

# The Evolution of the Industrial Relations System in the Italian Shipbuilding Industry

## **ADAPT LABOUR STUDIES BOOK-SERIES**

### ***International School of Higher Education in Labour and Industrial Relations***

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# The Evolution of the Industrial Relations System in the Italian Shipbuilding Industry

By

Alberto Sasco

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By Alberto Sasco

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## PREFACE<sup>1</sup>

### KNOWING THE PAST TO GOVERN THE FUTURE

Alberto Sasco's research into Fincantieri's industrial relations system is scientifically relevant in that it serves as a powerful tool to understand the complex system of labour relations in place in Italy's leading industrial groups.

The originality of this work – which lies in the author's refined analysis and critique – has prompted me to write this short preface and is illustrative of how talented young people like Alberto can become advocates of change and contribute to Italy's progress.

It is widely known that Napoleon Bonaparte availed himself of the services of officials with outstanding skills and “a lot of luck”. Alberto possesses both these qualities, as his internship at Fincantieri coincided with negotiations to review the collective agreement. Drawing on the Finmeccanica's motto, I have used the word “review” rather than “renew”, because it was not a mere extension of a collective agreement, but an opportunity to promote a new culture as regards work organisation and remuneration, which also led to clashes with trade unions. Consequently, Alberto, who was at Fincantieri to carry out research, also took part in negotiations with unions, so that his analysis mingled with both words and action. Alberto's youthful enthusiasm gives his work a determined, though measured, tone, which guides the reader through an extraordinary journey from past to future. After dealing with previous literature and scientific texts on the topics analysed, he adds a further element, perhaps the most important one, discussing a break with the past that future practitioners will, however, see as a sign of continuity between two eras.

Alberto's work makes him the ultimate repository of Fincantieri's history of industrial relations, as he provides an excellent recollection of past, present and future events.

The heart of Fincantieri's industrial relations beats in Alberto's chest and gives life to the new world. This is the essence of an ever-changing

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<sup>1</sup> Marcello Sorrentino, Senior Executive and Vice President of Institutional and Industrial Relations at Fincantieri S.p.A. from 2014 – 2016.

world: making attempts through approximation, knowing the past and adapting it to changing times.

After all, this is the purpose of forward-thinking people.

# FOREWORD

The aim of this work is to provide an in-depth analysis of how industrial relations in Italy's shipbuilding sector have developed over the years, taking Fincantieri – the leading and well-known shipbuilding company – as a case study. To this end, an investigation of relevant literature and collective agreements has been carried out to understand how national and company-level collective bargaining has evolved in time.

Part one of this research describes the industrial relations climate in shipbuilding between the 1960s and the 1980s and concentrates on a number of major events occurring at the time, among others the separation between private and state majority-owned companies in terms of employer representation. The attempt to seek dialogue to ensure growth of companies operating in this sector was a distinctive trait of relations between employers and trade unions.

Part two is concerned with the main elements characterising collective bargaining entered into at Fincantieri, e.g. the reorganisation process and the creation of the Società operativa that took place in 1984. The analysis of collective bargaining pointed to the willingness of the parties to increase the company's competitiveness, investments in research and internationalisation.

To this end, a number of changes were introduced, among others variable pay, which was made dependant on productivity and business efficiency, and more collaborative relations with trade unions.

Part three of this work is divided into two sections. Section one provides an examination of the supplementary collective agreement concluded by Fincantieri in 2009 and an analysis of the company's restructuring plan that started in 2011. Section two describes the most relevant moments characterising the conclusion of the new collective agreement between the company and trade unions following the 2008 recession. Finally, the concluding part of this research focuses on negotiations leading to the conclusion of a further collective agreement in 2016, placing particular emphasis on the stance of the parties and the actors involved.



## CHAPTER ONE

# THE RELATIONSHIP BETWEEN FINCANTIERI AND TRADE UNIONS IN STATE MAJORITY-OWNED COMPANIES

### **1. The Industrial Relations System in Italy's Shipbuilding Sector in the context of Deregulation from the 1960s to the mid-1980s**

#### **1.1. State-owned Companies' Opt-out of Confindustria and the Conclusion of the INTERSIND ASAPT Protocol of 5 July 1962**

##### **1.1.1. Act no. 1586 of 1965 and the Separation between Private Companies and State Majority-owned Companies**

The evolution of industrial relations in state majority-owned companies in Italy's shipbuilding industry should be examined starting from the establishment and the development of INTERSIND, the main employer representative in this sector.

Since the 1950s, the General Confederation of Italian Industry (Confindustria) has represented public companies like Fincantieri for matters concerning industrial relations and relationships with trade unions. However, the system in place at the time did not distinguish between the public and the private sector in relation to labour relations and collective bargaining.

