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The Role of Collective Bargaining in addressing Flexibility and Security:

A Multi-Level Comparative Institutional Analysis of Three Countries
and Four Companies within the Chemical and Pharmaceutical Sector.

By

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To Frederic

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Declaration

This thesis is a presentation of my original research work. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature.

This thesis has not been submitted for a degree in any other university.

Abstract

The main contribution of this thesis is to demonstrate that collective bargaining represents a fundamental source of flexibility and security for the labour market. This original finding emerges from a comparative analysis of bargaining arrangements in the chemical and pharmaceutical sector in three countries – Italy, Denmark, and the UK – with a detailed examination of arrangements at company level in two of these – Italy and Denmark. The sector chosen for the analysis is a solid manufacturing industry exposed to international competition and characterised by a long tradition of collaboration between the social partners. A focus on collective bargaining which is both multi-level and comparative enabled this research to establish: first, that sector level industrial relations institutions account for the degree of within-country homogeneity in the content of firm level agreements over issues of flexibility and security; and second, that the degree of cross-company heterogeneity is conditioned primarily by firm-level contingencies – both union density and organisational characteristics. This means that at company level both institutional structures and non-institutional variables play an important role.

Significantly, the increasing attention paid at EU level to policies aimed at achieving greater flexibility while protecting the level of security for the workforce, and the ineffectiveness of the Member States to fully embrace such a policy paradigm, have required academic debate on flexicurity to look beyond public policies and legal regulation as sources of flexibility and security for the labour market. In line with this stream of research the thesis shows that sector level bargaining institutions act as beneficial constraints on company level negotiations over flexibility and security. In light of this it is argued that the flexicurity literature has not only overlooked the role of collective bargaining in shaping different regimes of flexibility and security, it has also ignored a further form of security: the procedural security that a well-functioning multi-employer system provides to lower bargaining levels. Furthermore, by paying exclusive attention to collective bargaining institutions, the research responded to the challenge of offering a clearer account of the context within which the notion of flexicurity is deployed.

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List of Abbreviations

CBI	Confederation of British Industry
CEO	Chief Executive Officer
CEFO	Chief Executive Financial Officer
Cgil	Italian General Confederation of Labour (Confederazione Generale Italiana del Lavoro)
CIA	Chemical Industry Association
Cisl	Italian Confederation of Trade Unions (Confederazione Italiana Sindacati Lavoratori)
CL	Company Level
CNC	Central (sector level) National Committee
COGENT	Sector Skills Council
CO-Industri	The Central Organisation of Industrial Employees in Denmark (Centralorganisationen af industriansatte I Danmark)
DA	Confederations of Danish Employers (Dansk Arbejdsgiverforening)
DI	Confederation of Danish Industry (Dansk Industri)
DM	Danish metal (Dansk Metal)
EU	European Union
FARCB	Framework Agreement for the Reform of the Collective Bargaining System
Femca-Cisl	The Energy Chemicals and Allied Industries Federation (Federazione Energia Moda Chimica e Affini)

Filctem-Cgil	The Italian Chemicals, Energy, and Manufacturing Workers Federation (Federazione Italiana Lavoratori del Settore Chimico)
GMB	General, Municipal, Boilermakers and Allied Trade Union
HK- Privat	Union of Commercial and Clerical Employees in Denmark (HK-Privat)
HR	Human Resources
LO	Confederation of Trade Unions (Hovedorganisation for fagforeninger)
NHS	National Health Service
OBN	Bipartite National (sectoral) Institution
PTO	Personal Time Off
R&D	Research and Development
ROI	Return on Investment
RSU	Unitary workplace structure
SA	South Africa Energy
PPS	Profit Share Scheme
3F	United Federation of Danish Workers (Danmarks Stærkeste Fagforening)
TUC	Trade Union Congress
Uil	Italian Labour Union (Unione Italiana del Lavoro)
Uilcem-Uil	Energy and Manufacturing Workers' Union (Unione Italiana Lavoratori Tessile Energia Chimica)
Unite	Unite the Union
VP	Vice President

Chapter 1: Introduction

1.1 Introduction

Until the 2008 financial and economic crisis, academics and policy-makers across Europe had extensively debated the need for labour markets to become more flexible whilst also providing forms of security for the workforce (Wilthagen 1998, Wilthagen and Tros 2004, Bekker, Wilthagen et al. 2008). However, most of their attention was focused on national level interventions which tended to neglect developments at both sector and company levels (Burroni and Keune 2011).

Yet, over the course of the 2000s, issues of competitiveness, adaptability of firms, and employment security for the workforce have become increasingly prominent on the collective bargaining agenda. Therefore, this thesis explores the impact of collective bargaining on policies on flexibility and security at both sector and company level within chemicals and pharmaceuticals, a major manufacturing industry that is highly exposed to international competition – and thus most likely to introduce changes in working practices (Heyes, 2001) – and characterised by a long history of collaboration between social partners.

By focusing on collective bargaining in a single sector of economic activity across three different countries, this research makes a twofold contribution to present academic research. First, it sheds light on the role of sector and company level actors and institutions in shaping regimes of flexibility and security (Burroni and Keune, 2011) thereby enlarging the scope of comparative institutional analysis beyond national level institutions (Ibsen and Mailand, 2011; Marginson and Galetto, 2015).

Second, the countries selected for this study are Italy, Denmark, and the UK: they each possess different industrial relations frameworks. A cross-national comparison of these countries helps us to understand how various international trends – such as the search by employers for greater flexibility and collective bargaining decentralisation – are mediated by national and sector-specific institutional arrangements.

Drawing on recent studies of collective bargaining and flexibility and security (Ibsen and Mailand, 2011; Marginson and Galetto, 2015) this comparative analysis looks at sector level institutions as the analytical starting point, assuming that companies and workers who belong

to the same industry experience similar technologies and market environments and, therefore, also similar demands for flexibility and security (Marginson and Sisson, 2006). In addition, its novel contribution consists of the choice of combining both the sector and the company foci, thereby widening the scope of the investigation to the actors and institutional configurations that frame local bargaining (Pulignano and Keune, 2015).

The approach taken to address the above issues is based on comparative institutional theories (Esping-Andersen, 1990; Crouch and Streeck, 1997). In particular, by drawing on the perspective that institutions are embedded in complex social, historical, and political environments the theoretical lens that is applied to the present comparison is one of ‘historical institutionalism’ (Steinmo *et al.*, 1992; Locke and Thelen, 1995). As opposed to a more traditional approach to institutions, historical institutionalism transcends the national level to take into account additional contextual factors such as cooperation, trust, conflict, and power relations amongst actors (Streeck and Thelen, 2005). Crucially, this actor-centred focus allows the thesis to supersede an overly deterministic explanation of the role of national institutions and thus to join the debate on the need to account for both cross-country and *within-country* diversity of outcomes (Scharpf, 1989). As Whitley suggests also, national systems are, in fact, characterised by relevant institutional and company level diversity (1999).

In this light, the present research sets out to investigate the different forms of flexibility and security that enter onto the agenda of the sector level bargaining actors as a response to market and economic pressures, and that are conditioned by the institutional frameworks in which they are embedded. Moreover, it expands the debate to the implications that sector level arrangements have for the company level when social partners bargain over similar issues. Finally, as institutions may enable and constrain policy choices, and yet never fully determine them, this research calls attention to the role of sub-sector contingencies and the way in which they interplay with the resources available to actors (Meardi *et al.*, 2009)

1.2 Flexibility and Security in Collective Bargaining

For the past two decades, there has been a growing effort to overcome the polarisation between neo-liberal and neo-corporatist perspectives on the regulation of the labour market. Flexicurity is the research and policy framework that has attracted most attention from EU

academics and policy-makers. The underpinning idea is that it is possible to reconcile the need for labour market flexibility with different forms of security for the workforce (EU Commission, 2007; Bekker *et al.*, 2008). Yet, due to its ambiguous theorisation and elusive policy agenda, during the four years in which this thesis has been conducted such a paradigm has become the increasing object of critiques (Viebrock and Clasen, 2009; Heyes, 2011).

In particular, by observing the OECD's employment protections indicators, Heyes (2011) found that, although strongly advocated by the EU Commission, the flexicurity agenda in Europe has at best been partially implemented. If governments have widened the degree of labour market flexibility through the liberalisation of non-standard arrangements and the reduction of statutory protections, far fewer resources have been invested in improving the dimension of security. Moreover, he shows that convergence amongst EU Member States has not headed in the direction of the 'best practice' flexicurity models of Denmark and the Netherlands. Instead, it is Denmark and the Netherlands that have started to look more like other Western European countries. With a similar focus on national interventions, Viebrock and Clasen (2009) also throw light on the ineffectiveness of the flexicurity policy agenda to provide equally for both of its dimensions, flexibility and security. They conclude that if the concept is not specified further for analytical purposes, it will soon be replaced by the next, more fashionable one (Viebrock and Clasen, 2009).

From another angle, Burrioni and Keune (2011) suggest that the main limit of the flexicurity literature has been to engage almost exclusively with national level institutions, assuming that national labour markets have a high degree of homogeneity. To support their critique they argue that, within the same country, sectors and companies can respond in different ways to similar trends – for example, the international competition – since they may be equipped with different skills levels, institutions, and degrees of unionisation. It follows that the effects of national flexicurity arrangements are likely to vary within countries, by territory, sector, and enterprise (Burrioni and Keune, 2011). In addition, they draw attention to the possibility that legal intervention and public policies may not be the only instruments for improving market flexibility and providing protection against uncertainty, other institutions may also play a similar role. Of these various lines of criticism, the latter is the one that is most relevant to this thesis because it establishes that the exclusive attention paid to national level interventions has obscured other sources of flexibility and security and thus severely restricted flexicurity research (Burrioni and Keune, 2011; Marginson and Galetto, 2015).

Following this argument scholars have started to explore the possibility that other modes of governance, in addition to market regulation and legal regulation, are capable of meeting this particular objective (Ibsen and Mailand, 2011; Marginson and Galetto, 2015; Pulignano and Keune, 2015). Being the most formal industrial relations institutions and engaging with most of the agreements upon economic security (from procedures for dismissal to levels of income) as well as issues of productivity, collective bargaining has represented a viable alternative to explore.

For example, by looking at the degree of negotiated flexibility and broad negotiation agendas in the Netherlands, Wilthagen (2004) determined that it was possible to analyse flexicurity policies as types of trade-offs. Drawing on this, Andersen and Mainland (2005) level collective bargaining in Denmark addresses issues that have actual and direct impact on flexibility and security. Such findings, coupled with increasing decentralisation of collective bargaining, have suggested that in other European countries actors and institutions framing local bargaining could also participate in this important function. level collective bargaining in Denmark addresses issues that have actual and direct impact on flexibility and security. Such findings, coupled with increasing decentralisation of collective bargaining, have suggested that in other European countries actors and institutions framing local bargaining could also participate in this important function.

The most original contribution can be found in two recent studies by Ibsen and Mailand (2011) and Marginson and Galetto (2015), which both establish a clear link between collective bargaining and flexicurity (Ibsen and Mailand, 2011:165). In particular, their work explains how a key subnational mode of labour market governance – collective bargaining at sector level – in practice enhances flexibility and security across different countries and industries. However, while Marginson and Galetto (2015) pay exclusive attention to the role of institutional configurations – both enabling and constraining local level negotiations on these issues – Ibsen and Mailand (2011) extend the focus to the nature of the balances achieved and also to power relations amongst actors.

Thus, assuming that the way in which issues of flexibility and security are tackled within companies is conditioned by the procedural provisions which govern the relationship between bargaining levels (Ibsen and Mailand, 2011; Marginson and Galetto, 2015), the present thesis

proposes a research framework that combines the analysis of both sector and company level institutions. There are at least three main reasons for academic literature and policy-makers to benefit from this particular approach. First, the focus on chemicals and pharmaceuticals sheds light on issues of flexibility and security outside the much researched metalworking sector. Second, the focus which is across countries that feature both multi and single-employer arrangements – Italy, Denmark, and the UK – allows the research to develop some *expectations* about the scope for flexibility and security at the company level. Third, the firm level focus enables the research, on the one hand, to corroborate the validity of such *expectations* and, on the other, to highlight those contextual factors (in addition to institutional resources) which may influence flexibility and security strategies across companies.

In this regard, Pulignano and Keune (2015) found that the degree to which company level actors can take advantage of institutional resources – such as collective bargaining – does indeed depend on micro-level contingencies. By conducting a study of large metalworking companies they identified the two principal factors that shaped negotiations over issues of flexibility and security across subsidiaries as the *degree of international competition* and the *level of integration*. However, these scholars only partially framed their analysis within the national and sectoral context within which managers and shop stewards interact. Given this, the present thesis extends their analytical framework to four chemical and pharmaceutical companies based in two countries, Denmark and Italy, featuring (similar) multi-employer bargaining arrangements. By doing so, it aims to investigate a) the relationship between institutional and non-institutional factors and b) the impact of such a relationship for the outcomes of company level bargaining over flexibility and security.

1.3 Research Design and Questions

The framework chosen for the comparative institutional analysis of collective bargaining institutions across Italy, Denmark, and the UK is the one presented by Visser (2009) as a synthesis of many attempts at classification within the variety of capitalism debate (Crouch, 2005; Schmidt, 2006). Since it deviates from more deterministic models of cross national comparison (Hall and Soskice, 2011), the Visser's classification (2009) has been widely used in recent research. The main advantages of this approach are that it identifies clusters of industrial relations systems that take into account different degrees and forms of institutionalisation (Bechter *et al.*, 2012; Prosser, 2015), and that it reflects important

considerations of labour market governance and social welfare. Thus, in line with the theoretical underpinning of this thesis, Visser's clusters (2009) enable comparative analysis to move beyond the national level to account for the scope of sector and firm level variations within different national systems. Significantly, Bechter et al. (2012) have established that there is sectoral diversity within countries and sectoral commonalities across countries. While it is true that the focus on one sector removes the issues of sectoral diversity, appealing to Visser's classification involves the assumption that the sector concerned approximates the national type; and chemicals and pharmaceuticals can plausibly be claimed to do so.

In light of its multi-level aspiration, the present study proceeds as follows. First, the comparative method of difference (Lijphard, 1971) will be applied to the analysis of the institutional configuration of the chemical and pharmaceutical sector across Italy, Denmark and the UK. The inclusion of a country where sector level bargaining institutions are not in place provides the opportunity to explore the role that less formal arrangements, such as social dialogue, play in addressing issues of flexibility and security. This permits further light to be thrown on the link between sector level collective bargaining and flexicurity.

Given this, the first set of questions that the present thesis sets out to investigate is:

- **Q1a.** To what extent and how do sector level collective bargaining and social dialogue in different countries address issues of flexibility and security?
- **Q1b.** To what extent and how do sector level bargaining arrangements in different countries influence the way in which flexibility and security enter company level bargaining agendas? What are the implications for the actors involved?

In order to address this level of analysis three research propositions will be examined in Chapter 7. In the country-by-country presentation of findings (Chapters 4, 5 and 6) such propositions are reframed to take account of the specific institutional context in which actors interact.

The three main research propositions are:

1. The institutional configuration of the chemical and pharmaceutical sector accounts for the scope of the sector level social partners' agenda over issues of flexibility and

security (Marginson and Galetto, 2015); collective bargaining and social dialogue represent functional mechanisms for the social partners to develop similar understandings around these issues and enhance the possibility for exchange of ideas, package deals, and joint problem solving between the parties (Ibsen and Mailand, 2011). Informal social dialogue arrangements, as found in the UK, provide a less procedurally secure mechanism than the formal collective bargaining institutions that are found in Italy and Denmark.

2. In countries in which labour law is more developed collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility. In contrast, where social welfare is more developed collective bargaining and social dialogue engage less with security and more with flexibility, because the security dimension is already covered by the state (Esping-Andersen, 1990; Ibsen and Mailand, 2011).
3. Articulating mechanisms governing the relationship between the sector and the company level influence the scope of company level bargaining over issues of flexibility and security (Marginson and Galetto, 2015).

In a second step, the comparative method of similarity (Lijphart 1971) will be applied to the analysis of the outcomes of company level bargaining over issues of flexibility and security across Italy and Denmark. At this level it was not possible to also use the method of difference, because after 18 months of attempting to negotiate research access in the UK was ultimately denied. However, because they feature similar configurations, the collective bargaining systems in Italy and Denmark presented suitable contexts within which to observe the role of sector level institutions for the scope of firm level bargaining.

Thus, the second set of questions this research sets out to investigate are:

- **Q2a.** To what extent does the interplay between collective bargaining arrangements at the sector and the company levels affect the nature of flexibility and the nature of security outcomes?
- **Q2b.** To what extent do firm-specific characteristics – such as market competition and organisational structure – affect the nature of flexibility and of security outcomes? What are the implications in terms of the nature of negotiated trade-offs?

For undertaking the second level of analysis a series of expectations presented in Chapter 2 and further developed in Chapters 7 and 8 will be examined. The first set of expectations sheds light on the role of institutions (Chapter 7), in particular, on the ways in which articulation mechanisms – at both interconfederal and sectoral level in Italy, and at sectoral level (only) in Denmark – allow categories of flexibility and security to enter onto the agenda of company level negotiators. The second set of expectations (Chapter 8) has to do with the ways in which non-institutional variables – in particular the degree of international competition and the cross-border organisational structure of the companies, all multinationals, under focus – influence the capability of company level actors to find compromises between different forms of flexibility and security and condition the nature of these compromises.

Thus, the present study proceeds at different levels simultaneously. The sector level is framed within the national institutional context; the company level is framed both within the national and the sectoral contexts. Italy, Denmark and the UK will be the object of the cross-national comparison of sector level institutions; while the analysis of company level bargaining involves only Italy and Denmark.

1.4 Research Methods

Given the lines of enquiry pursued by the present comparative analysis a qualitative research method is called for. Such an approach allows the research to frame subnational institutions within the social, historical, and political environments in which they are embedded. By doing so it is possible to look at the constraining and enabling role of institutional structures, while also paying attention to issues of trust, conflict and power relations amongst actors. An in-depth qualitative method, therefore, reflects the primary objective of this study which is to shed light on the link between institutional rules and situational contingencies in order to address issues of heterogeneity within the boundaries of the same institutions and to account for different degrees of institutionalisation across and within countries.

In order to achieve this, the present comparative analysis draws on a range of secondary sources such as academic literature, statutory provisions and legislation on collective bargaining, and formal regulation of non-standard employment contracts and employment security. Secondary data enable a broad understanding of the historical, institutional, and

legal context characterising the three countries under focus. In addition, empirical research is undertaken first at the sector level, and then at the company level in the form of case studies. According to Yin, case studies are the preferred strategy for the observation of ‘contemporary phenomena within some real-life context’ and when the research intent is ‘principally exploratory’ (Yin 2003:6). Both criteria apply to the present analysis aimed at illuminating the rationale behind actors’ decisions, observing the context in which these decisions are produced, and comparing patterns and outcomes across cases.

Case studies are based on:

1. Sector level data as a crucial element of the context in which company level negotiations take place:

- In-depth semi-structured interviews with employers’ association and trade union officials in each country;
- Sector level collective agreements signed between 2000-2013 in Italy and Denmark.

2. Company level data:

- In-depth semi-structured interviews with managers and shop stewards involved in actual negotiations;
- Available company and plant level agreements up to 2015;
- Annual reports, information briefings, press releases, minutes of meetings, and power point presentations have been collected during fieldwork and included as data sources.

Data are analysed by applying the principles of qualitative content analysis. The choice of this particular method follows two main considerations. First, the stage of data collection concerned a large amount of narrative texts and formal documents, such as collective agreements, which needed to be thoroughly scrutinised. Second, one of the strengths of content analysis is that it uses specific analytic rules and step by step models that allow qualitative research to control the risk of not being scientific, or being arbitrary or subjective (Schilling, 2006).

Accordingly, five levels of observation (see Chapter 3) are undertaken: 1) from tapes via transcripts to raw data; 2) from raw data to condensed records; 3) from condensed to structured protocols (which helped separate the multiple levels of comparison – country, sector and company) and preliminary category systems; 4) from preliminary category systems to coded protocols; 5) analysis and interpretation (Schilling, 2006). Such a process has been enacted with the support of Nvivo computer software which was a helpful tool in managing, retrieving, and coding all ranges of data collected, from open-ended interviews to direct observation notes.

With specific regard to the content analysis of collective agreements, this study applies the same categories examined by Ibsen and Mailand (2011) and Marginson and Galetto (2015) to investigate issues of flexibility and security in sector level collective bargaining.

The substantive categories are:

- Pay
- Working-time,
- Job demarcation,
- Training,
- Social benefits and entitlements,
- Provision for atypical workers,
- Measures for employment.

While following Wilthagen and Tros' (2004) different forms of flexibility and security which will be described further in Chapter 2:

- | | |
|-----------------------------|-------------------------|
| - External Flexibility, | - Job Security, |
| - Working time flexibility, | - Employment Security, |
| - Functional Flexibility, | - Income Security, |
| - Wage Flexibility, | - Combination Security. |

Categories are coded according to their contribution to flexibility and security, as in the following example:

Table 1.1 Coding of collective agreement provisions enhancing flexibility and security

Categories of Flexibility and Security	Potential Flexibility Dimension	Potential Security Dimension
Pay	Wage Flexibility	Income Security
Working-time	Functional Flexibility	Combination Security
Job-demarcation	Functional Flexibility	Job-Security
Training and Education	Functional Flexibility	Employment Security
Social Benefits	Wage Flexibility	Income Security
Provisions for atypical workers	External Flexibility	Employment Security
Measures for employment	External flexibility	Employment security

Moreover, when exploring the relationship between sector and company level bargaining arrangements and the influence that such a relationship exerts on the agenda of local actors over issues of flexibility and security new codes have emerged and been applied to the data. Chapter 3 describes such codes and each stage of the analysis in detail.

1.5 Thesis Structure

After introducing the topic of this research, the second Chapter (Chapter 2) explores the labour market challenges that in past decades have prompted issues of flexibility and security to emerge. The neo-liberal and neo-corporatist paradigms are presented, as interpreted by traditional neo-institutional theories. Then, the notion of flexicurity is reviewed and proposed as an alternative take on the role of rigidities – Streeck’s idea of beneficial constraints (1987) – in promoting flexibility. The main objective of the chapter is to explain the reasons why this study is located within the literature on flexicurity. In this regard, it is argued that the academic debate has mainly looked at the role of national level institutions and policies in promoting flexibility and security and, as a result, it has neglected other potential sources of flexibility and security for the labour market (Burrioni and Keune, 2011; Marginson and Galetto, 2015; Pulignano and Keune, 2015). By focusing on collective bargaining (Ibsen and Mailand, 2011; Marginson and Galetto, 2015) in one sector of economic activity and across three different countries, the main contribution of this study is to observe whether sub-national institutions play a role too. In doing so it is possible to enlarge the scope of comparative institutional analysis beyond the national level and introduce the firm level into the flexibility and security debate. The research questions are then presented. The first

question stems from the literature on the role of sector level actors and institutions in addressing issues of flexibility and security and illuminates an area that has been only marginally explored: collective bargaining at the company level. The second question derives from the literature on the role of firm level contingencies in influencing the agenda of social partners within multinationals.

The third chapter (Chapter 3) is divided into three main parts. The first part introduces the theoretical framework applied to this comparative analysis, where it is argued that within the neo-institutional paradigm, historical institutionalism represents the most appropriate theoretical lens for this thesis. The second presents the justification of the research design. This is based on a multi-level comparison involving the analysis of sector level institutional arrangements across three countries – Italy, Denmark and the UK – and the analysis of company level institutional arrangements in two of these – Italy and Denmark. The third and final part of Chapter 3 presents the rationale for a qualitative methodology based on both primary and secondary sources. Moreover, it elucidates the methods utilised in the analysis and the interpretation of the data and discusses issues of research ethics raised by the fieldwork which was undertaken.

Chapters 4, 5 and 6 cover the sector level findings for the three countries respectively, each one following a similar structure. The characteristics of the national institutional context of the collective bargaining systems in Italy (Chapter 4), Denmark (Chapter 5) and the UK (Chapter 6) are first reviewed. The objective is to observe the extent to which such institutions influence actors' interactions. Second, an account of the economic and institutional characteristics of the chemical and pharmaceutical industry in each country is provided. Attention is then moved to the collective bargaining arrangements – in Italy and Denmark – and informal social dialogue – in the UK – over issues of flexibility and security. The third section is dedicated to the findings which stem from examining the three research propositions outlined above. In each chapter (4, 5 and 6) the propositions are further specified in order to reflect the characteristics of the institutional context in which collective bargaining occurs within each of the three countries.

Following the country-by-country framework of analysis (4, 5 and 6), Chapter 7 addresses the first research question set forth by the present comparative analysis. The institutional context in which Italy, Denmark, and the UK are embedded is described in light of the

clusters they each represent, namely, the Southern, Nordic, and Western European clusters. The objective is to allow cross-national differences in their collective bargaining systems to emerge. The second part introduces the rationale for comparing Italy and Denmark on the one hand, and the UK on the other. The final section of this chapter presents the findings according to the propositions shaped in Chapter 3 and reflects the country-by-country framework of analysis. In order to undertake the first level of comparison (Q1a) involving Italy, Denmark, and the UK the following issues are investigated: a) the role of sector level institutional arrangements in shaping the scope of the social partners' agendas over issues of flexibility and security across the three countries; b) the role of collective bargaining and social dialogue activities in shaping the social partners' perceptions around issues of flexibility and security; c) the role of national institutions, such as labour law and social welfare, for the scope of the social partners' agendas. The second level of comparison (Q1b) involves Italy and Denmark exclusively, and the main issue investigated is the role of coordination mechanisms for the scope of the firm level agenda on issues of flexibility and security.

Chapter 8 provides a description of the settings within which the four case studies have been carried out. The characteristics of the four multinationals that are the object of this study are reviewed. In addition the chapter covers both the economic and institutional features framing collective bargaining in each of the manufacturing plants investigated: *Impresa 1*, *Impresa 2* – within Italy – and *Firma 1* and *Firma 2* – within Denmark. The main findings on the role of collective bargaining in addressing issues of flexibility and security are then presented.

Chapter 9 addresses the second research question. Based on the expectations developed from the literature (Chapter 2), the analysis of the empirical findings (Chapter 7 and 8) is used to identify similarities and differences across companies. This objective is pursued in two complementary steps. First, as proposed by Marginson and Galetto (2015), and predicted in Chapter 7, the research observes whether sector level institutions play an enabling role for company level bargaining on issues of flexibility and security (Q2a). Second, as suggested by Pulignano and Keune (2015) and predicted in Chapter 8, the research investigates whether a relationship between firm-specific contingencies and the outcomes of company level negotiations over flexibility and security exists in practice (Q2b)

Chapter 10 provides the final conclusions, synthesises the empirical and theoretical findings of the thesis, and assesses its contribution to the literature. In particular, by showing that sector level bargaining arrangements act as beneficial constraints for company level negotiations, this thesis contributes to the old debate on flexibility and provides empirical evidence to support Streeck's argument (1988). In keeping with his work it is contended that the flexicurity literature has not only overlooked the role of collective bargaining in shaping different regimes of flexibility and security, it has also ignored a further form of security: the procedural security that a well-functioning multi-employer system provides to lower bargaining levels (Marginson and Galetto, 2015). Furthermore, by paying exclusive attention to collective bargaining institutions, the research responds to the challenge of offering a clearer account of the context within which the notion of flexicurity is deployed and develops an analytical approach which is based on Walton and McKersie's (1965) and Pulignano *et al.*'s work (2015). Accordingly, a series of policy and practice implications are drawn and these are followed by some suggestions for future research.

Chapter 2: Literature Review

2.1 Introduction

The first part of this chapter explores the labour market challenges that, in recent years, have prompted issues of flexibility and security to emerge. In order to highlight the relationship between such issues and the actors and institutions of collective bargaining this chapter is structured as follows. First, the neo-liberal and neo-corporatist paradigms are presented as interpreted by traditional neo-institutionalism which depicts them as alternative, and potentially, irreconcilable theoretical standpoints (Pollert, 1991). Second, the notion of flexicurity is introduced and proposed as an alternative take on the role of rigidities – Streeck’s idea of ‘beneficial constraints’ (1987) – in promoting flexibility.

Once a general framework has been established for understanding the context within which the notion of flexicurity has flourished, the concept is then thoroughly reviewed and its strengths and weaknesses highlighted. Although commencing with a discussion of the implications of flexicurity at policymaking level (European Commission, 2007; Heyes, 2013), the main concern of this literature review is to present the fundamental reasons why the present research should be located within the debate on flexicurity and to establish the theoretical underpinnings of the thesis.

By drawing on Burroni and Keune (2011) the next section of the chapter not only focuses on flexicurity as a purely analytical tool, but also discusses the theoretical advantages that such an approach is likely to bring. The first and most important advantage is to move attention away from the policy debate on the role of national level interventions and towards collective bargaining as a potential source of flexibility and security trade-offs. In particular, flexicurity is depicted as a multidimensional concept that can be deployed to disentangle the interplay between different combinations of flexibility and security injected through collective bargaining and, at the same time, can be used to assess their nature. Accordingly, this chapter presents a comprehensive analytical framework that is underpinned by the work of Walton and McKersie (1965) and Pulignano *et al.* (2015).

The research questions emerging from this analysis are then presented. In order to do so, two different streams of literature are taken into account with the explicit objective of emphasising their elements of interaction. In one stream, the literature on the role of sector level actors and institutions in addressing flexibility and security is reviewed in order to explore an area that comparative analysis has, as yet, only marginally touched upon: the role of collective bargaining at the company level. In the other stream, the literature on the role of company level variables in influencing the agenda of social partners within multinational firms is reviewed to show that it is not only institutions that matter. The way in which companies are organised and structured is also likely to influence the role and the outcomes of local negotiations and, by implication, flexibility and security as well.

2.2 The ‘Old’ Debate on Flexibility

Issues of ‘flexibility’ emerged in the 1980s, when changing economic, technological and political circumstances started to exert increasing pressures on the ‘standard’ form of labour contract. Specifically, this arrangement defines a full-time, non-temporary employment relationship which entails, on one hand, a high level of subordination and disciplinary control on the part of the employer and, on the other, a high level of stability, welfare insurance compensation and guarantees for the employee (Supiot and Meadows, 2001).

Generally, scholars agree that the standard – full-time – employment relationship served the Fordist business model, characterised by a community of predominantly semi-skilled workers, contributing to a single economic activity under the supervision of a single-employer (Pollert, 1991). For many years this model was supported by conditions of stable and growing sellers’ markets for industrial mass production, mature largely standardised technology, and a pluralist world economy fostering national Keynesian economic policies in a beneficial way for both employers and employees (Streeck, 1992; Crouch and Streeck, 1997; Supiot and Meadows, 2001). However, in the past few decades, acceptable trade-offs between subordination and stability have become harder to negotiate, making the standard labour contract ‘economically intolerable’ (Streeck, 1987:284; Heyes, 2001). Employers are constantly asked to face an unprecedented degree of economic uncertainty and, therefore, are keen to avoid any permanent commitment (Streeck, 1992,)

Supiot (2000) identifies three major developments responsible for the present volatility of the market and the erosion of the traditional employment relationship:

- increasing pressure of competition in more open and inter-dependent markets, and the speedier evolution of technical progress, especially in the areas of information and communication;
- rising levels of skills and qualifications and the consequent increase in the level of professional autonomy enjoyed by workers, irrespective of their contractual subordination;
- a new labour force demanding some degree of flexibility.

Given these circumstances, the notion of flexibility has become one of the most recurrent arguments against labour market ‘rigidities’, understood by both academics and policymakers as the result of central and standardized systems of regulation (Streeck, 1987). In particular, while the feasibility of policies based on ‘flexibility’ made economies more reactive, the versatility of such a concept enabled a new trend toward decentralisation of negotiations and decisions (Streeck, 1988; Pollert, 1991). As a consequence, ‘flexibility’ began to exert a strong ideological influence exaggerating the need for a custom-made organisation of work to the detriment of general and uniform legal entitlements (Pollert, 1991). Moreover, as many attempts were made to condense a variety of interests and views into a single expression, it has been subjected to different – and sometimes conflicting interpretations (Elger, 1987).

At a theoretical level, scholars concluded that the notion of flexibility was ‘confused, diffused, and contradictory’ (Pollert, 1991:xix) and, towards the end of the 1980s, called for a more rigorous analysis of the phenomenon. They argued, in particular, that important dynamics of change and continuity – which occurred in the spheres of employment and work organisation – had been obscured by an overly long speculation about a ‘blanket term’ (Pollert, 1991:3). The main contribution of these scholars was to uncover, and tackle, each of the different – and potentially opposing – dimensions of ‘flexibility’ (Streeck, 1987; Pollert, 1991).

First, Pollert (1991) emphasised that ‘research should free itself from unhelpful conceptual convention and explore the relationships of similarity and difference in institutional backgrounds, social structures and current lines of development in economic and labour arrangements’ (Pollert, 1991:8). In addition, Streeck argued that the employers’ quest for

flexibility was far from a fashionable – and purely ideological – trend enacted in a period of crisis. On the contrary, he observed: ‘the particular experience of the 80s seems to have given rise to a widely shared expectation that strong turbulence and uncertainties will become a permanent feature of economic life for the foreseeable future’ (Streeck, 1987:290).

Thus, having established that ‘flexibility’ was neither a value in itself, nor a maleficent tool to regain managerial prerogatives, Streeck (1987) proceeded with a closer analysis of the concept. Crucially, he defined and explored the different dimensions of flexibility in light of the apparent contrast between *status* and *contract* in employment relationships:

Such flexibility is pursued both in the internal and in the external labour market. External flexibility consists basically of ‘numerical flexibility’ which refers to the ease with which the numbers of workers employed can be adapted to meet fluctuations in demand. But it may also be used for changing in qualificational structures through dismissals of workers whose skills are no longer needed and subsequent hiring of more suitable qualifications. External flexibility is achieved mainly by the introduction of ‘subordinate’ forms of employment as compared to the standard full-time, open-ended contract, such as part-time, temporary, casual, subcontracted work. Internal flexibility is in part ‘functional flexibility’ referring to the ease with which the tasks carried out by employees can be adapted to changes in demand. Important aspects of this are redeployment and retraining, which require institutions and payment systems that motivate workers to take over new tasks, acquire new qualifications, and generally, accept continuous fast adjustments in the organisation of work. Internal flexibility also has quantitative aspects in that it facilitates, through overtime, shift-work or guaranteed working annual working-time arrangements, adjustments in the amount of labour utilised in accordance with cyclical or seasonal shifts (Streeck, 1987:290).

In his analysis Streeck depicted industrial relations as the development – and enforcement – of a domain of social rights in employment (Streeck, 1987; Hyman, 1991). ‘Status rights have superimposed an element of stability on an otherwise exclusively contractual and commercial and, therefore, highly volatile employment relationship’ (Streeck, 1987:291). Nonetheless, while workers’ rights have been progressively codified, their *obligations* have assumed a primarily contractual nature. It is because of this asymmetry between status and contractual obligations that, in his opinion, ‘rigidities’ have emerged and employers’ intolerance of legal entitlement has increased. As a response, he added, the debate on labour market flexibility evolved into a growing polarisation between two different and apparently irreconcilable

viewpoints. On the one side, those encouraging a reconsideration of workers status rights to the advantage of market principles, and on the other, those pushing for maintenance of adequate levels of social protection and a sustainable degree of security for workers (Hyman, 1991:280).

These alternative approaches can be read through the lens of *neo-liberal* and *neo-corporatist* theories, which propose different models of market regulation promising firms feasible solutions to the problems of high levels of uncertainty and the need for adaptation (Streeck, 1987). The neo-liberal standpoint promotes flexibility by liberating contractual arrangements from government intervention (Nolan, 1989). By minimizing workers' legal entitlements and relying on individual contracts as the main tool to establish conditions of exchange between employer and employee, neo-liberalism invites companies to look at the external labour market and achieve higher internal and external flexibility (Streeck, 1988; Crouch, 1993). Employers' rights and obligations are defined only by contract and in a climate where there is no state interference. Therefore, the employment relationship is based on temporary arrangements shaping *ad hoc* and heterogeneous practices which serve firms' different purposes (Streeck, 1987; Streeck, 1988; Streeck, 1992; Supiot and Meadows, 2001). The key to this approach is the 'predominance of contract over status', hence, employees cannot be expected to give a contribution going above and beyond what they are formally obliged to; monetary incentives must be provided in a way that fosters a certain degree of performance without asking for voluntary commitment. Although flexible employment contracts may tend towards precarious and insecure working conditions, neo-liberal policymakers believe that the dynamics of the free-market, activated by the absence of legal constraints, offer individuals the option to move between different kinds of contractual arrangements, so that job flexibility is offered in exchange for employment security (Pollert, 1991).

At the same time, other scholars observed that the perfect free labour market is more an aspiration than a viable option (Crouch, 1993; Ruysseveldt and Visser, 1996; Crouch and Streeck, 1997). Moreover, while seeking short-term commitment from employees and *ad hoc* repertoires of skills to meet contingent business needs, organisations may want to simultaneously secure workers' loyalty and adaptability in order to enhance technological innovation and competitive advantage. Given this, the neo-corporatist view proposes that non-market measures, concerning ideas of social security and labour market regulation, should be seen as beneficial (Streeck, 1988). For example, in a context of high job security –

guaranteed through statutory measures which reduce the elasticity of employment – the level of internal flexibility available to employers is likely to increase. In a well-known article on the limits of neo-liberalism in generating skilled employees and high quality products, Streeck (1988) demonstrates that internal flexibility plus external rigidity, on the basis of status-like employment, can be considered a functional equivalent of external flexibility, while still allowing for the maintenance of a long-term business perspective and employee development (1988). In his words ‘capitalism may just be too important to be left to the capitalists – who arguably are the least capable of protecting it from its self-destructive tendency to pursue cheap and easy short-term advantages’ (Streeck, 1988:421).

In his opinion, the far too long discussion on the inherent contradictions between contract and status forms of flexibility has prevented scholars and policymakers from formulating a consistent strategic approach to produce a more flexible system of labour relations (Streeck, 1987). It is apparent that some forms of external flexibility preclude internal flexibility, whilst internal flexibility best develops in the presence of certain rigidities that are also the main obstacles to external flexibility (Buchele and Christiansen, 1999; Heyes and Lewis, 2014). This notwithstanding, Streeck suggests that the way in which strategic actors – at all levels – make use of status and contract to increase flexibility depends on a variety of conditions, primarily, industrial relations arrangements. Hence, he concludes:

The growing divergence in industrial relations arrangements is in itself an important consequence of a period of realignment in which the micro-level of the individual enterprise has taken the lead over the macro-level of collective-associational politics. In the process, status and contract-based flexibility may not always and necessarily be mutually exclusive. The institutional polarisation of status and contract in the quest for flexibility through re-integration of industrial relations in corporate strategy – the de-differentiation, in other words, of the pluralist subsystem of industrial relations – may in fact give employers the best of the two worlds (Streeck, 1987:295).

It follows that there may be institutional arrangements that, acting as ‘beneficial constraints’, provide employers and employees with the certainty (security) they need to adapt to increasingly unstable economic conditions (flexibility). This complementary structure of status and contract flexibility fosters policies – defined as ‘collective goods’ – that are likely to benefit both employer and employee (Streeck, 1988:92). The primary objective of the current research is, therefore, to explore whether – and if so, how – the most formal of industrial relations institutions, namely collective bargaining, participates in such a function.

Streeck's work at the end of the 1980s was central in shifting the terms of the academic debate for its contention that some 'rigidities' are beneficial as they foster other forms of flexibility. However, the policy debate remained fixated on the need to achieve primarily higher external/quantitative flexibility. The OECD's influential 1994 Jobs Study was a benchmark in this respect, continuing to advocate greater numerical flexibility at the expense of employee protection and security (OECD, 1994).

This notwithstanding, the theoretical attempt to bridge these potentially opposing labour market strategies has never ended. This thesis recasts some elements of the 'old' debate on flexibility – in particular, the idea of a (re)integration of industrial relations in corporate strategies (Streeck, 1987) – and observes how they have developed in practice. In order to do so, it draws upon the more recent notion of flexicurity. This consists of a policy strategy which attempts to enhance flexibility of labour markets, work organisation and labour relations, as well as security, especially, in the forms of employment security and social security, (Bekker *et al.* 2008; Pulignano and Keune, 2015). It is argued that the flexicurity debate has largely overlooked a further form of security – namely the procedural security that well-functioning multi-employer agreements provide for subsequent company negotiations. Hence this will be an important focus of the present thesis.

2.3 Towards a New Understanding of Flexicurity: State of The Art

By attempting to reconcile strong demands for greater flexibility, due to competitiveness concerns, with equally strong demands for employee protection, the notion of *flexicurity* has stimulated a great deal of interest in both academia and the policy community. The European Union has also embraced the formula and placed it at the core of the European Employment Strategy. Significantly, with a communication entitled 'Towards Common Principles of Flexibility: More and better jobs through flexibility and security' (European Commission, 2007) the Commission identified four major flexicurity pathways to address flexibility and security in different national contexts:

1. *Flexible and reliable contractual arrangements*: through modern labour laws, collective agreements and work organisation;

2. *Comprehensive lifelong learning strategies*: to ensure the continual adaptability and employability of workers, especially the more vulnerable;
3. *Effective active labour market policies*: that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs;
4. *Modern social security systems*: that provide adequate income support, encourage employment and facilitate labour market mobility. This includes the coverage of social protections provisions that help people to combine work and private life.

All these flexicurity pathways rely upon the interplay between two fundamental sources of labour market regulation: labour law and social welfare (Heyes, 2013). The literature on flexicurity suggests that it is thanks to the reduction of legal protections that it is possible to promote labour mobility – both in the external and internal labour market – thereby contributing to this dimension of flexibility. Meanwhile, it is the social security system that provides compensatory safety nets for the unemployed, as well as active labour market policies, thereby contributing to this dimension of security (European Commission, 2007). It follows, first, that depending on the way in which national level institutions interact, different degrees of flexicurity may be reached in different countries (Bekker and Wilthagen, 2008). Second, the interface between labour law and welfare state is likely to shape the focus of another important source of labour market regulation – namely collective bargaining (see 2.4).

Because of their supportive and productive social dialogue between social partners and public authorities, some countries have been regarded as flexicurity models (European Commission, 2009). Notably, the satisfactory economic and labour market performance of Denmark and the Netherlands seemed to suggest that labour markets can be made more dynamic without compromising social protections (Ibid.). However, the European Commission has refrained from indicating any best-way solution to achieve flexicurity (European Commission, 2007). Member States are encouraged to explore overlaps between policy fields and seek where possible balance between flexibility and security strategies and outcomes (Burrone and Keune, 2011). As a result, flexicurity has become a sort of ‘magic formula’ to indicate any attempt to reconcile market based strategies with policies of social solidarity (Pedersini, 2009).

Scholars have recently demonstrated that this ‘vague’ (Rogowski, 2008), ‘ambiguous’ (Jørgensen and Madsen, 2007) and ‘elusive’ (Heyes, 2011) policy agenda has far from delivered what it promised. In this regard, by observing the OECD’s employment protection indicators in different countries, Heyes (2011) draws three fundamental conclusions:

1. First, there has not been a shift towards the pursuit of flexicurity. If on the one side, flexibility (as measured by the reduction in employment protections and the liberalisation of non-standard arrangements) has significantly increased, security on the other, has not improved.
2. With regard to their labour market policies, EU Member States have not converged towards flexicurity models. Countries have not increased their spending in unemployment benefits to imitate either Denmark or the Netherlands. If anything, Denmark and the Netherlands have become more similar to other Western European countries.
3. Despite a general weakening of security dimensions, cross-national differences persist in the strength of employment protections, labour market policies and support for the unemployed.

With a similar focus on national level policy interventions, Viebrock and Clasen (2009) argue that the conceptual versatility of flexicurity has certainly contributed to making its paradigm acceptable to a large number of political actors. Policymakers, however, have neglected the fact that for the strategy to be successful, flexibility and security need to be simultaneously achieved. They conclude that if the concept is not further specified for analytical purposes, it will be soon replaced by the ‘next fashionable and politically useful’ one (Viebrock and Clasen, 2009:325).

Burroni and Keune (2011) share similar doubts. Nevertheless, they suggest that before being entirely dismissed, this concept may deserve further investigation. Crucial to the focus of the analysis in this thesis, Burroni and Keune observe that the academic debate on flexicurity has mainly dealt with national level institutions, supposing that national labour markets have a high degree of homogeneity. Critically, they show that within the boundaries of the same country, sectors or enterprises differ significantly in dimensions such as exposure to international competition, degree of unionisation, or skill levels. As a result, the effects of

national flexicurity arrangements are likely to vary within countries and ‘among sectors, occupational groups, types of enterprise and regions’ (Burrioni and Keune, 2011:85).

Furthermore, they observe that nation-states – via legal frameworks and public policy instruments – are not the only entities responsible for shaping regimes of market flexibility and protection against uncertainty. In their opinion, the virtually exclusive reliance on statutory provisions, which neglects other important sources of flexibility and security, has severely restricted flexicurity research:

The flexicurity approach should extend its scope to others factors that influence flexibility and security as well as the relationship between the two (Burrioni and Keune, 2011:88).

Following up this argument, scholars have recently looked at other types of regulation – in addition to legal regulation and market regulation – as potentially responsible for flexibility and security balances (Ibsen and Mailand, 2011; Marginson and Galetto, 2015; Pulignano and Keune, 2015). Accordingly, their attention has focused on the most formal industrial relations institution, collective bargaining. By covering an intermediate position between the prevalent modes of labour market governance – the law and the market – and engaging in agreements enhancing employment and competitiveness, collective bargaining certainly represents a promising alternative to explore.

More specifically, this new stream of literature draws on Wilthagen (2004) who argues that flexicurity policies can be analysed as types of trade-offs (Wilthagen and Tros, 2004; Bekker and Wilthagen, 2008). Andersen and Mailand (2005) provide corroboration for this view by showing that sector level collective bargaining in Denmark does regulate issues that have actual and direct impact on flexibility and security. Comparative institutional analysis has, therefore, extended its remit to collective bargaining as a way of exploring the development of the issues of flexibility and security.

In this light, the most original contributions can be found in two recent studies by Ibsen and Mailand (2011) and Marginson and Galetto (2015) respectively, who investigate the ‘missing link between collective bargaining and flexicurity’ (Ibsen and Mailand, 2011:165). Their work explores the extent and the way in which a key subnational mode of labour market

governance – collective bargaining at the sector level – addresses issues of flexibility and security across different countries and industries. While Marginson and Galetto (2015) pay attention to the role of institutional configurations (which both enable and constrain local level negotiations on these issues) Ibsen and Mailand (2011) focus on the *quality* of flexicurity achieved and the power relations amongst actors.

Ibsen and Mailand (2011) confirm that collective bargaining offers significant policy arenas within which flexibility and security ‘balances’ can occur (Wilthagen and Tros, 2004; Bekker *et al*, 2008). According to these authors, sector level agreements go by the logic that potential trade-offs between flexibility and security are compensated by side payments. For example, unions might accept the removal of job demarcations in an agreement which increases functional flexibility, but lowers employment security for members. Yet, in return, they will expect side-payments on social benefits or rights to education. Moreover, bargaining actors are closer than politicians to the challenges faced by employers and employees. This increases the opportunity for broader bargaining topics and fosters exchanges, package deals and joint problem-solving. They conclude that through social dialogue and collective bargaining social partners are likely to achieve flexibility and security simultaneously, as even faced with highly controversial issues, opposing each other they may identify an agenda in which both secure positive outcomes.

In keeping with these findings, the present thesis looks at sector level collective bargaining as an analytical starting point, assuming that companies and workers belonging to the same industry experience similar technologies and markets and, as a result, also similar demands for flexibility and security. However, it enlarges the debate to also examine the role that national level institutions, namely, labour law and the welfare state, exert on sector level bargaining. At the same time, it explores the influence that sector level institutions exert at the company level, when social partners negotiate on similar issues. In doing so, it calls attention to the institutions and actors that frame both sector and company level bargaining, shedding light on an area of research hitherto only marginally explored.

It is argued that negotiations at company level are further evidence of the link between collective bargaining and issues of flexibility and security. If policy frameworks at sector level set guidelines and provide incentives towards economic and social targets, it is nevertheless at the company level that the employment relationship is found and many of the

policies implemented. Significantly, Pulignano and Keune (2015:3) demonstrate that it is at the company level that decisions involving many issues at the core of the flexicurity debate are made: ‘whether to train workers and in what skills; to hire and fire and to use open-ended or flexible contracts; to rotate personnel; to use a variable pay-system; to make use of flexible working-time schedule’. Given this, it is important to investigate whether company level actors may exert a similar role. First and foremost, companies can be seen as a space in which actors engage in ‘institutional entrepreneurship’ and ‘recombinant governance’ and where the agenda of managers and employees’ representatives is influenced by their bargaining power and their ability/willingness to find a common ground for compromising (Crouch, 2005; Pulignano and Keune, 2015).

Thus, by investigating company level institutions within their national and sectoral level frameworks across two different countries, the primary aim of this study is to shed further light on the links between flexibility, security and collective bargaining. In particular, the intent is to explore the implications of Marginson and Galetto’s findings (2015) on the coordinating role of sector level institutional arrangements for company level bargaining. In addition, this analysis goes beyond firm level institutions to encompass actors. In so doing, it offers a more thorough account of the choices behind the variety of combinations of flexibility and security achieved through collective bargaining in different national contexts.

Moreover, drawing on Pulignano and Keune’s research over flexicurity practices within multinationals (2015), this study focuses on the role that structural variables – in particular, the *structure of production* and the *level of market competition* – exert on firm level decision-making over flexibility and security. Specifically, Pulignano *et al.* suggest that the interplay between production structures and micro-level institutional arrangements shape the extent of social partners’ autonomy and their capability to leverage local resources (2015). However, although sharing a similar purpose – that is to complement the macro-institutional perspective dominating the flexicurity literature with a micro-institutional perspective – Pulignano and colleagues (2015) focus empirically on the metalworking sector, while the present analysis is set within the chemical and pharmaceutical sector. Further, in Pulignano and colleagues’ work (2015) the role of the institutional framework provided by the sector level agreement is only marginally assessed. In contrast, this study investigates the link between sector level and company level institutions and explores the implications of such a relationship in terms of flexibility and security trade-offs.

Finally, engaging in the observation of how actors and institutions within companies introduce diversities in the ways in which items of flexibility and security are balanced-out, this research covers another key-focus of both comparative institutional analysis and flexicurity literature: multinationals (Arrowsmith and Marginson, 2006; Edwards, 2011; Pulignano and Keune, 2015).

2.4 Flexicurity as analytical tool

For the last decade, responses from the EU to the increasing level of economic pressure affecting the labour market have revolved around the notion of ‘flexicurity’. Moreover, while the versatility of the term ‘flexicurity’ has contributed to its speculative success it has also opened up the possibility that a vast spectrum of different – and potentially opposing – labour market policies may fit the paradigm (Pulignano *et al.*, 2015). One could conclude that in the literature there is a manifest lack of a universally accepted definition (Burroni and Keune, 2011). Meanwhile, at policy-making level, flexicurity is simply understood as a labour market condition in which flexibility and security do not oppose each other.

Due to this conceptual ambiguity, current research increasingly argues for a clearer account of the context in which the notion of flexicurity is deployed (Viebrock and Clasen, 2009). In this regard, the distinction between the analytical and the programmatic definitions put forward by Burroni and Keune (2011) is significant:

...the flexicurity approach can be presented as an instrument to map and compare the state of play in specific cases by describing the occurrence and weight of the various types of flexibility and security and by disentangling their interplay. In programmatic terms, more clarity is required to reduce the ambivalence of the concept and to allow higher-quality policy debate. This requires that the ambitions of the flexicurity approach are downscaled and that its aspiration to be a guiding principle for the reform of any type of labour market situation should be abandoned (Burroni and Keune, 2011:87).

Sharing their methodological concern, this study has chosen to deploy flexicurity as a purely analytical tool that can be used to observe how issues of flexibility and security have developed (Madsen, P.K in Bieńkowski *et al.*, 2008; Ibsen and Mailand, 2011). In so doing, it moves attention from the policy debate on labour markets, welfare state and their

interactions, to a different source of flexibility and security, namely, collective bargaining (Ibsen and Mailand, 2011; Marginson and Galetto, 2015).

In particular, this research adopts the analytical framework proposed by Madsen (2008) who depicts flexibility and security as multi-dimensional concepts. With reference to Wilthagen and Tros (2004), Madsen identifies four different forms of flexibility:

- **External flexibility:** the possibility of hiring and firing workers and the use of flexible forms of labour contracts.
- **Working-time flexibility:** the times and the shifts according to which employees begin and finish their working day and includes both overtime and part time work.
- **Wage flexibility:** the ability to introduce variable pay based on performance or results.
- **Functional flexibility:** the option to adapt the tasks carried out by employees to changes in demand, and is achieved through consistent investments in training.

Turning to security, he identifies:

- **Job security:** the ability to retain a job with the same employer until retirement.
- **Employment security:** the possibility to find employment as a result of policies that enhance employability directly, such as active labour market policies, in-work training, and skills development.
- **Income security:** the certainty of receiving adequate and stable levels of income during transition in and out of employment *status*.
- **Combination security:** the ability of workers to combine work with other phases of life such as parenthood, education or care-taking.

According to Madsen (2008), these particular forms of flexibility and security can be linked to each other, allowing for sixteen potential combinations to occur. Such combinations go beyond an interpretation of flexicurity as a mere synthesis of potentially conflicting interests. Instead, the focus is on the possibility that a variety of flexibility and security combinations can be pursued in a coordinated way, that is through social dialogue and negotiations at different bargaining levels (Wilthagen, 1998). As observed by Wilthagen and Tros (2004):

Flexicurity is (1) a degree of job, employment, income and 'combination' security that facilitates the labour market career and biographics of workers with a relatively weak position and allows the enduring and high quality labour market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labour markets' (and individual companies') timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity (Wilthagen and Tros, 2004:170).

Collecting evidence of the degree of negotiated flexibility and the broad negotiation agendas that characterise the Netherlands and Denmark, Wilthagen and Tros (2004) argue that flexicurity policies can be analysed as types of *trade-offs*. According to them, the effective balance between flexibility and security achieved in these countries suggests that a link between collective bargaining and flexicurity may well exist. Thus, by extending the scope of collective bargaining, social partners would automatically increase the range of flexibility and security combinations to draw upon:

By negotiating not only about wages and working hours, security for employees need no longer be exclusively sought in income or job security, but also in the maintenance of a good position in the internal and external labour market (e.g. in terms of training, employability, flexible organisation of work, etc.). Adding the flexibilisation strategies of employers to the bargaining agenda and discussing them in an integrated manner along with security for the employees results in an increase in the acceptance of flexibilisation among employees. This encourages 'positive coordination', 'integrative bargaining', positive-sum games', and negotiated flexibility', enabling mutual gains to be achieved and a more optimal way of dealing with the double requirement of flexibility and security' (Wilthagen and Tros, 2004:179).

Scholars have extensively debated the possibility that such flexibility and security trade-offs may neither signify nor contribute to flexicurity (Leschke *et al.*, 2006; Ibsen and Mailand, 2011). It is apparent that the idea of trade-offs is subjected to a double interpretation. This is also consistent with Walton and McKersie's (1965) notion of 'distributive' and 'integrative' bargaining. Indeed, the first focuses on the fact that, if flexibility is to be traded for security – and vice-versa – the positive contribution of one must come at the expense of the other (Ibsen and Mailand, 2011:165); for example, where severance payments – *income security* – are provided in exchange for higher external

flexibility. Ibsen and Mailand interpret this kind of trade-off in zero-sum terms – higher flexibility against lower security – which, in their opinion, is ‘logically not flexicurity’ (2011:165). Critically, the second interpretation stresses the fact that flexibility is no longer perceived as necessarily detrimental to employees’ protections thus, trade-offs between flexibility and security ‘can also reflect a mutually supportive or complementary relationship’ (Walton and McKersie, 1965; Madsen in Bieńkowski *et al.*, 2008:37).

As Leschke (2006:3) effectively points out:

...there is not only a trade-off between flexibility and security. The flexibility gains of employers do not necessarily mean a loss of security among employees; similarly, security gains of employees do not necessarily have to go along with flexibility losses among employers. Therefore, the talk about a balance between flexibility and security – usually thought as a compromise between employers and employees – does unduly simplify the nexus.

Representing fundamental attempts to deploy the notion of flexicurity for analytical purposes, the mentioned studies can be used to develop a more integrated and systematic account of the factors that enable flexibility and security trade-offs to occur and, as a result, assess their nature (Pulignano *et al.*, 2015). A potential way to do so is, first, to look back at Burroni and Keune’s (2011) definition of flexicurity and disentangle the interplay between the different types of flexibility and security injected through collective bargaining. The second step is to observe the whole spectrum of issues that are likely to influence the varying nature of flexibility and security trade-offs at different bargaining levels.

Hence, being interested in the *variety* of flexibility and security combinations produced by collective bargaining actors and institutions in different national context – more than the *quality* of flexicurity achieved – the present research proposes an analytical approach that encompasses both notions of ‘*balanced*’ and ‘*unbalanced*’ trade-offs. This approach is drawn from the findings of Pulignano *et al.* (2015), suggesting that the character of interplay between issues of flexibility and security largely depends on specific circumstances, such as the strength of the social actors involved in the trading process; their understanding around these issues; as well as the market conditions in which actors interact.

In the main, the present study suggests that it is possible to identify two general categories of trade-offs:

1. **Balanced:** if as a result of collective bargaining involving flexibility and security both social partners gain – and/or lose – in equal measure; or if the share solution takes the form of a high benefit-low sacrifice compromise.
2. **Unbalanced:** if as a result of collective bargaining involving flexibility and security one social partner's gains exceed those of the other party.

The distinction between balanced and unbalanced trade-offs recalls Walton and McKersie's classical definitions of *integrative* and *distributive* concession bargaining (1965) according to which the outcomes of negotiations can either take the form of *positive sum-games* (win-win situations) or *zero-sum game* (win-lose situations). This framework has been recently adopted by Teague and Roche (2015) to examine the circumstances that influence the adoption of one mode of concession bargaining rather than another. Their findings suggest that institutional arrangements and micro-level patterns both constrain and facilitate the postures and the strategies of employers – and, at the same time, influence unions' bargaining power – in responding to the pressures of economic crisis. Moreover, in line with the theoretical lens applied to this thesis, Walton and McKersie's work reflects the main assumptions of actor-centred institutionalism (Scharpf, 1997:36; Campbell, 2004).

In their famous book 'A Behavioural Theory of Labor Negotiations' (1956:5-6) they argue:

a) Distributive bargaining is a hypothetical construct referring to the complex system of activities instrumental to the attainment of one party's goals when they are in basic conflict with those of the other party...''... fixed sum-games are the situations we have in mind: one person's gain is a loss of the other;

b) Integrative bargaining refers to the system of activities which is instrumental to the attainment of objectives which are not in fundamental conflict with those of the other party...''... integrative potential exists when the nature of the problem permits solutions which benefits both parties, or at least when the gains of one party do not represent equal sacrifices by the other.

More importantly, when analysing the agenda items of integrative bargaining, these authors add (1965:127):

c) *the concept [of integrative bargaining] covers more than the situation in which gains available to one necessarily allow corresponding and equal gains by the other. It is applied to situations in which the total payoff is varying sum in a significant way, even though both parties may not share equally in the joint gain, and indeed one may even suffer minor inconveniences in order to provide substantial gains for the other. Presumably, when the direct results of a problem solution are high benefit-low sacrifice, the slight inconvenienced party can receive some side payment or reciprocal treatment in another problem area.*

The relevance of their framework to the conceptualisation of the notion of ‘unbalanced’ and ‘balanced’ trade-offs – both as a result of negotiations on individual items and package deals – is apparent and increases when it is applied to the outcomes of negotiations on issues of flexibility and security. By involving rights and obligations concerning both sides, it is exactly in items such as ‘*individual job security*’ and ‘*management flexibility*’ that Walton and McKersie (1965) identify inherent integrative potential. These are qualitative items that contain the possibility that management and unions’ interests may be coincidental and, as a result, a variable amount of value may be distributed in an integrative fashion – as for balanced trade-offs. More importantly, according to Walton and McKersie (1965:121) the extent to which social partners translate such potential into win-win and/or win-lose bargaining outcomes depends on a) the ‘*institutional framework*’, and b) the ‘*actual situation*’ in which negotiations take place.

With regard to the former, Ibsen and Mailand (2011) observe that institutional differences in sector level bargaining arrangements are likely to result in cross-country variation in the extent and the way in which items of flexibility and security feature in the bargaining agenda. Furthermore, they show that by setting limits on downward pressures on wages – *income security* – and allowing for upward variations – *wage flexibility* – sector level collective bargaining is able to produce advantages for employers and employees alike. Similarly, negotiations on *training* are likely to boost *functional flexibility* for employers while increasing the value of employees in the labour market – *employment security*. Negotiations on *social benefits and entitlements* provide security for employees in exchange for different forms of flexibility, in particular, *working-time flexibility*. Further, Ibsen and Mailand (2011) argue that compromises between flexibility and security can also involve more than one single item, turning the collective agreement into a package deal. By implication, the present study suggests that any time that ‘losses of either flexibility or

security are compensated with endowments of flexibility and security’ – within the same agreement – a *balanced* trade-off may occur.

With regard to the ‘*actual situation*’ (Walton and McKersie, 1965) in which negotiations take place, Pulignano *et al.* (2015:8) confirm that there are other factors, in addition to institutions, that are likely to influence the nature of flexibility and security trade-offs. With an exclusive focus on the bargaining scenario within multinationals, they explain variations in collective bargaining outcomes over flexibility and security through the following variables: a) the ‘*intensity of market competition*’ that companies face and, b) their ‘*level of vertical integration*’. They propose, in particular, that there may be a correlation between firm-specific structural (non-institutional) factors and unions’ capability to compensate management’s demands for flexibility with long-term security. Relevant to the focus of the present analysis, these factors are shown to influence the nature of flexibility and security trade-offs in four different ways:

1. In the presence of relatively low market competition and high vertical integration – either in case of a homogenous product and low skills or in the case of differentiated products and high skills – companies are likely to undergo significant relocation threats. As a response, social partners at the local level use collective bargaining to exchange flexibility with long-term job security. The outcome may be a balanced trade-off between flexibility and security because even in the face of highly controversial matters, by negotiating, both parties are able to secure positive outcomes.
2. In the presence of high levels of market competition and high vertical integration, unions are able to establish forms of transnational coordination both at European and global level which provide them with the strength to negotiate a variety of protections for the overall workforce. These protections are often the result of ‘concession bargaining’ (Walton and McKersie, 1965) involving, for example, the exchange of internal and external forms of flexibility against job security. Hence the outcome may be a balanced trade-off as ‘flexibility (for the employer) comes along with an employment guarantee (job security) for the employees (Pulignano *et al.*, 2015:19).
3. In the presence of high levels of market competition and little vertical integration, companies involved with low-tech and homogeneous products are exposed to a great deal of uncertainty. Such uncertainty reduces unions’ bargaining power and impacts

on their ability to accommodate shocks in demands and protect jobs. As a result, unions are forced into negotiations where flexibility is conceded with no guarantees of long-term job security from the company. The result may be an *unbalanced trade-off* as management gains in flexibility exactly what employees lose in terms of security.

4. In the presence of relatively low levels of market competition and a low level of vertical integration, companies that differentiate their products and require highly-skilled employees are less subject to benchmarking and relocation threats. The context in which negotiations take place allows unions to leverage their bargaining power and to provide security independently of management's demands for flexibility. This situation may lead to an *unbalanced trade-off* as employees' contributions come at the 'price' of the employer accepting a negative outcome.

In Pulignano *et al.* (2015) different examples of balanced and *unbalanced trade-offs* at the company level can be found. Balanced trade-offs can occur when in exchange for long shifts on weekends – *working-time flexibility* – and/or job rotation – *functional flexibility* – employers offer career development schemes and strong training programmes – *job security* and *employment security* – to their employees (Pulignano *et al.*, 2015). Conversely, *unbalanced trade-offs* are likely to occur when firm level bargaining on *pay* ends up with union representatives accepting wage cuts – *wage flexibility* – as a measure to protect workers from temporary plant closures – *short-term job security*. A similar rationale may apply to negotiations on *atypical work* if the number of temporary employees – *numerical flexibility* – is increased to protect the level of *job security* and *income security* of the core employees. Also in these cases, negotiations lead to a 'compromise' between signatory actors. However, employers are likely to benefit from a higher share of the total payoff than the unions.

In conclusion, recent studies have thrown some light on the '*institutional framework*' enabling/constraining flexibility and security trade-offs at the sector level (Ibsen and Mailand, 2011; Marginson and Galetto, 2015) as well as the '*actual situation*' enabling/constraining flexibility and security trade-offs at firm level (Pulignano *et al.*, 2015; Pulignano and Keune, 2015). Nevertheless, little is known about: a) the interaction between sector and company level actors and institutions; and b) the interaction between the institutional and the non-institutional dimensions and the role that these together play for the

agenda and outcomes of collective negotiations. Representing the core objectives of the present study, these two areas of investigation will be individually reviewed.

2.5 The Role of Collective Bargaining Institutions and Actors

Comparative institutional analysis has contributed to the debate on flexicurity by demonstrating that both the extent and the way in which items of flexibility and security enter into the bargaining agenda across countries does indeed depend on institutional arrangements (Ibsen and Mailand, 2011). As summarised in Figure 2.1 (p. 56), Marginson and Galetto (2015) argue that employers and unions are more likely to develop shared understandings of what flexibility and security mean, and what forms of flexibility and security are appropriate to explore, where their relationship is more firmly institutionalised under the presence of sector level bargaining. Moreover, when coordinating mechanisms between the sector and the company level exist, first, issues of flexibility and security are more likely to be negotiated at the company level as social partners feel secure entering into them. Second, company level agreements tend to be characterised by a lower degree of heterogeneity as actors can only negotiate within the constraints provided by the sector.

Specifically, their study shows that in countries with single-employer bargaining systems outcomes of negotiations are more oriented towards flexibility and less towards security than in countries with multi-employer bargaining systems. The main reason is that under single-employer bargaining unions cannot rely on the protection of the sector level agreement and the outcomes of negotiations are likely to reflect local power (im)balances; generally, to the advantage of the employers. Secondly, Marginson and Galetto argue: ‘measures addressing security, such as training related to employability and social entitlements such as parental leave, typically pose a collective action problem for individual employers because of risks such as poaching of workers with general skills or incurring relative labour costs disadvantage’ (Marginson and Galetto, 2015:17). Thus, under single-employer bargaining the extent to which social partners benefit from letting security items into their bargaining agendas is revealed to be more limited than in multi-employer bargaining.

In addition, differences can be anticipated amongst the company level arrangements found in different countries. These arise from the procedural rules governing the relationship between the sector and the company level (Arrowsmith and Marginson, 2008). In this regard,

Marginson and Galetto's (2015) study shows that the scope and breadth of bargaining topics over issues of flexibility and security is more extensive in the presence of articulation mechanisms that organise decentralisation through *demarcation*. In contrast to delegation, according to which the scope for negotiation at the company level is restricted or controlled primarily through the use of opening-clauses, *demarcation* occurs when sector and company level social partners act within different, yet coordinated, spheres of competences (Marginson and Galetto, 2015). Competency demarcation is typically set out by national and/or sector level social partners who are responsible for identifying both modes and scope of company level negotiations. With their findings, Marginson and Galetto (2015) confirm that effective articulation mechanisms, such as those provided through delegation or demarcation, exert pressures on sector level social partners to both address flexibility and security and enable – and constrain – company level negotiations. In particular, it is shown that under 'centralised decentralisation' (Due *et al.*, 1994; Due and Madsen, 2008) sector level unions have agreed to devolve part of their bargaining competences – and established the procedures to do so – as a result of the two-way relationship that links the sector to the employee representatives at the company level. This relationship has evolved in a two-tier system according to which some areas are dealt with at the sectoral level while others become the object of local level negotiations.

Further, while Marginson and Galetto (2015) have enriched the debate on the role of collective bargaining over flexibility and security by proving that sector level institutions – and the way in which they are articulated – matter, Ilsøe's study (2012) suggests that other factors may be also relevant. Significantly, by analysing the concept of 'centralised decentralisation' in the Danish industrial sector, Ilsøe finds out that depth and scope of company level bargaining also depend on the extent to which the balance of power between local actors reflects sectoral dynamics, primarily, union density and trust between bargaining parties. In the main, she argues that the presence of shop stewards at the company level forms 'a local power base' (2012:778) for union representatives to actually engage with the competences they have been delegated by the sector. By securing autonomy and empowering shop stewards, high union density at the local level has a twofold effect on the outcomes of negotiations. On the one hand it gives unions the confidence they need to both provide and accept delegation mechanisms. On the other hand, it avoids *representation problems* so that employers can expect their counterparts to take the lead in implementing the agreement. In this light, she concludes that 'centralised decentralisation', in Denmark, features a particular

combination of institutional resources and trust-based relationships that allow social partners to exploit *integrative potential* and conclude agreements that are likely to benefit both sides of the industry. Relevant to the focus of the present research, Ilsøe (2012) shows that amongst the items negotiated at the local level many are related to flexibility and security measures; for example, variable pay, flexitime, fringe benefits and training. This suggests that company level bargaining may also represent a significant policy arena for flexibility and security trade-offs to occur. Nevertheless, in addition to the literature on sector level bargaining, a comparative focus on company level institutional arrangements is likely to reveal variations and/or similarities of outcomes both across and *within* countries.

Crucially, the first set of questions this thesis addresses is (Figure 2.1):

- **Q1a.** To what extent and how do sector level collective bargaining and social dialogue in different countries address issues of flexibility and security?
- **Q1b.** To what extent and how do sector level bargaining arrangements in different countries influence the way in which flexibility and security enter company level bargaining agendas? What are the implications for the actors involved?

To conclude, scholars have demonstrated that sectoral institutions – and the way in which these are articulated across-levels – do indeed matter: they exert pressures on social partners to address flexibility and security through collective agreements and establish parameters on their scope (Ibsen and Mailand, 2011; Marginson and Galetto, 2015). However, there is still a great deal of uncertainty about the impact that such agreements have at lower institutional levels when social partners bargain on similar issues. The next step is, therefore, to explore the outcomes of negotiations over issues of flexibility and security across companies.

2.6 Flexibility and security at the company level

By observing collective bargaining actors and institutions at the company level, many scholars have demonstrated that the scope of the bargaining agenda may vary depending on the size of the organisation (Arrowsmith and Sisson, 2001; Arrowsmith and Marginson 2006; Ilsøe 2012; Pulignano and Keune, 2015). For example, Ilsøe (2012) finds that in larger enterprises Danish social partners have significant resources available and, as a result, local agreements are likely to include a wider spectrum of bargaining items than in smaller enterprises. Crucially, this finding is in line with the literature on the role of collective

bargaining within multinationals which shows that such resources – both institutional and non-institutional – do indeed account for the varying extent of bargaining outcomes. Figure 2.1 provides a representation of the different variables that are assumed to influence both agenda and outcomes of firm level negotiations.

Thus, besides the institutions and actor-centred variables that have been hitherto reviewed – the bargaining system, articulating mechanisms between bargaining levels, union density, autonomy of local negotiators, and trust between parties – the literature on multinationals indicates that, in order to provide a comprehensive framework for company level comparisons, other factors need to be considered. These are: first, the extent of local actors' autonomy from the global headquarters; and second, '*socially constructed conventions*', as they are likely to influence social partners' understandings around their respective role in negotiations (Arrowsmith and Marginson, 2006:246). According to Arrowsmith and Marginson (2006) these factors are dependent on the strength of industrial relations institutions – in particular sector level institutions – which, serving as political barriers, hinder global organisations' attempt to leverage local (im)balances and undermine union representation. So, although it is global management that shapes both bargaining agendas and outcomes within multinationals (Arrowsmith and Marginson, 2006; Edwards, 2011), an '*implicit contract*' between local actors (Arrowsmith and Sisson, 2001:148) has been proven to set limits on the transfer of global human resources practices within companies. This contract is not a formal agreement between local management and shop stewards. Conversely, it is something that falls 'into the category of a shared informal understanding' around which local actors shape their roles and identities (Arrowsmith and Sisson, 2001:149). It follows that by digging into socially constructed conventions it may be possible to observe whether company level actors have developed an autonomous space through which to influence both the scope and outcomes of negotiations on issues of flexibility and security.

As previously mentioned (section 2.4), Pulignano and Keune (2015) have already introduced the firm level into the flexicurity debate by observing company level negotiations and policies within and across multinationals. The first contribution of these authors is to show that cross-national differences in bargaining structures not only enable and constrain management and union choices, but also offer resources to local actors for shaping the *content* of collective bargaining in a strategic way. The second contribution, as anticipated in section 2.4, is to demonstrate that the *nature* of flexibility and security trade-offs depends on

firm-specific dynamics, in particular, the characteristics of the product market and the level of international competition faced by each company.

In order to understand the framework within which their work is located it is, however, important to refer to some of the distinctive dimensions that the literature on multinationals has focused attention on (Marginson 1992; Ferner *et al.*, 2006; Edwards, 2011). Indeed, as Marginson and Meardi argue: ‘The significance of MNCs as employers, their international organisation and management structures and their capacity to move production, jobs and workers across borders have important implications for the structure, agenda and outcomes of collective bargaining’ (Marginson and Meardi, 2012:1). Hence, multinationals have been shown to exert a considerable amount of pressure on local level management to reorient their bargaining agendas towards market-led considerations (Edwards, 2011) and, by implication, to engage with issues of flexibility. At the same time, trade unions have developed increasing concerns over downward pressures on employee terms and conditions, bringing issues of security to the fore (Arrowsmith and Marginson, 2006).

For these reasons multinationals are defined by Pulignano and Keune as ‘par excellence sites where micro-forces and their interactions with macro-institutions can be observed’ (2015:3) and, as a result, implications for flexibility and security assessed. According to these scholars, such *micro-forces* are likely to influence the extent of flexibility required by subsidiaries, and thus, to shape the extent of local actors’ autonomy in negotiating different forms of flexibility and security. The higher the level of flexibility that companies face, the lower the possibility for local actors to balance such flexibility with compensating forms of security. In particular, the structural variables (*micro-forces*) identified by Pulignano and Keune (2015) are: a) the degree of global competition; b) the level of international integration – vertical or horizontal; and c) the characteristics of the product market – standardised or differentiated. These are expected to reduce the scope for intra-site benchmarking within multinationals which, in turn, lowers internal competition for resources and enables each operation to maintain a strategic role towards human resources management. Thus, by influencing the level of *autonomy* available to subsidiaries these independent variables simultaneously shape the extent to which local actors participate in the definition of ‘acceptable’ flexibility and security trade-offs.

