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The Italian Telecommunications Industry after Market Liberalization

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Collective Bargaining Centralisation Against All Odds? The Italian Telecommunications Industry after Market Liberalization

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Abstract

The widespread trends towards markets liberalisation, decline in trade union power, and flexible work organization were expected to push collective bargaining institutions to converge to a decentralised bargaining structure. This crude version of the neoliberal convergence thesis, however, was not borne out. Instead, change in employment relations has been more nuanced than initially thought. This paper explores the conditions under which centralisation of bargaining is possible, even in a more competitive environment with pressures for greater flexibility. It draws on case study evidence from the Italian telecommunications industry, tracing back the process of liberalisation since the early 1990s. It is shown how the strategies and the coalitions between organised labour, business and the state explain in large part this path of institutional change.

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Introduction

From the Single European Act of 1986 until the completion of the Single Market in 1992 the focus of rules harmonisation within the European Union shifted from traditional industries towards utilities and services. The European Commission held that distortions in competition could come from sectors providing a backbone to economic activity. Therefore ‘network industries’ such as telecommunications, financial services, transportation (railways, shipping, airlines), and energy (electricity, gas) became part of the agenda of EU liberalisation (Begg & El-Agraa, 2004). The legislation over the single market required the liberalisation of state monopolies, but it did not require a change in the ownership of state firms. Nevertheless, national governments across Europe launched a series of privatisation programmes reducing the extent of public ownership in these sectors. The twin processes of liberalisation and privatisation marked the withdrawal of the state from direct regulation and ownership of those sectors. Regulation was delegated to independent authorities, and ownership transferred to private actors. These processes were expected to have a ‘domino effect’ on collective bargaining institutions leading to a generalised decentralisation of bargaining (Crouch, 2000; Dolvik, 2004; Wallerstein, 1998) and this expectation was based on several grounds.

On the one hand, the opening up of those markets to competition was expected to weaken the incentive for labour cost-standardisation from the part of the firms (Reder & Ulman, 1993; Wallerstein, 1998). According to this hypothesis, as barriers to trade across countries are eliminated and protection of industries is removed, competition within product markets is increased. This was expected to weaken the logic of ‘taking wages out of competition’ through collective bargaining (Marginson, Sisson, & Arrowsmith, 2003:164) and lead to the abandonment of sectoral labour market institutions. On the other hand, the increased needs for ‘work organisation flexibility’ rendered collective bargaining agreements as less attractive. Needs for flexibility included the adoption of new human resource strategies in response to changes in technology (Katz, 1993), the introduction of incentive pay systems (Brown & Walsh, 1991), and a move towards ‘flatter management hierarchies’ (Brown & Walsh, 1991; Katz, 1993). Changes in product market demand required adoption of more flexible working time arrangements, and individual firms were expected to prefer to introduce incentive pay systems so as to align pay with performance. Industry-wide bargaining was regarded as too inflexible to accommodate these needs for flexibility, for instance, when central negotiators can only set wages in broad job descriptions/classifications (Zagelmeyer, 2005) or specify rigid working schedules. Overall, the pressures from market liberalisation and diffusion of flexible working practices were the implicit forces putting pressure for institutional convergence to a decentralised company-level bargaining structure. How can we explain, therefore, the successful efforts to centralise bargaining, despite the intensification of competition and pervasive introduction of flexible working practices?

The paper follows the ‘most-likely’ case-study research design (George & Bennett, 2005:122). The Italian telecommunications sector was ‘most likely’ to end up with an Anglo-Saxon decentralised bargaining structure. As the next sections will show, the liberalisation of the market led to an intensification of competition, whereas the introduction of flexible working practices was pervasive. Yet, in the early 2000s one observes a centralization of collective bargaining at the industry level. The empirical

section seeks to explain this puzzling outcome with data gathered through primary sources and a series of interviews with key informants. It is argued that the coalitions between collective actors mediated the pressures from liberalisation and flexibility and shaped the new institution of centralised collective bargaining. More specifically, the conditions that allowed this path of change entailed (i) that trade unions in the sector appeared able to speak with a single voice and forged a coalition with the state and (ii) that the peak employers association was able to offer to the firms in the sector a very lucrative compromise with ‘the best of both worlds’: standardisation at the industry level and flexibility at the company level.

The paper is structured as follows. The first section examines the evolution of Italian telecoms from a monopoly into a liberalised market, pins down the operation of competitive forces and sketches how work organisation flexibility became pervasive. The second section turns to the organisational changes in the structures of trade unions and business associations, which are critical for the overall direction of change. The third section traces the process of centralisation of collective bargaining and seeks to explain this pattern of institutional change by reference to the strategies and coalitions between and within collective actors. The final section concludes by discussing the implications of the argument for wider debates in comparative employment systems literature.

1. The Italian Telecommunications Industry: Market Liberalisation and Work Organisation Flexibility

1.1. Italian Telecoms until the 1980s: Monopoly and State Ownership

The telecommunications industry in Italy has historically been segmented, due to the different concession agreements that were granted to private telephone operators in the early 20th century. In the 1960s the concession agreements expired, and the telecoms branch (IRI-STET) of the state-owned IRI holding company (*Istituto di Ricostruzione Industriale*) purchased shares of the regional operators. Thus it created a public monopoly under the name of SIP¹. However, the nationalised company retained a divided organisational structure and the national territory was divided into the five zones in which the previous five companies operated. This structure contributed to the persistence of inefficiencies, for example, bureaucratic relationships within and across management levels; duplicated tasks and responsibilities; and wasteful human resource practices (Negrelli, 1996:296-297). These organisational inefficiencies were amplified by the fact there were still different companies in charge of different parts of the communications infrastructure leading to an excessive institutional fragmentation (Schneider, 2001:68). While SIP was mainly responsible for provision of telecoms services to households and business, Telespazio was responsible for satellite communications, SIRM for maritime communications, Iritel for public telephone services, Italcable handled international calls, and ASST dealt with long-distance (intercity) calls. Unlike other telecommunications operators, the nationalisation in Italy did not lead to a unification of the system’s sub-sets.

¹ In fact, SIP stands for *Società Idroelettrica Piemontese*, the name of the company before becoming *Società Italiana per l'Esercizio Telefonico*.

