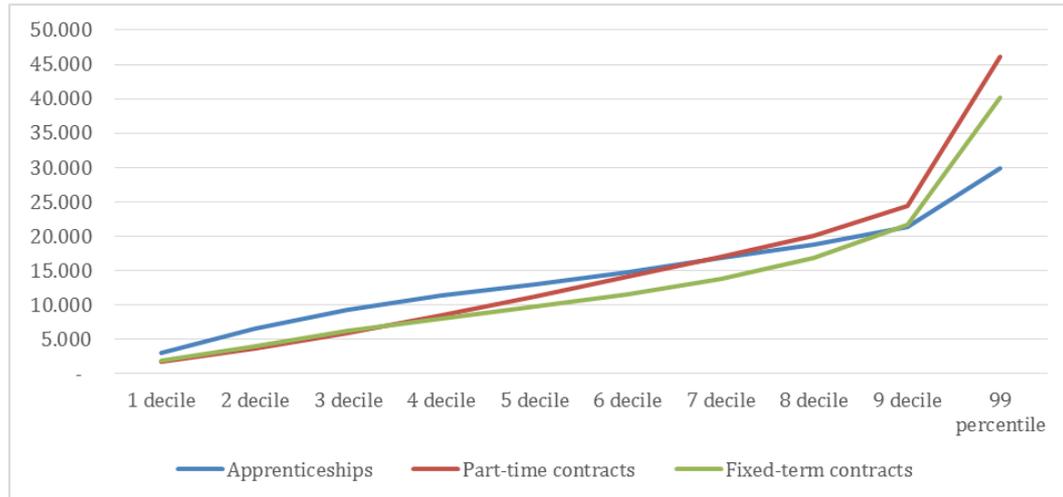
Company size

The size of the company affects intercompany pay differences in as much as larger companies are generally more unionized and supplementary bargaining is commonly used. This general assumption is confirmed in the automotive sector although most companies are of average size: apart from the large companies, attributable to the FCA and Volkswagen Groups, most companies are medium to large and supplementary bargaining is widespread.

Types of contract and the organization of work

As we can see from graph 13, there are no significant wage differences between workers on open-ended contracts, except for wages between the 9th and the 99th percentile.

Graph 13. Average monthly gross wages by decile and contract type (Metalworking industry, 2010-2015)

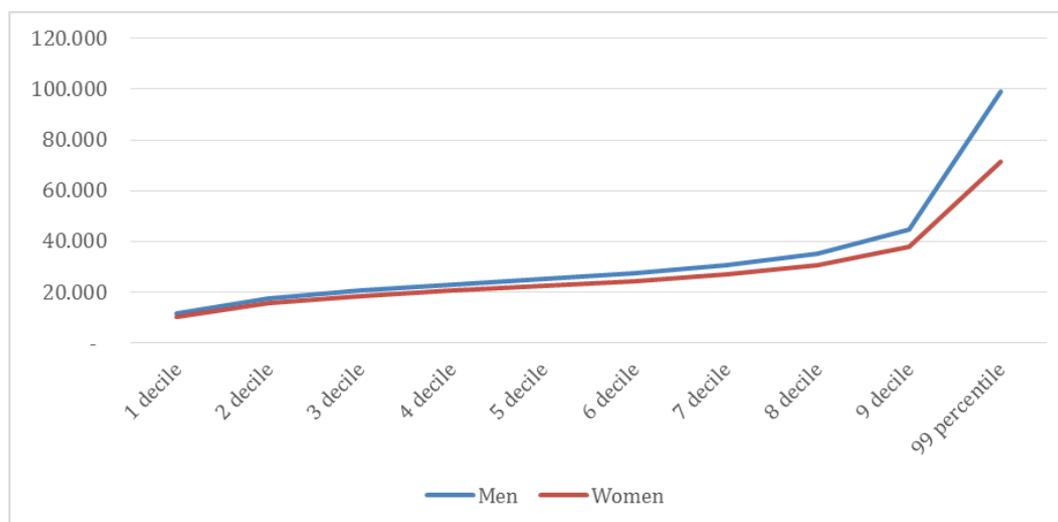


Source: INPS, 2016

Company-level collective bargaining regarding organizational flexibility does have an influence on differences in pay of workers in the automotive sector. In some cases, trainees, who are already placed in a lower level than their employed counterparts in the national collective agreement, are excluded from receiving performance-based bonuses. Furthermore, certain retrenchment measures regarding the cost of work, including entry level pay and the suspension of additional pay rises, are only applicable to newly-hired workers. As far as the organization of work is concerned, both national and company-based collective bargaining include extra compensation for those workers who work the more inconvenient shifts (nights, Sundays and holidays). As a consequence, shift workers are paid relatively more than other workers. It is no coincidence that in some provinces the reduction of working hours due to the economic crisis caused certain conflicts in the workforce of the automotive sector as workers fought over the less desirable shifts in order to keep wages above the base pay established in the national collective agreement.

Gender differences

Pay differences regarding sex are rather limited as the sector's workforce is predominantly male. The graph shows that in the metalworking industry women tend to earn as much as men in low-level positions, while significant wage differentials emerge in top positions up to a maximum of Euro 30,000 in the 99th percentile.

Graph 14. Average gross wages by decile and sex (Metalworking industry, 2010-2015)

Source: INPS, 2016

Decentralization of production

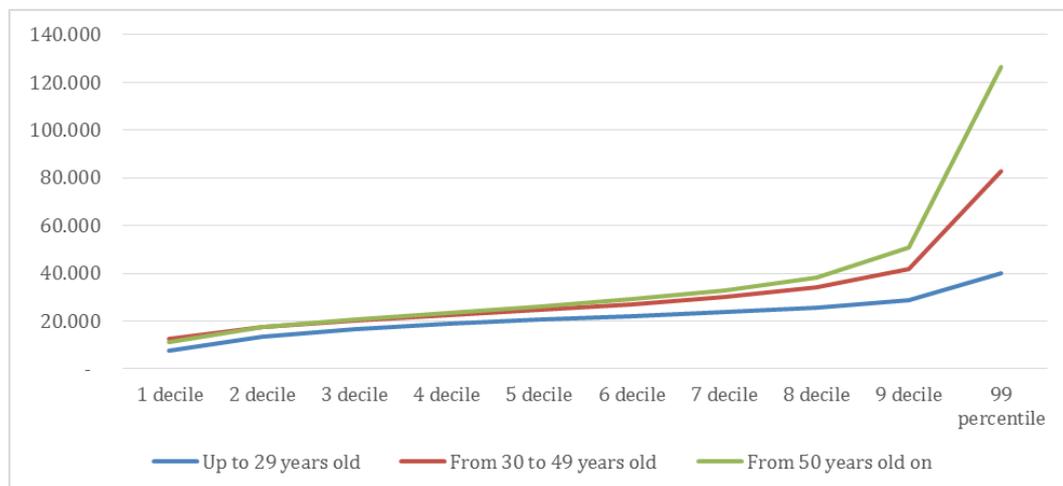
Over the last 30 years, the decentralization of production within the automotive industry has followed two directions: that of the progressive specialization of production as a consequence of the main producer of vehicles in Italy (Fiat) deciding to focus on core business (research, development and assembly); and that of the progressive externalization of the purely structural elements of production. Regarding the first, at least until 2012 when Fiat abandoned the metalworking and mechanical engineering national collective agreement, smaller automotive companies and their main commercial partner applied the above-mentioned national collective agreement which provided more or less generalized coverage of the whole industry, or at least collective agreements with a base pay generally in line with that of workers in the metalworking industry (e.g. the national collective agreement for the rubber and plastics industries). This situation, together with the wide coverage provided by decentralized bargaining in the sector, contributed to the regulation of intrasectorial retributive differences. The externalization of auxiliary activities (e.g. haulage, cleaning, catering, payroll), is also contractually covered (with the exception of a few cases of the application of so-called ‘pirate contracts’ – a contract signed by minor trade-unions with little representativeness in order to enable companies to say that they have a legal standing) by the following sector employment agreements: tertiary, retail and services; tourism; cleaning and multiservice companies; logistics, haulage and delivery. Although the minimum pay in the aforementioned national collective agreements is, on average, slightly lower than that in the metalworking and mechanical engineering national collective agreement, the general application of sector-specific collective bargaining has contributed to limiting pay

differences within the sector. The same cannot be said for the decentralization of bargaining which is practically non-existent in the various service sectors.

Age differentials

Graph 15 shows how seniority, human capital obtained through work experience and training have an important role in the distribution of wage of workers in the metalworking sector. The graph also underlines that the wage differences between people aged 30 to 49 years old and those aged 50 and older are more significant in the highest positions of wage distribution. This is a sign of how the most important career decisions occur in the ten years before retirement.

Graph 15. Average gross wages by decile and age (Metalworking industry, 2010-2015)



Source: INPS, 2016

3.1.1.3. Case study: Fiat-Chrysler Automotive (FCA)

System of job classification

In the collective agreement specific to the work of the FCA group, job classification is unified and organized into several professional groups ranging from the fifth (workers who carry out basic activities for whom it is sufficient to have completed a training period or to have a vocational qualification) to the first (workers who hold an executive role and, usually, have managerial skills). Indeed, the third, fourth and fifth groups are each split into two resulting a total of five professional levels and eight pay levels. Workers in the first and second groups can be considered ‘professionals’ (or ‘experts’ if they belong to the first group and are coordinators). To these workers the company applies a system of variable compensation and provides benefits for those in executive roles. It should be noted that the classification system has been reformed for workers

hired on or after 1st July 2015: although it is still a vertically structured unified system, it is now organized into three professional levels each with its own corresponding pay level. The staff classification system which has been in effect since 2013 has a relatively narrow parametric pay scale ranging from 100 to 151.5. In concrete terms this means that a Euro 1 pay rise for a worker at the lowest level corresponds to an increase of approximately Euro 1.52 for a worker at the highest level of the scale. The new classification system is different from the previous one in that the parametric pay scale is even more limited (100 – 131.70) and the automatism which characterized the system for those hired prior to July 2015 have been eliminated.

Contractual salaries (nominal)

Graph 16. Average gross contractual monthly wages (sector distribution), 2014



How the pay and bonus systems work

In addition to the basic salary, paid in a fixed amount each month according to the level of job classification, FCA workers’ salaries are typically augmented by further economic provisions of various types.

The variable part of a worker’s pay is linked to cost-effectiveness goals and objectives relating to the 2015-18 Business Plan, to which are added individual incentives linked to presence and performance.

Cost-effectiveness

The first element of compensation is paid annually and is calculated on the basis of the cost-effectiveness of each site which is measured in comparison to the site’s performance in the World Class Manufacturing programme (‘no status’ if the WCM activities at the site have not yet been evaluated; ‘bronze’ if the WCM system is being implemented at 75%; ‘silver’ if the WCM system is being implemented at 100%; ‘gold’ if the WCM system is being implemented at 120%). Depending on the percentage of efficiency

gained, representing the site's reduction in processing and production costs compared to the previous year, combined with the site's WCM level, workers' base pay will be increased. For example, workers at a Gold site with an efficiency gain of more than 6.5% will see their pay increase by 7.2%, whereas workers at a Bronze site with an efficiency gain of between 4.6% and 5.4% would receive an increase of 2.88%.

Profits

The second variable element of compensation is linked to the fulfilment of profitability goals in the 2015-18 Business Plan. To be more specific, this element is connected to reaching the economic objectives achieved by the FCA Group in EMEA (Europe, Middle East, and Africa) subject to certification from an outside auditor. Notwithstanding the four-year nature of the Plan, a part of this element, equal to 6% of the worker's base pay, is guaranteed in quarterly instalments. The sum paid at the end of the Plan, however, varies according to the percentage of EMEA operational result objectives reached and could mean an increase in the worker's base pay of between 2% and 14%.

Productivity and absenteeism

All workers are entitled to productivity incentives with the purpose of assessing individual contributions; these are compared with the actual performance of the individual and calculated per hour in the ordinary regime. Therefore, productivity incentives are linked to the worker's number of absences in the month prior to that in question. Workers belonging to the third, fourth and fifth professional groups are also entitled to performance incentives linked to the number of hours of actual work calculated against predetermined timings and therefore related to activity carried out on the productive systems which are characterized by standardized timings and rhythms.

Seniority

Finally it should be noted that the FCA system includes automatic pay rises in the form of periodic seniority increases. They are paid out at the end of every two-year period of service carried out for the company and range from Euro 21.59 (fifth group, level 1) to Euro 40.96 (first group), that is to say, from Euro 25.05 (first area) to Euro 39.10 (third level) for FCA Group staff hired after July 2015.

This means that, considering average levels base pay and clerical figures, the minimum wage is slightly lower than that agreed in the national collective agreement for the metalworking and mechanical engineering industry, but the salary structure is more flexible.

3.1.2. Retail

3.1.2.1. *System of classification and articulation of wage structure*

The majority of retail companies currently apply the tertiary, retail and services national collective agreement, known as the sales contract. The tertiary, retail and services national collective agreement categorizes blue-collar workers, clerical staff and managers using a framework which goes from the first level, corresponding to the activities requiring the most professional skills and entailing managerial responsibilities, to the seventh level corresponding to jobs requiring simple, practical skills. In addition, there is also the executive staff (on a unified level) who has a quasi-managerial role, and two levels for sales staff. Each of these levels corresponds to a pay level.

Automatic seniority pay rises, included in the contract for years of service accrued for the same company, go from Euro 19.47 (seventh level) to Euro 25.46 (executive staff). These increases occur every three years though not more than ten times. A system for the gradual maturation of certain contractual rights which directly affect the cost of work, including paid annual leave, is also in place.

The national collective agreement for company managers in the tertiary sector, retail and services (27th September 2011) is applied to managerial staff. This contract, signed by Manageritalia and Confcommercio, has been extended and is awaiting renewal. It has no classification system but its first article, entitled *Applicability*, outlines typical qualifications and activities through the use of examples such as “Directors, for example: – managers; – co-managers; – deputy-managers; – representatives, [...]”.

Pay rises in the national collective agreement

The parametric pay scale ranges from 100 to 250. As explained earlier, a Euro 1 increase at the lowest level corresponds to an increase of Euro 2.50 for workers at the highest level (in this case, executive staff). The most common entry level is the fourth. Pay increases occur every three years. The percentage of increase is established based on the most common entry level and by taking into consideration the trends of the Harmonized Index of Consumer Prices (HICP) in Europe. The rate of inflation is therefore the factor which has the greatest influence on the definition of increases to base pay, working on the premise that the national collective agreement has the role of safeguarding workers’ buying power.

Work-related dynamics, sector-based productivity and other macroeconomic indicators have little effect on determining the pay rises fixed in the national collective agreement; the parties take them into partial consideration in the bargaining phase. Work-related dynamics, sector-based productivity and other macroeconomic indicators have little bearing on the definition of pay increases determined by the national collective agreement: the parties take them into partial consideration during the bargaining phase. Quality, productivity, profitability and cost-effectiveness of both work and production processes are entirely ceded to the company’s salary policies.

Regarding the employment of executives, the agreement of 27th September 2011 decided to return to increasing the minimum amount of sums awarded in the form of pay rises.

The contractual minimum increased from Euro 3,500 to: Euro 3,600 before tax from 1st October 2011; Euro 3,735 before tax from 1st April 2012 and Euro 3,890 before tax from 1st July 2013.

Pay rises for executive staff are established using the following mechanism: executives employed on the date on which the renewal agreement was signed will receive for the three-year period 2011/2013: Euro 100 before tax per month from 1st October 2011; Euro 135 before tax per month from 1st April 2012 and Euro 155 before tax per month from 1st July 2013. Therefore, the contractual minimum increased from Euro 3,500 to: Euro 3,600 before tax from 1st October 2011; Euro 3,735 before tax from 1st April 2012 and Euro 3,890 before tax from 1st July 2013. These increases can be absorbed, up to a certain limit, by amounts paid by the company on account or as an advance on future contractual economic increases. Following the extension of the current national collective agreement for the tertiary sector, due to expire on 31st December 2013, until 31st December 2014, the parties have blocked all contractual increases.