The findings of Pulignano and Keune (2015) are in line with the literature on the significance of ‘internationalisation’ for collective bargaining actors and institutions at the company level (Marginson 1992; Arrowsmith and Sisson, 2001; Arrowsmith and Marginson, 2006; Edwards, 2011). For example, by reviewing the contingent (non-institutional) variables which encourage multinationals to develop human resource management policies at the international level, Edwards focuses on two relevant factors: 1) the choice of companies to pursue financial economies or synergistic linkages; and 2) issues of segmentation *versus* replication. Concerning the former, Edwards (2011) identifies product diversification as a source of financial economies which suggests that certain categories of companies benefit from managing business units that have little in common with one another. In this case, the optimal allocation of resources occurs if the multinational firm acts as if it is in ‘an internal capital market’ (Marginson, 1992), meaning that subsidiaries are treated as independent enterprises. Consequently, each retains a significant degree of autonomy in shaping its own employment practices – collective bargaining included. The headquarters is, in fact, only interested in exerting pressure on business units to ensure satisfactory financial results, without having to develop ‘a standard approach to the organisation of work or a corporate code of conduct or agreement with their workforce’ (Edwards, 2011:488). Conversely, other multinational firms integrate their operations by realising synergies across countries without differentiating their activities into unrelated areas. Edwards (2011) found that these particular firms are more likely to pursue a common approach to human resource management across borders, as operations tend to develop similarities in their organisation of work that pushes global management to influence the nature of policies and practices at site level. As a result, they end up exerting a significant amount of pressure on local actors to shape the bargaining agenda in relation to market-led considerations.

With regard to the second factor, Edwards (2011) observes that synergies across countries can be sought either through *segmentation* or through *replication*. Segmentation occurs when each subsidiary performs a specific role in the production process or provision of service in a vertically integrated chain. In so doing, multinational firms make the most of locational specialisation. Ghemawat (2013) gives examples of this approach to internationalisation amongst pharmaceutical companies, particularly within functions such as research and development. Traditionally these companies were located only in two geographic areas, North America and Europe. The effects of segmentation for local management – and by implication local unions as well – are very relevant to the present analysis. With reference to

Marginson (1992), Edwards (2011) observes that when multinational firms are vertically integrated ‘changes in production, or the adoption of a new technology, in one part of the company can have implications for employment, skills and the ways of working elsewhere in the company’ (Marginson, 1992:537). Therefore, to make sure that products and services can be effectively moved from one site to another, these firms develop significant incentives towards global human resource management practices (Edwards, 2011). He concludes that while segmented multinationals have little interest in setting common work patterns – given the diversified needs of skills and technologies across subsidiaries – they nonetheless develop a strong incentive for benchmarking and standard procedures. Following from this, Pulignano and Keune (2015) argue that vertically integrated production plants are often subject to relocation threats which, in turn, push local management to deal with flexibility demands by negotiating compensatory forms of security with unions.

Further, Edwards (2011) observes that multinationals can also expand internationally through *replication*. This occurs when subsidiaries perform the same role in different geographical locations and where workers share similar profiles, perform similar tasks, and use similar technologies. Given this homogeneity of work organisation and strategies along the value chain, there is significant scope for the headquarters to set up a global approach to human resource management. However, multinationals that tailor their services to nationally specific factors – *differentiating* products and services – are likely to leave a certain amount of autonomy to local human resources managers with regard to the product and the way it is manufactured. Such autonomy can also be exerted by negotiating with the unions over a variety of flexibility and security issues (Pulignano and Keune, 2015). Whether companies can differentiate their product across replicated subsidiaries, however, is sector dependent, because it requires production processes to be subject to nationally distinctive regulations and/or consumer tastes. Conversely, multinationals that pursue a strategic approach based on *standardisation* across replicated plants have a strong incentive to apply global human resources practices, thereby limiting the scope for local managers to pursue their own bargaining agenda. In this regard, Pulignano *et al.* (2015) find that product standardisation increases the demands for flexibility faced by subsidiaries and negatively influences the trade-off between flexibility and security.

Similarly, Marginson and Arrowsmith (2006) show that the degree to which product markets are international in scope and production sites are internationally integrated shape the

incentives which influence local human resources and industrial relations structures in multinational firms. They identify two groups of factors that provide an indication of the extent and nature of a firms' internationalisation and their significance for collective bargaining. The first group relates to sector variables, such as technology and product; while the second group relates to firm level considerations, such as: 1) patterns of growth – external or internal development; 2) the nature of the product(s) – standardised or diversified; and 3) the level of integration – vertical or horizontal. Although looking at internationalisation from a different perspective to Edwards (2011) they come to the same conclusion: internationalisation of human resources structures produces strong pressures towards rigorous cross-border benchmarking, which pushes local human resources managers to control costs by implementing different forms of flexibility. By implication, the present study suggests that such international pressures may also reduce the scope for unions to negotiate compensatory forms of security.

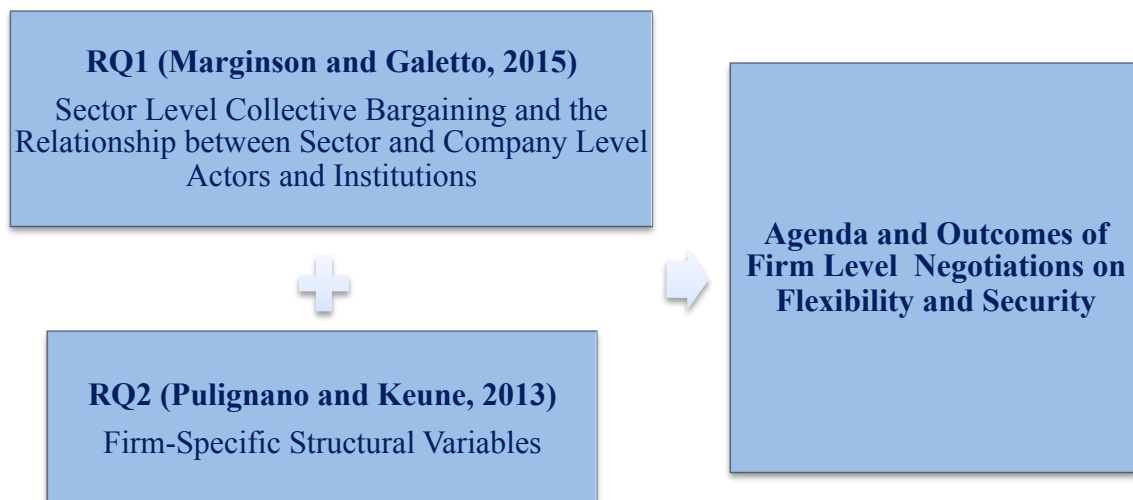
Finally, other scholars have demonstrated that firm-specific structural variables not only influence multinationals' strategies towards the development of global human resources practices and benchmarking, but also the extent to which subsidiaries are exposed to relocation threats (Meardi *et al.*, 2009). Meardi *et al.* (2009) show that relocation threats have pervasive effects on industrial relations at plant-level: they induce cost reduction and foster efficiency enhancing changes to the detriment of concession bargaining. They argue that across production plants there are certain contextual factors that help account for variations in the extent to which such a threat is both perceived and enacted. These factors are: 1) the nature and intensity of intra-site competition; 2) the degree of vertical integration; 3) the extent of product standardisation; 4) the geographical location of the multinational; and 5) the degree to which production sites can choose their location. Further, drawing on Anner *et al.* (2006) they confirm that union responses to managerial strategies are sector dependent. Yet they add that firm level structural variables also play a relevant role that affects both the local actors' strategies and the power distribution between them. With this in mind, Pulignano and Keune (2015) propose that by exerting strong pressure on local management to control costs, the threat of relocation increases subsidiaries' demands for flexibility and, at the same time, negatively influences workers' structural power in the trade-off between flexibility and security.

Thus, the second set of questions this research addresses is as follows (Figure 2.1):

- **Q2a.** To what extent does the interplay between collective bargaining arrangements at the sector and the company levels affect the nature of flexibility and the nature of security outcomes?
- **Q2b.** To what extent do firm-specific characteristics – such as market competition and organisational structure – affect the nature of flexibility and of security outcomes? What are the implications in terms of the nature of negotiated trade-offs?

To conclude, it has been demonstrated that the literature on multinationals does indeed contribute to the debate on flexibility and security, as it reveals that firm-specific structural variables have a significant impact on the way in which these issues feature in the bargaining agenda across subsidiaries. However, this stream of research appears to be only marginally framed within the national and sectoral institutional context in which multinational firms lie.

Figure 2.1: The variables assumed to influence both agenda and outcomes of firm level negotiations.



2.7 Conclusion

This chapter shows that for the last decade, responses to the increasing level of economic pressure affecting the labour market have revolved around the notion of ‘flexicurity’. However, both in academia and at a policy-making level, there is still a great deal of ambiguity about how the concept should be interpreted and deployed (Viebrock and Clasen, 2009; Burrioni, 2011; Heyes, 2011; Pulignano and Keune, 2015). In order to provide a more clear and comprehensive framework for analysis, it is argued that academic research needs to

complement the focus on national level institutions and policies, with other potential sources of flexibility and security. Thus, this chapter explored a particular stream of literature that has recently looked at different types of regulations – in addition to legal regulations and market regulations – as potentially responsible for flexibility and security balances (Ibsen and Mailand, 2011; Marginson and Galetto, 2015; Pulignano and Keune, 2015). Reviewing existent findings, it argued that collective bargaining represents a promising alternative for exploration.

Specifically, the chapter draws on Wilthagen and Tros' (2004) interpretation of flexicurity, according to which flexicurity policies can be analysed as types of trade-offs (Wilthagen and Tros, 2004; Bekker and Wilthagen, 2008). In addition, it reviews relevant comparative studies that have opened to collective bargaining as a means of exploring how issues of flexibility and security are developing (Ibsen and Mailand, 2011; Marginson and Galetto, 2015). In this regard, the most original contribution is found in two recent studies, put forward by Ibsen and Mailand (2011) and Marginson and Galetto (2015) respectively, which have investigated the 'missing link between collective bargaining and flexicurity' (Ibsen and Mailand, 2011:165). While confirming the fundamental role of sector level frameworks in setting guidelines and providing incentives for economic and social trade-offs, these scholars extended their analysis to include the company level, since in practice it is at this level that the employment relationship is found and many of these policies are implemented. In doing so, they call attention to the actors and the institutional arrangements framing company level bargaining, highlighting an area of research hitherto only marginally explored.

Thus, by exploring Marginson and Galetto's findings (2015) on the coordinating role of sector level institutional arrangements for company level bargaining over flexibility and security, this chapter, first, highlights the rationale for comparative institutional analysis to combine the sector and the company foci. Second, by moving exclusive attention to the company level it throws further light on the missing link between flexicurity and collective bargaining (Ibsen and Mailand, 2011; Ilsøe, 2012).

Accordingly, the chapter draws on the work of scholars who have already established a link between firm level decision-making processes and flexicurity (Pulignano *et al.*, 2015; Pulignano and Keune, 2015). In doing so, it sets the context for a multi-level study, in which companies are compared within their sectoral context and sectors within their national

contexts. The target is to observe the role of both sector and company level actors and institutions in enabling and/or constraining flexibility and security trade-offs. Finally, engaging in the observation of how actors and institutions within companies introduce diversities in the ways in which items of flexibility and security are balanced-out, the chapter reviews another, not insignificant, key-variable in the flexicurity debate: multinationals (Pulignano and Keune, 2015).

As a synthesis, two primary sets of questions have been established:

- **Q1a.** To what extent and how do sector level collective bargaining and social dialogue in different countries address issues of flexibility and security?
- **Q1b.** To what extent and how do sector level bargaining arrangements in different countries influence the way in which flexibility and security enter company level bargaining agendas? What are the implications for the actors involved?

- **Q2a.** To what extent does the interplay between collective bargaining arrangements at the sector and the company levels affect the nature of flexibility and the nature of security outcomes?
- **Q2b.** To what extent do firm-specific characteristics – such as market competition and organisational structure – affect the nature of flexibility and of security outcomes? What are the implications in terms of the nature of negotiated trade-offs?

In the following chapter, the thesis will explore the methodology according to which these questions will be approached.

Chapter 3: Methodology

3.1 Introduction

The first part of this chapter presents the theoretical framework applied to the present comparative analysis. In line with the research questions which emerged from the literature (Chapter 2), neo-institutional theories are adopted as the main paradigm to explore how policies of flexibility and security are shaped by social actors in response to formal and informal rules (Djelic and Quack, 2003; Crouch, 2005; Streeck and Thelen, 2005) as well as the micro socio-economic environment within which they interact. It is argued, in particular, that within the neo-institutional paradigm, historical institutionalism represents the most appropriate theoretical lens for this thesis. While sharing with both institutionalism and neo-institutionalism the essential underlying assumption that actors do not behave in an ‘institutional vacuum’ such a theoretical lens seeks to establish an alternative to their more rational material perspective (Godard, 2002:253). In particular, historical institutionalism draws attention to the fact that it is not only institutional rules that matter, but so too do the identities, interests, and resources of actors involved with them (Crouch, 2005; Streeck and Thelen, 2005; Thelen, 2010). Hence, rather than asking why employers or employers’ organisations seek rationally to achieve goals, the questions that historical institutionalists are primarily interested in are a) why do collective actors have the goals they seem to have?; b) what is the role of rules in shaping how one course of action is seen to be more rational/feasible than another?; c) what is understood as being rational in different institutional contexts? As previously shown (Chapter 2), this is exactly the line of enquiry chosen for the present study.

The second part of this chapter focuses on the justification for the research design. This is based on a comparative methodology drawing on the idea that any analysis concerning macro-social similarities and differences is not truly comparative if does not grasp situational contingencies (Ragin, 1989). To this end, the research consists, first, of a comparative analysis of *sector level* institutional arrangements across three countries – Italy, Denmark, and the UK, and second, in a comparative analysis of *company level* institutional arrangements in two of the three countries – Italy and Denmark. The *sector* chosen is the chemical and pharmaceutical sector, a major manufacturing industry that is highly exposed to

international competition and characterised by a long history of collaboration between social partners. The research design, therefore, reflects the multi-level nature of this study where sectors are compared within their national contexts and companies within their sectoral contexts.

The original plan was also to cover company level arrangements in the UK, as well as to observe *differences* in bargaining outcomes on flexibility and security both in countries where sectoral agreements exist and have articulation mechanisms between the sector and the company levels (see Chapter 2) – as in the case of Italy and Denmark – and where they are no longer present – such as in the UK. However, whilst sector level interviews proved to be possible in the UK, after 18 months of negotiation, access for company case-studies was, ultimately, denied. For this reason, the company dimension of the analysis focuses only on two of the three countries – Italy and Denmark. Such an unexpected outcome represented an opportunity to re-consider the research design and, as a result, to underscore some of the methodological strengths of a multi-level comparative analysis.

The last part of the chapter presents the rationale for a qualitative methodology involving both primary and secondary data sources. In addition, it elucidates how the data collected at the sector and the company levels have been analysed and interpreted (Yin, 2003; Ibsen and Mailand, 2011; Marginson and Galetto, 2015). It also comprises issues of research ethics entailed by the fieldwork undertaken.

3.2 Comparative Institutional Analysis

The first step in the systematic comparison between phenomena is to choose a theoretical framework against which empirical systems can be described, analysed and contrasted (Crouch, 1993). By allowing a focus on the outcomes of collective bargaining over issues of flexibility and security across different countries, in this thesis, neo-institutional theories play this role.

The institutionalist perspective is based on the fundamental belief that human activities are framed within institutional environments that tend to be stable (Weber, 1978; Polanyi, 1944; Veblen, 1904; North, 1990). As argued by Djelic (2010), ‘there is an institutionalist temptation in most social science disciplines’ (2009:17) referring to the capability that these

theories offer to integrate complexity. Specifically, institutional theories have allowed social scientists to focus on those patterns of human action and relationship that persist and reproduce themselves over time to ensure predictability of behaviours and, as a result, address issues of trust (Jackson, 2010). According to Hechter, ‘demand for co-operative institutions arises from individuals’ desire to consume jointly produced public goods [...] that cannot be obtained following individual strategies’ (Hechter in Crouch, 2005). This self-sustained system of shared beliefs is built upon both formal and informal external rules as well as internalised ones, operating at widely varying levels (Giddens, 1976; Nicolini, 2012).

The key concept of the institutionalist approach is *embeddedness*, according to which economic laws are contingent upon the particular historical, social, and institutional context in which economic actions occur (Weber, 1978; Djelic, 2010). Historically, the concept of embeddedness has been used in comparative research to link mechanisms that shape institutions to the institutional context in which they emerge. Despite playing a fundamental role in underscoring the importance of contingency and history, as well as of ‘a processual explanation of origins, growth and variations of institutions’ (Djelic, 2010:5), from the second quarter of the twentieth century, institutional theories became less attractive and were temporarily obscured by more universalising and context-free perspectives (Djelic, 2010).

The revival of institutionalist theories started in different disciplines during the 1970s. The theoretical debate that followed gave origin to a new body of thought – known as neo-institutionalism – which today includes at least three different analytical perspectives: the rational choice theory, sociological institutionalism, and historical institutionalism. The rational choice approach draws on the fundamental belief that institutions structure actions. In general, this approach assumes that actors have a fixated set of preferences (Hall and Taylor, 1996) which they pursue in an entirely strategic way – this theoretical lens presumes extensive calculation and is not concerned with the choices of situated individuals. On the contrary, it is interested in what an utility maximising agent would do in a given situation (Hay and Wincott, 1998) and tends to see reality as a series of collective action dilemmas (Crouch, 2005). As described by Tsebelis (1990:19) ‘The rational choice approach focuses its attention on the *constraints* imposed on rational actors – by the institutions of a society. [...] Individual action is *assumed* to be an optimal adaptation to an institutional environment, and the interaction between individuals is assumed to be an optimal response to one another. Therefore the prevailing institutions (rules of the games) *determine* the behaviours of actors,

which in turn produce political and social outcomes'. Crucially, according to rational choice theorists the process of institutionalisation is the result of actors' voluntary commitment; and institutions survive so long as they provide agents with more benefits than other competing institutional forms could offer (Hall and Taylor, 1996). As argued by Sterling-Folker (2000:101) 'a functional account of the historical development of institutions necessarily involves an evaluation of institutions according to their *efficiency* at obtaining a *given interest* in the *given circumstances*'. This theoretical approach has been particularly useful in social sciences to explain why institutions tend to reproduce themselves over time. However the rational choice approach has been increasingly criticised in comparative research for its deterministic approach with regard to actors and their strategies. For example, scholars have argued that by privileging the cross-national focus (North, 1990; Scott, 1995; Goodin, 1998), this approach has paid only little attention to issues of national diversities (Campbell, 2010, Streeck and Thelen, 2005, Crouch 2005).

The second approach is sociological institutionalism (Hall and Taylor, 1996, Hall, 2010) which in some ways is the mirror image of the rational choice perspective. Sociological institutionalists argue that actors' preferences are neither pre-determined nor assimilated into societies for efficiency enhancing reasons. On the contrary, they are the result of a series of processes that are associated with the transmission of cultural practices (Hall and Taylor, 1996:946). In a review of the literature on varieties of capitalism and pragmatic constructivism, Thelen (2010) argues that the main objective of the sociological approach is to explain why organisations embrace specific institutional arrangements, procedures and practices; and to shed light on how these practices may be transferred across organisational fields and countries. In addition, she highlights three important features distinguishing this particular institutional perspective. First, it defines institutions in broad terms as to encompass both formal and informal rules. For instance, Campbell describes structures simply as 'frames of meaning guiding human action' (in Hall and Taylor, 1996:947). Second, when exploring the relationship between institutions and actors, it assigns a prominent role to actors (Hall, 2010). According to this view actors not only react strategically to institutional constraints but they are also able to improvise and learn from other actors (Herrigel, 2007). Thus, borrowing ideas from social constructivisms, this theoretical lens contends that social interactions enable agents to both rethink their strategies and re-shape their role and identities (Jackson, 2010). As argued by Sabel (1994:138) '[through interaction] parties can reinterpret themselves and their relation to each other by elaborating a common understanding of the

world'. What is relevant of this approach is that it downplays national homogeneity and historical continuity in favour of 'complexity, variety, process and recombinatory change over time within cases' (Herrigel, 2007 in Thelen, 2010:50). It follows that sociological theories are helpful in explaining institutional reconfiguration and change (Streeck and Thelen, 2005), whereby change is not interpreted as the result of efficiency considerations – as rational choice theorists would advocate – but as a reflection of 'the social legitimacy of its participants (Hall and Taylor, 1996:949). In this regard, Campbell (1998) argues that institutional change follows the 'logic of social appropriateness' as opposed to the 'logic of instrumentality' (See Ch. 2 March and Olsen, 2010). None of this suggests that sociological institutionalists deny actors' rationality. However, they propose that what agents perceive as *rational* is itself socially constituted and, as a result, it may vary according to situational contingencies. In Hall and Taylor words: 'if rational choice theorists often posit a world of individuals seeking to maximise their material well-being, sociologists often posit a worlds of individuals seeking to define and express their identity in socially appropriate ways (1996:949). The weaknesses of this approach are then the mirror image of those of the structuralist account. First, it overemphasises contingency and institutional fluidity; second, it overestimates the degrees of freedom that actor hold; and third, it sees institutions as overly malleable (Thelen, 2010, Hall and Taylor, 1996).

Thus, as it covers an intermediate position between rational choice theories and sociological theories, the third theoretical perspective – historical institutionalism – is seen as the most appropriate lens for the present comparative analysis. In particular, it shares with sociological institutionalism the objective to move beyond the national level and compare the scope of sector and firm level variations within different national systems. According to these views, the 'local' is a critical environment – not simply a taken for granted reproduction of external definitions – where specific actors, through interactions, shape their perceived identities and interests (Hirsh, 1997). Both approaches contend that while institutions shape social and political life (Hall and Taylor, 1998) actors' interests are not '*out there*' waiting to be discovered, but they are '*socially constructed*' (Wendt, 1987). However, similar to the rational choice perspective, historical institutionalism also assumes that it is institutionally defined situations that influence the interests and the identities of actors, and that these institutional rules 'are defined in relation to stable configurations of actors with particular – institutionally defined – identities interests' (Jackson, 2010:76).

Drawing on both rational and sociological perspective to institutions, historical institutionalism proposes that actors are essentially strategic as they are willing to achieve complex, contingent and often changing goals (Hay and Wincott, 1998). Furthermore, it suggests that agents interact in a hostile environment which tends to favour some specific strategies over others and where equal access to information is often denied. Thus, although considering the social context mainly in institutional terms ‘institutions are understood less as a functional means of reducing uncertainty, so much as structures whose functionality and dysfunctionality is an open – empirical and historical question ‘ (Hay and Wincott, 1998:956). This also explains historical institutionalism’s interest on social institutions inefficiency, or on institutions as the subject and focus of political struggle, and on the contingent nature of these struggles that institutional pressures may only partially address (Hall and Thelen, 2009, Thelen, 2010).

As perfectly described by Thelen and Steinmo:

Institutional analysis...allows us to examine the relationship between political actors as objects of history. The institutions that are the centre of historical institutionalist analysis...can shape and constraint political strategies in important ways, but they are themselves also the outcome (conscious or unintended) of deliberate political conflict and of choice (Hay and Wincott 1998:955)

While strategic interaction is particularly underscored in this view, individuals are assumed to possess knowledge and reflexivity so that they are capable of both assessing the consequences of their actions and judging the effectiveness of present institutions. Such assumption entails a dynamic understanding of the relationship between institutions and the actors who define them.

A further advantage of historical institutionalism is that it focuses attention on dynamics of institutional experiments and renovation which may open the possibility to account for institutional change. However changes, unless exogenous or inevitable, are interpreted as slow and incremental, because the access to strategic resources and information are not equally distributed among individuals (or groups) which also explains their difficulties in making radical contributions. In this way, historical institutionalism has managed to explain dynamics of change within the ‘path-dependence’ paradigm (Mahoney 2000, Mahoney and

Thelen, 2010), which is paradoxically that specific concept used by rational choice theorists to account for institutional static.

Path dependence is defined as a process in which ‘contingent events or decisions result in institutions being established that tend to persist over long period of time and constrain the option available to actors in the future, including the one that may be more efficient’ (Campbell, 2010:90). This explains comparative institutional theory’s interest for history, used as a primary means to analyse cross-countries social, economic or political outcomes. More simply, historical institutionalists contend that the order in which things happen affects how they happen (Hay and Wincott 1998; Thelen, 2010).

Streeck and Thelen (2005) have contributed to the historical institutionalist perspective by formulating the notion of *geographical specificity* and suggested that there is a link between the mechanisms that shape institutions and the specific structures of the society within which they emerge (Streeck, 1992; Crouch, 2005; Streeck and Thelen, 2005). Further, these scholars have applied the idea of *embeddedness* to the study of capitalist diversity, arguing that the different impact that similar developments have in different countries can be explained through an analysis of the alternative institutional arrangements found in the various nation-states (Locke and Thelen, 1995; Crouch and Streeck 1997; Streeck and Thelen, 2005). Finally, these authors have underscored the role of power relations and conflict and at the same time attempted to reconcile the structuring capacity of institutions with a space for individual agency and ‘conflictual encounters’ (Djelic, 2010:25). It is in their particular interpretation of institutions – thoroughly summarised by Djelic in the following passage – that this thesis finds its theoretical underpinning (Steinmo *et al.*, 1992; Streeck and Thelen, 2005):

[Institutional patterns] become of real significance if they get anchored into localised territories, if they get appropriated by real actors and are in the process acted out, endogenised and indigenised. In other words, floating ideas are potential institutions. They won't be real ones, though, in a concrete sense before they are acted upon and turned into rules of the game providing stability and meaning...institutions reflect the historical aggregation of multiple human actions. Still, at any point on time, they also frame and constrain individual agency. Institutions are the product of human action. But they are complex products built through time and through a long succession or processes that includes unanticipated developments...Actors are embedded at the very same time in multiple layers of institutional constraints. Institutional memories persist

and can be reinvented as actors move across multiple kinds of boundaries and cross over many different institutional spheres (Djelic, 2010:26).

Thelen and Streeck's (2005) view of institutions is particularly effective with regard to the present comparative analysis, as it helps to observe three countries – Italy, Denmark, and the UK – in relation to the institutional frameworks in which they are embedded. Consistent with their approach, this study transcends the national-level and contextualises the comparison at the sector and firm levels. In doing so it explores how various international trends, such as employers' search for flexibility and collective bargaining decentralisation, are mediated by sector-specific and companies' institutional arrangements, and then translated into policies in a way that may account for both similarity and diversity of outcomes (Thelen, 2010). Thus, for the reason that it takes into account not only 'differences in the type of institutions, but also the degree of institutionalisation and corresponding level of organisational heterogeneity within the boundaries of an institution' (Jackson, 2010:77), historical institutionalism is the theoretical lens applied to this comparative analysis.

As distinguished from its antecedent structuralist and functionalist approaches (North, 1990; Scott, 1995; Goodin, 1998), historical institutionalism recognises the rationale for moving beyond the national level to compare the scope of sector and firm level variations within different national systems. According to this view, the 'local' is a critical environment – not simply a taken for granted reproduction of external definitions – where specific actors, through interactions, shape their perceived identities and interests (Hirsh, 1997). In this light, it is contended that while institutions shape social and political life (Hall and Taylor, 1998) actors' interests are not '*out there*' waiting to be discovered, but they are '*socially constructed*' (Wendt, 1987). Institutionally defined situations influence the interests and the identities of actors, and, at the same time, these same institutional rules 'are defined in relation to stable configurations of actors with particular – institutionally defined – identities interests' (Jackson, 2010:76).

Crucially, when exploring differences and similarities across countries, this study assumes that, not only do institutional rules matter but so too do the identities, interests, and resources of actors involved in them (Crouch, 2005; Streeck and Thelen, 2005; Thelen, 2010). Actors may be socialised by institutions or purposely conform to them, nevertheless, they may also stray from or re-interpret institutions in a way that alter their foundations (Locke and Thelen,

1996; Crouch 2005, Campbell, 2009). This theoretical perspective allows a focus on ‘institutionalisation as a dynamic and actor-centred social process’ (Hirsch, 1997; Jackson, 2009:67) as well as acknowledging that actors and institutions may change over time in a recursive and dialectical fashion (Streeck, 2009; Thelen, 2009).

In particular, Scharpf defines institutions as a ‘context for action’ in which actors constantly interact with each other (1989). During this process, first, institutions shape actors. This is true in the field of comparative industrial relations, where collective actors such as formal organisations, trade unions or employers’ associations, are often the main units of analysis. Collective actors do respond to institutional rules, such as the normative framework regulating the employment relationship. Second, institutions establish the terms of social interaction among those particular actors, delimiting the arena within which unions and employers shape their interests and develop ‘normative and strategic orientation actions vis-à-vis to each other’ (Jackson, 2009:69). However, institutions alone never fully define agency identities, their understandings or their aims and inclinations, and consequently neither do they fully determine their actions.

As a result, actors retain scope for choice within constraints or even impact on those constraints through their individual experiences and understandings about reality (Berger and Luckmann, 1966; Crouch, 2005). It is argued that these understandings and experiences help to address issues of institutional heterogeneity both across and within national boundaries. Thus, as institutional constraints explain only partially the empirical variance of policy outcomes across countries, the rest is dependent on contingent factors, such as, ‘differing conditions of the policy environment, differing interests and goals of policy-makers, and differing beliefs systems through which policy-makers are interpreting cause-and-effect and means-end relationships’ (Scharpf, 1989:150).

3.3 Research Design

In line with its theoretical underpinnings, the comparative methodology adopted by the present thesis is based on Ragin’s work. (1987). According to this scholar, historically oriented interpretative studies need to be treated as ‘a type of empirical social science’ which attempts to account for specific historical outcomes – or set of processes – in light of their significance for current institutional arrangements or for social life in general (Ragin, 1987:3). While reflecting Weber’s relativism, this definition makes some room for the

possibility that a certain amount of historical generalisation exists when looking at comparable cases. However, for this to happen, it is important to go beyond an ideal-typical interpretation of case studies which treats boundaries as impenetrable and systems as closed. Instead, comparative work should proceed at two levels simultaneously: the level of systems – *macro-social level* – and within the systems themselves. This argument draws on the assumption that any analysis concerning macro-social similarities and differences is not truly comparative, if does not grasp situational contingencies. Given this, the present study is based on a cross-national comparison of sector level institutional arrangements, including collective bargaining, in three countries – Italy, Denmark, and the UK – as well as company level collective bargaining in two of these countries – Italy and Denmark. Research is carried out within a single sector of economic activity, specifically, the chemical and pharmaceutical sector. The research design therefore reflects the multi-level nature of this study in which sectors are compared within their national contexts and companies within their sectoral contexts.

Specifically, the framework chosen to classify and select the three countries is the one produced by Visser for the European Commission in 2009 as a synthesis of the many attempts at classification within the debate on capitalist diversity (Crouch, 1993; Crouch, 2005; Schmidt, 2006; European Commission 2009). This debate is relevant here because it has enriched our understanding of the relationship between collective bargaining arrangements – and actors – and national institutional features. For instance, Crouch (1993) observed how nation-state traditions have influenced European industrial relations since the 19th century. Traxler *et al.* (2001) shed light on the economic performance of different national industrial relations systems by empirically testing issues of path dependency. Moreover, while Barbier (2008) explored the link between national cultures and social and employment issues, Esping-Andersen (1990) identified different forms of social welfare systems which were found to condition both social and economic behaviours, and by implication, the industrial relations arena as well.

A particularly fruitful stream of research on capitalist diversity was opened by Hall and Soskice's classification (2001). Their clusters are based on the interaction between financial markets, company investments strategies, production of skills, social protections and wage policies which helps define two broad categories of countries: Coordinated Market Economies, such as Germany or Sweden, and Liberal Market Economies, such as the UK

(Hall and Soskice, 2001). Despite augmenting our knowledge of industrial relations, the varieties of capitalism (VoC) approach has been primarily criticised for its tendency to overestimate complementarity and coherence within institutional types to the detriment of intra-cluster variation (Bechter et al., 2012; Crouch, 2005). It has been argued in particular that the VoC classification is ‘conceptually and theoretically under-equipped to grasp the dynamics of change within and across economies’ (Heyes et al. 2012:236). The second critique relates to the fact that Hall and Soskice excluded the Southern European countries from their operationalisation of coordinated market economies (Deeg and Jackson, 2007; Perraton and Clift, 2004; Heyes et al. 2012). In order to amend this, other scholars have since proposed a third grouping of countries defined in various ways as ‘Mixed Market’ economies (Molina and Rhodes, 2005), ‘Southern European Capitalism’ (Amable, 2000), and ‘State Capitalist Model’ (Schmidt, 2002). While Schmidt (2002) and Amable’s (2000) conceptualisations focus on the role of the state in mediating all the economic and social activities of these countries– Molina and Rhodes (2005) draw on organisational stability and institutional complementarities, depicting Southern European countries as less coordinated and much more fragmented than coordinated market economies.

Visser (2009) systematises the existent classifications around three emerging themes: employment regimes (Gallie, 2007; Esping-Andersen, 1990, Amable, 2000); industrial relations regimes (Crouch, 2005; Schmidt, 2006, Molina and Rhodes, 2007); and production regimes (Hall and Soskice, 2001). The objective set out to investigate is consistent with previous attempts; and it is to explore the interaction between public policies, collective bargaining, and social dialogue in relations to different state traditions, institutions and practices. However, in contrast to other classifications, Visser clusters’ offers a more nuanced comparative lens whereby diversity can be approached from different perspectives. For example, they help this thesis formulate a series of expectations not only on the relationship between international trends – such as employers’ search for flexibility and collective bargaining decentralisation – and institutions of industrial relations but also of economic and social coordination.

Moreover, as it departs from a dualistic approach of institutional analysis (VoC) to embrace a governance approach – which relies on sociological and political science concepts of action (Crouch, 2005; Schmidt, 2006) – Visser’s (2009) classification is in line with the theoretical underpinning of this thesis. It draws on a body of theory that aims to explore how economic

action is governed and regulated while accounting for both structures and actors. Reflecting Crouch's work, the classification proposed by Visser (2009) lies on the assumption that dealing with rule-makers does not necessarily mean that research needs to be concerned only with either formal rules or the restraint of economic actors (2005:44). Indeed, Visser's clusters acknowledge that institutions can also be interpreted as open boundaries, and not only as constraining factors. The main advantage of this analytical approach is that it takes into account different forms of institutionalisation (Bechter *et al.*, 2012; Procter, 2015) and that it reflects important consideration of labour market governance and social welfare (Traxler *et al.*, 2001; Esping-Andersen, 1990) which are deemed relevant to the present comparison.

Finally, scholars have argued that the significance of this classification is that it is empirical/descriptive (cluster analysis) and, at the same time, theoretical, as it is derived from theoretical typologies of production regimes, welfare states, and employment arrangements (Bechter *et al.*, 2012). For example, Bechter and colleagues (2012) found it useful not only because it allows a focus on both national and sector level industrial relations institutions but also because it provides a more 'fine-grained' description of EU industrial relations than the traditional ones offer (2012:190). Even so, they highlighted that within-country variations are for the most part neglected in this analytical framework. Visser himself recognises that 'the real world is messier than these typologies and the application to single countries is an approximation at best' (Visser, 2009:50).

In this regard, the present study compares three countries that, although belonging to different clusters – namely, Nordic, South, and West clusters – will be shown to share some important elements of similarity (Marginson and Sisson, 2006:42). Indeed, depending on the industrial relations features that researchers choose to draw attention to, as well as their particular focus of analysis – national, sectoral, and local – institutional heterogeneity within country-groups can be so marked as to require such clusters to be (re)combined (Marginson and Sisson, 2006). For example, Marginson and Sisson (2006) identify some specific industrial relations features that allow similarities between supposedly different institutional models to emerge (Ebbinghaus, 1999; Supiot, 2000).

3.3.1 Why Italy, Denmark, and the UK

One of the primary strengths of Visser's classification is to stress institutional *variations* across the selected countries for this comparative analysis (Visser, 2009). In line with the neo-institutionalist paradigm, these variations are argued to have a role in shaping the agenda of social partners, at different bargaining levels, on issues of flexibility and security (RQ1). Table 3.1 summarises the most relevant differences in the industrial relations systems characterising Italy, Denmark, and the UK.

Italy

Italy is clustered as a Southern European country due to the prominent role of the state in the market economy and the dualistic nature of both its welfare regime and labour market. Within this context, trade unions have managed to maintain a consultative role in the decision making system, but they have not developed the ability to participate in the distribution of welfare benefits – active labour market policies included. In terms of industrial relations arrangements Visser uses a similar terminology as Schmidt (2006) to define Italy as a sort of halfway-case between the '*state-centred*' and the '*corporatist*' models. Legal intervention in labour related matters is high and, even though state and social partners do attempt to act together, they are both weak (Schmidt, 2006). The dominant level of collective bargaining is still the sector. Coordination between the sector and the company level is in place and occurs both at the confederal and the sectoral level. In recent years, as a result of further bargaining decentralisation, there has been an increasing focus on the company level. Crucial to the scope of the present study, management and employees are attempting to tackle specific problems outside the usual representative channels with *impromptu* experiments of territorial and company level concertation (Regalia, 2006). Social partners look for points of agreement at micro-level, in particular, when negotiations involve working-hours, job-placement, and training (*ibid.*). Yet, over a total bargaining coverage of 80 per cent, it is estimated that company bargaining covers only about 20-25 per cent of companies in the private sector, thereby posing a series of challenges to social actors when dealing with issues of flexibility and security (Burroni and Pedaci, 2011; Pedersini, 2013).

Denmark

Denmark belongs to the Nordic European cluster of industrial relations (Visser, 2009) which, in terms of production regimes, embodies the coordinated-market economies. This country is characterised by a highly inclusive welfare system where participation in decision making by employers' organisations and organised labour is strongly institutionalised. Trade unions take part in the distribution of welfare benefits and contribute to active labour market policies. Visser (2009) defines the Danish industrial relation regime as 'organised-corporatism' where collective bargaining is the primary source of labour market regulation and legal intervention is almost not existent. In contrast to many EU countries labour law plays a relatively minor role in setting the norms and conditions of the employment relationship as compared to that of collective bargaining (Gold and Weiss, 1999). This is, in turn, regulated by a sort of an overarching agreement known as the 'basic agreement' (*hovedaftaler*) that, besides providing a series of principles governing relations between employers and employees, serves as a guideline for the interpretation of the different industry-wide agreements. It follows, therefore, that the Danish collective bargaining systems is characterised by a multi-level structure providing a controlled decentralisation (Due *et al.*, 1994; Visser, 2009). Coordination of bargaining competences occurs only at the sector level and, as a result, industry-wide agreements are used as comprehensive frameworks for negotiations taking place at company level (Jørgensen, 2014). The nature of the Danish industrial relations system, based on a consolidated multiple-employer bargaining tradition, exerts a strong influence on collective bargaining coverage. The degree of union involvement in negotiating employment terms and conditions is demonstrated by a coverage rate of 65 per cent which is still one of the highest amongst the EU Member States (Ibid.). Given the centrality of collective bargaining, Denmark represents a particularly interesting context in which to explore the role of collective actors and institutions in addressing issues of flexibility and security. It is worth mentioning that in recent times this country has captured scholars' attention in light of its ability to reconcile some of the most neo-liberal elements with institutionalised negotiations and decision-making typical of Nordic-corporatist countries. Such '*institutional complementarities*', based on heterogeneity rather than homogeneity, reflect what in the literature is referred to as the 'flexicurity model' (Campbell, 2007:307; Bekker *et al.*, 2008; Due and Madsen, 2008).

The UK

Finally, the UK is one of the most prominent examples of a liberal market economy and Visser clusters it as a ‘West-European Country’. Adopting Gallie’s typologies (Gallie, 2007) he defines its employment system as a ‘market-based regime’. Accordingly, employment levels and job rewards are ‘*self-regulated*’ and institutional controls by organised labour are considered as ‘*negative rigidities*’ (Gallie, 2007:18). The state acts in a very restricted sphere, and although increasing, legal regulations do not play a significant role in the socioeconomic domain (Schmidt, 2006; Dickens and Hall, 2010). The primary reason for the UK to be investigated is that, of all Western European countries, it has made the most radical break with corporatist tendencies (Streeck, 1988; Colling and Terry, 2010). Collective bargaining coverage and union density reached 29.2 and 26 per cent respectively in 2012 while membership composition is characterised by a significant segmentation in terms of sector of activity, occupational groups, and company size (Pedersini, 2010; Gamwell, 2014). In addition, due to the largely decentralised nature of employment relations, the role of employers’ organisations is not particularly prominent (Gamwell, 2014). It declined notably during the 80s when many existing sectoral agreements ceased to function and companies began to negotiate with trade unions at lower bargaining levels. Institutions at the sector level play an almost irrelevant role and single-employer bargaining is the predominant system of negotiations. In light of this fragmentation, the scope of infra-national and cross-national diversity of bargaining outcomes has potentially enlarged, and the British collective bargaining framework becomes a sort of extreme institutional context in which to explore how issues of flexibility and security have developed.

Table 3.1: Industrial relation regimes or arrangements

	Italy	Denmark	UK
Production regime	Statist market economy	Coordinated market economy	Liberal market economy
Welfare regime	Segmented	Universalistic	Residual
Employment regime	Dualistic	Inclusive	Liberal
IR regime	Both state-centred and corporatist	Organised corporatism	Liberal pluralism
Principal Level of Bargaining	Sector	Sector and company	Company
Coordination	Confederal and sectoral	Sectoral	No coordination
Role of SP in public policy	Irregular/Politicised	Institutionalised	Rare/event-driven
Employee representation coverage	Sector-level high Company-level low	Sector-level High Company-level High	Company-level- low

Source: Industrial relation regimes or arrangements, adaptation of J. Visser 2009 (European Commission, Report).

Cross-national differences notwithstanding, a comparative analysis between Italy, Denmark, and the UK, points to the fact that the *intensity of variation* across Visser’s clusters may not be necessarily the same for all countries. For example, despite being placed in different clusters, Italy and Denmark have developed an institutional configuration of collective bargaining that features important elements of similarity, such as a multi-employer bargaining system and coordinating mechanisms between bargaining levels. Paying attention to these particular similarities has two methodological implications. On the one side, it sharpens the *difference* between these two countries and the UK, where institutional mechanisms of this kind are no longer existent. On the other, it portrays Italy and Denmark as more similar institutional contexts in which to explore *differences* in the role of sector level and company level bargaining arrangements – and the relationship between them – in addressing issues of flexibility and security (RQ2). Table 3.2 summarises the main similarities across countries

Likewise, Marginson and Sisson’s approach to institutional clusters underpins the argument that, depending on the focus of analysis, there are more similarities between countries than appear at first sight (2006). According to these authors, for example, in both Italy and Denmark the state does not intervene in wage bargaining if not as conciliator. Similarly, in addition, their multi-employer agreements are binding for all the signatory organisations and their respective members. Moreover, if looking at the extent of employee workplace organisation Italy, Denmark and even the UK feature an important element of similarity: a single-channel structure of union representation.

Table 3.2 Inter-cluster similarities

	Italy	Denmark	UK
Collective bargaining arrangements	Multi-employer	Multi-employer	Single-employer
Collective bargaining decentralisation	Organised	Organised	Disorganised
Coordinating Mechanisms across bargaining levels	Existent	Existent	Not Existent
Role of state in wage bargaining	Conciliator	Conciliator	Non-intervention
Status of collective agreements	Binding	Binding	Non-binding
Workplace representation	Single-channel Unions	Single-channel Unions	Single-channel Unions

Source: adaptation Visser, 2009; adaptation Marginson and Sisson, 2006

In synthesis, in a comparative analysis of collective bargaining arrangements across Italy, Denmark, and the UK national *variations* may provide a fundamental, but nonetheless, partial account of the way in which institutions enable and constrain actors' interactions. When the focus is specifically on sector and company level actors and institutions – and the relationship between these – issues of cross-national homogeneity, as well as within country heterogeneity, are assumed to be as important and to require just as much attention (Crouch, 2005; Marginson and Sisson, 2006; Bechter *et al.*, 2012). Thus, given the multi-level nature of this comparative study, both method of difference and method of similarity are simultaneously combined (Lijphart, 1971).

Drawing on Visser's clusters (2009) the method of difference (Lijphart, 1971) is applied to the study of sector level institutional arrangements across Italy and Denmark on the one side, versus the UK on the other. In order to address this level of analysis three research propositions will be examined (Chapter 7). In the country-by-country presentation of findings (Chapters 4-5-6) such propositions are further specified to reflect the institutional framework characterising collective bargaining in each country.

The main research propositions are:

1. The institutional configuration of the chemical and pharmaceutical sector accounts for the scope of the sector level social partners' agenda over issues of flexibility and security (Marginson and Galetto, 2015); collective bargaining and social dialogue represent functional mechanisms for the social partners to develop similar understandings around these issues and enhance the possibility for exchange of ideas, package deals, and joint problem solving between the parties (Ibsen and Mailand, 2011). Informal social dialogue arrangements, as found in the UK, provide a less procedurally secure mechanism than the formal collective bargaining institutions that are found in Italy and Denmark.
2. In countries in which labour law is more developed collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility. In contrast, where social welfare is more developed collective bargaining and social dialogue engage less with security and more with flexibility, because the security

dimension is already covered by the state (Esping-Andersen, 1990; Ibsen and Mailand, 2011).

3. Articulating mechanisms governing the relationship between the sector and the company level influence the scope of company level bargaining over issues of flexibility and security (Marginson and Galetto, 2015).

In contrast, the method of similarity (Lijphart, 1971) is applied to the study of Italy and Denmark only. By featuring a) a multi-employer bargaining system; b) coordinating mechanisms between bargaining levels; and c) a centralised decentralisation of collective bargaining, these two countries can be treated as fairly homogeneous institutional contexts across and within which to reveal (potential) *variations* of outcomes. By comparing Italy and Denmark it is possible to focus on the relationship between similar institutions at different bargaining levels and assess the role that this relationship plays in shaping the agenda of company level actors on flexibility and security. Once the nexus between institutions and bargaining outcomes has been established, it is then possible to shift attention to contingent factors and explore the role that these factors, in turn, play in determining bargaining outcomes.

Thus, in order to conduct the second level of comparison two sets of expectations developed from the literature and further specified in Chapters 7 and 8 will be examined. The first one relates to the ways in which articulation mechanisms – at both interconfederal and sectoral level in Italy and at sectoral level only in Denmark – allow categories of flexibility and security to enter into the agenda of company level negotiators (Marginson and Galetto, 2015). The second set of expectations has to do with the ways in which non-institutional variables – in particular the degree of international competition and the cross-border organisational structure of the multinationals under focus – influence the capability of company level bargaining actors to find compromises between different forms of flexibility and security, and condition the nature of these compromises (Pulignano *et al.*, 2015).

3.4 Beyond the national level

By demonstrating that industrial relations vary significantly across sectors, Bechter *et al.* argue that ‘we cannot derive the kind of industrial relations that affect a company, or a group or employees, simply by the country in which they are located; we must also know in what

sector they operate (2012:199). Sharing their methodological concern, the present comparative analysis adopts a sector-focus approach and assumes that employers and employees belonging to the same industry experience similar technologies and market environments, and therefore, also similar demands for flexibility and security (Crouch, 2005; Marginson and Sisson, 2006). Nevertheless, limiting the attention to a single sector of economic activity may represent both the main strength and limitation of the chosen methodology. On the one hand, it avoids a too deterministic interpretation of the role of national institutions in shaping different – or similar – bargaining outcomes across countries. On the other hand, because of the significant degree of cross-sector heterogeneity within countries, it is not possible to generalise findings.

The particular sector chosen for this comparative analysis is the chemical and pharmaceutical sector. Qualities such as market stability, high skills and productivity levels (Heyes, 2001), as well as a long history of collaborative collective bargaining make it a good fit for the research focus (CO-Industri, 2012; Martin, 2013; Federchimica, 2014; Sanz de Miguel, 2014). First, while affected by the present economic crisis, this industry has remained relatively stable across geographic sectors. This represents an important condition in producing findings on issues of flexibility and security without including the economic crisis as a determinant variable. Second, across Italy, Denmark, and the UK, workforce composition reflects the reliance of the sector on market innovation and quality of products. This high-skill and high-productivity environment has made flexibility and security prominent issues in the agenda of social partners. Third, chemicals and pharmaceuticals belong to a sector that is well organised on both sides, employers and unions, and collective bargaining at the company level covers smaller as well as larger employers. The comparison with chemical and pharmaceutical companies in Denmark – which are covered by industrial agreement and characterised by a relatively high level of union representation – was therefore meaningful and empirically possible.

In the UK, the chemical and pharmaceutical industry does not have any formal sector level agreement in place. Single-employer bargaining is the only way in which collective bargaining occurs, while the main form of exchange between the employers' organisation (CIA) and sector level trade-unions (Unite, GMB) is social dialogue. The choice of selecting an industry with no sector level institutional arrangement reflects one of the implicit aims of this study: to strengthen the link between collective bargaining and issues of

flexibility and security. Consistently holding conditions in markets and technologies constant by exploring one single sector of economic activity allows the research to pay exclusive attention to institutions and degrees of institutionalisation, and by implication, to observe whether – and how – these institutions influence social actors’ effectiveness across different countries (Marginson *et al.*, 2006).

Given the highly internationalised nature of the chemical and pharmaceutical sector, the selected companies for this comparative analysis are manufacturing plants of large multinational organisations. The literature review chapter (Chapter 2) demonstrated that flexibility is a highly strategic issue in these organisations as local management uses it as a means to deal with cost-effectiveness pressures coming from headquarters. At the same time, the sophistication of the production processes, as well as the technologies and skills required, have ensured a relatively high level of security for the workers. Moreover, company and/or site-level agreements are present in the companies that have been investigated in both Italy and Denmark.

A comparative analysis of sector level collective bargaining in Italy, Denmark, and the UK, and of company level bargaining in Italy and Denmark, provide a series of significant advantages. First, it sheds light on the role of sector level actors and institutions in shaping regimes of flexibility and security. Second, it elucidates whether the existence of a sector level framework that steers local bargaining on issues of flexibility and security is a pre-condition for these issues to be considered and addressed by social partners at the company level. Third, it reveals whether and how different combinations of flexibility and security occur at the company level – when countries share similar sectoral institutional arrangements – and helps in assessing their nature. Finally, it sheds light on the actors’ capability to develop flexibility and security strategies in response to the interpersonal network in which they are embedded and the meaning that these particular issues possess for their identities.

To conclude, in order to contrast flexibility and security developments across and within countries, two company case studies have been conducted for each country. The rationale for repeating the observation twice within each national context follows two main considerations. First, it explores whether common sector level institutional arrangements foster different patterns of behaviour across companies thereby underscoring variation within countries (Crouch, 2005; Marginson and Sisson, 2006; Bechter *et al.*, 2012). Second, it enables a

deeper understanding of the role of micro-level contingencies – non-institutional variables – in shaping the agenda of local-level negotiators over issues of flexibility and security (Arrowsmith and Marginson, 2006; Edwards, 2011; Pulignano and Keune, 2015).

3.5 Methodology

As the present research sees institutions mainly as interacting with other institutions and embedded in complex social, historical and political environments, quantitative data are not applicable. Concepts such as cooperation, trust, conflict, and power are not easy to quantify as variables. Instead, institutions are interpreted according to the role they play in different social contexts, as well as for the meanings given to actions by the actors involved.

An in-depth qualitative methods approach is best suited to the target of analysing institutions in an actor-centred fashion. First, it explains the reasons for the non-identical nature of those actors' outcomes. Secondly, it addresses the fact that different institutions may be more or less constraining and, therefore, lead to different degrees of institutionalisation across and within societies over time (Scharpf, 1989). Consistent with the focus of the present research, qualitative methods helps to empirically explore 'actors strategies toward institutions without merely comparing national averages from a static point of view, but rather looking at the extent of the variation around those means' (Jackson, 2010:81).

This multi-level comparative analysis draws on a range of secondary sources such as academic literature, statutory provisions and legislation on collective bargaining, and formal regulation on non-standard employment contracts and employment security. The use of secondary data enabled a broad understanding of the historical, institutional, and legal context in which Italy, Denmark, and the UK are found. This was a pivotal passage in exploring the way in which national institutions, such as social welfare and legal regulations, may influence the scope of collective bargaining over issues of flexibility and security and provide an independent account of the role of collective bargaining actors and institutions in addressing issues of flexibility and security across countries.

In addition, empirical research was undertaken first at sector level, and then at company level, in the form of case studies. According to Yin, case studies are the preferred strategy for

the observation of ‘contemporary phenomena within some real-life context’ and when the research intent is ‘principally exploratory’ (Yin, 2003:6). Both criteria apply to the present analysis which is aimed at discovering the rationale behind actors’ decisions, observing the context in which these decisions are produced, and comparing patterns and outcomes across cases. Moreover, a case study approach offers the possibility to triangulate multiple sources of evidence. Accordingly, researchers are able to address a wide range of historical, attitudinal and behavioural issues, thereby strengthening both the validity and reliability of the qualitative analysis (Yin, 2006).

3.5.1 Sector level data collection

Besides representing a crucial element of the context in which company level negotiations take place, sector level data represents an institutional forum on its own where social partners engage with issues of flexibility and security (Ibsen and Mailand, 2011; Marginson and Galetto, 2015). They do so through collective bargaining, both in Italy and Denmark, and through social dialogue activities across all three countries, Italy, Denmark and the UK. Relevant to the scope of the present analysis (RQ1), this level of comparison required specific attention. Thus, the first stage of the fieldwork involved 17 semi-structured interviews with the employer organisations and the trade-union representatives across Italy, Denmark, and the UK (Table 3.3).

Table 3.3: Interview respondents sector level

	Italy	Denmark	UK
Employers’ side	Federchimica: 1. Director of IR 1. Rep of IR Committee Farindustria: 1. Director of IR	Dansk Industri: 1. Deputy Director	Chemical Industri Association (CIA): 1. Employment Director
Unions’ side	Filctem – Cgil: 2. National Secretary 1. National Officer Femca- Cisl 1. Research Director 1. National Secretary Uilcem-Uil 1. National Secretary	Co-Industri: 1. International Secretary HK-Privat 1. National Secretary Dansk Metal 1. General Secretary 1. International Secretary	Unite: 1. Research Officer GMB: 1. National Officer
Tot.	9	5	3

Interviews are a fundamental source of evidence as they allow ‘data collection that has depth is nuanced and that reveals the contested assumptions underpinning social processes and

social change' (McLaughlin, 2006:46). Moreover, interviews provide the flexibility to explore additional information, to challenge contradiction and to take the line of inquiry in different ways as new issues emerge (Yin, 2003).

All the participants, in the Italian and Danish cases have been personally involved in the processes of collective agreement renewal and have been seated at the actual negotiation table. To ensure consistency of the data gathered the same questions were asked of unions and employers' representatives. In the UK, social partners were asked about social dialogue activities instead of collective bargaining, in order to take into account the specific institutional configuration featured in the chemical and pharmaceutical industry in this country.

The interview questions were selected in such a way that the positions and bargaining resources of sector level social actors on issues of flexibility and security could be reflected. Actors were probed on two different grounds which can be broadly defined as 'not-strictly institutional' and 'institutional'. Accordingly, the first set of questions explored the main challenges faced by chemicals and pharmaceuticals in the past decade, namely a) overall government regulation – i.e. the health and safety compact and liberalisation of generic drugs for pharmaceuticals, b) any relevant industry development, and c) issues linked to international competition. The second set of questions was more directly linked to the role of collective bargaining actors and institutions in addressing flexibility and security. Following the literature that underpins the research focus and questions, this matter has been distilled into the following five lines of enquiry:

- 1) the parties involved, directly and indirectly, in negotiations at sector level and the nature of the relationship between these;
- 2) any changes in the negotiating competences of the sector;
- 3) evolution of bargaining over flexibility and security since the early 2000s in terms of both union/employer objectives and substantive content of sectoral agreements;
- 4) bargaining at the company level and its relationship to the sector level, including the relationship between the union and company level representation, and the employers' organisation and individual companies;
- 5) evolution of substantive content of bargaining at the company level (in particular over the categories of flexibility and security identified in the literature)

Along with semi-structured interviews, all the sector level agreements signed in Italy and Denmark from 1998 to 2012 were collected. In the UK sector level bargaining is not in place, therefore, no agreements could be included. In addition, all the documents that the sector level social partners used during the interviews to structure and/or corroborate their answers were included in the analysis. These are annual reports and power point presentations produced by the research offices of unions and employer organisations across the three countries and cover a) facts and numbers on sector performance; b) the agenda of social partners; c) the effects of measures introduced through collective bargaining for the sector, the labour market, and the employees (IT and DK); c) a series of initiatives promoted by the social partners to boost productivity and employment; d) data on the labour market conditions in each country.

3.5.2 Company level data collection

The second stage of fieldwork involved four large manufacturing plants of four different multinational companies, which, in order to protect their anonymity, have been given the following pseudonyms: *Impresa 1*, *Impresa 2*, and *Firma 1*, and *Firma 2* two in Italy and two in Denmark respectively. In the UK, negotiating access proved to be particularly difficult and, after 18 months of unfruitful efforts, it was suspended. As previously demonstrated (section 3.2), this unexpected outcome represented an opportunity to re-think the research design and, as a result, to underscore some of the methodological strengths of a multi-level comparative analysis.

The case studies are based, first, on 14 semi-structured interviews conducted with key-participants in local negotiations (Table 3.4).

Table 3.4: Interview respondents company level

	Employer's side	Union's side	Tot.
Impresa 1(IT)	1.HR General Director 1.Employee Relations Manager 1.HR Plant director & ER Mng & HR Mng	1. RSU Representatives (Uilcem) 1. RSU Representative (Femca)	5
Impresa 2 (IT)	1.CEO 1.HR General Director	1. RSU Representative (Filtem) 1. RSU Plant Rep (Filtem)	4
Firma 1(DK)	1.VP People Relations & Compliance	1.Full-time shop steward and employee-elected member of the 'Board of Directors'	2
Firma 2 (DK)	1.HR & ER director	1.Shop-steward HK-Privat 1.Shop-steward Dansk Metal	3

In companies where more than one representative per side participates at the negotiating table – as often occurs for the unions – more than one respondent was interviewed at the same time. In total the study involved 16 participants who were asked exactly the same questions. In Italy, interviews were conducted in Italian, the researcher's mother tongue and then translated; while in Denmark both interviewer and interviewees used English as their second language. In Denmark, the interviewer was aided by written questions and the support of a recorder which helped her focus exclusively on delivering a clear and understandable message. Notes and tapes have been subsequently reviewed and transcribed; email conversations followed up on any points from the interviews that were unclear. The interviewees were all able to respond in English. However, on two occasions where union representatives did not feel one hundred per cent confident in their second language arrangements were made to avoid any problems that this might cause. The interview with the General Secretary of Dansk Metal was witnessed by the International Secretary of Dansk Metal who acted as a translator. In one of the companies, two shop stewards belonging to the same *klub* asked to be interviewed simultaneously in order to validate each other's answers and to ensure that these were both clear and reliable. Language issues, therefore, did not represent a barrier.

As for the sector level, the interview questions were designed around the themes emerging from the literature on flexibility, security and collective bargaining, where the focus of the present research is located. Accordingly, in order to gain an overall understanding of what in Chapter 2 has been defined as '*firm-specific structural variables*' in the first part of the interview both managers and shop stewards were asked about: a) issues related to the international structure of the business; b) the impact of international competition and their perceptions; and c) the history of the organisation in terms of growth, productivity, changes of business strategy; and d) any internal developments they considered relevant to the scope of the research. Once the 'non-strictly institutional' environment of each manufacturing plant had been determined, the second part of the interviews was aimed at grasping the space within which social partners act as collective negotiators.

Respondents were probed along the following lines of enquiry:

- 1) the parties involved, directly and indirectly, in negotiations at the company level and the nature of the relationship between them;

- 2) issues of collective bargaining decentralisation in the chemical and pharmaceutical sector;
- 3) bargaining at the company level and its relationship to the sector, including the relationship between shop stewards and respective union branches, and individual companies and employers' organisations;
- 4) evolution of substantive content of bargaining at the company level;
- 5) evolution of bargaining over flexibility and security since the early 2000s in terms of both unions' (or management) objectives and substantive content of company agreements.

Second, interview data have been gathered along with local level agreements. Organisations treated these documents as confidential information and they initially showed a reluctance to disclose them for research purposes. Nevertheless, in Italy, both *Impresa 1* and *Impresa 2*, provided the researcher with a thematic and chronological collection of company and plant-level agreements signed between 2000 and 2012. In this document – defined as ‘Single Register of Employment Terms and Conditions’ (*Libro Unico*) – norms regulating flexibility and security were already partly systematised facilitating data analysis. In Denmark, a key issue was language as local agreements were not accessible in English. Yet, managers and employee representatives, both in *Firma 1* and *Firma 2*, agreed to help the researcher with the translation of agreements in force – and signed between 2000 and 2014 – whenever the categories of flexibility and security were involved. By repeating this exercise twice, with both sides of the negotiating table, the researcher could validate their respective answers and, as a result, secure the reliability of the material gathered.

Finally, in order to gain a deeper understanding of the organisational structure of the four firms investigated, the nature of their product market, and the level of international competition faced, annual reports, information briefings, press releases, minutes of meetings, and power point presentations have been collected during fieldwork and included as data sources.

3.5.3 Data Analysis

Data have been analysed by applying the principles of qualitative content analysis. The choice of this particular method has followed two main considerations. First, this stage of

data collection concerned a large number of narrative texts and formal documents, such as collective agreements, which needed to be thoroughly scrutinised. Second, one of the strengths of content analysis is that it follows specific analytic rules and step by step models that allow qualitative research to control the risk of being unscientific, arbitrary or subjective (Schilling, 2006).

Accordingly, five levels of observation have been undertaken: 1) from tapes via transcripts to raw data; 2) from raw data to condensed records; 3) from condensed to structured protocols (which helped separate the multiple levels of comparison – country, sector, company) to preliminary category systems; 4) from preliminary category systems to coded protocols; 5) analysis and interpretation (ibid.). This process was carried out with the support of Nvivo computer software, a useful tool for managing, retrieving, and coding the range of data collected, from open-ended interviews to direct observation notes.

3.5.3.1 Interviews Level 1-3

Interviews were transcribed, translated, and each one summarised in a report. These reports were sent to the supervisors and comments acknowledged. Both transcripts and comments have been imported in Nvivo.

3.5.3.2 Documents Level 1-3

Collective agreements have been imported into Nvivo. The documents in Italian have not been translated, but first order coding has been carried out in English.

3.5.3.3 Interviews & Documents Level 4

In order to explore the different forms of flexibility and security addressed by collective bargaining across Italy, Denmark, and the UK – and potential trade-offs between these – both interviews transcripts and agreements have been coded applying the same categories tested by Ibsen and Mailand (2011) and Marginson and Galetto (2015). Systematising the data according to the literature on the ‘missing link’ between flexicurity and collective bargaining provided continuity and consistency with existent findings.

The categories applied are:

- Pay

- Working-time
- Job demarcation
- Training
- Social benefits and entitlements
- Provision for atypical workers
- Measures for employment

The different forms of flexibility and security, based upon Wilthagen and Tros (2004), are:

- | | |
|----------------------------|------------------------|
| - External Flexibility | - Job Security |
| - Working time flexibility | - Employment Security |
| - Functional Flexibility | - Income Security |
| - Wage Flexibility | - Combination Security |

Categories have been coded according to their contribution to flexibility and security, as in the following examples. Table 3.5 and 3.6 exemplify the analysis carried out at the sector level and the company level respectively

Table 3.5 Coding of collective agreement provisions enhancing flexibility and security at the sector level

Categories of Flexibility and Security	Potential Collective Bargaining Provisions at the Sector Level	Potential Flexibility	Potential Security
Pay	[IT 2002]: Introduction of guaranteed payments in companies where no negotiations take place [DK] Minimum thresholds for company level bargaining	Wage	Income Income
Training and Education	[IT 2006]: Extra 1,5 days for training [DK 2004]: 2 weeks training for dismissed employees	Functional	Job (core) & Employment (temporary) Employment
Working-Time	[IT 1998]: over-time can be accumulated and used as personal time off [DK 2000] Working-time flexibility on a voluntary basis - involvement of shop-stewards needed	Work-Time Work-Time	Combination Combination
Job-Demarcation	[IT 2009]: 2009: Reform of Job Classification	Functional	Income
Social Benefits	[IT 2002]: Integrative Health Insurance [DK 2004]: Pension contribution white and blue collars alike		Combination Income – Combination
Provisions for Atypical Workers	[IT 2002]: To supplement the law 198/97 all clauses specifying circumstances, restrictions on use and quotas for temporary workers are set		Job
Measures for Employment	[IT 2006]: More flexible clauses to deploy atypical workers in the south of Italy [DK 2012] The period for gaining seniority entitlements (when re-entering employment) reduced from 9 to 6 months	External	Employment Income - Combination

Table 3.6 Coding of collective agreement provisions enhancing flexibility and security at the sector level

Categories of Flexibility and Security	Potential Collective Bargaining Provisions at the Company Level	Potential Flexibility	Potential Security
Pay	[Impresa1] Company Short-Incentive Scheme	Wage	
	[Firma2] Pay bargaining	Wage	
Training and Education	[Impresa2] Introduction of new job profiles	Functional	Job
	[Firma2] Vocational training provisions		Employment
Working-Time	[Impresa1] Extended scope for on-call work	Work-Time	Combination
	[Firma1] Multi-flexible production	Work-Time	Combination
Job-Demarcation	[Impresa 1] Introduction of new job profiles	Functional	Income
Social Benefits	[Impresa1] Company Welfare Fund (Faschim)		Combination
	[Firma1] Seniority Entitlements		Income
Provisions for Atypical Workers	[Impresa 2] Use of agency workers for starting a new production line (2004)	External	Job (Core)
Measures for Employment	[Forma2] Job Transfer Centre: internal forms of ALPM including training and job placement		Job

The contribution of the agreements towards trade-offs between flexibility and security was acknowledged when the agreements lead to a ‘balance’ or an ‘unbalance’ (Chapter 2).

Moreover, when exploring the relationship between sector and company level bargaining arrangements in Italy and Denmark and the influence that such a relationship exerts on the agendas of local actors over issues of flexibility and security, new codes have emerged and been applied to the data:

- Autonomy of company level social partners from sector level social partners
- Autonomy of company level social partners from the headquarters
- Manager-union relationship
- Role of sector level collective agreements
- Coordinating mechanisms between bargaining levels
- Role of company level collective bargaining

Finally, all annual reports, information briefings, press releases, minutes of meetings and power point presentations have been also imported into Nvivo and coded according to the

nodes below. Such nodes emerged by contrasting the literature on collective bargaining within multinationals with the lines of enquiry that structured the interview questions:

- Business segment
- Product market
- Nature of production
- Workers characteristics
- Internationalisation
- Integration
- Nature of Capital
- Degree of global competition
- Competition within Europe
- Nature of Buyers

Each stage of coding has been followed by memos that helped systematise the findings around three broad comparative themes: 1) issues of flexibility and security at the sector level in Italy, Denmark, and the UK; 2) the role of collective bargaining actors and institutions – both at sector and company level – in shaping the agenda of local level negotiations over flexibility and security in Italy and Denmark; 3) the extent to which firm-specific structural variables participate in the definition of outcomes. Memos enabled the researcher to record ideas, insights, interpretations or growing understanding of the research material and, at the same time, keep different stages of analysis separate from all the data available. Such memos have been pivotal during the ‘writing-up’ process as, first, they helped the researcher to capture relevant issues and exclude – but yet record – the irrelevant ones. Second, they allowed the researcher to keep in mind the significance of the codes for each chapter’s objectives.

3.5.3.3 Interviews & Documents Level 5

Once analysed, data have been triangulated to create a multiple case-study data-base and maintain a chain of evidence in line with the research objectives. The process of interpretation was based on the theoretical assumptions underpinning this comparative institutional analysis and presented at the beginning of the chapter. In particular, the researcher probed whether different groups of cases appeared to share some types of similarities – and/or differences – that deserved to be treated as instances of the same type of general case (Yin, 2003). This cross-case synthesis covered interrelated issues and, as a result, reduced the risk of limiting the analysis on single features. In order to make sure that

all the evidence was attended to, and that the interpretation accounted for all such evidence, a series of security checks were undertaken (Yin, 2003):

1. All major rival interpretations were considered. The external contribution of three supervisors was important in this respect.
2. The most significant aspects emerged with the case studies, and linked to the research questions, were addressed. No relevant issue was left behind because of possibly negative/unexpected findings.
3. New evidence has been included when available – such as new findings published by scholars on the matter and official documents produced by the social actors involved in the study. The researcher kept abreast of current thinking and discourses on the case-study topic and applied this knowledge in order to produce analysis of the highest quality.

3.5.4 Research Ethics

Given the sensitivity of the information required for this comparative analysis all potential respondents were sent a research statement outlining the objective of the interviews and typology of data required. The interview process started only after obtaining full consent to use both documents and interview data for the purpose of the research. When the consent covered only one of these two typologies of data access was considered denied.

All interviews were conducted by the same researcher and in person. Except for the interview with the UK CIA representative - which was undertaken at WBS premises - all the other interviews were conducted at the respondents' offices. This ensured the same level of formality to each of the interviews independently from countries and/or companies. The researcher always acted and, possibly, was perceived as, an external observer. The interviewees never asked, during the time allocated, for her personal opinion on the matters discussed.

Interviews were recorded only after the respondents' permission had been obtained. When asked, the researcher explained how interview data would be handled, and participants and companies anonymised. The interviews in Italy were conducted in Italian, typed up in Italian, and then translated by the interviewer so to minimise the risk of twisting words and changing their meaning. No issues of this kind emerged in Denmark where the interviews were

conducted in English. However, due to the fact that both interviewees and interviewer spoke in their second language, a series of follow up emails served as a way to validate the transcripts and avoiding any misinterpretations. If on the one hand conducting interviews in a second language was perceived as a weakness by the researcher, on the other, it actually turned out to represent an opportunity too. Participants, both in Denmark and the UK, welcomed any sort of clarification questions which, in fact, enabled her to gain a deeper understanding of the context – both institutional and non-institutional – in which data were being collected. The average length of the interviews (1.47 hours) can be interpreted as an evidence of this.

Sector level

During the interviews, the link between social partners and national political interests often emerged. In Italy, respondents were more prone than in Denmark and the UK to express their political affiliation and ideological views. It is not surprising that, in this country, there are three different unions within the same sector, each of them reflecting a traditional sphere of the Italian political spectrum. Given the nature of the research, interested in the meanings that issues of flexibility and security possess for social actors' identities across different national contexts, this was considered a positive outcome. It was not interpreted as a biased representation of reality, but as a way to uncover relevant power dynamics characterising the relationship between the unions and between the unions and the employers' organisations.

Company level

Given the particular sensitivity of the information required at the company level, access proved to be more difficult than at the sector level. In order to provide a clear account of the role of collective bargaining at plant level, companies needed to make available the collective agreements signed in the past 10 years and involving issues of flexibility and security. In addition, interviews both with HR managers and shop stewards were required. As noted above, in the UK such access could not be secured.

In Italy access at the company level was secured by Federchimica – the employers' organisations representing chemicals – while in Denmark, access at the company level was opened up by both the employers' organisations – DI – and one of the trade unions – HK-

Privat. Although it might be argued that such organisations held very positive attitudes towards the objectives of the research, companies were not chosen on this basis. The feasibility of the study depended on gaining HR managers' consent; it may, therefore, be possible that the companies who agreed to participate in the study were seeking to draw attention to their best qualities. However, in order to control for this possibility, the employer side was always interviewed separately from the employee side. In addition, the documents provided – such as the actual collective agreements – were used to check the validity of the interviews. The level of transparency in this regard, was so high that some of the company level collective agreements were downloadable directly from the unions' websites.

In Denmark, three different companies initially agreed to participate in the study, however, one of them was eventually excluded. After the interviews had already started, in one of the three companies, the HR department realised that shop stewards would have had problems conducting the meeting in their second language. The HR director offered to act as a translator, however, the researcher decided to withdraw from the field under the assumption that the presence of management at the meetings might have influenced shop stewards' responses.

3.6 Conclusion

The chapter presented the philosophical and methodological perspectives applied to this study. Specifically, first, the chapter elucidated the rationale for enlarging the scope of comparative institutional analysis beyond the national level and moving attention to sector and firm level variations within and across different national systems. Secondly, the chapter clarified the primary aim of this particular comparative analysis, that is, to shed further light on the role of collective bargaining actors and institutions in addressing issues of flexibility and security. In line with the literature reviewed in the previous chapter, it was argued that an in-depth qualitative methodology underpinned by historical institutionalism is the most appropriate theoretical lens. In addition, the chapter indicated the reasons for selecting Italy, Denmark, and the UK as institutional contexts for the analysis and justified the construction of the research design. The final section explained the criteria according to which data have been collected and analysed.

The next chapters will show how the described methodology has allowed this research to address the questions set out in Chapter 2. The first level of comparison involving sector level actors and institutions across Italy, Denmark, and the UK (Q1a/b) will be addressed by examining three different propositions (Chapter 7). In the chapters dedicated to the country-by-country presentation of findings (Chapters 4-5-6) each proposition will be further specified to reflect the institutional framework within which collective bargaining occurs within the three countries. The second level of comparison will be based on the examination of a series of expectations derived from the literature (Chapter 2) and developed in Chapters 7 and 8. The first set of expectations relate to the ways in which articulation mechanisms – at both interconfederal and sectoral level in Italy, and at sectoral level only in Denmark – allow categories of flexibility and security to enter into the agenda of company level negotiators. The second set of expectations concern the ways in which non-institutional variables – in particular the degree of international competition and the cross-border organisational structure of the multinationals under focus – influence the capability of company level bargaining actors to find viable compromises between different forms of flexibility and security towards the definition of *balanced* or *unbalanced* trade-offs.

Chapter 4: Collective Bargaining in Italy

4.1 Introduction

This chapter explores the institutional configuration framing collective bargaining in Italy. National level institutions are reviewed first, in order to shed light on the regulative framework within which the chemical and pharmaceutical sector is embedded. Legal and non-legal forms of regulations that are likely to influence the way in which items of flexibility and security enter into the collective bargaining agenda are taken into account. For similar reasons, the recent phenomenon of collective bargaining decentralisation is also considered.

The second section of the chapter is exclusively devoted to the chemical and pharmaceutical industry. First, collective bargaining actors and institutions are presented. Attention is then turned to the outcomes of collective bargaining over issues of flexibility and security. The analysis draws on a number of relevant factors that help account for these particular outcomes. They are: collective bargaining decentralisation, articulation mechanisms between bargaining levels, union density, employer-union relationships, and autonomy of sector level actors from the confederal level.

The third and final section of the chapter deals with the findings. These are presented according to a country-by-country analytical framework which consists of the adaptation of the comparative hypotheses presented in Chapter 3 to the specific features of the Italian case. This particular framework helps to uncover three relevant issues: a) the agenda of sector level social partners on flexibility and security; b) the way in which flexibility and security is regulated by the sectoral-level agreements (1998-2012); and c) issues of procedural flexibility which shed light on the scope for flexibility and security in company level bargaining. It is concluded that in order to provide a clear account of the role of collective bargaining institutions in addressing issues of flexibility and security the top-down perspective needs to be complemented by a bottom-up one.