As one might expect, following the evolution of markets over the years, many have doubted the ability of a single employer association to give voice to companies so different from one another (e.g. in terms of work organization and management). This holds true if one considers that Confindustria has represented all companies operating in Italy, including those set up with the aim of promoting Italy's economic growth.

In this respect, 22 December 1965 is considered as an important date for the evolution of industrial relations at Fincantieri. On that day, Act No. 1586 was enacted, through which the "Ministry of State Shareholdings"

was established to monitor the operations of state majority-owned companies. In addition, the new piece of legislation determined that state-owned businesses were no longer compelled to choose Confindustria as their representative body in negotiations. This move made it possible for the first time to speak of “effective and actual pluralism” in relation to employer representation.

As far as trade union aspects were concerned, state-owned businesses – which for the most part were controlled by two major holding companies (IRI and ENI) – were represented by INTERSIND (chiefly those run by IRI) and *Associazione Sindacale Aziende Petrolchimiche* (mainly those managed by ENI). As for the Italian shipbuilding sector, INTERSIND has replaced Confindustria since 1965 in relation to its representative function, providing support to employers for a number of issues. This might be linked to the common assumption – which was widespread in the national economic and social context – that the interests pursued by employers in the private sector and those of state-owned companies collided when it came to competitiveness in target markets.

The efforts of drawing a clear line between the management of industrial relations in the public and the private sector initially remained on the drawing board, a sort of work-in-progress project.

The period immediately following the enforcement of the 1956 provision was marked by negotiations during which the bodies representing private and state majority-owned companies (particularly those run by IRI) worked together. Therefore, collective bargaining took place in a spirit of cordial relations and cooperation between all actors involved, favouring the conclusion of agreements that benefitted all workers.

### **1.1.2. Centralised Bargaining leading the Industrial Relations Scene in the 1950s**

The conclusion of agreements applicable to all workers in a given industry was the result of the way in which collective bargaining had developed at the time. In the years following corporatism, interconfederal agreements played a major role in collective bargaining. Anti-union sentiments, which could be found particularly among Italy’s private employers, significantly limited the ability of trade unions to effectively pursue workers’ collective interests in the workplace. This sentiment compelled actors to enter into interconfederal agreements containing terms that governed workers’ rights and duties, concurrently minimising (or ruling out) the possibility of resorting to decentralized bargaining to lay down arrangements which were more specific to a given working context.

Consequently, the actors involved in industrial relations at Fincantieri were management and bodies consisting of individuals appointed through official elections to pursue the interests of workers in a particular company (so-called internal commissions). However, internal commissions played a marginal role in terms of employee representation, for they usually performed consultation functions or were asked to monitor that management complied with the terms agreed upon in negotiations, therefore depriving them of any bargaining power. The assumption that internal commissions could not enter into any form of negotiation with the company was a direct consequence of the fact that they were not endorsed by employers or by trade unions.

With employers failing to acknowledge decentralized bargaining, no agreement was concluded with internal commissions, save for those intended to extend national provisions to the company level. This also happened in the shipbuilding industry, for internal commissions only had an advisory function, without the opportunity to contribute to taking important decisions in the workplace. As for employee representation, trade unions were the only bodies that were recognized as bargaining agents, *de facto* preventing internal commissions from entering into negotiations.

This closed system – i.e. exclusively based on interconfederal and collective agreements concluded at the national level – was also the result of unions' lack of organisation and facilities at companies. Trade unions could only negotiate general terms and conditions at the national level – and to a lesser extent, at the local level – so they were unable to participate in company-level bargaining. Accordingly, no negotiations took place in the shipbuilding industry over this period.

### **1.1.3. The Quest for New Forms of Collective Bargaining: Trade Unions' Proactive Approach and INTERSIND's Inertia**

The effectiveness of the centralised collective bargaining system in place at the time became the subject of a lively debate as early as the late 1950s. This system was in line with employers' views that the best approach to carry out negotiations was to regularly renew national collective agreements, and to deal with specific provisions improving workers' conditions through company-level collective bargaining. Nevertheless, trade unions urged employers to amend this model, drawing on the idea that a new system was necessary aimed at significantly strengthening decentralized bargaining.

Among other things, the new battle waged by trade unions over contractual conditions was the result of an evolutionary process that led

those involved to set aside their divergent views and encourage the introduction of so-called “articulated bargaining”.

At first, it was the Italian Confederation of Workers’ Trade Unions (*Confederazione Italiana Sindacati Lavoratori - CISL*) to display a willingness to promote a new industrial relations model where company-level collective bargaining had a primary role. This approach, motivated by economic reasons, was at odds with that of the Italian General Confederation of Labour (*Confederazione Generale Italiana del Lavoro - CGIL*), according to which collective bargaining carried out at the national level (particularly in relation to pay) was of benefit to all the parties concerned.