Pay negotiation within the company

Corporate, or local, bargaining, cannot disregard guaranteed minimum wages established in the national collective agreement should doing so leave the employee worse-off; its only competence relates to the variable part of salaries linked to productivity, quality, efficiency and profitability indicators.

The rules governing the framework of contracts in the sales industry do not permit the bargaining of the fixed part of pay which is to be determined solely by the national collective agreement.

In practice, however, fixed pay rises are widely used, though they have recently undergone a process of flexibilization. Performance-based bonuses typically have a low-level of variability.

Individual pay rises

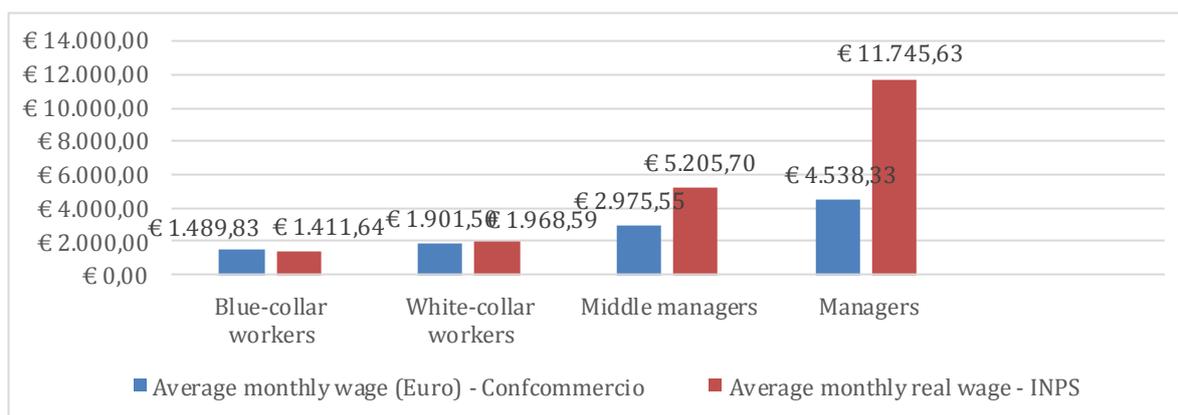
Individually defined economic modifications cannot disregard pay levels established by collective bargaining if doing so would leave the employee worse-off. The pay levels of blue-collar workers are generally aligned with the base pay established in the national collective agreement and with the supplementary conditions established by corporate bargaining. Although infrequent, clerical staff can receive individual pay rises, particularly in the form of extra allowances, bonuses or one-off payments, which are usually unilateral and with absorption clauses. The base pay of management staff (managers and directors) is generally complemented by MBO (management by objectives) programs.

3.1.2.2. Wage differences, pay policies and the role of social partners

Nominal and real agreed wages

A wage drift was recorded in every professional category, with a tendency to grow according to higher employment grades, due to a higher influence of the individual bargaining for middle managers and managers. A significant aspect in this sector is the negative wage drift of blue-collar workers. In other words, average monthly real remuneration is lower than the agreed average laid down by the national collective agreement. This might be due to the widespread presence of pirated contracts, which come with lower remuneration than that set forth by the national collective agreements concluded by Confcommercio, Filcams, Fisacat and Uiltucs, which were examined in the context of this study.

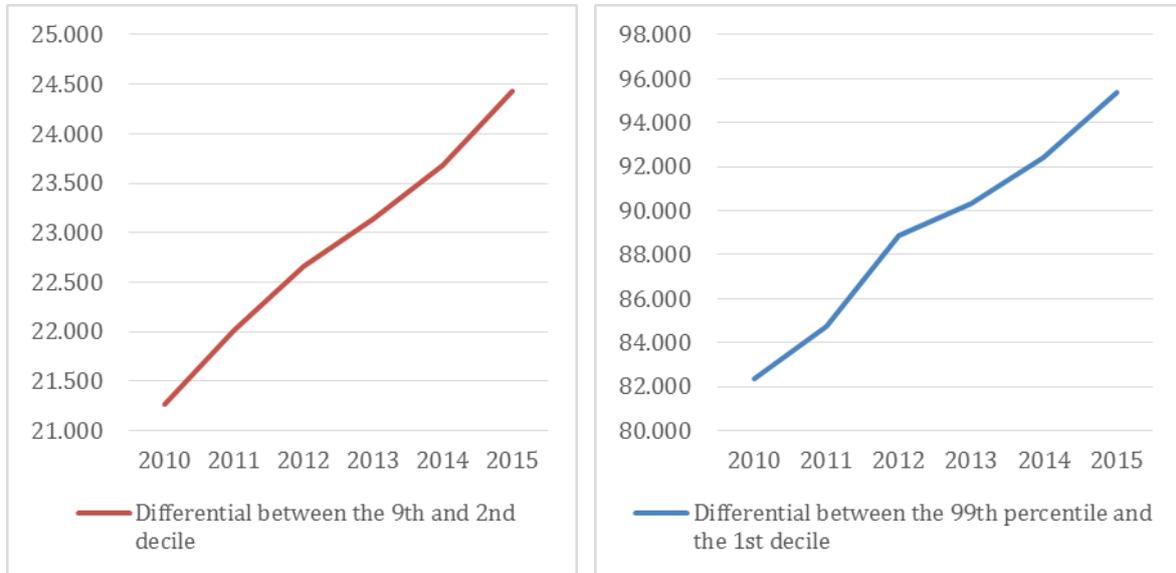
Graph 17. Average monthly gross income, full-time and permanent workers in the retailing sector – 2014



Source: CCNL, retailing and services sector; INPS 2015

In the retailing sector, the wage differences between the 99th percentile and the 1st decile have grown, in absolute terms, more rapidly than the ones between the 2nd and the 9th decile. From 2010 to 2015, there was an increase equal to 13.051 compared to the differential between the 99th percentile and the 1st decile. Conversely, the increase in the differential between the 9th and the 2nd decile is less significant, with a value of 3.166 Euros in the period 2010-2015. In relative terms, the differential between the 99th percentile and the 1st decile is equal to 15.48%, while the one between the 1st and the 9th decile is 14.88%.

Graph 18. Delta between the 99th percentile and the 1st decile and between the 9th and 2nd decile (retailing sector, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Competitive strategies and pay policies

Confcommercio's system of representation of which, until 2011, large retailers were a part, has never promoted competitive policies based on containing labour costs since workers' buying power represents, for the companies in this sector, a crucial indicator of consumption and therefore of company competitiveness. By way of example, the tertiary, retail and services national collective agreement, together with that of tourism, is one of the few collective agreements which continue to make use of compensation structured in 14 monthly payments. Notwithstanding the pressure from some companies, particularly those in large-scale retail, to eliminate the fourteenth-month salary, Confcommercio – within which the above-mentioned collective agreements are negotiated and signed, has always rejected its abolition as four million employees in the tourism and trade sector use the fourteenth-month salary, paid in June, to pay for their summer holidays.

Since 2011 the modern and organized section of the retail industry has distanced itself from Confcommercio and, through Federdistribuzione, is working with trade-union organizations in order to define a new contractual system aimed at making the organization of labour more flexible and more suitable to the companies in this sector. Among other things, the employers' delegation is trying to obtain the elimination of the automatism in the current collective agreement as well as to achieve more flexible salary systems.

At company level, performance-based bonuses are mainly linked to profitability goals and the quality of service provided (customer satisfaction).

Derogations

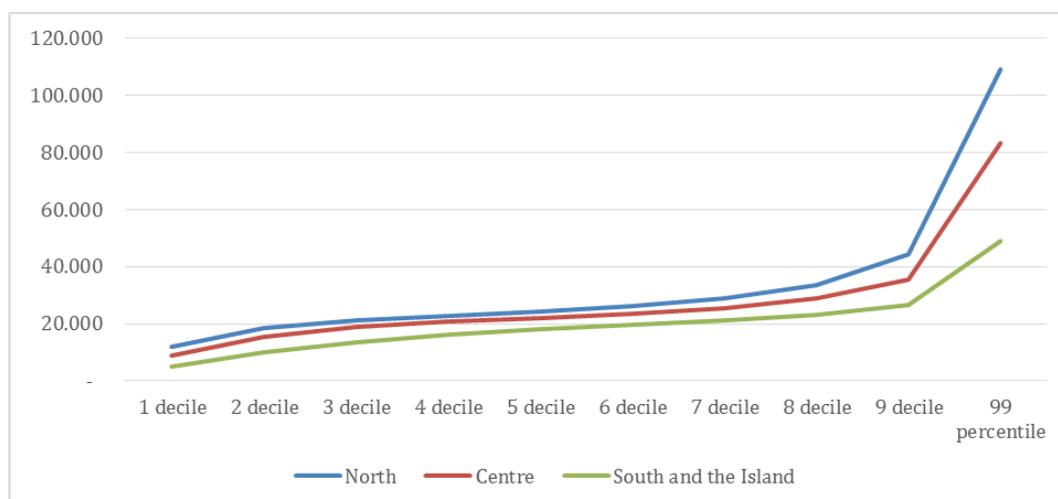
Minimum pay levels established in the national collective agreement for the retail sector cannot be modified if doing so would be for the worse. In order to combat the drastic drop in sales, most large-scale retailers (Metro, Carrefour, Auchan, Leroy Merlin) have, since 2009, proceeded with the unilateral termination of company contracts which had become overly burdensome. The renewals of supplementary company contracts have tended to include the supersession of certain automatism and fixed economic increases, guaranteeing a greater alignment between supplementary compensation and the company's economic performance.

Geographical differences

Pay bargaining for retail companies is generally defined at a central level and is applied uniformly throughout the country. Situations allowing for the possibility of further bargaining at store level (in IKEA, for example) are rare. It is, however, true that some retail companies, particularly those concerning food and drink, operate prevalently in particular areas of the country where they may well be levels of pay which are higher than in other areas, not for the geographic characteristics of the zone but due to the companies there present.

On average, the difference between Northern and Southern Italy for the gap between the 1st and the 7th is 7,100, with a standard deviation of 795 points. From the 8th to the 10th decile, the average between the geographical gaps between Northern and Southern Italy is 29,475, with a standard deviation of 26,686.54. As can be deduced from graph 9, the difference between geographical areas increases rapidly in the highest distribution points, with a significant increase between the 90th and the 99th percentile (equal to 42,245 Euros, in absolute terms).

Graph 19. Average monthly gross wages per decile and geographical area (distribution, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Company size

The most highly-structured retail companies which are represented in Federdistribuzione all have supplementary pay bargaining, generally dealing with similar amounts. Company-level bargaining is less widespread in smaller companies where the greater the turnover the lesser the rate of unionization.

Types of contract and the organization of work

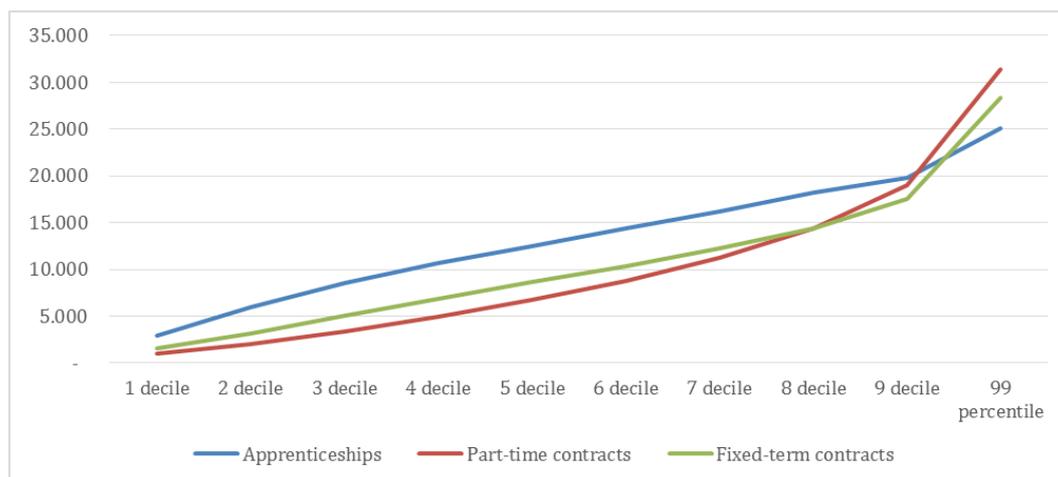
Collective company bargaining regarding the flexibility of organization affects retributive differences between workers in the retail sector. In some cases apprentices, who are already placed in a lower level than their employed counterparts in the national collective agreement, are excluded from receiving performance-based bonuses. Furthermore, certain retrenchment measures regarding the cost of work, including entry level pay and the suspension of supplementary pay rises, are only applicable to newly-hired workers. As far as the organization of work is concerned, both national and company-level collective bargaining include extra compensation for those who work the more inconvenient shifts (nights, Sundays and holidays).

In view of the freedom of being able to open on Sundays and holidays, companies in the retail sector have promoted a contractual policy aimed at reducing increased compensation for those working on these particular days. Furthermore, it has emerged in interviews that the work-life balance is one of the determiners of dualism in the labour market in the sense that, in order to permit workers to balance their work and leisure time, companies are forced to resort to atypical types of contract such as temping or on a per call basis, etc. This phenomenon has become more widespread in the large-scale retail

sector where, in short, *insiders* hired with the retail national collective agreement who cannot be made to work on Sundays or holidays, are replaced with *outsiders* who have flexible contracts (temping, part-time, weekends, etc.).

This state of things could partly explain the reason why apprentices earn, on average, more than workers with a part-time or a fixed-term contract. Apprentices report lower average incomes than the other two types of contract only in the last decile.

Graph 20. Average gross wages per decile and contract type (Distribution, 2010-2015)

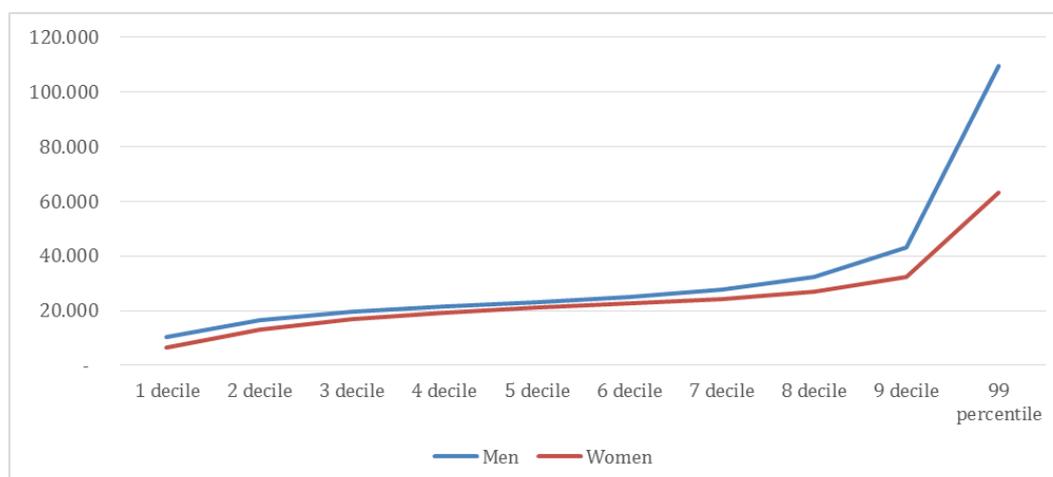


Source: ADAPT re-elaboration of INPS data (2016)

Gender differences

The effects of the economic crisis reached the retail sector two years later than they hit industry. This led to the following situation: men who were traditionally employed in industrial sectors were being made redundant as early as 2009; consequently women, who were mainly employed in the retail sector, had to make up the family income by asking to turn their part-time contracts into full-time ones. This caused realignment in salary differences until 2011. The fall in consumption from 2011 onwards triggered the opposite process: with a reduction in demand for goods and services part-time contracts, man-hour databases and paid holidays have been used as means of containing working hours, either as a complement or an alternative to traditional regimes of reducing working hours (temporary redundancy and job-security agreements). In other words, the economic crisis contributed to the accentuation of using part-time workers, man-hour databases and paid-leave for managerial purposes, transforming them from instruments of work-life balance to instruments of managerial flexibility.