4.2 Industrial Relations at the National Level

Industrial relations in Italy are characterised by a low level of institutionalisation (Burrioni and Pedaci, 2011). Although the Constitution (Article 39) includes a formal mechanism allowing the legal extension of collective bargaining coverage, this has never been implemented (Cella, 1989). Inspired by the principle of trade union freedom, labour organisations have not accepted any State interference with the autonomous activities of social groups (Caruso and Zappalà, 2004). As a result, today collective bargaining is considered an expression of self-regulation of private individuals' interests (Ballestrero, 2012) and is thus regulated by the civil code.

Despite the freedom of action of trade unions recognised by the Italian system, over the last thirty years a series of legislative interventions have compelled certain labour organisations – under the principle of 'representativeness' – to negotiate a particular type of collective agreement. These unions, through negotiation, can supplement, derogate from, or substitute existing regulations because certain aspects of industrial relations and/or the labour market are believed to be more effectively regulated by social actors than by the legislator (Caruso and Zappalà, 2004). The ambiguous nature of the term 'representativeness' used to select unions posed a series of problems both for those who make policy and those who have to interpret it. In 2011 an interconfederal agreement, which was considered a 'symbol of a new era' in the Italian industrial relations (Colombo and Regalia, 2014:10), solved the dispute by establishing new measurement criteria. The deal provides that representativeness will be assessed by joint reference to the share of each trade union of total membership and to the number of votes received in the elections of a unitary union workplace structure (RSU) by each trade union, as a proportion of the votes cast (Pedersini, 2013).

The delegating mechanisms contained in Italian law in favour of collective bargaining have not only empowered certain unions, but have also increased the role of the social partners in areas that are particularly relevant to the topic of this research. For example, the social partners can negotiate the criteria for choosing those workers who will qualify for mobility schemes and dismissal in the event of company restructuring involving staff reductions. In addition, they can downgrade jobs and de-skill employees as provided by law no. 223/1991 on collective dismissals. Finally, the social partners can inject a certain amount of flexibility into the legal framework regulating the standard labour contract as a result of a series of

reforms undertaken during the past two decades aimed at reducing the extent of labour market rigidity (1999, OECD). This is also known as ‘negotiated flexibility’ and involves part-time work, apprenticeships, and temporary agency work (Caruso and Zappalà, 2004). It can, therefore, be concluded that the relationship between collective bargaining and labour law in Italy is a complementary one.

4.2.1 Legal and Regulative Context

Consistent with a voluntaristic approach to industrial relations in Italy legally binding norms are rare and the autonomy of the social partners is high (Pedersini, 2014). This notwithstanding, an important piece of legislative regulation can be found in the Workers’ Statute (Statuto dei lavoratori, law 300, 1970), introduced in 1970 as a means of encouraging industrial democracy and promoting union effectiveness at the workplace level. The Workers Statute has not provided extension mechanisms but it has recognised fundamental union rights that strengthened and legitimated collective bargaining indirectly (Cella, 1989).

Hence, collective agreements in Italy extend their reach beyond the employers and employees belonging to their respective trade organisations to also cover those who have no such membership (Colombo and Regalia 2014). Despite the lack of any legal framework, this arrangement has been enforced indirectly. First, an employer who belongs to an organisation that has signed a collective agreement finds it easier to apply the terms negotiated to the entire workforce whether or not they belong to a signatory union. Second, for reasons of social equity ‘courts and legal experts have been induced to bend the logic and rules of civil law by means of interpretations’ (Caruso and Zappalà, 2004) that, in practice, have contributed to a sort of a *erga omnes* effect of collective bargaining in the Italian system. As a result of the so called ‘master argument’ (Caruso and Zappalà, 2004) the negotiated salary provisions have been extended to any employee asking for them independently from her/his employer affiliation. The legal mechanism in support of this has been found in Article 36 of the Constitution which entitles workers to wages complying with the principles of proportionality (to the quality and the services supplied) and sufficiency (to provide workers and their families with free and respectable living standards), as well as in the Civil Code provision enabling judges to set salary thresholds on the basis of a fair assessment (Ballestrero, 2012). The pay levels agreed through collective bargaining have been considered as parameters of fairness and sufficiency and so applicable to all workers irrespective of their employers’ affiliation. Third, there are other mechanisms in the Italian

legislation which are in line with the rationale of the ‘master argument’ (Ballestrero, 2012). These can be found in the Article 36 of the Workers’ Statute that recognises financial incentives to contractors offering their services to the public administration only when they apply pay and employment conditions set by the relevant sectoral agreement (Caruso and Zappalà, 2004). The sense of the provision is that if an employer wants to take advantage of public funds, it has to respect the norms negotiated by the social partners. Also the legislative decree 276/2003 includes a similar ‘extension mechanism’, as it specifies that temporary agency must ‘respect the obligations set forth by the national collective contract applying to labour supply agencies’ (Article 5 clause 2).

Due to this favourable legal context, unions have gained legitimation, as well as the capacity to influence policy-making in both economic and social fields (Colombo e Regalia, 2014). The extent of this phenomenon is reflected in the coverage rate of sector level agreements that, in a country where no extension mechanisms actually exist, is estimated to be around 80 per cent (Burroni and Pedaci, 2011; Pedersini, 2014). In this light, scholars have argued that labour market regulation in Italy has been characterised by a relatively strong role for social partners (Colombo and Regini, 2014).

From a more strictly industrial relations perspective, a first attempt to formalise the rules governing collective bargaining was made by the Protocol of the 23 of July 1993 that is considered in the literature as a sort of ‘constitutional charter of industrial relations’ (Cella and Treu, 2009). Such a protocol, signed by the main interconfederal organisations – Confindustria for the employers and Cgil, Cisl, and Uil for the employees – and the government, has finally introduced a systematic *institutional framework* for income policy, restructured bargaining procedures, and modified forms of workplace union representation. Hence, Italy was provided with a *two-tier bargaining* structure according to which collective bargaining can take place at the *sectoral-level* and at the *company level*. In particular, the 1993 tripartite agreement entitled the sector level to set minimum rights and standards for the whole workforce, which the company level was (only) allowed to improve. Moreover, it established that the relationship between the two bargaining levels had to be governed by the principles of (Burroni and Pedaci, 2011):

- a) *Coordination* on the basis that bargaining competences were set out both at interconfederal and sectoral level (demarcation);

- b) *Specialisation* so that each bargaining level could act within its exclusive sphere of action: company level social partners regulating only issues that had not already been the object of sector level agreements;
- c) *Derogations* for the workers meaning that company level agreements could deviate from sector level provisions exclusively to the advantage of the employees.

Based on these important principles, it was primarily the sector level that established terms and conditions for workers and enabled company level actors, first, to negotiate on residual issues and, second, to ameliorate industry-wide agreements. So, the 1993 interconfederal agreement indicated the sector both as the prominent bargaining level and the source of competences devolution. Therefore, it was at this particular level that the social partners established the modes and the scope of company level negotiations which, in turn, allowed no opt-out. The 1993 interconfederal agreement formalised a system of controlled and coordinated decentralisation where articulation occurred both at the interconfederal and sectoral level and was based on the principle of demarcation (Coletto and Pedersini, 2012).

Finally, a further element of coordination was provided by two fundamental provisions: one identifying the actors who were allowed to bargain at decentralised levels and the other one indicating the procedures for local level – both territorial and company level – negotiations (Burroni and Pedaci, 2011; Ballestrero, 2012). Thus, by formalising and confirming the mandate given by the three main union confederations (Cgil, Cisl, and Uil) to a single representative body elected at workplace level (RSU), the 1993 protocol has *de facto* provided a model of single-channel representation (Cella and Treu, 2009; Colombo and Regalia, 2014).

Given this institutional configuration, industry-wide bargaining has become the most widespread form of exchange between social partners in Italy. Crucial for the present analysis, scholars observed that sector level agreements have covered a variety of provisions that regulate the injection of flexibility and security into the labour market (Caruso and Zappalà, 2004). For example:

- Staff organisation and classification on the basis of professional skills and seniority. Classification in some sectors (telecommunications, railways, metal, and mechanical workers) has been broadened to allow further functional flexibility.

- Wages.
- The duration of employment as a result of a delegating mechanism included in the legislative decree 66/2003 according to which sector level social partners are entitled to derogate from most of the provisions provided by the decree itself.
- ‘Flexible employment’, again, as a result of delegating mechanisms included in both decrees law 368/2001 and 276/2003 according to which non-standard employment relationships, such as part-time, fixed-term, intermittent, shared, agency work and telework, and apprenticeships, can be regulated by collective agreements.
- On-going training and the right to study as a means of enhancing competitiveness for companies and employability for employees.
- Rules for setting up and regulating supplementary social security funds.

Finally, scholars have observed, that despite remaining at the primary bargaining level, the sector and its institutions have recently undergone significant changes (Burrioni, 2014; Pedersini, 2014). Foremost amongst these, greater decentralisation has been pursued as an attempt to meet companies’ competitive needs and help employers cope with temporary economic difficulties (Burrioni and Pedaci, 2011). As a consequence, the social partners have mobilised experiments of local ‘*concertation*’ and, at the same time, re-shaped the collective bargaining agenda at all levels – sector, territorial, and company (Regalia, 2006; Burrioni, 2014).

The present study suggests that this decentralisation of collective bargaining may have had important implications for issues of flexibility and security and, therefore, requires specific attention.

4.2.2 Collective Bargaining Decentralisation

In response to the need for higher productivity, (in Italian firms productivity has historically been low) many scholars and policymakers have argued extensively that the *company level* should become a strategic context for collective negotiations (Pedersini, 2009). In line with a trend across Europe, the reconfiguration of overall bargaining structures and increasing decentralisation appears to be the most viable recipe to achieve this also in Italy.

The resulting pressure on the 1993 Protocol led to the ‘Framework Agreement for the Reform of the Collective Bargaining System’ (FARCB) which was signed in 2009 by the main union confederations – with the exception of Cgil – and a number of employers’ organisations, including Confindustria. During the negotiation process, the Berlusconi government played a fundamental role, first acting as a mediator between social partners, and then, signing the agreement as the public sector employer (Coletto and Pedersini, 2012). The primary change introduced by the FARCB is the recognition of *opening-clauses* allowing company level bargaining to amend sector level provisions as a way of coping with a ‘situation of economic crisis’ or promoting ‘economic and employment growth’ (Burroni and Pedaci, 2011:4). The FARCB provided local actors – both at territorial and company level – with a wide spectrum of possibilities for taking advantage of opening-clauses. For example, it did not introduce any explicit form of control over the decentralising provision that blurred the boundaries of competence demarcation and increased the divisions between the sector and the company level. Thus, by removing the articulating mechanisms set in place by the 1993 Protocol which governed the relationship between different bargaining levels, the FARCB has (potentially) opened up the system to disorganised decentralisation.

The trend towards further decentralisation was confirmed in 2011 when a series of important developments strengthened the role of company level bargaining, but also re-affirmed the centrality of the social partners in the field of industrial relations. On the 28 of June 2011 all the most representative unions and the employers’ organisations signed an interconfederal agreement aimed at rectifying some of the most controversial elements of the 2009 Protocol (FARCB) and as a result, ‘healing the rift’ which had occurred between Cgil and the other social partners (Sanz, 2012). With regard to ‘opening’ or ‘hardship’ clauses, the agreement confirms that company level bargaining can introduce modifications to the rules set by the sector level. Nonetheless, these modifications can be a) only temporary and experimental; b) it is the relevant sector level agreement that establishes the limits within which derogations are considered valid; and c) if the relevant sector level agreement is silent on such limits, company level social partners are entitled to derogate only on issues related to work performance, working hours, and work organisation.

The attempt to reintroduce coordinating mechanisms between the sector and the company level was soon interrupted by an (unusual) unilateral intervention by the government, which in August 2011 produced the highly contested decree law 138 (Treu, 2011; Meardi, 2012).

This decree law allowed company level agreements to modify *in peius* not only sector level provisions but also legal regulations and, at the same time, identified the criteria for their universal applicability (Pedersini, 2014). No limits or controls have been imposed on the use of *opening-clauses* and *derogations* which are considered to be designed to achieve a series of very broadly identified objectives: 1) increasing employment; 2) improving the quality of employment contracts; 3) increasing competitiveness and wages; and 4) managing company restructuring and employment reorganisation. As a result, a variety of topics that affect issues of flexibility and security directly – including worker tasks, job classification, employment contracts, working-time, recruitment and individual dismissal procedures (Ibsen and Mailand, 2011; Marginson and Galetto 2015) – have become potential matters of company level negotiations.

The response of the social actors to this government interference was a joint declaration signed in occasion of the 21st of September Interconfederal Agreement. This declaration includes the following statement: ‘the topics of industrial relations and collective bargaining are autonomously determined by the bargaining parties. As a consequence Confindustria, Cgil, Cisl, and Uil commit themselves to abide with [sic.] the Intersectoral Agreement of 28 June, by fully implementing its provisions and ensuring that all their respective structures are applied at all levels’ (Sanz, 2012). This *addendum* was interpreted as a move to pass over the provisions of the degree law 138/2011 and re-affirm the full autonomy of social partners in labour related matters (Pedersini, 2014).

Thus, although envisaged by both observers and policy-makers as a threat to real wages and employment conditions, the 2009 FARCB – and related decree law 138 – have not in practice represented a disruption to the previous bargaining system (Colombo and Regalia, 2014; Pedersini, 2014). The limited use of hardship-clauses, in accordance with the June and September 2011 interconfederal agreements, has demonstrated the willingness of the social partners to find compromises that are acceptable to all. In addition, it has shown their commitment to a bilateral approach to industrial relations, enabling actors to implement – or, rather, *not* to implement – the most controversial elements of the reform directly at sector and/or the company level. In doing so, the social partners have demonstrated their reciprocal obligation to a ‘traditional’ model of industrial relations, strengthened their mutual trust, and avoided the risk of a growing polarisation (Pedersini, 2014).

Since 2011 a series of bilateral agreements at the confederal level have been signed (2012-2013-2014) to formalise the conditions within which company level actors can exercise their right to bargain. These agreements continue to set out the criteria for workplace representation and refine the rules for assessing the validity of hardship clauses and derogations. The social partners have been, therefore, reintroducing those controlling mechanisms between the sector and the company level that the new decree law (in 2011) had actually removed. As a result, all the sector level agreements – except for the metalworking industry in 2010 – signed in the aftermath of the 2009 reform have obtained the approval of the most representative sectoral unions, including Cgil. As for the company level, only Fiat have been able to use the hardship clause and then only once before leaving the employers' association all together.

With regard to Cgil, the most representative labour organisation in Italy, it must be emphasised that it has always been reluctant to accept increasing decentralisation. Given the low coverage of company level bargaining in Italy, which is estimated to be around the 20-25 per cent (Burroni and Pedaci, 2011), Cgil advocates the need for sector level bargaining to remain at the core of the bargaining system, thereby securing similar terms and conditions for all workers. For this reason, Cgil did not sign the 2009 reform of the 1993 Protocol and again, in 2012, refused to approve the interconfederal agreement that linked decentralised pay bargaining to measures intended to boost productivity, for example, work organisation (Pedersini, 2014). However, Cgil took part in the 31 May 2013 agreement and the Single Text on representation signed in 2014. These deals were defined by both sides of the negotiating table, and the external observers, as an historical step for overcoming divisions between the social partners which interrupted the practice of 'separate agreement' (Pedersini, 2014). In particular the 2013 deal on union representativeness was described as (Pedersini, 2013):

An important turning point in the regulation of the relationship between the parties.

(S. Camusso, Cgil)

...In a difficult moment, this deal is a tangible sign of the cohesion among the parties to solve the problem of economic growth, which is an absolute imperative since only growth can produce new employment.

(G. Squinzi, Confindustria)

...A prominent event for the country, not only for the signatory parties. It is an important and encouraging sign of a constructive willingness and social cohesion, and both are decisive elements for overcoming the difficulty and challenges that Italy is currently facing.

(Italy's former President G. Napolitano)

To conclude, the latest developments confirm, first, that social partners can rely on a long-standing trust-based relationship that allows them to face external attacks and leverage the available institutional resources to influence labour related matter. Second, these developments show that, while it was the confederal level that initiated reform of the bargaining structure and redefined competences across levels, the sector has nonetheless maintained its exclusive domain of action; for example, it still functions as a means to protect real wages and set common economic and normative protections for all the workers alike. In addition, important elements of innovation have been introduced, such as the possibility to delegate performance and productivity-related competences to company level negotiators. Finally, opening-clauses and derogation have been provided, along with fundamental 'rules' of bargaining coordination, that operate at various levels, in particular, a new representation system that links national trade union organisations to local and workplace structures (2014 agreement).

The main national institutional features characterising the collective bargaining system in Italy are summarised below (Table 4.1).

Table 4.1: National Institutional Framework

Italy	National Institutional Framework
Collective Bargaining Arrangements	Multi-employers Two-tier bargaining system
Collective Bargaining Decentralisation	Centrally controlled Open & Derogation clauses
Articulation Mechanisms	Demarcation: 1. Law 2. Interconfederal Agreements 3. Sector-level Agreements High coordination between bargaining levels
Bargaining Coverage	No extension mechanisms provided – Indirect coverage (pay rates) is 80%
Predominant Bargaining level	Sector
Employers-Union Relationship	Cooperative
Autonomy of Sector-Level Actors from the Confederal-Level	Medium Autonomy

4.3 The Welfare System in Italy

In order to provide a comprehensive account of the context in which social actors in Italy interact it is fundamental to cover a further dimension – the welfare state – that has been shown to shape both social and economic behaviour, and by implication, the industrial relations arena as well (Esping-Andersen, 1990). According to Esping-Andersen’s classical distinction of welfare state regimes, Italy features amongst the conservative-corporatist countries (1990). It follows that the state is the main provider of social policies and that market efficiency has never been a prominent target. One of the core characteristics of this particular cluster is that rights have been historically attached to occupation class and status. As a result, social security has been highly occupationally segregated and its degree of institutional fragmentation is very high. There are different programs for private and public sector employees and almost no protection for the self-employed, with pronounced civil servant privileges. In addition, given the occupational nature of benefits, the redistributive effect of welfare has been limited. Family has functioned as a complementary form of welfare reducing the opportunities for young people and women to enter the labour market. The principle of ‘subsidiaries’ was borrowed by the Catholic tradition to emphasise that the

State interferes only when the family's capacity to service its membership is exhausted (Esping-Andersen, 1990).

Along with the traits of the conservative-corporative cluster, the Italian case has shown additional features that exemplify the so-called 'southern model' of welfare (Ferrera, 1996; Ferrera, 2005). The first significant departure of this model from the conservative-corporative one is the 'dualistic almost polarised' nature of the social protections offered (Ferrera, 1996:19). While the core sectors – located within the 'institutional' labour market – benefit from relatively generous protections, the extent of financial support to those who are located in the 'non-institutional' market, such as the self-employed, contractors, temporary workers, and agency workers, is very weak (Ferrera 1996:19). Italy is one of the few countries where there is no national minimum income scheme for individuals and families with insufficient resources and for young people in search of first employment (Natali, 2009). Moreover, it has been demonstrated that while unemployment benefits (for those who have entered the labour market) do not deviate from the EU average, only a relatively small percentage of workers are actually entitled to them (Ferrera, 1996). In other words 'a person that is neither old nor invalid, who has no job, no contributory entitlements and no source of income' is not covered at all by unemployment benefits (Ferrera, 1996:20). Moreover, 'the particularistic-clientelistic model' of welfare characterising this country may have functioned as a substitute for 'serious' unemployment insurance programs, active labour market policies, and 'universalistic minimum income schemes' (Ferrera, 1996:29; Scharpf and Schmidt, 2000:362). The weakness of state institutions, as well as the prominence of parties as main actors for the aggregation of social interests, have provided favourable ground for the use of welfare resources in exchange for personal or political favours (Ferrera, 1996). Such an informality in the distribution of social benefits has operated at extremely high levels of sophistication in the field of disability, but also of unemployment insurance and social assistance subsidies at the territorial level (Scharpf and Schmidt, 2000; Ferrera, 2005).

Some relevant implications of this particular model of welfare are summarised below:

- Incomes are secured by granting relatively high level of legal protection against individual dismissal for public servants, white-collar workers, and private wage earners of medium and large enterprises working on full-time contracts.

- Young people are forced to rely on their families during transition between education and first employment.
- Women struggle to enter and exit the labour market as a result of insufficient family-oriented programs.
- No incentives to exit jobs for up-skilling, vocational training, family care are provided.
- There is *de facto* ineffectiveness of active labour market policies.

4.3.1 The 2012 Labour Market Reform

It has been argued that two intertwined characteristics of the Italian welfare state have been the absence of a universalistic unemployment benefit and a relatively high level of job/income security achieved through the legal protection of core workers. However, given the dramatic decline in employment – especially, amongst the youngest (40% in 2014, ISTAT) – and the increasing use of non-standard contracts, in 2012 the Italian labour market started to undergo an important process of reconfiguration. This has then become part of an ambitious project of structural reform that the Renzi’s government (2014 on-going) is currently undertaking. The first intervention in 2012 was on the conditions under which workers can exit the labour market, the so-called ‘exit flexibility’ (Colombo and Regalia, 2014:7). This was done by reshaping the law on unfair dismissal (Article 18) along with the system of shock absorbers in order to avoid gains in flexibility having a negative impact on job security. Accordingly, the automatism of the *unlawful dismissal* (Article 18 of the Workers’ Statute) – which required either the immediate reinstatement of the worker in the workplace or a substantial monetary allowance – has been superseded by a distinction between ‘*discriminatory dismissal*’, ‘*disciplinary dismissal*’ and ‘*economic dismissal*’. Thus, the first part of the new discipline gives employers more flexibility to dismiss workers in the presence of ‘objectively justifiable economic reasons’ (Colombo and Regalia, 2014). At the same time, the reform has included some rules aimed at rationalising social security benefits, in particular unemployment benefits, and entitled atypical workers to become potential recipients. However, given the scant financial resources allocated to the second part of the reform, the one linked to the extension of social protection, the intervention on individual dismissal (external flexibility) has, *de facto*, increased the level of both income and job insecurity (Colombo and Regalia, 2014).

The so called '*jobs act*' set out by the current government, seems to be in accordance with the 2012 attempts to foster higher labour market flexibility. Nonetheless, the legislative decree (*legge delega*) approved at the end of 2014 includes five measures that seem to tackle the gap left open by the previous reform and address the security dimension. Such measures are:

1. Reconfiguration of the shock absorbers towards 'universalistic' forms of unemployment benefits;
2. Active Labour Market Policies (institution of a '*National Agency for the Improvement of Occupation*');)
3. Rationalisation and simplification of the procedures linked to the administration of the employment relationship;
4. Rationalisation of the different forms of employment;
5. Measures to reconcile work with private life (extension of maternity leave and social security to atypical workers, tax credit to encourage women with under aged children to enter the labour market, and a mandate for social partners to bargain on issues of working time and performance related pay to allow workers to reconcile their job with parenting and elderly care, especially through the use of telework).

The way in which these 5 measures presented by the Renzi government will be implemented in the future is likely to determine what direction, if any, the current (and long lasting) labour market transition in Italy is going to take.

4.4 The Chemical and the Pharmaceutical Sector

In Italy, the chemical and pharmaceutical sector accounts for more than 2,800 companies and about 180,000 employees (Tartaglione, 2012; Farindustria, 2014; Federchimica, 2014). Despite dramatic value chain restructuring which caused unexpected plant closures and massive collective dismissals between the 80's and the 90's, today the industry does not present any sign of a structural crisis. The Return on Investment (ROI) is well above the average for manufacturing (6% versus 4% in 2011) and leverage is limited (0.6 compared to 0.9) thanks to a lower debt and a higher capitalisation (Federchimica, 2014).

In particular, with a turnover of about 52 million euros in 2013 (Federchimica, 2014), the Italian chemical industry is the third most productive in Europe, whereas the pharmaceutical industry is the second, after Germany (Farindustria, 2014). Medium and large Italian firms

represent about 25 per cent of the entire production, but the most significant share of production is covered by foreign multinational groups. Their presence in the industry is three times higher than in the Italian manufacturing industry as a whole (Federchimica, 2014). Chemical and pharmaceutical firms, in Italy, focus their activities on very specific families of goods that are characterised by a high technological content. Almost 29 per cent of chemical and pharmaceutical employees hold a post-graduate degree – 57 per cent in scientific subjects – double the average of the manufacturing sector (Federchimica, 2012). The most prominent form of employment is the standard labour contract, which has covered 95 per cent of the total workforce over the past ten years; 3.9 per cent of workers are covered by temporary contracts – 5 per cent of whom are women – and 1.1 per cent of workers are on apprenticeships (Federchimica, 2012). Italy has the second largest number of innovative chemical and pharmaceutical enterprises in Europe and the second largest number of enterprises that are involved in R&D activities (Federchimica, 2012). In job-training has always been strategic to the sector, both to keep up with an industry that is in constant transformation and to make sure that employees understand new technologies, legal and health and safety procedures, and rules of internationalisation. According to a survey carried out by Federchimica about 80 per cent of chemical firms have strengthened R&D during the crisis (Federchimica 2014), while according to Farindustria, pharmaceuticals rank first in Italy for R&D spending more than double that of medium-high tech sectors, and more than five times more than the manufacturing average (Federchimica, 2014). Given the high cost of energy and raw materials, this industry has coped with increasingly high levels of global competition by innovating production procedures, diversifying product portfolios, and reaching foreign markets. If during the Great Recession chemicals have experienced a significant contraction of internal demand – 20 per cent since 2007 – their exports have grown by 14 per cent (Federchimica, 2014) allowing the industry to feature as one of the best on an index of resilience within manufacturing (Mancini, 2014). With regard to internationalisation, pharmaceuticals appear to be ‘a true success story’ considering that from 2008 to 2013 exports increased by 64 per cent as opposed to the 7 per cent average increase in manufacturing (Farindustria, 2014:2).

4.4.1 Collective Bargaining Actors and Institutions

The chemical and the pharmaceutical sector is the only industry in which reform of the 1993 Protocol – and its resulting institutional developments – have led to neither innovations nor disruptions in social dialogue activities. This is a clear sign that, despite having to act within

the limits set at the intersectoral level, the social partners in the chemical and pharmaceutical industry have benefitted from a significant amount of autonomy from the respective confederal organisations.

In 2006, three years ahead of the FARCB, the social partners signed an agreement called ‘Guidelines for company level negotiations and derogations of national provisions’. On the side of the employers the organisations involved are the National Federation of the Chemical Industry (Federchimica) and the National Pharmaceutical Industry Federation (Farmindustria), which have always shared the same negotiating table and signed the same agreements. Given the link between pharmaceuticals and the NHS, and their resulting specificities, the sector has traditionally voiced employers’ interests through the involvement of both associations. On the side of the unions, the three most representative sectoral organisations are: 1) the Italian Chemicals, Energy and Manufacturing Workers’ Federation (Filctem-Cgil); 2) the Energy, Chemicals and Allied Industries Federation (Femca-Cisl); and 3) the Energy and Manufacturing workers’ Union (Uilcem-Uil).

Despite the fact that traditional political affiliations are still important at the confederal level, within the chemical and the pharmaceutical sector, employers and trade union organisations have historically shown a distinctive level of pragmatism (Colombo and Regalia 2014). The social partners believe that it is thanks to such pragmatism that they were able to introduce some pioneering solutions, re-shaping not only industrial relations in the sector, but also the Italian bargaining system as a whole (Burroni and Pedaci 2011). As set out in the introduction to the 2006 sectoral agreement, the social partners’ objectives have been:

To modernise the national collective labour agreement and enhance company level bargaining [in order to make these instruments] *‘more appropriate to the new needs of enterprises and workers, and to support organisational changes, to strengthen the competitiveness of companies’* [and] *‘to increase employment* (Burroni and Pedaci, 2011:5).

Moreover, in contrast to the 2009 confederal agreement, the guidelines negotiated within the chemical and pharmaceutical sector provided a strict regulation of opening-clauses and derogations, as well as a variety of mechanisms that preserve the hierarchy between the different bargaining levels. The empirical material used for this thesis shows that none of the social partners advocated a transformation of the two-tier bargaining system or promoted a

model of disorganised decentralisation. In doing so, they took full advantage of the autonomy provided by the institutional framework in which they are embedded. In particular, the content of the sector level agreements confirms their distinctive use of the ‘participative model’ to find a compromise between issues of competitiveness and employability. In this regard, some of the most relevant provisions are:

1. Derogations to sector level agreements are valid only in two limited cases: first, if companies face *temporary economic difficulties* and any deviation from the sector level agreement can save or consolidate employment; and second, even where companies are not in a critical situation, if they are, nevertheless, likely to benefit from a temporary derogation in order to *attract investments* and/or *save* and/or *consolidate* and/or *grow* the overall business performance and levels of employment.
2. Company level derogations are allowed to modify a variety of norms regulating working conditions. These can involve any element of fixed and variable pay – except for minimum wage rates which remain an exclusive prerogative of sector level negotiators – for example, seniority pay increases, severance payments, performance-related pay, bonuses, shift work allowances, and overtime. Moreover, according to the 2006 agreement, any deviation to sector level terms and conditions had to be approved by the National Bargaining Committee. This provision, however, was lightened in 2009 by excluding working-time flexibility from the authorisation procedures and, finally, abolished with the 2012 renewal.
3. Derogations can only be temporary and linked to the specific situation/objective for which they have been negotiated. The 2012 agreement reduces the temporal limit from 4 to 3 years and confirms the derogative break previously introduced (2006-2009): three months before a sector level renewal derogations are seen as ‘inappropriate’.

In other words, the innovative drive characterising industrial relations in the chemical-pharmaceutical sector allowed employers to drip-feed the flexibility they needed to face increasing market competition. At the same time, it helped unions to increase their involvement in the sector’s strategic choices and to save jobs in times of economic difficulties.

However, in the chemical and pharmaceutical industry, as in other sectors, there is a discrepancy in collective bargaining coverage between the sector and the company level (Colombo and Regalia, 2014; Femca-Cisl, 2014). Although there is no official information on the percentage of bargaining coverage, the interviews with the sector level representatives – both employers’ and employees’ sides – indicate that such a coverage reaches about 70-75 percent at sector level, yet at firm level it stands below 35 percent. This gap seems to reflect the average of the latest official data for manufacturing: 80 per cent coverage for sector level bargaining (Pedersini, 2014); whereas coverage is 45 per cent (Bank of Italy figures) and 25 per cent (according to trade union sources) at company level (Burroni and Pedaci, 2011; Banca d’Italia, 2006). This lack of *depth* of the collective bargaining system (Clegg, 1976) is perceived by the unions in the chemical and pharmaceutical sector as a threat to the ‘participative’ approach to decentralisation. In particular, they believe that this is likely to reduce shop stewards’ bargaining power as well as their actual capability to engage with the competences that have been delegated.

Derogation clauses are a very delicate matter. We [Uilcem-Uil] have been harshly criticised for it and, partially, this is understandable. The level of union representation at the company level is relatively low. If the relationship between employers and employees at the company level is not good; if there is no trust, companies could seriously take advantage of the situation to worsen employees’ conditions.

Sectoral Secretary Uilcem-Uil, February, 2013

Companies implement changes within very strict time limits. Shop stewards complain that their requests are most of the times ignored, and want us [sector level representatives] to intervene - which we often do - to re-open the discussion, so that management can re-consider their conditions.

Sectoral secretary Filctem-Cgil, December, 2012

In addition, the proactiveness of sector level social partners in re-defining bargaining competences and widening the extent of decentralisation might have had a double-edged effect. On the one hand, it has certainly helped to reinforce the role of collective bargaining in the sector and fostered a climate of collaborative industrial relations. On the other hand, by competing with the confederal level on a normative ground, the boundaries between bargaining competences have become more blurred. As a result, the conflict of interests

between the confederal and the sectoral level has increased and ideological distances within unions have widened – especially within Cgil.

‘Contrary to the indications of Cgil, in this sector [chemical and pharmaceutical] we [Filctem-Cgil] are keen to strengthen the role of company level negotiations. The last renewal was a particularly difficult experience in Cgil, there was a clear incompatibility between the objectives of the general secretary [of the sector] and the objectives of the confederal secretary, especially, with regard to the extent of applicability of the derogation clause on young employees’ [unlimited, according to the 2012 agreement]. ‘We cannot forget that our provisions [sector level] are universally binding and, if tomorrow there is a problem, the judge will need to decide which norm applies [confederal or sectoral]. If an issue of normative ambiguity is raised [between the confederal and the sectoral normative] it will represent a defeat for both levels.

Sectoral secretary Filctem-Cgil, December, 2012

Finally, with regard to their relationship, the sector level social partners describe it as a mutual interdependency, suggesting that such a relationship developed around two particular sector features. The first one is social dialogue on health and safety issues which represents a cornerstone of the chemical and pharmaceutical sector all across Europe. In contrast, the second feature can only be understood within the economic and political context in which the Italian chemical and pharmaceutical sector lies. Starting from the late 80s the chemical industry – to a larger extent than the pharmaceutical industry– has gone through the privatisation of state-owned companies and resources. The rising prices of raw materials and the contraction of the domestic market has led to a reconsideration of product portfolios. Thus, in order to focus on greater innovative content and added-value, many important business functions have been externalised and outsourced. In some cases, manufacturing plants have been closed altogether causing massive unemployment in the sector. By engaging in collective bargaining, the social partners not only set the conditions necessary to deal with the economic transition of the 90s, but also offered companies the economic and normative stability to face more recent challenges. Indeed, the Italian tendency to overly regulate both economic and labour fields – and its resulting bureaucracy – have required actors to find their own ways to sustain companies in a highly competitive global market, where efficiency and productivity levels are constantly subject to benchmarking operations. As a result, the social partners in the chemical and pharmaceutical sector have developed what it is described as a *‘special’* relationship within the Italian industrial relations panorama.

For the past year we have tried to elaborate and explain why our sector is characterised by such a good relationship, able to survive many different and difficult historical moments. We would like [to think] that this special relationship has become a patrimony for our industry.

Sectoral secretary Filctem-Cgil, December, 2012.

There is a very good relationship between us [employers and employees' representatives]. It has always been the same for many years and we want it to be the same. We are actively working on keeping it alive by creating a school of industrial relations through which to train our HR people and shop stewards. We rely on each other's credibility. We need to, because this allows us to do many things

Central Director of Industrial Relations Federchimica, March 2013.

A summary of the distinguishing features of the chemical and pharmaceutical sector is provided below.

Table 4.2: Collective Bargaining Arrangements in the Chemical and Pharmaceutical Sector

Italy	Chemical and Pharmaceutical Sector
Collective Bargaining Decentralisation	Organised decentralisation Open & Derogation clauses
Articulation Mechanisms	Delegation (primarily): <ol style="list-style-type: none"> 1. Sector-level Agreements 2. Potential overlapping between confederal and sector level 3. High cooperation between sector and company-level actors
Union density	<ol style="list-style-type: none"> 1. Sector-level: 70% (no official data exist) 2. Company-level: 35% (no official data exist)
Employers-Union Relationship	Cooperative – low level of ideological/political conflict – pragmatic
Autonomy of Sector-Level Actors from the Confederal-Level	Medium Autonomy

4.5 Country-by-Country Framework of Analysis

In this section, a series of expectations will be tested to explore *whether* and *how* collective bargaining arrangements regulate issues of flexibility and security within the Italian chemical and pharmaceutical industry. This country-by-country analytical framework consists of an adaptation of the comparative hypotheses presented in Chapter 3 and sets the context for the cross-country comparison of sector level institutional arrangement in Italy, Denmark, and the UK (RQ1).

The relevant propositions are:

1. The institutional configuration of the chemical and pharmaceutical sector accounts for the scope of the sector level social partners' agenda over issues of flexibility and security (Marginson and Galetto, 2015); collective bargaining and social dialogue represent functional mechanisms for the social partners to develop similar understandings around these issues and enhance the possibility for exchange of ideas, package deals, and joint problem solving between the parties (Ibsen and Mailand, 2011). Informal social dialogue arrangements, as found in the UK, provide a less procedurally secure mechanism than the formal collective bargaining institutions that are found in Italy and Denmark.
2. In countries in which labour law is more developed collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility. In contrast, where social welfare is more developed collective bargaining and social dialogue engage less with security and more with flexibility, because the security dimension is already covered by the state (Esping-Andersen, 1990; Ibsen and Mailand, 2011).
3. Articulating mechanisms governing the relationship between the sector and the company level influence the scope of company level bargaining over issues of flexibility and security (Marginson and Galetto, 2015).

It follows that for the Italian case, the three relative expectations are:

1. Given the institutional resources provided by the interconfederal agreements in 1993 and 2011 – competence demarcation and centrally controlled decentralisation – flexibility and security have become prominent issues in the agenda of sector level social partners.
2. Given the legal mechanisms according to which labour law is to be supplemented by collective agreements, issues of flexibility and security are expected to be items of sector level bargaining. Yet, items of security are likely to be more prominent than items of flexibility (Ibsen and Mailand, 2011) with very little scope for external flexibility in particular.

3. As a result of a two-tier bargaining system and the provision of opening clauses and derogations, the sector level framework enables and constrains company level bargaining on issues of flexibility and security (Marginson and Galetto, 2015).

4.5.1 Flexibility and Security in Social Partners Agenda

The interviews with the sector level social partners reveal that issues of *flexibility* and security have indeed been added to the collective bargaining agenda. Significantly, both sides of the negotiating table define *flexibility* as any measure enabling companies to react – as quickly as possible – to unexpected economic changes. In particular, the *employers' organisations* – Federchimica and Farindustria alike – describe flexibility as a functional means to maximise productivity levels and enhance competitiveness. As a matter of fact, the chemical and pharmaceutical sector has a large share of multinationals that allocate resources to individual branches on the basis of the outcomes of benchmarking. According to the employer organisations, the branches that are located in Italy need to be as adaptable as possible to meet financial expectations:

Given the international context in which pharmaceuticals operate, flexibility equips our companies with whatever they need to attract investments and react to changes. The level of competitiveness of our companies depends on flexibility and we [Farindustria] try to achieve as much flexibility as possible avoiding any serious breach of trust between us and our counterpart.

Head of Industrial Relations Farindustria, June 2013.

When we talk about flexibility we [Federchimica] think about the good flexibility and not just to increase the number of precarious jobs. We want to be able to keep up with the increasing level of international competition and act upon it! Chemical companies need to react very quickly to changes in the market, if they want to survive. But, we want flexibility to be participated. We have in mind the German model of industrial relations. We think that transparency and fairness are the basis on which consensus can be reached and the breadth of bargaining topics enlarged

Central Director of Industrial Relations Federchimica, March 2013.

Thus, despite being perceived as vital, the notion of *flexibility* promoted by the employers' organisations is based on the principle of *consensus* and is pursued through a '*participatory method*'. For the chemical organisation in particular, flexibility is a '*process more than a target*' that, in order to deliver what it promises, requires the contribution of both employers

and employees alike. Accordingly, collective bargaining is believed to represent the most suitable method for reaching a common understanding between parties.

Perhaps not surprisingly, flexibility is perceived by *union officials* as a potential threat to the standard labour contract and a source of precarious work. Nevertheless, similar to the employers' organisations, they emphasise that flexibility policies, in particular, working-time flexibility, functional flexibility, and temporary work, can indeed be beneficial for employees:

In Italy there is not a culture that recognises flexibility as a value. The injection of flexibility has increased employees' perception of insecurity. In some cases this is true. In others, flexibility has been just too negatively connoted. The focus is too much on precarious jobs. The companies I deal with are not always in the position to secure long-term employability as they are subject to peaks in demands; others need to inject as much internal flexibility as possible, and this is good flexibility. There is no point in taking an ideological stand on something that is unavoidable. Then, we [Italians] perhaps close an eye on the black economy!

Sectoral secretary Filctem-Cgil, December 2012

The approach of my union to flexibility has always been in the direction of reducing the use of temporary contracts, for example making them more expensive. However, there is also another face of the coin: when you try to put an obstacle in the way of short-term contracts, employers find a way around. There are also other forms of flexibility - for example working-time - that, as long as they don't become too extreme, they are generally seen as acceptable.

Sectoral secretary Uilcem-Uil, February 2013

In order to make a responsible use of flexibility we [the social partners] would need the support of the government [that should provide universal forms of security as a compensating measure]. Having said that, we [Femca-Cisl] have always been open to what we see as good flexibility. In this sense we believe we are a particular innovative union - as shown by our campaigns in favour of company level negotiations, especially, with regard to flexible pays, employee classification, and contractual welfare.

Sectoral secretary Femca-Cisl, February 2013

From the unions' perspective, to compete in a global market such as chemicals and pharmaceuticals – subject to seasonal peaks, new technology implementation, and threat of

relocation – meeting requests for flexibility is likely to increase the employees’ value to the organisation, and at the same time, enhance job security. In addition, the interviews confirm that because of the lack of adequate welfare provisions to support workers’ income during transition times, the notion of flexibility has tended to overlap with job insecurity.

With regard to security, data reveal that this concept is characterised by greater ambiguity than flexibility. While employers’ organisations have a wide understanding of security – including welfare private funds, combination security and training – union representatives see it almost exclusively as an effect of legal restrictions on atypical work. For example, while Federchimica argues:

In order to face the crisis, we have put a lot of efforts in developing welfare funds that can support employees’ level of income during transition times or, simply, as a form of income integration. You can find measures of this kind in the latest agreement that we have just signed. We also put a lot of emphasis on work-life balance and training. It is not always easy to do so through norms that are binding for the entire sector. But we have made sure to provide companies with whatever they need to negotiate over these particular issues.

Central Director of Industrial Relations Federchimica, March 2013

Security is something that should be provided by the state [...]. The kind of security that we [the social partners] can provide is linked to the fruition of some benefits. During the latest renewal we have had a very heated debate on this matter. Measures addressing security, such as training, are expensive. Many companies do not have the resources. Originally, the intention was to extend these measures to them all. But, at the end, it seemed more reasonable to allow each company to choose what they can do.

Sectoral secretary Filctem-Cgil, December 2012

In conclusion, consistent with expectation 1, data show that flexibility and security have become prominent issues for sector level social partners. This is the result of their choice to engage with the institutional resources made available by the interconfederal level (ie. autonomy in their spheres of competence) and to deploy social dialogue and collective bargaining as a means to enhance competitiveness and overcome statutory inefficiencies. In turn, their constant interaction has allowed common views on flexibility and security to emerge and pushed these views onto their respective bargaining agendas.

4.5.2 Flexibility and Security in Collective Agreements

In the empirical analysis, all the collective agreements signed in Italy between 1998 and 2012 were considered and contrasted with the interview data. Table 4.3 indicates which sector level agreements address each of the seven flexibility and security categories elaborated within the flexicurity literature (Wilthagen and Tros, 2004; Bekker *et al.*, 2008), and indicates whether the provisions enhance flexibility and security respectively, and if so which form.

Table 4.3: Flexibility and Security Provisions

		Flexibility	Security
Pay	1998: Fixed Bonus 2002: Introduction of guaranteed payments in companies where no negotiations take place		Income Income
Training	1998: OBN ¹ to identify training strategies; first attempt to regulate apprenticeship 2002: Continuous in-job training; Supplementation of 300/70 Law on individual right to training 2006: extra 1,5 days for training 2012: simplification of apprenticeship	Functional Functional – External Functional Functional Functional Functional	Job Job – Employment Job Job Job – Employment Job – Employment
Job Classifications	1998: new system of Job Class; Attempt to supersede men and women's differences in tasks 2009: Reform of Job Class Chapter 2012: Stronger link between Job Class and Training Multi-skilled and multi-functional employee as a way to improve productivity and employability	Functional Functional Functional Functional Functional	Income Job Job – Income Job – Income Employment
Working-time	1998: extra working-time can be accumulated and used as PTO ² Extended scope for weekend working 2002: Extended yearly and weekly working for specific categories of workers;	Working-Time Working-Time Working-Time	Combination Combination
Provisions for Atypical workers	2002: to supplement the law 198/97 all clauses specifying circumstances, restrictions on use and quotas for temporary workers are set		Job – Employment
Social Benefits and Entitlements	1998: Extension of pension plan to temps 2002: Pension plan extended to apprentices, creation of a health insurance		Income – Combination Income – Combination
Measures for employment	2006: More flexible clauses to deploy atypical workers in the south of Italy	External	Employment

¹ OBN: Organismo Bilateral Nazionale - It is a bipartite institution (with no negotiation duties) in which at the

² PTO: Personal Time Off

In particular, Table 4.3 shows that *functional flexibility* is the most prominent form of flexibility found in the collective agreements and is enhanced through negotiations on *training* and *job classification*. The second most prominent form of flexibility is *working-time* flexibility the scope of which, given the nature of the chemical and pharmaceutical sector, has traditionally been very extensive. In 1998 the social partners had already agreed on ‘normalising’ weekend working and had experimented with formula such as overtime accumulation in exchange for personal time-off. These particular measures were intended to balance the need for high levels of work-time flexibility with employees’ private lives, thus, improving combination security. Yet, the interviews with the social partners contradict this finding by revealing that most employees preferred to monetise the extra hours accumulated rather than using these as time-off. Accordingly, measures on working time are more likely to enhance *wage flexibility* than *combination security*.

The ‘conto ore’ [longer working hours accumulation in exchange for personal time off] should have increased productivity and occupational levels. The problem is that it did not work as expected. Workers, especially men, have started to ask [for] more money instead of holidays and companies have been happy to accept their request. At the time in which we closed the deal, Uilcem was accused to encourage over-time, while the real intention was to inject some good flexibility [towards combination security]

Sectoral Secretary Uilcem-Uil, February, 2013.

This notwithstanding, by recognising and normalising provisions on working time earlier than other industries, the experience of the chemical and pharmaceutical industry reveals a relatively high demand for flexibility. Moreover, data show that the scope for external flexibility in the agreements is limited due to the constraining effect that the provisions on individual dismissal have had on the bargaining agenda. In contrast, provisions for atypical workers only came into effect in the collective agreements of 2002, when the social partners became legally obliged to regulate their use and quotas for temporary contracts. This finding is concurrent with expectation 2. More surprisingly, however, Table 4.3 reveals that external flexibility has been pursued by the social partners in an indirect way by making the use of apprenticeship programmes available to companies. In a context of labour market rigidity (OECD 1999), such programmes represented the only means for employers to hire workers on a temporary basis who, in exchange, were offered continuous in-job training. Finally, the analysis shows that none of the categories selected directly enhances wage flexibility.

As for *security*, table 4.3 confirms that all forms of security can be found in the chemical and pharmaceutical agreements signed between 1998 and 2012 and job security, in particular, is the most prominent. The attention to issues of security in the sector is also corroborated by the interviews with the social partners. Both sides of the negotiating table confirm that unions have met employers' requests for greater flexibility because security, especially job security, has been offered in exchange. Given the profile of the chemical and pharmaceutical worker – multi-skilled and multi-functional, particularly valuable to companies investing in training – employers' organisations foster skill retention by granting generous salary provisions and social entitlements, as well as significant job security. Moreover, data show that in Italy, categories such as *job classification* and *training*, which scholars argue address primarily employment security (Ibsen and Mailand, 2011), have had a more substantial impact on *job security* and *income security*. In this regard, Ibsen and Mailand affirm that training, along with the removal of job classifications, enable job transferability in the external labour market (2011). However, where the labour market is rigid (OECD, 1999) or 'medium rigid' (OECD, 2004) as a result of legal regulations, and characterised by 'dualistic' (Ferrera, 1996) forms of unemployment benefits, such provisions benefit almost exclusively the internal labour market, contributing to both job security and income security. In fact, external mobility through training has only recently become an agenda item for the social partners, in particular, as a measure to tackle unemployment (see 2012, 2009, and 2006 agreements). Similar considerations apply to the category of *provisions for atypical workers*, which are usually expected to foster employment security in the external labour market (Ibsen and Mailand, 2011). In Italy, however, social partners deal with this issue only in response to legal constraints, by setting limitations to the use of temporary contracts. As a consequence, collective bargaining on atypical work contributes to the enhancement of *job security* more significantly than to the enhancement of employment security. Finally, *combination security* is enabled by negotiations on both *working-time* and *social entitlements*. The latter category, in addition, addresses income security.

Besides dealing with flexibility and security, Table 4.3 indicates that sector level collective bargaining fosters a variety of combinations of flexibility and security. Apparently, not all the relevant categories seem to lead to such an outcome. For example, *pay* and *social benefits and entitlements* are only related to the dimension of security. However, the interviews with the social partners partially contradict this data indicating that forms of sector level welfare

such as integrative pension plans (Fonchim) and health insurance (Faschim) have indirect implications for wage flexibility. Because medical expenses and additional pension contributions are covered, employees can *de facto* rely on higher real wages. Moreover the social partners suggest that these measures are often used by employers to compensate requests for flexibility, in particular, to ease negotiation processes over working-time and procedural flexibility. Thus, in the specific case of social benefits and entitlements, the contribution of collective bargaining to flexibility and security trade-offs can be understood as a result of the overall package deal, as found by Ibsen and Mailand (2011). *Training* addresses both functional flexibility and job security with employment security entering the picture only in 2006, when training became a means to increase functional flexibility and tackle unemployment (employment security). As previously illustrated, in 1998 provision on training had already opened the sector up to a certain amount of external flexibility, but in 2012 apprenticeship programmes were explicitly referred to as a measure to address both external flexibility and youth unemployment (employment security). The category of *job classification* leads to a variety of combinations in flexibility and security. Primarily, it enables greater functional flexibility and income security, as well as functional flexibility and employment security (2012). Provisions on *working-time* address both working-time flexibility and combination security. Finally, the category of *measures for employment* contributes to the improvement of both external flexibility and employment security.

In conclusion, consistent with expectation 2, the analysis of sector level agreements shows, first, that the different forms of flexibility and security entering onto the agenda of sector level bargaining are both constrained and enabled by legal regulation. For example, given the limited scope for external flexibility due to the norms on individual dismissal, collective agreements have mainly contributed to the enhancement of internal forms of flexibility. For the same reason, all the relevant categories used for this analysis are shown to address issues of security more prominently than issues of flexibility. Moreover, given the extent of rigidity in the Italian labour market (OECD 1999, 2004), categories such as training, job classification and provisions for atypical workers appear to improve job security more significantly than any other form of security. Second, findings show that, as a result of both welfare state inefficiencies and ‘retrenchment policies’ – such as the ‘half-hearted universalism’ of the NHS (Ferrera, 1996; Ferrera, 2005:34) and the new pension reform – employees representatives have been particularly receptive to integrative forms of welfare services and have pushed these issues on to the collective bargaining agenda (Johnston et al.,

2012; Burroni and Pedaci, 2014). In other words, by acting in these instances the social partners have not only increased levels of combination security in the sector, but also contributed to an increase in the breadth of bargaining topics leading to a variety of flexibility and security trade-offs.

4.5.3 Procedural Flexibility and Procedural Security

The section draws attention to the articulation mechanisms provided by the chemical and pharmaceutical sector to enable and constrain company level negotiations on issues of flexibility and security. Table 4.4 shows which rules of *procedural flexibility* are provided by the sector level agreements (1998-2012) to empower company level social partners over each of the seven flexibility and security categories elaborated within the flexicurity literature (Chapter 3). The main findings are described below.

Table 4.4: Articulation mechanisms between sector and company level

		Flexibility	Security
Pay	1998: CL CB on PSS can exchange the bonus for working-time reduction 2006: Temporary Derogations on Pays 2009: Company Fund (to be instituted through CL CB) to support Solidarity Pacts PSS given through Fonchim or Faschim (fiscal benefits) Simplification of PSS provisions for SMEs	Wage – WorkTime (CL) ³ Wage (CL) Wage – Functional (CL) Wage (CL) Wage (CL)	Job (CL) Job (CL) Job – Combination (CL) Combination – (CL) Income (CL)
Training	2006: Derogations on Training plans; Temporary derogations on training 2009: The SL Guidelines coordinating CB decentralisation contain ‘Training’ as an item for CL CB only.	Functional (CL) Functional (CL) Functional (CL)	Employment (CL) Employment (CL) Employment – Job (CL)
Job Classifications	2012: Multi-skilled and multi-functional employee as a way to improve productivity and employability: Opening clauses and temporary derogations allowed	Functional (CL)	Employment (CL)
Working-time	1998: Opening clause to extend (no more than 48) and reduce weekly working-time (32-24) in areas of crisis (specifically south of Italy) to improve productivity. 2002: Open-clauses on flexi-time and shift-work Solidarity Pact on working-time reduction Open-clause on working-time reduction for re-engineering jobs through training	Working-Time (CL) Working-Time (CL) Working-Time (CL) WorkTime–Functional (CL)	Job (CL) Job- Combination (CL) Job (CL) Job- Employment (CL)

³ (CL): Company Level

	Opening-clause on part-time work 2009: SL Guide Lines coordinating CB decentralisation contain 'working-time' as an item for CL CB (up for derogation as well) 2012: Opening-clauses on: a. 28.5 holiday days for shift-workers b. Weekly working-time c. Overtime work (which loses its character of being extraordinary) Working-time is subject derogation (not below minimum agreed and in respect of 'individual fundamental rights')	Working-Time (CL) Working-Time (CL) Working-Time (CL) Working-Time (CL) Working-Time (CL) Working-Time (CL)	Combination (CL) Job – Combination (CL) Job – Combination (CL) Job – Combination (CL) Job – Combination (CL) Job – Combination (CL)
Provisions for Atypical workers	2012: Opening clauses on circumstances, restrictions on use and quotas for temporary workers. Temporary derogations from SL provisions are allowed.	External (CL) External (CL)	Employment (CL) Employment (CL)
Social Benefits and Entitlements	2009: CL CB of a new area so called 'Company Social Responsibility' including: 1. Training 2. Employment measures such as reform of seniority entitlements 3. Welfare benefits and combination security initiatives of any kind 2012: PSS ⁴ given also through Fonchim or Faschim (fiscal benefits)	Functional (CL) Wage (CL) Wage (CL)	Employment (CL) Income – Combination (CL) Combination (CL)
Measures for Employment	1998 Open-clause to extend and/or reduce working-time in areas of structural crisis (South of Italy) 2006 More flexible clauses for deploying atypical contracts in areas of crisis (South of Italy) Solidarity pacts 1. Reducing working hours 2. Job re-engineering through training and use of part-time work 2009 Open clauses as a means to enhance income security: 1. Bipartite CL Fund to support precarious workers 2. Derogations on working-time 3. Working-time reduction through Solidarity Pacts 2012 Further CB decentralisation towards a variety of measures: 1. Provisions for atypical workers fully delegated to CL CB 2. Possibility to postpone SL wage increases of 6 months CL CB can modify in peius the minimum wage for entry-level workers if hired with a permanent contract (wage cannot be lower than 80%) Temporary derogations to SL provisions of any kind through CL CB (CNC ⁵ approval no longer needed)	Working-Time (CL) External (CL) Working-Time (CL) Functional (CL) Working-Time (CL) Working-Time (CL) External (CL) Wage (CL) Wage (CL) Flexibility (CL)	Job (CL) Employment (CL) Job (CL) Job (CL) Income (CL) Job (CL) Job (CL) Job (CL) Employment – Job (CL) Job – Employment (CL)

⁴ PPT: Profit Share Scheme

⁵ CNC: Central (Sector level) National Committee

Table 4.4 confirms that the two-tier bargaining system found in the chemical and pharmaceutical sector in Italy does indeed shape the agenda of company level actors on issues of flexibility and security. Expectation 3 is satisfied. Effective procedural rules, such as opening-clauses and derogations, are in place to govern the relationship between the sector and the company level. As a result, all the categories addressing flexibility and security at the sector level – *pay, working-time, job demarcation, training, provision for atypical workers, social benefits and entitlements, and measures for employment* – are, potentially, items for company level negotiations.

Thus, by delegating specific issues of flexibility and security directly to companies and allowing for temporary derogations to sectoral provisions, the sector level social partners have enlarged both the breadth and scope of company level negotiations. As a result, trade-offs between flexibility and security are also expected to occur at company level, where, within the constraints set by the sector, social actors can find their own ways towards flexibility and security strategies.

Derogation clauses have been recognised and normalised by sector level agreements since 2006. While social partners in other industries consider this arrangement to be a potential threat to the multi-employer bargaining system, in chemicals and pharmaceuticals derogations are seen as a functional tool to address unemployment. Table 4.4 shows that procedural flexibility, both in the form of opening clauses and derogations, enables all forms of flexibility and security to be negotiated at the company level. Such rules, therefore, open up company level bargaining to a greater variety – certainly more than at the sector level – of flexibility and security trade-offs. ‘Solidarity Pacts’ are one of the most common combinations of flexibility and security encouraged at the company level. This proves that derogations have been mainly conceived by social actors as a temporary measure to cope with the effects of company restructuring and times of crisis. Most of these provisions, negotiated at the sector level between 2006 and 2012, are specifically linked to the category of *measures for employment*. Such a result seems to suggest that company level negotiations may enhance flexibility more substantially than security, leading to *unbalanced* flexibility and security trade-offs (see Chapter 2). However, the analysis of sector level data only does not allow this conclusion to be drawn.

4.6 Conclusion

The first aim of this chapter was to shed light on the outcomes of collective bargaining over flexibility and security within the Italian chemical and pharmaceutical industry. The second objective was to prepare the ground for the cross-country comparison of sector level collective bargaining in Italy, Denmark, and the UK, through which the first research questions (RQ1a/b) will be addressed.

The main points being made are, first, that social partners in the chemical and pharmaceutical sector act within a system of centrally controlled decentralisation. They are embedded in a two-tier bargaining system according to which sector level competences are demarcated by confederal agreements, while it is at the sector level that modes and scope of company level negotiations are set in place.

Second, it has been demonstrated that the sector level social partners have taken advantage of the institutional resources made available by the interconfederal agreements. Their autonomy and pragmatism has allowed them to deploy collective bargaining as a means of enhancing competitiveness and overcoming statutory inefficiencies. They also set in place a mutually supportive relationship, characterised by a relatively high level of trust, which is known as the ‘chemicals and pharmaceuticals’ special relationship’. Their proactiveness, has nonetheless, interfered with the demarcation provided by the interconfederal agreements and blurred the boundaries between bargaining competences. As a result, there has been an increasing uncertainty over the actual applicability of some of the sectoral provisions at the company level.

Third, both as a result of their constant interaction and their ability to engage with collective bargaining in a strategic way – such as during the economic transition in the 90s – the social partners have developed similar understandings around issues of flexibility and security. These, have influenced the sector level agreements. Yet, the effects of legal regulations on the labour market mean, first, that, issues of security are more prominent than issues of flexibility and second, internal forms of flexibility are more prominent than external forms.

Fourth, the analysis of both documentary and interview data has also demonstrated that collective bargaining in the chemical and pharmaceutical industry leads to different flexibility and security trade-offs. These are the following:

- *Training* addresses functional flexibility and job security, functional flexibility and employment security, external flexibility and employment security;
- *Job classification* addresses functional flexibility and income security, functional flexibility and job security, functional flexibility and employment security;
- *Working-time* addresses working-time flexibility and combination security;
- *Social benefits and entitlements* address internal forms of flexibility (especially working-time flexibility) and either combination or income security, and wage flexibility and combination security;
- *Measures for employment* addresses external flexibility and employment security.

Fifth, it was demonstrated that sector level agreements both enable and constrain company level bargaining on issues of flexibility and security. As a result of coordinating mechanisms such as competences' demarcation – for example the 2009 new chapter on '*company social responsibility*' – and competences' delegation through opening-clauses and derogations, all the relevant categories addressing flexibility and security can be included in the bargaining agenda.

Finally, given the controlling mechanisms established by the sector to govern the relationship between sector and company level bargaining, trade-offs between flexibility and security are also expected to occur at company level. The circumstances in which firms are allowed to deploy opening-clauses and derogations – for example, temporary economic difficulties, 'solidarity pacts', attracting investments and saving costs – seem to suggest that company level actors may be more exposed to demands for flexibility than sector level actors.

These conclusions have been drawn from a top-down analysis which allows a focus on the role of both national and sectoral bargaining institutions in addressing issues of flexibility and security. It shows that such institutions provide company level actors with a series of opportunities and resources. Nevertheless, it is not possible to explain to what extent and in what ways these opportunities have been taken up. In order to achieve this, it is fundamental

to complement the top-down perspective with a bottom-up one and to investigate how actors and institutions, in practice, behave at the company level.

Chapter 5: Collective Bargaining in Denmark

5.1 Introduction

This chapter explores the national and sector level institutions which frame collective bargaining in Denmark. Legal regulations are reviewed first in order to provide a general understanding of the context in which the sector level social partners interact. Special attention is then paid to the key elements of the Danish collective bargaining system, such as: a) autonomy of the social partners from the government and voluntarism of industrial relations; b) coordinating mechanisms across bargaining levels and resulting procedural flexibility; and c) the ‘culture of consensus’ and trust-based relationships between social actors. The last section presents the implications of the Danish welfare system for both collective bargaining and labour markets.

The second part of the chapter covers the characteristics of the industrial sector to which chemicals and pharmaceuticals belong. After providing a general overview of the main economic and technological features of the industry, exclusive attention is focused on industrial relations actors and institutions. It is argued that, as a result of a ‘*centralised decentralisation*’ of collective bargaining (Due *et al.*, 1994), sector level social partners have increased their respective shares of influence, thereby determining terms and conditions of employment for the entire workforce. In order to achieve this they have leveraged the resources that the national institutional framework has provided them with, especially, their autonomy as a source of labour market regulation and their long lasting trust-based relationships.

The final section covers the findings. These are presented according to a country-by-country analytical framework which consists of an adaptation of the propositions presented in Chapter 3 to the specific features of the Danish case. The goal is to observe, whether, and if so how, sector level social partners address issues of flexibility and security and thus prepare the ground for the comparative analysis of sector level collective bargaining institutions across Italy, Denmark, and the UK (Chapter 7). The main issues explored are: a) the agenda of sector level social partners on flexibility and security; b) the way in which flexibility and security is regulated by the sectoral-level agreements (1998-2012); and c) issues of

procedural flexibility which shed light on the scope for flexibility and security in company level bargaining.

It is concluded that in order to provide a clear account of the role of collective bargaining actors and institutions over these particular issues the top-down perspective needs to be complemented by a bottom-up one.

5.2 Industrial Relations at the National level

The fundamental feature of the Danish industrial relations system is its high degree of voluntarism, in which the regulation of pay and working conditions is entirely reliant on voluntary agreements between social partners (Due *et al.*, 1994). The State intervenes with legislation only if the principle of self-regulation threatens macroeconomic balances or does not secure reasonable protections for employees (Lind, 1998). Given the traditionally high levels of union membership and bargaining coverage, collective agreements in Denmark have no *erga omnes* effect and are binding only for those who voluntarily enter into them. This model, also defined as ‘Danish model’, has gradually developed since the 1899 ‘September Compromise’ when the Confederation of Trade Unions (the LO) and the Confederation of Employers’ Organisations (DA) signed the first Basic Agreement and laid the institutional foundation of the industrial relations in the country (Nielsen *et al.*, 2014). In 1910, the September Compromise led in turn to the establishment, by law, of a central labour court that was given the responsibility of adjudicating cases related to breaches of collective agreements, and also an Official Conciliation Service whose role was to help mediate between the social partners during the renegotiation of collective agreements (Gold and Weiss, 1999). In addition the two confederations negotiated the ‘Standard Rules for Handling Industrial Disputes’ from which the fundamental mechanism of the ‘peace obligation’ has taken form. These rules established important procedural requirements for company level negotiations which still serve as control mechanisms over decentralisation (Ibsen, 2013). First, as argued by Ibsen (2013), the social partners cannot engage in industrial action until collective agreements have expired. Second, local agreements can only be renegotiated once a year. Third, conflicts at enterprise level need to be referred upwards to local branches and organisation headquarters, and only then, to the conflict regulation systems, namely, labour court and industrial arbitration tribunals (Ibsen, 2013). By doing so, the social partners set in place important elements of multi-level coordination (Due and Madsen, 2008; Ibsen, 2013).

Prior to the introduction of state support for the labour law system in 1910, a vital piece of regulation had been implemented. This is the Act on state-recognised unemployment insurance funds (1907) which, along with the ‘Ghent system’ established rules relating to unemployment benefits through funds administered by the trade unions. In practice, those who were members of an unemployment insurance fund became members of a trade union too. By securing high levels of union membership, this mechanism both strengthened the labour organisations and guaranteed extensive collective bargaining coverage.

5.2.1 Legal and Regulative Context

In contrast to other EU countries, in Denmark, labour law plays a minor role (Gold and Weiss, 1999; Nielsen, 2006; Andersen, *et al.*, 2014), while collective bargaining represents the main mechanism of labour market regulation. A series of legal interventions have nonetheless covered particular categories of employees in relation to their profession, such as white collar workers and managerial posts, who are covered by the White Collar Act, or vocational trainees, who are covered by the Vocational Training Act. Other laws can be found in the field of annual holidays, sickness benefit, freedom of association, equal pay, equal treatment for men and women, and the transfer of undertakings (Lind, 1998). In addition, while statutory protective legislation cannot be modified by means of individual employment contracts, derogations to the law are allowed in specific situations, such as holiday legislation, collective redundancies, and competition clauses by means of collective negotiations (Nielsen, 2006). Although the influence of legal regulation in labour related matter is still very limited, for the past years there has been increasing state intervention due to the implementation of EU directives (Due and Madsen, 2008). Generally, the social partners have been involved in the decision making process. Yet, tripartite cooperation, in Denmark, has always had an *ad hoc* nature (Due *et al.*, 2009).

Thus, apart from the legislation on freedom of association there are no laws governing trade unions and employer’s associations. Only the Labour Court and the State Conciliator Board on Labour disputes have a legislative basis. Furthermore, there is no regulation of terms of employment, meaning that hiring and dismissing employees in Denmark is relatively uncomplicated. Such a regulative framework has provided a significant amount of labour market flexibility which, according to a survey undertaken by the World Bank, is one of the highest in Europe (World Bank, 2004 in Due and Madsen, 2008:224). Unlike other countries,

the reason is not to be found in policies of deregulation, but in the fact that regulation occurs via collective bargaining and not through law.

5.2.2 Collective Bargaining as a Source of Labour Market Regulation

In Denmark, collective bargaining has a mandatory normative function and serves as a parallel or an alternative to protective employment legislation (Nielsen, 2006). Moreover, there is a hierarchical relationship between collective agreements and individual contracts as sources of law, with collective agreements ranking more highly, *lex superior* (Fahlbeck, 2002). According to Madsen et al., the multi-level nature of the Danish system reflects the complexity that characterises its labour market ‘with both individual agreements, collective agreements and legislation, with trends both in the direction of centralisation, decentralisation and internationalisation and with many different actors with different interests influenced by new norms and values’ (Madsen et al., 2001:2).

This multi-level dimension has been evident since the beginning of the 20th century, when key institutional developments first shaped the collective bargaining system which has remained almost unaltered ever since (Gold and Weiss, 1999; Nielsen, 2006). Accordingly, the existing sources of labour market regulation are as follows:

1. Basic (inter-sectoral) agreements serve as an overarching framework for the conclusion and development of collective bargaining and provide the foundations for the relations between social partners. They include basic rules such as the right to organise, a peace obligation, cooperation at the workplace or the handling of unfair dismissals (Jørgensen, 2014);
2. Industry-wide agreements covering different sectors of economic activity. This is currently the key bargaining level as it establishes both general terms and conditions of employment for each sector, as well as the procedural rules for company level negotiations (Nielsen, 2006);
3. Company level agreements serving as a means to supplement, complement, and amend industry-wide agreements. These are concluded at enterprise level between managers and shop stewards. Company level negotiations have always been a characteristic feature of the Danish model (Madsen et al., 2001). The minimum pay system according to which salary conditions are mainly determined at the enterprise

level, has been a dynamic element of the organisational and bargaining system and guaranteed a high level of flexibility.

According to Clegg (1976), such a multi-level system of regulation is characterised by an extreme *depth*, meaning that the main social actors and the agreements negotiated are coherent ‘right from the central level and right down to the enterprise level’ (Madsen *et al.*, 2001:12). Coordination, both across actors and bargaining levels, has been provided for since the first basic agreement in 1899 which is considered today as a sort of ‘*Labour Constitution*’ (Nielsen, 2006:24). This involves a series of fundamental rules:

- Negotiations must be simultaneously undertaken and completed within a specific time frame which, however, can be extended;
- If the parties reach an agreement, the proposal is sent to the members for a ballot;
- If no agreement can be reached, further negotiations take place between the Conciliator and the social partners;
- The mediation process led by the Conciliator must be concluded within a certain time limit;
- If the mediation process is not successful, a notice concerning industrial action can be issued;
- Industrial action occurs unless the Conciliator decides to postpone it;
- If after two consecutive postponements (30 days) no agreement is reached, industrial action can take place.

The Basic Agreement set forth by the main confederations (DA-LO) in 1899 produced a cohesive institutional arrangement linking companies – both employee representatives and managers – with their respective local branches, but also with representatives of the national organisations both at the sector and the confederal levels. Due described this institutional configuration as a three-tier regulation system with a central multi-industry level, a single-industry level, and a local enterprise level (Madsen *et al.*, 2001). As a consequence, until the mid-1970s, Denmark experienced highly coordinated rounds of collective bargaining. The two-year agreements were renewed in a coherent process every second year on the basis of negotiations undertaken within the private sector (DA-LO area). Once each bargaining round was concluded, the outcomes could be transferred to the public sector. This mechanism

established a clear hierarchy in the ‘coordinated agreement model with the competitive industries setting the patterns and the government ensuring that all parts of the public sector adhered to the central principles’ (Due and Madsen, 2008:231).

This balance was nonetheless undermined by the economic crisis of the 70s when the collective bargaining system underwent a gradual process of reconfiguration. The main confederations, DA and LO, started to find it increasingly hard to negotiate joint solutions and, at the same time, satisfy their opposing interests. The culture of consensus was broken in 1973 with a major strike in the private sector which caused three interventions from the government in 1975, 1977 and 1979. At the beginning of the 80s a reformed bargaining system, known in literature as ‘centralised decentralisation’, was set in place (Due *et al.*, 1994).

5.2.3 Centralised Decentralisation

A first step towards the reconfiguration of the Danish system was taken at the start of the 1980s, when there was a shift in bargaining competences from the confederal to the sector level. This involved a *horizontal* process of centralisation at organisational level that determined the merger of many employers’ organisations into two big sector associations: Dansk Industri (the Confederation of Danish Industry) and CO-Industri (Cartel of Union in the Industry). Representing the largest sector – manufacturing – these associations obtained from the other members of DA the authority to begin the negotiation process at every bargaining renewal. As a result, their terms and conditions ended up functioning as a benchmark for the private sector as a whole. At this particular time, the Danish model moved from a three to a two-tier bargaining system albeit the central/confederal level retaining an important role of coordination. Since then, all industry-wide negotiations have been followed by a common ballot covering the LO-DA area which is undertaken by the State Conciliation Board on Labour Disputes (Due and Madsen, 2008; Ibsen, 2013).

Meanwhile, a shift also occurred at a *vertical* level meaning that, within the practice of *framework agreements*, sector level social partners have increased the scope of company level bargaining by delegating a series of competences, in particular pay and working-time, directly to managers and shop stewards. The bi-directional shift – both horizontal and vertical – through which a reconfiguration of the overall bargaining system has taken place, is known in the literature as *centralised decentralisation* (Due *et al.*, 1994). This distinguishing

phenomenon has resulted in an increase in *depth* of the bargaining system due to the delegation of a growing number of decisions to the company level. At the same time, the *scope* of the collective bargaining has been extended because more issues have entered into the sphere of the *framework agreements* (Madsen *et al.*, 2001).

In synthesis *centralised decentralisation* ‘means that the core of the bargaining structure – which is found at the central level – is transferred to the local level’ as a result of the delegating mechanisms provided, by the sectoral level (Madsen *et al.*, 2001:18). Hence, the confederal level has retained an overarching coordinating role, whilst the sector level provides ‘demarcation’ of bargaining competences via *framework agreements* and the company level fills in the details. The corollary is that within their respective bargaining arenas, the social partners rely on clearly defined responsibilities and act with a significant amount of autonomy.

It has been argued that, while increasing the breadth of bargaining topics at the sector level, all these developments have also provided an opportunity for local actors to negotiate flexibility and security trade-offs at the company level (Due and Madsen, 2008:241; Ibsen and Mailand, 2011). On the one hand, employers have recognised the need to ensure the presence of a strong local union representation within companies, as this is the only way to take advantage of the flexibility provided by the framework agreements. On the other hand, unions have contributed to the improvement of a well-functioning system of local bargaining as a strategy to retain/attract members. Indeed, despite a decline in union membership labour organisations in Denmark have shown a relatively strong resilience (Due *et al.*, 2009). Danish companies continue to have a high level of union presence, with approximately 70 per cent of employees represented by a shop-steward (Ilsøe *et al.*, 2007; Ilsøe, 2012).

In recent years, there has been a further enlargement of the scope of collective agreements. Besides dealing with wages and working-time, at the beginning of the 1990s, sector level social partners have also started to negotiate over welfare-related matters. This was the result of a tripartite agreement signed in 1987, according to which all labour market actors committed to the enforcement of ‘a competitiveness-enhancing wages policy’ (Andersen and Mailand, 2005). The trade unions acted as facilitators, but in exchange they obtained the introduction of occupational pension schemes onto the bargaining agenda (Due *et al.*, 2009). Currently, the agenda of sector level social partners encompasses a wide variety of new

provisions dealing with the right to training, pensions, time-off, employees with reduced working capacities, sick pay and paid parental leave, children's sickness and hospitalisation (Jørgensen, 2014). This has brought about a sort of double level of regulation for which certain welfare related issues are regulated by both legislation and collective agreements. On the one hand, the extent of influence of political actors in the sphere of competence of the social partners has added pressure for the principle of self-regulation. On the other, however, the social partners have been able to maintain their own prerogatives by supporting each other's interests and, at the same time, matching their constituency expectations (Due *et al.*, 2009). In particular, unions have secured desirable benefits opportunities for their members while employers have gained a certain degree of control over the definition and the extension of these particular schemes (Due and Madsen, 2008). As a consequence, the items relied upon for the conclusion of integrative bargaining – and the protection of the culture of consensus – have widened for both sides. According to the scholars, there has been a coordinated effort to try to reproduce at the local level the consensus-based bargaining system characterising, first the confederal, and then, the sector level (Madsen *et al.*, 2001). In this regard, Madsen *et al.* observe: 'a form of *duplication and reprinting in a smaller scale* takes place of the existing hierarchical management model with a view to the management of smaller units' (2001:169).

In order to produce such a coherent system of labour market regulation, the relationship between social partners has played a pivotal role (Viebrock and Clasen, 2009). The principle of *consensus* finds, again, its roots in the September Compromise when it became clear that the only way for the social partners to keep the government at arm's-length and act within a self-regulative context, was to arrive at compromises and contribute to the political system through shared solutions (Due *et al.*, 2009). Factors such as trust and mutuality in Denmark have helped affirm each party's role and represent the foundations upon which, not only industrial relations, but also the labour market, are based. Institutions do influence the behaviour of actors, but once they have been set in place actors provide *feedback mechanisms* (Larsen, 2004:141) which, in turn, strengthen institutional regulation. In the case of Denmark, this has evolved into a system based on organisational participation and a collectivist culture.