In this regard, and after many years of discussions on this aspect, both the Italian Labour Union (*Unione Italiana del Lavoro - UIL*) – which at first had decided to sit on the fence – and the Italian General Confederation of Labour (*La Confederazione Generale Italiana del Lavoro - CGIL*) started to give thought to the possibility of a new bargaining model based on agreements concluded at the decentralized level. The common denominator among all these trade unions – which was also welcomed by CISL – was that company-level collective bargaining should supplement, but not replace, negotiations carried out at the national level.

As already pointed out, the evolution of industrial relations and collective bargaining in the shipbuilding industry was closely related to the creation of INTERSIND, which served as a representative body for state majority-owned companies. Accordingly, the newly-created INTERSIND defined the industrial relations strategies that were implemented by the companies of IRI, among which was Fincantieri’s holding company.

It should, however, be highlighted at the onset that INTERSIND’s leeway was rather limited. In its first years, INTERSIND did not have any branch operating locally. Rather, it consisted of one main delegation, with some minor groups of union representatives working at a regional and an interregional level.

On this point, one might note that prior to 1960, that is the year INTERSIND formally came to being, this body did not feature the distinctive traits which were specific to an employers association.

Initially, it had a few offices at IRI, and workers were in charge of dealing with industrial relations and collective bargaining. Consequently, rather than a representative body in the narrowest sense, INTERSIND could be seen more as an IRI branch office, which was tasked with pursuing the interests of its companies in relation to industrial relations aspects. In the first years, INTERSIND had an advisory role for IRI companies on union-related issues. However, as already stressed, things

started to change significantly from 1960, that is when INTERSIND was formally set up. It was the willingness to draw a neat distinction – both economically and in terms of relations with unions – between private companies and those in which the State held a majority share that paved the way for INTERSIND’s formal establishment and recognition. Accordingly, state-owned companies were given a new organizational structure, whereby economic and financial strategies were set down by IRI, while INTERSIND was entrusted with tasks of support and representation in relations with unions, though the latter could only operate in line with the strategies put forward by the former.

As for collective bargaining, Fincantieri initially adhered to INTERSIND’s contractual policy, aligning itself with the national trend that prioritized a centralised collective bargaining system and the conclusion of interconfederal and national collective agreements.

This approach also had implications on companies which were part of IRI. By way of example, the need to stick to strategies laid down by the employers association in the shipbuilding industry brought about significant limitations in the industrial relations arena, considerably minimizing relations between the company and trade unions.

The above seems to depict INTERSIND as a Confindustria branch office tasked with seeing to issues concerning State majority-owned companies. This state of play was also encouraged by the willingness of trade unions to prevent the creation of a gap between the safeguards granted to workers in the private sector and those operating in State majority-owned companies.

As will be seen, this approach was mainly a direct consequence of the little autonomy of this organization, which did not have the power to conclude separate agreements with trade unions.

#### **1.1.4. From “Centralized” to “Articulated” Collective Bargaining: The Conclusion of the INTERSIND ASAP Protocol of 5 July 1962**

In the first few years of the 1960s, and following the establishment of INTERSIND as an employer representative body, the evolutionary process of industrial relations at Fincantieri gained significant momentum, chiefly in relation to collective bargaining. In this respect, the first steps towards enhancing bargaining autonomy came in 1962, although the industrial relations climate in which collective bargaining took place was anything but peaceful.

As already pointed out, with economic conditions slightly improving – particularly when compared to the dark days following World War II –

trade unions claimed more room to manoeuvre. They showed an interest in industry and in the opportunity to put in place a new model of collective bargaining on the employer's premises. This sentiment became widespread in the shipbuilding industry, where unions were increasingly concerned with industrial policies implemented at the company level.

Thus, union representatives wanted to set up a system that, while acknowledging the primacy of collective bargaining, introduced decentralized bargaining. Obviously, this intention ran counter to that of Confindustria members, who argued for a centralized collective bargaining system, to be implemented through interconfederal and collective agreements concluded at the national level. Their stance was the result of hostility towards trade unions, which characterized most Italian employers in the private sector. The latter thought that there was no point in entering into negotiations with trade unions locally, therefore resisting an industrial relations system featuring different bargaining levels.

The first significant change to Italy's bargaining structure took place in 1962 following the renewal of the national collective agreement in the metalworking sector. Over the same year, negotiations were characterized by heated confrontation between the parties, particularly because trade unions wanted to include the introduction of a new contractual system into the bargaining agenda.

As seen, the proposal that Italy's industrial relations system should include so-called "articulated bargaining" was met with resistance by Confindustria, while INTERSIND appeared more willing to consider this possibility.

In all likelihood, INTERSIND's reaction stemmed from its will to make the distinction between the two representative bodies even clearer, therefore promoting continuous dialogue with trade unions rather than engaging in an all-out battle. Accordingly, trade unions and INTERSIND concluded a fully-fledged protocol on 5 July 1962 laying down new guidelines on collective bargaining in state-owned companies. Rather than the separation between the two bodies that took place a few years before, it was this document that marked INTERSIND's move away from Confindustria. This holds true in consideration of the fact that private-sector employers held onto their view that collective bargaining should take place at a national level and see to more general aspects.