Two initiatives stand out as responses to the challenge of persisting inefficiencies in the early 1980s. The first related to intra-firm reorganisation, and the second was oriented to the restructuring of the whole industry. Intra-firm reorganisation in SIP involved *inter alia*: abolition of old geographical divisions that corresponded to different entrepreneurial and technical cultures; changes in work organisation away from bureaucratic and repetitive jobs towards enlarged job tasks; annualised working hours; and incentive pay systems for sales staff (Negrelli, 1996: 297-299). Despite conflict and disagreements, the trade unions and SIP management managed to reach compromises and signed related company-level agreements in 1982 and 1984 to modernise the company.

In addition to that, the Spadolini government tried to achieve a restructuring of the whole sector in the early 1980s and established an expert commission directed by Franco Morganti to develop recommendations for action (Schneider, 2001:69). The recommendations of the Committee included the complete liberalisation of the terminal market as well as new telematic services, but –unlike developments in Britain at the time– the experts defended the preservation of the public monopoly in the fixed telephony network. The Committee aimed at ending the fragmentation in the industry, and proposed the consolidation of the various telecoms organisations (SIP, Telespazio, Italcable, SIRM, Iritel described above) and integrating them into a single public monopoly (*monopolio intelligente*) (Schneider, 2001:69). Still, a series of upheavals in Italian politics did not allow the implementation of any of the proposals.

The inertia persisted until 1987, when the government established a five year plan (*Piano Europa*) in order to boost competitiveness in the sector and reduce the technological gap with other European nations (Graziosi, 1988:308; Thatcher, 2007:193). In addition to technological developments abroad, the advent of the Single European Market in 1992 was a recurrent theme used to justify the urgent need for institutional reform (Graziosi, 1988:302; Thatcher, 2007:193). The Piano Europa was consistent with earlier proposals of the Morganti Committee, suggesting the integration of the traditionally fragmented system into a ‘super-SIP’ (or ‘super-STET’). As Thatcher (2007:194-95) argues, consolidation was thought to be important for two reasons: (i) it would allow the privatisation of the company in the near future and (ii) it would establish a powerful Italian telecoms group, able to compete with other ‘national champions’ such as British Telecom, Deutsche Telekom and France Telecom. In 1992 a new law reorganised SIP through the creation of ‘STET-Telecom Italia’ and a merger between the different companies followed (Baroncelli, 1998). At last, the single ‘Telecom Italia’ was born in 1994.

1.2. Liberalisation, Privatisation and Intensification of Competition

European economic integration was partly responsible for the ‘Piano Europa’, but the European impact would be felt more strongly during the 1990s. Following the transposition of the Directives for the ‘opening up’ of the mobile and later fixed-telephony markets, new players appeared in Italy alongside the incumbent Telecom Italia. Starting with mobile telephony, the Olivetti manufacturing group acquired the first licence and established the Omnitel subsidiary in 1995, which began competing with the incumbent’s subsidiary in mobile telephony (Telecom Italia Mobile/TIM). The Italian electricity company (ENEL) established WIND in the late 1990s, while Blu and the Chinese ‘3’ entered the market soon after. By the early 2000s competitive

pressures in the mobile phone segment appeared strong, as illustrated by the rapidly eroding market shares of the leading firm (Table 1). Telecom Italia Mobile had the lead in the market share in 2000s, but strong competition led to a sharp decline from 56 per cent in 2000 to 37 per cent in 2009. At the same time, the foreign entrants such as the British Vodafone and Chinese ‘3’ increased their shares significantly.

Table 1. Market Shares (based on subscribers) in Mobile Telephony in Italy, 2000 – 2009.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Leading operator	56	48	46	47	46	40	41	40	39	37
Main competitor	36	35	34	36	35	32	32	33	32	33
Third+Other competitors	8	17	20	17	19	27	27	27	29	30

Source: European Commission (2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009).

Similar changes are observed in the fixed-telephony segment of the market, albeit with a few years lag. The first company to compete with Telecom Italia in the fixed network was Albacom, which was established in 1995 and was later acquired by BT Italia. In 1997 the Olivetti Group established a subsidiary in fixed telephony called Infostrada, which was later acquired by WIND. Finally, Teletu started in 1999 and was acquired by Vodafone in 2010. Competition in the market was steered by AGCOM (*Autorità per le Garanzie nelle Comunicazioni*), which was the sector’s independent regulator authority established by Law 249 of July 31, 1997. AGCOM followed a rather restrictive tariff policy for Telecom Italia, allowing new entrants to compete for services using the ‘last mile’ of the fixed network infrastructure and preventing Telecom Italia from ‘abusing’ its dominant position (Sacripanti, 1999). Table 2 presents the rapid decline in the market share of the Telecom Italia from 100 per cent (monopoly) in late 1990s to 65 per cent in the late 2000s.

Table 2. Incumbent Telecom Operator's Market Share (based on retail revenue) in Fixed Telephony in Italy, 1997 - 2008.

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
100	100	99	93	75	70	68	n/a	65	64	62	65

Source: European Commission (2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009).

The above table sketches the picture of intensified competition within the Italian fixed-telephony market. Although Telecom Italia’s market share remained large until the end of 2000s, occupying more than half of the market, competitive pressures appeared strong throughout the decade. A comparison with the respective UK market is illustrative: BT lost on average 2.66 per cent annually for the period examined, whereas Telecom Italia lost on average 2.91 per cent annually for the exact same period. In sum, the monopoly position of Telecom Italia was eroded at a high speed and market competition intensified.

Although the liberalisation was largely guided by the European Commission’s agenda, the privatisation of Telecom Italia was on the agenda of successive governments. The consensus on privatisation was based on the common goal of raising funds so as to reduce the national debt and eventually join the Economic and Monetary Union (Thatcher, 2007:195).

For the privatisation of Telecom Italia, the solution that was favoured included: a 'stable core' of large shareholders having an 18 per cent stake, while another 35 per cent was sold *via* initial public offering (IPO) to the stock exchange (Florio, 2007:3). In sum, 35 years after the nationalisation of the 1960s, the state ownership of Telecom Italia ended on 20 October 1997. Interestingly, Telecom Italia became the object of three successive hostile takeovers *after* privatisation.