The social partners' postures need, therefore, to be recognised as a driving force for the entire labour market (Larsen, 2004). To summarise with one word, *pragmatism* has always been a key element in understanding the relationship between Danish employers' and employees'

representatives – across all levels (Fahlbeck, 2002). As argued by Larsen ‘many measures obtained institutional acceptance and stability partly because the actors have learned over the time to incorporate the other party’s deliberate rationality in their behaviours and understanding of experience’ (Larsen, 2004:139).

Although acting within a culture of trust and consensus, there have been circumstances in which employers’ and employees’ representatives have competed with each other in order to gain political influence, such as during the legislative intervention via the White-Collars Workers Act or the Holiday Act. These experiences have, nonetheless, shown the parties that it is only when they pool their efforts that they can make a significant impact at the policy-making level (Madsen, *et al.*, 2001). Over the years, the relationship between social partners has developed in such a way as to equip them with the ability to move from an approach of distributive bargaining to one of integrative bargaining (Walton and McKersie, 1965; Due *et al.*, 2009). This particular negotiating approach has been effectively depicted as ‘the Danish genius for compromise’ (Galenson, 1952).

5.3 The Welfare System

According to Esping-Andersen (1990) Denmark can be clustered within the ‘social democratic’ regime-type of welfare system. This implies that the standards guaranteed by the State with regard to equality on the fruition of social rights are amongst the highest in the EU area. The way in which services and benefits are issued is not based on an occupation divide. In contrast, the principle of ‘universalism’ allows different types of workers, from manual workers to civil servants to enjoy identical rights; all these types are incorporated within the same universal insurance scheme, yet benefits are graduated according to tailored earnings. As perfectly depicted by Esping-Andersen: ‘this model crowds out the market, and consequently constructs an essentially universal solidarity in favour of the welfare state. All benefit; all are dependent; and all will presumably feel obliged to pay’ (1990:28). The emphasis is on the need to emancipate citizens both from the market and the traditional family leveraging their individual independence. In that sense, the social democratic system includes elements of liberalism and socialism. However, as opposed to liberalism, the State takes responsibility for all disadvantaged categories to the best of its capacity: the unemployed – by co-financing both unemployment benefits and active labour market policies – the aged, and the children. In so doing, it guarantees support to families when their source of income fails and enables women to choose work rather than household. Given the costs of

this system, whose burden is entirely on tax-payers, there is a strong commitment of the State to foster full-employment, meaning that the State ‘must minimise social problems and maximise revenue income’ (1990:28).

This particular welfare regime has had important implications for the Danish labour market, especially with regard to the dimension of *security*. In comparison with other EU countries, the extent of compensation for low-skilled employees in case of unemployment is (still) amongst the highest. For workers employed on average minimum-wage conditions the extent of compensation is around 94 per cent and for skilled workers is around 68 per cent (Jensen, 2009). More importantly, Jensen suggests that there is a correlation between a low level of employment protection and a high level of unemployment benefits that seems to explain the lack of interest that trade unions, in this country, have had for issues of job security (2009). It is the State that protects their members from potential labour market risks by guaranteeing relatively high levels of *income security* (Andersen and Mailand, 2005).

A further aspect of the Danish welfare regime which contributes to the dimension of security is represented by policies of labour market activation. Since the 1990s, the Danish government has provided measures helping the long-term unemployed to re-enter the labour market. First, new criteria on the fruition of unemployment benefits have been implemented as a means to narrow the group of potential recipients and, as a consequence, encourage the unemployed to actively look for a job. For example, the maximum period for receiving unemployed benefits was reduced from 9 to 4 years in 2005 and from 4 to 2 in 2012, although extended to 2.5 years in 2012 (Mailand and Jørgensen, 2013). Second, education and training have been targeted at the re-qualification of the unemployed, in order to match the skills of those who are out of work with those the market requires. The rationale of the State in this matter is that high investment in human capital increases the rate of individual employability (Bekker *et al.*, 2008). Consistent with the terminology reviewed in the literature (Chapter 2), it is therefore the State that, through active labour market policies, enhances *employment security*. Scholars have suggested that thanks to these policies there has been a shift from a ‘welfare-without-work’ to a ‘work-for-welfare’ approach (Benner and Vad, 2000:459). This meant lowering taxes, removing old work disincentives, and expanding childcare services with the aim of helping the government increase the labour supply towards the sustainability of the overall welfare system.

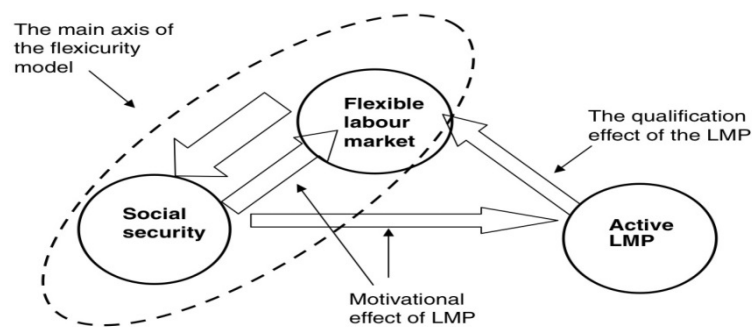
5.3.1 The Danish Flexicurity

During a review of the main national institutional features of the Danish labour market regime it has been argued that the country is characterised by three fundamental and interconnected elements:

- a) A limited and market-oriented legislation which allows companies to hire and fire workers in a relatively uncomplicated way (*external flexibility*);
- b) Collective agreements are the main source of regulation, setting wage standards, minimum-pay, and working-time (*internal flexibility*), but also providing a series of social benefits, such as pension schemes, parental leave, and sick leave, both as a way of enhancing productivity levels and supplementing public welfare provision (*security*). The particular configuration of the collective bargaining system, also known as ‘centralised decentralisation’ (Due *et al.*, 1994) has, in addition, provided an extensive level of *procedural flexibility*;
- c) Generous and universalistic welfare schemes, such as unemployment benefits and active labour market policies, protect both income and employment *security*.

The interplay between these three distinguishing elements of the Danish labour market has made this country one of the most exemplary cases of ‘flexicurity’ and gained a great deal of attention both amongst academics and policy makers (Bekker *et al.*, 2008; Jensen, 2009; Viebrock and Clasen, 2009). Within this context, the social partners play a fundamental role. They partly contribute to each of the different dimensions contained in the so-called ‘golden tringle’ – figure 5.1 (Bekker *et al.*, 2008) – thereby securing a flexible labour market, active labour market policies, and social security nets.

Fig. 5.1 Golden Triangle
Source: Madsen 2008:39



With reference to Denmark, Wilthagen and Tros (2004) suggest: ‘there is a clear trade-off between the high level of external-numerical flexibility and a high level of income and (increasingly) work security. Since the end of the 19th century, Danish workers have had a little protection from dismissal, but with income protection, they have the security of being able to find a new job quickly, thanks to training, mediation and reintegration’ (Wilthagen and Tros, 2004:177). The focus of their analysis is on the opportunities created by the state – through a combination of low level of legal intervention and high levels of welfare provision – to set in motion a dialectical relationship between flexibility and security, also known as flexicurity.

However, little is known about the way in which social partners, through collective bargaining, take part in this process. In this regard, Andersen and Mailand (Andersen and Mailand, 2005:24) argue: ‘decentralisation in the bargaining system is a precondition for the form of flexicurity which has developed on [sic.] the Danish labour market, so is the increasing scope of issues included in the content of the agreements making a substantial contribution to the particular balance between flexibility and security on [sic.] the Danish labour market’. By paying exclusive attention to the chemical and pharmaceutical industry, the second section of this chapter explores whether, and if so, how sector level actors and institutions enact this particular role.

What follows is a summary of the main national level institutional features framing the collective bargaining system in Denmark.

Table 5.1: National Institutional Framework

Denmark	National Institutional Framework
Collective Bargaining Arrangements	Multi-employer Two-tier bargaining system
Collective Bargaining Decentralisation	Centrally controlled (Centralised Decentralisation)
Articulation Mechanisms	Demarcation: 1. Sector-level Agreements High coordination between bargaining levels
Bargaining Coverage	No extension mechanisms provided – Bargaining coverage 65 % (Larsen et al. 2010 in EuroWork, 2014)
Predominant Bargaining level	Sector
Employers-Union Relationship	Cooperative
Autonomy of Sector-Level Actors from the Confederal-Level	High Autonomy

5.4 The Chemical and the Pharmaceutical Sector

In Denmark, chemicals and pharmaceuticals belong to the large umbrella of the manufacturing industry whose total turnover since 2000 increased from DKK⁶ 475 billion to DKK 670 billion in 2011 (Statistical Yearbook, 2012). The investment in research and development reached DKK 20.7 billion in 2012 which corresponds to 56 per cent of the whole private sector's expenditure (Statistical Yearbook, 2014). While the overall industry has been dramatically hit by the 2008 financial crisis – when production fell by more than 20 per cent on average – chemicals and pharmaceuticals have shown an extraordinary degree of resilience. Thanks to their high levels of export shares, 50 and 92 per cent respectively, chemicals and pharmaceuticals are the best performing clusters of companies within Danish manufacturing. In 2011 the three largest pharmaceutical enterprises accounted for 86.1 per cent of total manufacturing turnover meaning that, within this sector, revenues are concentrated in a few large companies, namely, pharmaceuticals (Statistical Yearbook, 2012).

These companies have gained their competitive edge by specialising in chemistry and biotechnology-based products and processes that require a heavy investment in innovation (Sin *et al.*, 2013). They rely, therefore, on a highly qualified workforce with a broad range of technical skills and knowledge including blue collar workers as well as chemical engineers.

⁶ 1.00 DKK = 0.10 GBP

Employers share the costs of investment with the government whose main contribution has been to supply more and higher quality graduates with the technical capabilities demanded by such knowledge-intensive business environments (Sin *et al.*, 2013). The challenge has been successfully addressed; according to the bureau of statistics Denmark saw an average 10 per cent increase in the number of Ph.D. graduates in engineering and sciences between 1998 and 2006, placing this small country third in the world, after only China and Mexico (Statistical Yearbook, 2012). The Danish chemical and pharmaceutical industry includes a wide variety of companies that are global leaders in their niche markets. Proof of its success can be found in the establishment of an important industrial cluster, called ‘Medicon Valley’, that has attracted pharmaceuticals, biotechnologies and medical technology companies, fostering further growth and innovation right across the manufacturing industry (Sin *et al.*, 2013).

5.4.1 Collective Bargaining Actors and Institutions

As previously established, the Danish industrial relations system has shown a significant tendency towards collective bargaining decentralisation. This decentralisation has occurred within a clear set of rules which govern the relationship between different bargaining levels. As a consequence, the sector has become the prominent level at which negotiations take place: it both provides procedural rules and identifies the matters for company level negotiations (Mailand and Jørgensen, 2013). During this process, the Danish manufacturing industry, to which chemicals and pharmaceuticals belong, has played a fundamental role.

In 1989 nearly all employers’ associations in the industrial sector, including chemicals and pharmaceuticals, merged and created the so-called Confederation of Danish Industries (DI) which became the dominant member of DA. This important development caused the unions operating in manufacturing to undergo a similar shift, a *horizontal shift*, altering the organisational structure so as to form a bargaining cartel known as CO-Industri. Within chemicals and pharmaceuticals the most representative unions belonging to the cartel are: a) HK-Privat, representing (highly-skilled) salaried employees; b) Dansk Metal, traditionally, representing the ‘skilled’ (metal)workers; and c) The United Federation of Danish workers (3F), traditionally, representing the ‘unskilled’ workers’. 3F is the largest union in Denmark, but also the least representative within chemicals and pharmaceuticals. Since 1989, DI and CO-Industri have become the largest employers’ and employees’ organisations in Denmark. Every two years, these associations initiate sector level collective bargaining the outcomes of which function as a benchmark for all the industries in the country, both in the private and

public spheres. Operating in an institutional environment where legal intervention is minimal, DI and CO-Industri have become key-actors both in the Danish industrial relations system and the labour market.

With regard to collective bargaining, the main competence of the social partners in the industrial sector is the negotiation of two categories of collective agreements, one for blue collar workers and one for white collar workers, covering about 70 per cent of the entire workforce (Ilsøe, 2012). Traditionally, blue collar workers had a much more detailed regulation of employment terms and conditions than the white collar workers. However, in the past ten years the differences between these two categories of employees have progressively evaporated. As a result of collective bargaining decentralization, the industrial agreements have turned into ‘*framework agreements*’ establishing a series of general entitlements which can be supplemented at the company level. Foremost amongst these are the ‘*minimum wage levels*’ that represent approximately half of the actual wages paid. The rest is independently negotiated by managers and shop stewards at enterprise level.

What we do [sector level social partners] is [collective bargaining on] working time, pensions, education and training, this minimum salary level, the conditions for apprenticeship, compensation for shift work, night work, equal opportunity, temporary agency workers and stuff like that. On the local level they [managers and shop stewards] can discuss everything, basically, that they want to that is within the framework of the sector agreement, and also issues outside the sector agreement.

CO-Industri International Secretary, November 2013

It was during the 1990s, that the scope for local level bargaining went beyond wage negotiations to include working hours, and from 2000 a radical opening clause enabled company level actors to deviate from four chapters of the industrial agreements, namely:

1. Cooperation
3. Working time
4. Outwork and travel work
10. Continuing training

From 2004 local level representatives have been able to use this option without any control from the sector level, which only needs to be informed of the outcomes of negotiations. Yet,

if one of the two signatory parties wants to terminate the local agreement, it is obliged to give the other party two months' notice – unless a longer period of notice has been locally agreed. This mechanism has provided shop stewards with a sort of a *veto power*, which was a precondition to their acceptance of such a strong delegation of bargaining competences (Jensen, 2011). It has been argued, that along with a high level of union density – 70 per cent in manufacturing – both at the sector and the company level, this has contributed to the reproduction of the *bargaining power* and the *trust-based bargaining culture* found at the sector level at the company level (Ilsøe, 2012:761). Moreover, it is exclusively at the sector level that social partners control and enable company level collective bargaining. As a result, demarcation between competences is fluid and no overlaps across levels can occur. This is likely to provide social actors with more confidence and autonomy when engaging with new bargaining issues:

In principle I would say that they [company level actors] can negotiate almost on anything they want on the local level unless you come into conflict with law. Then it becomes a challenge to do this and of course the local branches would always say, do not negotiate on things that are less than the national sector agreement!! And it does not happen, but I think in theory is possible on the local level to make derogations from the sector.

CO-Industri International Secretary, November 2013

We have four overall topics in which you can do whatever you like at the company level as long as you have an elected shop steward to do it with. That's the prerequisite for doing that, for instance, we have 37 working hours, that's the average per week in Denmark but you can at the company level decide to go for 50 hours. But the only way to do that for management is to find a shop steward to do such an agreement with; so that's how the unions sort of stay in control.

Deputy Director of DI, November 2013

The possibility of taking advantage of local level negotiations to inject higher flexibility has become relevant to all employers in persuading them to engage in the so-called 'accession agreements' with the union cartel, even when they are not members of DI.

...Normally we [Co-Industri] try to take the current collective agreement that we have in DI and we say: ok this is what we will offer you [not member of DI] if you want to; you are outside DI but we still think that you should have the agreements that we have made with DI. So this is our [sector level social partners] blue-print for negotiations.

But of course you can do a lot of local adjustments in the actual agreement, if you do it with the shop stewards, and this is what they actually do in the end.

CO-Industri International Secretary, November 2013

While the process of *decentralisation* occurred without disrupting the traditional *consensus* between the two sides of the negotiating table, the *centralisation* of bargaining competences at the sectoral level did not occur without problems. DA and DI, in particular, engaged in a temporary struggle for power. In fact, as a result of the internal restructuring, the new sector organisation (DI) gained a 65 per cent share of DA, meaning that it became capable of dictating the terms for all the other members. Although agreeing with a reduction of the main confederation's (DA) powers and resources, the other employers' organisations could not accept a limitation on their bargaining prerogatives at the sectoral level. Thus, there was fierce competition with DI which broke up in 1995, when the transport sector interrupted the co-ordinated bargaining practice and negotiated an agreement against the will of the most representative association. Peace within DA was restored with the 2000 bargaining round (Madsen *et al.*, 2001). Yet the interview with the director of DI shows that there are still elements of disagreement:

Things have changed over the past 20 years, because as we have joined the plastic industry, the chemical industry the pharmaceutical industry...we have gathered over the 65 per cent share of DA which means that we have a sort of shareholder issues...How should I put this?? I wouldn't say free riding...a lot of services connected with being members of DA, we finance a lot of these. But at the same time that's a way for us to make sure that we are all aligned politically - and in terms of collective bargaining - and making sure that the retail businesses don't go out and give away one month of vacation because this would influence our coordination. So we have a sort of a coordination going on in the DA but today DA is only dealing with political issues, they are not dealing with collective bargaining yes, they are but only as coordinator, they don't take direct part in negotiations, not anymore, we do!'

Deputy Director of DI, November 2013

While smaller DA members had to ultimately accept a limitation on their bargaining autonomy, DI has progressively stretched its sphere of influence within the labour market. As for the unions, they appear neutral with regard to their counter part's *conflict of interest*. In fact, none of the sector level interviewees in CO-Industri ever referred to this specific issue.

Thus, by representing the two most influential sector level organisations, the reformed institutional framework has provided DI and CO-Industri with a great amount of autonomy. Social partners exercise this autonomy, not only by playing an important co-ordinating role for all the other sectors, but also by keeping the government at arm's length.

Trade unions and employers are autonomous and sovereign in regard to collective bargaining, we know what is best for our members!

CO-Industry International Secretary, November 2013

We [social partners] are totally independent and actually we ask them [the government] to stay away, because this [collective bargaining] is our prerogative. Also, in Denmark is the private sector that functions as an example for the public sector!

Deputy Director of DI, November 2013

When asked about their relationship, interviewees – both from the employers' and employees' side – made an explicit link between their independence, a long tradition of collaborative and constructive collective bargaining, and the notion of 'Danish flexicurity'. In particular, the CO-Industri official argued that flexicurity has never represented a deliberate aim of the social partners. This institutional configuration occurred as a result of continuous adjustments made at different institutional levels to enhance the competitiveness of companies and improve levels of employment. The social partners, together, participated in this process by *defending* three fundamental and intertwined elements of the system: a) flexibility in the forms of hiring/firing/leaving jobs; b) security through unemployment benefits; and c) active labour market policies such as education and training, as well as measures to match jobseekers and companies' demands. In his words: any other interpretation of flexicurity that does not rely on a combination of these three specific elements embodies 'a perverted view of flexicurity'.

Flexicurity represents another moment of collaboration between CO and DI... It has been a continuous process, over many many years, based on, and built in a climate of trust by the different actors: us, the employers, and the government so that, now, we have a level of trust that we would not cheat on each other, that the different levels of the flexicurity are brought together and ensured by all the participants in the labour market.

International Secretary CO-Industri November, 2013.

The involvement of the industrial sector in upholding the current institutional framework is apparent in the way in which social partners describe their role and relationship. Both employers' and employees' sides use the words '*positive*' and '*constructive*' to define the collective bargaining environment in which they act. Moreover, they affirm that the climate of collaboration and reciprocal trust built up over the years has been pivotal in the institutionalisation of the flexicurity system itself. 'Keeping the drama out of the negotiation table', as the DI representative argues, is the most effective way for the social partners to maintain the current degree of flexicurity and allow it to cope in a context that is constantly changing, for example, as a result of the increasing role of legally binding regulations coming from the EU and policies of social welfare retrenchment. In this light, according to both social partners, keeping their members' expectations in line with feasible results and working together towards common targets is a strategy aimed at strengthening each other's role and securing their respective share of legitimation in the labour market.

My job as a negotiator is actually to influence my own base in a way that I can actually have a mandate, so that I can go to the unions and make an agreement... We have very clever and very realistic opponents. I wouldn't hesitate to be quoted on that because that's the truth.

Deputy Director of DI, November 2013

In general we have a very good cooperation with DI. We have - I don't know if it is daily - it is however almost daily that we have colleagues here attending meetings with DI.

International Secretary CO-Industri November, 2013.

This notwithstanding, five or six months before entering into a sector level collective bargaining round the frequency of contact between sector level social partners scales down, in order to avoid cooperation in other areas influencing negotiations:

It's a bit strange to meet one day and negotiate on different issues, where there can be hidden discussions, and the next day you have to sit together for the think-tank and cooperate. We say, at the beginning of December: we scale down the meetings in general social dialogue issues, and then, when the collective bargaining round is finished, we will get back to our normal routine.

International Secretary CO-Industri November, 2013.

The level of trust and cooperation does indeed affect the items negotiated and is paramount in shaping the outcomes of social actors' interactions. According to the CO-industri representative, the difference between Denmark and the other countries is that Danish social partners are not trapped in '*a prisoner dilemma*' when negotiating. They may not be fully aware of what their counterpart's move is, but they are confident that DI will not cheat. For example, unions have accepted higher flexibility to cope with the effects of the crisis, because they were confident that employers would share the resulting profits through wage-increases and/or additional resources for training in the aftermath of the economic recovery.

A summary of the distinguishing features of the industrial sector is provided below:

Table 5.2: Sector Level Institutional Framework

Denmark	Chemical and Pharmaceutical Sector
Collective Bargaining Decentralisation	Centralised Decentralisation Open & Derogation clauses
Articulation Mechanisms	Demarcation: 1. Sector-level Agreements 2. High autonomy of local level social partners
Union density	1. Sector-level: 70% 2. Company-level: 70%
Employers-Union Relationship	Cooperative – Pragmatism
Autonomy of Sector-Level Actors for the Confederal-Level	High autonomy

5.5 Country-by-Country Framework of Analysis

In this section, a series of expectations will be examined to explore *whether* and *how* collective bargaining arrangements regulate issues of flexibility and security within the Danish industrial sector. This country-by-country analytical framework involves an adaptation of the comparative propositions presented in Chapter 3 and sets the context for the cross-country comparison of sector level institutional arrangement in Italy, Denmark, and the UK (RQ1).

The relevant propositions are:

1. The institutional configuration of the chemical and pharmaceutical sector accounts for the scope of the sector level social partners' agenda over issues of flexibility and

security (Marginson and Galetto, 2015); collective bargaining and social dialogue represent functional mechanisms for the social partners to develop similar understandings around these issues and enhance the possibility for exchange of ideas, package deals, and joint problem solving between the parties (Ibsen and Mailand, 2011). Informal social dialogue arrangements, as found in the UK, provide a less procedurally secure mechanism than the formal collective bargaining institutions that are found in Italy and Denmark.

2. In countries in which labour law is more developed collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility. In contrast, where social welfare is more developed collective bargaining and social dialogue engage less with security and more with flexibility, because the security dimension is already covered by the state (Esping-Andersen, 1990; Ibsen and Mailand, 2011).
3. Articulating mechanisms governing the relationship between the sector and the company level influence the scope of company level bargaining over issues of flexibility and security (Marginson and Galetto, 2015).

It follows that for the Danish case, the three relative expectations are:

1. Given the key-role of the industrial sector in supporting the collective bargaining system – *centralised decentralisation* – and taking into account its contribution to ‘the Danish flexicurity system’, the social partners have developed similar understandings around issues of flexibility and security;
2. Because income security is protected by the government through unemployment benefits, and external flexibility is enabled by the absence of legal regulations, internal forms of flexibility and employment security are likely to be the most prominent forms of flexibility and security addressed at the sector level. Yet items of flexibility are more prominent than items of security, with a very little scope for job security in particular.
3. As a result of the two-tier bargaining system and centralised decentralisation of collective bargaining, the sector level framework enables and constrains company level bargaining on issues of flexibility and security.

5.5.1 Flexibility and Security in Social Partners Agendas

According to both DI and CO-Industri representatives, in the past, not only have flexibility and security been the primary focus of sector level agreements but also a key object of their constant interactions. The social partners have, therefore, developed a clear idea of what flexibility and security mean to them and how functional the role of sector level collective bargaining is in enacting their strategies. In this regard, while the minimal legal framework provides sector level actors with a wide degree of autonomy in shaping labour policies, it also exerts a strong pressure to deliver these policies as effectively as possible. The social partners show they are fully aware of, and extremely pragmatic about, the fact that the level of bargaining coverage and the survival of the current collective bargaining system depend on their ability to meet their members' expectations. As a result, in recent years, they have increasingly worked to strengthen their mutual interdependency and joined forces to enhance flexibility and security in particular.

For this reason, sector level actors see flexibility as an issue that is relevant, and of interest, to employers and employees alike. While the *employers' organisation* focuses on the benefits for companies to easily dismiss labour, the *union cartel* focuses on the benefits for employees to move from one job to another, retaining knowledge and skills that former employers contributed towards developing. Interviews reveal that both social partners have developed a sort of Danish notion of flexibility, seen as a means to encourage labour mobility along with continuous training and education.

We have another approach than the British approach, where they [British] don't actually have very strong unions. They don't have to take unions into consideration. What we [Danish] are talking about here is whether we [social partners] can generate a common interest and create joint results; that's our idea. Of course we go into as much flexibility as we can, but again, we don't push it over the limit, where actually the workers will say: 'no thank you' and then they will go on strike; so that's how we do it, it is about power.

We [Danish] have this interaction between the government, the law, and the private negotiations; for example, the unemployment benefits are decided by the government [security], but the length of the notice period [flexibility] is purely collective bargaining [sector level]; there is a sort of interconnection for which flexibility is positive.

Deputy Director of DI, November 2013

If it is true that employers can easily dismiss labour, it is as well fair to say that employees can leave their jobs giving less than 2 week-notice. Flexibility also means being free to look for an employer that pays you more than your current one and feel free to resign bringing with you knowledge and skills that he has contributed to develop. Danish flexibility entitles employees to a great extent of self-development by encouraging labour mobility and continuous on-the-job training. Flexibility is a constant process of up-skilling and re-skilling.

International Secretary CO-Industri November, 2013.

Moreover, when identifying issues of flexibility DI and CO-Industri point to the role of the procedural flexibility allowed by the two-tier bargaining system. According to them a controlled decentralisation of collective bargaining is a further opportunity to enhance the social partners' effectiveness in addressing both issues of flexibility and security. By enabling and controlling company level bargaining they reach their members' most local demands and secure their bargaining power throughout different institutional levels.

The major advantage [of the framework agreement] is that you are actually able to decentralise responsibilities; this is the biggest flexibility in the western world! When we say decentralised it really is. A major pharmaceutical company would be able to adapt the rules to whatever need they have. Let's say the chemical and the pharmaceutical companies are very heavy on investments so they have very expensive machineries and costly research. They have to deal with this patent windows...Which means that they have to work around the clock in comparison with other companies within the industry where you don't have this pressure. But even though they are within the same [sectoral] collective agreement, they are able to do very different things. So the small chemical enterprise sees the agreement in the same way than the big pharmaceutical multinationals, they just use the rules in a different way but still are the same rules.

... You [local level actors] can create the rules, change the rules, and it's actually ok to do it. And this is the only con: that you have to find someone to do it with!

Deputy Director of DI, November 2013

It's a bottom up approach that we have done in Denmark. This explains the anxiety and resistance against the other [dominant] idea of flexibility, especially [the one coming] from the EU. It is us [social partners] that [in Denmark] decide how much flexibility we want.

International Secretary CO-Industri November, 2013.

Turning to security, the social partners' views on this issue are highly influenced by their understanding of the Danish version of flexicurity. For example, both sides of the negotiating table relate security to the welfare system. In particular, CO-Industri considers social benefits functional in achieving two particular objectives. The first and immediate objective is to avoid unemployment turning into a social problem. The second one is to allow employers' and employees' organisations to focus exclusively on the improvement of labour market mobility, both by creating job opportunities and investing in continuous training and education. Similarly, the representative of DI argued that, given the security net provided by the unemployment benefits, the social partners are able to enhance security by creating job opportunities and making sure that employees are constantly up-skilled and re-skilled. In other words, the primary function of collective bargaining is to allow the social partners to improve levels of security by keeping the workforce in the sector constantly employable.

Thus, consistent with expectation 1, the interview data demonstrate that the national and sectoral institutional frameworks within which social actors in the industrial sector operate push flexibility and security onto their bargaining agendas. Both sides of the negotiating table see flexibility as a positive means to encourage labour mobility along with training and education. Flexibility, in addition, is provided by the procedural mechanisms enabling company level actors to find solutions that meet their most local demands. The *depth* of the bargaining system enables shop stewards to use the rules of the framework agreement in a flexible way and without fearing arbitrary managerial decisions. As for security, the social partners are revealed to be strongly reliant on the national welfare system which allows them to focus almost exclusively on the improvement of labour market mobility, as well as on keeping the workforce up-to-date in terms of skills and constantly employable. Furthermore, interview data shows that collective bargaining is a key institution within the flexicurity system. It is a primary responsibility of the social partners to uphold this system by injecting flexibility both into the internal and the external labour market and by improving the degree of security through continuous in-job training and vocational education.

5.5.2 Flexibility and Security in Collective Agreements

In the empirical analysis, all the collective agreements signed in Denmark between 1998 and 2012 were considered and triangulated with the interview data. As anticipated in the

methodology section (Chapter 3), table 5.3 indicates which sector level agreements address each of the seven flexibility and security categories elaborated within the flexicurity literature (Wilthagen and Tros, 2004; Bekker *et al.*, 2008) and indicates whether the provisions enhance flexibility and security respectively, and if so which form.

Table 5.3: Flexibility and Security Provisions

		Flexibility	Security
Pay		Wage-Time	
Training	1998: Increases funding for training 2004: 2 weeks training for dismissed employees 2007: Competence Development Fund (CDF) to support employees' wages during 2 weeks of continuous training 2 weeks of vocational training paid 85% of salary 2012: Easier access to 2 weeks of vocational training (on top of continuous in-job training) Option to go part-time in exchange for training with wages sustained by the CDF Unspent weeks of training can be used for 6 weeks of continuous vocational training (consultants are made available to workers and companies to help choosing training plans)	Functional Functional Functional Functional Functional Functional	Employment Employment Income – Employment Employment Employment – Combination Employment Employment – Combination
Working-time	1998: Working hours between 6am and 6pm 37 Weekly hours in 12 months (independently from shifts) Tele-work 2000: working time is weekly fixed Working-time flexibility on a voluntary basis with the involvement of shop stewards	Working-Time Working-Time Working-Time Working-Time	Combination Combination Combination Combination Combination
Social Benefits and Entitlements	1998 Introduction of sick payments Day off for first day of child's sickness -Maternity leave increase - Pension contribution increased 2000: Increased pension contribution also for blue collars Increase maternity leave (on top of gov payments) Full wage during sick leaves (from 4 to 5 weeks on top of gov allowance) Child's first day of sickness fully paid 2004: Pension contribution white and blue collars alike Payment during parental leave Paid sick leave extended from 5 to 9 weeks one week paid leave for parents with children hospitalised 2 weeks of training for dismissed		Income – Combination Combination Combination – Income Combination – Income Combination – Income Combination – Income Combination – Income Combination – Income Combination – Income Combination – Income Combination – Income Employment

	workers with more than 3 years seniority 2007: 3 weeks paternity leave Pension contribution for women in maternity leave 2010: Pay compensation for night work convertible into day-offs 1 week extension for both paternity and maternity leaves Severance payments in event of dismissal 2012: Senior workers can agree individually shorter working-time Senior workers can decide if receiving their pension contribution as monthly payment or as part of the pension scheme Improvement of automatic compensation in case of dismissal	Working-Time Working-Time	Combination Combination – Income Combination – Income Combination Income Combination Combination Income
Measures for employment	2010: Employee skills and competences need to match LM requests – in-job/vocational training Pension contribution paid after 2 months of employment 2012: Sick leave entitlements after 6 months employment The period for gaining seniority entitlements when re-entering employment is reduced from 9 to 6 months	Functional	Employment Income – Combination Income – Combination Combination – Income

Table 5.3 shows that the collective agreements signed between 1998 and 2012, in the industrial sector, address all the different forms of flexibility except for *external flexibility*. There is no prominent form of flexibility emerging from the analysis. All of them are prominent: wage flexibility is the result of delegating mechanisms on *pay* between the sector and the company levels, functional flexibility is enhanced by *training* provisions, working-time flexibility by *working-time* provisions. Only external flexibility, apparently, has not been the target of collective agreements.

However, interview data partially contradicts this finding by showing that, since the 2009-2010 economic downturn, the social partners have addressed *external flexibility* indirectly. In fact, rather than claiming more job protection to contain the effects of the crisis, they introduced new forms of *social benefits* and *measures for employment* (see Table 5.3) such as severance payments and additional training for dismissed employees. They also negotiated measures reducing the timeframe for workers to gain seniority entitlements – pension contributions, sick leaves, and personal time-off – which had never been the object of collective agreements before (see Table 5.3). Interestingly, the interviews revealed that the social partners do not consider these measures as pure forms of security,

but rather as a way of protecting the right of employers to easily dismiss workers (*external flexibility*) while contrasting the growth of precarious/vulnerable jobs.

You could say that some things have been done to try to actually attack the flexicurity model and then there have been some attempts [from sectoral social partners] to repair things... when unemployment benefit decreased [4 to 2 years] in 2010, we [through collective agreements] introduced the so called 'automatic compensation': if workers are dismissed, depending on their unemployment fund, they can receive 1-2-3 months of additional salary on top of what they would normally get... then there is another thing that we have done, at least in our view, to repair the flexicurity model that is: we provide also the possibility of vocational education and training...

International Secretary CO-Industri November, 2013.

In other words, interviews confirm that the social partners not only have a key role within the Danish flexicurity agenda (see 5.4.1), but also the capacity to adjust their respective interests in light of unanticipated changes in economic conditions.

The most prominent form of security fostered by sector level collective bargaining within manufacturing is combination security, as an effect of negotiations on *working-time, social benefits and entitlements* and, to some extent, *measures for employment*. Income security is mainly provided by negotiations on *social benefits and entitlements* and more broadly by the fact that sector level collective agreements set minimum wages for white and blue collar workers. Employment security is enhanced mostly by the category of *training*, and it is not the most prominent form of security. As previously argued, however, the level of employment security has been recently increased to cope with the consequences of the crisis. Social partners have actually recognised new *social benefits and entitlements* – additional training for dismissed employees – and *measures for employment* – in-job and vocational training funds.

We [social partners] created the Danish metalworkers unemployment fund that started out as a project which tries to match each individual unemployed to a company, and they are actually quite successful in doing this.

International Secretary CO-Industri November, 2013.

Job security is not an object of sector level collective bargaining at all, as income security is guaranteed by public unemployment benefit. Thus, the absence of legal provisions protecting

job security, combined with the intentionally low intervention of the social partners on this matter have made the Danish external labour market particularly flexible. Interview data suggest that employers and employees refrain from regulating job security because they do not consider it as beneficial for their members. In this regard, the International Secretary of CO-Industri argues that higher job security is likely to damage not only business activities, as labour costs would immediately rise, but especially, employees' interests. They would no longer benefit from the vast investment that both enterprises and governments' have made in their development and, as a result, would lose the possibility of moving from one company to another, or from one job to another, as they find convenient. In addition, he suggests that, as for other European countries, measures increasing job security are likely to increase precarious and atypical work, issues that the Danish system seems to address more effectively.

Finally, table 5.3 suggests that collective bargaining in the industrial sector fosters a variety of flexibility and security trade-offs that are consistent with the notion of flexicurity. Specifically, the category of *training* addresses both functional flexibility and employment security. In addition, it also enables combinations of functional flexibility and income security as well as functional flexibility and combination security. *Working-time* addresses both working-time flexibility and combination security. While the category of *social benefits and entitlements* fosters working-time flexibility and combination security. In addition, interview data suggest that provisions within the category of *social benefits and entitlements* are often traded by employers in exchange for higher flexibility from unions, having to consider flexibility and security trade-offs as an indirect outcome of the overall package deal (Ibsen and Mailand, 2011). Finally, the category of *measures for employment* also enhances functional flexibility and employment security.

Thus, consistent with expectation 2 issues of flexibility are important items of negotiation between sector level social partners. The analysis of collective agreements shows that internal forms of flexibility are more prominent than external forms of flexibility. Yet interview data suggest that the social partners uphold the level of external flexibility – enabled by a light statutory regulation on individual dismissal and generous unemployment benefits – indirectly. They do so by injecting higher *employment* and *income security* into the labour market, thereby allowing employers to make flexible use of the workforce and employees to rely on more substantial resources during transition times. Their ability to

balance demands of flexibility with demands of security is in line with the notion of flexicurity that characterises the Danish labour market in which the social partners are shown to play a pivotal role. In contrast to expectation 2 *employment security* is not the most prominent form of security addressed by sector level agreements. As expected, however, job security has not entered into sector level collective bargaining at all. Such a finding suggests that, given the relatively high level of protection offered by the state through unemployment benefits and active labour market policies, the social partners did not give priority to these particular issues in their agendas. Combination security is, in fact, the most prominent form of security addressed by sector level social partners. During the 2009-2010 crisis, however, they showed a capacity to adjust their respective demands to the changing economic conditions and to respond to external attacks on the flexicurity system.

5.5.3 Procedural Flexibility and Procedural Security

This section draws attention to the articulation mechanisms provided by the industrial sector to enable and constrain company level negotiations on issues of flexibility and security. As previously argued (5.2.3), in the Danish collective bargaining system coordination between sector and company level social partners occurs through competency *demarcation*. Such demarcation is set out by sector level agreements which identify both the modes and the scope of company level negotiations. Sectoral agreements therefore allow social partners at both sector and company levels to act within different, yet coordinated spheres of influence (Chapter 2).

Table 5.4 shows which rules of *procedural flexibility* are set forth by the sector level agreements (1998-2012) to empower company level social partners over each of the seven flexibility and security categories elaborated within the flexicurity literature (Chapter 3). The main findings are described below.

Table 5.4: Articulation mechanisms between sector and company level

Pay		Wage (CL) ⁷	
Training	2007: Deviation clause on training	Functional (CL)	Employment (CL)
Working-time	2000: working time weekly fixed. CL bargaining can organise working time monthly or on an annual basis Experimental scheme on working-time (SL organisation approval)	WorkingTime (CL)	Combination (CL)
	2004: Experimental Scheme (removal of the sectoral organisations approval)	WorkingTime (CL)	Combination (CL)
	2007: Deviation clause on working-time	WorkingTime (CL)	Combination (CL)

The two-tier bargaining system featured by the industrial sector is characterised by a high degree of procedural flexibility whose implications involve three of the categories addressing flexibility and security identified by this study. Such categories are *pay*, *working-time*, and *training* which, as a result, can all enter into company level bargaining. In line with expectation 3, the institutional framework featured by the industrial sector enables and constrains company level bargaining on issues of flexibility and security.

As previously mentioned, negotiations on actual *pay* have been almost entirely delegated to company level bargaining. Only minimum pay levels are negotiated at the sector level, the rest is a prerogative of the company level social partners, who, as a result, are likely to foster wage flexibility. According to the interviews with social partners, managers and shop stewards have a better sense of the goals that wage bargaining can actually set – and possibly achieve – given the resources available. Moreover, for both employer’ and employees’ sides, in times of economic buoyancy, wage bargaining can secure better results for employees at the company level than at the sector level. The interviewees put forward, as evidence, that in the last two decades the Danish manufacturing industry has reached one of the highest pay levels in Europe. Thus, pay can be easily adapted to company level actors’ most local demands.

With regard to *working-time*, this category has always been an object of local level agreements as an effect of the procedural flexibility enabled by the sector framework. However, since 2000, sector level bargaining has further enhanced decentralisation through

⁷ CL: Company Level

the so called ‘experimental scheme’. Such a provision allows local bargaining to deviate from any measures established at the sector level in regard to working-time. Along with procedural flexibility, sector level social partners agreed on a series of rules governing the relationship between the sector and the company level. First of all, derogations at the company level are allowed only if negotiated with shop stewards and approved by unions’ local branches – the approval has been removed in 2004. Second, shop stewards are entitled to a type of ‘veto power’, according to which any local agreement can be withdrawn as long as management is provided with two-month notice. Exactly the same deviation clause was applied in 2007 to *training*. Thus, as a result of negotiations on both *training* and *working-time* social partners at the company level are likely to engage with issues of flexibility and security.

In addition, the interview with the CO-Industri representative reveals that the level of procedural flexibility is as sufficient to offer unions the opportunity to extend the sector level framework agreement even to companies that are not members of the employers’ organisation (DI). CO-Industri uses this opportunity by negotiating the so called ‘accession agreement’ directly with these companies. As a result, these companies’ employees who are union members automatically gain the same entitlements as those who work for companies belonging to DI. First and foremost is the possibility to bargain with management on wages, working-time and training.

Therefore, the analysis of Danish sector level collective agreements shows that, as a result of coordinating mechanisms governing the relationship between sector and company level, issues of flexibility and security can enter onto the agenda of company level negotiators. In addition, it confirms that such coordination occurs through *demarcation*, meaning that company level actors are entitled to bargain within clearly defined spheres of competences, namely, pay, working-time, and training. Although coordinated by sectoral agreements through procedural rules, company level actors have gained exclusive prerogatives within these particular matters. This high degree of procedural flexibility has, in turn, enabled actors at enterprise level to autonomously engage with issues of flexibility and security. Table 5.4 suggests that as a result of collective bargaining over the categories of *training* and *working-time*, trade-offs between flexibility and security are likely to occur also at the company level and involve functional flexibility and employment security and working-time flexibility and combination security respectively. However, the analysis of sector level data alone does not allow the research to establish either the extent to which local actors actually

engage with the competences that have been delegated or the nature of trade-offs. In order to achieve this, sector level findings need to be triangulated with company level data (see Chapter 8).

5.6 Conclusion

The first objective of this chapter was to shed light on the role of sector level collective bargaining actors and institutions over issues of flexibility and security within the Danish industrial sector. The second objective was to prepare the ground for the cross-country comparison of sector level collective bargaining in Italy, Denmark, and the UK, through which the first research questions (RQ1) will be addressed.

This analysis has produced a series of relevant points. The first is that, in Denmark, the social partners are embedded in a highly coordinated institutional framework where: a) confederal organisations ensure the overall stability of the collective bargaining system; b) sector level actors negotiate *framework agreements* that function as the main source of labour market regulation; and c) company level actors offer flexibility to the system by supplementing, amending, and/or derogating sector level agreements according to their respective local demands. This particular collective bargaining system is the result of a series of institutional developments started towards the end of the 1980s and known in literature as ‘centralised decentralisation’ (Due *et al.*, 1994). During this process, the culture of *consensus* as well as the specific characteristics of the Danish welfare system have played a fundamental role. It has been argued that the way in which laws, collective bargaining, and social welfare have over the years interacted has created the conditions for a distinctive version of ‘flexicurity’ to emerge.

Thus, the second relevant point is that social partners, in the industrial sector, act within a *two-tier bargaining* system according to which demarcation of competences takes place exclusively at the sectoral level. Due to a high degree of coordination across bargaining levels and a high union density – about 70 per cent both at the sector and the company level (Ilsøe, 2012) – the social partners have gained a large degree of autonomy within their respective spheres of influence. It follows that no overlaps between bargaining competences occur. The predominant level at which negotiations take place is the sector level, while employers and shop stewards fill in the details of the framework agreements. Both across

bargaining levels and within collective organisations the relationship between social partners is based on cooperation and trust.

Third, given the active role that collective bargaining has played for the development of the ‘Danish flexicurity’, social partners in the industrial sector share similar understandings around issues of flexibility and security. These understandings are in line with the overarching institutional framework in which they interact. For example, *flexibility* – both internal and external forms of flexibility – is perceived neither by employers’ nor by employees’ representatives as a source of precarious work, but as a functional means to meet their member’s most local expectations. Indeed, as a result of the protections provided by the state, in particular, unemployment benefits and active labour market policies, the social partners are in a position to inject relatively high levels of flexibility. Also when the government fails in securing such protections, the social partners attempt to repair the system, offering via collective bargaining, new forms of security. In doing so, they demonstrate that they are capable of maintaining labour market flexibility, without it becoming a social problem. On the other hand, both sides of the negotiating table believe that the State is the main, and the most important, provider of security. Without it playing this role, the way in which flexibility and security are regulated and balanced by the social partners is likely to be undermined.

Fourth, the empirical analysis of the collective agreements signed between 1998 and 2012 shows that there is not a prominent form of flexibility addressed through collective bargaining. Internal forms of flexibility can all be found in the agreements under focus, while external flexibility is not a direct outcome of sector level negotiations. However, interview data suggest that, during the 2009-2010 crisis, the social partners have addressed external flexibility indirectly. They have protected the employers’ right to easily dismiss labour by offering employees in exchange higher income and employment security. By doing so they have shown a capacity to adjust to unanticipated economic changes and to actively participate in the Danish flexicurity system. In contrast to expectation 2, combination security – and not employment security – is the most prominent form of security addressed through collective bargaining. Yet, as expected, job security does not feature in any of the agreements analysed. This confirms that given the relatively high level of protection secured through unemployment benefits and active labour market policies, the social partners can prioritise issues of flexibility over issues of security in the bargaining agenda.

Fifth, the analysis of both documentary and interview data suggests that collective bargaining in the industrial sector leads to different combinations of flexibility and security. By negotiating over some of the seven relevant categories the social partners are able to secure positive outcomes for both sides. These are:

- *Training* that fosters functional flexibility and employment security; functional flexibility and income security; and functional flexibility and combination security.
- *Working-time* that fosters working-time flexibility and combination security.
- *Social benefits and entitlements* that foster working-time flexibility and combination security.
- *Measures for employment* that foster functional flexibility and employment security.

Sixth, the framework agreements negotiated within the industrial sector enable and constrain company level bargaining over issues of flexibility and security. The degree of *procedural flexibility* enabled by the sector level social partners through articulation mechanisms involves three of the relevant flexibility and security categories. These categories are *pay*, *working-time*, and *training* which, as a result, can all enter onto the agenda of the company level negotiators. In addition the interview with the representative of CO-Industri reveals that the procedural flexibility of the system is sufficient to allow companies to enter into the sector level agreement even if they are not members of DI. These special agreements, called *accession agreements*, offer managers and shop stewards the opportunity to bargain over a wide variety of items thereby matching their specific demands for flexibility and security with the available resources.

In conclusion, by following a top-down perspective, this chapter has provided an account of the role of national and sectoral level institutions, primarily, collective bargaining in fostering flexibility and security. It emerged that these institutions do indeed equip company level actors with a series of possibilities and resources. Such a perspective, nevertheless, misses the opportunity to explain how far and in which ways these possibilities have been taken up by company level negotiators. In order to achieve this, it is fundamental to complement the top-down perspective with a bottom-up one and to investigate the outcomes of collective

bargaining over issues of flexibility and security at the company level as well as at the national and sectoral levels.

Chapter 6: Collective Bargaining in the UK

6.1 Introduction

The first part of this chapter explores the characteristics of the national institutional context in which UK collective bargaining takes place. It is argued that the tradition of voluntarism has played a fundamental role in shaping power relations amongst employers and employees in this country. On the one hand, it enabled trade unions to become the main channel of workers' representation as well as the main legitimate source of employment rights and protections. On the other, it represented an obstacle to the formalisation of the multi-employer bargaining system, either through statutory regulation or cross-industry coordinating rules of procedure. As a result, the industrial relations framework in the UK turned out to be more vulnerable to changes in the economic, political, and social environment than other West European countries. Sector level institutions in the private sector collapsed altogether resulting in a sharp decline in union density and collective bargaining coverage. Enterprise and workplace are the most prominent levels at which negotiations take place and they set the terms and conditions of employment of a relatively limited number of workers. Alongside the decline of collective bargaining coverage, however, the role of legal intervention has progressively grown.

The second part of this chapter covers the characteristics of the chemical and pharmaceutical sector. After providing a general overview of the main economic and technological features of the industry, exclusive attention is focused on the informal framework within which the main employers' association (CIA) and the national trade unions (Unite and GMB) interact. In line with a general trend in the UK, chemicals and pharmaceuticals are no longer covered by sector level bargaining institutions. However, given the characteristics of this particular industry – intensive both in skills and capital – employers' organisations and trade unions have found cooperation beneficial on a variety of issues. As a result, social dialogue in this sector is relatively well developed and the relationship between actors is shown to be constructive.

The final section deals with the findings. These are presented according to a country-by-country analytical framework which consists of the adaptation of the propositions presented

in Chapter 3 to the specific features of the UK case. The goal is to observe whether, and if so, how the sector level social partners address issues of flexibility and security and, thus, prepare the ground for the comparative analysis of sector level collective bargaining institutions across Italy, Denmark, and the UK (Chapter 7). The main issues explored are: a) the agenda of the sector level social partners on flexibility and security; and b) the extent to which the sector level social partners are likely to influence the agenda of company level negotiators over issues of flexibility and security.

It is concluded that social dialogue does not play a role equivalent to collective bargaining in addressing flexibility and security or enabling company level negotiations on similar issues. In a context where no sector level constraints are present, all types of flexibility and security can potentially enter onto the agenda of local level negotiators. However, in order to explore whether these issues have entered into company level negotiations and, if they have, what form they take, it is necessary to complement the top-down approach with a bottom-up approach.

6.2 Industrial Relations at the National Level

Industrial relations in Great Britain reflect a tradition of *laissez-faire* that is commonly known as ‘voluntarism’ (Hyman, 2003). British governments have accepted the delegation of industrial relations issues directly to employers and trade unions and, until relatively recently, labour law has never been considered a desirable alternative by any of the three parties involved (Dickens, 2010). As argued by Hyman (2003:39), the missing link between industrial relations and law has meant that the notion of collective contract does not exist in the UK: ‘collective agreements have always been binding in honour only, of legal relevance only to the extent that their terms might be explicitly or implicitly incorporated into the individual employment contracts of those covered’. In other words, in the UK, collective agreements are not legally enforceable contracts. Their implementation depends entirely on the industrial or economic sanctions to which employers and unions are exposed (Davis *et al.*, 2004).

During the 19th century union membership and bargaining power grew quickly in a particularly buoyant economic context. Early industrialisation and the existence of colonies as markets for UK products fostered a golden age for pluralism (Brown, 2010). At the same time, sectoral level collective bargaining became a means of industrial peace and efficiency

(Kelly, 2013). But the framework within which employers' organisations and national trade unions confronted each other was never formalised. In contrast to other European countries, in the UK, collective agreements had no legal force, thus, it was possible for lower bargaining levels – enterprises as well as workplaces – to supplement and/or derogate the conditions set forth by the sector level negotiators. As argued by Brown (2010:258), this practice had become common by the 1960s when the tight labour market of the preceding decade had favoured better pay deals at the company than at the sector level. Piecework incentive schemes, merit rates, and overtime payments were used by management to attract and retain scarce labour. As a result, national agreements became largely ineffective and employers began to pull out of multi-employer arrangements to bargain on their own (Brown, 2010).

In the 1970s, the 'oil shock' caused a deep recession and sudden rise of industrial conflict, culminating in 1978-79 with the 'winter of discontent' (Hyman, 2003). The Conservative Government of Margaret Thatcher decided to face the challenge by carrying out a political programme based on neo-liberal and anti-union policies. Between 1979 and 1997 a variety of government measures, intended to reframe British industrial relations, coincided with a dramatic decline in union density and recognition. The closed shop was outlawed, the scope for industrial action was reduced, and the internal activities of unions became the subject of statutory regulation. In addition, public support for collective bargaining diminished and the tripartite institutions established over previous decades were removed (Hyman, 2003). Meanwhile, union density declined from its maximum peak of 56 percent in 1979 to 38 percent in 1990 and 29 percent in 2000 (Marginson, 2015). While in 1980 unions were present in 64 percent of workplaces with 25 or more employees, in 1998, the same figure stood at only 41 percent (Marginson, 2015).

Many scholars have attempted to evaluate the impact of the Conservative reforms on union membership and collective bargaining decentralisation (Edwards, 2003; Colling and Terry, 2010). Their findings are not clear-cut. As suggested by Hyman (2003:54) 'what is debatable is how much of this is attributable to the new political and legislative regime, how much to high employment, how much to changes in the occupational and sectoral structure, and how much to management responses to a tougher competitive environment which was developing world-wide.' In the main, they concluded that bargaining decentralisation and disorganisation predated the Conservative regimes of Margaret Thatcher and John Major whose legislative

measures had the effect of accelerating, rather than triggering, the weakening of the British industrial relations regime (Brown 2010; Dickens, 2010; Kelly, 2013).

The Labour party elected in 1997 chose not to intervene in the industrial relations' economic environment and to restate its commitment to labour market 'flexibility' (Dickens and Hall, 2010). Nevertheless, the new government marked an important shift in policy, first, by ending the UK opt-out from the European social protocol agreed in Maastricht; second, by introducing a national minimum wage; and third, by implementing the 1999 Employment Relations Act on compulsory trade union recognition. With regard to the latter however, the procedures set in place by the government turned to be less generous than had been hoped for by the unions (Hyman, 2003). Recognition requires majority support in an employee ballot, but in addition 40 percent of all employees covered need to vote in favour. It has been argued that although introducing some important changes, the Labour government mostly acted within a framework of underlying continuity (Hyman 2003; Simms and Charlwood, 2010).

It is important to emphasise that since 1979 industrial relation institutions have been constantly adapting to a changing political and economic context. For example, while sector level collective bargaining has almost disappeared, the role of labour law has progressively grown (Dickens, 2010). Although increasingly encroached on by the law, voluntarism, however, has never been formally or actually dismantled. The relationship between employers and employees is still based on the old tradition of state non-interference; union recognition is voluntary and collective agreements have retained their non-legally binding nature.

6.2.1 Collective Bargaining Institutions and Actors

For most of the 20th century the employment relationship in UK has been regulated by means of collective bargaining. Trade unions and employers' organisations entered into reciprocal commitments to serve the interests of their respective constituencies without the state interfering. The primary characteristics of British voluntarism are (Goodman *et al.*, 2009):

- a) Non-legally binding collective agreements;
- b) Voluntary union recognition by employers;
- c) A relatively low level of formalisation of the industrial relation system;

- d) A light framework of statutory provisions on dispute settlements along with no governmental power to interrupt industrial action or impose cooling-off periods.

Such an approach was supported by both unions and employers (Davis *et al.*, 2004) but for different reasons. Trade unions saw legislation only as a means to discourage hostile interventions of the labour courts in industrial disputes, while employers were keen to avoid any interference with their managerial prerogatives (Dickens, 2010). There was also a strong belief amongst the unions that ‘what the law bestowed, the law could take away’ (Hyman, 2003:46). Union leaders have thus preferred to keep the government at arm’s length and work towards the consolidation of their own bargaining strength. The corollary is that the conduct of collective bargaining has been largely governed by negotiated rules of procedure set at both sector and enterprise levels and not by labour law, and employee rights to representation have been exerted almost exclusively through union membership (Terry, 2010). It follows that even in 1970s, when trade unions reached their maximum level of influence (Terry, 2010; Marginson, 2015), not all employees were evenly represented. Workers in sectors and workplaces with no unions present were not covered by collective agreements and had no access to union rights. In 1980 only 28 percent of private service workplaces reported the presence of a shop-steward in comparison to 55 percent in manufacturing (Terry, 2010).

While voluntarism came to represent an obstacle to the universal enforcement of collective agreements, another important factor accounts for the absence of coordinating mechanisms between bargaining levels. This is the limited role and status of the main trade union confederation – the Trade Unions Congress (TUC) which has always lacked the consensus to engage in ‘neo-corporatist’ centralised negotiations (Hyman, 2003). In contrast to other countries, historically unions have been reluctant to share both resources and bargaining power with a central body. As a result, the TUC has never had a mandate to negotiate the ‘rules of the game’ with the main employers’ organisation – the Confederation of British Industry (CBI) – campaign on behalf of unions, or intervene in collective bargaining.

Accordingly, the nature of the British collective bargaining system has been always largely decentralised and the relationship between bargaining levels rather unclear (Davis *et al.*, 2004). Until 1970, shop stewards could represent employees without any mandate from the sectoral unions. Often, they were acting without their recognition (Clegg, 1976; Hyman, 2003). Moreover, where sector level agreements were present, they never played a strong role

of coordination for company level negotiators (Arrowsmith, 2010). For paying little attention to the content of national level agreements, shop stewards were actually accused of producing high ‘normative incoherence’ (Davis *et al.*, 2004:39). This problem, however, ceased to be relevant with the subsequent collapse of industry-wide agreements, the decline of informal workshop bargaining, and an increasing focus on the company level. Within a single firm, the social partners found it easier to maintain a certain degree of control over the terms and conditions negotiated at company and plant levels – where both levels exist (Davis *et al.*, 2004).

Thus, in theory, negotiations between social partners can occur at any level and there is no legally specified hierarchy of collective agreements (Davis *et al.*, 2004). For example, lower level agreements can derogate from the provision of higher level agreements. Moreover, when there is only one collective agreement its enforcement depends on whether or not this is incorporated into the individual employee’s contract. Equally, when more than one agreement is applicable, any conflict between them is resolved by the terms of the individual employment contract (Davis *et al.*, 2004).

Finally, in a context of *laissez faire* and low coordination, it is up to the parties to establish which matters they want to jointly regulate (Gamwell, 2014). From a quantitative perspective, the most prominent issues in the bargaining agenda have been pay and working-time, while from a qualitative one, these are new production technology and work organisation (Davis *et al.*, 2004). The social partners are not entitled to set forth provisions below the standards identified by labour law. This notwithstanding, in matters such as working-time the law itself recognises drastic derogation-clauses that can be included both in individual contracts and collective agreements.

6.2.2 Disorganised Decentralisation of Collective Bargaining

In a context in which no legal framework exists, collective bargaining is an exclusive prerogative of employers and unions and the enforcement of their agreements only depends on the power resources available to them (Gamwell, 2014). Towards the end of the 1960s the conditions within which sector and company level collective bargaining took place in Britain changed, marking a progressive shift of power resources in favour of employers and against trade unions (Kelly, 2013). Along with the aforementioned decline in union density and recognition (see section 6.1) there have been three important institutional developments.

First, decentralisation has increasingly taken a disorganised form. Second, there has been a steep decline in collective bargaining coverage, and third, there has been a move to ‘single-table’ bargaining arrangements (Marginson, 2015).

Between the 1960s and the 1970s the process of collective bargaining decentralisation occurred ‘within and alongside national, multi-employer agreements’ confirming that there were two parallel collective bargaining systems: one formal at sector level and one informal at site level (Marginson, 2015:3). Ten years later a more formalised two tier bargaining system was in place. Marginson (2015:3) observes that ‘four out of every five workplaces, covering three quarters of the manual workforce, continued to follow multi-employer agreements, but their nature had changed from setting standards to minimum wage rates’. Actual wage rates were determined in workplace or company negotiations in the majority of workplaces. However, between the 1980s and the 1990s a large share of employers withdrew from multi-employer arrangements altogether (Brown, 2010).

As the multi-employer system begun to unravel, collective bargaining coverage automatically declined. Many smaller firms – where unions were not recognised – could no longer rely on the conditions set forth by the sector. In 1984 industry-wide agreements established pay conditions in about 50 percent of private sector workplaces, but in 1998 the figure declined to 16 percent (Marginson, 2015). Heery (2000:8) argues that the primary form of trade unionism in UK is ‘enterprise unionism’ according to which the core of union activities, collective bargaining included, takes place at the company level. This implies that, in the private sector, there is a strong link between trade union density and collective bargaining coverage: the higher the membership amongst a firm’s workforce, the higher the probability is that the employer will enter into credible commitments with shop stewards. In the past this link between membership and coverage provided company level bargaining with a relatively high level of *depth* (Clegg, 1976). However, the historically uneven presence of unions at workplace level made this *depth* ‘far from universal’ (Clegg, 1976:18). In 1984 47 percent of workplaces (with more than 25 employees) were covered by collective bargaining, in 1998 it was 24 percent and only 12 percent in 2011 (Marginson, 2015).

After the collapse of multi-employer arrangements in the 1990s, and the consolidation of both company and site level bargaining structures, there has been a move towards single channel forms of representation. This means that in workplaces where more than one union is

recognised, they all negotiate together (Marginson and Sisson, 2006). In this regard Goodman *et al.* (2009:50) observe: ‘in 2004 a single union was recognised in just under half of workplaces with union recognition, just less than one-third recognised two unions and around one-fifth recognised three or more. Single-table bargaining occurred in 60 per cent of workplaces at which more than one union was recognised’. Besides showing a growth of single channel forms of representation, this data confirms that the number of employers who are willing to negotiate with unions is also in sharp decline at workplace level. The absence of a centrally regulated process of decentralisation has provided employers with the option to negotiate at the level they find most convenient, but also not to negotiate at all. It has been proposed that this particular approach is responsible for an increasing ‘bifurcation’ of employment protections along the lines of ‘contract and status’ (see Chapter 2) (Streeck, 1987; Goodman *et al.*, 2009). Similarly, Marginson (2015:5) observes: ‘decentralisation of collective bargaining and the shift from multi-employer bargaining signalled the marketization of collective bargaining around firm-specific structures and a shift towards unilateral managerial regulation as coverage declined.’

Scholars have extensively debated the reasons behind this sharp decline in union membership and collective bargaining coverage (Brown, 2010; Simms and Charlwood, 2010; Kelly, 2012; Marginson, 2012). Despite putting emphasis on different factors, they all agree that these phenomena can be explained by the interaction of several economic, political, and social changes (Simms and Charlwood, 2010). It is suggested that the variation in trade patterns and the introduction of new technologies have had a dramatic impact on the British economy and, as a result, re-shaped employers’ and employees’ interests too (Arrowsmith, 2010; Brown, 2010). In addition, the election in 1979 of the Conservative Government and the subsequent political and legal changes have reduced trade unions’ resources and exposed them to ‘the full force of wider economic changes’, as well as reduced their options for collective action (Dickens, 2010; Simms and Charlwood, 2010:132).

More specifically, Marginson (2015) argues that the privatisation of state-owned companies and the subsequent increase of foreign direct investment have re-shaped employers’ strategic interests and thus accelerated the process of disorganised decentralisation. Foreign-owned multinationals showed a clear preference for single-employer bargaining prompting imitation amongst their larger British competitors (Marginson, 2015). Unlike other European countries, from the 1970s large employers chose to dismantle multi-employer arrangements rather than

negotiating formal procedures for a controlled bargaining decentralisation (Arrowsmith, 2010; Marginson, 2015). At the same time, given the relatively weak coordination between the TUC members and shop stewards, as well as the strong tradition of workplace organisation, the response of the unions was to prioritise enterprise level negotiations (Hyman, 2003; Marginson, 2015).

As for the changes in public policy towards collective bargaining, Marginson (2015) adds that, in light of the nature itself of British voluntarism, their impact has been much stronger than it could have been anywhere else in Western Europe (Marginson, 2015). The legal support for multi-employer bargaining in the UK has traditionally been weak: a) agreements have never been legally binding; b) binding peace-clauses have never existed; and c) no extension mechanisms have ever been provided. Thus, ‘multi-employer bargaining in Britain was more vulnerable to the changing preferences of employers and trade unions than in other West European countries’ (Marginson, 2015:6).

The break-away from multi-employer arrangements has inevitably resulted in an increasing fragmentation of the collective bargaining system (Edwards, 2003). It has been argued, however, that ‘the fact that the *process* is decentralised and fragmented does not necessarily mean that *outcomes* are less uniform than previously. The outcomes of individual settlements do not deviate much from each other neither do arrangements where no collective bargaining occurs’ (Davis *et al.*, 2004:45). In this regard, Arrowsmith (2010) argues that the dynamics of employment relations in Britain are primarily shaped by sector-specific factors. Yet, he adds, in comparison to other European countries, such dynamics are not necessarily the result of sector level governance. Formal institutions account for the nature of employment relations only partially. The rest needs to be sought in three important sector characteristics: the first is ‘activity’, the second is ‘identity’, and the third is the extent of ‘organisation of employers and trade unions into sector level associations’ (Arrowsmith, 2010:182). While the first and the second characteristics will become key variables in the second part of this thesis (see Chapter 8 and 9) the third one explains why a country with no industry-wide bargaining in place can be included in a comparative analysis of sector level industrial relations arrangements.

As already described, formal articulation governing the relationship between social partners at the sector level does not exist in the UK (with a few exceptions). Nonetheless, employers

are usually well organised in business and trade associations and trade unions keep their sector divisions even when, as a result of a merger, industry wide unions enter into larger and more general organisations (Arrowsmith, 2010). Often these actors establish (or maintain) informal relationships and mutually engage on issues of common concern, for example, training and/or health and safety. Typically, a certain amount of organisation between parties is provided by state institutions such as sector skills councils. By focusing on the chemical and the pharmaceutical sector, the aim of this chapter is, therefore, to investigate whether, through social dialogue activities, as opposed to collective bargaining, sector level actors are able to influence the scope of local level bargaining over issues of flexibility and security.

Below is a summary of the main national institutional features which characterise the collective bargaining system in the UK.

Table 6.1: National Institutional Framework

UK	National Institutional Framework
Collective Bargaining Arrangements	Single-employer
Collective Bargaining Decentralisation	Disorganised Decentralisation
Articulation Mechanisms	Non-existent
Bargaining Coverage	25 per cent in the private sector in workplaces with more than 25 (WERS 2011).
Predominant Bargaining level	Plant-level
Autonomy of Sector-Level Actors from the Confederal-Level	N/A

6.3 The Chemical and Pharmaceutical sector

Generating a turnover of £60 billion a year, the chemical and pharmaceutical sector is described as the ‘heart of the UK Economy’ (CIA, 2013). Occupying a position at the head of many supply chains within manufacturing, the sector is particularly strategically placed (Martin, 2013; CIA, 2014). The industry’s trade balance is a positive £25 million every day, whilst the rest of manufacturing has a daily deficit of around £300 million (CIA, 2014). In addition, chemicals and pharmaceuticals represent around 12 per cent of value added in manufacturing, which is equivalent to 1.5 per cent of total GDP. There are 600,000 workers in the UK who depend on chemical and pharmaceutical businesses (Martin, 2013), a

relatively high proportion of which are employed in medium sized enterprises when compared to other European countries (CIA, 2014). On average full-time employee hourly earnings are 20 per cent higher than in manufacturing in general (Martin, 2013). Moreover, chemicals and pharmaceuticals together are the largest export sector - (£52 billion) compared to automotive (£30 billion) and aerospace (£21 billion) - and every day add £30 million pounds to the UK balance of payments (CIA, 2014). In contrast to the rest of manufacturing, where there is a deficit of £81 billion pound, this industry has shown a surplus of £6 billion. Finally, chemical and pharmaceutical businesses invest £600 million and £4.2 billion respectively in research and development (R&D) – together they make up 40 percent of the entire manufacturing spend, making the pharmaceutical sector the largest contributor to R&D in the UK (CIA, 2013).

Today, chemicals and pharmaceuticals belong to one of the few sectors in the UK which has been successful in competing in high value-added markets (**Heyes, 2001**; Earl-Slater, 1998). When emerging economies moved into the traditional markets of the UK chemical industry, companies reacted to lower labour costs by offering high innovative products, excellent quality, and efficiency. This was possible thanks to a significant investment in human resources (Lloyd and Newell, 2001). Not surprisingly, training and development have been areas of close collaboration between sector level employers' organisation and trade unions. According to Lloyd and Newell having greater resources and higher profits margins, chemicals and pharmaceuticals can afford 'to think more long-term about managing employees than in many others industries in the UK' (2001:358). In fact, social partners' lobbying activities led the government to set up a Sector Skills Council named COGENT. This initiative is aimed at enabling industrial partnerships and helping employers to identify skill demands, establish standards, and commission high quality training solutions. Indeed, since most of the companies have foreign-headquarters - especially in pharmaceuticals investing - in employee up-skilling programmes and career pathways attracts new investors (CIA, 2014).

The most recent financial crisis has affected chemicals more significantly than pharmaceuticals. In 2009, internal demand for chemical products 'hit a five year low' (ECITB, 2011), resulting in chemical companies having to make cut backs and/or close down facilities. The sector showed more optimistic results in 2010 when the market suggested a rise in activities and recovery of specific closed plants (ECITB, 2011). Pharmaceuticals, on

the other hand, have reported successful margins during the crisis. Thanks to the high volume of exports, these particular companies were better equipped to face the challenges of an increasingly tight and competitive product market (ECITB, 2011).

6.3.1 Collective Bargaining Actors and Institutions

Scholars have argued that, although there are no formal articulation mechanisms between bargaining levels in the UK (with few exceptions) a certain degree of co-ordination between social partners, and across bargaining levels, still exists in some sectors. Firstly, coordination can occur horizontally – between different unions within one sector – and vertically – within unions and their shop stewards (Cully, 1999; Hyman, 2003:39). Secondly, the empirical data collected for this study show that some form of interaction between employers and national trade unions may also occur as a result of social dialogue activities. In the chemical and pharmaceutical industry, where sector level bargaining are no longer present, social dialogue between the employers’ organisation, the Chemical Industry Association (CIA), and the most representative trade unions - Unite and GMB - takes place within an informal framework. Such a framework enables the social partners to meet three times per year and discuss at least five areas of common concern: 1) health and safety/environmental issues; 2) sustainable development; 3) capturing the European experience of employment relations; 4) the spread of best practices of employment relations; and 5) business policy and social policy. More importantly the employer’s organisation and the trade union officials describe social dialogue in this sector as one of the most constructive experiences amongst UK manufacturing.

[The relationship is] very good, very good, probably the best I deal with. For GMB I do not deal only for chemicals but I do also manufacturing, building materials and food manufacturing. Social dialogue is by far the most positive in the chemical and pharmaceutical industry.

GMB National Officer, May 2013

Yes, we have a good relationship with GMB generally, and with CIA we have a good working relationship when it comes to dealing with the companies because it is mostly at the company level, as I’m sure you are aware, that the work gets done in this country; and the CIA comes in and we quite often find that they agree with us and they try to push the employers in a genuine direction so dialogue with them is good as well.

Unite Research Officer, January 2014

There is a genuine social dialogue at national level, of course it doesn't always happen, when companies get into disputes with employees you wonder where it is gone, but I think there is a good aspiration in the sector.

CIA Director of Employment and Communication, May 2013

The social partners have been interested in maintaining an informal relationship because of the specific characteristics of the sector they represent. First of all, chemicals and pharmaceuticals compete in a highly innovative global market, where excellent quality and efficiency are paramount to business survival. Consistent investments on research and development are more strategic than in other sectors (Lloyd and Newell, 2001). For example, employee training and development has become an area in which employers' association and trade unions find collaboration still beneficial. One of the principal outcomes of this collaboration is the 'Sector Skills Council', (COGENT), that the government set up as a response to their shared lobbying activities.

Further, the interviews with the social partners suggest that the characteristics of the workforce employed in chemicals and pharmaceuticals – both higher paid and higher skilled in comparison to other manufacturing industries – do indeed account for the level of cooperation reached in the sector.

There is also an interest of the CIA to maintain good relationship with the employees' association because the employees in the sector are particularly highly skilled and highly paid. It is very noticeable... particularly pharmaceuticals, they are not in the same position of other companies in terms of the way the rest of the economy needs to deal with the same issues... In the 2013 pay-rolls, which are almost coming to an end, all across the economy the sort of average level pay settlement is between 2 and 3 per cent. In [name of a large pharmaceutical company] was 4.8 and that is the difference!

GMB National Officer, May 2013

You find in the chemical and pharmaceutical sector that they get higher salary than across a lot of others sectors of the industry, they are being paid a premium because of the skills they have.

Unite Research Officer, January 2014

Moreover, sector level representatives from both sides argue that their relationship has significantly strengthened as a result of the European sector social dialogue established in 2009. One of the primary outcomes of their cooperation is the 'European Framework

Agreement On Competence Profiles For Process Operators And First Line Supervisors In The Chemical Industry’.

In April 2011 we did an agreement, a framework agreement at European level on the competences of process operators and first line supervisors. We know [social partners] that dialogue has been carried out in companies on a negotiation basis. It has not been as wide spread as we wanted to be but it has happened as a result of that [EU level] dialogue. And we have similar examples at the nation level when we have spoken about issues such as health and safety. And the dialogue we’ve had at national level has led to discussion and negotiations within companies.

CIA Director of Employment and Communication, May 2013

I mean I have been in this industry for a long time, and only ten years ago people weren’t really interested about how fuels in this industry is used and also in the way in which rubbish was treated in the process and now this would be absolutely out of question! Also at the end to be fair there is also a much more rigorous regulation. Just as CIA reacts to changes so do we, we agree on this.

GMB National Officer, May 2013

This constructive relationship notwithstanding, sector level social dialogue in the UK has never gone beyond a pure form of consultation. In this regard the employers’ organisation representative argued:

There may be an agreement to say well let’s do this as a course of action or let’s work together on this....’ ...’ we identify areas of development and we share information on issues concerning ownership or you know, unions may be informed of closures sometimes before we are. You know it is very much a dialogue with intention!

I think in the UK, being the UK, we begin to see a growing scepticism of what happens in Europe and this is not just on social dialogue but on everything. Sadly I think, we are beginning to see that views being attached to social dialogue, you know, this is European; now so far so good but I’m just worried for the future.’

CIA Director of Employment and Communication, May 2013

The GMB’s official confirmed:

We don’t operate at sector level because there is no sector in terms of the things that interest our members’...’we don’t have the focus to take issues to the CIA for example, which is why we end up talking to them about health and safety, environmental issues, and energy issues and not paying conditions’.

GMB National Officer, May 2013

Thus, representing a ‘good aspiration’ more than a well-functioning institutional framework, social dialogue in the chemical and pharmaceutical sector has primarily had the advantage of bringing the social partners together. Nonetheless, the fact that it exists has provided actors with the opportunity to strengthen their relationship and find common ground for cooperation.

I think that, it [social dialogue] may not always produce direct results but the fact that it exists means that there is a platform where unions and employers are used to talk to each other. Very often it means that they can talk about more difficult subjects because they have been talking anyway, so I think there is good evidence across a range of issues where the fact the social dialogue is there means that unions and employers work together also on other issues.

GMB National Officer, May 2013

Likewise, the union representative from GMB observed that regular meetings at the sector level increase the chance to discuss a variety of issues, both formally and informally, that would not be raised in any other circumstances. While the participant from Unite stressed that some sort of cooperation occurs because social actors know each other in-depth and have developed a good understanding of what their reciprocal interests may be.

In synthesis, the interview data shows that the chemical and pharmaceutical sector has an informal framework within which social dialogue activities occur. Such a framework encouraged the social partners to develop a common agenda on a variety of issues that are relevant to the sector. These issues, however, are not the ones traditionally dealt with via collective bargaining. Environmental issues, health and safety, and energy issues have become matters of consultation between the employers’ association, the CIA, and the unions, Unite and GMB, primarily as a result of their participation in the European sector social dialogue established in 2009. Their constant interaction, formally, at the EU level and, informally, at the national level has indeed contributed to developing a good working relationship between them.

Table 6.2: Sector Level Institutional Framework

UK	Chemical and Pharmaceutical Sector
Collective Bargaining Decentralisation	Disorganised decentralisation No sector-level bargaining Social dialogue
Articulation Mechanisms	N/A
Union density	N/A
Employers-Union Relationship	Constructive
Autonomy of Sector-Level Actors from the Confederal-Level	N/A

6.4 Country-by-Country Framework of Analysis

In this section, a series of expectations will be examined to explore *whether* and *how* collective bargaining arrangements regulate issues of flexibility and security within the UK chemical and pharmaceutical industry. This country-by-country analytical framework consists of an adaptation to the comparative proposition presented in Chapter 3 and sets the context for the cross-country comparison of sector level institutional arrangement in Italy, Denmark, and the UK (RQ1).