According to the new protocol, collective bargaining consisted of three main levels: national (industry-level) collective bargaining (e.g. in the metalworking sector); sectoral bargaining (which concerned the following six sectors: steelmaking, shipbuilding, electro-mechanical engineering, steel production (secondary fusion), *avio-moto-auto* (i.e. the production of

aircrafts, motorcycles and automobiles), and mechanical engineering in a broad sense); and company-level bargaining. These three bargaining levels were organized according to hierarchy, and referral clauses (*clausole di rinvio* in Italian) laid down in national collective agreements specified those aspects that could be negotiated at each level. So, for example, sectoral bargaining was concerned with work organisation (e.g. working time and changes to the employee grading system) and remuneration (e.g. minimum wages, benefits for more vulnerable workers).

As for company-level collective bargaining, negotiations involved bonus schemes (e.g. production bonuses or new piecework schemes) and aspects related to working tasks (e.g. the introduction of performance evaluation). Accordingly, the protocol concluded on 5 July 1962 set forth a comprehensive range of provisions to regulate collective bargaining. However, while assigning a major role to decentralized bargaining, the new piece of legislation still regarded it as a method to supplement national collective agreements, in line with CGIL's views.

Indeed, the protocol seemed to meet the pressing requests made by trade unions, in relation to acknowledging the legitimacy of contractual clauses determined in company-level collective bargaining. It was, however, necessary to point out that it was generally the local branches of trade unions that engaged in negotiations with state majority-owned companies, due to the lack of a well-established trade union presence on the employer's premises.

Besides representing a major step towards bargaining autonomy, the protocol gave state majority-owned companies further advantages in relation to industrial peace. In exchange for the conclusion of the protocol referred to above, trade unions undertook not to engage in actions intended to amend terms agreed upon through the new bargaining model.

As already discussed, the conditions laid down in the protocol were also mandatory for companies in the shipbuilding sector, among which was Fincantieri. Therefore, it can be argued that all IRI companies contributed to innovating their own representative body, supporting the diffusion of company-level bargaining.

The relevance of the 1962 protocol can be better understood when looking at the increasing significance of INTERSIND in the national industrial relations scene. Importantly, employer representation in state-owned companies was initially given a marginal role in the development of national industrial relations. However, after limiting Confindustria's room to manoeuvre and clinching the 1962 agreement with trade unions – employer representative bodies managed to carve out an increasingly

relevant role for themselves, becoming the main driving force in the evolution of industrial relations.

The attempt to engage in dialogue and to share ideas with trade unions had the result of making INTERSIND the privileged interlocutor for negotiating and entering into agreements that would benefit both workers and employers.

The protocol can also be seen as the harbinger of the separation that took place a few months later following the conclusion of a separate collective agreement involving state-owned companies in the metalworking sector.

## **1.2. From “Articulated Bargaining” to “Non-binding Bargaining”: Italy’s Hot Autumn**

### **1.2.1. First Attempts to Promote “Dialogue” and “Participation” between Employers and Trade Unions: The 1967 Restructuring Plan in the Shipbuilding Sector**

The effects of the 1962 Protocol also manifested in the following years, leading Fincantieri companies and state-owned ones to seek cooperation and collaboration on a continuous basis.

The renewal of metalworkers’ collective agreement in 1966 is a glaring example of this approach. INTERSIND – on advice from the Ministry for State Shareholdings – pledged to seek agreement with trade unions on new aspects that could help bring together the needs of employers and those of the social partners.

In this respect, it was significant that a Circular issued by the Minister on 16 December 1965 invited public offices to “extend union rights to public-sector companies” to foster “collaboration that goes beyond mere formalities”. The sharing of views and ideas was one of the most relevant effects of the collective agreement concluded in the shipbuilding sector, the financial and productive situation of which was particularly troublesome at the time. The sector’s negative trend was due to the serious economic crisis affecting Europe, which had to deal with Far East countries’ increasing competitive levels in relevant markets.

The struggle faced by employers called for immediate steps to keep the sector’s production and economy afloat. Accordingly, a restructuring plan for the shipbuilding industry was agreed upon on 29 November 1967. Apart from entailing a number of obligations for the companies operating in this sector, this measure was a significant one in that it was the first time that a restructuring plan received trade unions’ full approval.