The first hostile takeover was an initiative led by the Olivetti Group. While the Telecom Italia CEO at the time, Francesco Bernabé, tried to erect defences against the hostile takeover, these did not work, partly because the government did not wholeheartedly embrace them. The most important one was the search for a 'white knight' (i.e. finding a friendly-bidder who would offer a higher bid than the hostile bidder). The main candidate for that position was Deutsche Telekom, which was allegedly a 'problematic' white knight. Since the German state owned a 72 per cent of Deutsche Telekom, this meant that it would end up control 40 per cent of the merged company. That would have led to a foreign renationalization of Italy's biggest listed company, and 'it was too much for the Italian government to stomach'.² Massimo D'Alema, who had become Prime Minister in the meantime, entered into negotiations with the German Chancellor Gerhard Schröder. However, the negotiations failed, since Germany was not willing to privatise Deutsche Telekom in the near future, and Massimo D'Alema eventually favoured the Olivetti solution (Kruse, 2005). It was thought that it would be better if Telecom Italia fell onto Italian hands, rather than the German state, and thus, the hostile takeover was completed by the end of May 1999.

Still, the Olivetti control of Telecom Italia was not bound to last. The second hostile takeover was largely a consequence of the first one, because Olivetti effectively bought a company that was five times larger than itself, financing the acquisition via debt. But servicing the debt was not easy and the performance of Telecom Italia's stocks was unimpressive in the next two years. An alliance between Pirelli and Benetton seized the opportunity and offered a very lucrative bid for the holding company that controlled Telecom Italia. On 28 July 2001 Pirelli and Benetton acquired the holding company and gained the control of Telecom Italia (Florio, 2007). But this was no the end of it, either. In 2007, a consortium led by Italian banks and the Spanish Telefonica, acquired the holding company through which Pirelli and Benetton retained control of Telecom Italia. The Prime Minister Romano Prodi accepted the deal under the condition that Spanish Telefonica will only be a minority shareholder, and the majority of control will remain in Italian hands.³

1.3. Restructuring the Telecoms: Technological Change, Downsizing, and 'Negotiated' Flexibility

The processes of liberalisation and privatisation that were described in the previous section undoubtedly hold a prominent place in the recent history of Italian telecoms. They coincided with fast moving technological advances, which brought about dramatic changes in the work organisation of telecoms operators internationally. The differences are monumental, if one considers that most of European telecoms

² Marcus Walker, 'The Sack of Telecom Italia', *Euromoney*, July 1999, Issue 363.

³ 'Italian banks win control of Telecom Italia' *New York Times*, (29/04/2007).

operators in the 1980s were an extended part of slow moving public bureaucracy, sometimes merged with the postal office (Thatcher, 2007). At that time, work organisation was characterised by high job security, internal labour markets, seniority-based promotion and pay, and a strict job classification system (Katz & Darbishire, 2000). By the early 2000s the ex-monopolies found themselves operating in very competitive markets, and employment practices shifted towards new performance management and work redesign with increased working time flexibility (Doellgast, Nohara, & Tchobanian, 2009:387-389).

Inevitably, Italian telecoms were bound to follow these international trends. Functional flexibility and the need for new and versatile skills among employees were necessitated more directly in responses to changes in technology (Frey & Vivarelli, 1991). Already in the SIP era, the trade unions frequently revised job descriptions so that they correspond to new technologies, and the job classification system was made flatter leading to job enrichment and multi-tasking employees (Negrelli, 1996).

After the merger between the five telecommunications companies (SIP, Italcable, Telespazio, Iritel, and SIRM) into a single Telecom Italia the negotiations began for the conclusion of the new company agreement in 1994. The main aim of the wage agreement was to harmonise pay and working conditions in the previously disparate companies; a necessary pre-condition to facilitate its restructuring and eventual privatisation. The merger process allowed large cost savings via ‘improvements in the organisation of work and services’ and was expected to generate even greater savings in the future.⁴ However, the business restructuring and reorganisation involved inevitable redundancies.

Already in the mid-1990s, the firm level unions in Telecom Italia anticipated the sweeping structural changes in the sector. As a result, the 1995/6 company agreement was foreseen to lay ‘the foundations for a new national contract for the telecommunications industry, which might be extended to other operators once the market opened up’.⁵ Italian trade unionists accepted pragmatically the inevitability of privatisation (Thatcher, 2007:195) and were more interested in managing the social repercussions, by negotiating the terms of restructuring across the whole industry.

Indeed, the 1995 company agreement stipulated that downsizing would be achieved through voluntary redundancies, while flexibility was introduced *via* four avenues: teleworking, geographical mobility, part-time working, and franchising.⁶ Teleworking (*remotizzazione*) was especially facilitated by technological advances and would help alleviate the problem of having some overstuffed divisions, while other divisions were understaffed. This measure was complemented by geographical mobility, providing bonuses for workers willing to transfer to other workplaces according to company needs. Part-time working was an option given to employees who were neither eligible for voluntary exit, nor eligible for geographical mobility. Still, there were limits to part-time working set to 12 per cent of the workforce by business unit. Finally, one very innovative measure was literally transforming ex-employees into entrepreneurs:

⁴ Interview with sectoral business representative at ‘Telecom Italy pay and conditions harmonized’ *EIRR*, No. 250, (November 1994), p.9-10.

⁵ Interview with sectoral labour representative at ‘Accordo per i telefonici Bonus e orario flessibile’ *La Stampa*, No. 249, (10/09/1996), p.17.

⁶ ‘Flexibility and job losses at Telecom Italia’ *EIRR*, No. 261 (October 1995), pp.20-22

former employees would be offered the opportunity to open a franchised shop selling Telecom Italia products and services. The company would offer financial incentives in a lump sum as well as training and advice on how to get a commercial license.