Graph 18 shows that women in the retailing sector tend to earn as much as men in the lowest positions, while significant wage differences are reported in higher positions (which can reach over Euro 40,000 in the 99th percentile).

Graph 21. Average gross wages per decile and sex (Distribution, 2010-2015)

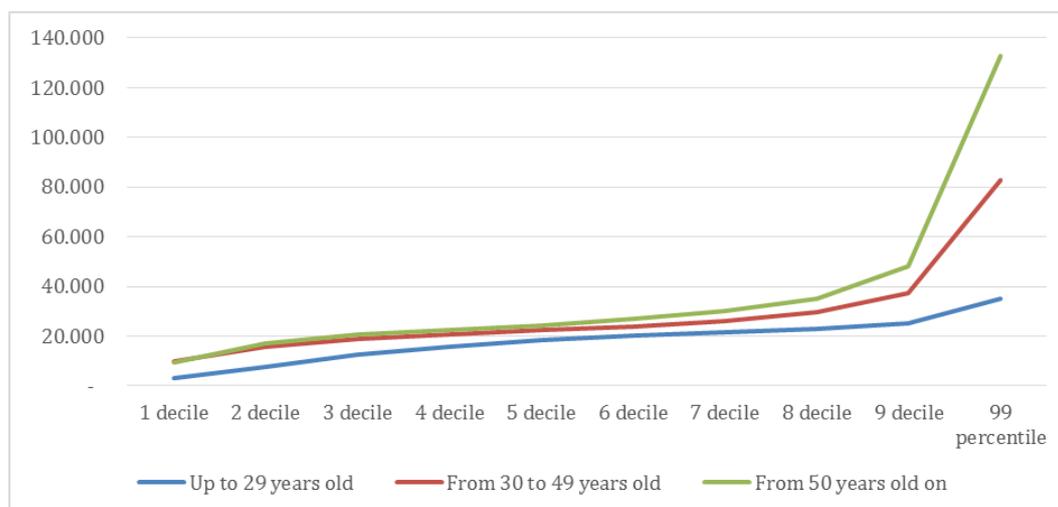
Source: ADAPT re-elaboration of INPS data (2016)

Decentralization of production

In almost all sectors in the large-scale retail industry production is vertically broken down in the following way: transport services, the supply of certain food and drinks, cleaning and store maintenance. Other than a few cases of the application of so-called pirate contracts, these externalized activities are covered by the following national collective agreements: tertiary, retail and services; tourism; cleaning and multiservice companies; logistics, haulage and delivery. The minimum pay in the aforementioned contracts is slightly lower than that in the tertiary sector's national collective agreement. This has contributed to the pay differences between workers who carry out auxiliary roles and those who are employed directly by retail companies who, unlike the former, are also able to benefit from decentralized bargaining.

Age differentials

Graph 19 shows how company seniority, human capital obtained through professional experience and training have an important role in the distribution of wages. The graph underlines that the differences between those aged 30 to 49 years old and people over 50 are more significant in the highest positions of income distribution. This is a sign that the most important career developments occur in the last decade before retirement.

Graph 22. Average gross wages per decile and age (Distribution, 2010-2015)

Source: ADAPT re-elaboration of INPS data (2016)

3.1.2.3. Case study: IKEA

On 28th October 2015 the renewal of the supplementary company agreement between IKEA and the trade unions of reference was signed. In order to reach a greater understanding of the pay system certain important changes to the economic policies can be identified.

In particular:

- the company bonus as found in the agreement of 29th July 1998 and in the supplementary company agreement of 2nd August 2011 and modified in the supplementary appendix of 26th June 2012, will no longer be applicable to newly-hired workers. However, at the next renewal the parties will take into account the company's competitiveness and will negotiate in order to assess the possibility of other measures designed to favour newly-hired workers. Regarding this point it is important to underline the fact that the company bonus will continue to be paid as an individual non-absorbable extra allowance to those workers to whom it already applied it on the date of renewal. Furthermore, there is an individual non-absorbable extra allowance paid over 14 months and also valid for several other elements of compensation for permanent workers who have worked for the company for between one and 24 months after the four 'exempt' financial years after the shop was opened. It is important to note that in the previous renewal agreements adjustments had been made to the so-called 'exempt period'. Specifically, the supplementary appendix of 2012 increased the period required in order to qualify for the bonus from two to four years from the moment that the organizational unit was opened.

- The participation bonus, a further retributive element present within IKEA, was identified in 2011 as a variable part of pay linked to indicators regarding the company's economic performance. Considering that this is a bonus which should be adaptable to situations of low profitability or scarce competitiveness, we ought to note certain developmental steps. In particular, the 2011 agreement stated that the bonus can be awarded from the second whole year following the opening of the organizational unit, whereas the 2012 supplementary agreement states that the bonus is applicable from the third year. Certain objectives which must be met annually in order to receive the participation bonus are identified and subdivided in the following way:
 1. First objective – municipality-country
 2. Second objective – municipality
 3. Optional objective.

At the end of the company's business plan the following points are illustrated for the organizational units' representatives:

- Possible objectives according to a predetermined table and their relative importance with reference to the first objective – municipality-country and the second objective – municipality (the first objective – country has a predetermined weight of 30%).
- The third, so-called 'optional objective'. The proposal for the optional objective will be formulated in collaboration with the parties by the end of May. If the company board sees the proposal as being coherent with the business plan it will be approved. Within a week of approval the parties will sign the agreement.

If the proposal is not approved or if the parties fail to communicate the proposal for the optional objective within the given timeframe, the board will have until 15th June to outline their reasons for rejecting the proposal and to institute an optional objective motivating their decision.

Whether or not a given objective has been reached is determined on the basis of variable parameters depending on the chosen objectives relative to sales and management costs. The total amount of the bonus, considered an indicator of achievement of 100, is fixed at Euro 1,300 before tax. For part-timers the amount is re-proportioned according to the hours in the contract in question and to the relative variations which occurred during that year.

It should, however, be remembered that the pay-out relating to the second objective – municipality and the optional objective is dependent upon the organizational unit having achieved a positive operational result. If the operational result is negative, only the quota of the participation bonus regarding the first objective – municipality-country is paid out. Finally, it is important to underline that the pay-out of the participation bonus is dependent upon the worker not benefitting from a personal incentive variable allowance assigned individually of equal or superior value and he or she must also have worked for at least six consecutive months in the given fiscal year as well as having worked for the company on 31st August of that same year.

3.1.3. Banking

3.1.3.1. System of classification and articulation of wage structure

The majority of companies in the banking sector apply the national collective agreement for managers and staff working in credit, finance and transaction companies, known as the national collective agreement for bankers.

The system of classification in the credit sector represents an attempt to replicate the so-called ‘loose net’ model. This model stands out due to its identification of few professional categories (four, including management) which, in turn, comprise several pay levels. Each professional category is identified by specific descriptions and examples. The result is a system of classification based on four professional categories and 12 pay levels. The first professional category, which includes workers with basic roles, is unified. Conversely, the second professional category is made up of three pay levels; the third category has four pay levels as does that comprising executive staff. Every three years (or four years for newly-hired staff) there are seniority pay rises which range from Euro 20.12 to Euro 95.31.

The national collective agreement for executives in credit, finance and transaction companies, signed on 13th July 2015 by ABI and Fabi, First-Cisl, Fisac-Cgil, Sinfub, Ugl Credito, Uilca and Unisin is applied to executive staff. Article two of this agreement, entitled ‘Classification’, provides a definition of an executive role, featuring managerial tasks which vary according to the level of responsibility and with pay which is suited to each level.

Pay rises in the national collective agreement

The parametric pay scale ranges from 100 to 235.40. The most common entry level corresponds to the third professional category and its fourth pay level. Furthermore, in order to help boost employment, a pay level for professional training has been included (third professional category, first level) for newly-hired staff, for a period of four years from the date on which they were hired. This measure, introduced in 2012, enables the company to permanently hire a new standard clerical worker and to pay them 10% less than their ‘older’ counterpart for four years. For the same length of time – with ‘partial’ compensation – a significant supplementary social security contribution is made.

Pay rises occur every three years. The percentage of increase is established based on the most common entry level and the trends of the Harmonized Index of Consumer Prices (HICP) in Europe. The rate of inflation is therefore the factor which has the greatest influence on the definition of the increases to the base pay, working on the premise that the national collective agreement has the role of safeguarding the workers’ buying power. Work-related dynamics, sector-based productivity and other macroeconomic indicators have little effect on determining pay rises fixed in the national collective agreement; the parties take them into partial consideration in the bargaining phase. Quality, productivity, profitability and the efficiency of labour and production processes are entirely allocated

to the company's salary policies. Pay rises for executive staff are determined in the following way: with the contractual renewal of 13th July 2015, the parties agreed that for the duration of the contract (2015-2018) executives' minimum monthly wage would stay the same as that given in the national collective agreement of 29th February 2012. Their pay is therefore constituted by their salary (13 monthly payments), seniority pay rises and the sum to be multiplied by each seniority increase; the minimum annual salary is Euro 65,327.99. Furthermore, since 13th July 2015 the policy regarding seniority increases and the sums to be multiplied by each seniority increase has been revoked, with the exception of those already matured. From the same date amounts already matured will remain fixed and paid *ad personam* as a non-absorbable sum.

Pay negotiation within the company

Company-based bargaining cannot disregard guaranteed minimum wages established in the national collective agreement should doing so leave the employee worse-off; its only competence relates to the variable part of salaries linked to productivity, quality, efficiency and profitability indicators. The rules governing the framework of contracts in the trade sector do not permit bargaining of the fixed part of pay which is to be determined solely by the national collective agreement.

In practice, however, fixed pay rises are widely used. Furthermore, performance-related bonuses, where stipulated, typically have a low level of variability and are predominantly linked to profitability-based indicators.

Individual pay rises

Individually defined economic modifications cannot disregard pay levels established in the national collective agreement if doing so would leave the employee worse-off. Workers and office-workers generally receive individual pay rises, particularly in the form of extra allowances, bonuses or one-off payments, which are usually unilateral and with absorption clauses. The base pay of management staff (managers and directors) is generally complemented by MBO (management by objectives) programmes.

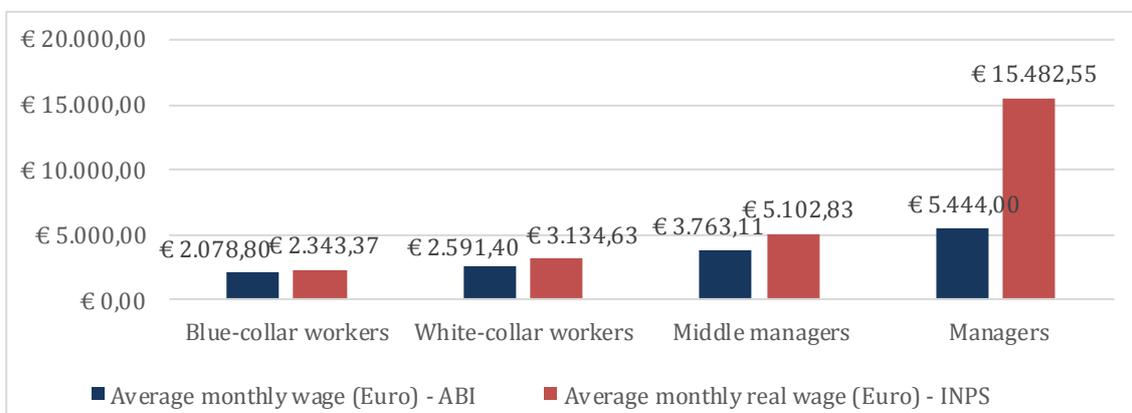
3.1.3.2. Wage differences, pay policies and the role of social partners

Nominal and real wages

As it is with the metalworking sector and large retailers, a wage drift exists also in the banking sector in all professional categories, with a tendency to increase along with the employee grade, due to a higher influence of individual bargaining for middle managers and managers.

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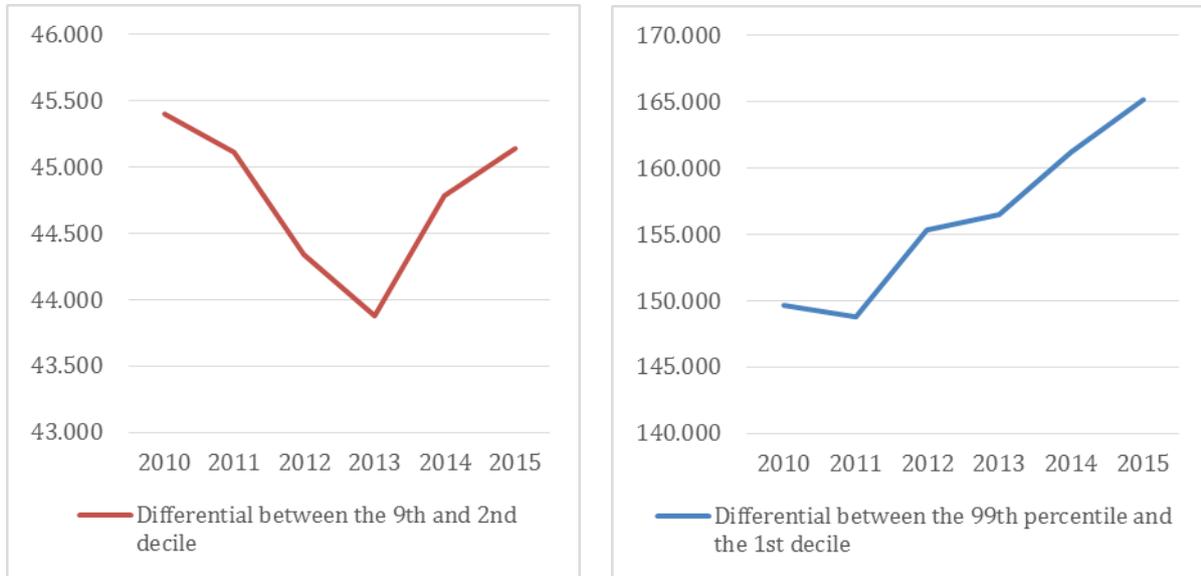
Graph 23. Average monthly real and gross wage. Full and permanent workers in the banking sector – 2014



Source: CCNL, credit and insurance sector; INPS 2015

In the banking sector the wage differentials between the 99th percentile and the 1st decile have grown, in absolute terms, more rapidly than the ones between the 2nd and the 9th deciles, which had reported a small decrease. From 2010 to 2015, an absolute increase of 15.472 Euros compared to the differential between the 99th percentile and the 1st decile was recorded. Differently, the gap increase between the 9th and the 2nd decile was slightly negative, with a value of -264 Euros in the period 2010-2015. From 2010 to 2013 there was a negative trend, with its lowest point in 2013, and then a recovery until 2015 was recorded, even if the wages were lower than the ones of 2010. Relatively speaking, the differential between the 1st and the 9th decile is 10,33%, while the one between 1st and 9th decile is -0.58%.