### **1.2.2. Representation Crisis and Social Struggles: The Rise of the “Non-binding bargaining” System**

The development targets laid down in the 1962 protocol – which had already been discussed by INTERSIND and trade unions as early as 1956 during talks to renew the national collective agreement – went unmet and were set aside by the end of the 1960s. During the renewal just referred to above, some major difficulties arose at the time of setting down referral clauses, putting a strain on the climate of participation and collaboration that had just been established. The 1962 restructuring plan failed to take off for several reasons, among which were trade unions’ lack of a modern approach to collective bargaining and employers’ difficulties in terms of industrial planning, particularly among state majority-owned companies. Eventually, the development plan laid down in the Protocol came to nothing in a slow but inexorable fashion.

Compounding the picture was the increasing difficulty to decrease the gap between the bodies representing state-owned companies and Confindustria, due to the attempt of the latter to carve out a major role for itself and to modernize industrial relations. From that moment, INTERSIND could no longer rely on Confindustria support to envisage new rules on industrial relations and collective bargaining.

This state of affairs came to a head in 1969, as talks to renew metalworkers’ collective agreements took place in a particularly charged atmosphere. This period was called the “Hot Autumn” and featured significant social unrest, a tool used to emphasize the need for employment protection. Social agitation also resulted in the passing of Act no. 300 of the Workers’ Statute in 1970 and in other major changes that upset the fragile balances of Italy’s industrial relations system.

Riding the wave of discontent – which by now had spread all over the country in a number of sectors fuelled by industrial unrest and student protest – trade unions demanded more and more employment protections for workers. In the shipbuilding sector, trade union protests concerned remuneration, particularly for piecework. Besides that, negotiations at company level focused on alternative and more general aspects than those permitted by referral clauses laid down in collective bargaining. This was the backdrop against which metalworkers’ collective agreement was negotiated, and trade unions made far more demands than those they were entitled to pursuant to the 1962 Protocol. Evidently, union claims were met with disapproval by state majority-owned companies, leading to disagreement regarding the issues delegated to decentralized bargaining. As a direct consequence of this state of play, the system based on

derogation clauses no longer applied, although providing a major contribution to concluding the 1962 Protocol. At the time of its implementation, the derogation system referred to above clearly identified the terms associated with each bargaining level (national, sectoral, and company level). Another consequence of this situation was the end of the industrial peace trade unions undertook to maintain in exchange for the development of company-level bargaining.

From then on, trade unions felt empowered to take action to prompt changes or to conclude agreements at any bargaining level. In addition, as collective bargaining was no longer based on delegation clauses, no links existed among bargaining levels, with this lack of coordination that translated into more uncertainty.

Therefore, a shift took place from “articulated bargaining” to “non-binding bargaining”, whereby bargaining agents at company-level were given free rein concerning terms and conditions which were up for discussion, favouring the development of decentralized bargaining. The latter was also empowered to amend the terms laid down in national collective agreements, seeing that it had unlimited operational powers and no limits were imposed about its remit.

With both the 1962 Protocol and the system granting state majority-owned companies (e.g. Fincantieri) and INTERSIND a leading role in industrial relations no longer in place, the latter lost momentum at the national level, indirectly benefitting Confindustria.

Consequently, the first years of the 1970s witnessed the successful attempt from private-sector employers to smooth over relations with trade unions, especially because of the spirit of renewed collaboration characterising relations in companies represented by Confindustria.

Accordingly, in the period immediately following 1968 social protests, the equilibrium characterizing employer representation was once again called into question. Confindustria took the lead and, while championing decentralized bargaining, attempted to restore friendly relations with INTERSIND.

These reconciliation efforts were aimed at promoting cooperation to benefit both the parties.

### **1.3. The 1970s: Economic Crisis and the Revival of Centralised Collective Bargaining**

As seen, state majority-owned companies suffered an identity crisis at the start of the 1970s. Unlike in the past, INTERSIND was nowhere near being able to serve as a representation body and provide national

guidelines about collective bargaining and industrial relations. Fincantieri, and other state majority-owned companies more generally, concluded that it was no longer possible to implement new lines of industrial policy, nor guidelines as regards relations with trade unions, without considering the position of private-sector companies on this matter.

The foregoing aspects led INTERSIND and Confindustria to reconcile, a process that was seen as necessary as it was meaningful. Benefitting from the hurdles faced by the former, the latter regained a leading role in the industrial relations arena, and speculation mounted that INTERSIND could re-join Confindustria, a possibility which was not seen favourably by representatives of the IRI Group.

Rather, a need arose in the shipbuilding sector, and more generally in state majority-owned companies, to share practical guidelines on industrial policy – particularly in terms of innovation – to boost business competitiveness in the markets concerned. As increasing and intense competition characterised this sector, taking steps to increase productivity and efficiency and to fill the existing gap between Fincantieri and major international competitors became a matter of urgency.

The changes just described should be also considered against the difficult economic background of the latter half of the 1970s. The effects of the oil shock – coupled with a particularly tense social context resulting from past conflicts – gave rise to a situation of profound uncertainty. It was the oil crisis that best illustrated Italy's economic distress, which also produced insurmountable difficulties in some of the largest national groups (e.g. Montedison) while pointing to the absence of government policies intended to introduce new technologies (e.g. above all on energy diversification).