The structural changes that the sector was undergoing surfaced again during negotiations in 1996 in the form of increased needs for flexibility. On the employers' side the rationale was that 'competition in the telecom market means that existing "privileges" are no longer affordable'.⁷ Therefore, the company wanted to squeeze labour costs by reducing the wages for new recruits, and increasing working time from 38 to 40 hours per week (annualised). Eventually, a deal was reached between the state employers' federation *Intersind* and the telecoms unions providing for: (i) revision of the grading system; (ii) introduction of working time flexibilities; and (iii) the introduction of three forms of teleworking for different staff grades.⁸ The grading system was revised so that the number of grades is reduced from ten to eight, signifying a move towards 'flatter' management hierarchies. There was an introduction of flexible working time depending on company needs and customer demand. Part time working was also encouraged, while overtime compensation was also regulated and extended to part-time workers. Finally, the agreement established three forms of teleworking: (i) home teleworking (aimed at low-skilled employees, such as telephone operators); (ii) working-out tele-workers (more skilled employees such as accountants and computer managers, providing services which might eventually mature into a full outsourcing) and (iii) remote teleworking, (individuals working from specially equipped tele-work centres, involving operators in more remote areas).⁹

Naturally, the 'search for flexibility' did not end with the privatisation of Telecom Italia in 1997. After the hostile takeover of Telecom Italia by Olivetti, the company incurred a huge debt and the new management tried to cut down on labour costs (Florio, 2007:4). This cost-cutting strategy is mostly telling in the firm level agreement that was concluded on 28 March 2000 and involved massive cuts including: redundancy *via* compulsory retirement; phased retirement *via* increased unemployment benefit for those close to retirement; retraining and redeployment; reduced working time and pay cuts for other employees to avoid redundancies (called 'solidarity contracts', see below); and switch from full time to part-time employment.¹⁰ Additionally, the company planned to squeeze labour costs even further via recruiting some 6,200 workers on apprenticeship/work-entry contracts and contracts designed to provide young people with work experience, especially from high unemployment areas in Southern Italy.

However, introduction of work and pay flexibilities were not only taking place inside the privatised Telecom Italia, but were also pursued within the other operators. The main competitor of Telecom Italia in the fixed telephony network, Infostrada, was also introducing several types of flexibilities. On 21 September 1998, an agreement was signed between the management of Infostrada and the metalworking trade unions

⁷ Interview with sectoral business representative at 'Bargaining Round-up' *EIRR*, No.268 (May 1996), p.9-10

⁸ 'Telecom deal increases pay and introduces flexible working time' *EIRR*, No. 268, (May 1996), p.9-10.

⁹ 'Telecom deal increases pay and introduces flexible working time' *EIRR*, No. 268, (May 1996), p.10.

¹⁰ 'Redundancy Deal at Telecom Italia' *EIRR*, No. 316 (May 2000), p.9.

(Fiom-Cgil, Fim-Cisl and Uilm-Uil) on a plan to recruit about 1,300 workers for the company's call centres. Crucially, the two sides agreed on a high degree of work organisation flexibility, including: (i) about half of the workers would be hired on fixed-term part-time contracts, while the rest would be hired on apprenticeship/work-entry contracts (ii) the company would subsequently convert up to two thirds of fixed-term part-time contracts into permanent part-time contracts (depending on actual business volumes) (iii) pilot introduction of incentives and performance related-pay systems, before generalised implementation (iv) a minimum service would be guaranteed during strikes, while Sunday work would be allowed and finally (v) a joint committee would be set up to study the operation of the 24/7 shift system, with its findings put down for joint assessment.¹¹

The agreement was received with satisfaction from the unions' side, despite the increased levels of flexibility it entailed. The representative from the CGIL union in the negotiations, Gian Piero Castano, justified the choice to accept increased flexibility on the grounds of the potential for future employment creation stating that:

‘This choice - which has already been introduced at Omnitel, is made necessary by the two factors of Infostrada being a relatively new company and the telecommunications sector being still a developing one. The unions are confident that the consolidation of Infostrada's business will be matched by a corresponding consolidation of employment, as has happened in the Omnitel case.’¹²

This assessment was also shared by the other main union in the sector, CISL, whose representative, Giorgio Paolo, applauded the employment creation potential in the sector, admitting that increased flexibility is very important especially in customer care segment.¹³

In sum, the new market entrants in Italian telecommunications introduced a great degree of flexibility in working practices so as to survive the competitive environment and meet customer demand responding to fast moving technological change. However, the increased levels of employment flexibility were equally observed in the privatised Telecom Italia. The Italian unions in the sector accepted pragmatically the need for greater flexibility in working practices. In both the Italian incumbent and the new entrants, the types and limits to flexibility were the outcome of negotiations, specified within the context of firm level agreements; hence, flexibility was *negotiated*. The next section examines the issues of labour and business representation in more detail.

¹¹ ‘Flexible job-creation agreement reached at Infostrada’ *EIROOnline*, (October 1998), available at: <http://www.eurofound.europa.eu/eiro/1998/10/feature/it9810237f.htm> [accessed: 25/09/2011].

¹² Interview with sectoral labour representative at: ‘Flexible job-creation agreement reached at Infostrada’ *EIROOnline*, (October 1998), available at: <http://www.eurofound.europa.eu/eiro/1998/10/feature/it9810237f.htm> [accessed: 25/09/2011].

¹³ Interview with sectoral labour representative at ‘Flexible job-creation agreement reached at Infostrada’, *EIROOnline*, (October 1998), available at: <http://www.eurofound.europa.eu/eiro/1998/10/feature/it9810237f.htm> [accessed: 25/09/2011].

2. The Representation of Labour and Business in Italian Telecommunications

2.1. Labour: 'Single Voice' despite Organisational Fragmentation

The previous section hinted that representatives from the confederal trade unions were active not only within Telecom Italia (where they had a long history of representation), but also within the new companies that entered the sector. This point is worth emphasising, because *prima facie* there are several characteristics that may jeopardise Italian unions' capacity to speak with a 'single voice' and represent the interests of labour in the newly liberalised sector. The representation of labour interests could be problematic in three ways.

The first danger for united labour representation was between the privatised incumbent (which had the greatest share of employment) and the new firms in the sector (which involved far fewer employees). Employees in the privatised Telecom Italia already enjoyed a higher level of pay and conditions via their wage agreements, which were far better than the rates prevalent in the new firms, and this might lead to divisions with 'them and us' attitudes. A second source of danger for labour representation stems from the Italian industrial relations system, and the nature of competitive relations between union confederations. The new telecoms companies would offer a new pool of potential members and there was a danger that the confederal unions could be dragged into a spiral of internal conflicts, competing for new members with each other. Finally, there was always the chance that employees in the new firms could organise bottom-up via militant grass-roots unionisation. This was not unlikely, because such organisations (the so-called COBAS) were a frequent phenomenon in Italian manufacturing and parts of the public sector.