Graph 24. Delta between the 99th percentile and the 1st decile and between the 9th and the 2nd decile (Banking sector, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Competitive strategies and pay policies

Together with the electric power industry, the credit sector (banking and insurance) has always been typified by an expansive salary policy with increases to base pay well above the average of all productive sectors. This trend has come to a standstill, though has not arrived at an inversion, over the last few years and the sector has seen a drastic fall in profitability, dropping from 11.4% in 2006 to 0.8% in 2012. Despite some banking groups having shown small signs of recovery in 2013, at least compared with the decline and losses registered previously, predictions for 2016 are for a very slow pickup. This situation has led ABI, the Italian Banking Association, to pursue a new contractual policy: banks could no longer sustain the costs set out in the contractual renewal of 2012 given that they were aggravated by the abrupt drop in profitability and the impossibility of making the organization of work more flexible and rational in order to better suit it to the new demands of the market and to the impact of modern technology.

On 13th July 2015 on the occasion of the renewal of the national collective agreement of 29th February 2012, it was decided that pay rises for those receiving the highest salaries in the sector (executive staff) would be cancelled for the entire duration of the contract (until 31st December 2018), confirming the 'frozen' salaries of the previous national collective agreement. On the same occasion it was agreed that retribution in this category cannot be linked merely to length of service and it was therefore decided to annul the policy of automatic seniority pay increases. In doing so, executives were excluded from receiving any type of automatic pay rise. Furthermore, the managerial staff is invited to contribute 4% of their fixed salary to the F.O.C. (the National Employment Fund, set up in 2012 in

order to create fruitful and stable employment by supporting the permanent employment of young people), to demonstrate solidarity between generations.

Derogations

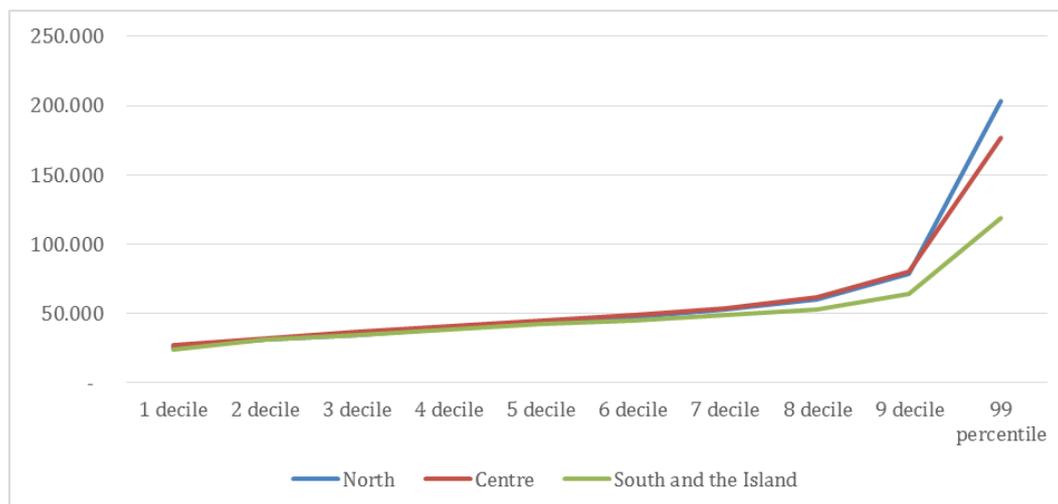
In the credit sector it is not permitted to reduce salaries to less than the minimum stated in the national collective agreement. As we saw in the automotive sector, company bargaining which negotiates fixed-sum pay rises (18.5%, ADAPT source) is very widespread.

Geographical differences

Companies in the banking sector generally have their pay bargaining defined at a central level and this is then applied universally throughout the country. There are therefore no notable geographical differences for lower and medium jobs profiles, also due to the multiregional character of the sector.

On average, the difference between Northern and Southern Italy regarding the gap between the 1st and the 7th decile is 1,426 Euros, with a standard deviation of 1429.08 points. From the 8th to the 10th decile, the average of the gap between Northern and Southern Italy is 35,677, with a standard deviation of 42,825.09. Evidently, the difference between geographical areas increases rapidly in the highest distribution points, with a significant increase between the 90th and the 99th percentile (equal to 70.048 in absolute terms).

Graph 25. Average gross wages per decile and geographical area (Banking sector, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Company size

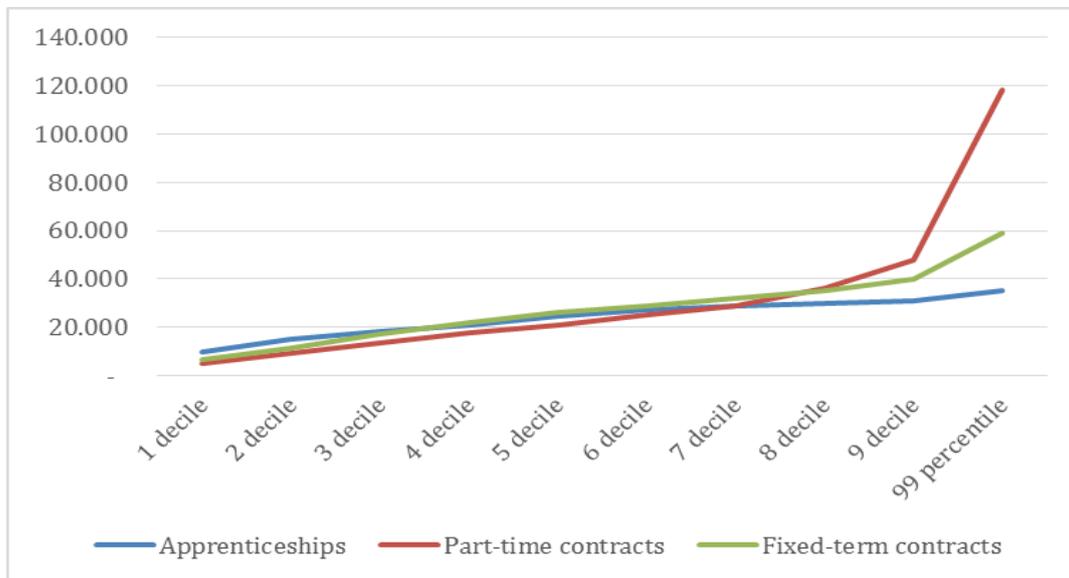
Although almost all banks are ‘large businesses’ according to common classification, their actual dimensions vary greatly from a few hundred employees to tens of thousands in the largest banking groups. This means that, particularly for those in roles of responsibility, it is necessary to manage diverse and growing complex situations and this is reflected in their salaries.

Types of contract and the organization of work

There is a clear difference between the various professional roles in the credit sector. There are those which are described as being ‘core’ and others which are standard and subordinate. The principle of ‘the same job, the same salary’ can therefore be considered appropriate for the latter in that they carry out low-skilled tasks. On the other hand, those with what are considered to be ‘strategic’ roles ought to receive a salary which is linked to the quality of their individual performance. As a consequence, it is not surprising that those employees with ‘core’ roles are paid more than those with subordinate roles.

With reference to the contracts used, the wages of apprentices, part-time workers and fixed-time workers up to the 9th decile are almost identical. After that, part-time workers earn on average more than apprentices and workers on temporary contracts.

Graph 26. Average gross wages per decile and contract type (Banking sector, 2010-2015)



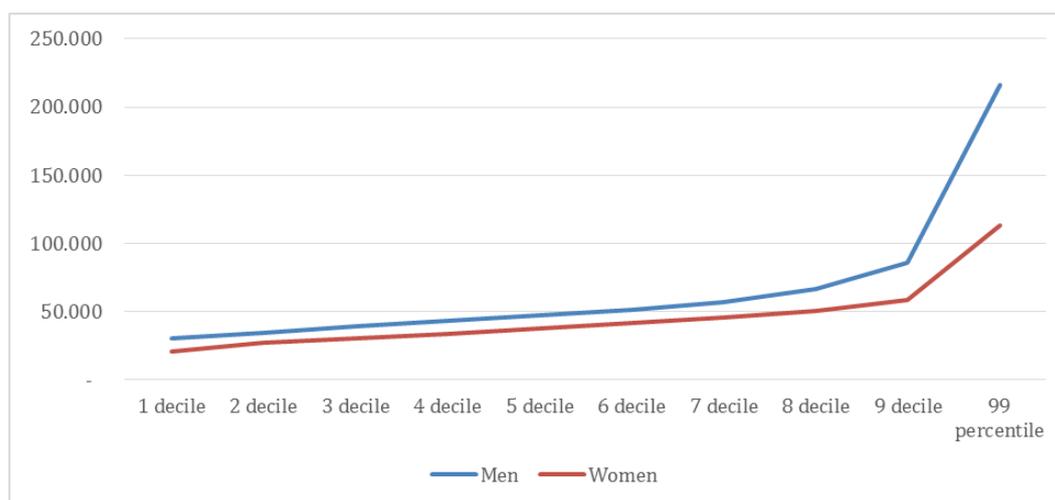
Source: ADAPT re-elaboration of INPS data (2016)

Gender differences

Both interviewees confirm that a great deal is being done in the credit sector to wear down the so-called ‘glass ceiling’. Women who work in banks, for example, made up 45% of the total workforce on 31st December last year. This is a significant trend if one considers that compared to the previous year there was an increase of 0.3% and, over a longer period of time (1997-2014), the proportion of female staff in Italian banks grew by 13.6%: the difference in employment between the two sexes went from 37.8% in 1997 to 10.6% in 2014 with a reduction of almost 27% (ABI data). Furthermore, the increase in the number of women holding positions in the top management of the insurance sector also constitutes an important development.

Graph 27 shows that women in the banking sector tend to earn less than men, even in the lowest positions. This is even more evident in top positions, where wage differentials reach a maximum of more than Euro 100,000 on the 99th percentile.

Graph 27. Average gross wages per decile and sex (Banking sector, 2010-2015)



Source: ADAPT re-elaboration of ISTAT data (2016)

Decentralization of production

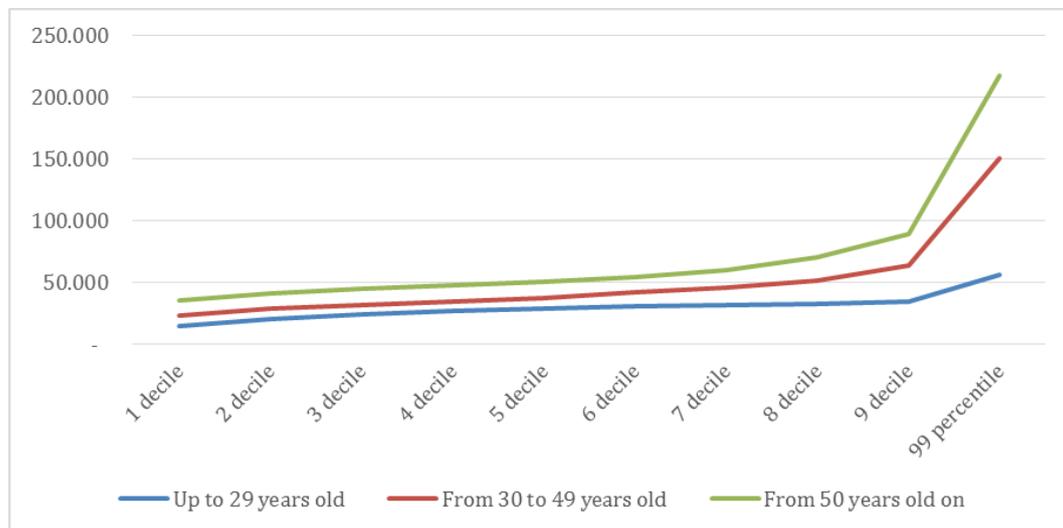
Collective bargaining determined the introduction of the so-called ‘supplementary contracts’ for those branches of the company which deal with credit and debit cards, payment systems, data processing, including consortiums, service centres with administrative and checking duties but not counter duties, and for operational support for the administrative management of property. A 40 rather than a 37.5-hour week and a 20% reduction in pay will permit the in sourcing of numerous activities which are currently externalized, before both pay and working-hours will be brought back in line over the following four years.

As far as the externalization of catering, security, cleaning and maintenance is concerned, the national collective agreements which are usually applied are: that of tourism, that of private security and that of multiservices. These national collective agreements feature minimum pay which is far below that imposed in the national collective agreement of bankers. In addition, decentralized bargaining is widespread in credit companies, contributing to the increase in pay differences between those working in the credit sector and those who work in cleaning, maintenance, catering, security, etc.

Age differentials

Graph 28 shows how company seniority, human capital obtained through professional experience and training have an important role in the distribution of wages in the banking sector. The graph underlines that the differences between those aged 30 to 49 years old and people over 50 are more significant in the highest positions of the income distribution. This is a sign that the most important career developments occur in the last decade before retirement. In the 99th percentile, a remarkable difference (more than 160,000 Euros) can be seen between the wages of older (50 and above) and younger workers (up to 29 years). The difference between those between 30 and 49 years old and younger workers is 94,000 Euros, and that between older workers and the 30-49-year-old age group is about 67 thousand Euros.

Graph 28. Average gross wages per decile and age (Banking sector, 2010-2015)



Source: ADAPT re-elaboration of ISTAT data (2016)

3.1.3.3. Case study: Santander

The policy governing performance-related bonuses in the Santander Group has recently been renegotiated in the new supplementary company contract by workers’

representatives (Fabi, Fisac-Cgil and Rsa) and company representatives (the chief executive officer and the company's human resources manager). The agreement, which runs from 1st January 2016 until 31st December 2018, applies to staff in the 'professional' and 'executive' category.

This agreement is part of the wider regulative framework defined at a national level by the ABI collective agreement signed on 31st May 2015 (which is a renewal of the previous agreement signed on 19th January 2012). Article 28 of the ABI collective agreement states that matters linked to performance-based bonuses are to be expressly dealt with by second-level bargaining. National-level bargaining therefore limits itself to the ABI collective agreement, providing, in articles 48 and 51, a general normative framework and indicating which company objectives should be associated with the bonus (improvements in the company's competitiveness, productivity and profitability) and suggesting how the bonus might work (reference parameters, methods of payment, access criteria). In any case, national-level bargaining does not directly provide binding actions for, lower level, company bargaining.

In addition, article 52 states that the social partners can "substitute the company bonus and incentive system regulated by articles 48 and 51, with one variable performance-based bonus to be determined on the basis of certain criteria, agreed upon by the parties, regarding company and/or individual productivity and/or company profitability, as well as other objectives which may be linked to quality, general or specific for standardized working positions also taking individual professional ability into consideration". The national collective agreement thus leaves ample margin for the social partners to opt out so that they may find alternative solutions to those provided at the national level which could be better suited to the strategic objectives, type of organization and trade-union background of each individual company or group of companies. The logic behind the text of the contract for this category is therefore of vertical subsidiarity capable of balancing the demands of predetermining legal effects and respect for the local autonomies in order to guarantee proper coordination between the two levels.

From a general point of view, the text of article 10 of the supplementary agreement, which deals with performance-based bonuses, is essentially structured in two sections each governing a different component, namely: i) the first part, known as the 'base quota' which is the payment of a part of the bonus depending on the whether certain of the bank's economic performance objectives are reached according to the RORWA (Return on Risk Weighted Assets) indicator; ii) the second part, known as the 'extra quota', which is the payment of an additional amount based on individual evaluations regarding the quality of various aspects of a worker's performance and measured by a purpose-built body. The sum of these two parts gives the total amount of the performance-based bonus that each worker will receive.

The parties agreed to substitute the previous indicators – consolidated net profit and consolidated operating profit – with a new indicator which measures the total credit-worthiness and efficiency of the bank. This new indicator is the RORWA, a multidimensional indicator able to better measure various aspects of economic performance even during crisis periods. Specifically, the RORWA is a multidimensional risk-return indicator which measures a bank's performance from a quantitative point of

view by integrating both the balance-sheet dimension (active and passive RWA) and the dimension linked to the profit and loss account (costs and revenues). The parties decided to use this indicator because, from their point of view, risk constitutes a key variable in today's European banking system.