Accordingly, social uncertainty and the serious economic downturn resulted in an increased “malaise index”. Further, and as is frequently the case in Italy, the scenario described above led many to postulate that solutions should come from central institutions. Therefore, besides worsening the situation faced by Italian companies, the economic and social crisis taking place in the second half of the 1970s re-established the centralization of collective bargaining.

By way of example, the measures devised to deal with the crisis (e.g. restructuring plans) were agreed upon by means of general agreements concluded at the national level.

The first consequence of this approach was that interconfederal agreements were given new momentum. They were regarded as the main tools to prevent the collapse of national industry, both because of the actors involved and the wider scope of the measures adopted. The fact that

the government actively engaged in negotiations was also seen as a relevant factor. Besides acting as a mediator, the government had also a say in the conclusion of interconfederal agreements, for instance by contributing economically and politically. Accordingly, this approach attempted to avoid that companies solved their problems on their own, giving rise to a particular collective bargaining system which was impossible to apply consistently. In some respects, collective bargaining at a company level was put on hold and, starting from 1977, those employers negotiating with trade unions operating at the local level were excluded from a number of tax benefits. The development of a new industrial relations system then faced a slowdown, and the time-honoured IR model based on collective agreements concluded at the national level was resumed and seen as the only possible alternative.

Naturally, the decision to rely on interconfederal agreements also had positive effects, a nice example of which was the agreement concluded on 25 January 1975 regarding the so-called *unificazione del punto di contingenza*. In practice, the amount of remuneration that depended on cost-of-living increases was now the same for all workers. Standardising the *punto di contingenza* was necessary because of the rapid increase in the cost of living, which in turn was due to higher inflation and remuneration levels. For this reason, the highest possible *punto di convergenza* (i.e. the highest remuneration level for this item) applied to all workers, thus without making it dependent upon workers' age or years of service. Another interesting aspect concerning the status of industrial relations was the attempt to involve trade unions and to task them with monitoring restructuring plans and crisis management processes.

## **2. Developing a Regulated and Participatory Model of Industrial Relations: The 1984 IRI Protocol**

### **2.1. The Slow Restoration of Dialogue in Industrial Relations: The Economic Crisis and the Tripartite Agreements Concluded at the start of the 1980s**

#### **2.1.1. New Approaches to Business Management in State Majority-Owned Companies**

The government continued to play a leading role in the conclusion of agreements at the national level also in the first years of the 1980s. It was a time characterized by a serious economic recession, although tenuous signs of recovery were beginning to be reported. Nevertheless, the

economic measures put in place between the end of the 1970s and the start of the 1980s failed to tackle the grave crisis affecting national industry. A continuously rising inflation and the absence of deflationary policies produced an increase in labour costs which employers found difficult to deal with.

The situation at Fincantieri was not much better, as the need emerged to find solutions to boost productivity. More generally, the first years of the 1980s were marked by a change in top management in the IRI Group, which also brought about a change of course in industrial policy and development. In this respect, the newly-elected President of IRI, Romano Prodi, argued for the need of state majority-owned companies to support and promote their role in markets dominated by private-sector employers. Prodi himself warned that it could be risky for them to hide behind the fact that they were state-run companies, prompting members to set in motion initiatives aimed at favouring the “capitalistic market they are currently operating in”. Prodi also thought that devising economic measures aimed at identifying standards to increase competition and quality and a new industrial relations system involving the main actors of industry had become a matter of urgency.

Implementing the new measures referred to above was vital especially in consideration of the fact that most production capacity of state majority-owned companies, among which was Fincantieri, was used to fulfil commissions from the State, which therefore served two overlapping roles (the majority shareholder and the main client). One egregious example of this could be found in the shipbuilding industry. At the time, Fincantieri was seriously affected by the recession that hit the shipbuilding industry, to the point that management started to think that prompt action was needed to prevent business closure. As will be seen, this state of play was the harbinger of a major change in the national shipbuilding sector, which would set the scene for the creation of the Fincantieri operating company.