In spite of the dangers that liberalisation posed to labour representation in the sector, Italian unions managed to skilfully avoid all those hurdles. The danger of ending up with a cleavage between incumbent and new firms was avoided, because unions followed an inclusive strategy. Telecom Italia unions (FILPT, SILT, and UILTE) were transformed into sectoral-level associations embracing the workers in the new firms. The first union that was transformed was CGIL's affiliate union FILPT. In 1997 it was renamed into SLC merging the previous separate post/telecom union and the information/broadcasting union. CISL's affiliate union SILT was also transformed into FISTEL covering also employees in all firms in telecoms, IT and broadcasting. Finally UIL's affiliate UILTE was transformed into UILCOM. Thus, the process of filling the gap in new workers' representation took place 'top-down'. This process was not problem-free. For instance, employees in some of the new firms such as Omnitel (now Vodafone) were initially represented by metalworkers' sector unions, but the problem of 'jurisdiction' was resolved at the confederal level, with telecoms unionists taking over representation from their colleagues in manufacturing, and also organising workers in the newly established firms.¹⁴

In addition to that, the dangers of having internal fights and compete for members was also avoided because the unions shared a common strategic objective for the sector: centralising bargaining *via* a single sectoral contract. Importantly, this vision was shared long before the liberalisation was completed. As mentioned in the previous

¹⁴ Author's interview with sectoral labour representative 6 (25/11/2010).

section, unionists from all three confederations in Telecom Italia were resolved to use the incumbent's wage agreement as the foundation for a national contract in the sector and extend it to new operators.¹⁵ To that end, the three sectoral federations (Filpt, Silt and Uilta) followed a two pronged strategy already since 1996: on the one hand, putting pressures to telecoms firms via national strikes, and on the other, urging the government to ensure 'fair competition' in the sector via a national collective agreement in telecoms.¹⁶

The final danger for labour unity was the prospect of militant grass-roots organisation such as the COBAS (*Comitati di Base*). Already in the 1980s, the three confederations had experience of militant COBAS in several sectors. This led them to devise a new institutional solution: the RSUs (*Rappresentanza Sindacale Unitaria*). This provision was foreseen in the monumental July 1993 Accord between the government, the unions and Confindustria¹⁷, but was also further specified in the bi-partite inter-confederal Accord of 20 December 1993. Confindustria, together with the three main union confederations agreed that representation at workplaces over 15 employees would take place through RSUs, of which two thirds of their members would come from direct elections and one third would be appointed by the confederations. Still, the RSU would be considered independent and not affiliated with any of the three main unions. Thereby, independent grass roots unionists would be represented without formal affiliation, appeasing their militant tendencies. Indeed, RSUs were established in all main companies such as WIND and Vodafone and as the later section shows, they were influential in negotiating the extension and inclusion of call-centres' workers under the umbrella of the sectoral agreement. In sum, despite organisational fragmentation, Italian unions were able to 'speak with a single voice' and pursue their strategy of centralisation.

Table 3. Main Trade Union Organisations in the Italian Telecoms Sector.

Organisation	Function/Affiliation	Membership/Structure
<i>Sindacato Lavoratori Comunicazione</i> SLC/ CGIL Est. as FILPT-CGIL	Signatory to national sectoral wage agreement; Affiliated to ex-communist CGIL	Members:15,000 (2006).
<i>Federazione sindacale della informazione dello spettacolo e delle telecomunicazioni</i> FISTEL/CISL Est. as SILT-CISL	Signatory to national sectoral wage agreement; Affiliated to Christian democratic/Catholic CISL	Members: n/a.
<i>Unione Italiana Lavoratori Comunicazione</i> UILCOM Est. as UILTE-UIL	Signatory to national sectoral wage agreement; Affiliated to social democratic UIL	Members:17,302 (2006).
Source: Author's Own Elaboration.		

¹⁵ 'Accordo per i telefonici Bonus e orario flessibile' *La Stampa*, No. 249, (10/09/1996), p.17.

¹⁶ 'Telecom ma ci ami? Allora dacci il contratto' *La Stampa*, No. 155, (7/06/1996), p.38.

¹⁷ 'Central agreement on incomes policy and bargaining reform' *EIRR*, No.236 (September 1993), p.15-19.

2.2. *Business: The 'Privatisation' of the Employer Associability*

The extensive state ownership in the Italian economy meant that there was a large pool of publicly owned enterprises alongside the privately owned firms. While *Confindustria* was traditionally the employer representative of private sector, *Intersind* was the employer representative of the public sector enterprises. *Intersind* was set up in 1958 so that it represents state-owned (IRI) firms in labour relations. The members of *Intersind* came from a diverse range of industries such as: metalworking, construction, food processing, communications, broadcasting, and transport. Following a political agreement in May 1994 between Romano Prodi (president of the IRI Group), Luigi Abete (president of *Confindustria*), and Agostino Paci (president of *Intersind*), it was decided that *Intersind* would be incorporated into *Confindustria*.¹⁸

The agreement stipulated that: (i) *Intersind* would remain in existence with its current membership for two years; however, giving up its role at the 'inter-confederal level' (ii) over those two years, many of *Intersind*'s companies will prepare to join the relevant sectoral federations of *Confindustria* (e.g. *Federmeccanica* for metalworking, *Federalimentare* for food processing, etc.) (iii) at the end of that process, *Intersind* would change its name and become the federation representing 'network services' (i.e. telecommunications, transport, road communication, and broadcasting).¹⁹

This incorporation was seen as a necessary step in the large scale privatisation process which was taking place in Italy, which was 'the largest privatisation programme in the world during the 1990s, raising about €90 billion between 1992 and 1999' (Deeg, 2005:531). On the one hand, this action reaffirmed government's resolve to proceed with privatisation, while on the other hand it would expand *Confindustria*'s membership and representativeness into services sectors which were until then dominated by state ownership. Indeed, after the announcement of the merger, *Confindustria* president Luigi Abete stated that:

'it is an important step in the associations' representativeness widening process and the overcoming of a historical division between public and private employers, and the proof that privatisation process is taking place effectively.'²⁰

Notwithstanding its high importance, the mere fact of incorporation of *Intersind* into *Confindustria* could not lead deterministically into centralisation of bargaining in all the network-services sectors. At the first stage, *Federcomin* (*Federazione delle Imprese delle Comunicazioni e dell' Informatica*) was established in 1998 after the dissolution of *Intersind*, and absorbed some of the personnel and functions in *Intersind*. Although new telecoms firms became members of *Federcomin*, the association *lacked the legal competence* to negotiate collective agreements with trade unions.

