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Sector-level bargaining and possibilities for deviations at company level: Italy

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Research project: The functioning of sector-level wage bargaining systems and wage-setting mechanisms in adverse labour market conditions

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Basic features of Italian collective bargaining

Two-tier bargaining system

Italian industrial relations are characterised by a low degree of 'legal institutionalisation' (Napoli, 1998; Baglioni, 1998). Legislation and the state have a limited role in the regulation of collective bargaining, conflict and union representation). In fact, it is possible to say that there is almost a complete abstention of the law (Cella and Treu, 2009).

However, the *Protocol of 23 July 1993*, a tripartite agreement, represents a kind of 'constitutional charter for industrial relations', 'the basic agreement' (Treu, 1993; Alleva, 1993; Alacevich, 1996; Cella and Treu, 2009), that formed the basis for subsequent accords (Carrieri, 2001). It established a new institutional framework for income policy, bargaining structure and procedures, worker/union representation, employment policies and measures to support the production system.

The Protocol defined a two-tier bargaining structure, setting out that collective bargaining can legitimately take place at national-sectoral level and at company level. Alternatively, bargaining can take place at territorial level to cover a particular district, province or region.

The relationship between the two levels is based on the fundamental principles of:

- coordination;
- specialisation (avoiding overlap);
- derogation only (for the workers).

According to these principles, the national-sectoral level establishes minimum rights and standards for the whole workforce, giving social partners the ability to improve them through a second level of collective bargaining. The articulated system provides a controlled and coordinated decentralisation. The national-sectoral level determines the modes and sphere of action of the second level of bargaining. Sector-based agreements are entrusted with establishing the issues with which decentralised bargaining is allowed to deal. The 1993 Protocol did not introduce the possibility of opting out.

Main trends in collective bargaining

No systematic data are available concerning the coverage of collective bargaining, especially for second-level bargaining; there are only estimates. According to these, the coverage rate of national-sectoral bargaining is rather high, above the EU25 average; normally, coverage is estimated at around 80% of employees. Nonetheless, the coverage of company-level bargaining is low. According to different sources, coverage is around:

- 40%–45% of workers in industry;
- 35%–40% of workers in services;
- 20%–25% of companies.

This percentage is higher in the larger companies and it decreases with company size. Second-level agreements (the so-called *contratto integrativo*) are almost completely absent among small enterprises. The latest findings of the Bank of Italy estimate that 54.4% of employees in industrial companies with over 20 employees are covered by a company-level agreement (there is no such estimate about the employees of services companies) (Banca d'Italia, 2009). Some 30.6%

of companies in industry and 20.4% of companies in services have negotiated such agreements with the workers' representatives. In enterprises with over 500 employees the respective percentages are 84.3% and 50.1%. There is a downward trend in the coverage of second-level bargaining, particularly in the larger companies of the industrial sectors (see table). The moderate frequency of company-level agreements is one of the main reasons for the limited diffusion of additional pay elements, in particular of productivity-related pay: many workers do not benefit from productivity distribution. This is a key reason for the slow growth of wages, confirmed by many national and international studies (Dell'Aringa and Negrelli, 2005; Birindelli et al, 2007, 2009; OECD, 2008, 2009).

Coverage of company-level bargaining in industry (companies with over 20 employees)

Company size (no. of employees)	1990–1999		2000–2008	
	% of companies that have signed at least one second-level agreement	Workers (%)	% of companies that have signed at least one second-level agreement	Workers (%)
20–49	34.1	35.6	21.1	21.7
50–199	62.3	64.5	46.6	50.8
200–499	82.6	83.2	72.7	73.6
Over 500	84.7	89.2	84.3	84.2
Total	**43.3**	**64.1**	**30.6**	**54.4**

Source: *Banca d'Italia, 2009*

Moreover, a survey of the National Council of the Economy and Labour (Cnel, 2007) carried out on a representative sample of 872 companies, each with over 100 employees, shows a progressive decrease of the company-level bargaining intensity. This concept is defined as the percentage of companies that signs at least a collective agreement with the workers' representatives in a specific year. The percentage is higher in the larger enterprises, but for all types one can observe a downward trend.

Recent reform of collective bargaining system

As in other European countries, the Italian collective bargaining system has come under pressure in recent years. There are increasing calls for greater decentralisation, including wage setting, in order to meet companies' competitive needs and to allow companies to overcome temporary economic difficulties. Moreover, according to many scholars, the introduction of an efficient system of second-level bargaining could increase labour productivity that is particularly low – and declining – in Italian firms.