### **2.1.2. The New Re-centralisation of Collective Bargaining and the Conclusion of Tripartite Agreements**

As previously seen, attempts aimed at lifting national industry out of recession included collective agreements concluded at the national level. Significantly, the first years of the 1980s witnessed the highest degree of centralization of collective bargaining, as priority was given to the conclusion of tripartite agreements involving employers, trade unions and the government. The new structure of these accords was best illustrated by the so-called “Protocollo Scotti”. This agreement, which was named after

the then Ministry of Labour and Social Security, was concluded on 22 January 1983 by government representatives, several trade unions (CGIL-CISL-UIL), and employers' associations. The Protocollo Scotti was signed after months of lengthy negotiations and became the very first example of "concertation", i.e. an agreement where the government played a fundamental role. This Protocol was the result of effective mediation between public power, entrepreneurs and the social partners and set out to regulate collective bargaining and economic aspects as well, for instance by introducing measures to bring labour costs into line with expected average inflation rates. Still on the economic factors, the principle and the terms of the agreement attempted to limit costs and to promote employment, also by means of new flexible forms of working which could enhance competitiveness of national industry. To this end, the involvement of the government in negotiations was important, as measures were envisaged to reduce the social security contributions paid by employers. As for job-creation initiatives, the aim was that of deregulating the labour market to facilitate access to employment, while a major overhaul was needed in collective bargaining to provide a more coherent legal framework. This is because collective bargaining was highly affected by the many changes made to the guidelines devised to conclude collective agreements. Consequently, while at first the aim had been that of promoting decentralized bargaining, a common conviction prevailed afterwards that the answer to the problem should have been sought in interconfederal agreements which applied to all workers. This state of uncertainty prevented the renewal of many collective agreements between the end of the 1970s and the beginning of the 1980s, above all because of the failure to clearly identify the contractual terms to be discussed on each bargaining level. Therefore, the above pointed to the need to look for innovative measures to supply collective bargaining with a well-defined and shared legal framework. The Protocollo Scotti was a move in that direction, as the parties aimed to promote a new model of industrial relations. The key principle on which the Protocol was based and that was a major source of innovation was so-called *ne bis ne idem* ("not twice on the same issue" in English). This principle was intended to prevent the overlap of different bargaining levels when dealing with the same contractual issue. This provision was particularly necessary following, on the one hand, the widespread use of "non-binding" collective bargaining since the 1970s and, on the other hand, the little space provided to "articulated" collective bargaining set down in the 1962 Protocol concluded by INTERSIND and trade unions. Because of the foregoing,

new limitations were placed on the contractual terms that could be negotiated at company and national levels.

This aspect is clearly outlined in the *Protocollo Scotti*, in which it was stressed that decentralized bargaining should, by all means, be regarded as an alternative to collective bargaining carried out at the national level, by also referring to a specificity criterion in relation to the topics to be discussed at the company level. Another feature of the *Protocollo Scotti* was the introduction of a cooling-off process. In other words, it was agreed that industrial disputes would be settled on the employer's premises, to promote harmonious participation and collaboration between employers and trade unions and to find solutions satisfying both parties' needs.

In a way, the *Protocollo Scotti* was at the same time the most egregious example of "tripartite" collective bargaining – where the government was assigned a pivotal role – and the last successful attempt at implementing this bargaining model.

The parties involved in the conclusion of the 1983 *Protocollo* would convene again to ensure continuity to the economic arrangements previously laid down. In this respect, the government deemed it necessary to review the criteria making up the *scala mobile* ("wage-indexation system" in English) to promote a gradual and effective reduction of inflation rates.

This move was hailed by CISL and UIL, which welcomed a reduction in the cost of living, but was staunchly opposed by CGIL, which at the time was led by Luciano Lama. As a result, major rifts emerged among these different sections of trade unions which also had implications at the company level. For example, workers at Fincantieri were instigated by the FIOM CGIL and called a strike to protest this provision. Workers' demonstrations were particularly intense at the Monfalcone plant, which was home to Fincantieri's largest shipyard in Italy.

The aspects examined above made it impossible to keep on implementing tripartite collective bargaining, and the government imposed amendments to the *scala mobile* by means of Decree of 14 February 1984, also known as the San Valentine Decree. Besides becoming the subject of intense controversy at political and social levels, these changes also marked the demise of concertation in collective bargaining.

## **2.2. A New, Regulated Industrial Relations Model based on Dialogue and Cooperation: The IRI Protocol concluded on 18 December 1984**

### **2.2.1. Promoting and Opposing Dialogue: The New Rift among Employers' Organisations over Industrial Relations Governance**

In the years considered, employers in Italy were still dealing with serious economic issues. Like many other national companies, Fincantieri struggled to keep up with competitors based in Japan and the United States. The financial uncertainty marking the end of the 1970s and the beginning of the 1980s prevented employers from focusing on innovative measures to challenge and prevail over competitors in relevant markets. Benefitting from the standstill situation referred to above, large industrialised countries successfully and strategically reviewed the way they managed the employment relationship. Accordingly, while new initiatives promoting greater operational flexibility were implemented in Japan and in the United States, Italy was still affected by an overly stringent regulatory framework preventing employers from increasing their levels of efficiency and productivity. This issue was a serious one, especially among state majority-owned companies. Fincantieri, and employers in the IRI Group more generally, reported particularly negative trends, upsetting the Group's financial stability. As for the shipbuilding industry, it has already been stressed that the economic downturn brought about a decline in competitiveness, to the point that many hailed the idea to develop a rescue plan based on "rationalization and restructuring". Consequently, failing the attempt to conclude tripartite agreements, the quest for solutions to overcome the economic struggle became a matter of widespread concern in Italy.