¹⁸ Interview with business representative at 'Dissolution of *Intersind* ends Italy's experience of public sector employers' associations' *EIRO*Online, (February 1998), available at: <http://www.eurofound.europa.eu/eiro/1998/02/feature/it9802221f.htm> [accessed: 25/09/2011].

¹⁹ 'Intersind joins forces with *Confindustria*' *EIRR*, No. 246, (July 1994), p.9-10.

²⁰ 'Intersind joins forces with *Confindustria*' *EIRR*, No. 246, (July 1994), p.9-10.

As will be described in the next section *Confindustria* sought to protect the collective interests of both small and large firms in the telecommunications sector ensuring ‘fair competition’ and it negotiated the first sectoral agreement. Subsequently, it created the first employer association *Assotelecomunicazioni* or *ASSTEL* on 29 November 2002 with legal competence to represent its firm-members in the labour relations realm. The association was not dominated by the ex monopoly Telecom Italia, and the president was usually coming from one of the new entrants (e.g. Vodafone) balancing views of smaller operators and the incumbent in frequent meetings.²¹ Eventually, Federcomin was merged with FITA (*Federazione Italiana del Terziario Avanzato per I Servizi Innovativi e Professionalli*) on 7 November 2006 and formed an association of ‘network services’ as *Confindustria Servizi Innovativi e Tecnologici*.²² The telecoms employer association, ASSTEL, became one of the affiliates of this federation.

Table 3. Main Business Associations in the Italian Telecoms Sector.

Organisation	Function	Membership/Affiliation
<i>Associazione delle Imprese Esercenti Servizi di Telecomunicazioni ASSTEL</i>	Represents the interests of all telecommunications companies; Employers Association since 2002; Signatory to national wage agreement;	Members: 28 companies (2006); affiliated member of <i>Confindustria Servizi Innovativi e Tecnologici</i>
<i>Confindustria Servizi Innovativi e Tecnologici</i> Est. 2006	Represents the interests of main telecommunications, radio-television, and Information / Communication Technology companies	Outcome of a merger between <i>FITA</i> and <i>Federcomin</i> ; affiliate member of <i>Confindustria</i>
<i>Intersind</i> Est. 1958	Represented all state-owned (IRI) public enterprises with sectoral divisions	Dissolved in 1994-6 and absorbed by <i>Confindustria</i> and evolved into <i>Federcomin</i>
Source: Author’s Own Elaboration.		

3. Italian Telecoms in the early 2000s: The Centralisation of Collective Bargaining

The institutional change from firm-level bargaining to industry-wide bargaining in Italian telecoms was neither easy nor straightforward. In the context of increased penetration of flexible working practices at the company level, the sector was characterised by extreme diversity in working conditions across firms. As mentioned above, the entry of Omnitel in the mobile telephone sector back in 1995 was very disturbing for unions’ plans to have a single national contract. Not only did Omnitel apply the metalworking sector wage agreement, but it also poached highly qualified

²¹ Author’s interview with sectoral business representative 3 (22/11/2010).

²² ‘Nasce Confindustria Servizi Innovativi: Fusione tra Federcomin e Fita sotto la presidenza di Alberto Tripi’ *Confindustria Press Release*, (7/11/2006), available at: http://www.assinform.it/aree_sx/informazioni/comunicati/comunicato_071106_fusione.htm [accessed: 25/09/2011].

professionals from Telecom Italia and paying them higher salaries.²³ This situation led the unions to call national strikes several times during the mid 1990s in order to voice their demand for a single wage agreement across the sector.²⁴

By the end of the 1990s the situation was as follows. Telecom Italia had a rather generous company agreement, which covered employees across the business group such as TIM (mobile telephony) and Tin.it (internet service provider). On the other hand, Omnitel (mobile telephony) and Infostrada (fixed telephony) applied the less generous metalworking sector agreement, but they could afford to pay a premium for poached personnel. Wind (fixed telephony) applied a special agreement negotiated with the union confederations similar to the electricity sector agreement of ENEL (of which it was a subsidiary). Finally, other smaller companies were not bound by any agreement. As a corollary, the three peak confederations' (CGIL, CISL, and UIL) shared the fear that the combination of multiple bargaining arrangements and high competitive pressures would lead to a 'race-to-bottom' for working conditions.²⁵

Initially, the strategy of the unions was to put pressure for the extension of the Telecom Italia agreement across the sector. However, its terms and conditions were considered as very onerous by the new companies, and refused to apply it to their workers.²⁶ In that period the firms did not want a single contract, and there were divisions between them: Telecom Italia wanted a contract because it was a necessary tool for safeguarding peace during the restructuring process; the larger players such as Vodafone, Wind and Omnitel wanted a contract, but not as generous as that of Telecom Italia; and finally, the smaller telecom operators did not want any contract at all.²⁷

Faced with those divisions between firms, the unions' strategy was to put pressure to Telecom Italia and Confindustria to negotiate an agreement for the sector since there was no employer association with a legal competence to represent firms in this sector. To this end, they pursued meetings with the CEO of Telecom Italia, to pull the strings in Confindustria and other firms. Indeed, after meeting with the trade unions in July 1999 the new CEO of Telecom Italia, Roberto Colaninno, agreed to provide the sector with a single contract. Colaninno characterised this choice as 'essential and decisive' adding that:

'I am ready to personally sit at the bargaining table. I fully agree with the unions; it remains to overcome plenty of resistance from various interested companies'²⁸.

In other words, the Italian confederal unions shared a strategic objective to push for the centralisation and put the broader interests of employees from the whole sector above the narrow interests of employees in the incumbent operator. Notably, they

²³ Single Telecom agreement problems *EIRR*, No. 255, (April 1995), p.9.