This increasing pressure has led to a tripartite agreement partly reviewing the norms of the Protocol of 23 July 1993. More exactly, on 22 January 2009 a number of employer associations, including the General Confederation of Italian Industry (Confindustria) , the Italian Confederation of Workers' Trade Unions (CISL) and the Union of Italian Workers (UIL) have signed the Framework Agreement for the Reform of the Collective Bargaining System (FARCB). The centre-right government has played an important role in the emergence of this agreement, first acting as facilitator of the negotiations and then signing the agreement as the public sector employer. The biggest trade union confederation, the General Confederation of Italian Workers (CGIL), refused to sign the agreement, because it was concerned about:

- the possible erosion of real wages;
- the risk of worker protection being weakened by opening clauses;
- a failure to foster decentralised bargaining (EIRO, 2009).

The FARCB contained many measures, but the most relevant in this case is the opportunity to introduce opening clauses. These would permit company-level collective bargaining – or territorial-level bargaining – to change the rules of national collective agreements in order to 'deal with the situation of economic crisis, or to promote economic and employment growth'. The FARCB made sure there was plenty of room to manoeuvre over the adoption of these clauses. However, it did not explicitly introduce any form of control of this mechanism by national unions and industry-wide agreements, which may create an important division between the two levels. As a consequence, the model of opening clauses promoted by the FARCB is similar to a model of 'disorganised' decentralisation.

However, social partners at sectoral level have ample opportunity to adapt the FARCB to their wishes and traditions. For example, in the agricultural sector, social partners agreed on a framework agreement for collective bargaining where it is possible to deviate from the contents of the national agreement only if opening clauses are specifically defined in the national agreement and only for a specific range of possibilities determined in this same agreement. Another agreement in the metalworking sector, signed by Confindustria, CISL and UIL (CGIL did not sign the agreement) established that, at territorial level, employer associations and unions (which signed the national industry-wide agreement) may set up a local agreement to modify – integrally or only in part – the norms set under national agreement. This path of opting out is possible only when a local system is confronted by a 'problematic situation'. To identify this, the national industry agreement provides a series of indicators, such as productivity rate, employment rate, labour market trends, start-up and closure rate of firms, and the need to attract external investments. To ensure proper enforcement, the content of local opening clauses has to be ratified by the social partners that signed the respective national sectoral agreement. These examples show that the social partners at sectoral level decided to introduce forms of coordination and control to organise the eventual processes of derogation.

In any case, the provisions of the FARCB still contain many ambiguous aspects regarding derogations (Cella, 2009; Antonioli and Pini, 2009; Pizzoferrato, 2009). Moreover, it is difficult to imagine how opening clauses can be conceived, agreed on and implemented without the consent of the largest trade union confederation. Indeed, it remains to be seen what effect the reforms introduced by the FARCB will have in practice. In order to understand the impact of the framework agreement, it is first of all necessary to wait for the renewals of the many national industry-wide agreements that have expired in 2010.

Before the FARCB, there were hardly any sectors where it was possible for company-level bargaining to deviate from the norms set by national-sectoral agreements through opening clauses, especially pay norms. The only exception was the chemical-pharmaceutical sector where the sectoral agreement does include an opening clause. This case will be discussed in detail in the next section.

Opening clauses: chemicals-pharmaceutical sector

Background

The chemicals-pharmaceutical sector[1] in Italy has about 3,000 companies with 210,000 employees (Federchimica, 2010). According to the analysis of the employer associations in the sector, the added value per employee is 50% higher than the average of the manufacturing industry as a result of the elevated level of capital intensity (Federchimica, 2009; Farmindustria, 2009). In recent years, the sector has known substantial and often dramatic processes of value chain

[1] This section is based on a case study carried out for the present project. For this, in-depth interviews were conducted with a representative of the employer association Federchimica; trade unions representatives (Filcem-Cgil and Femca-Cisl); a representative of the National Observatory of Federchimica and Farmindustria; two experts, a jurist (expert in collective bargaining) and a sociologist (expert in industrial relations). Telephone interviews were also conducted with five employee representatives at different-sized chemical-pharmaceutical companies, situated in different regions. An analysis was also made of collective agreements, social partner documents, press material, reports/data of the National Observatory of Federchimica and Farmindustria, the Chemical-sector Observatory, the Ministry of Economy, the National Council of the Economy and Labour (Cnel) and the Bank of Italy.

restructuring, with outsourcing and externalisation of important parts of the business functions, and with (sometimes unexpected) closures of plants and mass dismissals. As a result, in the two-year period 2007–2008 employment in the sector declined by 3.7%. Finally, the recent financial and economic crisis has hit this sector particularly hard.

The renewal of the national collective labour agreement on 10 May 2006[2] made it possible under company-level bargaining to negotiate derogations at a lower level than the norms set under national sectoral agreements (art. 18, point B). This introduces an important innovation not only in the industrial relations of the chemical-pharmaceutical sector, but in the whole Italian bargaining system. The social partners explicitly agreed on this change and undertook to develop guidelines 'to orient and facilitate' company-level bargaining. On 29 June 2007, the social partners signed an agreement containing the 'guidelines for company-level negotiations on the derogation of national provisions'.[3] The organisations involved were, on the trade union side, the Italian Chemicals, Energy and Manufacturing Workers' Federation (Filcem-Cgil), the Energy, Chemicals and Allied Industries Federation (Femca-Cisl), the Italian Chemicals, Energy and Manufacturing Workers' Union (Uilcem-Uil) and, on the employer side, the National Federation of the Chemical Industry (Federchimica) and the National Pharmaceutical Industry Federation[4] (Farmindustria). In the guidelines, the social partners say that the purpose of the agreement was 'to modernise the national collective labour agreement and to 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'.