For example, among private-sector employers, the abortive efforts to promote dialogue through tripartite agreements led many to conclude that the involvement of trade unions was superfluous and that negotiating with workers was the best way forward.

Once again, employers in the private sector held onto the idea that the approach based on cooperation with unions was all but an opportunity, for it was for the company to put in place necessary measures to progress and enhance competitiveness.

On the contrary, the state of uncertainty reported over the last years helped state majority-owned companies to regain their high ground in the industrial relations arena. An example of this was INTERSIND which – after having kowtowed to policies put forward by Confindustria and given up on the idea to become an autonomous body promoting new forms of

industrial relations – gathered new momentum and resumed relations with trade unions, through the same participatory approach used at the time of its establishment.

The differences existing between employers represented by Confindustria and those referring to INTERSIND about industrial relations were evident in the planning of restructuring, that would have a stronger emphasis on organizational flexibility.

On the one hand, employers in the private sector gave priority to schemes that were laid down by the company's governing bodies, without giving the social partners the opportunity to share them. On the other hand, state majority-owned companies, among which was Fincantieri, moved again in the opposite direction, as they thought that full agreement on the decisions taken would have benefitted the parties involved.

### **2.2.2. The 1984 IRI Protocol: Objectives and Positions of the Parties**

As we have seen, the approach based on openness and participation accelerated the conclusion of an agreement laying down new guidelines to practice industrial relations. On 18 December 1984, IRI, INTERSIND, and CGIL, CISL and UIL ratified a protocol setting down key principles – based on a participatory and shared approach – to be applied at the time of concluding new employment relationships in State majority-owned companies. This agreement was also the result of the willingness to innovate conveyed by the latter, among which was Fincantieri. The assumptions underlying this agreement concerned the urge to revitalize those industries in which companies belonging to the IRI group operated. The aim was to regain competitiveness, efficiency, and productivity and to strengthen the position of State majority-owned companies in international markets by means of restructuring, industrial reorganisation and mergers. Furthermore, the 1984 IRI protocol would be a key element in the restructuring scheme put in place for the shipbuilding industry.

According to the underlying principles described above, workers had a lead role in fulfilling the foregoing objectives, as had proper allocation and rationalization of resources and amicable relations between employers and the social partners. Therefore, the 1984 agreement originated from both State majority-owned employers and trade unions' desire to renew relations to enhance innovation in the industrial relations system, although the latter manifested different stances at the time of negotiating the protocol. For instance, CISL saw the new direction taken by the IRI Group – to which the newly-elected president Romano Prodi greatly contributed – as an opportunity to build up new and effective forms of participation.

The same could be said of UIL which, although initially lukewarm about the conclusion of the agreement, ended up aligning itself with the position of CISL, thus suggesting that the latter had the most influential role among the three trade unions. Finally, CGIL initially put forward a “business plan” (*piano d'impresa*) to pursue industrial democracy based on the shared planning of economic strategies and procedures. Subsequently, it opted to join CISL and UIL by entering into the agreement on the IRI Group and promoting a new industrial relations model.

### **2.2.3. The 1984 IRI Protocol: The Setting-up of Advisory Committees and the Management of Industrial Conflict**

As discussed, the 1984 Protocol gave fresh momentum to a cooperation-based approach to be implemented in State majority-owned companies (including Fincantieri) to define the role of union representatives within the company. In this regard, new joint bodies were set up, called advisory committees, consisting of representatives from companies and trade unions who were assigned new roles as regards information-sharing. The aim was to share and evaluate the different measures concerning industrial policy to come up with the most appropriate solutions for those involved. An important aspect characterizing the 1984 agreement was conflict management based on a relational model helping to prevent industrial action by trade unions. Conflict management was not to be intended as the employers' attempt to preclude trade unions from calling strikes, but as a mechanism to systemize ways to share information so that industrial action had only to be taken as a measure of last resort. Consequently, the aim was not that of limiting union activity, as the strike was still a fundamental element in trade unions' traditional approach to industrial relations. Based on this assumption, efforts were made to reduce strike action as far as possible, significantly benefitting business productivity. In other words, those concerned attempted to contain, if not to eliminate, industrial conflict taking place at the company level. The 1984 Protocol thus pursued a two-fold objective: fulfilling the need of information-sharing voiced by a number of trade unions and preventing industrial action as much as possible as demanded by employers, to increase productivity and efficiency. Therefore, IRI and INTERSIND seemed to give new momentum to principles like industrial peace while acknowledging trade unions as relevant consultation actors. For this reason, management practices in place between the 1960s and the 1970s to deal with major social protests were reintroduced, yet increasing the opportunities to meet and share views to avoid that industrial action