²⁴ Single Telecom agreement problems *EIRR*, No. 255, (April 1995), p.9.

²⁵ Author's interviews with sectoral labour representative 3 (25/05/2010); and with sectoral labour representative 4 (25/05/2010); 'Dispute and talks over sectoral agreement for telecommunications', *EIROOnline*, (March 2000), available at: <http://www.eurofound.europa.eu/eiro/2000/03/inbrief/it0003147n.htm> [accessed: 25/09/2011].

²⁶ 'Sectoral agreement signed in telecommunications' *EIROOnline*, (July 2000), available at: <http://www.eurofound.europa.eu/eiro/2000/07/feature/it0007158f.htm> [accessed: 25/09/2011].

²⁷ Author's interview with sectoral labour representative 6 (25/11/2010) and with sectoral business representative 3 (22/11/2010).

²⁸ 'Colaninno: sì si contratto unico delle Tic' *La Stampa*, No.203, (27/07/1999), p.16.

refused to negotiate a new contract for Telecom Italia employees, unless collective bargaining is first centralised covering all employees in the sector.²⁹ Their strategy was to pursue the argument of ensuring ‘fair competition’ (*concorrenza leale*) in the sector for which Confindustria was committed in an Accord of 1998 with the government and the peak confederal unions. As a labour informant noted:

‘The June 2000 national contract was an effect of an earlier Accord between government and the peak business and labour associations. It was the era of privatisation of public services; the idea was thrown in an Accord in 1998³⁰ towards fair competition in telecommunications, water, gas and electricity, transportation. The telecoms market was liberalised and the competition was intense because of the new entrants. The new firms increasingly took market shares ‘crashing’ Telecom Italia. Therefore, the aim of the accord between Confindustria, government, and us was to ensure fair competition and focus competition on services quality and prices, rather than on wages.’³¹

Responding to this situation, Confindustria recognised that the simultaneous application of different wage agreements in the sector was creating conditions of unfair competition among firms.³² Therefore, it joined the bargaining table in order to create a level-playing field for its members by agreeing with the unions on the first national contract.³³ The final agreement, which was signed on 28 June 2000, provided for minimum conditions across the sector at the lowest common denominator with a component of ‘negotiated flexibility’.³⁴ As showed in the previous sections, unions were pragmatic in accepting flexibility in employment practices, since their priority was to increase employment levels and bargaining coverage for the whole sector. The agreed minimum wages accommodated the new and smaller companies in the sector, which could benefit from social peace.³⁵

Additionally, the introduction of performance related pay was delegated to the firm level bargaining to suit individual needs of firms. In exchange, the agreement confirmed the two-level bargaining system, whereas its coverage was wide including not only companies providing telephony services, but also internet service providers and small specialised firms. The other side of the compromise involved an increase in numerical and working time flexibility, in exchange for training and reduction of total working time. In terms of working time flexibility, the agreement specified the establishment of ‘individual time bank accounts’ and employees would be able to accumulate overtime and subsequently take those hours as leave.³⁶ Weekly working time was set at 38.5 hours on average over a six-month reference period. The increase in flexibility was dubbed as ‘just-in-time working’ (*flessibilita tempestiva*). Management could request from labour representatives - at a very short notice (48 hours) – to alter working time schedules (up to 48 hours per week and 12 hour per

²⁹ ‘Sindacati: a rischio il rinnovo del contratto per Telecom’ *La Repubblica*, (27/08/1999), p.38.

³⁰ This is the ‘National social pact for development and employment’ signed in 1998.

³¹ Author’s interviews with sectoral labour representative 3 (25/05/2010) and with sectoral labour representative 4 (25/05/2010).

³² Author’s interview with sectoral business representative 3 (22/11/2010).

³³ Author’s interviews with sectoral business representative 3 (22/11/2010); with sectoral labour representative 3 (25/05/2010); and with sectoral labour representative 4 (25/05/2010).

³⁴ ‘Contratto unico per la new economy’ *La Stampa*, No. 174, (29/09/2000), p.19; ‘Un contratto unico per la new economy’ *La Repubblica*, (29/06/2000), p. 35.

³⁵ Author’s interview with sectoral business representative 3 (22/11/2010); ‘Sectoral agreement signed in telecommunications’ *EIROOnline*, (July 2000), available at: <http://www.eurofound.europa.eu/eiro/2000/07/feature/it0007158f.htm> [accessed: 25/09/2011].

³⁶ ‘First telecommunications accord’ *EIRR*, No. 319, (August 2000), p.8.

day) so as to meet increased customer demand in busy periods.³⁷ In terms of numerical flexibility (fixed term contracts and temporary agency work) this was permitted at levels exceeding those provided in previous firm level agreements.

However, the increase came with strings attached. Fixed-term contracts and agency workers could constitute no more than 30 per cent of the overall workforce (15+15), in the South of Italy (*Mezzogiorno*) and no more than 26 per cent of the workforce (13+13) in companies located in the Central and Northern parts of Italy. A further increase might be permissible, but it was delegated to the firm level bargaining to suit individual companies needs. The atypical contracts were allowed to deal with skills shortages and labour shortages during periods of holidays, training leaves, busy periods of production or peaks of activity due to new orders or to the launch of a new product. In other words, working time flexibility was instrumentally used to meet fluctuations in customer demand. Finally, the agreement provided for the operation of job-sharing and teleworking and included the establishment of two joint national committees entrusted with the introduction of functional flexibility. The first committee would analyse training needs in the sector, develop training programmes, and generally manage vocational training, while the second would examine the job classification system update occupational profiles in response to rapidly changing technologies.

The national industry agreement in 2000 created a momentum and triggered changes in labour and business representations. Peak associations took initiatives to solidify the institution of sectoral collective bargaining. The unions were already in the process of taking over representation from their metalworking colleagues, becoming the sole representatives in the sector. After SLC and FISTEL, UILCOM was the third union to be transformed into a sectoral 'network services' union representing all firms in telecoms, information technology and broadcasting. On the business side, Confindustria took the initiative to organise telecoms companies around a new association ASSTEL. The smaller firms in the sector -which resisted initially the centralisation of collective bargaining- were faced with a united front from the three labour confederations. Thus, the worse-case scenario for the resisting firms was the prospect of continuous industrial unrest, whereby their employees would ask for comparable wages with those in Telecom Italia'³⁸ At the same time, the multiplicity of bargaining arrangements was creating conditions of unfair competition, since some firms were not bound by any agreement, thus obtaining a cost advantage.