The relevant propositions are:

1. The institutional configuration of the chemical and pharmaceutical sector accounts for the scope of the sector level social partners' agenda over issues of flexibility and security (Marginson and Galetto, 2015); collective bargaining and social dialogue represent functional mechanisms for the social partners to develop similar understandings around these issues and enhance the possibility for exchange of ideas, package deals, and joint problem solving between the parties (Ibsen and Mailand, 2011). Informal social dialogue arrangements, as found in the UK, provide a less procedurally secure mechanism than the formal collective bargaining institutions that are found in Italy and Denmark.
2. In countries in which labour law is more developed collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility.

In contrast, where social welfare is more developed collective bargaining and social dialogue engage less with security and more with flexibility, because the security dimension is already covered by the state (Esping-Andersen, 1990; Ibsen and Mailand, 2011).

3. Articulating mechanisms governing the relationship between the sector and the company level influence the scope of company level bargaining over issues of flexibility and security (Marginson and Galetto, 2015).

It follows that for the UK case, the three relative expectations are:

1. Social dialogue institutions are likely to be less effective than collective bargaining institutions in shaping common understandings around issues of flexibility and security as their outcomes are much more open-ended.
2. Given the absence of sector level agreements proposition 2 does not apply.
3. Given the absence of sector level bargaining proposition 3 may apply if, and only if, social dialogue plays an equivalent role to collective bargaining in enabling and constraining negotiations taking place at the company level.

6.4.1 Flexibility and Security in Social Partners Agendas

Interview data show that employers' and employees' representatives at the sector level have not yet developed a shared definition of flexibility and security policies. As clearly stated by the Unite representatives, these issues have not entered into social dialogue activities. According to him, the debate on flexibility and security occurs exclusively at the company level. Thus, sector level actors are not entitled to produce any strategy that is likely to improve the levels of flexibility and security injected into the labour market.

No, in that regard [flexibility and security] the dialogue is at the company level. The only agenda that we have is to keep what we have got!! No, what can I say? We have a hostile government with regard to trade unions and a hostile environment we are operating in, bearing in mind the finances, all the government talks about austerity.

Unite Research Officer, January 2014

Similarly, when asked about flexibility and security, the GMB official does not mention or recall any specific measures that the union is currently advocating. He suggests that GMB takes part in social dialogue on flexibility and security only at the EU level where there is a

quite developed transnational framework. At sector level, however, British social actors cannot be as effective, first, because there is no sector level collective bargaining, and second, because company level social partners are not particularly receptive to these matters.

Finally, the employers' organisation representative reports that although flexibility and security may be discussed via social dialogue in the UK, the social partners have not been successful in meeting the agenda. There are examples of workforces that have undertaken new and flexible forms of work, as well as employers that have offered some sort of security, however these are limited and temporary. The CIA's representative states that in 2008-09 the UK tried to implement what he calls the '*German model*' but this experience was unsuccessful. By German model he means '*if people go on short-time their pay can be protected while they do training*'. According to him, this target was not met for the reason that, in the UK, there is not a national agenda on employment issues. In fact, the debate is mainly on individual items. The result is a fragmented strategy, if not a total lack of strategy, which inhibits sector level social partners' effectiveness. Further, he argues that there is a general resistance to the idea of sharing issues of flexibility and security at the national/sector level.

I think people are nervous about it for historical reasons, but the world moved on. I mean, 80-90% of our companies are foreign headquartered and this still is a big issue for us, we welcome foreign investments but we still don't have that national understanding of labour issues'.

CIA Director of Employment and Communication, May 2013

As a result of this lack of coordination between the national and the sectoral level, as well as the lack of sector level bargaining, the social partners have not developed a similar understanding around issues of flexibility and security. For example, the GMB representative sees flexibility as any measures enhancing market mobility, in particular:

To ensure that there are no artificial barriers to people entering the labour market, if they want to. This means more than just changes in shifts, but this may well mean re-engineering jobs so that they are doable by a wide range of people; and of course re-engineering needs to happen without doing any damage.

GMB National Officer, May 2013

The CIA representative sees flexibility as a much wider strategy of labour deployment that includes all kind of measures such as:

Anything that is lawful and reasonable...I know that reasonable is a subjective word... people know when they are being unreasonable.

CIA Director of Employment and Communication, May 2013

The Unite representative, when asked about flexibility, focuses solely on company level bargaining outcomes:

We're having to be flexible on wages we try to make sure people's wages are keeping up with the cost of living but we are being flexible persuading our members to accept lower wage levels, we've been flexible in regard to working time and work arrangements, flexibility and security go together because we are being flexible to secure jobs. That's how I can put it really.

Unite Research Officer, January 2014

The same issue recurs with security: for the employers' organisation active labour policies are not required. Security increases when the interests of businesses are met, including flexibility.

We're constantly pushing for flexibility, greater skills levels for people taking new things and there is a link to security because we feel that the more we can do, you know, the more secure we are, and that's how companies see it.

The CIA wants to make the UK the best place for companies, chemical and pharmaceutical companies, to invest. We want to be the location of choice and there are lots of examples where work which was outsourced in China is coming back to the UK for competitiveness reasons, for quality reasons, and we want to promote that as security from the employment angle... '...the cost of energy is a big issue for our companies, in the US it is about half of the price of UK and Europe. From the security point of view this is going to be a challenge.

CIA Director of Employment and Communication, May 2013

Again, the CIA sees security as an outcome of a more competitive and dynamic business environment: if instead of cutting labour costs the social partners were able to push towards lower energy costs, higher employment security would be automatically achieved.

Union representatives, from GMB and Unite, have a different view of security. While the GMB sees security as a way to increase workers' employability, the representative from

Unite sees security as a sphere of competence of legal provisions. Unions do not have the power to shape policy-making on security, they can only work together to exert some pressure on the government agenda.

We are very keen on promoting apprenticeship and training and increasing skills level of our workforce and that does not just mean introduction of apprenticeship it means all sort of opportunities for people to acquire skills which means they are more employable and therefore getting more job security

GMB National Officer, May 2013

We are constantly fighting, we are trying to influence the coalition and the future labour government, if there is a future labour government, to actually start addressing these issues, we are fighting against history really in this country. There is no fall-back position for us

Unite Research Officer, January 2014

Furthermore, an interesting element that emerges from the interviews is that the sector level social partners do not consider helpful – indeed, are unable to define – the distinction between job security and employment security. Given the deregulated nature of the labour market, achieving security in the external and internal labour markets is probably perceived as part of the same objective.

The inconsistent notions of flexibility and security developed by the social partners have not encouraged any constructive collaboration on these issues. The CIA representative affirms that there are cases in which, within companies, policies on flexibility and security are implemented by collective bargaining. However, when this happens it cannot be interpreted as an implication of social dialogue activities. The sector level social partners are not in a position to set local bargaining agendas. This is the reason why experiences of negotiations between flexibility and security items are generally limited and temporary.

Thus, with regard to expectation 1, interview data show that, although experiencing high demands for flexibility and security, the weakness of social dialogue institutions in the UK chemical and pharmaceutical sector does not enable the social partners to propose a common agenda. The lack of sector level collective bargaining hinders the social partners' ability to develop common understandings around these issues. It follows that social dialogue, in the

UK, cannot be considered as effective as collective bargaining in addressing flexibility and security.

Finally, in relation to expectation 3, interviews suggest that flexibility and security may be the object of informal discussion between sector level social partners. Nevertheless, the sector is not provided with any formal mechanisms to ensure that these issues find their way onto the agenda of company level negotiators.

No, I don't think so [that issues of flexibility and security enter collective bargaining agenda as a result of social dialogue activities]. I think sometimes it's an outcome but it doesn't start as an objective. It could be an accidental result. Plant-level bargaining do not include flexibility and security in the way in which we [sector level social partners] understand it.

CIA Director of employment and communication, May 2013

It doesn't work quite like that...but at least in chems and pharms ...the social dialogue is increasingly leading to company level discussions on exactly these issues because perhaps, late in the day, the employers are waking up to the fact that they have structural problems in the demographic core of their employees'.

GMB National Officer, May 2013

The employment law in this country is so skewed in regard to employers rather than employees that even trying to get social dialogue on the table is difficult enough, we would love to be able to start to talk to companies and have them actually respond to us on things such as corporate responsibility, but you know, they are not interested. There isn't government regulation, there isn't any!

Unite Research Officer, January 2014

Thus, single-employer bargaining arrangements do not provide any mechanisms governing the relationship between the sector and the company level that can be compared to collective bargaining institutions. Issues of flexibility and security are not addressed in a coordinated fashion. As a consequence, the scope of company level bargaining on issues of flexibility and security is potentially unlimited.

6.5 Conclusion

The first objective of this chapter was to explore the role of sector level social dialogue within the UK chemical and pharmaceutical sector. The second objective was to prepare the

ground for the cross-country comparison of sector level collective bargaining in Italy, Denmark, and the UK, through which the first research question (RQ1) will be addressed.

By observing the institutional configuration of this particular sector, a series of relevant points have emerged. First, the chemical and pharmaceutical industry in the UK features an informal framework for social dialogue. Such a framework allows the social partners to meet both formally and informally to discuss a small number of issues of common concern. In addition to the health and safety compact – the area in which both parties have shown the highest level of commitment – another important focus of attention has been workers’ training and development. Given the technologies and the product standards required in this industry, skills are considered a fundamental source of competitive advantage. In fact, by lobbying the government, the social partners obtained the institution of the ‘Sector Skills Council’ named COGENT, which they consider one of the most positive outcomes of their interaction. Thus, although the sector framework enables nothing more than consultation, social dialogue has (at least) had the advantage of fostering a good working relationship between the social partners.

The second point is that the lack of collective bargaining institutions limits the initiatives of the social partners over the issues of flexibility and security. In particular, first, it undermines their ability to develop shared understandings around issues of flexibility and security. Second, it inhibits their effectiveness in pursuing their respective agendas. Thus, it is shown that sector level social dialogue does not play a role similar to that of collective bargaining in addressing issues of flexibility and security.

It follows that articulating mechanisms between the sector and the company level are not in place. Thus, the third relevant point is that social dialogue does not play an equivalent role to collective bargaining in enabling and constraining company level negotiations. The scope of company level bargaining over flexibility and security is, potentially, unlimited. It depends only on the willingness of employers and shop stewards to engage with these issues.

The only way to observe the extent to which flexibility and security have become the object of local level agreements, is to complement these findings with a company-focus. As described in Chapter 3, however, access to chemicals and pharmaceutical enterprises in the UK was denied.

Chapter 7: Engaging with flexibility and security at the sector level

7.1 Introduction

The main objective of this chapter is to address the first set of research questions which have been derived from the comparative institutional analysis. These are:

- **RQ1a.** To what extent and how do sector level collective bargaining and social dialogue in different countries address issues of flexibility and security?;
- **RQ1b.** To what extent and how do sector level bargaining arrangements in different countries influence the way in which flexibility and security enter company level bargaining agendas? What are the implications for the actors involved?

In order to address RQ1a, the findings which emerged in Chapters 4, 5 and 6 are analysed in a comparative fashion. Accordingly, the first part of the chapter focuses on the national institutional features that make Italy (Chapter 4), Denmark (Chapter 5), and the UK (Chapter 6) exemplary cases of the Southern European, Nordic European and Western European clusters (Visser, 2009). Then, these clusters are compared and contrasted in the light of the arrangements framing collective bargaining and social dialogue in the three countries.

It is argued that the most significant difference across Italy, Denmark and the UK revolves around the role of collective bargaining in regulating the labour market. Crucially, in Italy labour law and collective bargaining have a complementary relationship, in Denmark collective bargaining is the main form of labour market regulation while, in the UK, industrial relations arrangements play only a residual role at the sector level. In addition, it is shown, that although they share a similar configuration of sector level arrangements, Italy and Denmark feature different degrees of bargaining institutionalisation which is apparent in the varying extent of coordination between sector and company level bargaining structures, different provisions on extension mechanisms, and variations in the level of bargaining coverage. In contrast, due to the lack of sector level bargaining institutions in the UK, issues of coordination are non-existent.

The second part of the chapter presents the rationale for comparing Italy and Denmark, on the one hand, and the UK, on the other. The Danish and Italian chemical and pharmaceutical sectors feature similar institutional configurations that make them particularly suitable contexts for the analysis of collective agreements over issues of flexibility and security. A two-tier bargaining system and coordinating mechanisms between bargaining levels function well in both Italy and Denmark alike. Moreover, although bargaining decentralisation has increased in both countries, it has occurred in a controlled fashion. Hence, the sector is still the most prominent bargaining level at which negotiations take place. In contrast, in the UK, sector level collective bargaining has disappeared. Interactions between sector level social partners in the chemical and pharmaceutical sector occur only by means of informal social dialogue, the coordination mechanisms governing the relationship between sector and company level no longer exist. As a result, in the UK, RQ1b cannot be an object of investigation.

The final section of this chapter deals with the findings. These are presented according to the proposition shaped in Chapter 3 and reflect the country by country framework of analysis. In order to undertake the first level of comparison (RQ1a) which involves Italy, Denmark, and the UK, the following issues will be investigated: a) the role of sector level institutional arrangements in shaping the scope of social partner's agendas over issues of flexibility and security across the three countries; b) the role of collective bargaining and social dialogue activities in shaping social partners' perceptions around issues of flexibility and security; and c) the role of national institutions, such as labour law and social welfare, in influencing the scope of social partners' agendas. The second level of comparison (RQ1b) involves Italy and Denmark exclusively and the main issues investigated relate to the role of coordination mechanisms in conditioning the scope of the firm level agenda on issues of flexibility and security.

With regard to RQ1a, it is concluded that the institutional configuration framing the chemical and pharmaceutical sector in Italy, Denmark, and the UK accounts for the *varying extent* of social partners' *agendas* over issues of flexibility and security. While in Italy and Denmark the *multi-employer bargaining* system exerts some pressure on social partners to engage with these issues, in the UK, informal *social dialogue* does not play an equivalent role. Within Italy and Denmark, as a result of the constant interactions between the sector level social partners, similar understandings on flexibility and security have developed serving to push

such issues into their respective bargaining agendas. In contrast, in the UK, the lack of collective bargaining institutions has hindered actors' capability to formulate a shared agenda. Moreover, it is demonstrated that the interaction between sector level collective bargaining and national institutions – specifically *labour law* and *social welfare* – are partly responsible for the extent of variation in the scope of sector level bargaining on flexibility and security across Italy and Denmark.

Turning to RQ1b, the comparative analysis of Italy and Denmark shows that the coordinating mechanisms set in place to govern the relationship between sector and company level bargaining shape the content of firm level negotiations over issues of flexibility. In Denmark, a fluid demarcation of competences, coupled with a high depth of the collective bargaining system is likely to provide local level actors with a higher level of autonomy than in Italy. However, the extent to which firm level actors engage with issues of flexibility and security can only be understood by combining the sector and the company foci to analyse the outcomes of collective bargaining at the firm level. Findings on this will be covered in Chapter 9.

7.2 Collective Bargaining at the National Level

Italy, Denmark, and the UK exhibit a series of differences in their production regimes, welfare states, and employment arrangements that have made them exemplary cases of three distinctive country clusters, respectively Southern European, Nordic European and Western European clusters (Visser 2009). In accordance with Visser's (2009) argument Chapter 4 shows that in Italy the state plays a prominent role in the market economy – predominantly through legal interventions – and both labour market and welfare system have a dualistic nature. Trade unions are generally consulted over labour market issues, but they do not participate in the distribution of welfare resources. In contrast, Chapter 5 shows that Denmark is a coordinated economy where the welfare regime is highly inclusive and the social partners take part in a well-functioning decision-making system. The role of legal intervention is minimal and labour organisations manage social benefits and active labour market policies directly. Finally, Chapter 6 demonstrates that the UK is a prominent example of a market-based economy and the principle of self-regulation of private interests applies to both its labour market and industrial relations regimes. It follows that the law, in this country, plays a residual role and the employment relations system is hardly institutionalised. Table 7.1

summarises the main national institutional differences characterising the countries under focus.

Table 7.1: National institutional differences

	Italy	Denmark	UK
Market Economy	State	Coordinated	Market
Welfare System	Dualistic Social partners are consulted	Inclusive Social partners are decision-makers	Social Partners do not play any significant role
Labour Market	Law and Collective Bargaining are complementary	Collective Bargaining is prominent	Both law and collective bargaining play a secondary role

These distinctive national institutional arrangements are partly reflected in the collective bargaining structures which characterise Italy, Denmark, and the UK. In particular, Chapter 4 shows that, in Italy, legal regulations and collective bargaining have a complementary relationship. This means that it is the law which compels certain unions – under the principle of representativeness (see 4.2) – to negotiate in some particular areas. Within these areas, collective bargaining can, in turn, supplement and/or derogate legal regulations. In contrast, Chapters 5 and 6 show that, in Denmark and in the UK, the law governs neither the labour market nor the relationship between trade unions and employers organisations. However, while in Denmark it is collective bargaining (rather than the law) that plays this particular function, in the UK both law and collective bargaining have a much less strategic role in the regulation of the labour market.

This leads to a further important difference across the three countries, namely, the level of institutionalisation of their collective bargaining systems. Although they are all embedded in a voluntaristic framework of industrial relations – relatively less voluntaristic in Italy given the role of labour law (see 4.2.1) – in Denmark employers organisations and trade unions have negotiated a series of procedures setting in place important elements of multi-level coordination. In this country, such mechanisms have reinforced the social partners’ mutual commitment and, at the same time, guaranteed a high level of bargaining coverage.

Conversely, in the UK the institutional framework within which actors interact has been characterised to a great extent by informality. Different rules of procedures have been negotiated by social partners across both sectors and companies. As a result, the collective

bargaining system has traditionally lacked central control. This relatively low level of institutional formalisation has exposed collective bargaining structures to changes in the legal, political and economic spheres resulting in a much more rapid decline of bargaining coverage than in other countries.

As for Italy, the degree of institutionalisation of its collective bargaining system places this country in an intermediate position between Denmark and the UK. Also, in Italy, legally binding norms are rare and the autonomy of social partners is high. However, in contrast to Denmark and the UK, in Italy the law has served to strengthen collective bargaining indirectly, first, by recognising fundamental union rights, such as the right to strike, and second, by fostering a *de facto erga omnes* effect of collective agreements. Within this favourable legal context employers and labour organisations have negotiated a series of interconfederal rules establishing a hierarchical relationship between bargaining levels, as well as shaping the bargaining competences of both sectors and companies. At the same time, extension mechanisms, deriving from customary civil law, have guaranteed a high degree of collective bargaining coverage. Table 7.2 summarises the main differences and similarities characterising the industrial relations system in these countries

Table 7.2: Industrial relations differences and similarities

	ITALY	DENMARK	UK
Industrial Relations	Voluntaristic	Voluntaristic	Voluntaristic
Bargaining Arrangements	Medium Institutionalised	Highly Institutionalised	Informal Institutionalisation
Coordination	Existent	Existent	Non existent
Extension mechanisms	Existent – De facto	Non existent	Non existent
Bargaining Coverage	Relatively high	Relatively high	Low

7.3 Collective Bargaining at the sector level

The analysis of the institutions featured in the chemical and the pharmaceutical sector in each of the countries under focus (Chapters 4, 5 and 6) indicates that the degree of institutional variation between the UK and Italy, on the one hand, and the UK and Denmark, on the other, is wider than the one between Italy and Denmark. It has been argued, in Chapter 6, that in the UK, the highly voluntaristic nature of the industrial relations system limited the role of the state in providing mechanisms to support collective bargaining. At the same time, it inhibited the role of the main trade union confederation – Trade Union Congress (TUC) – and the

central employers' organisation – the Confederation of British Industry (CBI) – in negotiating overarching rules of procedures. As a result, at the beginning of the 1980s, multi-employer arrangements in the chemical and pharmaceutical sector were no longer able to provide a well-functioning framework for collective bargaining. Similar to other industries, the sector was not equipped with the institutional strength needed to cope with the series of external pressures coming from both the economic and political environments and, as a result, ceased to function. Since the collapse of the sector framework a series of developments have followed:

- a rapid and disorganised decentralisation of bargaining took place;
- single-employer bargaining became prominent;
- collective bargaining became marketised around firm-specific structures and unilateral decision making;
- union membership and collective bargaining coverage declined.

These specific characteristics mark the most apparent difference between the UK, on the one hand, and Italy and Denmark on the other. In particular, due to the fact that multi-employer bargaining structures no longer exist in the UK, a different type of comparison needs to be conducted across the three countries. Accordingly, the analysis will be divided into two subsequent steps. First, the role of informal social dialogue, which now takes place in the UK (Chapter 6) at the sector level, will be compared with the role of collective bargaining in Italy and Denmark (Chapters 4 and 5). Then, the analysis will focus exclusively on the actual outcomes of collective agreements across Italy and Denmark.

As previously argued, both in Italy and Denmark the sector under focus features a two-tier bargaining system, as well as coordinating mechanisms governing the relationship between bargaining levels. Although bargaining decentralisation has increased in both countries, it has occurred in a controlled fashion. Hence, the sector remains the most prominent bargaining level and sets the framework within which company level negotiations take place. However, Chapters 4 and 5 suggest that a series of differences do emerge across the Italian and Danish chemical and pharmaceutical sectors; before turning to the findings, these differences need to be reviewed.

The first and most apparent difference across the two countries is that in Denmark chemicals and pharmaceuticals lie within the industrial agreement encompassing all subsectors in manufacturing; whereas, in Italy there is a sector-specific agreement. One implication is that the emphasis on flexibility and security is likely to be more pronounced in Italy than in Denmark where such issues could be diluted by the requirements of other industries.

Second, in the Danish industrial sector, company level negotiations have always represented an integral element of the collective bargaining system, while in the Italian chemical and pharmaceutical sector these have played a secondary role. Thus, in a context in which customary extension procedures secure the enforcement of industry-wide agreements, such as in Italy, a discrepancy between sector and company level coverage has emerged. Chapter 4 showed that, in Italy, sector level bargaining covers about 80 per cent of the workforce, but only some 20-25 per cent of companies engage in local negotiations (Burroni and Pedaci, 2011). In Denmark, conversely, coverage at the sector level is reproduced at the firm level – 70 per cent and 77 per cent respectively (Ilsøe, 2012) – thanks to a more even presence of shop stewards across companies. As an effect of the ‘accession agreements’ (see Chapter 5), according to which firms that are outside employers’ associations can also engage in negotiations with unions’ representatives, coverage is actually higher at the company than at sector level. It can, therefore, be concluded that the *depth* of the bargaining system is higher in Denmark than in Italy. It follows that, within the Italian chemical and pharmaceutical sector, there is also a relatively lower degree of union coordination between bargaining levels, union bargaining power, and autonomy of shop stewards.

The third relevant difference across these two countries can be found in the type of articulation mechanisms that govern the relationship between bargaining levels. It is thanks to these mechanisms that, in Italy and Denmark, decentralisation is controlled and bargaining competences are assigned to sector and company level social partners. Specifically, Chapters 4 and 5 show that articulation between bargaining levels provides actors with a series of institutional resources and, at the same time, contributes to the shaping of perceptions and priorities with regard to their bargaining agendas. In Italy and Denmark this occurs primarily via *demarcation*, meaning that sector and company level social partners act within different, albeit coordinated, spheres of competences. In Italy, the procedures setting the basis of this particular form of coordination have been laid out by a series of confederal agreements. However, as decentralisation has increased, sector level social partners have started to

delegate new competences to company level negotiations. As a result, *demarcation* has become more blurred and overlaps between competences at the sector and the company level occurred. In contrast, demarcation in the Danish industrial sector has always been provided by sector level collective agreements, meaning that, in this country, sector level actors are free from any confederal interference. They are, therefore, more autonomous and accountable than in Italy when engaging in bargaining activities.

Fourth, Chapters 4 and 5 propose that in order to provide a comprehensive account of the context in which sector level social actors interact, it is fundamental to focus attention on a further dimension, the welfare system. By drawing on Esping-Andersen's work (1990) it has been argued that welfare provisions are likely to shape both social and economic behaviour, and by implication, the industrial relations arena as well (Esping-Andersen, 1990). According to Esping-Andersen (1990) the welfare state has had structuring and ordering effects for many institutions, but the most apparent can be found within the fields of working life, employment, and the labour market. Traditionally, this concept has been linked to the role of the state in providing services for individuals against the risks they may face when their working capacities fail (Titmuss, 1951). In Italy and Denmark this role has been played in a significantly different way with important implications for whether and how these issues entering into the sector level bargaining agenda. Chapter 4 showed that the nature of welfare provisions in Italy is predominantly polarised, with different programmes for private and public sectors' employees and almost no protection for self-employed and temporary workers. There are no universal benefits or minimum income schemes and active labour market policies are not well developed. It has therefore been argued in Chapter 4 that: a) incomes are secured through relatively high levels of legal protections against individual dismissal; b) there are few incentives to external mobility as well to up-skilling and re-skilling; and c) active labour market policies tend to be ineffective. In contrast, Chapter 5 showed that the Danish welfare system guarantees a wide degree of inclusivity, universal benefits are in place and there is a correlation between the low level of employment protections and the high level of unemployment benefits. Thus, as employment protections are primarily provided by collective agreements, sector level social partners in Denmark play a much more active role in shaping labour market policies than in Italy. Such autonomy is reflected in the *scope* of their bargaining agenda which is expected to be much wider than in Italy.

Finally, a further difference between Italy and Denmark can be found in the role of legally binding regulations for the labour market. Chapters 4 and 5 have demonstrated that the relationship between labour law and collective bargaining has important implications for the autonomy of social partners and, thus, also for the scope of both sector and company level negotiations. In Denmark, a minimal legal framework empowers employers' associations and unions who are the only ones responsible for the regulation of the labour market. For this reason, there are no formal limits on the items that can enter into their bargaining agenda, flexibility and security included. It is expected, however, that due to the existence of universal unemployment benefits and well-functioning active labour market policies, the scope for *flexibility* in Danish collective bargaining is likely to be higher than the scope for security. Conversely in Italy, legal interventions are in place to both provide universal minimum employment standards and assign collective bargaining the role of supplementing, derogating and substituting existing regulations. If, on the one hand, the complementary relationship between labour law and collective bargaining legitimises social partners as political interlocutors and policy-makers, on the other, it implies that social partners are not the only labour market players. It is therefore expected that due to the relatively high level of job security – provided by law – and the lack of universal welfare provisions, collective bargaining in Italy is more likely to engage with issues of *security* than with issues of flexibility. The literature reviewed in Chapter 4 shows that, although in place, legal mechanisms aimed at pushing solidarity pacts, fixed-term contracts, and work and training contracts into the bargaining agenda have hardly had any impact (Caruso and Zappalà, 2004). Scholars suggest that, historically, flexibility in collective bargaining has been enhanced in small doses and by trying not to undermine the general mechanisms of legal regulation of labour (Colombo and Regalia, 2014). Yet, in recent times, legal interventions, such as the decree law 138/2011 and the 2012 and 2015 labour reforms, seem to have substituted the logic of complementarity with the logic of deregulation. Only future research can establish what the impact will be, if any, for sector level collective bargaining actors and institutions in Italy.

Table 7.3 summarises the main institutional features characterising sector level structures across the three countries under focus.

Table 7.3: Collective Bargaining arrangements across Italy, Denmark, and the UK

	Italy	Denmark	UK
Sector level structures	Multi-Employer	Multi-Employer	Single-Employer
Coordination	Existent	Existent	Non-Existent
Depth of bargaining system	Restricted	Extensive	N/A
Type of coordination	Demarcation Confederal	Demarcation: Sector	N/A
Level of coordination	Delegation: Sector		N/A
Scope of bargaining	Limited (Law-Welfare)	Extensive (Law-Welfare)	N/A

7.4 Sector level institutions as a source of flexibility and security: A comparative analysis between Italy, Denmark, and the UK

The first research question set out by the present comparative analysis (see Chapter 2) aims to observe the extent of cross-country variation in the way in which collective bargaining and social dialogue activities engage with issues of flexibility and security in the chemical and pharmaceutical sector. The countries under focus are Italy, Denmark, and the UK.

RQ1a To what extent and how do sector level collective bargaining and social dialogue address issues of flexibility and security in different countries?

In order to answer this question, propositions 1 and 2 (see Chapter 3) will be examined:

1. The institutional configuration of the chemical and pharmaceutical sector accounts for the scope of the sector level social partners' agenda over issues of flexibility and security (Marginson and Galetto, 2015); collective bargaining and social dialogue represent functional mechanisms for the social partners to develop similar understandings around these issues and enhance the possibility for exchange of ideas, package deals, and joint problem solving between the parties (Ibsen and Mailand, 2011). Informal social dialogue arrangements, as found in the UK, provide a less procedurally secure mechanism than the formal collective bargaining institutions that are found in Italy and Denmark.
2. In countries in which labour law is more developed collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility.

In contrast, where social welfare is more developed collective bargaining and social dialogue engage less with security and more with flexibility, because the security dimension is already covered by the state (Esping-Andersen, 1990; Ibsen and Mailand, 2011).

In light of the above propositions it is expected, first, that issues of flexibility and security will figure on the social partners' agenda in all the three countries under focus. Nonetheless, they are likely to feature more prominently in the presence of formal sector level bargaining arrangements, such as in Italy and Denmark, than in the UK where only informal social dialogue is in place. Second, it is expected that issues of *security* will feature more strongly on the *Italian* sector level bargaining agenda, and issues of *flexibility* will feature more strongly on the *Danish* one.

7.4.1 Italy, Denmark, and the UK – Proposition 1

Chapter 6 established that the lack of sector level bargaining institutions in the UK chemical and pharmaceutical sector accounts for the ineffectiveness of social partners in addressing the issues that are relevant for this study. Although experiencing high demands for both flexibility and security, the predominantly informal approach to social dialogue in this sector has been demonstrated to hinder the capability of the social partners' to put forward a shared agenda. The fact that informal social dialogue exists, and that under the more institutionalised framework of European social dialogue the main employers' organisation and trade unions regularly meet, has allowed social partners to set in place a constructive relationship. In turn, this relationship has enabled them to actively collaborate over issues of common concern – such as health and safety, energy, and environmental issues. Even so, in contrast to their Italian and Danish counterparts, they have never agreed on a substantive agenda concerning flexibility and security. Hence, the first conclusion that can be drawn by examining proposition 1 is that informal social dialogue in the UK does not act as functional equivalent to formal collective bargaining.

The rest of this section will therefore consist of a comparative analysis of the findings presented in Chapter 4 on Italy (see table 4.3) and Chapter 5 on Denmark (see table 5.3). Table 7.4 summarises the outcomes of collective agreements in these two countries and involves each of the seven flexibility and security categories identified within the literature

on flexicurity (Ibsen and Mailand, 2011; Marginson and Galetto, 2015). In addition, the table indicates whether the provisions address flexibility, and if so which form; security, and if so which form; or both flexibility and security, as well indicating which forms.

Table 7.4: Outcomes of collective agreements on flexibility and security in Italy and Denmark

	Flexibility	Security	Flex & Sec
Pay	Wage DK	Income IT	
Training		Employment (DK 2004)	Functional & Job (IT 1998 – 2002 – 2006 – 2012) Functional & Employment (IT 1998 – 2006 – 2012) (DK 1998 – 2007 – 2012) Functional & Income (DK 2007 – 2012) External & Employment (IT 1998) Functional & Combination (DK 2007 – 2012)
Job Classifications			Functional & Income (IT 1998 – 2009 – 2012) Functional & Job (IT 1998 – 2002 – 2009 – 2012) Functional & Employment (IT 2012)
Working-time	Working-time (IT 2002) Working-Time (DK 1998 – 2000)		Working-time & Combination (IT 1998 – 2002) (DK 1998)
Provisions for Atypical workers		Job (IT 2002)	
Social Benefits and Entitlements		Income (IT 1998 – 2002) (DK 1998 – 2000 – 2004 – 2007 – 2010 – 2012) Combination (IT 1998 – 2002) (DK 1998 – 2000 – 2004 – 2007 – 2010 – 2012) Employment (DK 2004)	Working-time & Combination (DK 2010 – 2012)
Measures for employment		Employment (DK 2010) (DK 2010 – 2012) Combination (DK 2010 – 2012)	External & Employment (IT 2012) Functional & Employment (DK 2010)

This table shows that both in Italy and Denmark collective agreements engage with different forms of flexibility and security. This is consistent with proposition 1 suggesting that the institutional configuration of the chemical and pharmaceutical sector exerts pressure on social partners to prioritise these issues in their bargaining agendas. Chapter 4 confirmed that, in Italy, interconfederal agreements provide sector level actors with a series of institutional resources enabling negotiations on items that are particularly functional for the sector. It is thanks to their constant interaction that the sector level actors have developed shared understandings around issues of flexibility and security which, in turn, became items of

collective bargaining. Similarly, Chapter 5 showed that, in Denmark, the institutional framework within which sector level social partners operate enables them to address flexibility and security directly. Given the key role that collective bargaining exerts within the ‘*Danish flexicurity*’ system, social partners enhance flexibility both in the internal and external labour market and improve the degree of security through continuous in-job training and education. As a result of their joint efforts in achieving this, similar understandings around flexibility and security have emerged. Hence, the fact that chemicals and pharmaceuticals come under the wider industry agreement in DK does not appear to have mitigated the extent to which flexibility and security feature on the bargaining agenda and in the consequent agreements.

7.4.2 Italy and Denmark – Proposition 2

Table 7.4 shows that not only does collective bargaining engage with flexibility and security, both in Italy and Denmark, but also that negotiations lead to a variety of flexibility and security trade-offs. However, whether agreements address one form of flexibility and/or one form of security varies across the seven substantive categories. Thus, in order to tackle proposition 2, the next paragraphs explore each of the seven categories in detail.

1. Pay: In Italy the category of pay only addresses income security, while in Denmark it only addresses wage flexibility. This outcome reflects national institutional differences. The Danish flexicurity system is based on the principle that income levels are sustained through active social policies while sector level collective bargaining protects minimum-wage levels. This mechanism allows companies to adapt remuneration strategies according to their local resources. By contrast, in Italy, income security is achieved through a centralised system of wage setting and by enhancing job security through legal constraints.

2. Training: In Denmark the category of training enables job transferability in the external labour market, thereby enhancing employment security. This is due to the fact that the Danish labour market is characterised by high levels of flexibility fostered through light regulation on individual dismissal and generous unemployment benefits. In addition, both in Italy and in Denmark, training fosters trade-offs between functional flexibility and employment security. However, two factors reduce the effect of training policies on employment security in Italy. First, laws have operated to reduce external mobility. As a result, training measures do not

play the same strategic role as in Denmark in terms of creating job opportunities for outsiders. On the contrary, in Italy training measures increase internal mobility, leading primarily to trade-offs between functional flexibility and job security. Secondly, the investment in active labour policies made by sector level social partners in these two countries is based on a substantially different approach: in Denmark the sector funds in-job and vocational training directly; in Italy training policies are enacted by allowing companies to match their training needs with the resources available locally. As the burden of employee up-skilling and re-skilling is to a large extent on the shoulders of single employers – and only marginally sustained by public resources – training policies in Italy are more likely to enhance internal forms of flexibility and job security. However, as Chapter 4 revealed, given the high level of flexibility required by the chemical and pharmaceutical industry – high intense in technologies and organised on a continuous process basis – sector level social partners have used apprenticeship programmes as a means to gain some sort of external flexibility in exchange for in-job and education for employees. In doing so, they produced a trade-off between external flexibility and employment security. Finally, in Denmark, the category of training also leads to a variety of trade-offs between functional flexibility and income security and functional flexibility and combination security. This data further corroborates proposition 2 suggesting that the national framework within which the Danish sector level social partners interact provides them with more institutional resources than their Italian counterparts. In particular, through the direct administration of training funds bargaining actors have increased the variety of items they can rely upon towards the negotiations of flexibility and security trade-offs. It follows that, when engaging with issues of flexibility and security sector level social partners in Denmark have more autonomy and the scope of their bargaining agendas is more extensive than their counterparts in Italy.

3. Job classifications: this category is only an object of sector level collective bargaining in Italy, reflecting the choice of social partners not to give up on centralised wage bargaining. A rigid principle of classifying employees according to their education, responsibilities, and seniority has been pursued in Italy, as a way of protecting the income levels of employees. However, in Italy chemicals and pharmaceuticals have experienced higher demands for functional flexibility in comparison to other industries. Therefore, sector level collective bargaining has progressively adapted its classification scheme to the increasing need for a multi-skilled and multi-functional workforce. Negotiations on job classifications have been instrumental to the enhancement of both dimensions of functional flexibility and income

security as well as functional flexibility and job security. Furthermore, in 2012 the job classification scheme was reformed in an attempt to transfer the effects of in-job training and education to the external labour market, thereby improving both functional flexibility and employment security. Yet, because of the weak link that exists in Italy between training measures and employment security, and because of the reduced scope for external flexibility in the labour market, the job classifications reform is still more likely to address job security than it is employment security. In Denmark, this category is not an object of sector level collective bargaining at all, simply because sector level bargaining is only entitled to set minimum wage levels, while pay bargaining occurs primarily at the company level.

4. Working-time: given the nature of chemicals and pharmaceuticals' production processes, in Italy and Denmark alike, social partners have relied heavily on working-time as one of the most functional means to deliver high productivity levels. Thus, the scope of sector level bargaining on working-time traditionally has been very extensive. However, one of the most distinguishing responsibilities of trade unions in this particular sector is the role they play in monitoring the potential implications of working-time flexibility on workers' *health and safety* and *work-life balance*. Interviews with social partners in both countries confirm the direct involvement of those at the sector level in making sure that productivity targets (*working-time flexibility*) are not met at the expense of employees' well-being (*combination security*). Therefore, in contrast to a previous study conducted on the manufacturing sector (Ibsen and Mailand, 2011), the present research does not refrain from linking the category of working-time to trade-offs between working-time flexibility and combination security.

5. Provisions for atypical workers: this category in Denmark is not a target of sector level bargaining because the level of external flexibility is extensive enough to encourage standard forms of employment. In contrast, in Italy, provisions for atypical workers have entered collective bargaining agendas as a result of delegating mechanisms included in the law liberalising temporary contracts. This legislation enhances external flexibility in the labour market, while sector level bargaining provides job security by setting restrictions on the use and quotas for temporary workers.

6. Social benefits and entitlements: the analysis of the agreements suggests that negotiations on the category of social benefits and entitlements address primarily the dimension of security, in particular, income and combination security, both in Italy and in Denmark, and

employment security only in Denmark. This confirms that the scope for employment security in sector level bargaining is wider in Denmark than in Italy. In addition this study shows that in Denmark negotiations over this particular category also enhance working-time flexibility and combination security. However, interviews with social partners reveal that, in Denmark, collective bargaining on social benefits and entitlements may lead to further trade-offs. Once again, this result can be understood in light of the autonomy afforded to the Danish social actors by the institutional framework in which they interact. During the latest economic crisis, for example, sector level social partners used their autonomy to bargain over new provisions – severance payments and training programmes for dismissed employees – thereby contributing to levels of employment and income security. These measures, however, are interpreted by both sides of the negotiation table as a means to protect the right of employers to easily dismiss workers (*external flexibility*) while contrasting the growth of precarious jobs (*employment security*). Although more effectively in Denmark than in Italy, social benefits and entitlements are traded by the employers’ organisations in exchange for higher flexibility in both countries. Therefore, in line with existent findings (Ibsen and Mailand, 2011), trade-offs between flexibility and security in this category are interpreted as an outcome of the overall package deal.

7. Measures for employment: in Denmark negotiations over the category of measure or employment address both employment and combination security, and functional flexibility and employment security. In Italy, this category addresses only external flexibility and employment security. In both countries the category of measures for employment has entered into the bargaining agenda to cope with the effects of the latest financial crisis. However, while in Denmark, priority is given to the enhancement of functional flexibility, in Italy the same category enhances external flexibility. This finding reflects the different role that sector level social partners exert over their respective labour markets. In Denmark, training funds are used to increase the extent of flexibility in the internal labour market and the level of security in the external labour market, while in Italy, where social partner do not manage similar resources, they tried to deal with peaks in demand by increasing external flexibility.

Crucially, the analysis shows that although featuring similar sector level bargaining structures, the way in which social partners address flexibility and security in Italy and Denmark varies across the seven substantive categories. The extent of the variation can be partly explained by the role played by the welfare system and by labour law in shaping the

scope of social partners' agenda. In Italy, the regulation of the labour market through legal constraints reduces the autonomy of bargaining actors in addressing certain forms of flexibility and security – in particular, external flexibility and employment security. At the same time, it pushes internal forms of flexibility – such as functional and working-time flexibility – and job security into the bargaining agenda. In Denmark, a minimal legal framework and generous unemployment benefits, enable social partners to take a more active role in shaping the degree of flexibility and security injected into the labour market.

Thus, the findings confirm that sector level bargaining structures interact with macro institutional features, namely, social welfare and legal constraints. However, the real picture is more nuanced than what proposition 2 suggests. It is shown that in Italy the law plays an important role in shaping the outcomes of negotiations over flexibility and security alike – and not just security. It does so by reducing the scope of the bargaining agenda and limiting the extent of social partners' autonomy when engaging with these particular issues. In contrast, in Denmark, a minimal legal framework and a generous welfare system enable social partners to have a direct impact on the regulation of *both* flexibility and security. Further, the degree of autonomy afforded to the social partners in Denmark means that they have the capacity to adjust their respective agendas in response to unanticipated changes in economic conditions. This they have done by engaging with different forms of flexibility and security not primarily with flexibility as proposition 2 suggests.

In other words, this comparative analysis of sector level agreements in Italy and Denmark, demonstrates that similar bargaining structures can lead to different outcomes on flexibility and security. Such differences are the result of the distinctive role played by the law and the welfare system in these two countries. While in both Italy and Denmark internal forms of flexibility are more prominent than external forms of flexibility, the research shows that it is the social partners in Denmark who have greater opportunities to enhance flexibility and security in the internal and external labour market alike, as well as to negotiate a wider variety of trade-offs between these. Such opportunities are provided by the interaction of sector level bargaining institutions with macro-institutional features. It is argued that it is the interaction between national and sector level institutions that is primarily responsible for the varying degrees of autonomy of sector level actors across these two countries.

7.5 The role of sector level institutions for firm level bargaining over flexibility and security: A comparative analysis between Italy and Denmark

The second research question set out by the present comparative analysis (see Chapter 2) is aimed at observing the extent to which sector level social partners influence the way in which company level collective bargaining engages with issues of flexibility and security within the chemical and the pharmaceutical industry. The countries that are examined are Italy and Denmark as this issue does not arise in the UK.

RQ1b. To what extent and how do sector level bargaining arrangements in different countries influence the way in which flexibility and security enter company level bargaining agendas? What are the implications for the actors involved?

In order to answer this question proposition 3 will be examined:

3. Articulating mechanisms governing the relationship between the sector and the company level influence the scope of company level bargaining over issues of flexibility and security (Marginson and Galetto 2015).

Table 7.5 summarises how articulating mechanisms between bargaining levels are likely to allow categories of flexibility and security into the company level negotiations across Italy and Denmark.

Table 7.5: Role of articulating mechanisms for company level bargaining in Italy and Denmark

	Demarcation		Delegation	
	Italy	Denmark	Italy	Denmark
Pay	Interconfederal	Sectoral	Sector DE (2012)	
Training		Sectoral	Sector OC, DE (2006)	Sector DE (2007)
Working-time		Sectoral	Sector OC, DE (2009)	Sector DE (2000)
Job classifications	Interconfederal		Sector DE (2012)	
Provisions for atypical workers			Sector DE (2012)	
Social benefits and entitlements			Sector OC, DE (2009)	
Measure for employment			Sector – Working-Time (1998) Sector – Atypical work (2006) Sector – Solidarity pacts (2009)	

Note: OC= Opening clause – DE = Derogation clause

Consistent with proposition 3, Table 7.5 shows that in both Italy and Denmark mechanisms of procedural flexibility shape the content of company level bargaining over flexibility and security. In Italy all the seven substantive categories are expected to enter into the agenda of company level negotiators as a result of demarcation at the interconfederal level – on *pay* and *job classifications* – and delegation at the sector level – on *training*, *working-time*, *provisions for atypical workers*, *social benefits and entitlements* and *measures for employment*. By contrast, in Denmark, only the categories of *pay*, *training*, and *working-time* are expected to become items of company level negotiations since they are the ones explicitly covered by demarcation. However, in Denmark demarcation occurs only at the sectoral level meaning that managers and shop stewards have exclusive prerogative over such categories. Further, table 7.5 shows that, *training* in 2007, and *working-time* in 2000 have also been the object of a drastic opening clause providing that local actors can lower the minimum terms and conditions set forth at the sector level.

So, it is suggested that, in Denmark, the clear framework within which competences delegation occurs, coupled with a high *depth* of collective bargaining (see 5.2.2), have provided company level actors with a wider degree of autonomy than in Italy. Due to the fact that legal regulation is minimal (see 7.3) and there is no interference from the confederal level, it is expected that Danish managers and shop stewards will feel more secure than their Italian counterparts when engaging with their bargaining competences, including those involving flexibility and security. In this regard, Chapter 4 shows that social partners in the Italian chemical and pharmaceutical sector have broadly interpreted their bargaining competences and used their cooperative (*special*) relationship to enlarge the scope of company level negotiations. They did so by setting in place a series of delegating mechanisms, such as opening clauses and derogations. However, as a result of this double level of coordination, overlaps between bargaining levels have emerged and the uncertainty of company level actors has potentially increased.

Furthermore, Table 7.5 draws attention to the fact that the two tier-bargaining system has experienced a growth of procedural flexibility in both countries. In Denmark, the category of *pay* has been entirely delegated to company level negotiators – although minimum wage levels are still provided by the sector. In Italy, the interconfederal agreements (1993-2009-2011) set in place a system of centralised wage bargaining according to which company level actors can only negotiate on variable pay. Yet, to cope with the effects of the economic crisis

in 2012 sector level social partners introduced a derogation clause establishing that entry-level salaries could go below the parameters negotiated at the sector level. This is an example of potential conflict between confederal and sector level provisions that may discourage company level actors from enacting newly delegated responsibilities. Employers are likely to refrain from engaging with provisions whose actual applicability is uncertain, while unions fear that local negotiations may reduce the protections provided by the sector level.

With regard to *training* and *working-time*, both Italy and Denmark have reached a similar level of procedural flexibility. However, in Denmark this category has entered into the company level bargaining via demarcation, while in Italy via delegation. Over these particular categories Danish and Italian sector level bargaining institutions have played a fundamental role in shaping the agendas of firm level social partners, who as a result, are likely to address flexibility and security.

Further, Table 7.5 shows that derogation-clauses feature in both countries. In Denmark, the so called ‘experimental scheme’ was introduced earlier than the ‘temporary derogation’ in Italy to cover the category of *working-time* (from 2000) and the category of *training* (from 2007). Formally, the introduction of the ‘temporary derogation’ occurred in Italy with the 2006 sector level agreement. However, this institutional mechanism did not increase the breadth of local bargaining topics as expected. According to the sector level social partners the main problems were, first, that, in order to enact this formula, management and shop stewards needed special authorisation from a central authority and second, that the matters eligible for derogation had been only vaguely identified.

In 2009 sector level social partners in Italy signed an agreement entitled ‘Guidelines of Social Responsibility towards Local Level Collective Bargaining’ which removed the requirement for national approval of temporary derogations and identified specific areas of applicability. During the last bargaining round in 2012 the option to derogate was extended to all the categories that are relevant to this study, except for wage bargaining (pay can be modified *in peius* only for entry-level workers and in times of crisis). In contrast, in Denmark, *job classification, provision for atypical workers, social benefits and entitlements, and measures for employment* are neither the object of demarcation nor delegation. Therefore, only when

looking at the firm level will it be possible to gauge the extent to which they have become matters of company level negotiations (see Chapter 9).

Thus the analysis of the agreements suggests that the formal scope of company level bargaining on issues of flexibility and security is wider in Italy than in Denmark. However, the interviews conducted at the sector level show that none of the chemical and pharmaceutical companies belonging to the employers' organisations have signed any agreement derogating the terms and conditions set at the sector level. Future research may confirm whether the simplification of the procedure enabling temporary derogations will have enlarged the scope of company level bargaining in *Italy* and caused, as many detractors argue, a more deregulated system of collective bargaining decentralisation.

In synthesis, despite timing and social partners' effectiveness in pursuing further bargaining decentralisation, this comparative analysis shows that on the procedural aspects – the role of sector level bargaining for firm level social partners – the two countries under focus show more similarities than differences. Both in Italy and Denmark, the coordinating mechanisms featured by the chemical and pharmaceutical sector do indeed shape the content of local level negotiations. In Italy all the seven substantive categories of flexibility and security can potentially enter into the agenda of managers and shop stewards, whereas in Denmark they are expected to bargaining only on *pay*, *training*, and *working-time*. Yet, the extent to which such expectations are correct can only be determined by complementing the top-down approach with a bottom-up one and investigating the outcomes of collective bargaining over issues of flexibility and security at the company level (see Chapter 9).

7.6 Discussion

Consistent with Marginson and Galetto's findings (2015), this study demonstrates that the institutional configuration framing the chemical and pharmaceutical sector in Italy, Denmark, and the UK accounts for the *varying extent* of social partners' *agendas* over issues of flexibility and security. First, while in Italy and Denmark the *multi-employer bargaining* system exerts some pressure on social partners to engage with these particular issues. In the UK, informal *social dialogue* does not play an equivalent role. Sector level actors are shown to be ineffective in shaping the extent of flexibility and security injected into the labour market. In addition, due to the fact that the UK chemical and pharmaceutical sector is not

provided with any formal mechanisms governing the relationship between the sector and the company level, it is not possible to consider whether sector level institutions exert any influence on company level bargaining. Such findings shed further light on the fundamental role of sector level bargaining arrangements as a source of flexibility and security in the labour market.

Crucially, consistent with Ibsen and Mailand (2011) and Marginson and Galetto (2015) this study demonstrates that in Danish and Italian collective agreements *internal* forms of *flexibility* are more prominent than external forms of flexibility. The chemical and pharmaceutical sector, in both countries, experiences particularly high demand for *functional flexibility* and *working-time flexibility* which collective bargaining addresses in a particularly effective way. This also occurs in Italy, where the scope for flexibility has been traditionally less extensive than in Denmark. Turning to security, the most original contribution of this study is to show that in the Italian chemical and pharmaceutical sector *job security* has entered into the bargaining agenda. This is in contrast to Marginson and Galetto's findings (2015) which found that *job security* is not an outcome of negotiations at the sector level. This result can be explained by two different factors. First, Marginson and Galetto's analysis (2015:7) focuses exclusively on 'the direction of travel of sector level collective agreements', reflecting the methodological choice not to consider the extent to which different dimensions of flexibility and security are the subject of legal regulation. Consistent with this approach, they argue that, in Italy, the categories of *training* and *provisions for atypical workers* address employment security. However, if sector level agreements in Italy are analysed in light of the laws regulating *individual dismissal* (Art. 18 Law 300/70) and *temporary contracts* (legislative decree 368/2001), it emerges that there is only a little scope for *employment security*. Indeed, when legal provisions are in place to enhance job security, *training* measures are more likely to foster mobility in the internal labour market than to improve the level of employment security in the external labour market (Streeck, 1988). Similarly, when the law entitles collective bargaining to introduce limits and quotas to the use of atypical contracts, the rationale is to increase job security for insiders at the expense of employment security for outsiders.

The second reason lies in the different nature of the chemical and pharmaceutical sector and the metalworking sector (Marginson and Sisson, 2006; Pulignano and Keune, 2015). Chapters 4, 5, and 6 showed that in Italy, Denmark, and the UK alike, chemicals and

pharmaceuticals lie within a *capital-intense* industry, compete in a *high-added* value market, and require *highly-skilled* employees. A similar study conducted by Pulignano and Keune (2015) on the role of bargaining institutions across multinationals found that *skills*, *products*, and *international competition* shape the extent of local actors autonomy when negotiating on flexibility and security. By implication it is suggested that these particular factors may influence the outcomes of sector level negotiations too. For example, given the relatively high investment in skills development, and the positive productivity trends which characterise the Italian chemical and pharmaceutical sector, employers have more incentives than in other industries to retain their employees. At the same time, trade unions have gained more capacity – or *bargaining power* – to push job security into the bargaining agenda.

Hence, this comparative analysis confirms that the institutional context in which sector level social partners interact does indeed help to shape the content of collective bargaining over issues of flexibility and security (Ibsen and Mailand, 2011; Marginson and Galetto, 2015). Nevertheless, although featuring similar sector level bargaining structures, as well as similar articulation mechanisms between bargaining levels, Danish social partners have been shown to be more effective than Italian social partners a) in addressing issues of flexibility and security, and b) in negotiating a wider variety of flexibility and security trade-offs. It has emerged that there are at least two further elements that account for this particular result.

First, by observing the role of social welfare and legal regulations in Italy and Denmark, it is found that the interaction between bargaining institutions and national institutional features help to shape the content of their sector level bargaining. Specifically, the high level of unemployment benefits and active labour market policies featured by the *Danish flexicurity system* enables social partners to focus on the regulation of different forms of flexibility and security both in the internal and the external labour market. Within this context, social partners can focus primarily on the improvement of labour market mobility by negotiating trade-offs between flexibility and security. By doing so they are able to meet both employers' short-term demands and employees' need for up-skilling and re-skilling. Differently, in Italy the level of external flexibility is restricted by legal regulation while the level of job security is enhanced by it. As a result, the scope for flexibility and security in the internal labour market is more extensive than in the external one, reducing the capacity of collective bargaining to lead to certain flexibility and security trade-offs. Thus, while confirming that the variation of scope for flexibility and security in collective bargaining across countries is

due to the differing boundary between legal regulations and collective agreements provisions (Ibsen and Mailand, 2011; Marginson and Galetto, 2015) this study suggests that social welfare also plays an important role.

Second, this study demonstrates that when exploring the extent of variation in bargaining outcomes across countries it is not only institutions that matter. Collective bargaining actors do indeed matter too. In this regard, Chapter 4 showed that the *proactiveness* of the Italian sector level social partners in re-defining bargaining competences and widening the extent of decentralisation in the chemical and pharmaceutical sector may have had important implications for flexibility and security. On the one hand, it has helped to reinforce the role of collective bargaining in the sector and fostered a climate of collaborative industrial relations (see Chapter 4). Because of this *special relationship*, social partners have pushed internal forms of flexibility and job security into their bargaining agenda and also negotiated a variety of flexibility and security trade-offs. On the other hand, by competing with the confederal level on a normative ground, social partners in the Italian chemical and pharmaceutical sector have blurred the boundaries of competences between bargaining levels. In so doing, they have produced a shift from decentralisation through *demarcation* to decentralisation through *delegation*, which has softened the controlling mechanisms set in place to govern the relationship between the sector and the company level. It follows that all the categories of flexibility and security that are relevant to this study have become potential items of company level negotiations. In order to explore whether company level actors take their competences further, it is, however, necessary to combine the sector and the company foci and explore which forms of flexibility and which security have actually entered into their bargaining agenda (Chapters 8 and 9). For the moment, it can be only anticipated that, on the procedural aspects, the choices of sector level social partners have played a fundamental role.

In synthesis, this comparative analysis of sector level industrial relations arrangements across Italy, Denmark and the UK confirms that different institutional frameworks influence the way in which flexibility and security are injected into the labour market at the sector level (Ibsen and Mailand, 2011; Marginson and Galetto, 2015). In addition, this study demonstrates that, when comparing Italy and Denmark, more similarities than differences emerge across these two countries. Multi-employer bargaining structures are found to exert some pressure on Danish and Italian social partners to engage with different forms of flexibility and security, as well as to negotiate a variety of trade-offs between these. In contrast, in the UK, the lack of

collective bargaining institutions does not allow social partners to play a similar role for the labour market. Further, by governing the relationship between the sector and the company level the two-tier bargaining system which is a feature of the chemical and pharmaceutical sector in Italy and Denmark shapes the content of company level negotiations over flexibility and security. As a result, these issues are expected to be more likely to be addressed at the company level in these two countries than in the UK, where such institutional mechanisms do not exist. Similarly, the provision of a framework that steers company level bargaining on items of flexibility and security is likely to foster less heterogeneity in the content of collective agreements in Italy and Denmark than in the UK.

Nevertheless, in order to fully grasp the extent to which sector level institutional mechanisms do actually influence the strategies of company level actors, further research needs to be undertaken on the outcomes of company level collective bargaining. Combining the sector and the company foci, it will be possible to observe the relationship between sector and company level institutions and the implications of such a relationship on issues of flexibility and security (Chapter 9).

7.7 Conclusion

The main objective of this chapter was to address the first two research questions raised by the present comparative analysis. By exploring the industrial relations features which characterise the chemical and pharmaceutical sector across Italy, Denmark and the UK a series of relevant findings has emerged.

First, different forms of flexibility and security have entered into sector level collective agreements both in Italy and Denmark. The institutional configuration of the chemical and pharmaceutical sector exerts some pressures on Danish and Italian social partners to address flexibility and security directly. As a result of their constant interaction the social partners have developed similar understandings over these particular issues and, at the same time, increased the opportunity for exchange, package deals and joint problem solving towards the definition of flexibility and security trade-offs.

Second, sector level social dialogue in the UK does not play an equivalent role to collective bargaining in addressing flexibility and security. Significantly, it is shown that the lack of

sector level bargaining institutions in the UK does account for the ineffectiveness of the social partners in addressing these issues. The predominantly informal approach to social dialogue in the UK chemical and pharmaceutical sector hinders the social partners' ability to develop common understandings around flexibility and security. As a result, the social partners in the UK are unable to elaborate shared actions towards the regulation of flexibility and security in the labour market.

Third, although featuring similar sector level institutions, the scope for flexibility and security in Italian and Danish collective agreements varies across the two countries. It emerges that the interaction between national institutions and collective bargaining arrangements helps to shape the content of sector level bargaining over flexibility and security. In Italy, the law reduces social partners' capacity to increase the level of flexibility and security in the external labour market. Therefore, sector level collective bargaining is more likely to address internal forms of flexibility and job security than in Denmark. In contrast, in Denmark, a weak legal framework and generous unemployment benefits enable social partners to regulate flexibility and security both in the internal and the external labour market as well as to negotiate a wider variety of flexibility and security trade-offs than in Italy.

Fourth, by observing the articulation mechanisms governing the relationship between sector and company level bargaining in Italy and Denmark, this study demonstrates that the two-tier system has experienced a growth of procedural flexibility in both countries. However, this trend is more apparent in the Italian chemical and pharmaceutical sector than in the Danish one. As a result of a series of delegating mechanisms negotiated in 2009 – in particular opening clauses and derogations – in Italy, all the substantive categories of flexibility and security have become matters of company level bargaining. In contrast, demarcation of competences in Denmark is more fluid and only the categories of *pay*, *working-time*, and *training* have been devolved to company level negotiators. It is shown, however, that the extent to which local level actors are likely to take their competences further is not only shaped by institutions. The choices of the sector level social partners also play a fundamental role. The distinctive *proactiveness* of social partners in the Italian chemical and pharmaceutical sector may have had important implications for the way in which issues of flexibility and security are addressed within this industry. First, this proactiveness has helped to strengthen the level of cooperation between sector level actors towards the definition of a shared bargaining agenda. Second, it has blurred the boundaries of demarcation producing

uncertainty over the competences of company level actors. These two characteristics, along with a *low depth* of the bargaining system, are likely to affect company level actors' *autonomy* who, as a result, are less likely than their Danish counterparts to enter into local bargaining on issues of flexibility and security.

In order to observe what forms of flexibility and what forms of security have actually entered into the firm level bargaining agenda, the sector focus needs to be complemented with a company one.

Chapter 8: Company Case-Studies

8.1 Introduction

This chapter presents the context within which the company level analysis has been carried out, the primary objective being to lay the empirical basis for the comparison undertaken in Chapter 9 where the following research question (RQ2) will be addressed:

- **RQ2a.** To what extent does the interplay between collective bargaining arrangements at the sector and the company levels affect the nature of flexibility and the nature of security outcomes?
- **RQ2b.** To what extent do firm-specific characteristics – such as market competition and organisational structure – affect the nature of flexibility and the nature of security outcomes? What are the implications in terms of the nature of negotiated trade-offs?

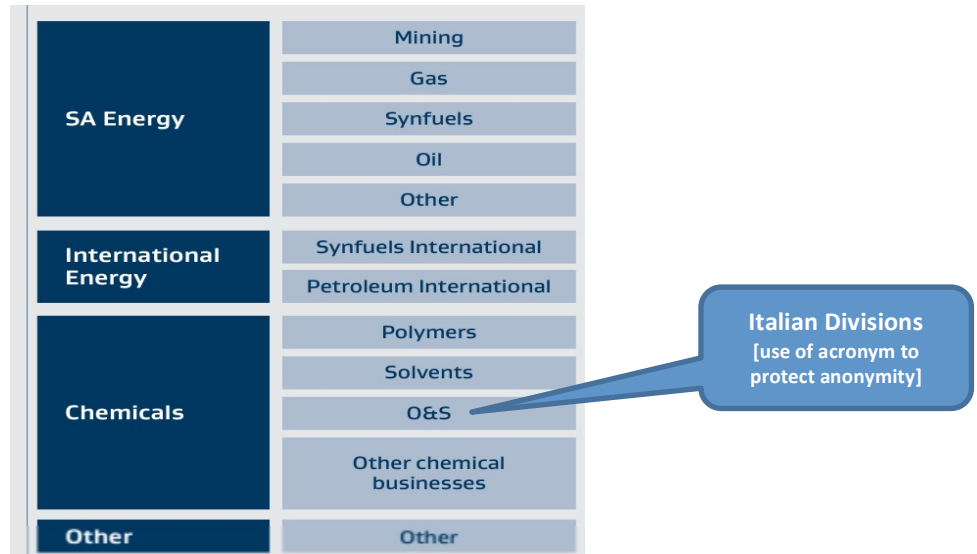
Given the highly internationalised nature of the chemical and pharmaceutical sector, the companies under focus are manufacturing plants of large multinational organisations. In order to protect their anonymity they have been given the pseudonyms of *Impresa 1* and *Impresa 2* (in Italy) and *Firma 1* and *Firma 2* (in Denmark). Access has been secured through the Italian and Danish employers' organisations – Federchimica and DI – and national/sectoral trade unions – in particular, Filctem-Cgil and HK-Privat in Italy and Denmark respectively. Two case-studies have been selected for each country reflecting the methodological underpinnings of the present thesis, that are, first, to underscore issues of within-country variation, and second, to further explore the role of micro-organisational contingencies in shaping the agenda of firm level collective bargaining. However, the choice of the actual organisations was purely pragmatic and dependent on the companies' consent. The researcher nevertheless provided the intermediaries at the sectoral level with a series of selection criteria: production sites needed 1) to employ more than 250 employees, 2) be covered by either company or site-level bargaining, 3) secure access to their collective agreements and allow for interviews with both managers and shop stewards, and 4) to be integrated in an international organisation having more than one production plant.

In light of this, the chapter covers both the economic and the institutional features framing collective bargaining in each of the four manufacturing plants, selected in order to allow similarities across countries and cases to emerge (see Chapter 3). The following issues will be investigated: 1) the structural characteristics of the companies; 2) collective bargaining actors; 3) the relationship between bargaining levels; 4) the outcomes of collective bargaining over flexibility and security; and 5) the nature of flexibility and security trade-offs. Once this context has been established, it will be possible to complete the second level of the comparative institutional analysis where the sector findings that emerged in Chapter 7 will finally be combined with the outcomes of company level bargaining (see Chapter 9).

8.2 Impresa 1

Impresa 1 is a manufacturing plant of an international and vertically integrated company employing 35 thousand people in 37 countries. It is headquartered in South Africa and operates world-wide facilities supplying a range of products such as liquid fuels, high-value chemicals and low carbon electricity. Its value-chain has a group structure based on four clusters – South Africa (SA) Energy, International Energy, Chemical, and Other Businesses – that work as diverse and independent business units organised along product lines. The company owns more than 200 direct and indirect subsidiaries globally which conduct their businesses through one or more divisions. Each subsidiary has its own board of directors. Thus, the company only exercises its right to ensure that the groups' minimum requirements are complied with in respect of matters such as financial management, internal control, human resources management, stakeholder relationship, and sustainability. Figure 8.1 provides a representation of the company's segmental operating model.

Fig 8.1 Company's operating model

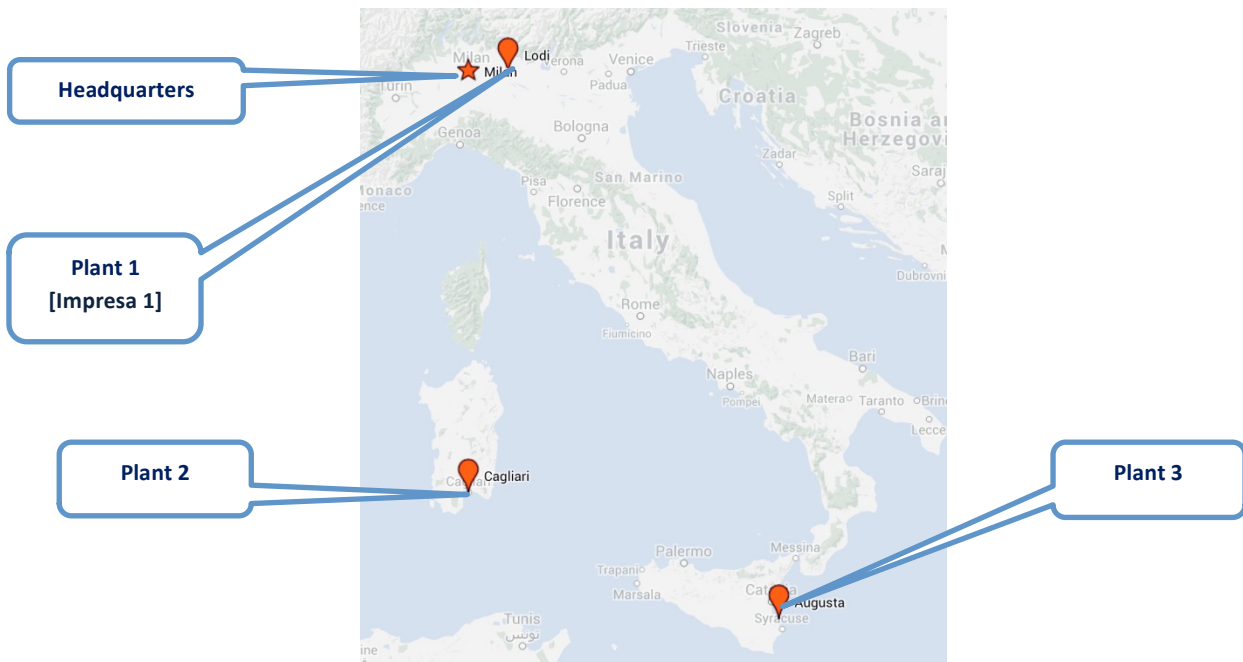


The financial performance of the organisation is solid with group operating profits growing 23 per cent in 2012 alone, notwithstanding the volatility of the macroeconomic environment – in particular the euro zone crisis – and further operational challenges. Due to the characteristics of the product market and the level of integration, this company is constantly subject to significant risks with regard to: 1) the development of new technologies, 2) skills shortages, 3) feedstock costs, 4) interruption of the value chain for labour disruption or stoppages in the supply of oil, gas, and water, and 5) compliance with safety legislation. Therefore, there is a strong global management focus on cost control which is achieved through internal benchmarking. Such practices, aimed at delivering targeted performances and developing standardised management systems, exert strong rationalisation pressures on individual divisions and keep internal competition for investments high.

In 2012 the chemical cluster was the most negatively affected by decreased demand on the back of the European crisis, reflected in lower profits. However, the specific production processes (O&S see Figure 8.1) with which the Italian divisions are involved showed particularly good performance indicators, contributing almost half of the chemical cluster's operating profit. Despite some reduction in volumes, the divisions have maintained their gross margins and even saw some improvements. In Italy, the company has a regional headquarters and three production plants in different regions that manufacture a number of diversified products both sold in the global market and processed for internal purposes. Figure 8.2 shows where the Italian divisions are located – Headquarters and Impresa 1 are

based in Lombardy, while two manufacturing plants are based in the south of Italy, one in Sicily and the other in Sardinia.

Fig. 8.2 Map of Italian divisions



Overall, the chemical cluster produces the world largest and most diversified portfolio of alcohols and surfactants' derivatives and makes a contribution of 17 per cent to the group operating profit. More than 3 thousand buyers, predominantly industrial private customers, rely on these products, including intermediates that are used for detergents and cleaners, oil and gas recovery, metal processing, personal care, and lubricants. As a result, the company over the years has gained a strong competitive position in the global market.

In *Impresa 1* production is organised on a continuous process basis and 400 employees, predominantly skilled and highly skilled blue-collar workers, are involved with it in a variety of activities. Here, both the levels of employment and volumes of production have remained stable for the past ten years. Together with the Italian headquarters and a number of production plants, *Impresa 1* used to be affiliated to a state-owned chemical enterprise privatised during the 1990s. The South African multinational took over in 2001. Yet, due to unsatisfactory financial results, in 2005 the Italian divisions underwent an important process of restructuring. As a result, top managers were completely replaced, three hundred people

were laid off, and only three production sites survived. Today, the Italian branches are relatively healthy and profitable. Strategic decisions with regard to global human resource management are shared with local management. However, HR managers at the local level are no longer in a position to act autonomously.

8.2.1 Collective Bargaining Actors

Due to the fact that the multinational to which *Impresa 1* belongs owns 3 further divisions in Italy, collective bargaining in this manufacturing plant occurs within the framework provided by a company level agreement. These divisions, moreover, are located in different Italian regions, both in the North and the South and employ a significant number of workers – over six hundred. Therefore, company level bargaining has assumed a sort of a national character and become relevant not only for the actors involved but also for policy-makers in the country and the sector. This is demonstrated by the fact that within Federchimica, the employers' organisation, the HR director of the company plays a particularly influential role.

In collective bargaining the HR managers and shop stewards negotiate at two different and hierarchically related levels: the company and the plant level. In accordance with interconfederal and sectoral provisions, company level negotiations set out an overarching set of rules that apply to all the divisions alike, whereas those at plant level are more focused on the organisation of practical and specific aspects of the production lines.

Reflecting the distinctive objectives of these two bargaining levels, negotiations involve different actors and end up with different types of agreements. Consistent with the fact that the company level has the primary function to translate the strategic directions of the global headquarters into acceptable compromises for both bargaining parties, the agreements at this particular level involve different varieties of items and take the form of package deals covering both blue and white collar workers. By contrast, the *ad-hoc* and pragmatic character of the provisions covered by plant level negotiators require a single-item approach and, depending on the issues, different categories of employees may be covered. It follows that bargaining rounds at the company level open once per year or every other year, while at the plant level negotiations are constantly on-going. Given the complementary relationship between company and plant level negotiations, this study takes into account the outcomes of the agreements signed at both levels. By doing so, it is possible to give a more thorough

account of the role of collective agreements in *Impresa I*, in addressing *flexibility* and *security*.

The main actors involved in collective bargaining across the four divisions (two in Lombardy, one in Sardinia and one in Sicily) are:

Employer's side

- HR Director as driver
- Italy CEO as a link to the global structure
- CEFO in order to monitor the financial impact of the collective agreement

Unions' side

- National officers representing the three most representative unions with the key role of unifying the different positions across geographical locations,
- Unitary Work Place Structure (RSU) delegates for each site

The main actors involved in collective bargaining within *Impresa I* are as follows

Employer's side:

- HR general director (depending on the topic)
- Plant level HR directors and line managers

Unions' side:

- RSU delegates – the most representative union within *Impresa I* is Filctem-Cgil while Femca-Cisl, and Uilcem-Uil are the second and the third most representative respectively. All unions in total represent the 50 per of the workforce.
- Sector level officials are involved when issues are particularly sensitive, such as for pay and collective dismissals and/or any time the agreement is hard to reach.

In *Impresa 1*, collective bargaining is seen as a function that adds value to the business strategy. Both sides of the negotiating table affirm that their respective sector level organisations have had a pivotal role in fostering a culture of constructive social dialogue and making sure that it could survive important generational and structural changes. The HR director reveals that he sits on the Industrial Relations National Committee based in Federchimica. The chemical employers' organisation is the only one within the main Confederation – Confindustria – that includes firm level representatives as permanent members. By participating in national negotiations as a signatory party the HR director has, therefore, both actively shaped and reproduced the sector's distinctive values:

There is a top-down as well as a bottom-up approach to industrial relations in the sector that has fostered a particularly favourable exchange of views across bargaining levels. Sector level social partners set a series of conditions [framework agreement], but they are also very receptive to the demands we [HR directors] have. There has been a clear will to set in place this particular model of industrial relations, without the commitment of the employers' organisations, the national trade unions and the companies this would have not been possible.

Impresa 1 HR Director, December 2012

Similarly, the union side suggests that the culture of consensus promoted by the sector has proved to be particularly successful at the firm level. Sector level trade unions and shop stewards make sure that this legacy is kept alive by cooperating on different grounds. This occurs both by organising joint training activities and supporting each other during collective bargaining. For example, when engaging with particularly delicate matters, such as pay, sector level officials take part in order to strengthen the shop stewards' bargaining power. Further, being independent from the firm and expert on the content of the agreements, they make sure that local disputes do not interfere with national interests. Interviews suggest that there is a strong interdependency between *Impresa 1's* RSU and the sector level representatives.

'We [RSU delegates] are paid to work here. We are hired by an employer not for representing a union. This also implies that we have limits: when we have our meetings with the general HR director I have to study things. The HR director is the man who signed the last sector level agreement. I can't know the document as much as he does. I'm in the company for other reasons. We [delegates] have to use common sense and leave political matters to those who can deal with them [sector level

unions]. *I wouldn't be able to take full responsibility for company level bargaining on a variable pay scheme'.*

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

The *participative model* of industrial relations characterising the chemical and the pharmaceutical sector in Italy is reflected in the collaborative relationship developed by managers and shop stewards in *Impresa 1*.

'It is difficult to answer a question that wants you to summarise in a few sentences how the relationship is between us and the unions. It has been a long process but I could say: overall good with difficult moments depending on the topics; certainly collaborative'.

Impresa 1 HR Director, December 2012

The fact that we have constant confrontation brings about - I don't want to use the word admiration - but at least reciprocal trust... The chemical sector is the only one in which RSU delegates and heads of HR departments participate together in sector level meetings... Often people think that this particular relationship is due to the characteristics of the chemical employee: highly skilled and well paid. However, we [chemical unions' representatives/workers] like to remind that we also have blue collars; we have manufacturing plants as well as the metalworking sector. I think this [special relationship] is really a result of the training we have, and on those shared meetings [at the sector level]. We know each other, we can confront without necessarily fighting. The company sees that we are willing to help, that we are on the same boat after all.