31st December or, if more favourable, the yearly average, will be used to calculate the value of the RORWA. The amount of the base quota is positively linked to the RORWA and to the area and level to which the worker belongs. In order for the bonus to be paid out, three different points in the value of the RORWA have been identified: the first two define the minimum and maximum levels, whilst the third provides a minimum level above which the bonus will always be paid in the same amount. Each of these levels will correspond to a sum of the base quota of the bonus according to the area and level in question. The areas and levels can be split into two categories: professional areas and executive levels. As you move from left to right in table 1.1 the amount of the bonus increases as the area and level increase, the RORWA being the same.

The company's first objective is to reach a RORWA value of between 1 and 1.49; the second objective is to reach a value of between 1.5 and 1.79; the third is to reach a value of higher than 1.8. In the third case, workers will be paid a gross monthly sum in addition to their normal monthly compensation which, as explicitly stated in the text of the contract, will not contribute to their severance indemnity. In other cases, the base quota will be less than one month's payment. The amounts paid to workers should always be considered as earnings before tax.

Receiving the bonus payment is dependent upon three fundamental conditions being satisfied. If these conditions are not fulfilled, the worker will no longer have the right to receive the bonus. The first condition ties the payment of the bonus to the achievement of the company target (a value equal to 1 on the RORWA) below which value the base quota will not be paid out¹. The second condition states that the base quota is only intended for those workers who are under normal contractual conditions when it is to be paid out. Finally, the bonus will not be paid to any workers who have received a negative annual professional evaluation in compliance with article 75, comma 5 of the ABI national collective agreement.

Table 1. The base quota of the performance-related bonus

| RORWA value | Professional area | | | | | Executive level | | | |
|-------------|---|-----------------------------------|---|---|---|-----------------------------------|---|---|---|
| | 2 nd area 3 rd level | 3 rd area 1st level | 3 rd area 2 nd level | 3 rd area 3 rd level | 3 rd area 4 th level | 4 th area 1st level | 4 th area 2 nd level | 4 th area 3 rd level | 4 th area 4 th level |
| 1-1.49 | 373.00 | 396.00 | 419.00 | 444.00 | 477.00 | 545.00 | 580.00 | 650.00 | 767.00 |
| 1.5-1.79 | 746.00 | 792.00 | 838.00 | 888.00 | 954.00 | 1090.00 | 1160.00 | 1300.00 | 1534.00 |

¹ As an exception, should the RORWA value be of between 0.9 and 1, specific meetings between the social partners will be arranged to agree on specific solutions.

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| | | | | | | | | | |
|-----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1.8 | 1 monthly payment |
|-----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|

As far as the extra quota is concerned, the new supplementary text does not modify the evaluation system already in place in any way for managers although it does make some proposals regarding how the system works for head-office staff.

The extra quota, unlike the base quota, is determined using an overall assessment formulated by a team of evaluators put together specifically to carry out this task. The members of the team have to complete an appropriate training period in order to guarantee transparency and impartiality in their evaluations. Workers are assessed individually on the basis of a grid of standardized evaluations which define the objectives reached by the worker and whether these match with the company's expectations. In light of certain considerations, the parties decided that the extra quota has 'a greater impact in the presence of clear objectives and significant mechanisms for transparency and simplification'. Increases to the extra quota are closely linked to a given worker's individual results and he or she is therefore incentivized to increase commitment and effort, and is made to feel responsible for his or her actions.

The evaluation process is part of a wider context of worker involvement aimed at improving the circulation of information and increasing the authority of decisions made by the social partners and management. For this reason, and as can be seen in the text of the agreement: i) the criteria used in the definition and distribution of the extra quota will be the subject of discussion between the parties and will be made known to workers by 31st January of each year for the achievement of the objectives assigned to each individual; ii) if it is necessary to give a professional evaluation which is not in line with company expectations, by July of that year the worker's supervisor will hold an interview with the worker in question in order to identify possible ways of improving his or her performance; iii) finally, the parties commit to setting up a Joint Commission to periodically monitor the new system and to examine any appeals made regarding the evaluations received. In order to determine the total value of an individual, the parties used the agreement to propose the following evaluation form:

Table 2. The new evaluation form

| Professional skills | Dealing solely with professional training and is not relevant for the extra quota |
|----------------------------|--|
| Behavioural skills | 50% |
| Work objectives | 30% |
| Personal area | 20% |
| Extra points | Points in excess of 100% |

Apart from those objectives related to 'professional skills', all the other objectives in the form, with varying degrees of importance, contribute to the final 'mark' given to each

worker. The final mark can exceed 100% by virtue of certain workers' qualities. To reach this result the evaluators will take into account other areas in which the worker has distinguished him or herself during the year. The parties have agreed that the parameters which will be measured on the form will be determined more specifically later.

In any case, evaluations will be more or less positive and will be associated with greater or lesser bonuses depending on the mark awarded. The amounts of the bonuses are further differentiated depending on whether they are intended for workers in the category 'head-office staff' or those in the category of 'branch staff' with a commercial role'. Workers who have 'office manager' duties can receive a bonus 30% greater than that available to 'head-office staff'. The two following tables which concern head-office staff and branch staff show the structure of the bonus proposed by the parties for 2016, subdividing the information into 'result of evaluation process', 'sum before tax' and 'performance percentage'.

Table 3. Extra quota for staff classified as 'head-office staff' (2016)

| Result of evaluation process | Minimum sum | Maximum sum | Performance percentage min-max |
|---|--------------------|--------------------|---------------------------------------|
| Exceptional performance | € 2,380.00 | € 2,950.00 | 115-150 |
| Performance exceeding company expectations | € 1,800.00 | € 2,320.00 | 105-114 |
| Performance in line with company expectations | € 650.00 | € 1,740.00 | 88-104 |
| Performance partially in line with company expectations | € 100.00 | € 560.00 | 70-87 |
| Performance inferior to company expectations | 0 | 0 | 0-69 |

Table 4. Extra quota for staff classified as 'branch staff' with a commercial role (2016)

| Result of evaluation process | Minimum sum |
|---|--------------------|
| Exceptional performance | € 250.00 |
| Performance exceeding company expectations | € 200.00 |
| Performance in line with company expectations | € 150.00 |
| Performance partially in line with company expectations | € 100.00 |
| Performance inferior to company expectations | 0 |

The conditions required to be able to be eligible for the bonus are the same as those determined for the base quota with the, obvious, exception of the achievement of the

company target. The text of the agreement indicates neither the increase in the extra quota for 2017 and 2018 nor the period of reference for the payment of the bonus. The agreement limits itself to confirming that the amounts of the extra quota in 2017 and 2018 must be at least equal to those of 2016.

3.1.4. School

3.1.4.1. System of classification and articulation of wage structure

All state school establishments apply the national collective contract for schools which is signed by ARAN (the negotiating body for the public sector) and the public sector OO.SS. (trade-union organizations). The classification system, which has not been modified in recent years, has a total of nine professional categories ranging from caretaker to director of general and administrative services. Salary levels are determined based on years of service. Specifically, following the August 2011 renewal, the pay levels are: 0-8 years; 9-14 years; 15-20 years; 21-27 years; 28-34 years; more than 35 years. If we take stock of everything, the current system in the education sector has 63 pay levels. The system therefore has a matrix structure in that a worker's level of pay is determined by the intersection of their professional category and their years of service. The area V national collective contract for school directors and AFAM, which is the same as the classification system for executives, is applied to school directors.

Pay rises in the national collective agreement

Pay rises occur every three years. The percentage of the increase is negotiated using the trends of the Harmonized Index of Consumer Prices (HICP) in Europe. The rate of inflation is generally the factor which has the greatest influence on the definition of the increases to the base pay, working on the premise that the national collective agreement has the role of safeguarding the workers' buying power. However, collective bargaining in the public sector and the determining of pay levels are affected considerably by the economy and public spending. Indeed, the outcome of collective bargaining is subject to financial compatibility checks carried out by the Court of Auditors. As a consequence of the economic-financial crisis, renewals to all the collective contracts in the public sector have been frozen since 2009. The salary of school heads is made up of the following parts: a) minimum salary; b) seniority pay if applicable; c) fixed and variable pay linked to position; d) performance-based pay. This total covers all roles, jobs and responsibilities attributed to head teachers.

Supplementary bargaining

Supplementary bargaining in the school sector takes place at a regional- or establishment-level.

It cannot disregard guaranteed minimum wages established in the national collective agreement should doing so were to leave the employee worse-off; its only competence relates to the variable part of salaries linked to productivity, quality, efficiency and profitability indicators. The rules governing the framework of contracts in the school sector do not permit bargaining of the fixed part of pay which is to be determined solely by the national collective agreement. Pay bargaining is almost completely absent at a decentralized level.

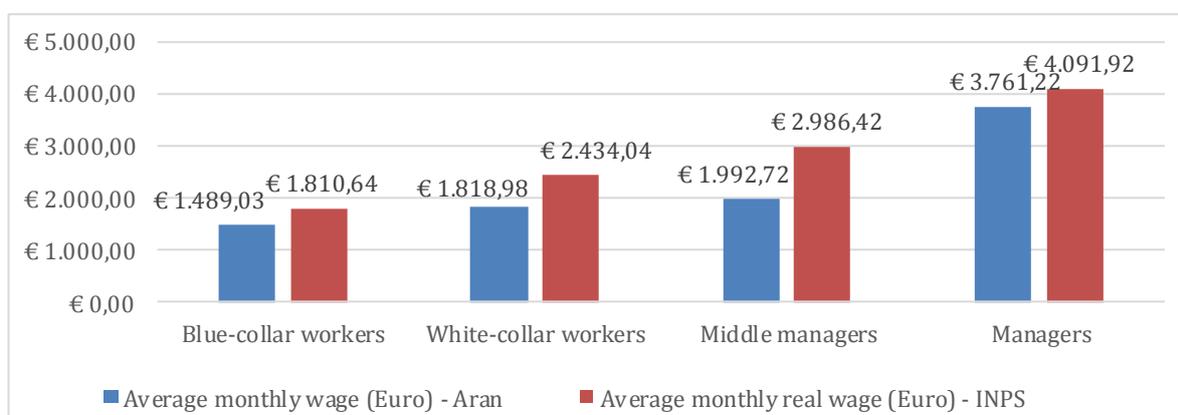
Individual pay rises

Individually defined pay conditions cannot reduce the level of pay established in the national collective agreement. Individual pay rises are not common. The base pay of managerial staff (directors and heads) is generally complemented by MBO (management by objectives) programs.

3.1.4.2. Wage differences, pay policies and the role of social partners

Contractual salaries (nominal) and real

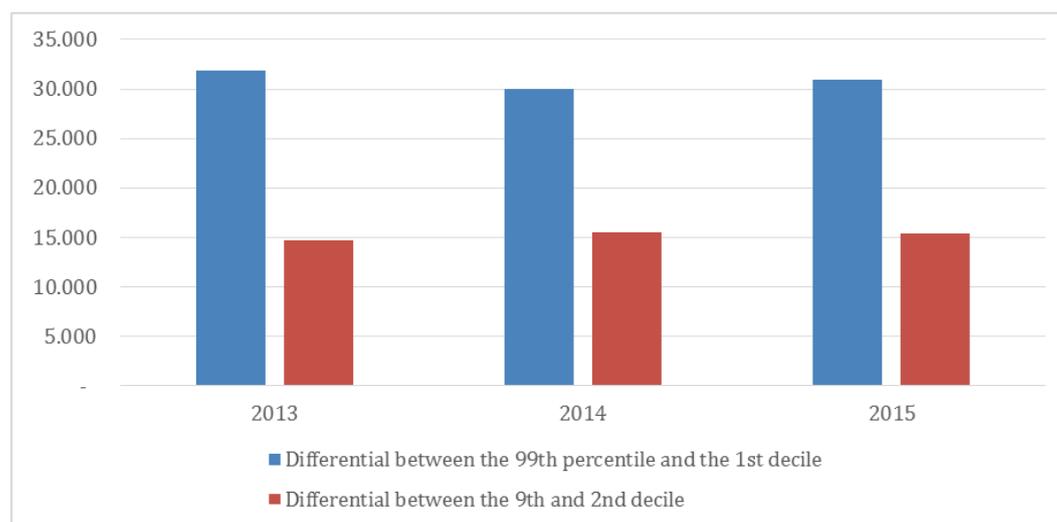
Graph 29. Average monthly gross wage (school sector) – 2014



Source: ADAPT re-elaboration of ARAN and INPS data (2014)

Wage differentials in the school sector are more static and quotas have been distributed in time. In absolute terms, the wages earned by those receiving the highest amount of quotas are lower than the maximum wages reported in the other sectors.

Graph 30. Delta between the 99th percentile and 1st decile and between the 9th and the 2nd decile (School sector, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Competitive strategies and pay policies

With reference to 2010, when collective bargaining for public-sector workers was frozen, ISTAT and ARAN calculate an accumulated negative trend of approximately -1% over the previous few years, while over the preceding ten years there had been an increase of roughly 40%. According to ARAN, these results “show the type of break which has typified public-sector pay policies in Italy and demonstrate the importance that these policies have had in stemming the impact of the financial crisis which began at the beginning of the last decade” (ARAN 2015). According to ARAN, these events seem to show that “in the face of this lengthy crisis it was necessary to ‘suspend the contractual system’ for fear of it not possessing the braking elements required to combat the negative phase of the economic cycle”. The considerably negative trend seen over the previous decade, in many ways unrelated to visible and noticeable increases in the productivity and quality of public services, undoubtedly contributed to augmenting the implicit sense of scepticism regarding the contractual mechanism’s ability to guarantee the orderly management of pay policies (ARAN 2015). However, over the last fifteen years school representatives have had little margin for manoeuvre regarding pay at a national level.

ARAN’s reports are carried out using samples and do not include the percentage of supplementary bargaining (ARAN 2012; ARAN 2013; ARAN 2014). In the contracts analysed the economic provisions are distributed in the following way (for 2013): criteria for the attribution of the establishment fund and service fees (89%); criteria for the identification of staff occupied in activities paid using the establishment fund (46%); compensation for overtime (31%); compensation for collaboration with head teacher (31%); compensation for staff in at-risk areas and early school-leaving (7%).

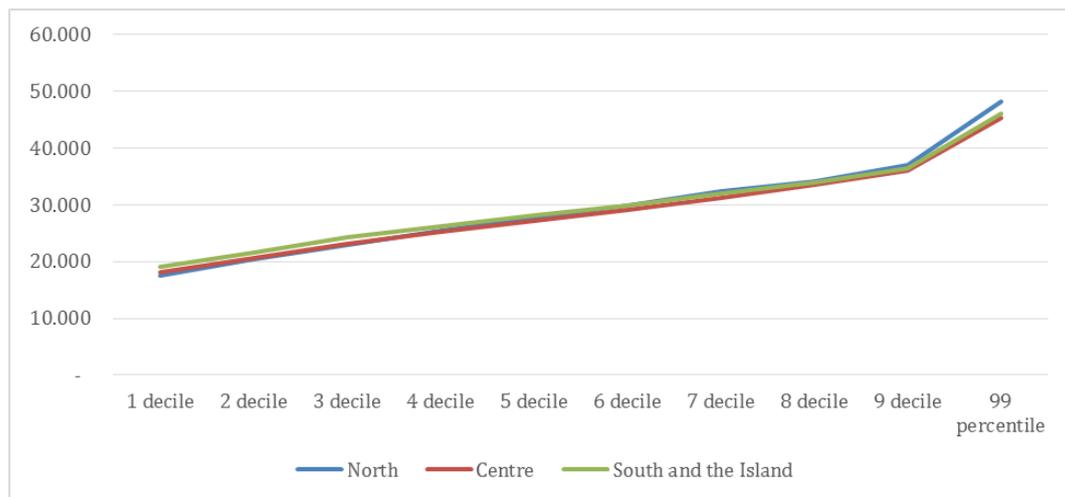
Derogations

In the public sector, including the school sector, supplementary bargaining cannot reduce salaries and nor can it negotiate fixed-sum pay rises at establishment-level as these would be neutralized by the compatibility checks of contract costs carried out by the board of auditors – both administrative and accounting, central budget officials or a similar body as stated in the respective organization.