Confindustria was able to offer to individual firms a very lucrative compromise getting for them the 'best of both worlds': ensure peace and minimum common standards at the sector level and increasing employment flexibility at the company level. Notably, ASSTEL was an association that was not dominated by Telecom Italia, but took the interests of smaller operators and other firms into account. Hence, employer associability was established in the sector and the negotiation of wage agreement was taken over by their sectoral associations (ASSTEL for employers, and SLC, FISTEL, and UILCOM for trade unions), which signed a new sectoral agreement in 2002.

³⁷ 'First telecommunications accord' *EIRR*, No. 319, (August 2000), p.8-9.

³⁸ Author's interview with sectoral business representative 3 (22/11/2010).

The unions kept up their strategy of avoiding a ‘race to bottom’ in working conditions, however, accepting the introduction of ‘negotiated flexibility’. By 2005 the remaining conflict concerned the working conditions of call-centre employees and the unions wanted to include measures to increase their job security.³⁹ The unions’ primary demand was the extension of the collective agreement coverage to include call-centre companies and regulate subcontracting and outsourcing in a growing and very competitive sector. Indeed, on 3 December 2005 trade unions and ASSTEL signed a new sectoral agreement, thus, solidifying the centralisation of collective bargaining. Generally its provisions included an increase in negotiated flexibility in exchange for extension of coverage: (i) the agreement’s coverage was extended to include all relevant firms to which major telecoms players were outsourcing: call-centre firms, web-services and digital/multimedia services companies; (ii) job classification system would be updated to define new job profiles in information technology and networks; (iii) fixed term and agency contracts would be permitted according to previously agreed levels; (iv) work-entry contracts and professional apprenticeships would be allowed within limits; (v) the reference period for working time could be extended to one year after negotiation at the company level, while overtime was made more flexible by removing quarterly restrictions and replacing them with an annual limit; (vi) compliance with laws on social security and health and safety was a prerequisite to combat undeclared and irregular work in subcontracting firms; (vii) RSUs in telecoms firms were granted increased information and consultation rights, especially with regard to equal opportunities and workplace health and safety.⁴⁰

4. Conclusion

The Italian telecommunications sector is certainly a ‘tough case’ (George & Bennett, 2005:121) for earlier theoretical conjectures. Centralisation of bargaining at the industry level was least expected under the scope conditions of intensified competition and pervasive introduction of labour flexibility. The competitive pressures appeared high and the new firms made an extensive use of flexible employment practices (numerical flexibility and outsourcing, working time, and pay flexibility). In spite of these pressures –which were expected to keep bargaining decentralised– the trade unions managed to successfully centralise wage bargaining in the sector. How do we explain this particular path of institutional change?

The paper attempted to introduce ‘more agency’ to track and explain institutional change and unveil ‘how actors can circumvent or recast those institutions toward new ends’ (Jackson & Deeg, 2008:554). Unlike the earlier literature that accepted the primary importance of structural factors (i.e. changes in the external business environment and/or the internal organisation of firms (Brown & Walsh, 1991; Katz, 1993; Marginson et al., 2003; Mueller & Purcell, 1992)), the analysis pinpointed the importance of collective agents in shaping the direction of institutional change. The

³⁹ ‘New collective agreement reached for telecommunications sector’ *EIROOnline*, (January 2006), available at: <http://www.eurofound.europa.eu/eiro/2005/12/feature/it0512305f.htm> [accessed: 25/09/2011].

⁴⁰ ‘New collective agreement reached for telecommunications sector’ *EIROOnline*, (January 2006), available at: <http://www.eurofound.europa.eu/eiro/2005/12/feature/it0512305f.htm> [accessed: 25/09/2011].

labour side appeared able to speak with a 'single voice' and pursue the shared strategic objective of centralisation. At the same time, the employer associations managed to strike a compromise for their members offering the 'best of both worlds': fair competition via labour cost standardisation at the sector-level and increased flexibility at the company level.

More specifically, the three union confederations transformed the firm level unions of Telecom Italia into sectoral federations, so as to accept members from the new telecoms operators. Even before the opening up of the market in 1998, they shared a strategic goal to centralise bargaining in the sector and devoted their resources to this aim, by organising strikes and inviting the government to intervene and aid their effort. In the absence of representative business associations in the sector, the peak trade union organisations and peak employer association (*Confindustria*) signed the first agreement for the sector in 2000. *Confindustria* literally filled the gap of the missing sectoral employer association and the trade unions were able to speak with a single voice, despite organisational divisions. The employers' motivation for accepting the centralised agreement lay in ensuring 'fair competition' in the sector by setting a level-playing field in wages and working conditions.

Subsequently, both sides resolved their representation problems and included members from new firms. *Confindustria* absorbed the public employer association *Intersind*, which had the legal competence to negotiate labour relations for Telecom Italia. Afterwards, it created a new association, ASSTEL, in which both large and small telecoms operators became members. Similarly, the unions appeased militant tensions in the new firms via unitary workplace representation (*RSU*), and organised employees across the sector. Thus, the first telecoms agreement between the new sectoral associations was signed in 2002 followed by another in 2005.

The empirical analysis of this paper could inform wider debates in comparative employment systems which look either at converging or diverging trends in the institutional context of the labour market; or at specific labour market practices inside firms (Mills et al., 2008). Admittedly, a sizeable body of literature has shown that convergence is not happening and diversity persists not only across the institutional spheres of industrial relations in Europe (Hyman, 2001), but also in the range of human resources practices utilised by European firms (Lorenz & Valeyre, 2005). Notably, Katz and Darbishire (2000) suggested that there is a trend towards 'converging divergences' entailing an increasing variation in employment practices within countries, and greater homogeneity across sectors. This paper furthers the debate by suggesting that the evolution of labour market institutions and the introduction of flexible employment practices are shaped by the coalitions between collective actors. Convergence to a single institutional configuration due to market liberalisation or internationalisation of working practices is not inevitable; instead, domestic actors may still shape the direction of institutional change.

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