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

This notwithstanding the HR director expressed a number of concerns over the future of the *participative model* enacted by *Impresa 1*. These have to do with important changes a) in the institutional configuration of the collective bargaining system, b) in the strategic interests of the companies, and c) ineffectiveness of union responses. According to him, such changes are redefining the context of firm level negotiations making it increasingly hard for industrial relations actors to retain their autonomy and find compromises that are suitable to all.

a) *Negotiations are always more time consuming because many actors are involved at different levels: from the national [sector] to the company passing by the territorial ones. At some stages – and with some of them in particular – the process goes smoother, with others seems impossible. Often, it also happens that the confederal level decides to give its contribution and then things get really messed up!*

b) *Social actors have changed affecting the possibility to find compromises. I'm now one of the oldest actors left in the chemical industrial relations (IR) scenario, and I see clearly that companies' approach is changing. IR are losing their strategic role to the business, often this activity is perceived by companies as a pain, a residual responsibility for the HR department whose focus is clearly shifting to direct management. The new hired in HR are quite young business oriented profiles with no interest or enthusiasm for IR and no skills or training to talk to the unions.*

c) *We deal with the fact that there is a lack of employees' representation, thus negotiations have become very difficult and unstable. Unions' representatives perfectly know that they have lost consensus [in Impresa 1], this is why they tend to subject the content of our collective agreements to referendum, which is unacceptable! If employees do not agree with it, are we supposed to start over? In the past we were perfectly able to convince our respective sides of the value of each compromise found...it is not a coincidence that one of the latest objectives of Federchimica is to create a school of IR that HR managers and RSUs delegates will have to compulsory attend. Now, it is all about preserving our history and tradition'.*

Impresa 1 HR Director, December 2012

Similar considerations on the reduction of social partners' autonomy emerge from the interview with the RSU delegate. However, he identifies a main driver for the change, primarily the internationalisation of the company's business strategy.

Company and plant level negotiations work very well in good times, when everyone takes advantage of a democratic decision-making: shop stewards for obvious reasons, and management in terms of reputation. But what are we supposed to do when your HR director calls you and tells you that the EU headquarters has decided to implement a certain thing in a certain period of time? My answer cannot be: hold on, let me organise an assembly with the employees, discuss some options, vote for one of them and get back to you with a counterproposal. That's just not possible! The HR director's answer would be: I give you 10 days and take into account that if you don't make the right call this manufacturing site could be relocated in China. You say yes! Meanwhile unions have lost their role and credibility. And how about HR managers, actually? HR Managers, especially at plant level have zero power. They give voice to what the headquarters decides.

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

To summarise, the interviews with the social partners reveal that the *participative model* of industrial relations characterising the chemical and the pharmaceutical sector is reproduced at the firm level, where bargaining actors have developed a trust-based and collaborative

relationship. This is the result of a shared process involving sector level employers' organisations and trade unions which, through both a top-down and bottom-up approach, have developed a notion of collective bargaining as a common value. However, both sides of the negotiating table express some concerns about the future applicability of this model within the company. There have been important changes both in the institutional environment and in the structure of the firm that have had important implications for the role of the collective bargaining actors. These changes are as follows:

1. the increasing interferences at different bargaining levels with the competences of company level actors as a consequence of bargaining decentralisation;
2. the increasing pressure on local management at the expense of industrial democracy due to the company's internationalisation;
3. the marginalisation of shop stewards as a result of their ineffectiveness in representing employees' interests.

Such changes, in *Impresa 1* are reducing the autonomy of HR managers and the RSU who are finding it increasingly difficult to satisfy the demands of those they respectively represent – the headquarters directions on the one hand and the employees' interests on the other.

8.2.2 Collective Bargaining Institutions and Bargaining Decentralisation

Given the multi-level nature of the Italian collective bargaining system HR managers and shop stewards, in *Impresa 1*, act within a framework of conditions set forth at the confederal, the sectoral, and the company level. In particular, the social partners emphasise the differences in the strategic objectives of the company level and plant level negotiations, as these are the ones that most directly influence the outcomes of their interactions.

The target of company level negotiations is to supplement the sector level agreement through *ad-hoc* provisions that support the strategic interests of the multinational to which *Impresa 1* belongs. At this level, the main concerns of the social partners have been to improve the company's performance over two fundamental parameters: *profitability* and *productivity*. The 2013 bargaining round has, however, devolved part of this responsibility to *Impresa 1*. By increasing the degree of procedural flexibility, it has therefore widened the scope of the plant level bargaining agenda.

First, the latest company level agreement (2013) linked the Italian divisions' *profitability* to that of the global business, meaning that wage conditions are no longer dependent on the average performance of the three sites. In exchange for the unions' consent to give up one of their main prerogatives, namely, pay bargaining, management offered the possibility to the plant level social partner of bargaining over three per cent of the variable pay scheme.

Second, the company level agreement entitled the social partners in *Impresa 1* to negotiate on a series of items that are assumed to enhance *productivity*. Plant level managers and shop stewards are, in fact, considered more capable than company level actors of identifying measures which improve the way in which work is organised. They have a better sense of: a) the typology of activities carried out, b) the resources available, and c) the technological and skill requirements.

In *Impresa 1* the indicators of productivity are:

- Efficiency of technologies and machineries;
- Organisation of work;
- Usage of the plants ;
- Volume and levels of production;
- Typology of products manufactured and skills deployed;
- Quality;
- Individual productivity.

In other words, while the role of company level agreements is to implement the global strategy with regard to human resource management, plant level negotiations deal with the more pragmatic and organisational aspects of the production processes. Ideological differences between actors at this level are minimal; collective bargaining is perceived as a resource to strengthen the competitive position of the plant. In *Impresa 1* managers and shop stewards have used this opportunity to negotiate primarily on issues such as flexitime, working-hours, and shift-work. Both sides of the negotiating table refer to both company and plant level collective agreements as one of the *positive* outcomes of their constant and constructive interactions. They, nonetheless, recognise the more fundamental role of the sector level framework as a source of regulation. According to them this represents the

primary means to benchmark employment conditions and allows the sector's culture to be retained.

The main advantage of plant level bargaining is that there is low level of conflict between social actors. We know each other much better and we confront on a wider variety of items than the ones typically discussed at the sector level. Having said that, I believe that the sector level collective agreement still represents the most important reference we should have to regulate the employment relationship. We need the sector to be able to provide a few, clear, reliable rules and mechanisms that allow those [companies] who can afford it to bargaining over local and organisational issues.

Impresa 1 HR Director, December 2012

Obviously company level CB becomes the 'space' in which companies can develop innovative and creative solutions, as well as to find a customised answer to specific requests. It becomes functional to companies' need of speeding up some processes taking into account also the RSU suggestions. So, it is fair to recognise both sides an area of freedom in which to meet up and find original compromises. From our perspective, however, it is more effective to act within the framework set by the sector level social partners than to authorise each single site to reconsider things all the time. We need stability in order to be productive and competitive. What we want is a few stable and reliable rules. For the IR strategy we have, further decentralisation of CB would be rather dangerous.

Impresa 1 CEO, December 2012

Decentralised bargaining is positive in the sense that it allows employees to participate in the decisions related to how work is organised and how they can contribute to improve competitiveness and productivity. However, decentralised bargaining is tough during economic downturns, it increases the conflict between parties and social dialogue deteriorates, left aside the marginalisation of shop stewards... The sector level agreement is like the bible because it contains rules that apply to everyone. Then, if there are chances to improve those rules via company level bargaining, why not? Decentralisation doesn't have to mean abandoning the sector level collective agreement, rules are there, I [as a shop-steward] can only make them better.

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

Further, all the social partners confirmed that when engaging in plant level negotiations they do so in light of the rules and procedures set forth at the confederal, the sectoral, and the company level. The HR director, in particular, referred to the 1993 interconfederal

Agreement as a fundamental piece of regulation that, although formally superseded (see Chapter 4), in *Impresa 1*, still represents the main source of decentralisation.

The agreement that really matters is the one signed in 1993, the rest is politics. They needed to sign a new agreement because there were political interests pushing towards this direction. The target of the government [Berlusconi government] was to get rid of Cgil and the same target has eventually started to be relevant to Cisl. But if you ask me if those agreements really matter my answer is no. If you read the agreement [2009 interconfederal agreement] with the eyes of those who should practically implement it, it is a totally useless tool...no, no, no, I'm very critical on the subject'.

Impresa 1 HR Director, December 2012

For this reason, the social partners in *Impresa 1*, confirmed that the main way in which they engage with the competences they have been delegated is through the opening-clauses offered by the sector level agreement. No derogations have been hitherto negotiated. They all agree on the need to keep in place a well-functioning framework for coordination, especially, since there has been a shift at the sector level from a prescriptive to a more programmatic approach.

From the union perspective, the only way to retain some form of coordination – and to resist increasing attempts towards their marginalisation – is to secure a strong link between sector and company level representatives. While strengthening shop-steward bargaining power, this approach has nonetheless increased the risk of overlaps between bargaining levels.

There is a clear distribution of competences between bargaining levels, but some of them may overlap. For example, when company level bargaining starts, also we [sectoral unions' representatives] participate in it to support shop stewards.

Impresa 1, Sector level Official Filctem-Cgil, June 2013

This also suggests that HR managers in *Impresa 1* are more independent than shop stewards are from their respective sector level organisations.

It's a matter of roles and competences. According to my experience an RSU may be not qualified enough to negotiate over certain items. If an RSU signs an agreement without carefully consider the consequences, it could significantly damage employees...for the relationship we have here at Impresa 1 I think delegates don't risk to be tricked, but plant level and company level bargaining can be a very dangerous

tool to be played against us. First, we [delegates] are not professionals, remember? But our counterpart is made by professionals. Second, we work here. This gives you an idea of the unbalance between us...it is better to leave some matters to those who can deal with them'.

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

In contrast, the HR director affirms:

Speaking about company level collective bargaining we [management] are much more independent from the national [sectoral] and confederal levels than our counterparts. Once we have agreed our bargaining platform with Federchimica we normally have nothing to worry about. Unions' representatives at times are incoherent, inconsistent and weak, especially when they report to the confederal level, which is the moment in which they feel more politically exposed.

Impresa 1 HR Director, December 2012

This poses an important challenge to the union side. As a result of their reducing *effectiveness* in representing employees, management has actually started to question the mandate of shop stewards. Crucially, if management cannot trust the RSU to represent employees and to ensure that there are no obstacles to the actual implementation of collective agreements, they will also be sceptical about the contribution that local negotiations may bring about:

Negotiations often last 3 years, in those 3 years unions' representatives should get an understanding of what their members' want. If they are not able to do so, then we [management] may consider the possibility to call our employees and explain it to them directly. In the past this could have never happened and it is a clear sign of unions' weakness.

Impresa 1 HR Director, December 2012

Another problem we have with unions is that they have changed the way in which they organise themselves: in the past unions had a hierarchical structure where roles were clearly defined. Once we reached an agreement at a certain level, at such a level this agreement would have never been contested. Now everything is different, even though we have the agreement, unions are too weak to implement it successfully. They are not able to get the approval of their own internal divisions and subdivisions. For the company this is a total disaster, if we find an agreement we don't want it to be re-discussed and re-approved via referendum at local level. This affects significantly union representatives' credibility in our eyes. The typology of our interlocutors doesn't help the process of negotiation. We [managers] have a way of communicating that is much more transparent than theirs: we organise site review meetings twice per

year in which all unions' representatives and employees are invited. In these meetings we inform employees over the company's financial results and achievements, and we discuss any kind of issues and challenges that may be raised'.

Impresa 1 CEO, December 2012

To summarise, the interview data suggest that the main role of collective bargaining within *Impresa 1* is to deal with the pragmatic and organisational aspects of the production processes. HR managers and the RSU negotiate over particular issues that are likely to augment the level of productivity, thereby strengthening the competitive position of the manufacturing plant. They do so in respect of the coordinating mechanisms set in place at the confederal, the sectoral and the company level reflecting the multi-level nature of the Italian collective bargaining system. In addition, the social partners, in *Impresa 1*, reveal that the latest institutional developments at confederal level (2009 and 2011 agreements) have had a limited impact on the scope of their bargaining agenda. However, given the more pronounced power imbalances at the local level, the threat of further decentralisation had the effect to marginalise RSU delegates who, as a result, rely increasingly on sector level social partners. While on the one hand this strengthens their bargaining power and intensifies inter-organisational cooperation, on the other, it produces not only overlaps between the bargaining levels but also uncertainty over the actual applicability of the agreements. Managers have responded to this by questioning the mandate of shop stewards. The trust-based relationship between the social partners in *Impresa 1* has, therefore, come under significant strain.

8.2.3 Flexibility and Security in Collective Bargaining

In the empirical analysis, all the collective agreements made available by the social partners in *Impresa 1* were considered and contrasted with the interview data. Table 8.1 indicates which company level agreements address each of the seven flexibility and security categories elaborated within the flexicurity literature (Wilthagen and Tros 2004, Bekker, Wilthagen et al. 2008), and indicates whether the provisions enhance flexibility and security, and if so which forms.

Table 8.1: Impresa 1 – Flexibility and security in collective bargaining

		Flexibility	Security
Pay Interconfederal Demarcation	Implementation of the company Short-Incentive Scheme (2013)	Wage	
	Variable Pay (2015, 2013, 2012, 2010, 2008, 2006, 2004, 2002)	Wage	
Training Sectoral Delegation	Introduction of new job profiles (2011, 2011, 2007)	Functional	Job
Job Classifications Interconfederal Demarcation	Introduction of new job profiles (2011, 2011, 2007)	Functional	Income
Working-time Sectoral Delegation	Shift-work (2015-2014-2013-2012, 2011---)	Working-Time	
	Extended scope for on-call work (2013)	Working-Time	Combination
	Overtime can be accumulated and used as personal time-off or monetised (2014-2012-2011-2010)	Working-Time	Combination
Provisions for Atypical workers Sectoral Delegation			
Social Benefits and Entitlements Sectoral Delegation	Transport service (2014 – 2005)		Combination
	Company Welfare Fund (Faschim) substituting a previous health plan instituted in the 1990s (2013)		Combination
	Vocational Training Fund and Lunch Voucher (2014)		Combination
Measures for employment Sectoral Delegation			

Table 8.1 shows that social partners in *Impresa 1* do indeed regulate flexibility and security. They do so by negotiating over five out of the seven substantive categories that both the interconfederal and the sector level agreements delegate to company and plant level bargaining. While *pay* and *job classification* have entered onto the local agenda thanks to demarcation at the interconfederal level, all the other categories, *training*, *working-time*, and *social benefits and entitlements*, have been delegated from the sector to the company and plant level of bargaining.

This confirms that articulation mechanisms exist and that they enable management and shop stewards to engage with these particular issues. Specifically, data shows that most of the agreements reached in recent years in *Impresa 1* involved the categories of *pay* and *working-time* followed by *training* and *job classification*, thereby confirming that *productivity* targets are at the top of the bargaining agenda. These categories address *wage*, *working-time* and *functional flexibility* respectively. With regard to security, it is worth noticing that given the centralised system of wage bargaining provided by the sector, *job classifications* enhance *income security* while training enhances *job security*. Both categories of *working-time* and *social benefits and entitlements* address combination security. *External flexibility* and *employment security* are not an outcome of collective bargaining in *Impresa 1* showing that the social partners have the capability to inject flexibility and security exclusively in the internal labour market.

Further, Table 8.1 indicates that the fact that articulation mechanisms comprise categories addressing flexibility and security does not necessarily mean that they all enter onto the agenda of plant level negotiations. For example, the category of *Provisions for Atypical Workers* is not an object of plant level collective bargaining at all. This confirms that local actors, in *Impresa 1*, refrained from implementing the 2009 interconfederal agreement – and by implication, the delegation included in the 2012 sector level agreement too – which recognises that it is possible for company level actors to negotiate provisions on atypical workers. Such consideration can be extended to the category of *measures for employment*, included in the 2012 sector level agreement as an important driver of *procedural flexibility*.

Crucially, this finding shows that the agenda of the social partners in *Impresa 1* is not shaped by institutional mechanisms only – *demarcation* at the confederal level and/or *delegation* at the sector level. The choices of the actors also play a fundamental role. The interview data suggest that there are two factors that may account for such choices. One is the level of *union density* which, in *Impresa 1*, is about 50 per cent of the entire workforce. Employee representatives fear that management could take advantage of their relatively weak bargaining power to decrease the terms of the sectoral agreement. This is why they strongly rely on sector level representatives during negotiations.

I can't say to Filctem representatives at the sector level that I want negotiate the short-incentive scheme because this is something that needs to happen at the company level [and not at site level]. If I do, the sector level would probably send me to hell and they would be right! This [taking further competences] is a topic in which common sense needs to prevail. You can call it modesty, caution, awareness of each other's role, it doesn't matter. Look, the RSU signature is very important, if the company goes with it to a national level union officer and says: 'they have signed, that's it!' then there is nothing unions can do for you to amend this mistake. Sometimes companies can trick delegates a bit in order to sign something, because they are good at it. This is why it is always important to share the negotiation process with more competent people'.

Impresa 1, RSU delegate Filctem-Cgil, December 2012

The union side does not consider at all the possibility that plant level bargaining could actually improve employees' conditions with regard to flexibility and security. This suggests, first, that at the plant level shop stewards are weaker bargaining actors than at the sector level, because they are employed by the company, and second, that trust between actors at this level may come under significant pressure.

The other variable accounting for actors' choices in Impresa 1 has to do with the effects of the 2009 and 2011 interconfederal agreements which, by softening the controlling mechanisms set in place to govern the relationship between the sector and the company level, caused uncertainty in the regulative framework of plant level negotiations. Indeed, by engaging only with the most traditional items of negotiations – as provided by the 1993 interconfederal agreement – the HR managers, in *Impresa 1*, have contained the risk of lengthy and expensive litigation.

How can collective bargaining possibly do such a thing [use the procedural flexibility they have]? Actors at the company level have a legal framework to respect, they can't customise the law as they please. Unions at the company level should be much stronger for us [social partners] to be able to engage with flexibility or security more, are unions strong??![rhetorical]. Employees do not trust each other anymore, solidarity measures have been very unpopular, people do not like changes, especially if they might lose money'.

Impresa 1 HR Director, December 2012

Thus, this analysis shows that the institutional framework of the Italian collective bargaining system shapes the content of negotiations on issues of flexibility and security in *Impresa 1*. It

does so through articulation mechanisms set forth at the confederal level (demarcation) and the sectoral level (delegation). As a result, HR managers and the RSU bargain on the categories of pay, training, job classification, working-time, and social benefits and entitlements. Therefore, all the different dimensions of flexibility and security except for external flexibility and employment security are an outcome of plant level negotiations.

Further, the social partners in *Impresa 1* have not yet taken advantage of the procedural flexibility offered by the latest interconfederal agreements and – by implication, the sector level agreements as well. This suggests that the scope for flexibility and security in their bargaining agenda is only partly shaped by institutions, and that other factors play a fundamental role. These are: a) the extent of union density, b) the autonomy of company and plant level actors, and c) the level of trust between them. On the one hand, these factors induce shop stewards to refuse further bargaining competences that may reduce employee entitlements with regard to flexibility and security. On the other, they discourage HR managers from engaging with items that may cause long and costly litigation.

8.2.4 Types of flexibility and types of security: Any trade-offs?

Table 8.1 shows that not only have flexibility and security entered onto the agenda of company level negotiations, but also that the five substantive categories allow for different combinations of flexibility and security to occur. *Pay* only addresses wage flexibility, while *working-time* both addresses working-time flexibility and leads to a trade-off between working-time flexibility and combination security. Further, *social benefits and entitlements* addresses only security, while *training* and *job classifications* lead to different flexibility and security trade-offs. These are functional and job security, and functional and income security respectively. The interviews with the social partners reveal that this outcome is strictly related to the need of *Impresa 1* to satisfy the financial objectives set by the global headquarters. Indeed, since the global expansion, the Italian divisions have undergone significant competitive pressures which, in 2005, resulted in the closure of two manufacturing sites. Issues of profitability and productivity have, therefore, become pivotal to *Impresa 1* which, in order to survive, has relied heavily on the introduction of different forms of organisational flexibility. The HR director affirmed that the only way for collective bargaining to be considered as a useful resource by the global headquarters is to serve its strategic interests, first amongst these, the ability to quickly adjust to unexpected changes in the global market.

Flexibility has become increasingly relevant when the business has reached a global scale. Now it is vital for us to ensure that IRs maintain its strategic value to the company. Impresa 1 needs to be competitive in the global market and flexibility is a competitive advantage, as simple as that.

Impresa 1 HR Director, December 2012

Moreover, the interview with the CEO shows that *Impresa 1* is not only subject to competitive pressures coming from the global environment but also from regular intra-site benchmarking.

We go through benchmarking operations with the purpose of measuring the effectiveness of our processes and headcount. In the last one, the result hasn't been so good. Basically we have been asked to describe the activities carried out by our employees and divide them into 2 categories: 'standard' and 'not standard'. According to this measurement system the higher we score in the 'not standard' activities the more effective and efficient we are. Ninety per cent of the employees we have on shift resulted to be engaged in 'standard activities'. This mainly shows that we are using more employees than other branches, thus, more than we would need...

Impresa 1 CEO, December 2012

Management react to both external and internal competitive pressures by deploying collective bargaining as a means to enhance flexibility and comply with the headquarters requests. In addition, they affirmed that in order to obtain the employees' commitment to this, they offer different forms of security in exchange.

'If at the company level we work together it is more likely that flexibility and security are going to be simultaneously achieved. It's logical: if employees keep an open mind on organisational flexibility, also their security may increase, and we will both achieve a better status. We can't always wait for things to change or rely on the government intervention, we have to make the most with the resources available...I see things changing very quickly around me and we must adapt. If we work together, however, we are more likely to contain and address such changes rather than keep running after them...On issues of flexibility companies can't act unilaterally. Unions and employees' support is fundamental, as it is fundamental a good managerial structure capable of elaborating and implementing effective strategies.

Impresa 1 CEO, December 2012

This suggests that while procedural mechanisms enable different categories of flexibility and security to enter onto the bargaining agenda, the actual types of flexibility and security negotiated, in *Impresa 1* are linked to organisational choices arising from firm-specific contingencies. For example, negotiations on *training* and *job classifications* were part of a series of organisational changes aimed at improving *Impresa 1*'s performance on the above mentioned productivity indicators. The system of *job classifications* has been made increasingly more flexible to achieve functional flexibility, while different forms of monetary compensation have enhanced the dimension of income security. At the same time constant *training* has ensured that employees can take up new tasks and responsibilities while increasing their long-term job security. Given the continuous nature of the production processes *working-time* in particular has been a recurring object of both company and plant level negotiations; both HR managers and shop stewards refer to it as a constant attempt to achieve a better balance between work and private lives.

If there is a business need, especially at plant level where there is more scope for collective bargaining on organisational issues, we surely negotiate on flexibility and security. For example, here [across the Italian subsidiaries as an effect of the company level framework] we have a very flexible working time that allows employees to reconcile their private lives with work.

Impresa 1 HR Director, December 2012

...Another example of flexibility and security is our working time, having such a flexible time makes women in the condition to work and also take care of their family. This is not a small thing at all!

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

One of the most evident examples of the pressures that the headquarters' demands exert on HR managers and shop stewards in *Impresa 1* can be found in the 2013 company level bargaining round, which served as a way to implement/impose the global bonus incentive scheme on the Italian divisions. As a result of the agreement the annual bonus has been linked to global performance, meaning that only 3 percent of the variable is currently left to plant level negotiations. In exchange for such an extreme form of wage flexibility unions have obtained a series of welfare benefits which have enhanced combination security, in particular, through generous pension and health provisions.

From our perspective [RSU] what the company proposed was a very innovative scheme. Not only from the economic perspective but, especially, for the security that Fonchim and Faschim [company welfare funds] provide us. This agreement includes health insurance for any kind of medical expenses - from the dentist to a surgery - that covers not only us [employees] but our families as well. This means wives, husbands, and kids... this is very important! This is real money and also an example of good IR. Employees in Impresa 1 have the feeling that the company takes care of them and that unions are useful because we are able to find innovative solutions that work for everyone.

Impresa 1 RSU, Delegate Filctem-Cgil, December 2012

Thus, this analysis shows that while procedural mechanisms allow different categories of flexibility and security to enter onto the bargaining agenda in *Impresa 1*, the types of flexibility and the types of security negotiated are actually shaped by the ability of the local actors to cope with requests deriving from the global headquarters. In particular, it is argued that the level of *international competition* and the extent of *intra-site benchmarking* exert strong pressures on HR managers to increase the level of organisational flexibility. In *Impresa 1*, HR managers have used collective bargaining as a functional means to enhance different forms of internal flexibility by offering long-term security. With regard to the bargaining agenda the findings, therefore, suggest that while local HR managers are in the driving seat, the unions' approach in *Impresa 1* is largely reactive.

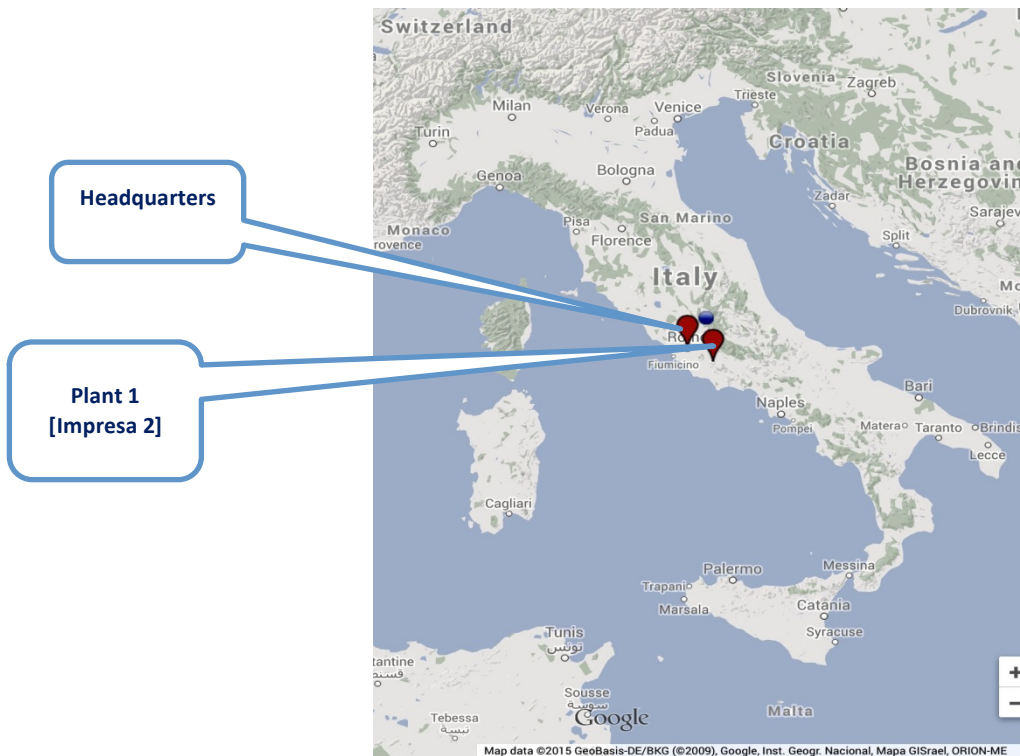
8.3. Impresa 2

Impresa 2 is a manufacturing plant of a global pharmaceutical company headquartered in the United States and employing 28 thousand workers across 17 countries. Europe, after the United States, is the most productive region and within it, Italy (*Impresa 2*) is the most productive country. Less than a decade ago, this pharmaceutical company divested all its peripheral activities and focused exclusively on the core businesses: bio-technology and bio-pharma. As result, the company has become a research intensive and high-tech environment whose business model is currently based on a light organisational structure and on a reduction of managerial layers, increasing spans of control. The company operates under a single value chain and across four business functions – Global Commercial Chain, Global Finance Development, Enterprise Services and Global Manufacturing and Supply – to make sure that the different strategic interests of the organisation are met. In addition, the company ensures that its commercial capabilities are shared across geographical locations to achieve a

‘*specialty care focus*’, meaning that products are customised according to the buyers’ demands – predominantly public customers – and distributed following country-specific/regional-specific legal requirements

Its external model of business development – involving primarily strategic acquisitions in the area of research and development (backward vertical integration) – imposes short to medium-term financial targets. One direct consequence of this model is that it subjects manufacturing plants to constant peaks in production. Within the Global Manufacturing function there is a network of 12 sites that employ more than six thousand employees worldwide, operating in multiple technology platforms including biologics, active pharmaceuticals ingredients and small molecules. *Impresa 2* is the most productive manufacturing plant outside the US: 90 per cent of its production is exported to reach 65 countries across five continents. Since 1965, when it was built, the plant has had stable growth in terms of its workforce. Following a series of significant changes in the company’s business strategy, in the past twenty years *Impresa 2* has grown from two hundred employees in the 90s to seven hundred employees today. After the closure of 15 production plants globally, the headquarters implemented a plan known internally as ‘Network Project’ aimed at redistributing production across the surviving divisions. As a result of its successful financial performance, *Impresa 2* attracted a large share of the global demand becoming one of the biggest and most complex manufacturing plants in Italy both in terms of the volume of production and the number of production lines. The majority of workers in *Impresa 2* are skilled and highly skilled blue-collar workers. Yet, there are also white collar workers on the site who deal with administrative and management functions. In Italy, the multinational company to which *Impresa 2* belongs owns two divisions both based in Lazio. In organisational terms *Impresa 2* lies within the Manufacturing Global Chain and the Italian headquarters within the Commercial Global Chain. Figure 8.3 shows where the Italian divisions are located.

Fig. 8.3 Map of Italian Divisions



8.3.1 Collective Bargaining Actors

It has been mentioned that the multinational to which *Impresa 2* belongs has two divisions within the same Italian region. With regard to collective bargaining this implies that the framework within which social partners interact at the plant level is provided by a hierarchically superior bargaining level, the company one. However, in the case of *Impresa 2* the bargaining mandate of local actors is very wide because the two divisions exert totally different functions and employ different categories of workers – white collar workers at the headquarters and blue collar workers at the production plant. Therefore, there is no need to benchmark employees’ terms and conditions across the two sites. The primary objective of company level bargaining is to translate the global headquarters’ strategic objectives with regard to head count and financial performance in terms of profitability and productivity parameters to implementation at plant level. Yet the majority of the negotiations on how to meet such parameters occur at the plant level directly, because *Impresa 2* is the only manufacturing division based in Italy.

Thus, depending on the issues involved, different actors participate in the negotiation process. At the company level, covering both the headquarters and *Impresa 2*, these actors are:

Employer's side

- HR general director
- Management Committee

Unions' side

- RSUs representing both divisions
- Territorial divisions (province) of sectoral unions: they seat at the bargaining table at least once per year to gather information on the company performance and short-term strategy. They are involved also on negotiations covering collective dismissals and/or company restructuring.

At the company level there is no direct involvement of national level representatives because both divisions are located within the same region (Lazio). Yet the HR general director has direct and continuous contacts both with the sector level unions – Filctem-Cgil, Femca-Cisl, and Uilcem-Uil – and the sector level employers' organisations – Farindustria and Federchimica. Moreover, given the different business functions undertaken by the two divisions, the headquarters has developed a closer relationship with Farindustria, representing the commercial interests of pharmaceuticals, whereas management in *Impresa 2* is in more direct contact with Federchimica. This constant exchange of views between the social partners across different levels is part of the IR strategy promoted by the chemical and pharmaceutical sector.

The main actors involved in collective bargaining within *Impresa 2* are the following:

Employers' side

- HR general director and local Management Committee

Unions' side

- RSU - the most representative union is Uilcem-Uil followed by Femca-Cisl and Filctem-Cgil that are equally representative. Thirty per cent of the employees are union members.

Although negotiations occur at both company and plant levels, it is primarily local HR managers and RSU who are directly responsible for the regulation of flexibility and security in *Impresa 2*. Therefore, only plant level agreements will be considered in this study. These primarily take the form of single-item negotiations and are constantly on-going.

The social partners in *Impresa 2* affirm that collective bargaining is one of the activities in which their good relationship has allowed them to cooperate. Both the employer and the employee side suggest that the climate of constructive IR promoted by the sector level is reproduced at the plant level, contributing to their ability to implement innovative solutions that, in turn, become models for the pharmaceutical industry as a whole.

We do not always agree and it is not always easy to come to a solution. However, I would say that our qualifying feature is that we are willing to listen to each other, and that we don't look for a confrontation, as the metalwork sector always does. When I meet with my counterpart I know that I will not have a NO as an answer. I will probably have to explain, to justify my position, to convince the unions. But I know that my counterpart, as well as I, is keen to find a solution. In this company we fully embraced the tradition of social dialogue promoted by the national level social partners.

Impresa 2 plant level HR Director, June 2013

We have been quite successful in avoiding conflict. We have always worked together in order to find shared solutions. From an historical perspective, we have been even accused to be too accommodating in some circumstances. But if you look at the results, and how the model has developed within Federchimica, we are very satisfied; and we consider it as part of the company values.

Impresa 2 HR General Director, June 2013

The relationship is positive, within a multinational there are many issues that need to be considered and up to now we [social partners] have been proactive in the sense

that we have been able to anticipate potentially controversial issues that could have affected our ability to find acceptable compromises.

Impresa 2 RSU delegate Uilcem-Uil, June 2013

Between the HR managers and the employers organisations there is constant interaction. Although manufacturing pharmaceutical products, *Impresa 2* deals primarily with Federchimica, the chemical employer's organisation, while Farmindustria is actually closer to the commercial interests of the sales division. The general director sits on the sector level Industrial Relations Committee (*Comitato Strategico Permanente*) thereby participating in the definition of the sector level IR strategy with regard to collective bargaining. The relationship with the employers' organisation is, therefore, collaborative and functional towards the improvement of company performance. However, Federchimica never interferes with the agenda of plant level negotiations.

The RSU delegates are less independent than management from their respective unions' representatives. They both refer to a hierarchy of problems that require different actors at different levels to be dealt with. As a rule of thumb, the RSU negotiate together with the representatives at the territorial level. They are believed to have more competences and bargaining power to face management requests on issues that are of particular concern. If the conflict, however, is unmanageable and no agreement can be reached sector level unions join the negotiating table.

There have been circumstances in which we felt it was necessary to leave the matter to higher level representatives for example during the last divestment process. Generally speaking however, we always negotiate with the support of the territorial branches.

Impresa 2 RSU delegate Femca-Cisl, June 2013

Union density is relatively low in *Impresa 2*, nevertheless, thanks to the strong links between the RSU delegates and their respective territorial representatives, unions have been able to strengthen their bargaining power:

I can say that, although the percentage of union members in relation to the workforce is relatively low, it is around the 25-30 per cent, in those few moments of tension ended up with strikes, the ability of unions to organise workers has been exceptionally high.

Further the HR director revealed that it is not uncommon for management to have direct contact with union representatives at the territorial level before talking to the RSU, suggesting that shop stewards within *Impresa 2* can be overstepped:

The RSU act within the autonomy that the legal, and the interconfederal framework, provided shop stewards with. When necessary, they know how to ask the support of higher level union representatives depending on the topics. Yet, it is not a mystery that the HR director has regular contacts with territorial unions' representatives. It can happen that local level negotiations go nowhere and, when this happens, we need to find a solution.

Impresa 2 HR General Director, June 2013

In addition, with regard to their autonomy, both sides of the negotiating table refer to the limitations of acting within a highly internationalised multinational company. The global headquarters leaves the different regions a certain amount of independence to comply with their own national IR regulative frameworks. However, they affirmed that the scope to leverage on such autonomy can be very wide or very restricted depending on the matters concerned.

I give you an example: the latest restructuring process was decided by the global headquarters. Targets were set at global level but we managed and implemented the plan independently. Let's say that, more than directly intervening, the global headquarters wants to be involved in the definition of the strategy that is supposed to lead to a certain result. Anything else is up to us.

Impresa 2 HR General Director, June 2013

The most difficult conversations we have with the RSU concern the need to quickly implement decisions. They need to understand that we have business needs to consider that do not allow us [managers] to wait for them to agree all the times. It is a complex matter because we [HR managers] fully understand that this approach clashes with the culture of the company and the sector [with regard to IR]. We do not underestimate this issue and we work every day to align their [RSU] view with the one of the company.

Impresa 2 HR plant Director, June 2013

It is the headquarters that decides what we [manufacturing division] can produce and how much. Then all the plants need to implement the decision using the strategy they find more effective, sometimes, as in the case of the latest divestment, managers do not even have to organise meetings with the unions, but our managers have involved the RSU anyway.

Impresa 2 RSU delegate Femca-Cisl, June 2013

Within this context of relatively low autonomy the social partners use collective bargaining as a means to implement strategic decisions coming from the headquarters. Negotiations occur primarily to deal with the organisation of production lines. However, if agreement cannot be found, managers act unilaterally.

Keep in mind that unions are involved when it is considered necessary but we cannot let negotiations get in the middle of more important objectives. At times we need to force things because they [RSU] need to understand the big picture. There are areas in which we [Management] have the autonomy such as working-time, salary policies, training, and job rotation and we use it.

Impresa 2, HR director, June 2013

This shows that there are circumstances in which, in order to meet productivity objectives imposed by the global headquarters, local management needs to impose unilateral measures. These circumstances, however, are exceptional and limited. Moreover, when this happens, unions are both involved in the decision making process and informed of the reasons behind HR managers' choices. It can, therefore, be concluded that, overall, *Impresa 2* complies with the model of IR promoted by the sector level social partners. This is also demonstrated by the fact that HR managers and shop stewards have developed a collaborative relationship that has allowed them to interact over a variety of issues. HR managers are more autonomous from the employers' organisation than shop stewards are from their respective territorial representatives. The broad extent of the unions' intra-organisational cooperation has allowed the RSU to offset the risk of its marginalisation due to the low level of union density at the plant. Although embedded in a sector in which managers consider collective bargaining to bring added-value to the business, the autonomy of the social partners in leveraging on such institutional resource is restricted by the need to satisfy the global headquarters' demands.

8.3.2 Collective Bargaining Institutions and Bargaining Decentralisation

Given that *Impresa 2* has been a part of a highly internationalised multinational company since the 1990s, there has been a strong need to compete with other manufacturing sites for the allocation of internal resources. According to both sides of the negotiating table, collective bargaining provided a way of implementing a series of organisational changes that allowed *Impresa 2* to attract significant investment.

Collective bargaining is not useful, it is fundamental!

Impresa 2 HR plant director, June 2013

Thanks to the plant level agreements negotiated within the Network Project, Impresa 2 became the most productive manufacturing plant in Europe [within the Multinational to which it belongs]

Impresa 2 RSU, delegate Femca-Cisl, June 2013

The HR managers decided to implement the first and biggest company restructuring in 2000, the so called ‘Network Project’, by collaborating with shop stewards. Since then, the social partners have shown that they are capable of putting in place a series of innovative agreements that, by drastically reducing costs, have resulted in a remarkably high level of productivity. This participative model of IR has become a distinctive feature of *Impresa 2*, reaffirmed in 2011 under the name of the ‘Human Resource Service Delivery Model’. A ‘Single Act’ put together all the agreements signed since the 1970s at plant level and stated that industrial relations in *Impresa 2* are based ‘*on a special relationship of social dialogue with the internal clients as well as on more informed employees over the economic and legal effects of plant level collective bargaining.*’

The framework within which such innovative agreements have been negotiated is one set by the chemical and pharmaceutical sector. However, neither managers nor shop stewards refer to the sector level framework as a rigid piece of regulation, but rather they see it as an opportunity to empower local actors and meet company-specific needs. For example, many of the measures negotiated in *Impresa 2* to comply with the first Network Project – in 2000 – were only included in the sector level agreement in 2012. In other words, *Impresa 2* has

always found the space to experiment with innovative provisions, thereby making the most of the delegating mechanisms provided by the sectoral agreement. In addition, interviews show that HR managers are currently looking at the derogating procedures introduced in 2009 and 2011 (interconfederal agreements) with increasing interest.

The main way in which decentralisation occurred is through the opening-clauses provided by the sector level agreement but now it is starting to be considered the option to derogate as well.

Impresa 2 HR plant director, June 2013

If you analyse the agreements we signed [sector level agreement] in the past 10-15 years, you'll see that the normative contribution has shrunk in favour of more opportunities for mutual engagement at the company level such as the company welfare. Why? Because we take for granted that social partners do not need to affirm their prerogatives anymore, we take these as given. Actors are now mature at every level and they can take up different challenges – obviously, avoiding abuses and in a responsible way. After 7 years of temporary and controlled derogations we can finally see them as an opportunity, the opportunity of empowering local actors, if they need more CB autonomy. This works for us [chemicals and pharmaceuticals], it would not work in the metalworking sector where social partners have always legitimated each other through conflict. If their interests didn't diverge, they would not know how to represent their members. We do not have this kind of relationship with our unions. Derogations do not scare us and we can open ourselves to this possibility'.

Impresa 2 HR general director, June 2013

In contrast, the RSU's position on the matter suggests a certain amount of resignation showing that union representatives are sceptical about the possibility of plant level negotiations ever being able to improve on the sector level framework:

The way in which work is organised depends very much on productivity needs and it is very hard for unions to change management mind with regard to some issues. To improve conditions of the sector level agreement with company level bargaining is real challenge at the moment and it is also very unlikely to happen.

Impresa 2 RSU delegate Femca-Cisl, June 2013

I think our target is to ensure that the values promoted by the sector level framework are respected. Anything else we need to consider ourselves lucky if the company involves us. Derogations would never apply on the bonus scheme because companies would not do that. Derogations can work for organisational needs and, look, these things have always happened. Do you think that it is the RSU that decides on shifts?

We come to an agreement but they could also act unilaterally. So better to be at least part of the process as it happened last time with the reduction of working-time.

Impresa 2 RSU delegate Uilcem-Uil, June 2013

However, with regard to the possibility of taking the competences that the 2009 interconfederal agreement assigned to plant level negotiators further, the HR director identifies two important problems: a) the level of union representation at the company level, and b) an excessively regulated labour market. According to him both these problems limit the autonomy and, therefore, the ability of HR managers and shop stewards to take advantage of the procedural flexibility provided by the collective bargaining system.

a) Then it's true that there is a problem of unions' representation at the company level. With whom do I negotiate? Unions need to redefine their role, if they want to be effective.

b) In Italy the labour market is also too heavily regulated by law. We need to let social partners breathe and find the solutions that work better for them. The 'Statuto dei Lavoratori' worked very well in the 1970s when it contributed to the affirmation of very important principles, because there was a purpose. Yet purposes change and we need to be able to adapt, if we do not want to be cut off [the market that is increasingly more internationalised]. We need to move on and start avoiding mistakes like the one recently made with the Fornero's labour reform [Monti's government].

Impresa 2 HR general director, June 2013

To sum up, collective bargaining in *Impresa 2* is considered primarily as a strategic way of reducing costs and increasing productivity. As a result of the increasing pressures coming from the global headquarters the social partners have leveraged on the procedural flexibility recognised by the sector level framework to both improve plant performance and attract investment. The success of this experiment has strengthened the social partners' mutual recognition and established a model of participative industrial relations. The framework within which collective agreements are negotiated is set at the sector level. In particular, opening-clauses are the main way in which the social partners have engaged with their bargaining competences. In addition, the newly instituted mechanism of derogation is considered an interesting opportunity by managers who do, however, identify limits to its practical applicability. By interfering with actors' autonomy, such limits reduce their ability to make a valuable contribution. The unions are silent on the matter, showing that their ability to resist further bargaining decentralisation is rather limited. Yet, they strive to be as

informed as possible about the company’s strategy so as to defend both their role as negotiators and the terms and conditions currently in force.

8.3.3 Flexibility and Security in Collective Bargaining

In the empirical analysis, all the collective agreements made available by the social partners in *Impresa 2* were considered and contrasted with the interview data. Table 8.2 indicates which company level agreements address each of the seven flexibility and security categories elaborated within the flexicurity literature (Wilthagen and Tros 2004, Bekker, Wilthagen et al. 2008), and indicates whether the provisions enhance flexibility and security, and if so which forms.

Table 8.2 Impresa 2 – Flexibility and security in collective bargaining

		Flexibility	Security
Pay Interconfederal Demarcated	Network Agreement minimum salary – sectoral parameters – for entry level workers. Within three years employees reach the salary threshold indicated by respective job classifications (2001, renewed in 2005)	Wage	Job
	Variable Pay (2002, 2003,2004,2005,2006,2007,2008,2009,2010, 2011,2012)	Wage	
Training Sectoral Delegated	Training during peaks in production instead of reducing working-time (2004, 2006)	Functional	Job and Income
	Training FondoImpresa – Instituted by an interconfederal agreement in 2002 (2008-2009-2011)	Functional	Job and Employment
Job Classifications Interconfederal Demarcated	Introduction of new job profiles to meet productivity needs (2001,2003,2004,2005,2006,2008)	Functional	Income
Working-time Sectoral Delegated	Shift-work (2002,2003,2004,2005,2006,2007 ----- up to 2012)	Working-Time	
	Reduction/Increasing working hours (2005,2006,2007, 2009, 2010,2011, 2012)	Working-time	Job security
	PTO for workers on shift (2001, 2004, 2008	Working-Time	Combination

	Overtime can be accumulated and used as PTO or monetised (2001,2008)	Working-Time	Combination
Provisions for Atypical workers	Renewal of non-standard contract 2003		Employment security
	Extensive use of atypical workers in exchange for regular stabilisations of a certain percentage of them (2002- 2004-2005-2006-2007-2009)	External flexibility	Job security
Sectoral Delegated	Use of agency workers for starting a new production line (2004)	External flexibility	Job security (of core workers)
Social Benefits and Entitlements	Company Welfare health scheme (2003-2004,2009-2010-2011)		Combination
	Adoption of Faschim (2004)		Combination
Sectoral Delegated	Company Welfare pension scheme (2004-2007)		Combination
Measures for employment			
Sectoral Delegated			

Table 8.2 shows that all forms of flexibility and all forms of security have entered onto the agenda of plant level bargaining in *Impresa 2* as a result of the delegating mechanisms contained in the sector level collective agreements. However, the social partners in *Impresa 2* are more effective in addressing flexibility and security in the internal than in the external market. By negotiating over six out of the seven substantive categories, *pay*, *working-time*, *job classifications*, *training*, *provisions for atypical workers*, and *social benefits and entitlements* HR managers and the RSU are able to improve the levels of functional, working-time and wage flexibility, on the one hand, and the level of combination, job and income security on the other. Employment security is only enhanced by the category of training and provision for atypical workers. The latter, in addition, also enhances external flexibility.

The category of *measures for employment* has not entered onto the plant level bargaining agenda showing that, although articulation mechanisms are in place, plant level actors have not utilised the procedural flexibility that both the interconfederal and sectoral agreements provided for after 2009. This result is consistent with the interview data which suggests that

the low level of union density, as well as overlaps between different sources of labour market regulation, increase the level of uncertainty at the plant level so that the social partners feel insecure in letting new items of flexibility and security onto the bargaining agenda.

For large companies increasing the competences of bargaining actors would be a great opportunity because you give them the power to strengthen the level of productivity quickly, which means growth, so then you can redistribute the additional profits to the employees via economic agreements. We [management] need to improve productivity cutting costs and we try to do that as much as possible with our unions. Increasing flexibility is what we do to achieve this, and we always think about new ways; for example, we thought about reducing the stop & go between two temporary contracts - as we call it - via collective bargaining. But you always have this doubt about its actual feasibility, the judge can always say that this breaches the terms of the sector level agreement that is hierarchically above plant level bargaining.

Impresa 2 HR plant director, June 2013

Opening to derogations can have a dramatic effect if unions are weak at the company level.

Impresa 2 HR general director, June 2013

The interviews show that there are practical problems with the use of the procedural flexibility recognised by the interconfederal agreement due to the fact that unions at the company level have reduced bargaining power. If unions are not sufficiently representative at the local level, managers become uncertain of the legal effects of derogations and, therefore, they refrain from taking their competences further. It follows that the social partners in *Impresa 2* prefer to address flexibility and security by deploying the delegating mechanisms provided by the sector level agreements. *Pay* and *working-time* are the categories that are more regularly the object of plant level negotiations and they address both *wage* and *working-time flexibility*. The categories of *job classification* and *training* enhance *functional flexibility*. Since 2009 the social partners, in *Impresa 2*, have used the funding made available by an interconfederal agreement signed in 2002 (*Fondo Impresa*) as a way of coping with the increasing need for an up-skilled and re-skilled workforce. By doing so, they have shown that they have the capability to leverage on the resources provided by higher institutional levels. Finally, the category of *Provisions for atypical workers* increases the level of *external flexibility*. Overall, however, Table 8.2 demonstrates that internal forms of flexibility – especially *working-time* and *functional flexibility* – are the most prominent forms of flexibility that have entered onto the bargaining agenda.

As for security, data reveal that by negotiating on the category of *Pay*, the social partners in *Impresa 2* have managed to increase the level of employee *job security*. In fact, in order to hire employees through a permanent contract, HR managers and shop stewards have agreed on a special remuneration package which provides that entry-level workers are only entitled to the minimum salary negotiated at the sectoral level. Within three years, however, these workers obtain the same wage conditions as the ones established by the relevant job classification. By negotiating over the category of *training*, the social partners have addressed different forms of security. In particular, they have improved the dimensions of *job*, *income*, and *employment* security. The category of *job classification* addresses *income* security, while *working-time* addresses both *combination* and *job security*. Further, the category of *provisions for atypical workers* enhances *employment* security and *job security*. Finally, by recognising different forms of welfare benefits, in particular, health insurance and pension plans, the category of *social benefits and entitlements* enhances *combination* security. Thus, Table 8.2 shows that as a result of plant level negotiations, the social partners in *Impresa 2* are able to address all forms of security. Yet, internal forms of security, in particular *job* and *combination* security, are more prominent than external forms of security.

8.3.4 Types of flexibility and types of security: Any trade-offs?

Table 8.2 shows that not only have flexibility and security entered onto the agenda of company level negotiations but also that the six substantive categories allow for different combinations between flexibility and security to occur. The interviews with the social partners suggest that this outcome is linked to the need of *Impresa 2* to keep up with the competitive pressures coming from the global headquarters. Both HR managers and shop stewards affirm that the incredible success of the production plant is due to its ability to regularly outperform other divisions, thereby gaining a relatively higher volume of commissions. In 2000s as a result of benchmarking operations two manufacturing plants in the UK and one manufacturing plant in Germany were closed down and *Impresa 2* was able to absorb their entire production. If on the one hand this has contributed to a massive growth of the plant that went from 200 employees in the 1990s to 700 in 2012, on the other it has hugely increased the demands on local management to control costs. Within this context, collective bargaining has become a means to achieve higher levels of flexibility.

During the 1970-80 the IR in Impresa 2 followed a national trend. Things however, have changed as soon as the manufacturing plant was incorporated in a much more global network where the IR national framework has started to be less influential. It is the headquarters that tells which patents you have and what you can produce depending on how you perform in comparison to the other manufacturing plants in France, Germany, the UK, and the States. This internal competition obviously brings about a change in the plant level IRs that have gone to a different direction, let's say more modern, I mean more linked to parameters such as productivity and flexibility.

Impresa 2 HR general director, June 2013

For us [RSU] it is a challenge to explain to the employees that what they ask may not be possible for reasons that have to do with external factors such as productivity targets that are dictated by the headquarters and not by local management; or for example, we need to reduce working-time or increase temporary workers because if a company decides not to renew a partnership there is just a sudden stoppage of an entire production line.

Impresa 2 RSU delegate Uilcem-Uil, June 2013

Given the closures of other manufacturing divisions across Europe, for both HR managers and shop stewards increasing the level of flexibility is perceived as a paramount objective, as well as the only strategy likely to ensure long-term job security to a plant that is constantly subject to peaks in production.

The way in which HR managers in *Impresa 2* have injected such flexibility is by negotiating with the RSU which, in exchange, has obtained different forms of security.

When working for such an internationalised multinational company the role of unions is different, first, it is difficult to find rights to defend when HR policies are so well developed; second we all know [workers] that we [the RSU] need to accept compromises. Management want more flexibility but they also have an interest in giving security in exchange, first for issues that have to do with reputation, second because they need our skills, and third, and most important, they want us to work more efficiently.

Impresa 2 RSU delegate Uilcem-Uil, June 2013

In addition the union side suggests that the reason why the RSU has been successful in obtaining some forms of security via collective bargaining has to do with the characteristics of the product market in which *Impresa 2* operates. In fact, although competing for internal

resources with other manufacturing plants, *Impresa 2* belongs to a multinational that has gained a strong competitive position in the global market and that is healthy and profitable.

If we were not hired by a pharmaceutical company we [RSU] would be here talking about collective dismissals as other manufacturing plants in the region are doing at the moment. It is the company that makes unions strong!

Impresa 2 RSU delegate Uilcem-Uil, June 2013

It is the company that makes unions strong, if the company is weak there is no much unions can really do.

Impresa 2 RSU delegate Femca-Cisl, June 2013

The interview with HR managers confirms that finding a compromise between flexibility and security is an objective of plant level negotiations:

There is a direct correlation between higher flexibility and the forms of security negotiated, in fact, at each bargaining round we [managers] put a lot of emphasis on the fact that our [as employees] security derives from our [managers] ability to contain costs, especially on declining products [those whose patents are expiring]. The organisation of work needs to deliver this!

Impresa 2 HR plant director, June 2013

Further, data show that while procedural mechanisms enable different categories of flexibility and security to enter into the bargaining agenda, the actual types of flexibility and security negotiated in *Impresa 2* are linked to organisational choices arising from firm-specific contingencies. For example, after the closure of a few manufacturing divisions in Europe in 2000, the two strategic objectives of *Impresa 2* have been 1) to satisfy a rapidly growing global demand and 2) to do so in a cost-effective way. Thus, by reducing wages – *wage flexibility* – for entry-level workers the social partners have increased the number of permanent employees – *job security*. *Training* has entered onto the agenda of plant level negotiations in order to cope with peaks in demand, thereby increasing both *functional flexibility* and *job security*, and *functional flexibility* and *income security*. In addition the deployment of the interconfederal fund for increasing the training opportunities of atypical-workers has enhanced both *functional flexibility* and *employment security*. Typically, the category of *job classification* addresses functional flexibility and income security. However, this particular category is the one which, in past few years, unions have had the most difficulty in getting HR managers to bargain over. Interview data suggest that such

difficulties are due to the global headquarters' unwillingness to comply with the sector level framework:

The job classifications have stayed the same since 2008 despite our competences have changed because the global headquarters decided to freeze them, which, to our understanding, is unfair. There is a sector level framework that states otherwise. They should know that national industrial relations matter. We can accept global policies but they [policy-makers at global level] should also know that being in Italy they have an internal framework to respect.

Impresa 2 RSU delegate Femca-Cisl, June 2013

Negotiations on working-time play a fundamental role in *Impresa 2* as they allow managers to adjust the number of employees to constant peaks in demands. For example, working-time reductions – *working-time flexibility* – are negotiated to avoid collective dismissals during peaks in demand, thereby addressing the dimension of *job security*. The category of working-time enhances both *working-time flexibility* and *combination security* too. The need to cope with constant peaks in production is also apparent in the fact that external flexibility has entered onto the agenda of plant level negotiations:

Atypical contracts for us [HR managers] are a huge opportunity because we live in an economic context in which it is not possible to hire people ignoring financial results. Today the number of people hired is totally up to the global headquarters. Thus, playing with the number of temporary workers is the only way for us, managers, to reduce costs and stay competitive.

Impresa 2 HR plant director, June 2013

According to the interviews with management, temporary workers allow *Impresa 2* to achieve three fundamental targets:

1. Controlling costs
2. Offering job experience to people that are outside the labour market
3. Training professionals that may be permanently hired

Between 2007 and 2011 more than 200 temporary employees have seen their contracts transformed into a permanent employment relationship. Thus, by negotiating over the category of *provisions for atypical workers*, HR managers and the RSU have simultaneously

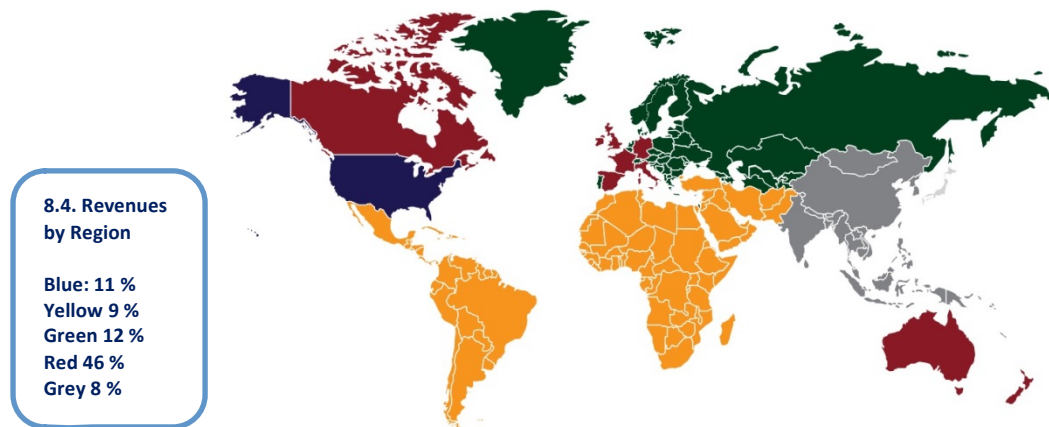
achieved *external* flexibility and *job* security. In particular, unions have supported the extensive use of temporary workers in exchange for a management promise to regularly hire a certain percentage of them. Moreover, when engaging with the production of new patents whose success was uncertain, the social partners have agreed to deploy agency workers. In doing so, they have increased *external* flexibility along with *job* security for the core workforce.

Thus, this analysis shows that while procedural mechanisms allow different categories of flexibility and security to enter onto the bargaining agenda in *Impresa 2*, the types of flexibility and the types of security negotiated are actually shaped by firm level specific characteristics. In particular, it is argued *intra-site benchmarking* exerts strong pressure on HR managers to increase the level of organisational flexibility. In *Impresa 2*, HR managers have used collective bargaining as a functional means to enhance all forms of flexibility, including external flexibility. Unions on the other hand have been able to obtain long-term forms of security in exchange. According to the interviews with the shop stewards, the product market in which the company operates, as well as the relatively low level of international competition, strengthens the union's bargaining power over the definition of flexibility and security trade-offs.

8.4 Firma 1

Firma 1 is a manufacturing plant of a global pharmaceutical company headquartered in Denmark. It is wholly owned by an independent foundation, created in the 1980s with the aim to ensure a stable and long-term basis for the company's development. According to the foundation's Charter, the company can neither be sold nor have ties to family, minority shareholders or other third party interests. The profits generated over the years have stayed in the company and set the conditions for its gradual international growth. Currently, the multinational to which *Firma 1* belongs is a vertically integrated organisation with more than 5000 employees in 61 countries and a portfolio of highly diversified products. It is a world leader in dermatology care. In 2009, it went through an important organisational restructuring, based on a large project of geographical expansion following a strategy called 'Going for Gold – step by step' based upon 'one hundred years' of new market penetration and strong global development. Since 2010 the company has set up 11 new divisions increased its headcount by 60 percent, and gained a leading position in its global product

market. The project was taken further in 2012 when new measures aimed at improving competitiveness and optimising operational efficacy were implemented. In particular, along with its traditional research-based approach, the company started to seek external linkages. As a result, the new regional structure has shifted focus from north Europe to a global outreach comprising 5 regions and 9 focus markets. Figure 8.4 shows revenues by region excluding the ‘Well Established Products’ unit that accounts for 14 per cent.



The Global Product Supply department ensures that a variety of products reach their particular focus markets. Over 950 employees deal with this function across six production plants that are based in Denmark, France, Ireland, and Australia.

In Denmark the company owns two production divisions that serve the global market. Production and workforce have steadily increased over the past 20 years along with the international growth of the organisation. A small site handles the initial steps in the active pharmaceutical ingredients production, whereas *Firma 1* is a big and multi-functional site employing 600 skilled and highly skilled employees specialised in so-called active substances – advanced organic chemical synthesis, fermentation, and advanced purification techniques. In *Firma 1* the majority of workers are involved with production processes including repairmen in the floor, electricians, and laboratory technicians.

8.4.1 Collective Bargaining Actors

Firma 1 is affiliated to Dansk Industri, the employers’ organisation in the sector. However, none of its HR managers cover any particular role for sector level negotiations. Rather it is local bargaining that follows the pace set by the industry-wide agreement occurring once every three years. Despite the presence of two manufacturing divisions in Denmark,

collective bargaining in *Firma 1* takes place only at the plant level and results in package deals. Negotiations start with a first meeting in which the employers' side and all the unions' representatives from Dansk Metal, 3F, and HK Privat sit together. Depending on the issues, however, negotiations can end up with one single agreement that covers all workers or two separate agreements: one covering employees at Dansk Metal (DM) and 3F, and another covering employees at HK-Privat. When the agreements are signed – at the last meeting – the Executive Vice President also sits at the bargaining table, to reinforce the company's commitment to its workers. In total about 500 employees are covered by collective agreements. However, in terms of workforce composition 100 per cent of the 54 highly skilled employees are union members (DM); 84 per cent of the 100 semi-skilled employees are union members, (3F) and 60 per cent of the (approximately) 264 laboratory technicians (HK Privat) are union members.

Finally, given that laboratory technicians (HK-Privat) make up the largest group of workers, the HK-Privat representative is also the chairwoman of the Unions' *Klub* (defined below) and also the driver of negotiations. It is worth mentioning that because DM and 3F always participate at the same bargaining table, in this study, the DM representative participated on behalf of 3F as well and acted as spokesperson for both unions during the interview. Both the HK-Privat and DM representatives were interviewed together.

In sum, the main actors involved in collective bargaining within *Firma 1* are the following

Employers' side:

- HR director and HR manager
- Vice President of Manufacturing and Engineering
- Executive Vice President (at the last meeting)

Unions' side:

- Klub – shop stewards from three most representative unions – HK-Privat (laboratory technicians), 3F (lower skilled workers), Dansk Metal (highly skilled workers)

- Depending on the issues, separate bargaining tables can start for DM and 3F on the one side, and HK-Privat on the other.

The management and shop stewards in *Firma 1* have daily interactions which are beneficial for collective bargaining, but also functional for the organisation of work. The HR manager explained that plant level negotiations occur every three year and follow the pace set forth by the sector level agreement. This provides employees with a relatively long-term perspective with regard to their working conditions while increasing their commitment to the production processes. Within this stable context, it is the union representatives who, every day, make sure that tasks and working-time are scheduled in a way that maximises the interests of both the company and their respective constituencies.

I don't know if the shop stewards told you that but they are divided into groups [according to their tasks] and they have the responsibility to plan their work and organise themselves, for example, they need to find out how many people are needed for doing a certain job. And it's not the line manager that assigns tasks; they [shop stewards] take full responsibility for it. We did not agree on that through a local agreement, we did it because our relationship allows us to do things informally. That makes employees think differently and instead of being told: now you need to use this machine for these many hours they are those who decide, and they are just more motivated to take that extra step!

Firma 1 HR manager, July 2014

The interviews with the shop stewards confirm that the relationship between the two sides of the negotiating table is based on constant interaction and is positive and collaborative. Moreover, they emphasise that trust is the key factor enabling management and employee representatives in *Firma 1* to find compromises that are acceptable to all.

We have a good dialogue and it's important because most of the things we [shop-steward] achieve depend on this. It happens that their [management] answer to what we ask is NO, but normally they have a good argument and we are able to see it. We are good at finding compromises, both ways. Social dialogue helps building trust, without it, compromises cannot happen.

Firma 1 shop-steward HK Privat and Chairwoman of Klub, July, 2014

The word trust is really important, it's, I'd say, a keyword; when we are in a room and we talk about something it stays in the room; and this is because we trust each other.

Firma 1 shop-steward Dansk Metal, July, 2014

Interview data show that shop stewards feel empowered as bargaining actors. The positive results achieved via collective bargaining are evidence of their ability to improve the sector level framework. In light of this, they affirmed that they are confident that they will be able to fully embrace their bargaining role.

We want to bargain at the local level! Because we believe that the industry agreement is not as good, and we can make it better!

Firma 1 shop-steward Dansk Metal, July, 2014

It is in the context within which the social partners (in *Firma 1*) interact that the reasons for such effectiveness can be found. First, both management and shop stewards have a high degree of autonomy from their respective organisations, which are only consulted for information purposes prior to a bargaining round. This means that there is no external interference in the social partners bargaining agenda in *Firma 1*.

We have a great relationship with our contact person in DI; and if we have some issues, for example, if at the first meeting they [the Klub] bring up something that I am not sure what the consequences could be for us [the company], I ask to DI. At times we contact them [DI] to make sure that we are not doing something that is not in line with the sector agreement.

Firma 1 HR manager, July 2014

The union to which we [shop stewards of the Klub] belong does not suggest us items for negotiations; they give us information in order to be prepared at the bargaining table. It's only a support and good ideas and, then I [as a chairwoman of the Klub] take from them what I want according to the situation in my company... They [sector level representatives] don't sit with us at the bargaining table, but they support us all the times.

Firma 1 shop-steward HK Privat and Chairwoman of Klub, July, 2014

Second, by avoiding representation problems, the high union density in *Firma 1* helps to strengthen the autonomy of the shop stewards who, as a result, can leverage on their bargaining power. While HR managers are confident about the shop stewards ability to channel employee voice and ensure the stability of the shop-floor, the national unions can also rely on them to meet their members' local demands. Finally, the interview with the HR

manager suggests that the autonomy of the unions in *Firma 1* is further strengthened by the positive stance of the global headquarters towards collective bargaining.

Well up until now we have had our executive vice-president sitting, at least, at the final meeting with the unions. It's a signal that he cares and that he makes some commitment towards them, it's a very symbolic moment showing them that they do make a difference, that they are important, and that he values the efforts they make to create an environment in which we [both sides] cooperate and work good [sic] together. And I think that it is very important that we keep this good relationship with the unions because it helps us to find good solutions, often, also without negotiating all the times.

Firma 1 HR manager, July 2014

I think the company encourages us to do what we [shop stewards] do and they listen to us! We have this power because we have a good dialogue and it's all about it. We cooperate with them, so respect goes both ways... trust, respect and transparency are keywords here [Firma 1]. To give you an idea, it's been more than 20 years since the last strike!

Firma 1 shop-steward Dansk Metal, July, 2014

To summarise, the social partners in *Firma 1* engage in plant level negotiations at every sector level bargaining round. By doing so, they ensure a certain amount of stability for the shop-floor, allowing employees to focus primarily on production processes. It is also thanks to this ongoing social dialogue that HR managers and shop stewards have been able to develop a positive and constructive relationship, increasing the common ground for compromise. The union side perceives collective bargaining primarily as a means to improve the terms of the sector level agreement, while HR managers view it both as a means to gain flexibility and to give employees recognition. The social partners described themselves as independent bargaining actors that are not subject to interference from higher institutional levels. Such autonomy – especially the shop stewards' – is partly due to the high level of union density at plant level, as well as the positive attitude of the Danish headquarters towards collective bargaining.

8.4.2 Collective Bargaining Institutions and Bargaining Decentralisation

In *Firma 1* collective bargaining is one of the positive outcomes of the collaborative relationship that the social partners have developed within a long tradition of social dialogue. According to the HR managers, it is a useful tool to gain some sort of flexibility from the

sector level framework, while for the unions, collective bargaining is an opportunity to improve employee working conditions.

The sector level agreement is very basic and, well it's getting better, but still it's very inflexible both in terms of working-time and the way in which working-hours are paid. When we negotiate with the unions we can gain flexibility.

Firma 1 HR manager, July 2014

After the sector level agreement we [Klub members] meet to discuss the new rules on education or maternity leave or minimum salary; then we meet [with management] and we say: 'well we should change things at the local level because the overall framework has changed'. For example, in the past years education has become more important [in the sector level agreement], so in the last bargaining round we asked [management] to give us more training or more money!

Firma 1 shop-steward HK Privat and Chairwoman of Klub, July, 2014

Both side of the negotiating table affirmed that the framework within which plant level bargaining takes place is very clear and that there are no overlaps between bargaining competences. In particular, for the union side, the provisions set forth by the sector level agreement represent an important starting point which managers and shop stewards have an opportunity to customise according to the resources available. Moreover, they describe the *Danish model* as creating a particularly effective institutional space within which to exercise their bargaining role, because there is no interference from other sources of labour market regulation, such as the law. Therefore, there are no elements of uncertainty over the items that can be put onto the plant level bargaining agenda.

It's not the state in Denmark that makes the law for the workers; it's the workers and the companies that do this together. And we do like it very much! We [in Denmark] have the employers' organisation and the union cartel that sit together and decide what should happen for the next 2 to 3 years. And then, we shop stewards negotiate at the company level according to what we can do here, and so, we can make it [the sector level framework] better. The Danish model works like that. It's not the law that tells you what you should agree upon. It's the best model because it's based on dialogue.

Firma 1 shop-steward HK Privat and Chairwoman of Klub, July, 2014

Within this system shop stewards have a double responsibility. First, they ensure that the local instances are brought to the attention of the national unions which have the strength to

force all companies into minimum working standards. Second, once the sector level agreement formalises such instances, shop stewards push local managers towards a better deal.

It's easy, I ask to my employees: 'What could be improved? What should we try to get in terms of salary? What about flexibility of working-hours? What about education and holidays?' I take their comments with me to my union and ask them to bring these instances up for the sector level bargaining round. Then, if the conditions at the sector level are better than the one at the local level, we [shop stewards] take these instances to management, and we check if we can change things. Everything starts from the big one! [the sector level agreement] Again that's the Danish model!

Firma 1 shop steward Dansk Metal, July, 2014

The HR manager confirmed that plant level negotiations occur within the framework negotiated by the sector level social partners. The main target at the local level is, therefore, to make sure that overall package deals do not breach the terms set forth by the sectoral agreement. However, she adds that, as long as shop stewards agree, there is indeed the possibility to derogate from the sectoral agreement on single items.

I think most of the things are negotiable, and these things are increasingly more [sic]. But we have a clear sense of what we can do. We made agreements on a lot of things because on payments the big agreement [sectoral agreement] is very inflexible. If you take it literally you need to pay something anytime that the company needs some flexibility. So for example, in here [Firma 1] we agreed that we do not have to make an agreement anytime that employees are required to work differently [different shifts]. We can also go below the sector level agreement, of course you need to agree that with the unions, but if you compensate that loss on something with an improvement of something else, so that the overall balance is not damaged, then it's ok.

Firma 1 HR manager, July 2014

With regard to flexibility, the interview with the HR manager showed that there has been increasing difficulty in aligning mechanisms of industrial democracy, such as collective bargaining, with the needs arising from the internationalisation of the business. She suggested, in particular, that it has become harder to negotiate with shop stewards because changes in production lines are constant and the company requires the workers to adapt as quickly as possible. For this reason, the social partners in *Firma 1* have signed a collective agreement providing that plant level negotiations need to follow the sector level bargaining

round and that some of the most common issues, such as flexi-time, can be removed from the local bargaining agenda. It is through constant social dialogue, however, that arrangements on flexi-time are currently made. As previously mentioned, shop stewards are the ones who divide tasks and assign shifts on the production floor.

The next sector level agreement will be in three years so we will also negotiate [at the plant level] again next time in three years. This is what up until now we have agreed to do, it is not compulsory but we try to do because it's nice, now you have three years ahead before the next round and it gets quieter, yeah, you know it's normally a long process and if you should do it every year it would be hard.

Firma 1 HR manager, July 2014

To summarise, collective bargaining in *Firma 1* is an important institutional resource regulating the employment relationship. For both management and shop stewards their role is complementary to that of the sectoral level social partners. While the industry-wide agreement is responsible for setting minimum working conditions, plant level social partners fill in the details. A clear demarcation of competences between the two levels avoids any overlapping of competences and provides local actors with the certainty they need in order to engage with a wide variety of topics. In addition, the social partners confirm that sector level agreements are the primary source of labour market regulation. This notwithstanding, they also demonstrate that they act within a space of relatively high autonomy at the plant level. In addition, the data show that while the institutional environment enables local level actors to leverage on the institutional resources provided at sector level, the increasing internationalisation of the company has started to represent a real challenge for negotiations. It emerges, in particular, that changes in the business strategy in *Firma 1* are redefining the role of collective bargaining.

8.4.3 Flexibility and Security in Collective Bargaining

In the empirical analysis, all the collective agreements made available by the social partners in *Firma 1* were considered and contrasted with the interview data. Table 8.3 indicates which company level agreements address each of the seven flexibility and security categories elaborated within the flexicurity literature (Wilthagen and Tros 2004, Bekker, Wilthagen et al. 2008), and indicates whether the provisions enhance flexibility and security, and if so which forms.

Table 8.3: Firma 1 – Flexibility and security in collective bargaining

		Flexibility	Security
Pay Sectoral Demarcation	Pay bargaining (2012-2010-2007-2004)	Wage	
Training Sectoral Demarcation	In-job training - Multi-flexible production: job rotation (2007-2010)	Functional	Employment security
Job Classifications			
Working-time Sectoral Demarcation	Shifts and on call payments (2004-2007) Overtime payments (2000-2004-2007) Flexi-time (2010) – Multi-flexible production	Working-Time Working-time Working-Time	Combination
Provisions for Atypical workers			
Social Benefits and Entitlements Neither demarcated nor delegated (not expected)	Seniority entitlements (2002) Pension plan (2004)		Income security Combination security
Measures for employment Neither demarcated nor delegated (not expected)	Severance Payments (2010) Extended notice period Extra training (2010) Training during notice period (2010) In-job training certification (2014) Vocational education (2014)		Income Security Employment security Employment security Employment security Employment security Employment security

Table 8.3 shows that in *Firma 1* the social partners regulate issues of flexibility. They do so by engaging with all the competences that the sector level agreement demarcates for

company level actors: *pay, training, and working-time*. This confirms that the articulation mechanisms provided by the Danish collective bargaining system are effective in shaping the scope of the local bargaining agenda over flexibility and security. In particular, by engaging with *pay, training, and working time*, management and shop stewards are able to address *wage, functional* and *working-time* flexibility, while by negotiating on *training and working-time* they also address *employment* and *combination* security.

Further, the data reveal that the social partners in *Firma 1* also engage with two of the substantive categories that are not explicitly the object of either demarcation or delegation at the sectoral level. These categories are *social benefits and entitlements* and *measures for employment* which address *income, combination* and *employment* security. It follows that as a result of negotiations, HR managers and shop stewards in *Firma 1* are able to enhance all forms of internal flexibility – *wage, functional, and working-time* flexibility – and all forms of security.

Crucially, Table 8.3 confirms that the categories that are the object of sectoral demarcation are those on which the social partners actually engage in collective bargaining. It follows that, legitimated by the sector level framework, local actors feel entitled to adjust demands for flexibility and security to the resources available locally. By acting in an institutional environment in which the role of legal regulation is minimal, managers and shop stewards become the primary source of labour market regulation on such issues.

Flexibility for us is taking a step away from the big agreement [industrial agreement] and negotiating our own agreements, so that we can have better working-time and less rigidity with how work is organised.