Geographical differences

In the school sector salary differences due to location are not determined by contractual policies. Supplementary bargaining is not widespread and even where it is common it rarely makes pay rises such as to have a noticeable effect on differences in pay. There are no differences based on the geographical area, except for a small differential in the 99th percentile.

Graph 31. Average gross wages per decile and geographical area (School sector, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Establishment size

Supplementary bargaining in the school sector mainly takes place at a local level. This characteristic gives less importance to the size of school establishments in contractual dynamics.

Types of contract and the organization of work

The organization of work in the school sector is relatively standardized between the various establishments, though it is structured differently according to professional

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profiles. Workers in the school sector are divided into the following professional categories: a) teaching; b) general, technical and administrative services. The pay of teaching, educational and general, technical and administrative staff is made up of different parts with different economic values according to the individual's professional profile: 1) basic pay: a) salary by position according to the pay grade chart; b) lateral pay position (based on years of service); c) *ad personam* bonuses; 2) additional pay: a) pay for professional teachers; b) pay for extra duties of the teaching staff; c) pay for overtime and additional activities; d) benefits for the managers of the DSGAs (general and administrative services staff); e) individual extra pay for ATAs (auxiliary, technical and administrative staff); f) pay for duties and activities of ATA staff; g) benefits and reimbursements to be paid using the establishment fund; h) other benefits listed in the current contract and/or specifically given in statutory provisions.

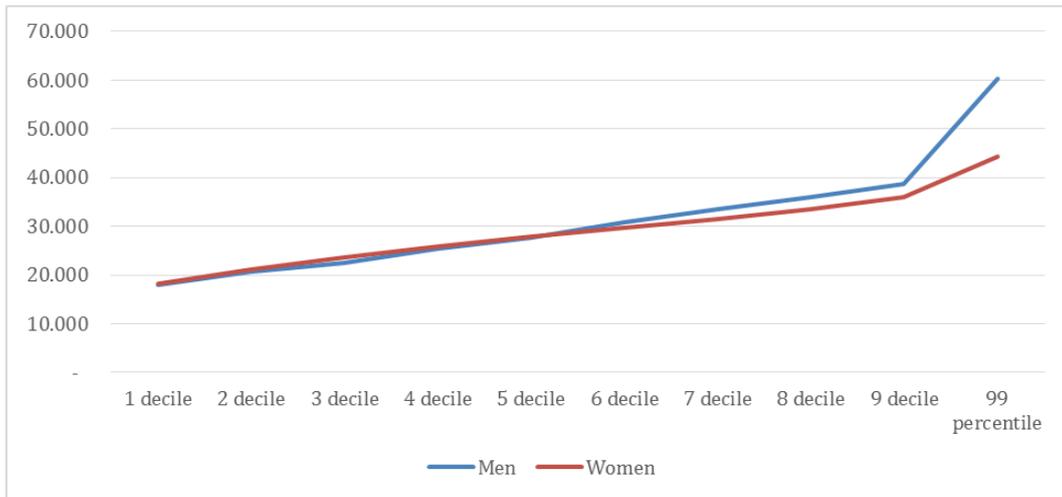
It is important to note, as far as the teaching staff is concerned, the critical fact of the widespread use of fixed-term contracts (13% according to ISTAT's 2013 data) which limits these workers' vertical and lateral progression compared to that of their counterparts with permanent contracts.

Gender differences

The school sector is characterized by the extreme prevalence of female staff, both teaching and administrative: 78% of teachers are women, a total of approximately 650,000 out of 800,000 teachers (ISTAT 2013). It is important to note the social partners' commitment to promoting actions favouring gender equality and means of reaching a good work-family life balance in the sector's national collective agreement. In 2001 collective bargaining was already regulating remote forms of work, including for those who both work and attend school. Furthermore, article 11 of the national collective agreement establishes the creation of an Equal Opportunities Committee with the task of proposing appropriate measures aimed at creating effective conditions for equal opportunities according to the principles defined by the law of 10th April 1991, n. 125 and with specific reference to article 1. The Committee is composed of one person nominated by each of the sector's trade-union organizations which signed the collective agreement and by an equal number of administration representatives.

Gender-based wage differentials are almost non-existent in the medium-high, medium, medium-low and low ranks of the labour force. There are remarkable differences in the wages of workers with higher incomes.

Graph 32. Average gross wages per decile and sex (School sector, 2010-2015)

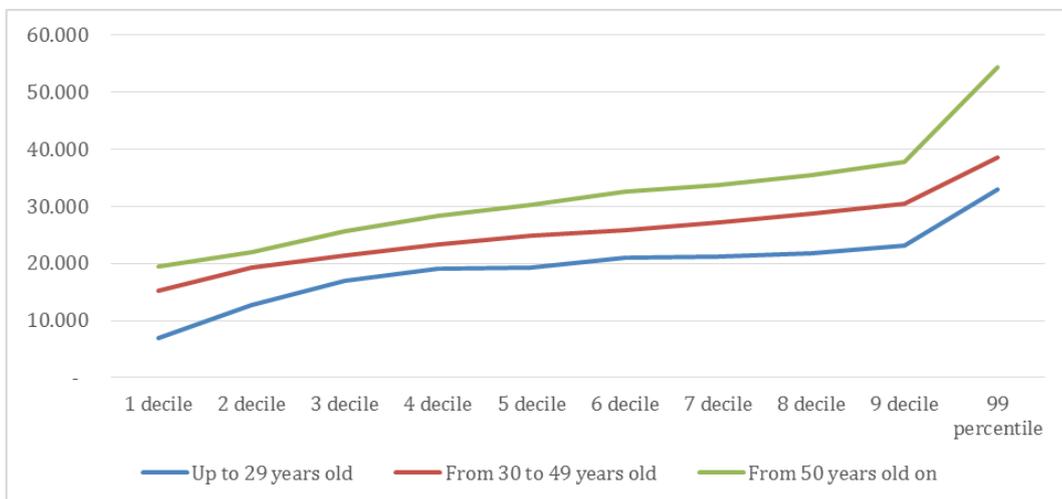


Source: ADAPT re-elaboration of INPS data (2016)

Age differentials

There are remarkable wage differentials between different age groups. This means that workers' wages in this sector are largely influenced by seniority.

Graph 33. Average gross wages per decile and age (School sector, 2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

3.2. Comparison of sector-based case studies

3.2.1. Classification system and wage structure: intersectoral similarities and differences

The metalworking and mechanical engineering NCLA, applied in most companies in the automotive sector, and the tertiary, retail and services NCLA, introduce a number of pay levels equal to the number of professional categories (10 in both sectors). Conversely, the collective contract which is currently most commonly applied in the banking sector and that of the school sector respectively have four and nine professional categories corresponding to 12 and 63 pay levels. In the first case, (metalworking and mechanical engineering national collective contract; tertiary, retail and services national collective contract), therefore, pay rises are only vertical: after increases determined by contractual renewals and seniority increases, workers' base pay only increases when they move from one level to another, and they are in no way paid based on the quality of their work. This also leads to difficulties in managing the extent to which being at a higher level implies being assigned different tasks or responsibilities. In order to avoid this, the company is forced to use the incentive of extra allowances, thus diminishing the levelling effect of collective bargaining and therefore also trade-unions' ability to control the fairness of company salary policies. This is, in part, also true for the banking national collective contract where the lateral character of the classification system is more administrative than compensatory in the sense that certain members of staff at certain levels may be assigned other tasks and consequently have their pay adjusted for a given length of time. The national collective contract for schools, however, includes the possibility of lateral economic progression in proportion to years of service which works in the same way as seniority increases, though according to a different and indeed more complex working logic.

In other sectors seniority increases work in a different way: in the automotive sector they occur every two years, whereas in the retail and credit sectors every three years (or four years for newly-hired staff in credit companies). The minimum increase associated with years of service corresponds, on average, to Euro 19.36 per month without notable variation between sectors. The seniority pay increase is low in the retail sector (Euro 25.46 per month for managers) but considerable in the credit sector (Euro 95.31 per month).

Specific national collective contracts are applied to executives and in the automotive, retail and school sectors these contracts have no system of classification or categorization but limit themselves to outlining the distinctive traits of executives. The national collective contract for directors in the credit sector is more detailed; it recognizes that these workers have various managerial roles according to the level of responsibility and therefore a corresponding pay level. From what has thus far been described the following conclusion can be drawn; when workers are in equal professional categories any differences in pay deriving from the national collective contract between the four sectors are due exclusively to years of service.

Pay rises in the national collective contract

The structure of pay in the metalworking, retail and credit sectors are relatively simple and uniform: a Euro 1 contractual increase at the lowest level (a parameter of 100 in all sectors) corresponds to an increase at the highest level of Euro 2.10 (parameter 210) in the automotive sector, Euro 2.35 (parameter 235.4) in the banking sector and Euro 2.50 (parameter 250) in the retail sector. This means that, unless the parameters are modified, each renewal of the contract maintains the differences between salary levels in the given sector. Although it is impossible to assess this mechanism in absolute terms, the automatic gradation of pay rises at each level of classification does not appear to be a wholly rational solution: it is unclear why a contractual renewal should a pay rise for those workers at the higher levels which is double that accorded to workers at the lower levels of the classification system; nor is it clear why pay rises are not adjusted from one level to another in order to take into account, for example, the positions of the various professional roles in the labour market. The only collective contract which does take this aspect into consideration is the banking national collective contract which includes an entry-level salary for junior figures in the most common entry-level category in the sector. Nonetheless, the fact that this device is reserved solely for newly-hired staff at a certain level makes the system rather unfair as it uses newly-hired staff to make up the cost of other professional figures whose position in the labour market is not assessed.

In all four sectors examined, pay rises are given every three years. The percentage of the increase is established in relation to the most common entry-level² (apart from in the school sector which does not provide for this) and the trends of the Harmonized Index of Consumer Prices (HICP) in Europe. The rate of inflation is therefore the factor which has the greatest influence on the definition of the increases to the base pay in the metalworking, retail and credit sectors. On the other hand, employment dynamics, the sector's productivity and other macroeconomic indicators have only an indirect influence on contractual renewals. The school sector provides an exception as economic trends and the public-spending balance sheet contribute notably to determining pay grades in public-sector collective bargaining, the results of which are subject to financial compatibility checks by the Court of Auditors. Indeed, it is not a coincidence that the school sector is the only one amongst those analysed to have had a complete freeze put on collective bargaining, and therefore on pay grades, from 2009 to 2015.

Quality, productivity, profitability and efficiency of labour and production process are entirely ceded to company-level pay policies in all four sectors analysed. This undoubtedly contributes to limiting the differences in pay deriving from the national collective contract, despite being to the detriment of an economic assessment of workers' performances in terms of the quality of their work. However, the renewal of the metalworking national collective contract in 2009 provided for an economic recognition of the workforce's professionalism regulated in the first subsection of the third category

² The most common entry-level in the fifth (of 10) in the metalworking national collective agreement, the fourth (of 10) in the tertiary, retail and services agreement and the first pay level of the third professional area (of four) in the banking agreement.

job description. In anticipation, however, of a national definition of those who are absolutely entitled to this extra, company bargaining has temporarily intervened in order to define the parameters required for the so-called ‘compensatory element of professionalism’ (3rd ERP).

The annual base pay of executive staff is approximately Euro 65,000 before tax in the credit and automotive sectors, whilst it is slightly lower at Euro 46,680 in the retail sector. With specific reference to credit companies, the renewal of the national collective agreement in 2015 repealed the regulation regarding seniority increases and the sums to be multiplied by seniority increases, which made up executives’ base pay. A process of rationalization and cost reduction has also taken place in the automotive and retail sectors. In the first case it was decided that from 1st January 2015 the second level of the guaranteed minimum annual wage was to be surpassed, taking a single level equal to Euro 66,000 as a reference for pay rises. In the second case, following the extended enforcement of the current contract for managers in the tertiary sector, the parties froze contractual increases. These measures undoubtedly contribute to containing the costs of executive staff which derive from the sector’s bargaining, and therefore also reduce the gap in pay with other professional categories. This effect is, however, neutralized if not negated, by individual bargaining which, in the case of executives, is the main instrument for determining one’s pay.

Supplementary bargaining

The rules governing the framework of contracts in all four sectors analysed do not permit either company- or local-level supplementary bargaining to disregard guaranteed minimum wages established in the national collective agreement should doing so leave the employee worse-off. Nor does supplementary bargaining have any authority regarding the fixed part of a worker’s salary which is exclusively down to national bargaining. Supplementary bargaining can only regulate the variable compensatory component linked to productivity, quality, efficiency and profitability indicators. This organization prevents the creation of dispersive and so-called ‘downward’ salary forms.

It is, nevertheless, necessary to at least reason that in some circumstances this type of compensatory rigidity can be to the detriment of employment, chiefly regular employment. The aforementioned pay structure does not, however, prevent forms of so-called upward intercompany salary dispersion. In the contractual practices in the automotive, retail and credit sectors fixed-sum pay rises are very common and performance-based bonuses tend not to be variable or diversified. Productivity and quality indicators which are generally measured on a collective basis determine the amount of variable pay rises in the majority of supplementary agreements in the automotive sector whilst profitability is the parameter most commonly used in the credit sector. In the school sector pay bargaining is almost completely absent at a decentralized level, both within establishments and regionally. Although second-level bargaining contributes to increasing intercompany or territorial disparity between salaries in the same sector, the fact that the level of diversification of performance-based bonuses is generally

quite limited nonetheless guarantees a certain degree of uniformity between the compensation of workers within the same company.

Individual pay rises

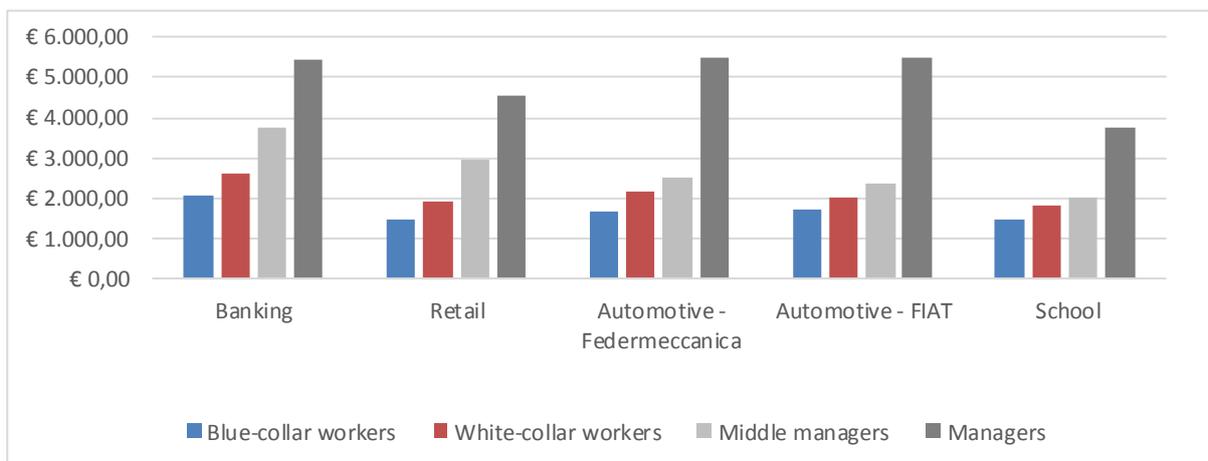
In all four sectors examined individually-defined economic modifications cannot disregard pay levels agreed upon in collective bargaining if doing so would leave the employee worse-off. The framework of pay structures prevents a downward turn in salaries but not the natural pay differentiation stemming from favourable individual bargaining. Blue-collar workers are generally in the pay grade which is most in line with the base pay defined in the national collective contract and the supplementary measures established by company-level bargaining. Clerical staff in the automotive, retail and credit sectors, on the other hand, often receives unilateral individual pay rises, particularly in the form of extra allowances, bonuses or one-off payments with absorption clauses.

In all four sectors, including the school sector, the base pay of managerial staff (managers and directors) is usually complemented by MBO programmes. This means that the wage drift increases with the job classification level resulting in a reduction in the levelling effect of category-based collective bargaining for more professional figures, and in its increase for those with more standardized, routine and low-skilled jobs. Unlike the unifying effect of company-based bargaining, individual pay agreements, by definition, determine differences in the salaries of various workers in the same company.

3.2.2. A comparison of salary differences, pay policies and the role of social partners: cross-sector similarities and differences

Contractual wages (nominal)

Graph 34. Average gross monthly pay by sector and category – 2014



Source: ADAPT 2016

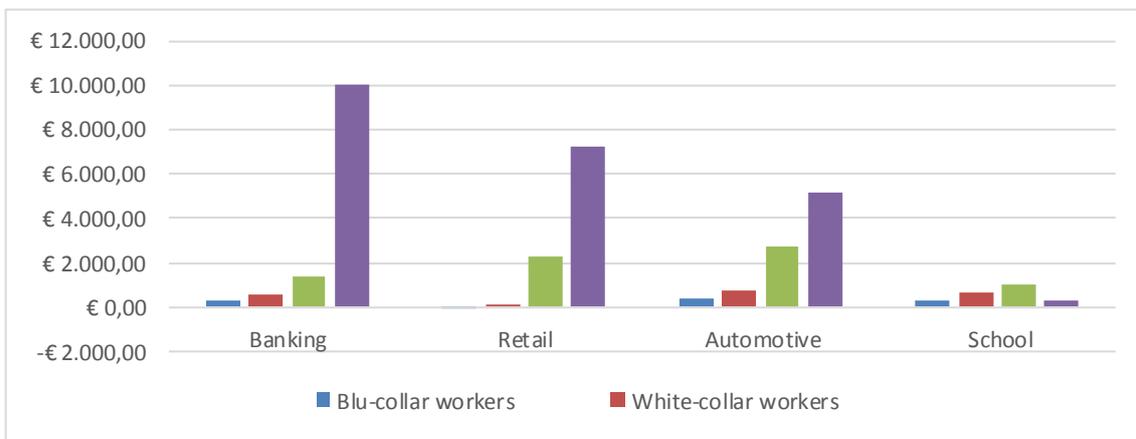
Salary difference within a sector (top vs bottom). Considering the pay difference between blue-collar workers (those at the lowest step on the pay scale, and therefore with the least autonomy and responsibility) and middle-managers (those at the top step on the pay scale and therefore with the greatest amount of autonomy and responsibility), the widest gap in contractual wages can be seen in the retail sector (a difference in pay of €1,485.42 with a manager earning almost 100% more than a blue-collar worker) and in the credit sector (a pay difference of €1,684.31 with a manager earning 81% more than a blue-collar worker). On the other hand, if we assess the difference in pay between blue-collar workers and executives, the automotive and retail sectors turn out to be the least equal: executives in both productive sectors earn, on average, over 200% more than blue-collar workers. For more information see *Appendix 1*.

Pay differences by category. If we exclude from our calculations the average salary of executives in order to avoid excessive distortion, the ‘fairest’ professional category, that is, that with a salary which is closest to the average salary of that sector is naturally that of clerical staff (an average variation of 6.35%%). The category of blue-collar workers turns out to be the least equal (a variation from the average pay of 31.2%). For more information see *Appendix 1*.

The most equal entry-level salary. The banking sector has the most equal entry-level contractual salary which is that closest to the sector’s average wage level. To be more specific, the salary of the most common entry-level of employees in the banking sector is even over the sector average wage, and it represents approximately 101.4% of the average salary. On the other hand, the least equal entry-level salary is that of the retail national collective agreement (84.2% of the average salary). For more information, see *Appendix 1*.

Considering these four sectors, the school one has the least significant wage drift for middle managers and managers. Talking about blue- and white-collar workers, the wage drift is lower in retailing. Middle managers have the highest wage drift in the automotive sector, while the banking sector presents a remarkable wage drift among executives.

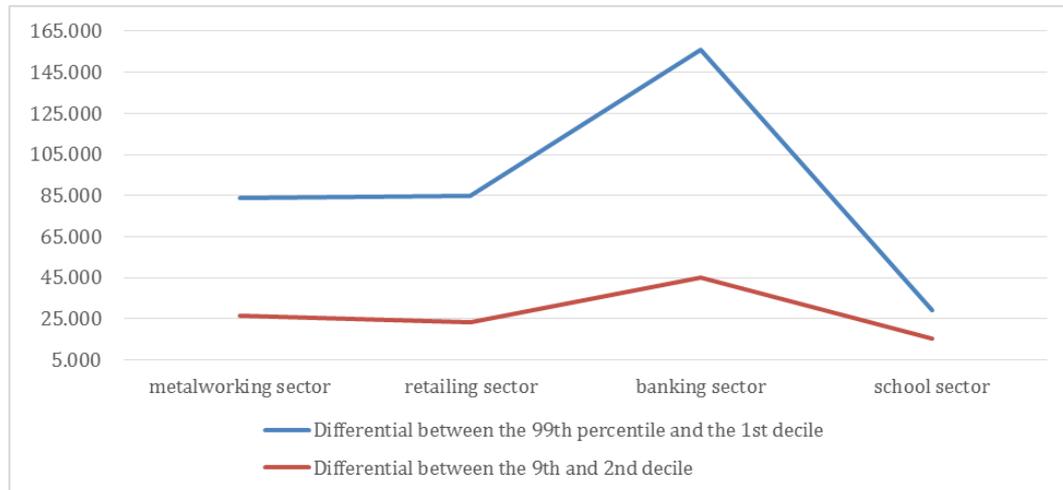
Graphic 35. Wage drift in four sectors and categories, 2014



Source: ADAPT 2016

In terms of actual wages (gross), among the analysed sectors the banking one has the biggest vertical wage differences, while wages in the school sector have the least differences between the lower and upper groups.

Graph 36. Wage differentials in the metalworking, retailing, banking and school sectors (2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Competitive strategies and pay policies

If in the automotive sector pay bargaining has, over the last 15 years, tended to be characterized by moderation aimed at guaranteeing the competitiveness of companies, a more expansive pay policy was promoted in the nineties by the representative organizations in the retail and credit sectors as well as in the public administration.

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Nonetheless, in the face of the economic and financial crisis which has affected the Euro zone throughout the last decade, there has been a clear change of direction in the banking sector just as much as in the school sector. In the first case pay rises came to a standstill due to the sharp drop in profitability experienced by credit companies and aggravated by the impossibility of making the organization of work more flexible and better-suited to the new demands of the market and the impact of modern technology; in the second case, however, the government decided to freeze collective bargaining for fear that the contractual system in the public sector contained elements which might obstruct an effective tackling of budget deficits (ARAN 2015).

On the whole, over the last few years we have seen a tendency, in programmatic terms at least, towards flexibility in pay strenuously promoted by Federmeccanica, the employers' representative association in the metalworking sector, which, in the final months of 2015, proposed the almost total disassociation of pay rises from the rate of inflation, and by Federdistribuzione, the employers' representative association in the retail sector which, following their separation from Confcommercio, has been negotiating the elimination of those automatisms listed in the national collective contract. Consistently with these developments, the most recent renewal of the banking national collective contract has prepared for the elimination of pay rises linked to years of service for executive staff. However, since 2010, and following the interruption of collective bargaining in the public sector, representative associations in the school sector have had no margin for manoeuvre at a national level regarding pay.

Derogations

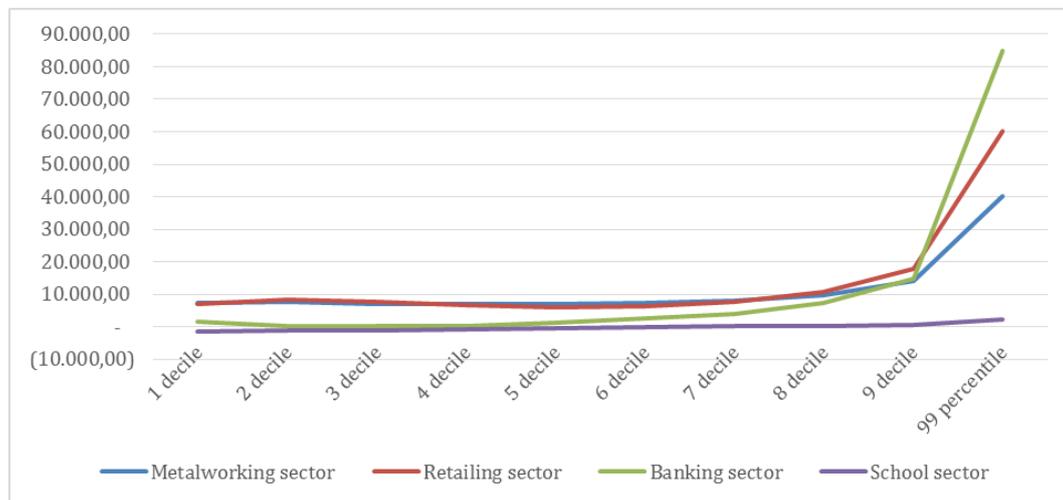
None of the contractual systems of the sectors analysed permit modifications which decrease the minimum pay established by the national collective agreement. The negotiation of fixed-sum pay rises is, however, common in automotive and credit companies, though they are, formally, the prerogative of national-level bargaining. Following the unilateral rejection of decentralized bargaining by several companies, contractual renewals in the retail sector have tended to establish the supersession of certain automatisms and the introduction of variable elements of compensation in place of fixed bonuses in order to guarantee a greater alignment between supplementary compensation and the company's economic performance. In the school sector any eventual negotiation of fixed-sum pay rises at an establishment-level would be subject to public checks of the compatibility of costs with budget constraints. This makes pay differences deriving from fixed-sum increases impossible in the school sector.

Geographical differences

In the automotive and retail sectors differences in pay based on geographical area do not depend on the socioeconomic characteristics of the area but on the quantity and spread of the companies present. Some companies in the retail sector, particularly food and drinks companies which have more liberal pay policies, operate more in certain areas of the country rather than others: this productive set-up influences the pay levels in this sector

unevenly throughout the country. Similarly, the automotive sector pays higher salaries in the area around Modena where the Ferrari, Maserati and Lamborghini factories are located. Credit companies, on the other hand, generally have centrally-defined pay bargaining resulting in less notable pay differences throughout the country considering the multiregional nature of the sector. Finally, the lack of supplementary bargaining in the school sector does not allow significant differences in pay due to location to emerge. This state of things can help to explain why the most remarkable wage differentials between Northern and Southern Italy can be seen in retailing and in the metalworking sector, except for the 99th percentile, where the most significant differences have been reported in the banking sector. It can also explain the (almost complete) absence of geographical wage differentials in the school sector in Italy.

Graph 37. Delta between average real and gross wages in North and South Italy, per decile in the metalworking, retailing, banking and school sectors (2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Company or establishment size

The analysis of pay policies in the sectors examined confirms the general tendency of associating larger productive realities with higher salaries due to the greater level of unionization and the widespread use of supplementary bargaining, and, more generally, with more liberal pay policies compared to those found in small or medium-sized companies. In most of the sectors examined, however, local-level bargaining is almost completely absent even though it could, when applied to companies which are not covered by company-level bargaining, to a certain extent bridge the gap to contractually-covered realities. The school sector is the exception as supplementary bargaining, most commonly at a local level, means that the size of the establishment becomes less significant.

Types of contract and the organization of work

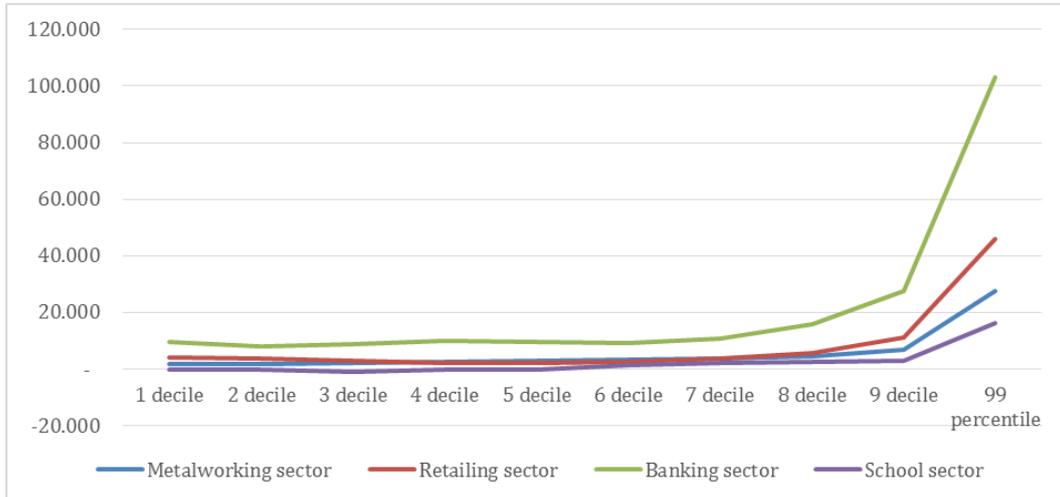
Overall, company-based collective bargaining regarding organizational flexibility does have an influence on pay differences between workers in the sectors analysed. For example, if we look at the types of contract, in some situations in the automotive and retail sectors, bonus-based systems are not open to trainees who are also classified at a lower level than the job they actually do in the national collective agreement. Furthermore, measures designed to contain labour costs such as entry-level salaries or the suspension of extra pay rises can only be applied to newly-hired workers. In the school sector, however, the pay of educational staff and ATAs is structured in various parts according to the job profiles and for teaching staff the widespread use of fixed-term contracts prevents many teachers from vertical and lateral economic development. As for the organization of work, in the automotive and retail sectors national-and company-level collective bargaining provides extra pay for workers who work the more inconvenient shifts (nights, Sundays and holidays). Moreover, shift-workers' pay is comparatively more than that of other workers. However, since shops have started opening on Sundays and holidays, retail companies have recently favoured contractual policies aimed at reducing this extra compensation for work performed on the aforementioned days. In the interviews carried out with trade-union representatives for each sector it also emerged that finding the right work-life balance constitutes one of the determinants of the labour market's dualism because, in order to enable the workforce to reconcile their work and home lives companies tend to use atypical types of contract such as temping and work on a per call basis. In the banking sector workers with 'core' roles linked to the quality of performance earn more than those who have standard or subordinate roles where the reigning principle is that of 'same work, same salary'.

Gender differences

Salary differences based on gender are limited both in the automotive sector where the majority of workers are male, and in the retail and school sectors where most workers are female. The interviews carried out reveal that the commitment of social partners has led to a reduction of the gender pay gap in the last 20 years. Overall, trade-union policies regarding gender are not part of contracts as collective agreements are meant to apply equally to all workers, both male and female. These policies basically deal with promoting positive actions or contrasting company policies which are considered to be discriminatory.

In relation to the average gross wages actually earned by men and women, the banking sector reports the most remarkable differences in all deciles. The school sector is surely the most "egalitarian" one, as it records a negative differential in the medium-low deciles, because women earn more than men. But, generally, gender-based wage differences in retailing, in the metalworking and school sectors are almost non-existent for blue- and white-collar workers. In every sector, from the 8th decile onward wage differences between men and women increase, favouring men, and reporting a peak at the 99th percentile in the banking sector, followed by retailing.