Firma 1 HR manager, July, 2014

The minimum salary in the big agreement per hour is too little, and we look at other pharmaceutical companies in here and, if it's higher [than in Firma 1], we say that we want the same! Pharmaceuticals here in DK steal [poach] each other's employees!! And that's because of the salary so we bargain to make sure the best employees stay... and we are doing really well.

Firma 1 shop-steward HK Privat and Chairwoman of Klub, July, 2014

However, it also emerges that institutions only partially account for the scope of the bargaining agenda over issues of flexibility and security. The strength of the actors in *Firma 1* plays a fundamental role too. Specifically, the interview with the HR manager sheds light on the fact that union density may have two important implications. The first implication is that it may constrain HR managers from entering into collective bargaining over categories that are covered neither by delegation nor by demarcation. Table 8.3 confirms this by demonstrating that the categories of *social benefits and entitlements* and *measures for employment* do indeed address different forms of security. It is argued that negotiations on such categories are used by the company as a way of showing recognition to the shop stewards – and by implication to the unions – for keeping the production floor quiet and guaranteeing high levels of productivity. Interestingly, the HR manager refers to collective bargaining as a ‘sort of HR policy’ suggesting that because unions are strong, benefits such as pension plans, training and severance payments can be found in *Firma 1* agreements. The second implication is that unions are not just reactive: they are able to leverage on institutional resources, such as collective bargaining to participate in the actual definition of different forms of security.

We don't bargain locally because it's strategic for the business per se but more because it is important for the employees. In that sense it [collective bargaining] is a sort of an HR policy which well somehow it is strategic because of course we have an expectation for the employees to be loyal and flexible and we want to thank the reps for not having any issues at all. We never had an interruption of production because they [shop stewards] deal with the issues we have with the workers. If you look at the total company here [in Firma 1's headquarters] we are 1600 people and around 500 of them [those working on the production sites] are on collective agreements. So it's quite a large number and most of them are in a union. I'd say more than 80 per cent and the other are in the yellow unions.

Firma 1 HR manager, July, 2014

Further, the social partners, in *Firma 1*, show that they have the capability to use collective bargaining as a means of tackling unanticipated changes in economic conditions. For example, as a result of the 2009 organisational restructuring, the packaging department was included in an outsourcing project involving 150 redundancies. During that particular time, the social partners managed to agree a series of measures to support employees' redeployment in the external labour market. Some of these measures consisted of a temporary provision for three month notice and additional training. However, the decision to shut down

the production plant was withdrawn after excellent levels of productivity were revealed by the 2013 benchmarking exercise. All the agreements dealing with collective dismissal were cancelled in 2014. Yet, in order to keep equipping employees with multiple sets of skills, in case of similar future scenarios, the social partners agreed that in-job training had to be certified and that a new fund for vocational education had to be instituted. This suggests that in a high-trust environment where company level bargaining is legitimated by a high union density both social partners have the strength to serve their own interests.

Thus, collective bargaining in *Firma 1* addresses issues of flexibility and security. It does so by engaging with the three categories of flexibility and security that are the object of demarcation in the sector level agreement. It follows that articulating mechanisms do indeed shape the content of local level agreements over these particular issues. Further, this analysis demonstrates that categories that are not explicitly covered by articulation, such as social benefits and entitlements, and measures for employment, entered onto the bargaining agenda as well. Overall, collective agreements in *Firma 1* enhance internal forms of flexibility and all forms of security. It is argued that a clear demarcation of competences, coupled with a high level of union density strengthened the autonomy of both HR managers and shop stewards who, as a result, can leverage on collective bargaining to meet their specific flexibility and security demands. High union density, in particular, legitimates shop-steward bargaining power and prioritises issues of security in the bargaining agenda. Finally, the interviews show that the social partners also have the capability to deploy collective bargaining to cope with unexpected changes in the global business strategy.

8.4.4 Types of flexibility and types of security: Any trade-offs?

Table 8.3 shows that not only have issues of flexibility and security entered onto the agenda of local level negotiations but that by engaging with the categories of *training*, *working-time* and *measures for employment*, collective bargaining in *Firma 1* also fosters different flexibility and security trade-offs. It is suggested that while sector level articulation mechanisms account for the choice of the social partners to engage with these particular categories, the actual items negotiated over depends on contingent needs arising from the company's global strategy. Such contingencies increase the pressures on HR managers to control costs by introducing different forms of flexibility and influence the extent of shop stewards' effectiveness in negotiating compensating forms of security.

Significantly, the interviews with the social partners reveal that demands for flexibility have been increasing in *Firma 1* ever since the company redistributed its operations internationally. As part of a project of global restructuring in 2009 benchmarking has started to impose stricter productivity targets forcing HR managers to control costs through the implementation of new forms of work organisation. One of the most immediate effects of this internationalisation was a shift in the role of collective bargaining in *Firma 1* which has begun to be perceived by management as an obstacle to organisational flexibility.

We need to be flexible and quickly adjust to the business needs without having to make with them [shop stewards] a new agreement or have negotiations. We need that flexibility and flexibility is about being reasonable... you know, we have a code of conduct and HR policies that apply to all the employees, no matter which category of employees we [she identifies herself as an employee] are, these policies are very good so you know.

Firma 1, HR manager, July 2014

The strategy known in *Firma 1* as ‘*multi-flexible production*’, embodies this rationale and, while theoretically presented as a much needed change in the employees’ mind-set, in practice consists of the removal of some issues that would normally fall into the category of working-time from the negotiating table, in exchange for policies aimed at reconciling work with private life. In particular, these aspects encompass over-time payments and measures of flexi-time.

It’s more about changing the mind set and be flexible, taking ownership; and not like looking all the time that there is something new [change in the organisation of work] for an extra form of payment. Because you know a lot of companies are forced to move their production where labour costs are cheaper, in here sometimes payment for overtime and shifts can be up to 50 percent higher than the normal salary. It is a lot more expensive than in other places. We made this flexitime to avoid this to happen and it can be useful also for the employees who can adapt work with their family needs, for example, by playing a bit with the shifts, getting to work an hour later and working one hour more. If you as an employee are not looking at the time then also management acts in the same way, now [after the 2010 agreement] they are free to organise themselves as they please as long as the targets are met.

Firma 1 HR manager, July, 2014

In the past 5 years flexibility has been very high, because we have to meet productivity targets now, and we need to work longer hours. The flexi-time we have

now was difficult to accept at the beginning because not everyone can be as flexible. But it is true that when I go to my manager and I say: 'today I'm going to be here at 3 o'clock', and then tomorrow I say: 'today I can be here at 6 o'clock', this is fine for her. When my child is sick I can go home to stay with my child.

Firma 1 shop-steward Dansk Metal, July, 2014

The same logic applies to the categories of *training* and *measures for employment* that were brought onto the bargaining agenda to address *functional* flexibility and *job* security and *functional* flexibility and *employment* security.

The multi-flexible project is not only good for the company it's also good for the employees. We had situations in which we stopped manufacturing a product because it was no longer worth the cost. Then, what do we do with the workers? So even though we need employees in the production line, we have to lay them off and hire someone else. In this way [with the multi-flexible system 2010] we ensure that if we need to turn down the volume of a product because it doesn't sell so well then we can just rotate workers. Now with the certification thing we ensure also that if employees are laid off they can prove their competences [to other employers]. This is part of our last agreement [2014].

Firma 1 HR manager, July, 2014

The ability of collective bargaining to react quickly to business changes and to improve the level of productivity in *Firma 1* is demonstrated by the decision of the multinational to withdraw the 2012 outsourcing project involving the packaging department. After the multi-flexible production strategy was implemented the results of the 2013 benchmarking were so outstanding that they led to a reversal of the redundancy procedures.

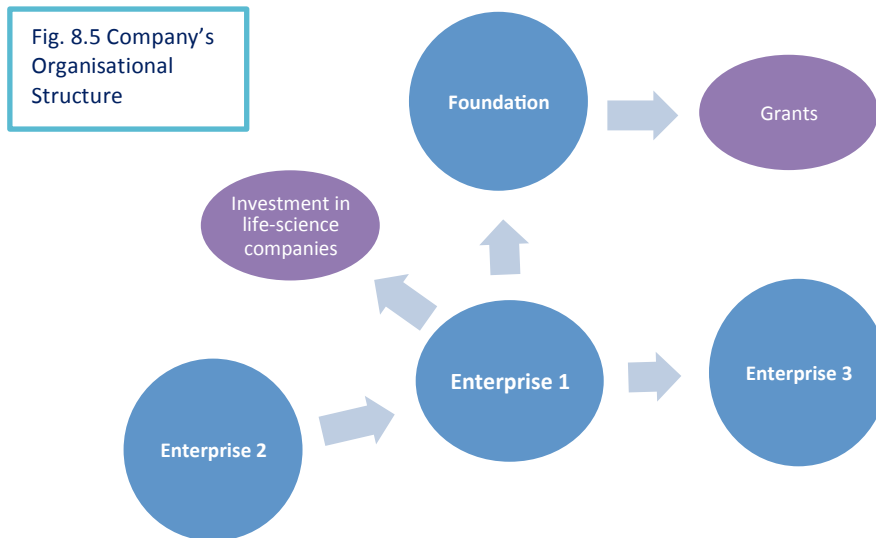
Sometimes employees may not be happy because not everyone wants to learn new things. But they [employees in Firma 1] have understood what this journey [new business strategy] has given them. Their results have outperformed any other companies. They could not find any other outsourced companies that could do better than them. You know, we have had our activities monitored to see how our productivity is going and the costs of it, and the result was that their performance is world class. So I think they have learnt - may be they didn't like it - but that this was for the best. But it's not something everybody is always happy about. Not everybody likes changes but this is flexibility and, if you are flexible than you can keep your job.

Firma 1 HR manager, July, 2014

Thus, it can be concluded that different categories of flexibility and security entered onto the local level bargaining agenda both as a result of the delegating mechanism included in the sector level agreement and as a result of the effect of high union density on the shop stewards' bargaining power. In contrast, the actual types of flexibility and security negotiated are linked to the structural and economic characteristics of the company. In particular, the internationalisation of the business imposes strong pressures on HR managers to control costs and introduce different forms of flexibility, especially *working-time* and *functional flexibility*. This notwithstanding, shop stewards in *Firma 1* have been able via collective bargaining, to participate in the definition of compensating – and long-term – forms of security. Training activities are used to enhance both *job* and *employment* security, while severance payments were introduced onto the bargaining agenda to guarantee an additional form of income security during transition times. As for working-time, the category has been the object of derogation, meaning that the social partners have agreed to remove some forms of compensation for shifts and overtime. In exchange for their flexibility, different forms of combinations security have been recognised.

8.5 Firma 2

Firma 2 is a manufacturing plant of a global pharmaceutical company headquartered in Denmark. It is a wholly owned multinational enterprise employing 40 thousand employees in 75 countries. By supplying 180 countries across the world and controlling 48 per cent of its product market, it has gained a dominant market position. Internal growth and massive investment in research and development are pursued by the company as a strategy to ensure long-term profitability. These objectives are reflected in its organisational structure that is based on a Foundation and three interconnected Enterprises, as set out in Figure 8.5.



In organisational terms the Foundation awards grants and Enterprise 1, the foundations' wholly owned subsidiary, manages the Foundations' commercial activities. Enterprise 1 is the holding company for the other organisations in the group. In addition to its ownership in Enterprise 2 and Enterprise 3, Enterprise 1 manages the Foundations' endowment by:

- Investing in life science companies at various stages of their development.
- Investing in well-managed, well-established and profitable bio-medical and bio-industrial companies and making financial investments in equities and bonds.

In other words, the business model on which the company relies is characterised by a combination of both a collaborative and a partial integration model. Such a strategy has been designed as a way to magnify the benefits of a highly specialised Research & Development portfolio, while reducing its major risk. In particular, the model of specialisation has allowed the present multinational to build a significant competitive advantage in its product market, as well as a brand, over diversified organisations with multi-segment products and services. At the same time it has, however, made the company highly dependent on these specific segments thereby exposing it to global competition. By entering into strategic alliances and partnerships agreements, especially in emerging national economies, the company has reduced this risk because it has set in place a flexible and adaptive structure that can change according to internal and external factors while meeting long term financial goals.

Further, the business model of this multinational is based on:

- a. Four strategic focus areas targeting different diseases;

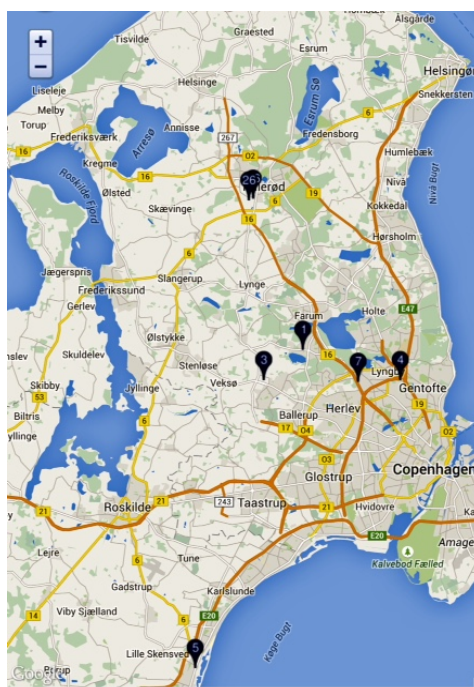
- b. Five core capabilities – R&D, Diseases Global Understanding, High Quality and Cost-effective Production, Marketing, and Maintaining a Leading Position;
- c. Five geographical areas – sales depend on the location of the customers (see Fig. 8.6)
- d. Two business segments based on therapies and each including: research, development, manufacturing, and marketing of different products.

Fig. 8.6 Sales by Region



At the end of 2014 the total number of employees was 41,450 with the 30 per cent of them employed in Product Supply. The company owns 9 plants across US, Brazil, France, China, Russia, and Japan employing approximately four thousand workers. In Denmark there are 7 further manufacturing plants that participate in supplying the global market – exports account for 99 per cent of total sales. All seven manufacturing plants will be the object of the present analysis and are referred to as *Firma 2*. Figure 8.7 shows the location of the plants.

Fig.8.7
 Manufacturing sites in Denmark (7)



In Denmark, more than eight thousand employees are involved in different activities across five different divisions:

1. Active Pharmaceutical Ingredients
2. Finished Products
3. Devices and Supply Chain Management
4. Biopharm
5. Product Supply Quality

In terms of workforce composition, in *Firma 2* there are primarily semi-skilled and skilled employees, but also operators and lab technicians. In Denmark there are also about 300 employees who support Product Supply in functions such as Finance, IT, Human Resources, and Environmental management. However these are outside the scope of this study.

8.5.1 Collective Bargaining Actors

The multinational to which *Firma 2* belongs is not a member of the sectoral employers' organisation – Dansk Industri. However, collective bargaining at company level occurs within a well-functioning framework of industrial relations. There are professional full-time shop stewards in-house that represent each of the unions within the sectoral union cartel – CO-Industri. For the semi-skilled and skilled blue collar workers these are 3F and Dansk Metal (DM) while for the lab technicians it is HK –Privat. Together with the employer's side, these unions bargain for the entire workforce across the seven production plants. Thus, because there are no site-level agreements, for the purpose of this study, all seven plants can be considered as a single organisation – *Firma 2*.

The above mentioned unions are free to open a bargaining table that covers all employees alike or to negotiate separate agreements on behalf of each of their constituencies. In both cases, negotiations result in package deals. When negotiating separately, HK-Privat initiates the bargaining round and the terms agreed function as a benchmark for the other categories of worker. Skilled and semi-skilled employees – Dansk Metal and 3F respectively – used to bargain together as their pay conditions are remunerated hourly. 100 percent of skilled and semi-skilled employees are union members (DM, 3F), and 60 per cent of laboratory technicians are union members (HK Privat). The 'scientists' employed in the production plants belong to the 'professional academics union'. However, the exact share of union membership is uncertain (Dansk Magisterforening). Overall, in *Firma 2* the union density is 77 per cent. The chair of the unions' Klub is the HK-Privat representative who is also an

employee elected member of the company Board of Directors. Given her role within the company and the Klub, she is considered a key negotiator for the union's side.

Thus, the main actors involved in collective bargaining within *Firma 2* are the following Employers' side:

- The Vice President (VP) of 'people relations and compliance'
- Team of the Vice President

Before opening a bargaining round the VP needs to obtain the mandate of the 'employers' board'. This institution is composed of four vice presidents who meet formally six times per year and, informally, as many times as required.

Unions' side:

- Klubs – given the large share of employees covered by collective agreements – over 5000 employees – in *Firma 2* there are full-time shop stewards representing each union belonging to CO-Industri, the sector level cartel. All Klubs share the same facilities (offices), 'the House', and work closely together on a variety of matters concerning all seven production plants.

The multinational company to which *Firma 2* belongs is not a member of the sector level employers' organisation, meaning that the social partners in this company act with a relatively high level of autonomy, especially on the employer' side. With regard to industrial relations issues the VP does not have any formal contact with Dansk Industri. Shop stewards benefit from the entitlements deriving from their membership. However, being full-time employee representatives, they do not require the assistance of the national unions during negotiations. It is possible, however, for them to ask for advice before and during collective bargaining.

Our company has never been part of DI because we don't need them. Well, I think that one of the reasons is that we have this very good collaboration with our unions. You know when DI and CO-Industri negotiate [sector level social partners] they have to look at the overall labour market, so they cannot go into details for each company.

But we [social partners in Firma 2] can do it here, so we don't feel the interest of going into an organisation that takes decisions for us.

VP of people relations and compliance, November, 2013

We negotiate on our own, the CO-Industri unions are not involved.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

This notwithstanding, in the 1970s, an accession agreement signed with CO-Industri bound *Firma 2* to the overall terms and conditions set out at the sector level. In contrast to DI members, *Firma 2* managed to keep open the possibility of negotiating on items that are not subject to delegation, as well as to derogate from any chapter of the industrial agreement. Both interviewees affirmed that this has never happened and that the package deals reached in *Firma 2* have, historically, been more generous than the sector level ones.

We accepted it [accession agreement] but we said we wanted to be free to go below that conditions, if we could agree with our shop stewards; but of course we have never done it, we don't need to, we are always much above the minimum.

VP of people relations and compliance, November, 2013

If you take the sector agreement is good to have it, and it is important and necessary to have it, but it really is something in general terms; and you have the possibility to make it more detailed and better, if you have local negotiations.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

The interview with the VP shows that the decision to enter into the accession agreement was made by the headquarters, which was interested in benchmarking the company's industrial relations against those at sector level. For companies, being outside of the employers' association in Denmark means that shop stewards – who have significant organisational capacity – are entitled to engage in industrial action during local bargaining. The decision to sign the accession agreement has therefore been made by the multinational to which *Firma 2* belongs primarily as a way to secure the unions' respect of the *peace-clause*.

In Denmark unions [sector level - CO-Industri] can go to a company and say now we want a collective agreement with you [company outside DI] and it can be difficult for a company [that is not affiliated to DI] to say NO, because then, they [local unions] can go on strike, or lock-out, or something like that, so, a lot of companies [outside of DI], I don't want to say are forced, but close to 'forced' into some collective agreements [to sign an accession agreement].

VP of people relations and compliance, November, 2013

This reveals that in Denmark, union density at the local level plays a fundamental role, because it creates incentives for large companies – even those that choose not to be members of DI – to enter into collective bargaining under the sector level framework. Further, the freedom retained by management and shop stewards, in *Firma 2*, within such a framework has contributed to the perception of local bargaining as an opportunity to customise the rules. Management, in addition, see collective bargaining as a functional tool to avoid individual negotiations and ensure stability for the shop-floor.

Moreover, company level bargaining can occur as often as the social partners find it necessary, although at least once each year there is a collective agreement setting pay conditions. Typically, it is the union side that asks management to start the negotiation process.

We do it without any pressure or timeline. We tackle issues as they come along. If there is an issue that is not regulated in the big agreement [sector level agreement] then they [shop stewards] just call us [management] and perhaps we will make one. So we can do it the whole year around’.

VP of people relations and compliance, November, 2013

Both sides of the negotiating table describe their relationship as positive and constructive. In particular, they emphasise that the long tradition of social dialogue in *Firma 2* has reinforced trust and mutual recognition. None of the interviewees used the word ‘conflict’ to describe moments of tension between unions and management, rather they rather referred to such moments as occasional disagreements.

Of course we may have different interests and some disagreements but we will always agree on what is the best for the company because what is the best for the company is the best for the employees, because then, they [employees] still have their jobs.

VP of people relations and compliance, November, 2013

Our role is about negotiations and we find compromises, this is what our relationship is about. Of course we can have our difficult moments but never conflict, I would say disagreements

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

This good relationship notwithstanding, interview data suggest that the social partners' ability to actually find compromises in *Firma 2* is linked to the headquarters' directions as well as to the institutional context in which they interact. For example, although showing an incredibly good economic performance, during the 2011 bargaining round the company did not meet employees' salary expectations and, failing to agree with the shop stewards, implemented pay increases unilaterally. The dispute ended with a joint document in which both parties stated that, for the first time in 20 years, no agreement could be reached. The reason given by HR was that, although the company had not been hit by the financial crisis, salary provisions could not overly exceed market levels. Unions interpreted this decision as a lack of autonomy on the part of their counterpart from the headquarters rather than a deliberate attempt to leverage on their bargaining power.

I mean, it's a funny thing, because we know them [counterpart] so well, we also have a high level of trust between us and when they say: this is what we can give you, I know it's true. And therefore it's not their fault, the VP and her people are not the ones that decide the strategy, it is higher up, in a sense she is like us, she is also employed [by the company] and she has to come to a result for somebody else, she needs a mandate and therefore it's not so easy for her either. There is a lot of respect and mutual trust.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

Further, the options for unions to fight management decisions in 2011 were limited by the fact that it is unlawful under the terms of the sector agreement to organise a strike during company level bargaining. This suggests that in *Firma 2* the headquarters' strategy on the one hand, and the peace clause on the other, limit the autonomy of HR managers and shop stewards alike.

To sum up, social partners in *Firma 2* are independent from sector level organisations. Although acting with wide autonomy, their bargaining power is nonetheless constrained by both institutional and non-institutional factors. Specifically, while the headquarters directions limit the mandate of HR managers, the peace clause imposes non-strike action on the unions. Within this context, both sides of the negotiating table have found a space to develop a cooperative relationship and established a climate of trust.

8.5.2 Collective Bargaining Institutions and Bargaining Decentralisation

Since the multinational to which *Firma 2* belongs is not a member of the employers' organisation, issues of collective bargaining decentralisation have never been relevant for the company. With regard to the relationship between bargaining levels the accession agreement has, nonetheless, produced effects that are similar to the ones experienced by companies that are members of DI. It is the sector level agreement that serves as main reference for the social partners and opens the company level debate over potential areas for improvements.

So the company signs the renewal at the sector level directly with CO-Industri so, in that sense, we still have the benefits from the big agreement. In terms of industrial relations there is not a big difference about being inside or outside of DI... We have many local agreements that build upon the sector level. Now I show you: so, this [the sector level agreement] is more or less like the bricks of the house, and this [collection of local level agreements] is our way to put furniture in it and decorating the rooms. The sector is the basis of the pyramid and these are the top layers. Basically we [Klubs] act as if we were CO-Industri but at the local level, we [Klubs] are the same unions! [as the sector level ones]

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

We [social partners] always respect the sector level agreement, unless we find another agreement at the local level. I only have it in Danish [collection of local level agreements] and this is the book that we normally put on top of the sector level agreement, and we say this is the one that is important because this is what matters in Firma 2! We [social partners] normally supplement the sector level agreement, but we can also change it.

VP of people relations and compliance', November, 2013

Significantly, both the social partners suggest that their effectiveness in improving the sector level framework is enhanced by the outstanding performance of the company, as well as the features of the product market within which it operates.

We are a big company in Denmark, if we were a company of 200-300 employees then we would probably see more benefits in being part of DI and let them negotiate for us. Here we have the resources do it ourselves and we see more benefits in negotiating at the local level than not doing it at all.

VP of people relations and compliance', November, 2013

We are a big company and this means that we have the resources to negotiate better agreements [than the sector level]. For example in Firma 2 if you work on Saturdays, and you are on shifts, you get 60 percent on top of your normal salary and on Sundays is 90 percent. If you look at the sector level it should be 25percent more, and it is a fixed amount, no matter what, so that's where there is really the possibility to make the most at the local level. But of course [name of the multinational] is an outstanding company in Denmark and also in comparison to other companies in the world, and we have worked our way up so now we are amongst the big 20 [globally], but that's because we found a cure for an illness that is just pandemic.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

To summarise, as a result of an accession agreement signed in the 1970s, collective bargaining in *Firma 2* follows the guidelines negotiated at the sector level. However, due to the fact that the social partners can negotiate on any items and derogate from the sector level agreement, the level of procedural flexibility they can rely upon is potentially unlimited. Thus, in this context, the local balance of power between management and shop stewards' becomes a crucial factor for the outcomes of their interactions. Significantly, by magnifying the potential implications of industrial disputes, the high level of union density in *Firma 2* has produced incentives for management to enter into collective agreements – and strengthened the unions' autonomy too. In addition, the favourable economic context characterising *Firma 2* has enabled both management and shop stewards to take advantage of collective bargaining to improve the terms and conditions set forth at the sector level.

8.5.3 Flexibility and Security in Collective Bargaining

In the empirical analysis, all the collective agreements made available by the social partners in *Firma 2* were considered and contrasted with the interview data. Table 8.4 indicates which company level agreements address each of the seven flexibility and security categories elaborated within the flexicurity literature (Wilthagen and Tros 2004, Bekker, Wilthagen et al. 2008), and indicates whether the provisions enhance flexibility and security, and if so which forms.

Table 8.4: Firma 2 – Flexibility and security in collective bargaining

		Flexibility	Security
Pay	Pay bargaining (2000 to 2013 every year)	Wage	
Training	Vocational Training (2012)		Employment
Job Classifications			
Working-time	Shift and Overtime payments (2000, 2004, 2006, 2007)	Working-Time	
	Part-time (2012)	Working-Time	Combination
Provisions for Atypical workers			
Social Benefits and Entitlements	Pension plan (2000, 2005, 2012)		Combination
	Maternity Leave and Parental Leave (2002)		Combination
	Entitlements for severance payments		Income
Measures for employment	Job Transfer Centre (2004-2008-2012) internal forms of ALPM including training and job placement		Job

Table 8.4 shows that issues of flexibility and security have entered into the collective bargaining agenda in *Firma 2*. The social partners have addressed these issues by negotiating over *pay*, *training*, *working-time*, *social benefits and entitlements*, and *measures for employment*. Due to the fact that management and shop stewards in *Firma 2* are free to engage on any issue as well as to derogate from the industrial agreement, it is not possible to establish a causal relationship between the procedural flexibility provided by the sector level agreement and the five substantive categories that are the object of local level bargaining. However, the interviews with both sides of the negotiating table show that local level bargaining in *Firma 2* acts primarily as a way of complementing the provisions negotiated at the sector level. It is from what is defined as the ‘big agreement’ that full-time shop stewards and HR management start the negotiating process and find *ad-hoc* compromises that reflect both the resources available locally and the power relations between them. By suggesting items for negotiation, the sector level framework does indeed shape the content of local level bargaining.

The main forms of flexibility addressed by social partners in *Firma 2* are *wage* and *working-time* flexibility which are the result of negotiations over the categories of *pay* and *working-time*. In addition, the social partners address all forms of security – *employment*, *income*, *combination and job* security as a result of negotiations over *training*, *working-time*, *social*

benefits and entitlements, and measures for employment. It follows that that in *Firma 2* issues of security are more prominent than issues of flexibility.

Interestingly, the interviews with both the employer and the union sides reveal that the notion of *flexibility* and *security*, in *Firma 2*, are not the objects of a particularly developed debate. For example, neither the VP nor the employee representative was able to put forward a definition of the two terms. Yet the content of the agreements demonstrates that issues of flexibility and security have indeed entered onto their bargaining agenda.

For me it is really difficult to understand what you mean when you say flexibility and security because these are not themes for us, we tackle things as they come along, sometimes we look at pension and we say, how can we improve this? Then it's done. Then we have this JTC [Job Transfer Centre] and we look into this one and we find an agreement on how to handle it. I guess that it is also because the company is doing really well so we did not come across these issues in a problematic way, we just do what we need to do and when it is needed.

VP of people relations and compliance', November, 2013

To be honest, we [social partners] do not have any particular debate on flexibility and security. We do talk about skills and competences but it's just to add value to the employee that can better contribute to the workplace.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

Thus, given the distinctive institutional context in which the social partners, in *Firma 2*, interact, the analysis of the local agreements does not allow the research to establish a clear link between the scope for flexibility and security and the procedural flexibility provided by the sector level framework. However, the interviews suggest that managers and shop stewards do indeed consider the industrial agreement as a key reference point for setting their bargaining agenda. Secondly, while the content of the agreements show that five of the seven substantive categories have entered into collective bargaining and have addressed different forms of flexibility – in particular *working-time* and *wage* flexibility – and all forms of security – the interviewees have not developed a clear understanding around these particular issues. Finally, the analysis demonstrates that dimension of security in *Firma 2* is more prominent than the dimension of flexibility.

8.5.4 Types of flexibility and types of security: Any trade-offs?

Table 8.4 shows that all the substantive categories that have entered into local agreements in *Firma 2* address either flexibility or security, but not both. The category of *pay* only enhances wage flexibility, while *working-time* enhances working-time flexibility. Similarly the category of *training* addresses employment security, working-time addresses *combination* security, *social benefits and entitlements* addresses income security and combination security, and *measures for employment* addresses only job security.

This result, however, does not indicate, that trade-offs between flexibility and security do not occur. Simply, in *Firma 2* such trade-offs need to be considered as an outcome of the whole package deal.

We never only negotiate on salaries when we open a pay bargaining. It can be more of a package, so for example, in one specific issue is what we would like to have, as management, and then in another issue, is what they [shop stewards] would like to have, so I think it's a kind of a package in order to balance things out...'

‘VP of people relations and compliance’, November, 2013

'To be honest, I think that it's obvious to compromise between the interests of managers and the interests of employees. Isn't it what collective bargaining is all about? For instance, in an agreement the VP asks for measures making our performance better, for example, over-time, training etc and we [shop stewards] try to meet their requests by asking for more things, for example, parental leave or sometimes part-time – also if personally I don't see why part-time should be useful, but this is what some young employees want recently.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

In addition, the interviews with the social partners suggest that the outstanding financial performance of the company creates an opportunity for both management and shop stewards to find compromises that are functional to both parties. The overall positive outcomes of their interactions may also explain their difficulties in unpacking the notions of flexibility and security and understanding the implications for local level negotiations. Yet, the difficulty in putting forward a clear definition of flexibility and security does not mean that *Firma 2* does not experience these kinds of demands. On the contrary, Table 8.4 demonstrates that different

forms of flexibility and security have indeed entered into the bargaining agenda. The fact that the social partners are not familiar with the terminology does not mean that the underlying issues are not addressed. More likely, management and shop stewards' effectiveness in meeting their respective interests has meant that flexibility and security have not emerged as issues of conflict.

What we see sometimes is that for productivity needs we [management] ask workers to stay longer hours. But we pay for them at a higher rate [than the sector level agreement], and again this [rate] has been negotiated with the union. We always look for a balance... any time that we ask our employees to sacrifice their time off to work more, we pay a lot of money for it; and it's always a personal choice. If you don't want to work more you do not do it.

'VP of people relations and compliance', January, 2014

We [shop stewards] do take advantage of local level bargaining, and maybe this is also another evidence of having top standards in this regard. It's a good story! Really.

Chair of Klubs – (HK Privat) and member of the Board of Directors, November 2013

In other words, the analysis of collective bargaining in *Firma 2* shows that the social partners are able to negotiate trade-offs between flexibility and security independently from productivity targets deriving from the benchmarking exercises. The institutional context, as well as the economic characteristics of the multinational to which *Firma 2* belongs, enable unions to gain in security despite the headquarters' requests for flexibility. Table 8.4 shows that such trade-offs do not occur through the negotiations on individual categories of flexibility, but rather as a result of the overall package deal – as for the 2012 bargaining round. Yet, issues of security in collective bargaining are more prominent than issues of flexibility.

8.6 Conclusion

This chapter has presented the institutional and the economic characteristics within which company level negotiations occur across the four manufacturing plants which were investigated. In order to establish the context for the comparative analysis that follows (chapter 9), it also explored the role that such characteristics have for issues of flexibility and security. Some preliminary differences and similarities emerged both across countries and companies.

In this regard, it was found that while articulating mechanisms between bargaining levels shape the way in which the different categories of flexibility and security have entered into company – and plant level – bargaining across the four cases, these are not the only relevant factors. The presence of shop stewards is also shown to be an important variable. Specifically, high union density enables Danish local actors to engage with competences that are outside the scope of sector level articulation. In contrast, low union density reduces the incentives of the Italian local level actors to take further some of the competences that are the object of demarcations – at the interconfederal level – and delegation – at the sector level. Moreover, the analysis indicates that the actual types of flexibility and security negotiated – and the combination between these – are not necessarily the result of institutional arrangements. It emerges that company level contingencies – such as the characteristics of the workforce and the production processes, the role of each manufacturing plant along the value chain, and increasing intra-site benchmarking – suggest to social partners a variety of items for local negotiations. In particular, these independent variables produce incentives for HR managers to control costs through the implementation of flexibility and allow shop stewards to participate in the definition of compensating forms of security. It follows that while the different forms of flexibility and security entering into the bargaining agenda vary across companies and categories, the negotiations also result in a variety of flexibility and security trade-offs across the four manufacturing plants investigated.

Chapter 9: Engaging with flexibility and security at the company level

9.1 Introduction

The primary objective of this chapter is to address the second set of research questions which have been derived from the comparative institutional analysis:

- **RQ2a.** To what extent does the interplay between collective bargaining arrangements at the sector and the company levels affect the nature of flexibility and the nature of security outcomes?
- **RQ2b.** To what extent do firm-specific characteristics – such as market competition and organisational structure – affect the nature of flexibility and the nature of security outcomes? What are the implications in terms of the nature of the negotiated trade-offs?

In order to address these questions two complementary steps are undertaken. First, the relationship between sector and company level institutions is explored in light of the findings presented in Chapter 8. This allows the research to establish whether the expectations developed in Chapter 7 about the enabling role of sector level institutions are corroborated by the outcomes of company level bargaining. The second step investigates the relationship between firm-specific contingencies and the nature of flexibility and security entering into company level bargaining. Indeed, the focus on non-institutional variables sheds light on the link between institutional rules and organisational contingencies so that the considerations around which local actors define their flexibility and security strategies, in practice, can be understood.

It is argued that sector level institutions provide HR managers and shop stewards with a series of opportunities to engage with issues of flexibility and security both in Italy and Denmark. However, the different degree of autonomy within which company level actors interact across – and within – these two countries accounts for the extent to which they take such opportunities further. It is shown that in Denmark articulation mechanisms are not always necessary for suggesting which items of flexibility and security are the subjects of

negotiation at the company level. In contrast, in Italy the mechanisms in place are not always sufficient, meaning that the fact that they are provided by both the interconfederal and the sectoral level does not ensure that issues of flexibility and security will enter onto the agenda of company bargaining. The study identifies two relevant explanations. A clear framework of rules for negotiation on the one hand, and high union density at company level on the other, persuade Danish shop stewards to accept further bargaining competences and avoid potential representation problems. Since shop stewards are actually able to guarantee the successful implementation of the agreements, management has no reason to contest their mandate; both sides are in the position to benefit from the outcomes of their interaction. In Italy the situation is reversed. An unclear framework of rules for company level bargaining, coupled with low union density discourages local level actors from entering into reciprocal commitments and provides more incentive to accept the conditions set forth at the sector level.

In addition, the non-institutional focus allows the research to establish that the actual types of flexibility and security negotiated are, to a large extent, dependent on the organisational characteristics of the multinationals in which the social partners are embedded. The way in which multinationals organise their cross-border activities influences the ability of the social partners within subsidiaries to make strategic use of collective bargaining. In particular, it encourages the global headquarters to either benchmark common work patterns through the implementation of international HR policies or to simply impose financial targets for each division.

In this regard, when multinationals are concerned primarily with financial targets (rather than common work patterns), local HR managers retain the scope to achieve flexibility by taking into consideration local power contingencies. This, in turn, provides unions with the opportunity to leverage on institutional resources, such as collective bargaining, to exchange flexibility with compensating forms of security. Within this context, the social partners shape *balanced* trade-offs between flexibility and security because, as a result of negotiations, both sides are able to gain in equal measure (see Chapter 2). It is concluded that, in Denmark, the global headquarters' ability to take advantage of local imbalances of power is reduced by the strong presence of shop stewards. Despite sharing similar organisational characteristics, the four case studies show that the scope for security in the Danish subsidiaries is still higher than in Italy.

9.2 Collective bargaining at the sector level

Chapter 7 demonstrates that the institutional configuration of the chemical and pharmaceutical sector in Italy and the industrial sector in Denmark serve a similar role. Namely, they both enable and constrain company level negotiations on issues of flexibility and security. This is possible thanks to the articulation mechanisms that govern the relationship between bargaining levels and shape the agenda of the social partners within companies. In particular, it is shown that on the procedural aspects, Italy and Denmark share more similarities than differences. The two countries under focus are characterised by: a) multi-employer arrangements; b) two-tier bargaining systems; c) centrally controlled decentralisation; and d) mechanisms of articulation based on demarcation.

Further, Chapter 7 establishes that when exploring the role of the sector for company level bargaining it is not only institutions that matter. Significantly, a comparative analysis of sector level bargaining arrangements across Italy and Denmark points to the fact that actors' choices matter too. Indeed, although procedural flexibility has recently grown in both countries, this trend is more apparent in Italy where sector level social partners have used their '*special relationship*' to mark a shift from decentralisation through demarcation to decentralisation through delegation. In Denmark, further decentralisation has been provided (only) by recognising hardship clauses in the category of training, in 2007, and working-time in 2000. Thus, according to the sector level framework the competences of company level social partners are greater in Italy. Here, the categories of flexibility and security that are expected to enter into company level bargaining are *Pay, Working-Time, Job-Classification, Training, Social Benefits and Entitlements, Provisions for Atypical Workers, and Measures for Employment* while, in Denmark, they are only *Pay, Working-Time, and Training*. Table 9.1 summarises the sectoral institutional characteristics of the two countries (see Chapter 7) and indicates (potential) implications for company level bargaining on flexibility and security.

Table 9.1: Sector level bargaining arrangements in Italy and Denmark and potential implications for company level bargaining on flexibility and security

	Italy	Denmark
Collective Bargaining Arrangements	Multi-employers Two-tier bargaining system	Multi- employers Two-tier bargaining system
Collective Bargaining Decentralisation	Centrally controlled Open & Derogation clauses	Centrally controlled Open & Derogation clauses
Articulation Mechanisms	Demarcation – National level Delegation – Sector level	Demarcation – Sectoral Level Delegation – Sectoral level
Content of Company Level Collective Bargaining	- Pay (variable bonus) - Working-time - Job classification - Training - Social benefits - Atypical work - Measures for employment	- Pay - Working-time - Training

A comparative analysis of sector level bargaining arrangements across Italy and Denmark goes so far as to establish that actors and institutions account for the content of company level negotiations over issues of flexibility and security. However, the sector focus fails to demonstrate the extent to which company level actors engage in practice with the competences that are the object of delegation. By complementing the sector level findings (Chapter 7) with the company level data (Chapter 8), the next section aims to achieve this.

9.3 The sector and the company foci

In order to set the context for the comparative analysis of company level bargaining arrangements (RQ2a/b), it is essential to understand the extent to which sector level institutional mechanisms influence the strategies of company level actors. A cross national comparison of sector and company level bargaining in Italy and Denmark allows a focus on the relationship between sector and company level institutions and the implications of such a relationship for issues of flexibility and security.

Based on two important cross-national differences identified in Chapter 7, this research developed a series of expectations about the role of articulation mechanisms for company level bargaining. The first relevant difference relates to the mechanisms controlling decentralisation. While in the Danish industrial sector decentralisation is controlled at the sector level, primarily via *demarcation*, in the Italian chemical and pharmaceutical sector decentralisation is controlled both at the confederal level – via *demarcation* – and at the sectoral level – via *delegation*. In Italy, this double form of articulation produced two parallel and potentially opposing developments. On the one hand, it softened the controlling mechanisms set in place to govern the relationship between the sector and the company level, thereby widening the scope of company level bargaining. On the other, it blurred the boundaries of competences between bargaining levels, thereby increasing the extent of uncertainty over the items that can enter into company level negotiations. As a result of this uncertain framework of rules, company level actors in Italy are less likely than in Denmark to enact the procedural flexibility provided by the sector level agreement.

The second relevant difference that emerges from the sector level comparison concerns the role of company level bargaining. While in the Danish industrial sector local level negotiations have always represented a key-element of the collective bargaining system, in the Italian chemical and pharmaceutical sector these have played a secondary role. This feature is also reflected in the *depth of bargaining* (Chapters 4 and 5) which in Denmark is found to be significantly higher than in Italy. It is, therefore, expected that Danish company level actors will be more confident than their Italian counterparts with regard to the exercise of their bargaining prerogatives.

The data presented in Box 9.1 indicate that these relevant differences do indeed account for the extent of cross-national variation – or within country similarity – in the degree of social partners' *autonomy* when engaging in firm level negotiations. For example, Box 9.1 confirms that the lack of interference from the interconfederal level in Denmark provides a more clear devolution of competences than in Italy which, in turn, guarantees managers and shop stewards the certainty that they need to enact their role of negotiators. In contrast, in Italy, company level initiatives appear to be constrained by national/political interests so that the social partners tend to act less independently than their Danish counterparts. For example, by enhancing further decentralisation, the Italian chemical and pharmaceutical sector in 2012 entered into an open ideological confrontation with the confederal level. The opposing views

of two equally important sources of decentralisation have produced uncertainty over the actual competences of company level negotiators who, as a result, prefer to interpret the sector level framework in a conservative fashion. Box 9.1 shows the main similarities (within country) and the main differences (cross country) emerging across the four manufacturing plants investigated (see Chapter 8).

Box 9.1: Interview data – Bargaining decentralisation for HR managers and shop stewards.

	Denmark	Italy	
Firma 1	<p><i>I think most of the things are negotiable, and these things are increasingly more [sic.]. But we have a clear sense of what we can do.</i> HR manager, July 2014</p> <p><i>It's easy, I ask to my employees: what could be improved? what should we try to get in terms of salary? what about flexibility of working-hours? what about education and holidays? I take their comments with me to my union and ask them to bring these instances up for the sector level bargaining round. Then, if the conditions at the sector level are better than the one at the local level we [shop stewards] take these instances to management and we check if we can change things. Everything starts from the big one! [the sector level agreement] Again that's the Danish model!</i> Shop-steward Dansk Metal, July, 2014</p>	<p><i>Often it also happens that the confederal level decides to give its contribution and then things get really messed up! ...speaking about company level collective bargaining we [management] are much more independent from the national [sectoral] and confederal levels than our counterpart...unions' representatives at times are incoherent, inconsistent and weak, especially when they report to the confederal level, which is the moment in which they feel more politically exposed...'</i> HR Director, December 2012</p> <p><i>We [delegates] have to use common sense and leave political matters to those who can deal with them.... National officials [the sector] are much more entitled than us to deal with delicate matters, they have a national picture and they are professionals. Of course they ask for our opinion but there is a separation of roles. Across companies there are different interests and national secretaries are the ones supposed to make a synthesis between our [company level social partners] positions.</i> RSU, Filctem-Cgil, December 2012</p>	Impresa 1
Firma 2	<p><i>We [social partners] always respect the sector level agreement, unless we find another agreement at the local level. I only have it in Danish [collection of local level agreements] and this is the book that we normally put on top of the sector level agreement, and we say this is the one that is important because this is what matters in Firma 2! We [social partners] normally supplement the sector level agreement, but we can also change it</i> VP of people relations , November, 2013</p> <p><i>We have many local agreements that build upon the sector level. Now I show you: so, this [the sector level agreement] is more or less like the bricks of the house, and this [collection of local level agreements] is our way to put furniture in it and decorating the rooms. The sector is the basis of the pyramid and these are the top layers</i> Chair of Klub, HK-Privat, November 2013</p>	<p><i>The problem we face is that such a decentralisation of collective bargaining [as fostered by the sector-level agreement] is not recognised [by all social partners at the confederal/national level]. Thus we [HR managers] lack legal certainty and litigations are lengthy. Also, the position of the labour courts has been historically in favour of the employee, we need to wait how the jurisprudence evolves on these issues [further decentralisation], and the sentences produced, before being sure we can actually engage with new competences [he refers to hardship clauses]. We know that this system will not break through before the next 5 years and, reasonably, to gain the legal certainty we need, 5 years are way too many'</i> HR (plant) director, June 2013</p> <p><i>I think there is a distribution of competences across levels but sometimes, especially when issues involve political spheres at territorial or national level this division of competences gets more complicated. I give you an example, at the last sector level renewal [2012] the General Secretary of Filctem-Cgil lost the support of his confederation and after signing the agreement – the day after actually – he gave his resignation.</i> RSU delegate Uilcem-Uil, June 2013</p>	Impresa 2

Further, the combination of the sector and the company level analysis demonstrates that by strengthening unions' bargaining power, union density at the company level also influences the degree of local actors' *autonomy* when engaging in collective bargaining. Section 9.2 indicates that, formally, the scope of company level bargaining on issues of flexibility and security is more extensive in Italy than in Denmark. Yet, interviews at the company level (Chapter 8) reveal that the Italian social partners are less open than their Danish counterparts to engaging with company level negotiations. In particular, the Danish case studies demonstrated that the strong presence of shop stewards at a company level strengthens the power relations between social actors who thus feel legitimated and confident about the outcomes of their interactions. In contrast, in Italy, where there is weaker union representation, local level social partners are more reluctant to let new items enter onto their bargaining agendas and prefer to act upon the conditions set at the sector level. Because of their reduced bargaining power, shop stewards fear that managers may take advantage of collective bargaining to decrease the conditions negotiated by the sector level, while managers doubt the ability of shop stewards to secure the implementation of the agreements. It follows that in Italy, actors are found to be more sceptical than in Denmark about the contribution that company level negotiations may bring about. Box 9.2 presents the relevant data.

Box 9.2: Interview data – The role of company level-bargaining for HR managers and Shop stewards.

	Denmark	Italy	
Firma 1	<p><i>We don't bargain locally because it's strategic for the business per se but more because it is important for the employees... If you look at the total company here [in Firma 1's headquarter] we are 1600 people and around 500 of them are on collective agreements. So it's quite a large number and most of them are in a union... I'd say more than 80 per cent</i></p> <p>HR manager, July, 2014</p> <p><i>We want to bargain at the local level! because we believe that the industry agreement is not as good, and we can make it better!</i></p> <p>Dansk Metal, July, 2014</p>	<p><i>We deal with the fact that there is a lack of employees' representation, thus negotiations have become very difficult and unstable. Unions' representatives perfectly know that they have lost consensus [in Impresa 1], this is why they tend to subject the content of our collective agreements to referendum, which is unacceptable!</i></p> <p>HR Director, December 2012</p> <p><i>It's a matter of roles and competences. According to my experience an RSU may be not qualified enough to negotiate over certain items. If an RSU signs an agreement without carefully consider the consequences, it could significantly damage employees...for the relationship we have here at Impresa 1 I think delegates don't risk to be tricked, but plant level and company level bargaining can be a very dangerous tool to be played against us. First, we [delegates] are not professionals, remember? But our counterpart is made by professionals. Second, we work here. This gives you an idea of the unbalance between us...it is better to leave some matters to those who can deal with them'.</i></p> <p>RSU, Delegate Filctem-Cgil, December 2012</p>	Impresa 1
Firma 2	<p><i>In Denmark unions [CO-Industri] can go to a company and say now we want a collective agreement with you and it can be difficult for a company to say NO, because then, they can go on strike, or lock-out, or something like that, so, a lot of companies, I don't want to say are forced, but close to 'forced' into some collective agreements.</i></p> <p>VP of people relations, November, 2013</p> <p><i>If you take the sector agreement is good to have it, and it is important and necessary to have it, but it really is something in general terms; and you have the possibility to make it more detailed and better, if you have local negotiations</i></p> <p>Chair of Klub, HK-Privat, November 2013</p>	<p><i>Then it's true that there is a problem of unions' representation at the company level. Opening-clauses can have a dramatic effect if unions are weak at the company level. With whom do I negotiate? Unions need to redefine their role, if they want to be effective</i></p> <p>HR General Director, June 2013</p> <p><i>The way in which work is organised depends very much on productivity needs and it is very hard for unions to change management mind with regard to some issues. To improve conditions of the sector level agreement with company level bargaining is a real challenge at the moment and it is also very unlikely to happen.</i></p> <p>RSU delegate Femca-Cisl, June 2013</p>	Impresa 2

Crucially, while confirming the significance of articulation mechanisms for the varying extent of the firm level bargaining agenda across countries, this analysis also suggests that these mechanisms do not provide the only explanatory factor. The lack of interference from higher institutional levels and the presence of employee representatives at the company level prove to be equally significant. First, they persuade shop stewards either to accept – as in the case of Denmark – or resist – as in the case of Italy – the delegation of additional bargaining competences. Second, they reduce – as in the case of Denmark – or increase – as in the case of Italy – the risk of *representation problems* occurring, in particular, those linked to

management questioning the mandate of shop stewards. It is argued that, by relying on a wider degree of autonomy, company level actors in Denmark have more opportunities than in Italy to take advantage of the institutional resources available locally.

9.4 The Role of Collective Bargaining Actors and Institutions

The data presented in Chapter 8 show that, across the four manufacturing plants investigated, there is a series of independent variables along which differences and similarities can be explored. By focusing attention on such variables it is possible to grasp whether – and if so how – the interaction between sector and company level bargaining arrangements affects the nature of flexibility and the nature of security outcomes. This step addresses RQ2a.

In particular, the four company case studies confirm that institutional characteristics have a strong influence on the agenda of local level bargaining both as a result of the multi-employer bargaining system and the articulation mechanisms governing the relationship between the sector and the company level. In addition, they enable the research to establish that the extent to which local negotiators accept in practice the delegation of further bargaining competences depends on the degree of local actors' autonomy from higher institutional levels. Thus, in order to observe how company level bargaining engages with flexibility and security across companies the first three independent variables considered are: 1) the autonomy of company level actors from sector level social partners; 2) the role of sector level collective agreements; and 3) coordinating mechanisms between bargaining levels. Moreover, because Chapter 8 points to the fact that the reproduction of sector level bargaining relations at the company level facilitates bargaining activities and fosters negotiations over a wide range of areas a fourth variable needs to be taken into account, which is 4) the relationship between managers and shop stewards. Finally, the company focus highlights that within multinationals both the content and outcomes of local negotiations are sensitive to global management demands. However, it also shows that within subsidiaries, international human resources practices are tailored to local power relations, suggesting that socially constructed contingencies set limits to the transfer of global decisions. Given this, the remaining independent variables that are relevant to the present comparison are: 5) the autonomy of local level actors from the global headquarters; and 6) the role of local bargaining as described – and enacted – by the actors involved.

The next section reviews the extent to which similarities and differences occurred across the four manufacturing plants investigated along each of the six independent variables. The implications for issues of flexibility and security will follow. Table 9.2 provides a systematisation of the data.

Table 9.2: Role of Actors and Institutions across companies

	Impresa 1	Impresa 2	Firma 1	Firma 2
Autonomy of local level actors from the sector level	Shop stewards: Low-medium (union representation 50%) HR: High – they receive external support but they bargaining independently	Shop Stewards: Low-Medium (union representation 30%) HR: High – they receive external support but they bargaining independently	Shop Stewards: High (union representation 83% in average) HR: High – they receive external support but they bargaining independently	Shop Stewards: High (union representation 77% in average) HR: Very High – they do not require external support and bargaining independently
Role of Sectoral Collective Agreements	Key-reference Division of competences between bargaining levels can be blurry	Key-reference It allows for flexibility at the local level Derogations as an opportunity to empower local actors Overlap of competences between sector and company level	General framework providing flexibility for company level bargaining	General framework providing minimum entitlements
Coordination between bargaining levels	High bottom-up & top- down approach (company and sector level social partners sit at their respective bargaining table)	High Bottom-up & top-down approach (company and sector level social partners sit at their respective bargaining table)	Medium Regular contacts both between DI and HR managers and Unions and Shop Stewards.	Low No contacts between DI and HR managers Shop stewards benefits from the entitlements of membership
Managers- Unions Relationship	Constructive	Constructive Accommodating Functional towards common targets	Constructive Cooperative Partnership	Constructive Cooperative Partnership
Autonomy of local actors from the Headquarter	Low	Low	Medium-High	Medium-High
Role of Local-Level Collective Bargaining	Boosting productivity Providing flexibility Allocating resources in an effective way Disciplining different	Managing restructuring and collective dismissal Bonus-scheme Issues such as - working-time	Enhance flexibility Engaging employees Matching employees' requests with the company Allocating resources	To avoid working conditions to be discussed on individual basis Effective allocation of resources

	forms of payments Implementing HR policies Dealing with collective dismissal	- salary policies - training - job-rotation Can be items of negotiations but, if no agreement is possible the company proceeds unilaterally	so to retain skilled-workers	Improving flexibility Improving working conditions Increasing employees' entitlements Engaging employees
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The first relevant variable is the extent of *actors' autonomy* from their respective *sector level representatives*. In the Danish manufacturing plants, the social partners were shown to have a higher degree of autonomy than their Italian colleagues when sitting at the bargaining table. In *Firma 1*, for example, the extent of coordination is similar for both management and union sides. Shop stewards and HR managers obtain external support from their respective (sector level) consultants almost exclusively on the interpretation of the industrial agreement. Sector level unions never get involved in company level negotiations. Only local-level branches do, very rarely, when no agreement can be reached. *Firma 2* does not belong to the employers' organisation (DI). Therefore, once the mandate from the board of directors has been obtained, the extent of the HR manager's autonomy is unlimited. Shop stewards are in a similar position to their counterparts. They work as '*Klubs*' whose main responsibility is to represent employees throughout different channels of negotiation –including the company board. They know in depth the content of the sector level agreement – which *Firma 2* signed directly with CO-Industri – and participate in company level bargaining without either involving or notifying their respective unions' branches.

In *Impresa 1* shop stewards are used to negotiating with the support of sector level social partners as they feel more secure acting under the watch of professional trade unionists. This has both the advantage of them not being employed by the company – thus being more independent – and of knowing the content of the sector level agreement in depth. While benefitting from strong links with the sector level employers' organisation, management act within a wider degree of autonomy than the shop stewards. The general director of *Impresa 1* sits on the Industrial Relations National Committee instituted within Federchimica with the objective of complementing a more typical top-down approach to collective bargaining with a bottom-up one. Interviews at the sector and the company level revealed that *Impresa 1* is known in the employer's organisation as a model for company level bargaining and for

having contributed to both shaping and embracing the sector values. In *Impresa 2* similar dynamics to those observed in *Impresa 1* emerged. While shop stewards affirm that they acted in strong collaboration with the territorial and the sectoral level unions, management showed that they were much more independent from the sector level organisation. *Impresa 2* rarely involves Federchimica when negotiating at the plant level while the territorial unions directly participated in negotiations.

Thus, data show that between *Firma 1* and *Firma 2*, in Denmark, and between *Impresa 1* and *Impresa 2* in Italy, there is a similar degree of local actors' autonomy from their respective sector level frameworks. Although *Firma 2* is not affiliated to DI the level of coordination on the union's side is comparable to that of *Firma 1*. In both cases shop stewards involve the sector level – and/or the territorial union branches – but only to receive external support on the interpretation of the industrial agreement or to gather information on bargaining trends. As for the employer's side, while HR managers in *Firma 1* have a formal relationship with DI consultants, in *Firma 2* there is no interaction between local managers and the employers' organisation. This suggests that HR managers in *Firma 2* are more autonomous than in *Firma 1* in setting their bargaining agenda. In both *Impresa 1* and *Impresa 2* shop stewards showed that they were less independent than their Danish counterparts. Although all were constrained by the sector level framework, HR managers could set their bargaining agendas with autonomy, whereas the shop stewards shared their bargaining prerogatives with sector level negotiators.

In regard to the second variable – *role of sector level agreements* – the analysis confirms some of the issues which emerged in the previous section. For example, shop stewards within *Impresa 1* and *Impresa 2* considered the sector level agreement as a key-reference because it provides certainty on the application of minimum employment standards. Further, according to the HR manager in *Impresa 2*, the procedural flexibility enhanced by the sector level agreement recognises new opportunities for company level actors. It does so in a spirit of collaboration between bargaining levels, evident in the shift it produced from the normative role of collective bargaining to collective bargaining as a means of employee engagement and welfare resources allocation. However, he added that the Italian attitude of periodically reforming the labour market through different forms of intervention interferes with industrial relations developments and causes conflicts of interest across bargaining levels. By pointing out the effects of the 2009 confederal agreement on collective bargaining competences, the

general director of *Impresa 1* raised a similar issue. In his words: ‘*if you read the agreement with the eyes of those who should practically implement it, it is a totally useless tool*’. Indeed, in order to make it viable, social partner at the sector level had to intervene by first of all regulating the option to derogate. Yet, some competences are difficult to engage with because the general framework is unclear and they carry the risk of costly litigation.

By contrast, the sector level agreement in *Firma 1* and *Firma 2* provides only a general framework within which companies can find the flexibility they need to meet their contingent demands. All social partners believe that company level agreements can be more beneficial both for the business and employee interests. On the one hand, HR managers emphasised the advantages of having a general framework that, by benchmarking employment conditions across the sector, provides stability for companies. On the other, they consider such a framework to be either too inflexible – *Firma 1* – or too basic – *Firma 2*. In both companies shop stewards suggested that, given the outstanding performance of pharmaceuticals in comparison to other businesses, company level bargaining can redistribute more resources than at the sector level.

Thus, with regard to the role of sector level agreements for company level bargaining, more similarities than differences emerge across *Impresa 1* and *Impresa 2* on the one hand, and *Firma 1* and *Firma 2*, on the other. In particular, it is shown that in the two Italian manufacturing plants the social partners prefer to act upon the terms of the sector level agreement; whereas in Denmark they are willing to engage with company level negotiations. For the unions, the sector level agreement in Italy is important because it benchmarks employment conditions across industries, while for HR managers the main strength is that it provides stability. By contrast, in both Danish manufacturing plants the social partners perceive the sector level agreement as an *inflexible* and *basic* framework that they can improve upon. While managers gain flexibility, the unions can use their position to redistribute locally available resources and in the subsector in which they operate there are more of these resources than in rest of the manufacturing industry.

The third variable taken into account is the extent of *coordination* between social partners across different bargaining levels. Within *Impresa 1* and *Impresa 2* such coordination is high. Both the HR general directors of the two companies sit on the Industrial Relations National Committee, instituted by Federchimica as a means to identify guidelines for sector and

company level negotiations. As for the union side, the shop stewards receive on-going training from their respective branches both at sector and territorial levels and receive assistance during negotiations.

In *Firma 1* DI's consultants are involved in local level negotiations only if management need support on the interpretation of the sector level agreement. In contrast, sector level unions ensure that a certain amount of coordination always takes place across bargaining levels. They do so by training shop stewards and by sharing information on the outcomes of local negotiations. However, national officials never actually sit at the bargaining table where managers and shop stewards have exclusive prerogatives. In *Firma 2* the employer's side does not have any relationship with DI (informal or formal) as the company is not a member of the sector level organisation. No coordination between the sector and the company level, therefore, exists. Full-time shop stewards in *Firma 2* are affiliated to the organisations participating in the unions' cartel – Co-Industri – and they benefit from the entitlements linked to their membership, such as training and information sharing. However, no formal coordination occurs during the collective bargaining process.

To summarise, in *Impresa 1* and *Impresa 2* the extent of coordination between bargaining levels is high both on the employers' and the unions' sides. The HR managers sit on the Industrial Relations National Committee helping to both shape and reproduce the sector level values, while unions not only train and share information with shop stewards but, depending on the topics, also participate at the local bargaining table. In both *Firma 1* and *Firma 2* the sector level unions train and share information with the shop stewards. Yet, in *Firma 2* employee representation occurs through full-time – and highly specialised – shop stewards – that do not require the same level of external assistance as their counterparts in *Firma 1*. As for the employer's side, in *Firma 1* a certain amount of coordination between HR managers and the DI exists while in *Firma 2* there is no formal relationship between the sector and the company level actors. It follows that HR managers in *Firma 2* are more autonomous than in *Firma 1*.

The fourth variable is the *relationship* between *managers and shop stewards*. Besides *Impresa 1* – where disagreements are considered a normal expression of a plurality of interests between the parties – none of the social partners report critical issues or irreparable cleavages. All the actors across the companies define their relationship using adjectives such

as: *constructive, accommodating, and functional towards common goals*. In addition, in both Danish companies, shop stewards stress issues of *trust* and managers issues of *cooperation*. This particular climate is the result of the industrial relations culture promoted by the chemical and pharmaceutical sector in Italy and by the industrial sector in Denmark which is found to be reproduced at company level. This notwithstanding, between the Italian plants – *Impresa 1* and *Impresa 2* – and the Danish plants – *Firma 1* and *Firma 2* – there is a difference in the nature of the relationship between managers and shop stewards. Indeed, in *Impresa 1* and *Impresa 2* actors describe their relationship as constructive, whereas in *Firma 1* and *Firma 2* they describe it as both constructive and cooperative, meaning that managers and shop stewards, in the Danish plants, have a deeper level of interaction than their Italian counterparts in *Impresa 1* and *Impresa 2*.

The fifth relevant variable taken into account is the *autonomy* of local bargaining actors from their respective *global headquarters*. In both *Impresa 1* and *Impresa 2* the social partners agreed that the level of management's autonomy, when negotiating over issues that are relevant to the business, is relatively low. For example, according to the CEO of the chemical company (*Impresa 1*), global management has never tried to impose any specific strategy of industrial relations directly. Even so, he added that '*the Italian sites need to be receptive to HR policies, such as the global short-incentive scheme*' which has been implemented through collective bargaining. Consistently, the shop-steward suggested that '*industrial democracy requires time to be enacted, a time that social actors are not provided with before implementing a change*'. With regard to time constraints, *Impresa 2* faces similar issues to *Impresa 1*. In addition, management specify that local actors have a wide margin of autonomy to decide how to implement a change given the resources available. Yet, the change as such is centrally agreed, suggesting that the degree of autonomy here is relatively lower.

The situation is different in Denmark where the social partners showed a higher level of autonomy from the directions given by headquarters than in Italy, primarily, as they are involved in the production of such directions. Before starting a bargaining round, it is the HR department that in *Firma 1* suggest the agenda to the executive VP who, accordingly, decides on the extent of the mandate. Given their active role in pursuing the company's strategic objectives and in light of their bargaining power, also shop stewards demonstrate capability to influence the business strategy. The interviews with both sides of the negotiation table

confirm that the executive VP has a direct channel of communication with employee representatives which are both consulted and informed over the company financial targets. In *Firma 2* full-time shop stewards sit directly at the company board, while the HR manager defines in collaboration with the board of directors the boundaries of her mandate, meaning that both management and shop stewards in *Firma 2* are considered strategic actors.

Thus, social partners, both in *Firma 1* and *Firma 2*, show a higher degree of autonomy than the social partners in *Impresa 1* and *Impresa 2* from their respective global headquarters. It emerges, in particular, that while Danish HR managers and shop stewards are involved in the companies' strategies decisions in Italy local actors have less capability to influence the headquarters directions. Further, because in *Firma 1* the chair of the Klubs – HK-Privat representative – is one of the board of directors, shop stewards ability to influence the company strategy is relatively higher than in all the other companies. As for the Italian plants, while in *Impresa 1* management affirm that local actors need to be 'receptive' to global HR strategies, in *Impresa 2* the HR director sustains that changes are 'centrally' decided, suggesting that, also between the two Italian companies, there is a difference in the degree of the HR managers' autonomy.

The last independent variable – *the role of local bargaining as perceived by the actors* involved – is derived by a combination of all the other variables and indicates in which ways and towards which ends social actors engage with their bargaining competences. In *Impresa 1* social partners deploy company level negotiations to complement the sectoral framework with *ad-hoc* provisions supporting the strategic interests of the global headquarters in the region. Typically, such interests have to do with parameters of profitability – economic and financial results – and productivity – organisation of work, typologies of activities carried out by each operation, technologies implemented and skills required. In addition to that, plant-level negotiations deal with the pragmatic and organisational aspects of production processes, such as working-hours, flexitime and the 3 percent of the profit-sharing scheme. This suggests that, in *Impresa 1*, market-led considerations sit at the top of the bargaining agenda. In *Impresa 2* local agreements are aimed primarily at negotiating the incentive scheme and managing restructuring processes which often includes collective dismissals. Other topics, for example, working-time, salary policies and job classifications, training and job-rotation can be items of plant level negotiations. But, if no agreement is reached, management proceed unilaterally. Social partners in *Impresa 2* consider collective bargaining as a strategic

resource, especially for the opportunity it provides to improve productivity and secure the subsidiary's growth. It can, therefore, be inferred that, in *Impresa 2*, it is productivity-led considerations that are at the top of the bargaining agenda.

Issues of productivity also cover a significant share of the collective bargaining agenda in *Firma 1* and *Firma 2*, in particular, as a way to gain flexibility. In contrast to *Impresa 1* and *Impresa 2*, however, shop stewards in these companies appear to be more confident about the possibility of local agreements also improving employees' working conditions. In *Firma 1* management not only deploy local bargaining to enhance flexibility but also to show recognition and commitment to employees. As a result, shop stewards in *Firma 1* perceive company level negotiations as a way of improving the sector level framework as well as retaining skills via different forms of rewards. Further, in *Firma 2* management consider negotiations useful because they avoid the discussion of terms and conditions on an individual basis, while union representatives emphasised the opportunity they offer to redistribute resources available locally. Thus, measures improving employee working conditions as well as productivity-led considerations characterise the bargaining agendas in both *Firma 1* and *Firma 2*.

Collective bargaining is deployed to complement the sector level framework with firm-specific provisions across all four of the manufacturing plants investigated. However, while in the Italian plants the primary aim is to meet the strategic objectives of the headquarters in the region, in the Danish plants collective bargaining is also a way for the unions to take advantage of their prerogatives. It follows that market-led considerations and productivity-led considerations in *Impresa 1* and *Impresa 2* have become prominent in the collective bargaining agenda, whereas in the agreements negotiated in *Firma 1* and *Firma 2* productivity considerations are found together with issues aimed at improving employee working conditions.

Crucially, this analysis demonstrates that the degree of variation across the four manufacturing plants investigated reflects important features of the collective bargaining system in which they are embedded. In particular, by reviewing the six independent variables across the four companies it is shown that:

1. The social partners in *Firma 1* and in *Firma 2* have a higher level of autonomy from the sector level framework than in *Impresa 1* and *Impresa 2*;
2. The sector level framework enables the social partners in *Firma 1* and *Firma 2* to exert their bargaining competences, whereas in *Impresa 1* and *Impresa 2* it limits the role of negotiators;
3. The level of coordination between sector and company level social partners is lower in *Firma 1* and *Firma 2* than in *Impresa 1* and *Impresa 2*;
4. The relationship between managers and shop stewards is characterised by greater depth in *Firma 1* and *Firma 2* than in *Impresa 1* and *Impresa 2*;
5. The autonomy of bargaining actors from the directions of the global headquarters is greater in *Firma 1* and *Firma 2* than in *Impresa 1* and *Impresa 2*;
6. The breadth of bargaining topics as well as the capacity of managers and shop stewards to meet their respective interests via negotiations is wider in *Firma 1* and *Firma 1* than in *Impresa 1* and *Impresa 2*.

In this light it is concluded that a clear *demarcation* of competences between the sector and the company level provides managers and shop stewards in Denmark with a more certain framework of rules to engage in local negotiations than in Italy. In fact, while in *Impresa 1* and *Impresa 2* the sectoral framework is perceived as an element of stability which should not necessarily be modified (or that is difficult to modify– *Impresa 2*), in *Firma 1* and *Firma 2* the sector level framework is seen primarily as a mechanism of procedural flexibility. It follows, first, that while in Italy company level actors feel constrained by the sector level agreement, in Denmark they are empowered by it; and second, that managers and shop stewards in Denmark are more independent bargaining actors than their Italian counterparts.

In addition, it is argued that differences in union density: a) accounts for the greater assistance required by the Italian shop stewards during negotiations than that required by the Danish shop stewards; b) equips the Danish social partners with greater autonomy from the directions of the global headquarters than it does the Italian social partners; c) enables collective bargaining in the Danish subsidiaries to engage with issues that benefit both the employer's and the employees' sides, whereas in Italy it allows HR managers to exploit local imbalances of power to achieve primarily productivity goals; and d) is responsible for the deeper relationship between Danish managers and shop stewards in comparison to their counterparts in Italy.

In other words, the similarities between *Impresa 1* and *Impresa 2*, on the one hand, and *Firma 1* and *Firma 2*, on the other, are due to the different *depth* of the collective bargaining systems in which they are embedded. Significantly, the Danish case-studies confirm that greater *depth* of bargaining in this country is secured through a well-functioning sector level framework and a high union density at the company level. These features provide the social partners with the opportunity to deploy collective bargaining in a way that is beneficial for both sides. By contrast, in *Impresa 1* and *Impresa 2*, where a well-functioning sector level framework exists – but is constrained by other sources of labour market regulation – and union density is relatively low, the agenda of company and plant level social partners is skewed towards productivity and market-led considerations.

Although cross national variations are more pronounced than within country variations, the six substantive variables show that there are some differences also between *Firma 1* and *Firma 2* in Denmark, and between *Impresa 1* and *Impresa 2*, in Italy. First and foremost, while *Firma 1* belongs to the employers' association – DI – *Firma 2* does not. As a result, HR managers in this company are more independent bargaining actors than those in *Firma 1*. It is shown, for example, that: a) if shop stewards agree, they are entitled to deviate from the sector level provisions; b) overall, the industry-wide agreement plays a less influential role for company level bargaining; and c) there is no coordination between HR managers and the employers' association. Second, employee representation in *Firma 2* occurs through the presence of full-time – and highly specialised – shop stewards that require less assistance from sector level unions than their counterparts in *Firma 1*. Finally, while both in *Firma 1* and *Firma 2* HR managers are involved in strategic decision-making, it is only in *Firma 2* that the chair of Klubs (HK-Privat) is a member of the board of directors meaning that the possibility to channel union voice throughout the company is higher than in *Firma 1*. The analysis shows that there is also a certain amount of variation between *Impresa 1* and *Impresa 2* in Italy, with regard to the levels of local actors' autonomy from the global headquarters (variable 5). In particular, HR managers in *Impresa 2* appear to be less independent from the headquarters than in *Impresa 1*. Here the HR directors affirmed that local management has (only) to be *receptive* to the global strategy, while in *Impresa 2* the HR director reported that strategic decisions are made centrally.

To conclude, the above analysis shows that cross country variation in the role of collective bargaining across the four manufacturing plants investigated is more apparent than the within country variation. The main similarities between *Impresa 1* and *Impresa 2*, on the one hand, and *Firma 1* and *Firma 2*, on the other, are ascribed to different depths of the collective bargaining system across the two countries. A clearer sector level framework and a higher union density equip firm level actors in Denmark with wider autonomy than in Italy and also increase their opportunity to take advantage of collective bargaining. At the same time, the analysis shows that because *Firma 2* does not belong to the employers' association HR managers in this company are more independent from the sector level framework than in *Firma 1*. Further, in *Firma 2*, it is demonstrated that shop stewards are more influential than in *Firma 1* as they sit on the company board. As for the Italian subsidiaries a certain degree of variation emerges between the role of HR managers who in *Impresa 2* are shown to be more constrained by the global headquarters than in *Impresa 1*.

9.5 Flexibility and security in company level collective bargaining

This section focuses on the categories of flexibility and security which have entered into company level bargaining across the four manufacturing plants investigated and explores whether the negotiated provisions have enhanced flexibility and security, and if so which forms. The objective is to provide an account of the role of articulation mechanisms – at the interconfederal and sectoral level in Italy and at the sectoral level in Denmark – for the scope of firm level bargaining on issues of flexibility and security. Once the way in which collective bargaining arrangements in Italy and Denmark shape the agenda of company level negotiations on flexibility and security has been established, it will then be possible to see if other factors – alongside with institutions – also play a role. Chapter 8 presented the findings in detail for each of the companies under investigation. For the convenience of the reader a comparative summary is provided in Table 9.3.

Table 9.3: Negotiated flexibility and security in Firma 1 and Firma 2 in Denmark and Impresa 1 and Impresa 2 in Italy

		ITALY		DENMARK	
		Impresa 1	Impresa 2	Firma 1	Firma 2
Pay IT: Demarcation Interconfederal DK: Demarcation Sectoral	Flexibility	Wage	Wage	Wage	Wage
	Security		Job		
Working-Time IT: Delegation Sectoral DK: Demarcation Sectoral	Flexibility	Working-Time	Working-Time	Working-Time Working-Time	Working-Time Working-Time
	Security	Combination	Job Combination	Combination	Combination
Training IT: Delegation Sectoral DK: Demarcation Sectoral	Flexibility	Functional	Functional	Functional	
	Security	Job	Job Income Employment	Employment	Employment
Job Classification IT: Demarcation Interconfederal	Flexibility	Functional	Functional	Not expected	Not expected
	Security	Income	Income	(SL articulation)	(SL articulation)
Provision for Atypical Workers IT: Delegation Sectoral	Flexibility		External	Not expected	Not expected
	Security		Employment Job	(SL articulation)	(SL articulation)
Social Benefits and Entitlements IT: Delegation Sectoral	Flexibility				
	Security	Combination	Combination	Combination Income	Combination Income
Measures for Employment IT: Delegation Sectoral	Flexibility	Not expected	Not expected		
	Security	(unclear articulation low union density)	(unclear articulation low union density)	Income Employment	Job

The categories of *Pay*, *Working-time*, and *Training*, have entered local agreements across all four of the manufacturing plants as a result of the procedural mechanisms – demarcation and/or delegation – provided by the sector level agreements both in Italy and Denmark. The category of *Job-classifications and Provisions for Atypical Workers* are items for negotiation

only in *Impresa 1* and/or *Impresa 2*. In these companies the centralised wage bargaining system obliges local-level social partners to adapt employees' career paths to a remuneration strategy and the sector level agreement provides companies with the option of modifying the percentage of atypical workers through local-level bargaining. In both *Firma 1* and *Firma 2*, these categories were not expected to be part of collective agreements as they have not been the object of articulation at the sector level.

The institutional comparison shows that the two-tier bargaining system featured by the Italian chemical and pharmaceutical sector and the Danish industrial sector enables categories of flexibility and security to enter onto the bargaining agenda across all four manufacturing plants. It does so through mechanisms of procedural flexibility which the research confirms to shape the *content* of company level agreements. Furthermore, the findings demonstrate that, although union density in *Impresa 1* and *Impresa 2* is relatively low – 50 and 30 per cent respectively (see Table 9.2) – social actors have nonetheless engaged with most of the flexibility and security categories that are subject to delegation. It is argued that the high level of *coordination* between union representatives across bargaining levels (variable 3 see section 9.4) partially offsets issues of representation enabling collective bargaining to engage with five out of seven – in *Impresa 1* – and six out of seven – in *Impresa 2* – flexibility and security categories.