Graph 38. Delta between average real and gross wages earned by men and women per decile in the metalworking, retailing, banking and school sectors (2010-2015)



Source: ADAPT re-elaboration of INPS data (2016)

Age differentials

There are differences also among age groups. The major age-based wage differences (less than 29 and over 50 years) are recorded in the banking sector. In the other sectors, age-based wage differentials up to the 9th decile are not significant. The school sector reports the biggest wage differential based on age (up to the 8th decile) and the lowest one (in the 9th decile and in the 99th percentile).

NEWIN

| | | | | | | | | |
|--|---|---|---|---|---|---|---|---|
| Opening clauses allowing for <i>higher</i> wages | = | - | = | - | = | - | = | - |
| Opening clauses allowing for <i>lower</i> wages | + | + | + | + | + | + | + | + |
| Job classification system | - | + | - | + | - | + | - | + |
| Years of experience | - | - | - | - | - | - | - | - |
| Age | - | - | - | - | - | - | - | - |
| Profit sharing | = | = | = | - | = | - | = | = |
| Individual performance related pay | + | + | + | + | + | + | + | + |
| Gain sharing | = | - | = | - | = | - | = | = |
| Inclusion of flexible contracts | = | = | = | = | = | = | = | = |
| TOTAL UNWEIGHTED | | | | | | | | |

Collective wage increases

Collective wage increases at sectoral level are neutral on equality: in all the sectors they are established as a percentage of the previous wage levels. If the parametric scales of each collective agreement don't change (and normally they don't), wage differences resulting from collective wage increases remain equal between job classification levels.

Opening clauses allowing for higher wages

Opening clauses allowing for higher wages are supposed to increase inequality both within organisations and working groups. However, when wage increases are set at company level through collective bargaining, they have a negative impact on equality between groups of workers (covered/not covered), but they could have a neutral effect within the organisation, whereas they cover all the relevant workforce.

Opening clauses allowing for lower wages

Collective bargaining and the law don't provide for opening clauses allowing for lower wages. This is supposed to have a positive impact on equality. However, in times of crisis, this wage rigidity might determine redundancies or the resort to short-time work arrangements, with negative consequences on wage equality.

Job classification systems

In all the analysed sectors job classification systems are a source of vertical inequality within organisations. On the other hand they are the main driver of the principle "equal pay for equal work", between groups of workers.

Years of experience

Seniority pay schemes are widespread in all the analysed industries, and they foster inequalities both within organisations and groups of workers. Moreover, age is the only factor that, according to the sectoral analysis, determines wage differentials also within the categories of blue-collar and white collar workers. In the banking sector, the latest renewal of the sectoral collective agreement for executive employees cancelled this institution.

Profit sharing

Profit sharing plans are widespread in the banking sector and in some companies of the retail sector. Just few companies in the metalworking industry negotiate this kind of pay systems. There are no profit sharing plans in the school sector. In general, profit sharing plans have a neutral impact on equality within organisation, since they generally apply to all the workforce (sometimes with differences related to job levels, thus reflecting inequalities stemming from the job classification system), and they have a negative impact between groups of workers (covered/not covered).

Individual performance related pay

Individual performance related pay is common for managerial staff (*MBO-management by objectives*) in all the analysed sectors. However, this pay share is not negotiated with the trade unions. There is a little percentage of company level agreements setting up skill-based pay schemes (SBP schemes) for blue-collars and white-collars in the metalworking industry (3%, ADAPT 2015) and in the banking sector (2%, ADAPT 2015). In the school sector individual performance related pay is common also for blue-collars and white-collars, yet it is managed unilaterally, according to some principles set by the law. Both MBO and SBP plans are supposed to have a negative impact on equality within organisations and between groups of workers.

Gain sharing

Gain sharing plans are widespread in the metalworking industry and in some companies of the retail and banking sectors. There are no gain-sharing plans in the school sector. In general, this kind of pay scheme has a neutral impact on equality within organisation, since it generally applies to all the workforce (sometimes with differences related to job levels, thus reflecting inequalities stemming from the job classification system), and it has a negative impact between groups of workers (covered/not covered).

Inclusion of flexible contracts

When it comes to non-standard workers, wage differences within organisations and between groups of workers stem from the reduced possibilities for carrier development,

the limited hours worked, and the reduced amount of seniority pay they get. In all the sectors analysed, indeed, collective agreements specify the statutory regulation of flexible employment contracts, in most cases regulating the management prerogatives and the procedures to use them. Agency work, fixed term contracts, part-time work, job-sharing and job-on-call are all covered by the principle of equal treatment and they are all covered by the same collective agreements of standard workers.

Conclusions

The first aspect that emerges from the analysis is the validation of a point made by economic and industrial relations literature: the ability of collective bargaining to control labour cost and wage dispersion decreases as one's employment grade increases. In other words, the equalizing role of collective bargaining is relevant in relation to the remuneration of blue- and white-collar workers, losing its grip when it comes to middle-managers and executives, for here individual bargaining plays a major role. In this sense, evidence shows that vertical differentials between professional categories are rather limited up to the 7th decile, while they tend to increase significantly in the 8th decile and report a widening in the 99th percentile. The most relevant wage differentials concerning most of the cleavages examined (gender; age; geographical area; type of contract; top-bottom) are seen in contexts where collective bargaining gives way to individual bargaining. This tendency has been visible particularly in the last five years.

However, in considering the above, it would be misleading to assume that collective bargaining cannot play a role to deal with the increasing wage differentials between the high end and the low end of the working population. In this sense, some good practices have been pointed out in this report, particularly some forms of collective bargaining marked by an inclusive and "solidaristic" approach. An example of this is the recent renewal of the collective agreement of managers in the credit and insurance sector. It was established that 4% of the fixed part of their remuneration would be allocated to a "National Fund to Promote Employment". This fund was set up by the social partners in 2012 to encourage stable employment and favour the recruitment of young people through open-ended contracts.

Still with reference to sectoral bargaining, "pirated" contracts are a major issue, especially in the mass retailing industry. They give rise to considerable intercompany pay differences and undermine the ability of the most representative trade unions and employers' associations to play a decisive role in defining economic policies and monitoring initiatives concerning wage differentials. Efforts at promoting horizontal coordination as regards wage policies are frustrated by contractual dumping carried forward by associations whose ability to serve as representative entities might be certainly questioned.

Conversely, the role of decentralized bargaining is as controversial as contradictory, either in relation to intercompany wage differentials or wage differences between workers at the same firms. In the first case, the limited diffusion of decentralized bargaining in small-sized companies gives rise to the following paradox: low levels of income distribution and more standardized working conditions and remuneration. Moreover, given the poor development of firm-level collective bargaining, especially in SMEs, the Italian multi-employer bargaining system, established in 1993, has inevitably led to a decrease in the labour income share, by reducing the incentives for social partners to

accelerate labour productivity. This condition ended up hindering the more and better distribution of profits.

In those sectors where it is performed, decentralised bargaining seems to be based on distributive rather than on integrative logics (Walton, McKersie 1965). In some cases, company-level bargaining determines a peculiar form of dualism in the labour market – i.e. those who are covered by collective agreements and those who are not – if the resulting wage differentials are not merit-based but depend on a simple increase of the economic standards in the national collective agreement. Further, it is frequently the case that results-based bonuses do not apply to apprentices, who are already paid less because they are ranked lower in the job classification system. Finally, the measures laid down in the contract to limit labour cost (e.g. entry-level salary, pay freezes, the repeal of certain pay-related provisions) only apply to new hires who are usually classified as low-grade and medium-grade staff in the grading system. Conversely, the large diffusion of results-based bonuses, which are standardized and far from considering individual performances, contributes to limiting wage dispersion, either among companies or within the same firm. Another paradox emerges when it comes to the lack of flexibility for decentralised bargaining to reduce the wage levels set by NCLAs. On the one hand, this is supposed to have a positive impact on equality. On the other hand, in times of crisis, this wage rigidity might determine redundancies or the resort to short-time work arrangements, with negative consequences on wage equality.

Suggested in terms of “possibility” by Baccaro and Locke in 1996, and by Thelen in 2001, the convergence of the Italian IR system with the characteristics of CMEs and, precisely, with the capacity to ensure the full effectiveness and governability of horizontal wage-bargaining policies coordinated at central level, remained uncompleted. This is mainly due to the scant development of decentralised bargaining, and to the violation at company level of some important wage coordination rules defined at central level. Accordingly, this research contributes to confirm the traditional status of the Italian IR system within the VoCs’ literature: it continues to be somewhere in the middle between LMEs and CMEs (Molina, Rhodes 2007), with a mix between high degree of horizontal coordination, and low degree of vertical integration (Traxler 2003).

Notwithstanding this, it must be stressed that, all things considered, the contractual system has fared well. In all the four sectors examined, collective bargaining at sectoral level still performs a governing role in the labour market – essentially through an inclusive and egalitarian approach – at least among the low- and middle-ranked groups of the working population. The positive effects of this state of affairs feature a high level of generalization, due to significant collective bargaining coverage rates in the sectors considered. Furthermore, although the decisions made during decentralized bargaining are not in line with the policies laid down at the central level, the agreements concluded at a decentralized level have been seen as complementing, not as an alternative to, those signed at the sectoral level. The case of FIAT is an isolated incident in the Italian industrial relations arena. Further, due to its exceptional character, it is not possible to speak of a contractual dumping model, being that the normative and economic regulations devised are in line with – and at times better than – the terms laid down in the national collective agreement concluded in the metalworking sector (Tomassetti 2013).

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To conclude, the results of the report are encouraging in that they point out two main aspects. As for vertical wage differentials, collective bargaining can still be a catalyst for democracy and social justice, pursuing inclusive and egalitarian contractual policies. As far as horizontal wage differentials are concerned, collective bargaining should ensure that the inevitable decline of the “equal pay, for equal work” principle is justified by objective and assessable reasons promoting productivity and the work performed as much as possible. Otherwise, such words as diversity, difference and differentiation will drift away and lose their meanings, leading us to inequalities.

In relation to policy, and with a view to giving back to the social partners the power to effectively determine and control wage differentials, it is recommended that a policy reducing the tax wedge is devised, in order to bring the taxes on Italian workers’ work-related income into line with the OECD average.

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Appendix 1

Salary differences in the sector. In order to identify the most equal sector we decided to consider the difference in salary between blue-collar workers (those at lowest level of staff classification and therefore typified by low levels of autonomy and responsibility) and managerial staff (those at the highest level of staff classification and therefore typified by high levels of autonomy and responsibility). Given the matter in question, it was decided not to consider, for the moment, executive staff given that they represent an extreme in values which could distort the results.

Below we have the greatest differences from low to high (from the sector with the smallest differences between the categories taken into consideration to the sector with the greatest differences):

1. School – Euro 503.69
2. Automotive – Euro 881.1
3. Retail – Euro 1,485.42
4. Banking – Euro 1,684.31

In order to examine this matter in greater detail, it was decided to relativize the overall figures of reference. In thus doing we arrive at how much more a manager earns than a blue-collar worker on average and in percentage points. The results are only in part different to those given above:

1. School – a manager earns 33.8% more than a blue-collar worker.
2. Automotive – a manager earns 53.5% more than a blue-collar worker.
3. Banking – a manager earns 81% more than a blue-collar worker.
4. Retail – a manager earns almost 100% more than a blue-collar worker.

The same analysis can be replicated with the figures of a blue-collar worker and, as an upper extreme, an executive.

Below we have the greatest differences from low to high (from the sector with the smallest differences between the categories taken into consideration to the sector with the greatest differences):

1. School – Euro 2,272.19
2. Retail – Euro 3,048.50
3. Banking – Euro 3,365.20
4. Automotive – Euro 3,853.50

In order to examine this point in greater detail, it was again decided to relativize the overall figures of reference. In thus doing we arrive at how much more an executive earns than a blue-collar worker on average and in percentage points. The results are, in part, put into a different perspective as we can see below from low to high (from the sector with the smallest differences between the categories taken into consideration to the sector with the greatest differences):

1. School – an executive earns 152.6% more than a blue-collar worker.

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2. Banking – an executive earns 161.9% more than a blue-collar worker.
3. Retail – an executive earns 204.6% more than a blue-collar worker.
4. Automotive – an executive earns 234% more than a blue-collar worker.

In relative and percentage terms we can see a wider discrepancy between the salaries of those at each end of the scale in the automotive and retail sectors. From this point of view, the least-pronounced differences in pay are in the school and credit sectors.

Wage differences by category. In order to identify the most equal category we looked for the one with the salary which was closest to the average salary of that sector. We therefore took the average salary of each sector and measured the gap in absolute and percentage terms, excluding executives.

The data collected is shown in the table below.

| Sector | Category | Gap (in euros) from average sector salary | Gap (in %) from average sector salary |
|-------------------|---------------------|---|---------------------------------------|
| <i>Banking</i> | Blue-collar workers | 732.30 | 35.2 |
| | Clerical staff | 219.70 | 8.5 |
| | Management | 952.01 | 25.3 |
| <i>Retail</i> | Blue-collar workers | 632.46 | 42.5 |
| | Clerical staff | 220,79 | 11,6 |
| | Management | 853.26 | 28.7 |
| <i>Automotive</i> | Blue-collar workers | 466.80 | 28.4 |
| | Clerical staff | 52.51 | 2.4 |
| | Management | 414.30 | 16.4 |
| <i>School</i> | Blue-collar workers | 277.88 | 18.7 |
| | Clerical staff | 52.07 | 2.9 |
| | Management | 225.81 | 11.3 |

From the data above we can make a generalization and conclude that the most equal professional category is that with pay which is closest to the average pay in the sector of reference, in this case that of clerical staff (with an average deviation of 6.35%). On the other hand, the professional category which is the least equal (that with the greatest gap from the average) is that of blue-collar workers (an average gap of 31.2%).

The fairest entry-level salary. In order to identify the sector with the fairest entry-level salary we took the average salary of the sector, represented by the mathematical average of the average salaries for blue-collar workers, clerical staff and managers. The school sector was excluded from these calculations because the entry-level salary (or the most common entry-level salary) is not given in the collective agreements.

In absolute terms, the sector with the entry-level salary closest to the average salary of the sector is that of the automotive sector. Below we can see the difference between the entry-level salary and the average salary for each sector:

1. Automotive – Euro 190.50
2. Retail – Euro 335,33
3. Banking – (-) Euro 40,13

We also decided to compare these values with the minimum wage, calculating what proportion of the average salary is represented by the entry-level salary, or in other words, the difference between the two in percent. The deductions made previously are again confirmed.

1. The entry-level salary in the automotive sector represents 91% of the average salary.
2. The entry-level salary in the retail sector represents 84.2% of the average salary.
3. The entry-level salary in the banking sector represents 101.4% of the average salary.

It can be concluded and indeed noted that the fairest entry-level salary, that which is closest to the average salary of the sector, is that of the banking sector, where the average salary is slightly below the entry-level salary.

NOTE. Identifying the classification levels corresponding to the category of “middle-managers” is easy, especially because the wording used to refer to top positions in this group enables to easily single out these profiles featuring high levels of autonomy and responsibility. On the contrary, the traditional distinction between the categories of “blue-collar workers” and “white-collar workers” is more blurred. This is even truer as there exist some classification levels that cut across the categories of blue-collar and white-collar workers within the same grading system. From a methodological point of view, the act of bringing together blue-collar workers and white-collar workers results from the analysis of the declarations and the descriptions of professional profiles included in a given grade level. Consequently, in each sector examined, the category of blue-collar workers refers to workers with low levels of autonomy and responsibility. Conversely, the category of white-collar workers includes those with medium levels of autonomy and responsibility.