Moreover, the analysis confirms that mechanisms of procedural flexibility are not the only factor which determines whether and how flexibility and security enter onto the bargaining agenda at the company level. For example, Table 9.3 shows that the category of *measures for employment* entered into collective bargaining in the two Danish manufacturing plants despite being the object of articulation exclusively in Italy. This finding allows the research to draw two important conclusions. First, as emerged in Chapters 4 and 8, the uncertainty produced by the 2009 interconfederal reform in Italy did reduce the scope of the bargaining agendas of *Impresa 1* and *Impresa 2* over issues of flexibility and security. The category of *measures for employment* was included in the 2012 sectoral agreement specifically with the objective of coping with the dramatic effects of the latest economic crisis. So, further decentralisation, temporary derogations included, was seen as an opportunity for local actors' to enhance employability and competitiveness in the sector. However, the unclear normative framework, coupled with a low level of union representation, discouraged

managers and shop stewards in both *Impresa 1* and *Impresa 2* from taking the opportunity to negotiate further on this category.

Second, where company level actors are confident about the outcomes of their interactions, such as in Denmark, sector level provisions are not always necessary for company level negotiations over flexibility and security to take place. By acting within a clear legal framework and relying on a strong mandate local level social partners – especially unions – feel legitimated in addressing issues that fall outside the direct scope of the sector level agreement. Hence, strengthened by their autonomy, shop stewards in Denmark are also shown to be better equipped than their Italian counterparts to react to unexpected changes in economic conditions. Similar considerations apply to the category of *social benefits and entitlements* that has entered into both *Firma 1* and *Firma 2* collective agreements, despite the lack of procedural mechanisms at the sector level.

Furthermore, the analysis shows that whether company level agreements address primarily one type of flexibility and/or one type of security not only varies across the seven categories but also across the four manufacturing plants under focus. Specifically, those involving provisions on *pay* concern wage flexibility in *Impresa 1*, *Firma 1* and *Firma 2*; and wage flexibility and job security in *Impresa 2*; while those addressing *working-time* involve working-time flexibility in *Firma 1* and *Firma 2*; working time flexibility and combination security in all the plants; and working-time flexibility and job security in *Impresa 2*. Provisions on *training* address functional flexibility and job security in *Impresa 1* and *Impresa 2*; functional flexibility and employment security in *Impresa 2* and *Firma 1*; functional flexibility and income security in *Impresa 2*; and employment security only in *Firma 2*. Provisions on *job classifications* address functional flexibility and income security in *Impresa 1* and *Impresa 2*; whereas *provisions for atypical workers* address external flexibility and employment security and external flexibility and job security in *Impresa 2*. The category of *social benefits and entitlements* addresses combination security in all the four plants and income security only in *Firma 1* and *Firma 2*; while the category of *measures for employment* addresses income and employment security in *Firma 1* and only job security in *Firma 2*.

Crucially, when looking at the nature of flexibility and of security addressed by each of the seven categories across the four companies, the Table suggests that the institutional factor

only partially justifies the common patterns between the two Italian subsidiaries, on the one hand, and the two Danish subsidiaries, on the other. In fact, while the data confirm that articulation mechanisms suggest particular categories to the local level actors for negotiation, it is unclear whether they also account for the types of flexibility and the types of security – and trade-offs between these – that are actually addressed by the collective agreements. As variations emerge across the four manufacturing plants independently from the countries in which they lie, it appears that the nature of flexibility and security as negotiated might be due to other (firm-specific) considerations.

To summarise, this analysis shows that procedural mechanisms governing the relationship between different bargaining levels arrangements do indeed account for the *content* of company level bargaining on flexibility and security. However, it also indicates that Danish local level actors in *Firma 1* and *Firma 2* are able to engage with categories of flexibility and security that are outside the scope of demarcation. In contrast, in Italy, mechanisms meant to enhance decentralisation at the sector level proved to be inadequate in enabling issues of flexibility and security to get onto the bargaining agendas of *Impresa 1* and *Impresa 2*. It can be therefore concluded that, within multi-employers bargaining arrangements, articulation mechanisms are not the only factor shaping the agenda of negotiations over flexibility and security but, as established in the previous section, that the presence of shop stewards also plays a fundamental role. It is confirmed that union density at the company level discourages the social partners in *Impresa 1* and *Impresa 2* from taking their bargaining competences further, whereas, it provides their counterparts in *Firma 1* and *Firma 2* with the confidence they need to negotiate over categories that are not the object of sector level demarcation.

Finally, this analysis shows that by paying attention to collective bargaining arrangements it is possible to explain variations in the way in which flexibility and security enter into company level bargaining across Italy – *Impresa 1* and *Impresa 2* – and Denmark – *Firma 1* and *Firma 2*. However, this approach leaves a gap in our knowledge, since it does not allow the opportunity to determine those factors which the bargaining actors themselves, across the four companies, take into account when defining, in practice, their flexibility and security strategies. The data presented in Chapter 8 suggest that, in order to fill this gap, it is necessary to complement the institutional focus with the observation of firm-specific contingencies. This is the subject of the next section.

9.6 The outcomes of collective bargaining over flexibility and security

This section compares the organisational characteristics of the four multinational companies to which *Impresa 1*, *Impresa 2*, *Firma 1*, and *Firma 2* belong. It does so by examining a series of expectations developed in Chapter 8 regarding the way in which non-institutional variables may influence the nature of flexibility and the nature of security outcomes at the company level. This examination enables RQ2b to be addressed.

Chapter 2 and 8 drew attention to a set of organisational characteristics against which similarities and differences across the four case studies might be explored. It is argued that such characteristics, on the one hand, exert pressures on local management to contain costs by increasing the level of flexibility and, on the other, enable unions to negotiate compensating forms of security through collective bargaining. It is worth stressing that on five of the seven independent variables no substantial differences emerge across the four companies investigated, as this underpins the argument that follows. Before reviewing each of the variables in detail, Table 9.4 summarises the relevant data.

Table 9.4: Companies' organisational characteristics

	Impresa 1	Impresa 2	Firma 1	Firma 2
Degree of Internationalisation	34000 employees in 37 countries High Internationalisation	28000 employees in 17 countries. High Internationalisation	5000 employees in 61 countries High Internationalisation	40000 employees in 75 countries High Internationalisation
Type of integration	Vertical	Vertical	Vertical	Vertical
Product Market	Energy and Chemical	Bio-Tech/Pharma	Pharmaceutical	Pharmaceutical
Competition	Medium-to-low	Medium-to-low	Medium-to-low	Low
Nature of Product Market	Differentiated	Differentiated	Differentiated	Differentiated
Model of Growth	Internal Development	External Development	Predominantly Internal development	Predominantly Internal Development
Nature of Capital	Intensive	Intensive	Intensive	Intensive
Workers Characteristics	Highly-skilled	Highly-skilled	Highly-skilled	Highly-skilled

Degree of Internationalisation: the four manufacturing plants investigated all belong to multinational organisations that show a high degree of internationalisation. The interviews with social partners indicated that the international growth of these companies has produced incentives for global benchmarking which, in turn, has increased cost-efficiency pressures on subsidiaries. Social partners have responded to the challenges deriving from intra-site benchmarking – such as competition for the allocation of internal resources and the threat of relocation – by allowing productivity and market-led considerations onto their bargaining agendas. Such considerations are found to be particularly prominent in *Impresa 1* and *Impresa 2* where flexibility is expected to be an important item for negotiation. In the collective agreements signed in *Firma 1* and *Firma 2* productivity and market-led considerations feature alongside policies to improve working conditions. Here, both flexibility and security are expected to be an outcome of negotiations.

Vertical Integration: the production plants investigated are part of global organisations that are both highly internationalised and vertically integrated. This particular form of international integration has reinforced the strategic interest of the global headquarters in exerting control over the financial performance of their subsidiaries. In particular, the data analysed suggests that cross-site coordination is used by global management to ensure that there is consistency in the way in which the different products are incorporated along the value chain and that such a process occurs in the most effective way. As a result, local HR managers report that they come under significant pressure and that they use policies which enhance flexibility as a measure to reduce costs. It is expected that this flexibility will be achieved by means of collective bargaining across all of the four manufacturing plants that were studied.

Product Market: The degree of international competition to which the four multinationals are exposed is relatively low because they have all gained a leading position in their respective product markets. Given this, global management has become less preoccupied with imposing common work patterns across the respective production sites. The four case studies indicate that, while financial targets are, to different degrees, set by the headquarters (in *Firma 1* and *Firma 2* social partners participate in decision making), local HR managers have retained a certain amount of autonomy in choosing how these targets can be met and they have done so by means of collective bargaining. In this light, flexibility is likely to be used by local managers to control cost-efficiency pressures. Flexibility, however, is not expected to be

implemented through a top-down approach but negotiated with the shop stewards who, as a result, may leverage on institutional resources to shape compensating forms of security. Given the relatively low level of international competition faced by *Firma 2*, here flexibility is expected to have a less constraining effect on the bargaining agenda than in the other companies, allowing shop stewards (also) to enhance security independently from HR managers' requests for flexibility.

Nature of Product Market: low international competition is not the only factor increasing the unions' ability to enhance security in exchange for concessions on flexibility. By increasing the autonomy of local level actors, the highly differentiated product portfolio characteristic of the four multinationals is found to be relevant too. In particular, it emerges that product differentiation constrains the effects of intra-site competition – and by implication relocation threats as well – so that HR managers at plant level have more leverage to regulate flexibility on the base of local power contingencies. Indeed, interviews revealed that the four global headquarters are more concerned with financial results than the way in which the production processes are organised. In this context, unions are likely to use collective bargaining to accommodate HR managers' requests for flexibility in exchange for different forms of security. Further, the more specialised the manufacturing production processes are, the less likely is the expected level of intra-site competition. It can, therefore, be inferred that the capacity of shop stewards to exploit their bargaining power for enhancing security is likely to vary across the four cases. However, this study has involved only one production plant within the four multinationals' value chains. Therefore, it is not possible to compare the degree to which intra-site benchmarking conditions the strategies of local actors in each plant. The nature of the data only allows us to establish that products are differentiated and it is difficult to transfer technologies across, and that these characteristics have provided *Firma 1*, *Firma 2*, *Impresa 1* and *Impresa 2* with significant competitive advantage (see Chapter 8). In addition, due to the fact that in *Firma 2* most of production occurs in Denmark, and that 99 per cent of products are sold in the global market, intra-site competition in this company is expected to be significantly lower than in the other three plants.

Model of Growth: *Impresa 1*, *Firma 1* and *Firma 2* belong to international organisations whose model of growth is based predominantly on internal development. *Firma 1* and *Firma 2* also engage with a partial integration model (only in emerging national economies) to reduce the risk of their highly specialised research and development portfolios. This

organisational strategy enables the three multinationals to set long-term financial targets which at plant level are found to favour continuous production processes and reduce threats of relocation. By contrast, external development exposes *Impresa 2* to both peaks in production and high(er) risks of relocation. Thus, flexibility in *Impresa 2* might have a more stringent character than in *Impresa 1*, *Firma 1* and *Firma 2* forcing local management to gain concessions from the unions by means of collective bargaining. Since the possibility of the unions gaining security independently from managers' requests for flexibility may be relatively low in this context, negotiations in *Impresa 2* are likely to lead to a wider variety of flexibility and security trade-offs than in the other companies.

Intensive Nature of Capital: interviews with the social partners indicated that the highly intensive nature of capital characterising the four multinationals under focus reduces pressures on labour costs which, at the plant level, are perceived as relatively low. As a result, the risk of relocation does not produce a sufficiently threatening effect to erode the capacity of collective negotiations to play a strategic role. Productivity and profitability issues are relevant in the bargaining agenda across all four of the manufacturing plants investigated. Yet, in *Impresa 1* and *Impresa 2* such issues are more pronounced than in *Firma 1* and *Firma 2* suggesting that, in the two Italian subsidiaries, HR managers come under relatively higher cost-efficiency pressures. However, due to the low share of labour costs in the production processes, shop stewards are expected to retain the capacity to participate in the definition of viable compromises between flexibility and security in all the sites investigated.

Highly Skilled Workforce: Since they impose limits to the cross border transferability of knowledge and technologies, high-skill requirements are also found to reduce the risk of relocation in each of the four subsidiaries observed. While driven by cost-efficiency considerations, these organisations have nonetheless developed an interest in the specialisation of each production plant which is demonstrated by the consistent investment made by *Impresa 1*, *Impresa 2*, *Firma 1*, and *Firma 2* in new technologies and training. In particular, the four case studies demonstrate that besides containing threats of relocation, significant up-front investments in skills development produces incentives for local HR managers, first, to retain employees and, second, to use collective bargaining as a means to both enhance flexibility and meet employees' expectations. Given the different levels of specialisation and the complexity of their production processes, the skill mix is not the same in all plants. For example, in Denmark, *Firma 1* and *Firma 2* have their own packaging

divisions in-house and primarily semi-skilled blue collar workers are deployed. However, even in these companies the overall tendency is towards skill intensive environments, as demonstrated by the strong influence in collective bargaining of lab-technicians – despite HK-Privat featuring relatively low union density in both firms (see section 8.4.1 and section 8.5.1). In light of the high level of skills required by the production processes, shop stewards are expected to have significant bargaining power to improve the dimension of security in all four plants.

By comparing the different forms of flexibility and security enhanced through collective bargaining across the four manufacturing divisions, (Table 9.5) it is possible to observe the extent to which the above variables might account for the outcomes of negotiations.

Table 9.5: Outcomes of company level collective bargaining on flexibility and security

	Flexibility	Security	Flexibility & Security
Impresa1	Wage (2015-2002) WorkTime (2015- 2010)	Combination (2015-2005)	WorkTime-Combination (2013; 2014-2010) Functional-Job (2011; 2007) Functional-Income (2011;2007)
Impresa2	Wage (2012-2002) WorkTime (2012-2002)	Employment (2003)	Wage-Job (2005; 2001) WorkTime-Job (2012-2005) WorkTime-Combination (2008-2001) Functional-Job (2004-2011) Functional-Income (2001-2008) Functional-Employment (2008; 2009; 2011) External-Job (2002-2009)
Firma 1	Wage (2012-2004) WorkTime (2004; 2007)	Combination (2004) Employment (2010; 2014) Income (2010)	WorkTime-Combination (2010) Functional-Employment (2007-2010)
Firma 2	Wage (2002-2013) WorkTime (2000; 2004; 2007; 2007)	Employment (2012) Combination 2000; 2002; 2005; 2012) Income (2012) Job (2004)	WorkTime-Combination (2012)

In particular, it has been contended in Chapter 2 and 8 that the role of firm-specific variables is to shape the opportunities available to local actors to negotiate flexibility and security outcomes, and condition how far these outcomes are balanced or imbalanced. Crucially, Table 9.5 shows that flexibility and security trade-offs occur across all the four subsidiaries observed. Moreover, by analysing this finding in light of the data presented in Chapter 8 (see Tables 8.1, 2, 3, 4) it is possible to establish that all these trade-offs are *balanced* (see Chapter 2).

- Working-time flexibility and combination security: This typology of trade-offs is an outcome of negotiations in all four companies. In *Impresa 1*, *Impresa 2*, and *Firma 1*, it is fostered by provisions allowing workers to accumulate over-time (or on call-shifts) in exchange for either additional annual holiday and/or personal time-off (as an alternative to monetary compensation); whereas in *Firma 2* it is enhanced through forms of part-time work enabling employees to reconcile their job with unexpected family/personal duties. Since both sides of the negotiating table benefit in equal measure from the compromise reached, this trade-off between flexibility and security is interpreted as balanced.
- Functional flexibility and job security: This typology of trade-off is an outcome of negotiations in *Impresa 1* and *Impresa 2* where employee up-skilling and re-skilling represents a way for the company to rely on a multi-functional workforce (*Impresa 1*) and avoid peaks in production leading to collective dismissals (*Impresa 2*). Since the two organisations gain in productivity but, at the same time, employees obtain long-term job security, the negotiated flexibility and security trade-off is interpreted as *balanced*.
- Functional flexibility and income security: This typology of trade-off is an outcome of negotiations only in *Impresa 1* and *Impresa 2* where, as a result of demarcation at the interconfederal level, any change in employee classifications has to correspond to different salary conditions. Thus, by adapting skills with productivity requirements, HR managers enhance flexibility, whereas shop stewards automatically improve income security. The result in this case is also a *balanced* trade-off.
- Wage flexibility and job security: This typology of trade-off is an outcome of negotiations only in *Impresa 2* where, in order to cope with cost efficiency pressures, during the Network-Project (see section 8.3) the social partners used their cooperative relationship to negotiate a series of provisions allowing the production plant to attract long-term investments. For example, they agreed on an entry-level salary reflecting the minimum set forth by the sector level agreement in order to increase the headcount – yet, within three years all workers obtained the same entitlements. In this case the shared solution takes the form of a high benefit low sacrifice compromise resulting too in a *balanced* trade-off.
- Working-time flexibility and Job security: This typology of trade-off is an outcome of negotiation in *Impresa 2* where social partners agreed on forms of flexi-time (both

reducing and increasing working-time) in order to retain skills and avoid peaks in production resulting in collective dismissals. By so doing HR managers have gained flexibility, whereas unions have secured long-term job security. The result is a *balanced* trade-off.

- Functional flexibility and Employment security: This typology of trade-off is an outcome of negotiations both in *Impresa 2* and *Firma 1*. In *Impresa 2* it is achieved by using the resources of an interconfederal fund (*Fondo Impresa*) to train permanent and temporary workers. While fostering job rotation in-house (functional flexibility), such provision also enhances workers' employability in the external labour market, thereby leading to a *balanced* flexibility and security trade-off. In *Firma 1* under the risk of closure of the packaging division (see section 8.3), HR managers improved levels of functional flexibility through training provision, whereas shop stewards obtained the certification of the new skills as a means to increase the level of employability of those who could lose their jobs. In so doing, the social partners have achieved *balanced* flexibility and security trade-offs in both plants.
- External flexibility and job security: This typology of trade-off is an outcome of negotiation only in *Impresa 2* where in order to cope with peaks in production HR managers and shop stewards have negotiated a series of provisions. For example, one establishes that a large number of workers can be temporary, however, shop stewards need to monitor that a certain percentage of them is, over the year, hired with a permanent contract. Another provision establishes that new production lines are started by agency workers (until commissions become stable) in order to protect the level of job security of the core employees. While increasing external flexibility such measures simultaneously address long term job security leading to *balanced* flexibility and security trade-offs.

In addition, Table 9.5 shows that *Impresa 2* and *Firma 2* feature the widest and the narrowest varieties of flexibility and security trade-offs respectively. Further, the table shows that trade-offs between flexibility and security are not the only outcomes of negotiations. Collective bargaining also addresses only flexibility and only security. In particular, while collective agreements enhance the same forms of flexibility – *wage* and *working-time* – across *Impresa 1*, *Impresa 2*, *Firma 1*, and *Firma 2*, the scope for security appears to be wider in the Danish

subsidiaries – *Firma 1 and Firma 2* – in comparison to the Italian ones – *Impresa 1 and Impresa 2*.

Thus, when looking at the relationship between firm-specific variables and the outcomes of collective bargaining over flexibility and security across the four production plants investigated, four relevant findings emerge. First, a *high degree of internationalisation and vertical integration* push issues of flexibility onto the collective bargaining agenda. In particular, by increasing the incentives of the global headquarters to engage in benchmarking, these characteristics exert pressures on local HR managers to control costs through the implementation of different forms of flexibility. Second, *medium to low international competition, differentiated products, the intensive nature of capital, and high skills requirements* enhance the security dimension. By limiting the interest of global management in injecting flexibility through a top-down approach and containing the risk of relocation, they allow local HR managers to shape their own flexibility strategies according to local resources and balances/imbances of power. Given this favourable context, shop stewards retain scope to leverage on institutional resources, such as collective bargaining, in order to exchange such flexibility with compensating forms of security.

The third finding is that the greater the global headquarters' requests for flexibility are, the wider is the variety of flexibility and security trade-offs negotiated at plant level. For example, the data show that *external development* in *Impresa 2* increased pressures on local HR managers to introduce cost-efficiency measures and, by implication, also increased their opportunities to obtain concessions from the unions. This led to the social partners negotiating a variety of flexibility and security trade-offs. In contrast, by strengthening the shop stewards' bargaining power low levels of *international competition* in *Firma 2* reduced the possibility of security being traded against flexibility. This explains why *Impresa 2* and *Firma 2* feature the widest and the narrowest variety of flexibility and security trade-offs respectively.

Finally, this cross company comparison demonstrates that although featuring similar firm-specific characteristics, the scope for security in *Firma 1* and *Firma 2* is still wider than in *Impresa 1* and *Impresa 2*. The two Danish case studies, therefore, suggest that institutional factors partly explain the extent to which plant level actors can engage with issues of flexibility and security. As argued earlier, a strong presence of shop stewards and a clear

framework of rules for company level negotiations limit the ability of global management to exploit local imbalances of power, so that unions can (also) gain security independently from management requests for flexibility.

9.7 Discussion

Consistent with Marginson and Galetto's study (2015), the present comparative analysis shows that similar collective bargaining arrangements at the sector level limit the scope of cross-national variation in the way in which items of flexibility and security enter onto the firm level bargaining agenda. In particular, this study confirms that the configuration of the chemical and pharmaceutical sector in Italy and the industrial sector in Denmark enables and constrains company level bargaining over issues of flexibility and security. It does so by providing a series of procedural mechanisms – demarcation and/or delegation – that shape the content of local level agreements across the four manufacturing plants investigated. Yet, the company-focus complements this analysis by showing that the procedural flexibility enhanced by the sector level framework is not the only factor that matters. The fact that certain categories fostering flexibility and security are the object of decentralisation mechanisms – such as *demarcation* in Denmark and *delegation* in Italy – does not ensure that they find their way onto the company level agenda. Indeed, sectoral arrangements interact with both macro-institutional features and local issues of power providing company level actors with different opportunities across countries.

For example, the present analysis shows that in Italy categories that are covered by delegation do not necessarily enter onto the agenda of local negotiators. By contrast, in Denmark, categories that are not subject to demarcation can be found in company level agreements. The reason for this is found in the varying amounts of autonomy that local actors have across these two countries, which can be explained in two different ways. First of all, in Italy, sector level social partners do not play the same key role as in Denmark in the regulation of the labour market. In contrast to their Danish counterparts they act in a context where legal intervention is high and they are not the only ones defining the scope for company level negotiations. The confederal level, through *demarcation*, also plays an important role. Crucially, the interference of different sources of labour market regulation in Italy produces uncertainty over the competences of firm level negotiations. As a result managers and shop stewards are reluctant to enact the procedural flexibility provided by the sector. In Denmark, where there are clear articulation mechanisms between the sector and the company level, on

the one side, and the lack of legal regulation, on the other, company level actors are empowered to push their bargaining role further.

Second, the Danish collective bargaining system is characterised by greater *depth* than the Italian system, meaning that company level bargaining in Denmark has always played a more strategic role than in Italy. Furthermore, consistent with Ilsøe's findings (2012), this study demonstrates that in Denmark high union density at the local level favours the development of trust-based relationships between managers and shop stewards thereby increasing opportunities for viable compromises between local parties. A high degree of union representation, in particular, provides shop stewards with the confidence to improve on the conditions set forth at the sector level. As a result, not only do they feel legitimated to engage with the competences that are subject to demarcation but also to embrace items that go beyond this scope. At the same time, by trusting their ability to represent the workforce, management develop an interest in negotiating with the shop stewards who are assumed to guarantee the successful implementation of the agreements.

Further, although differences are more apparent *across* than *within* the two countries, this study demonstrates that a certain degree of variation also emerges between the companies that are embedded in the same institutional context. Specifically, it is shown that in Denmark the autonomy of HR managers from sector level bargaining arrangements is greater in the manufacturing plant that is not affiliated to the employers' association. Here, a strong presence of shop stewards has nonetheless produced incentives to first, sign the accession agreement, and then develop a well-functioning framework of industrial relations, *de facto* bridging the institutional divide between the two companies. As for the Italian subsidiaries, HR managers are more constrained by the directions of international management in *Impresa 2*, where there is lower union density, than in *Impresa 1*, confirming that when shop stewards are weaker the headquarters retains more capacity to leverage on local imbalances of power, to impose rather than tailor, its global strategy.

Thus, the present comparative analysis shows that flexibility and security enter into company level bargaining in Italy and Denmark as a result of both the procedural flexibility provided by the *sector level framework* and the *autonomy* of local level actors. The former suggests categories for negotiations and the latter ensures that such categories enter into firm level bargaining. In addition, the Danish cases show that the way in which bargaining

arrangements interact with national institutional features on the one hand, and local power relations on the other, provides further opportunities to company level actors, for example, the capacity to increase the scope for security in collective agreements.

Moreover, in line with Pulignano and Keune's (2015) findings, this study confirms that the degree of cross-company variation in the types of flexibility and the types of security negotiated depend on firm-specific characteristics. These help to shape the extent to which local bargaining actors can leverage on institutional resources in a strategic way. Exploring issues of flexibility and security in the metalworking sector, Pulignano *et al.* (2015) found out that there was a correlation between two non-institutional variables – *intensity of market competition* and *level of cross-border integration* – and the capability of unions to participate in the definition of companies' flexibility and security strategies. By observing collective agreements across companies featuring different organisational structures, she identified two typologies of compromise between parties: *balanced* and *unbalanced* flexibility and security trade-offs.

This thesis (Chapter 2) operationalises the findings from Pulignano *et al.* (2015) using Walton and McKersie's (1979) framework to suggest that balanced trade-offs can occur when as a result of collective bargaining involving flexibility and security both social partners gain – and or lose – in equal measure. Conversely, unbalanced trade-offs occur if as a result of collective bargaining involving flexibility and security one social partner's gains substantially exceed those of the other party.

In this regard, Pulignano *et al.* (2015) argue that in the presence of low market competition and high vertical integration – both in case of homogenous product and low skills or in case of differentiated product and high skills – companies are likely to undergo significant cost-efficiency pressures. Nonetheless, actors at the plant level are in a position to use collective bargaining as a means to exchange flexibility with long-term forms of security. These findings are corroborated by the present comparison involving four chemicals and pharmaceutical companies that all feature *vertical integration* and relatively *low market competition*. Collective bargaining in these companies was found to lead to a variety of compromises between flexibility and security that are consistent with the definition of *balanced* trade-offs

Thus, Pulignano *et al.*'s findings (2015) in the metalworking sector and the present study in the chemical and pharmaceutical sector show that the ability of company level bargaining to engage with issues of flexibility and security is to a large extent dependent on non-institutional factors. Such factors have been proven to provide actors within subsidiaries with the opportunity to implement the global headquarters' directions by means of collective bargaining. In addition, this research demonstrates that when high vertical integration is coupled with low market competition, global management does not develop the incentive to impose common organisational strategies. Constrained only by financial targets, local HR managers retain the scope to control costs by accounting for local patterns of power. It follows that in subsidiaries where unions are strong, first, the capability of the global headquarters to exploit local imbalances of power are relatively lower. Second, shop stewards gain more leverage to use institutional resources in a strategic way. Indeed, the four cases studies show that flexibility and security trade-offs are not the only outcomes of negotiations. All the subsidiaries investigated also engaged with categories that address only flexibility – in particular wage and working-time flexibility. As for security, this dimension is shown to be more prominent within Danish collective agreements than in the Italian ones.

One could conclude that in contrast to Pulignano and Keune's (2015) findings, the institutional dimension – union density at the company level – does indeed play a fundamental role. However, due to the fact that the multinational companies, to which the Danish subsidiaries observed belong, are both headquartered in Denmark, there could also be an argument for a country of origin effect (Ferner *et al.*, 2006).

9.8 Conclusion

The main objective of this chapter was to address the second set of research questions raised by the present comparative analysis. By complementing the sector level focus with the outcomes of collective bargaining across four companies in Italy and Denmark, a series of important findings have emerged.

First, articulation mechanisms set in place to govern the relationship between bargaining levels account only partially for the varying extent of the company level bargaining agenda across different countries. Other institutional features, in particular, the autonomy of the social partners and the presence of shop stewards at the firm level are shown to be equally significant. In Denmark, such features persuade shop stewards to engage with competences

that are not the object of demarcation, whereas, in Italy, they reduce the social partners' ability to enact the procedural flexibility offered by the sector level framework. As result company level bargaining plays a different role across the two countries. In Denmark, it covers measures that are able to boost productivity as well as to improve working conditions. In contrast, in Italy, collective bargaining is deployed primarily as a means to enhance productivity and cope with market competition.

Second, this chapter shows that the agenda of company level bargaining is more likely to vary across than within countries. This notwithstanding, company level social partners who are embedded in the same institutional context can exhibit different degrees of autonomy. Because one of the two Danish firms does not belong to the employers' organisation, a certain degree of within country variation has been found in the level of HR managers' autonomy from the sector level framework. By contrast, in Italy, within country variation emerges in the degree of HR managers' autonomy from the directions of their global headquarters. It has been argued that in the Italian company, with lower union density, global management is in a position to leverage on local power imbalances towards the unilateral implementation of the global decisions.

Third, the two-tier bargaining system featured by the chemical and pharmaceutical sector in Italy and the industrial sector in Denmark enables flexibility and security categories to enter onto the bargaining agenda across all the companies investigated. It does so through mechanisms of procedural flexibility – demarcation, in Denmark, and delegation, in Italy – that are confirmed to shape the content of company level agreements. In addition, the study shows that in Denmark local level actors are able to engage with categories of flexibility and security that go beyond the scope of demarcation, whereas in Italy, local actors are not able to enact all the substantive categories that are the subject of sector level delegation. It is, therefore, confirmed that, despite being important, articulation mechanisms are not the only factor that conditions the way in which firm level bargaining addresses flexibility and security. The strength of the social partners at the company level also plays a fundamental role.

Fourth, whether company level agreements address primarily one type of flexibility and/or one type of security varies both across countries and companies, suggesting that the focus on institutional arrangements is not sufficient to explain patterns across cases. Indeed although

suggesting categories for negotiations, institutions do not entirely determine how local actors shape the nature of flexibility and security negotiated within companies. It is argued that it is primarily firm-specific contingences that provide local level actors with the opportunity to use collective bargaining in a strategic way, thereby leading to different flexibility and security outcomes across companies. In particular, when looking at the relationship between each multinational's structure and the outcomes of the agreements over flexibility and security a relevant finding emerge. A high *degree of internationalisation* and *vertical integration* exert pressures on local HR managers to control costs by injecting flexibility via collective bargaining, whereas medium-to-low levels of *international competition*, *differentiated products*, *intensive nature of capital*, and *high skills requirements* strengthen the unions' bargaining power towards the negotiation of compensating forms of security. The result is balanced trade-offs between flexibility and security because thanks to their interaction local actors are able to both secure positive outcomes.

Finally, this chapter shows that although sharing similar organisational characteristics, the scope for security in the two Danish firms is wider than in the two Italian firms. It is concluded that in the presence of these situational contingences, institutional arrangements are nonetheless also able to make a difference. Thus, a strong presence of shop stewards and a clear framework of rules at the firm level are shown to reduce the possibility of global management exploiting local power imbalances, so that unions can make gains on security independently from management requests for flexibility.

Chapter 10: Conclusion

This thesis has focused on the role of collective bargaining in shaping policies on flexibility and security at sector level in three countries – Italy, Denmark, and the UK – and at company level in two of them - Italy and Denmark. The sector that was chosen for analysis is the chemical and pharmaceutical sector, a solid manufacturing industry exposed to international competition and characterised by a long tradition of collaboration between the social partners.

The increasing attention given at EU level to policies that promise to achieve greater flexibility while protecting the level of security for the workforce, and the ineffectiveness of the Member States to fully embrace such a policy paradigm, have required the academic debate on flexicurity to look beyond public policies and legal regulation, to other sources of flexibility and security for the labour market. The contribution of the present thesis lies within this debate, demonstrating that collective bargaining, not only at the sector but also at the company level, exerts this important function.

In particular, the research enlarged the scope of comparative analysis beyond the national level. By explaining differences and similarities in the role of collective bargaining in addressing flexibility and security both across countries and across companies within one sector of economic activity, this research first shed light on issues of heterogeneity within the boundaries of the same institutions and widened the scope of the investigation to the structures framing local bargaining. This novel approach, applied to Italy and Denmark, produced a key finding: at company level, the capacity of collective bargaining to engage with issues of flexibility and security – and the nature of trade-offs between these – depends on both institutional and non-institutional variables. Second, the choice of comparing three countries – Italy, Denmark, and the UK – reflecting different industrial relations frameworks, enabled a comparison of the social partners' postures when facing similar constraining pressures, such as the employers' search for greater flexibility and collective bargaining decentralisation.

Because the objective of this comparative analysis was to observe both the role of institutions and the strategy of the actors involved with them, qualitative research methods were called

for. Indeed the actor-centred approach to institutions allowed this thesis to explore power relations, as well as the specificities of the social, historical and political environments in which such relations are produced and re-produced over time. As these are variables that are not easy to grasp through quantitative measurements, the research was undertaken through content analysis of existent documents and in-depth semi-structured interviews.

10.1 The contribution to the literature

The research recast some elements of the old debate on flexibility and confirmed that industrial relations arrangements, in particular collective bargaining at the sector level, can act as ‘beneficial constraints’ (Streeck, 1988) because they provide company level social partners with the procedural security they need to adapt to growing (and contingent) demands for flexibility. As explained in Chapter 2, flexibility has become an inescapable feature of labour markets since the 1980s when a series of important developments started to undermine the traditional employment relationship (Supiot, 2000). Employers responded by showing an increasing intolerance of centralised systems of regulation and pushed towards the decentralisation of negotiations and decisions. Although inadequately conceptualised (Pollert, 1991) and prone to conflicting interpretations (Elger, 1987), the notion of flexibility has nonetheless exerted a strong ideological influence at both academic and policy levels resulting in an increasing polarisation between the neo-liberal and neo-corporatist approaches to labour market regulation. After arguing for the inexorable character of the phenomenon, Streeck (1988) analysed the different – and potentially opposing – dimensions of flexibility in light of the contrast between status (neo-corporatist) and contract (neo-liberal) perspectives to suggest that they are not always mutually exclusive. According to his view, a flexible system of employment relations can make the most of the ‘two worlds’ (Streeck 1987:295) thereby fostering forms of flexibility that are likely to reconcile the interests of both employers and employees.

By analysing bargaining arrangements across different national contexts and, in particular, by focusing on the coordinating role of sector level institutions for company level negotiations, this thesis provides empirical evidence to support Streeck's argument. Crucially, it shows that when bargaining institutions are in place at the sector level and provide procedurally secure mechanisms for lower bargaining levels, the social partners are in a better position to adjust to employers’ requests for flexibility and, at the same time, recognise different forms of

security for the workforce. Further, the Italian and Danish cases show that industrial relations institutions interact at the macro-level with national institutional features and at the micro level with companies' organisational features. Thus, the effectiveness of the social partners in balancing flexibility and security – and the resources available to them – depends, first, on the role played by concurrent sources of labour market regulation, namely the law and the social welfare, and second, on non-institutional and more contingent variables. In contrast, in the UK, where sector level bargaining is no longer in place and informal social dialogue does not act as a functional equivalent to formal collective bargaining, negotiating strategies are conditioned primarily by firm level characteristics. Within this context it is expected that actors will be more likely to be exposed to flexibility pressures and local power (im)balances. The only way to substantiate these expectations and to shed further light on the fundamental role of sector level bargaining arrangements would have been to observe the outcomes of negotiations at company level. However, despite considerable efforts to obtain access at company level in the UK (see Chapter 3) it was not possible to pursue this objective, which is thus left open for future research.

This thesis has argued that Streeck's attempt to bridge the neo-liberal and neo-corporatist perspectives through the notion of 'beneficial constraint' is consistent with a more recent approach to labour market regulation known in the literature as 'flexicurity'. They both share the assumption that it is possible to reconcile strong demands for greater flexibility with equally strong demands for security. Advocated by the academic community, the flexicurity agenda in the early 2000s has been placed at the core of EU employment strategy. Ten years on, however, this agenda has proven to be too 'elusive' (Heyes, 2011) to be adequately implemented; as a result the concept has become subject to increasing critiques. The one that is most relevant to this thesis contends that the exclusive focus on national level interventions has obscured other potential sources of flexibility and security for the labour market and thus severely restricted flexicurity research (Burroni and Keune, 2011). By demonstrating that collective bargaining both at the sector and the company level addresses issues of flexibility and security and leads to a variety of trade-offs between them, the present study confirms that the flexicurity debate should enlarge its scope of analysis to sub-national institutional arrangements and provide a more thorough account of the structures and the actors that are likely to play this fundamental role. In keeping with Streeck's work, this study also shows that the flexicurity debate has overlooked another form of security: the procedural security

that a well-functioning multi-employer system provides for subsequent company negotiations.

Moreover, by focusing exclusively on collective bargaining, this thesis responded to the challenge of offering a clearer account of the context within which the notion of flexicurity is deployed (Burroni and Keune, 2011). In order to do so, the research utilised the theoretical framework proposed by Wilthagen and Tros (2004) – and applied to the Danish case by Madsen (2008) – who describe flexibility and security as multidimensional concepts. Accordingly, four different forms of flexibility and security were taken into account, together leading to sixteen potential flexibility and security trade-offs (Wilthagen and Tros, 2004). Further, because scholars have established that the notion of trade-off is subject to a double interpretation (Leschke *et al.*, 2006; Ibsen and Mailand, 2011) this thesis called for a more integrated and systematic framework of analysis. To this end an analytical approach was developed drawing on the work of Walton and McKersie (1965) and Pulignano *et al.* (2015) according to which two categories of trade-offs can be applied to the outcomes of collective bargaining. These trade-offs can be described as follows:

- **Balanced:** if as a result of collective bargaining involving flexibility and security both social partners gain – and/or lose – in equal measure.
- **Unbalanced:** if as result of collective bargaining involving flexibility and security one social partners' gains exceed those of the other party.

In line with the terminology used by Walton and McKersie (1965), the analysis shows that on issues of flexibility and security there is *integrative* potential and that bargaining actors have adjustment capacities both at the sector and at the company level. At the sector level the extent to which employers and labour organisations are able to meet each other's expectations are shaped primarily by the interaction between sector level institutions and macro-institutional features, whereas at the company level the social partners' responses depend, in addition, on organisational structures. It was found, in particular, that there is a correlation between organisational structures and the adjustment capacities of bargaining actors, meaning that at the company level the *nature* of trade-offs negotiated (balanced vs unbalanced) is largely due to local contingencies and balances of power. This finding is consistent with the contention of Pulignano and Keune (2015) that companies can be seen as

spaces in which actors engage in ‘institutional entrepreneurship’ and ‘recombinant governance’ (Crouch, 2005). Indeed, it is at this level that many of the decisions at the core of the flexicurity debate are made – flexible pay, working-time, training, use of atypical contracts, social benefits to name but a few – and that the bargaining agenda is conditioned by the autonomy of the social partners as well as their willingness to find common ground for compromise.

10.2 The focus on collective bargaining and research questions

The objective set out in Chapter 2 was to explore two different streams of literature while highlighting their elements of interaction. Representing the fields of investigation from which the research questions set out below have been derived, each stream will be individually reviewed.

Q1a. To what extent and how do sector level collective bargaining and social dialogue in different countries address issues of flexibility and security?

Q1b. To what extent and how do sector level bargaining arrangements in different countries influence the way in which flexibility and security enter company level bargaining agendas? What are the implications for the actors involved?

Q2a. To what extent does the interplay between collective bargaining arrangements at the sector and the company levels affect the nature of flexibility and the nature of security outcomes?

Q2b. To what extent do firm-specific characteristics – such as market competition and organisational structure – affect the nature of flexibility and of security outcomes? What are the implications in terms of the nature of negotiated trade-offs?

10.2.1 The role of sector level collective bargaining over issues of flexibility and security

The literature on the role of sector level collective bargaining (Ibsen and Mailand, 2011; Marginson and Galetto, 2015) was explored first in order to call attention to a research area that comparative analysis has only marginally explored: the role of collective bargaining at the company level. More specifically, this analytical step allowed the formulation of a series

of expectations about the coordinating role of collective bargaining and social dialogue – in Italy, Denmark, and the UK – for company level negotiations.

By drawing on Ibsen and Mailand's findings (2011) on the 'missing link' between collective bargaining and flexicurity it was possible to look at sector level bargaining as a separate institutional forum where social partners, through constant interaction, both enhance flexibility and security and find compromises that can benefit employers and employees alike. Furthermore, this thesis has enlarged the debate in two ways, first, by examining the influence that national level institutions – the law and the social welfare provision – exert on sector level bargaining. In this regard, it was proposed that in countries in which labour law is more developed, collective bargaining and social dialogue engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility (external flexibility). In contrast, where social welfare is more developed, collective bargaining and social dialogue engage more with flexibility and less with security, because the security dimension is already covered by the state. Second, the thesis also examined the role that sector level institutions play at lower bargaining levels. On this subject, the most original contribution was found in the work of Marginson and Galetto (2015) which covered exclusively institutional configurations. In keeping with their findings it was proposed that employers and unions are more likely to develop shared understandings of what flexibility and security mean and what forms of flexibility and security are appropriate to explore, where their relationship is more securely institutionalised under the presence of sector level bargaining. Moreover, when articulation mechanisms govern the relationship between bargaining levels not only are issues of flexibility and security more likely to be negotiated at the company level but company level agreements are also more likely to be characterised by a relatively low degree of heterogeneity since actors can only negotiate within the constraints provided by the sector. However, the present analysis went beyond institutions to also observe the role of actors. In doing so it confirmed that the presence of unions at the company level, along with the degree of trust between parties, increase the social partners' opportunities to exploit integrative potential (Ilsoe, 2012) and this analysis thus offers a more encompassing explanation of the factors that condition the agenda of sector and firm level negotiations across countries.

10.2.2 The role of firm level collective bargaining over issues of flexibility and security

The second stream of literature relates to the role of non-institutional factors for the outcomes of company level negotiations on flexibility and security. Given the international nature of the sector considered – the chemical and the pharmaceutical sector – an important focus of analysis was centred upon collective bargaining within multinationals. By looking at existing research findings a series of relevant variables were identified and used to undertake a further – and complementary – analytical step (which involved only the two countries with multi-employer arrangements: Italy and Denmark). Drawing on the findings of Pulignano and Keune (2015) the variables that were identified are the intensity of *market competition* and the *level of vertical integration* and they were predicted to influence the nature of flexibility and security trade-offs in four different ways (See 2.4). Moreover, Marginson and Arrowsmith (2006) showed that the degree to which product markets are international in scope and production sites are internationally integrated produce incentives for multinationals to develop global HR strategies. Because the internationalisation of HR practices has been found to exert pressures on local management to control costs through flexibility (Marginson and Arrowsmith, 2006) this thesis proposed that the internationalisation of HR practices can also reduce the scope for unions to negotiate compensatory forms of security. Finally, Meardi *et al.* (2009) show that *relocation threats* induce cost reduction and foster efficiency enhancing changes to the detriment of concession bargaining, therefore it was proposed that such threats are likely to increase subsidiaries' demands for flexibility and, at the same time, negatively influence unions' structural power in trade-offs between flexibility and security.

Crucially, these two different and interrelated streams of research have set the context for a multi-level study in which companies were compared within their sectoral context and sectors were compared within their national contexts. The main contribution of this approach is to show that, in order to explain cross country differences and similarities in the outcomes of firm level bargaining over issues of flexibility and security, both institutional and non-institutional variables need to be simultaneously considered. In particular, the findings in this thesis, which augment those of Marginson and Galetto (2015), show that it is not sufficient to look at articulation mechanisms to predict whether social partners within companies will engage with issues of flexibility and security. The autonomy of local HR managers from the global headquarters and the strength of shop stewards within subsidiaries are shown to be equally relevant factors. They provide firm level actors with confidence so that they can take

advantage of institutional resources and then negotiate agreements that serve both parties' interests. Moreover, while confirming that high levels of vertical integration and relatively low levels of global competition foster the possibility for balanced trade-offs within subsidiaries (Pulignano and Keune, 2015), this thesis demonstrates that in a country where *the depth of bargaining* is low – such as Italy – the global headquarters is in a better position to exploit local imbalances of power. It follows that in this country market and productivity-led considerations tend to sit at the top of the bargaining agenda. In contrast, in Denmark, where not only is there a greater *depth of bargaining*, but articulation between bargaining levels is also clearer than in Italy, measures improving working conditions are found to be as prominent as productivity enhancing measures. Although integrated in similarly structured multinationals, in Denmark, local HR managers are shown to be more independent from the global headquarters than in Italy, while unions have greater capacities than their Italian counterparts to leverage on institutional resources in a strategic way. In other words, the institutional focus sheds light on the opportunities that sector and company level social partners have in engaging with issues of flexibility and security, whereas the non-institutional focus enabled this research to unveil the link between institutional rules and situational contingencies in order to understand the considerations around which local actors define, in practice, their flexibility and security strategies.

10.3 The theoretical framework

In this thesis collective bargaining arrangements were observed by applying the principles of historical institutionalism which proved to be a successful methodological tool. It was chosen not only because it allows a focus on institutions in an actor-centred fashion but also because it recognises that actions are embedded in multiple layers of institutional constraints (Djelic, 2010). From an analytical perspective, this approach served as a way to frame the three countries in relation to the institutional frameworks within which they are embedded and then transcend the national level to contextualise the comparison at the sector and the firm levels. Consistent with these objectives was the application in the study, of the classification of country clusters proposed by Visser (2009). By doing so, it was possible to enlarge the scope of comparative analysis to sub-national institutions; a task that required differences (and/or similarities) in *types* of institutions and *degree* of institutionalisation to be taken into account (Bechter *at al.*, 2012; Prosser, 2015). The over-functionalist tendencies of the neo-institutional paradigm were therefore addressed by following Crouch's recommendation

which is to analyse the constraining/enabling role of institutions while giving adequate attention to power relations, social compromises and other contingent results of social interaction (Crouch, 2005). As previously argued (Chapters 1 and 3), Vissers' clusters (2009) have not been applied to offer an accurate empirical description of different national institutional arrangements, but as an analytical device enabling the formulation of comparative propositions. This approach proved beneficial as allowed the research to consider important factors of labour market governance and social welfare that were found to be particularly relevant.

By overcoming an overly deterministic approach to institutions, the research was able to explain empirical variance (and/or similarity) of bargaining outcomes. This was done by looking at contingent factors, such as the conditions of the negotiating environment, the interests and the goals of social actors, as well as their beliefs. In particular, Chapter 3 promised to follow three theoretical lines of enquiry: a) Why do the social partners have the goals they seem to have? b) What is the role of rules in shaping why one course of action seems more feasible/rational than another? And c) what is understood as being rational in different national (and sub-national) contexts? A series of important considerations have emerged allowing this research to contribute to the academic debate on historical institutionalism.

Crucially, the first line of enquiry has been used to unveil the social partners' understandings around issues of flexibility and security both at the sector level – across Italy, Denmark and the UK – and the company level – across Italy and Denmark. The analysis showed that such understandings reflect the role that both institutional rules and socially constructed conventions play in each of the three countries that were observed. Sector level social partners in Italy spoke about a *special relationship* connoted by a distinctive *pragmatism*. Although sharing the same legal framework as other industries, the interviewees refer to the chemical and the pharmaceutical sector as *something else* within the Italian industrial relations panorama. Because of their legacy, the social partners were able to come up with a notion of flexibility that is not a synonym for precarious work but that can be functional – if controlled – to enhance competitiveness. As for security, the company level welfare initiatives that were included in the most recent agreements confirm that the social partners have developed a definition that goes beyond *job security* to also encompass other forms of benefits. In Denmark, the notions of flexibility and security embraced by the social partners

were shown to be strongly linked to the institutional configuration in which they lie, and that was defined as *Danish flexicurity*. Besides shedding light on the embeddedness of the phenomenon, the definition of flexicurity which emerged from the interviews emphasises the role that the social partners play within this particular framework. Representing the main source of labour market regulation, they reported feeling not only legitimated but also obliged to defend and reproduce it over time. Finally, in the UK, sector level employers and labour organisations showed that they were not able to describe flexibility and security in a consistent way. However, they all referred to common issues such as *historical reasons*, the absence of a *national understanding* of labour issues, and the lack of an overarching *political will* to explain their weak position in facing the challenges that were relevant to this thesis. Also in this country social partners did indeed demonstrate that their goals were set according to institutional constraints (or rather the absence of institutional constraints) and perceptions about reality.

This leads to the second line of enquiry designed to explore why one course of action is perceived as being more rational and/or feasible than another in different contexts. Sector level social dialogue in the UK has never played a strategic role in the regulation of the labour market, as a result, the social actors themselves do not believe in the potential benefits of this form of negotiation. In fact, they pursue a limited agenda that serves primarily as a way of keeping alive a good working relationship on issues of common concern such as health and safety, and energy issues. In Italy, multi-employer arrangements were shown to be in place to control bargaining decentralisation. However, company level social partners, both HR managers and shop stewards, albeit for different reasons, lack the procedural security they would need to engage with some categories of flexibility and security. Hence, they refrain from enacting part of their bargaining competences. Conversely in Denmark, the high depth of the bargaining system contributes to legitimate company level social partners who, as a result, are able to also address categories of flexibility and security that fall outside the scope of the industrial agreement. Believing that it is possible to improve the sectoral framework and find workable compromises, it seems rational to them to face each other over the bargaining table and increase the breadth of bargaining topics. Significantly, the Italian and the Danish cases showed that even when they exist, institutions may not fully explain policy outcomes. There are other factors, along with structures, that may account for the postures of social actors.

Following this argument, the third line of enquiry probed whether the interaction between institutions and actors has had any implications for negotiating strategies across the three countries. The historically declining coverage of collective bargaining in the UK and the phenomenon of disorganised decentralisation emerged as relevant to understanding the postures of sector level actors towards social dialogue. Despite a general scepticism about its effectiveness in addressing flexibility and security, the social partners have nonetheless chosen to commit to it, because they perceive that a good relationship will be beneficial in other areas. This perception/choice keeps alive informal social dialogue in the sector. In Italy, the social partners have leveraged on collective bargaining to overcome some statutory inefficiencies and cope with the challenges of a particularly internationalised and highly capital-intensive industry. Such pragmatism has ended up being both a resource and weakness for the sector. On the one hand it has strengthened the relationship between the social partners and increased the degree of coordination between bargaining levels, especially amongst unions. On the other hand, by competing on a normative ground with the central confederations the mechanisms controlling decentralisation became unclear. Significantly, the way in which institutions and actors have interacted in this country (and sector) produced double-edged effects limiting the opportunities of company level social partners when dealing with flexibility and security. In contrast, in Denmark a similar phenomenon has strengthened institutional regulation, evolving into a system of organisational participation and a collectivist culture which keeps the level of the social partners' legitimation high, along with their capacity to address flexibility and security.

Thus, historical institutionalism has helped this thesis to highlight that in order to understand the strategies and the outcomes of negotiations, the institutional framework within which the social partners interact is fundamental. However, it has also shown that the focus on structures only partly explains the differences and the similarities emerging across countries. Crucially, the social actors are found to interpret institutions; and the degree of informality characterising this process of interpretation was shown to account for the way in which such institutions are enacted (or not enacted) and reproduced over time in different national contexts.

This idea of actors enacting or not enacting institutions highlights a further area to which the present comparative analysis brings its theoretical contribution: institutional change. The first consideration is methodological and relates to the advantages that the path-dependency

paradigm provides to issues of change. First of all, it is shown that such an approach is not functionalist: incremental change can also be explained by exploring dynamics of power (rather than issues of efficiency). Second, a comparative analysis can explore institutions without necessarily generate deterministic results. Consistent with Campbell's view, this study shows that actors' choices are as important as institutions, and are not pre-determined (2010). On the contrary, it is actors themselves that influence institutional outcomes because they have the capability to 'exercise a degree of autonomy to pick and choose from their repertoires as they see fit' (2010:99). Third, it is possible to interpret institutions in a dynamic fashion which means more as opportunities than constraints.

The second consideration is empirical, as the findings on the Italian and the Danish case provide evidence to support Thelen's work on varieties of liberalism (2014). Not only are these findings in line with her theoretical perspective – confirming that historical institutionalism is indeed relevant to this thesis (see Chapter 3). But they also contribute to a further stream of research that is currently investigating the link between social welfare and industrial relations institutions. First and foremost, this thesis sheds light on the implications that the interface between collective bargaining and the welfare system have on the dimension of security (Thelen, 2014; Crouch 2015).

In particular, Thelen (2014) argues that political-economic institutions – collective bargaining included – have followed three trajectories of change. The findings of this thesis suggest that Italy exemplifies the one of *dualisation* because coordination on the side of employers continues to exist – and is strong – but in a context of narrowing in the number of firms and workers that are covered by company level negotiations (Thelen, 2014). Further, the way in which bargaining institutions are evolving in the chemical and pharmaceutical sector confirms that dualisation is likely to take place through a process of institutional 'drift' (Streeck and Thelen, 2005; Thelen and Mahoney, 2010; Thelen, 2014). First, it is demonstrated that institutions are not stable, and second that they require 'active maintenance' (Streeck and Thelen, 2005:24). If actors abdicate to their previous responsibilities – as company level social partners in Italy are doing with their bargaining competences – institutions will be subject to *atrophy* or *erosion* (Ibid.). Third, it is also demonstrated that change through drift – while potentially fundamental – 'may be masked by stability on surface' (Streeck and Thelen, 2005:24). For example, in Italy coordinating mechanisms between sector and company level bargaining are formally in place. However,

their effect is reduced by social partners' unwillingness to enact them. This leads to a further consideration: while multi-employer arrangements have resisted decentralising pressures in this country, it is the legal framework and the social welfare that have failed to cover a set of risks which firm level actors should take in order to engage with issues of flexibility and security.

The Danish case depicts a completely different scenario. Coordination between bargaining level is strong despite increasing decentralisation, a light legal framework makes workers more mobile, and the social welfare collectivises risks. Social partners at the company level have the incentive for enacting their bargaining competences and, by making institutions relevant and functional, they also legitimate their role in the labour market. Consistent with Thelen's terminology (2014), institutional change in Denmark has followed the trajectory of 'embedded flexibilisation'. This is evident in the fact that issues of flexibility and security have been assimilated by existent institutional arrangements – as the scope of the bargaining agenda demonstrates – rather than resisted. Through this process of interaction, industrial relations actors and institutions in Denmark have secured (at least in the industrial sector) their own survival.

The general point is that the extent to which institutions that provide coordination between bargaining levels have egalitarian implications is dependent on the scope and encompassingness of these institutions (Thelen, 2014). In Italy the *depth of bargaining* (provided by union representation at the firm level) is lower than in Denmark and, as a result, the capability of collective bargaining to enhance the dimension of security is reduced. This confirms that 'high level of organisation and unity of the labour side are indispensable for continued high levels of social solidarity' (Thelen, 2014:204). It also suggests that institutions are fundamental, but they do not themselves prescribe the uses to which they will be put. The extent to which collective bargaining can address security depends on other factors, for example, whether or not political actors will accept to collectivise the risks associated with flexibility – both in the labour market and the bargaining system – through more generous welfare provisions. This points to the fact that the state has a fundamental role both in facilitating the enactment of bargaining institutions and improving the capacity of institutions to adjust/react to social changes (Heyes et al. 2012)

To conclude, this comparative analysis on the role of bargaining institutions in addressing flexibility and security contributes to a new debate on the impact of the welfare state on policies of social solidarity. The most original contribution is to show that the social welfare is not necessarily complementary to flexicurity as the literature on institutional complementarities would suggest (Campbell, 2010). The role of the social welfare is actually to enable further flexibilisation of both the labour market and the bargaining system without flexibility turning into a social problem. In other words, welfare benefits allow bargaining actors and institutions to collectivise risks and, as a result, enable them to adapt/adjust to changes in the economic and social spheres. This finding is consistent with the solidaristic argument on liberalisation recently made within the historical institutionalist debate (Thelen, 2014; Crouch, 2015). In Thelen's words: 'generous social policy – and thus strong welfare state – remains central to the new politics of social solidarity in the context of these changes [in the market]. But the logic and the functions of social policy are quite different from the traditional model. Rather than serving the complementary (social-insurance) role the literature has traditionally assigned to them, the role of welfare policies increasingly revolves around re-embedding these liberalising moves in measures that collectivise the resulting risks' (Thelen, 2014:16).

10.4 The findings on the role of sector and company level bargaining arrangements over flexibility and security

By applying the described theoretical lens to the research questions a series of important findings have followed. In this section these will be recollected in two different steps reflecting the multi-level nature of the thesis which was based on a cross country comparison of both sector (Chapter 7) and company level bargaining arrangements (Chapter 9). Accordingly, the findings on the role of collective bargaining and social dialogue in addressing flexibility and security across Italy, Denmark, and the UK will be reviewed first.

10.4.1 The findings at the sector level

Chapter 7 showed that while in Italy and Denmark collective bargaining arrangements exert some pressure on the social partners to engage with flexibility and security, in the UK, informal social dialogue does not play an equivalent role. The lack of sector level bargaining institutions in this country accounts for the ineffectiveness of the social partners in addressing these issues. Indeed, the predominantly informal approach to social dialogue in the sector

hinders the social partners' ability to develop common understandings around flexibility and security. As a result, they are unable to formulate shared actions towards the regulation of the labour market. Moreover, due to the fact that, in the UK, the sector does not provide any formal mechanisms of coordination for lower bargaining levels, it is not possible to predict whether social dialogue serves any function in company level negotiations. Thus, this finding sheds further light on the role of sector level institutions as a source of flexibility and security.

In this regard, the analysis of the sector level agreements in Italy and Denmark demonstrated that *internal* forms of *flexibility*, in particular *functional* and *working-time* flexibility, are more prominent than external forms of flexibility. This confirms that collective bargaining serves the demands of the chemical and pharmaceutical sector well, in particular, the need for a highly-skilled and multi-functional workforce, deployable on a continuous basis. This also occurs in Italy, where the scope for flexibility has been traditionally less extensive than in Denmark. Turning to security, the most original contribution is to show that *job security* in the Italian chemical and pharmaceutical sector has entered onto the collective bargaining agenda. This confirmed that when external rigidity is provided on the basis of status-like employment (such as in Italy before the 2015 labour market reform), collective bargaining is more likely to foster mobility in the internal than in the external labour market. In addition, it was suggested that when skills represent a source of competitive advantage, such as in the chemical and pharmaceutical sector, employers develop more incentives in investing and retaining employees. As a result, unions gain more capacity to push job security onto the bargaining agendas. However, in Denmark, the relatively high unemployment benefits secured by the State have reduced the social partners' interest – especially the unions' interest – in engaging with this particular issue. Therefore, *job security*, is the only form of security that did not feature in the Danish collective agreements.

Significantly, this thesis shows that multi-employer bargaining arrangements provide social partners both in Italy and Denmark with the possibility of enhancing different forms of flexibility and security. Nevertheless, although sharing a similar institutional configuration at the sector level, the Danish social partners were shown to have more resources than their Italian counterparts to address these issues and to negotiate a wider variety of flexibility and security trade-offs. This result was explained in two different ways. First, the interaction between bargaining institutions and national institutional features conditions the agenda of

sector level collective bargaining over flexibility and security. Specifically, the high level of unemployment benefits and active labour market policies enable the social partners in Denmark to engage with flexibility and security both in the external and the internal labour market. As a result, the social actors are able to simultaneously meet employers' short-term needs and employees' demands for up-skilling and re-skilling. In contrast, in Italy, the law reduces the scope for external flexibility while enhancing the level of job security. Thus, the social partners have more options to address flexibility and security in the internal rather than in the external labour market, as well as a reduced capacity to produce certain flexibility and security trade-offs. It was, therefore, concluded that of the various factors influencing the variation of scope for flexibility and security in collective bargaining across countries the most important is the interface between the law and the social welfare.

Second, this study demonstrates that in order to explain differences in the outcomes of negotiations over flexibility and security across countries it is also important to look at the postures of the social partners. In this regard, the *proactiveness* of the Italian sector level negotiators in re-defining bargaining competences and widening the extent of decentralisation has had important implications for issues of flexibility and security at the company level. Thanks to their *special relationship* the social partners have pushed internal forms of flexibility onto their bargaining agenda and this has led to a variety of flexibility and security trade-offs at the sector level. In addition, they have produced a shift from decentralisation through *demarcation* to decentralisation through *delegation*, which has not only softened the controlling mechanisms governing the relationship between bargaining levels but has also produced uncertainty over the competences of local level negotiators. What is relevant here, however, is that while in Denmark *demarcation* occurs only at the sector level and involves three categories of flexibility and security – *pay*, *training* and *working-time* – in Italy *delegation* covers all the substantive categories of flexibility and security – *pay*, *working-time*, *training*, *job classification*, *provisions for atypical workers*, *social benefits and entitlements*, and *measures for employment*. This means that the scope for company level bargaining over flexibility and security was found to be formally wider in Italy than in Denmark. Yet in practice, as indicated below, the bargaining agenda in the Danish companies was found to be wider than that in the Italian companies.

In synthesis the sector level comparison confirmed that different institutional frameworks influence the way in which flexibility and security enter onto the collective bargaining

agenda across countries. In addition, this study showed that the Italian and the Danish collective bargaining systems play similar roles. Multi-employer bargaining arrangements are found to exert some pressures on both Italian and Danish social partners to engage with different forms of flexibility and security as well as to negotiate a variety of flexibility and security trade-offs between these. In contrast in the UK, the absence of collective bargaining institutions does not allow the social partners at the sector level to participate in the regulation of flexibility and security. Further, the analysis of the industrial relations arrangements featured by the chemical and the pharmaceutical sector across Italy and Denmark demonstrated that the two-tier bargaining system shapes the content of company level negotiations across both countries. In this light, it is concluded that issues of flexibility and security are more likely to be found on the agenda of company level negotiators in these two countries than in the UK where such institutional mechanisms do not exist. Similarly, the provision of a framework that steers company level bargaining on items of flexibility and security is likely to foster less heterogeneity in the content of collective agreements at the company level in Italy and Denmark than in the UK.

10.4.2 The findings at the company level

Issues of access to the companies in the UK did not allow the research to fully attest to the extent to which the above expectations were correct. However, by combining the sector and the company foci across the two countries with multi-employer arrangements – Italy and Denmark – the second level of comparison was nonetheless able to produce relevant findings. In particular, while confirming that the configuration of the chemical and pharmaceutical sector in Italy and the industrial sector in Denmark enables and constraints company bargaining over flexibility and security, this study showed that procedural mechanisms – either demarcation in Denmark or demarcation and delegation in Italy – are not the only institutional factors that matter. Crucially, the company level focus shed light on a further institutional variable, the *depth of bargaining*, which was demonstrated to be just as significant.

It has been argued that in Denmark, the high depth of bargaining is secured both by a clear demarcation of competences between bargaining levels and the large presence of shop stewards within companies. These features were found to strengthen mutual trust between local actors who, as a result, feel legitimated to sign agreements that go beyond the scope of

the sectoral framework. In contrast in Italy, where the boundaries of demarcation and delegation are more blurred and union density at the company level is low, shop stewards are weaker and managers do not trust the shop-steward's ability to secure the implementation of agreements. Hence, both parties are reluctant to enact the procedural flexibility provided by the sector level. It follows that the content – and by implication the function – of company level bargaining on flexibility and security is different across the two countries. In Denmark, it covers issues that are able to boost productivity as well as enhance working conditions; whereas in Italy it involves primarily measures fostering higher productivity and competitiveness.

Thus, flexibility and security entered onto the agenda of company level negotiators both as a result of the procedural flexibility provided by the sector level framework and the extent of union density at the local level. The former suggests categories for negotiations and the latter ensures that such categories enter into firm level bargaining. Further, the Danish case showed that the way in which bargaining arrangements interact at the macro-level with national institutional features and at the micro-level with local power contingencies provides a further opportunity for company level actors: the capacity to increase the scope for security in collective agreements.

As a result of the coordinating role that sector level arrangements play for company level bargaining over issues of flexibility and security, the firm level agreements were found to vary more across than within countries. This notwithstanding, shop stewards and HR managers embedded in the same institutional context also exhibited a different degree of autonomy. Because one of the Danish companies did not belong to the employer's organisation, a certain degree of within country variation was found in the level of HR managers' autonomy from the sector level framework. Here, however, a strong presence of shop stewards has produced incentives to first sign the accession to the employers' organisation agreement, and then develop a well-functioning framework of industrial relations so that the institutional variation between the two companies, in practice, is minimised. By contrast, in Italy, within country variation emerges in the degree of HR managers' autonomy from the directions of the global headquarters. It has been argued that in the Italian firm, where union density is lower, global management is in a better position to take advantage of local power contingencies towards a top-down implementation of decisions.

Further, this thesis shows that whether company level agreements address primarily one type of flexibility and/or one type of security varies both across countries and companies. In this light, it was suggested that the focus on institutions is insufficient to fully grasp the way in which actors define their flexibility and security strategies within firms. For this reason, the thesis draws attention to the organisational structures of the companies and establishes that it is primarily firm-specific contingencies that make it possible for local level actors to use collective bargaining in a strategic way. In particular, it was shown that there is a correlation between certain non-institutional variables and the capacity of the social partners to engage with issues of flexibility and security through collective bargaining. Crucially, when looking at the relationship between the organisational characteristics of the companies and the outcomes of the agreements, two relevant findings emerged. First, a *high* degree of *internationalisation* and *vertical integration* exert pressures on local HR managers to increase flexibility by using collective bargaining. At the same time, *medium-to low* levels of *international competition*, *differentiated products*, *intensive nature of capital*, *high skills requirements* strengthen the unions' bargaining power towards the negotiation of compensating forms of security. In other words, by contributing to each of the two dimensions of flexicurity these organisational characteristics allow the social partners to exploit integrative potential, so that, as a result of their interactions, they are both able to secure positive outcomes (balanced trade-offs).

Second, the thesis demonstrates that in the presence of similar organisational characteristics, the scope for security in the Danish firms was still wider than in the Italian firms. This important finding highlights that, at the company level, institutional arrangements are nonetheless able to make a difference. Indeed, *high union density* and a *clear* framework of *rules* at the firm level were shown to reduce the capacity of the global headquarters to leverage on local power relations. In the presence of these institutional constraints, unions develop the capacity to make gains on security regardless of managers' postures on flexibility.

In synthesis, the present research shows that collective bargaining at both sector and company level represents an important source of flexibility and security for the labour market. In particular, multi-employer bargaining arrangements enable and constrain company level negotiations on issues of flexibility and security. They do so through procedural mechanisms

set in place to govern the relationship between bargaining levels. However, such mechanisms are not the only factors that were shown to matter. From an institutional perspective the main differences in the content of the agreements across companies were explained by the presence of shop stewards, which was shown to enlarge the scope for security in negotiations. From a non-institutional perspective a series of relevant variables have been identified. These are the level of *internationalisation* and *vertical integration*, on the one hand, and *international competition*, *skills requirements*, *product differentiation*, and *the nature of capital* on the other. Such variables were found to influence the flexibility and the security dimensions respectively, creating opportunities for managers and shop stewards to exploit integrative potential and, as a result, leading to balanced flexibility and security trade-offs.

To conclude, the most original contribution of this thesis is to demonstrate that sector level institutions account for the degree of within country homogeneity in the content of firm level agreements over issues of flexibility and security. In contrast, the degree of cross-company heterogeneity can be explained primarily by looking at firm level contingencies – both union density and organisational structures – meaning that at the company level both institutional resources and non-institutional characteristics play a fundamental role.

10.5 Policy implications

The research findings of the thesis have confirmed the importance of the role of collective bargaining as a source of flexibility and security for the labour market. In both Italy and Denmark such institutions have not only enabled social partners to engage with these issues but also fostered a variety of flexibility and security trade-offs. While in the UK collective bargaining arrangements were not the object of analysis, this study nevertheless demonstrated that the lack of bargaining arrangements at the sector level impeded their ability to make a relevant contribution on flexibility and security. It was shown first, that social actors did not develop shared understandings over these issues, and therefore, are not effective in pushing forward a common agenda at the sector level. Second, they were unable to set in place mechanisms of coordination between the sector and the company level. It follows that in the UK company level negotiators find themselves more exposed to firm-specific pressures such as those that may arise from the organisational structures previously reviewed.

In addition, by complementing the sector with the company focus the findings confirmed that in Denmark, more so than in Italy, well-functioning sector level institutions coupled with high union density at the local level increase the scope for flexibility within firms while also providing a security dimension. In Denmark, measures aimed at improving both productivity and employee working conditions were present in all the collective agreements that were analysed, whereas in Italy agreements focused primarily on the first of these elements. This provides evidence that bargaining arrangements can act as beneficial constraints because they allow both sides of the negotiating table to maximise their flexibility and security goals.

In this light, it is suggested that the policy debate on flexicurity has to move beyond a focus on national interventions in order to include those institutions that, on a smaller scale but with great effectiveness, are already making a significant contribution to flexibility and security alike. Indeed, the national focus has deterred policy-makers from taking advantage of collective bargaining arrangements, the role of which has largely been overlooked in addressing flexicurity. For example, the EU policy discourse on micro-level adjustments has focused primarily on wages, something that the present thesis has shown to be only one of the bargaining items over which social partners exhibited the capacity to compromise. This leads to a second relevant point: the EU Member States have mainly oriented their policy agenda towards collective bargaining decentralisation. This research contends that such an approach, which does not take into account cross country differences in collective bargaining arrangements, may not always be appropriate. As the findings suggest the devolution of further bargaining competences from the sector to the firm level can be beneficial primarily in two specific instances: 1) if multi-employer bargaining arrangements are both in place and well-functioning; and 2) if at the firm level union representation is high. By contrast, fostering further bargaining decentralisation in countries where 1) there is a high discrepancy between sector and company level coverage and 2) union representatives at the company level are weak, is likely to expose local level actors to greater pressures for flexibility to the detriment of the dimension of security.

Given this, it is proposed that sector level bargaining arrangements should be restored where they are no longer functional, and preserved (and if necessary strengthened) where they are still existent. There are two main reasons for policy-makers to take advantage of this particular approach. First, sector level bargaining is a policy forum in its own right where social partners have the capacity to find, with autonomy, acceptable compromises between

flexibility and security. Second, its role of coordination provides local managers and shop stewards with the procedural security they need to serve a similar role: to enhance competitiveness while improving working conditions. Thus, besides contributing in a more equal way to both dimensions of flexicurity (flexibility *and* security), this particular approach may also represent an opportunity to deepen European economic integration. Furthermore, these research findings show that in order to fully benefit from the coordinating role of sector level bargaining, union density at firm level needs to be high. It is therefore suggested that policy-makers, as well as national union officials should create the conditions for union representatives to gain access to companies.

Finally, the research highlighted that collective bargaining arrangements interact with national institutions, in particular, with the law and the social welfare. In regard to the former there has been a growing emphasis on labour market deregulation all across Europe. It is no coincidence that during the four years in which this research has been conducted, Italy went through a series of reforms that resulted in a reduction of legal protections for standard employees. Turning to social welfare, the financial crisis and the related austerity measures have recently put a strain on this institution too. The findings of the thesis suggest that any policy agenda based on bargaining decentralisation, legal deregulation and social welfare retrenchment is a clear farewell to the security dimension of flexicurity. Conversely, the thesis also indicates that there is a positive correlation between collective bargaining, generous welfare benefits, and high flexibility and security.

10.6 Limitations of the thesis and suggestions for future research

This thesis has produced a rich account of the role of collective bargaining in addressing flexibility and security and contributed to the literature on flexicurity. In addition, because the companies involved in the research were all international organisations, part of the findings can be located within the literature on collective bargaining in multinationals. However, the research also has certain limitations and, the most apparent, is the lack of company level data in the UK, which would have further strengthened the validity of the findings.

Moreover, the four companies were chosen on the basis of pragmatic reasons of access and the four multinationals were later found to share similar organisational structures. For this reason, the thesis could only provide a restricted account of the role of differences in firm-specific characteristics in conditioning the nature of the flexibility and security trade-off. Yet,

this limitation can also be interpreted as a strength. First, it gave consistency to the findings. Second, it allowed the researcher to hold these variables constant while paying exclusive attention to institutional and actor-related variance across cases. As a result, it was possible to establish a clear correlation between union density at the company level and the scope for security in collective agreements; and then account for the extent of variation in negotiating outcomes across Italy and Denmark.

As the relevance of organisational structures to the agenda of company level bargaining became apparent, the researcher appreciated that investigating more than one plant within each firm's value chain would have helped to assess, in a more precise way, the impact of factors such as benchmarking, threat of relocation, product differentiation, and skills requirements. Evidence about these variables was provided by interviews, the consistency of which could not, however, be checked across subsidiaries and, therefore, this aspect of the research might benefit from further investigation.

However, not only can the most important limitations of this thesis all be addressed by future research, but for each level of analysis – the *country*, the *sector*, and the *company* level – new avenues of exploration have also been opened up. These new avenues are summarised below:

Country:

1. The first suggestion for future research is to attempt to re-negotiate access at the company level in the UK. The objective here is to complete the task of covering the third of Visser's (2009) five clusters: the Western European cluster.
2. Even so, there are two more clusters that still require investigation: the Centre-eastern European and the Centre-western European clusters. By extending the study to countries such as Poland and Germany it would be possible to provide a more encompassing picture of the role of different bargaining arrangements in addressing flexibility and security.
3. A third suggestion for future research is to investigate – and then compare – pairs of countries within the same cluster, for example: Sweden as well as Denmark; Spain as well as Italy; and Ireland as well as the UK. Such an approach would shed light on issues of within cluster variation and/or similarity on the role of collective bargaining institutions as source of flexibility and security.

Sector:

1. As Bechter *et al.* (2012) point out the extent to which each of Visser's (2009) clusters varies by sector is an important empirical question. Thus, a suggestion for future research is to pay specific attention to issues of within country heterogeneity by focusing on a different sector of economic activity. Because this thesis sheds light on the chemical and pharmaceutical industry – intensive in skills, capital, and technologies, as well as being highly internationalised – it seems relevant to explore a sector that is different from it in 'nature' (Bechter *et al.* 2012:192), such as: a) a more labour intensive and lower technology manufacturing sector; b) a low-skilled service sector; c) a high-skilled service sector; or d) a sector with a lower level of internationalisation.

Company:

1. In order to provide a more encompassing explanation of the role of firm-specific characteristics in conditioning the nature of the flexibility and security trade-offs, future research could look at chemical and pharmaceutical companies which have organisational structures that are different from each other.
2. In order to explore more fully issues of heterogeneity future research could explore more than two chemical and pharmaceutical companies within the same country.
3. In order to explore how the value chain conditions bargaining strategies (see comment above) future research could examine the role of collective bargaining in addressing flexibility and security in more than one subsidiary of a multinational organisation, (where subsidiaries are based in the same country).
4. A final suggestion is to apply the research design developed for this thesis to medium-sized (where company level bargaining is still likely to occur) companies but not multinational organisations, so as to observe which kind of firm-specific contingencies, if any, exert an influence on the agenda of local level negotiators concerning issues of flexibility and security, and if so, how.

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