The first time the social partners talked about the possibility of company-level derogations was in 2002, on the occasion of the renewal of the national collective labour agreement (signed on 12 February 2002). With this agreement, the social partners undertook to discuss partial modifications of the bargaining structure. More exactly, the text states that 'the organisations that signed this agreement commit themselves to cope with exceptional and temporary needs at company level', 'linked to, for instance, particular and concrete perspectives of new investments and new employment'. They then stated they were available 'to consider temporary solutions not provided for by the national agreement'.[5]

The possibility of introducing company-level derogations was the initiative of the employer associations. They wanted to increase the flexibility of the norms set under the national agreement and their adaptability to the different situations of chemical-pharmaceutical companies, to permit companies to overcome temporary economic difficulties and to make investments in existing or in new plants more convenient. Trade unions agreed to negotiate on the issue in the hope that this kind of company-level deviations could increase employment and save jobs in periods of economic difficulties. The negotiation process was rather long and sometimes difficult as the trade unions had opposing views. Many workers' representatives disliked the idea. Still, the negotiations went forward and the leaders of the various organisations involved came to an agreement without significant conflict. This was possible because none of them was in favour of a

[2] *Contratto collettivo nazionale di lavoro per gli addetti all'industria chimica, chimico-farmaceutica, delle fibre chimiche e dei settori abrasivi, lubrificanti e gpl*, **http://www.portalecnel.it** (Testo definitivo 10 May 2006).

[3] *Accordo nazionale in materia di Linee-guida su accordi aziendali in deroga alla normativa prevista dal Ccnl*, see **http://www.portalecnel.it** (Verbale integrativo 29 June 2007).

[4] The agreement was also signed by the National Ceramic Industry Association (Federceramica) and other smaller employer associations.

[5] *Contratto collettivo nazionale di lavoro per gli addetti all'industria chimica, chimico-farmaceutica, delle fibre chimiche e dei settori abrasivi, lubrificanti e gpl*, see **http://www.portalecnel.it** (Testo definitivo 12 February 2002).

radical modification of the two-tier bargaining system and nobody wanted disorganised decentralisation. On the contrary, all agreed on a strict regulation of company-level derogations and on the necessity of mechanisms of control and authorisation by the central level, preserving the hierarchy between levels of collective bargaining and of representation.

Modalities and procedures

As for the regulatory framework, it is important to underline that deviations cannot be applied unilaterally, but have to be agreed by all partners. The accord containing the guidelines states that company-level agreements that include derogations from national provisions have to be approved by a new specific joint committee: the National Bargaining Committee (*Commisione Nazionale Contrattazione*). It comprises five members, one representative of each of the three trade unions that signed the accord and one representative of each employer association. It is, therefore, a non-elected body, its members are nominated. The Committee assesses the conformity of the company-level agreements to the purposes of such form of decentralisation. It considers the balance between the situation of the company, the type of derogation negotiated, its duration and its ability to reach the objectives set out by the company-level actors. Hence, the opinion of the Committee is not simply technical-juridical advice but is based on an interpretation of the circumstances, and on an analysis of the possible costs and advantages – for all the parties – of the solution proposed. Specifically, the Committee takes into account the following aspects:

- the situation and the prospect of the company;
- the type of derogation negotiated;
- the duration of the agreement;
- the coherence of all the three previous elements;
- the informing of workers before and after the agreement.

The opinion of the Committee has to be unanimous and it is mandatory.

Considering that, for the authorisation of a company-level derogation, all the members of the Committee have to be in agreement, the accord does not provide other formal dispute resolution mechanisms. On every company-level agreement, it produces a written document, in which it offers a detailed opinion. This could be:

- conformity;
- non-conformity;
- the need for further examination, if the Committee's opinion was not unanimous.

Then the Committee informs the social partners at company level. In cases of non-authorised company-level deviations, workers and their representatives can resort to the law.

There are two conditions under which derogations to, for example, lower wages, may be negotiated at company level. One is if a company is undergoing temporary economic difficulties (in which case derogations from the norms set under national agreements could help overcome these difficulties and save or consolidate employment). The second is a situation, not necessarily critical, in which derogations could facilitate new investments and hence save, consolidate or increase employment.

Company-level deviations can concern different norms and different aspects of the working conditions, including wages, but not minimum wages: these remain an exclusive competence of national-sectoral bargaining. Deviations can concern all the other elements of the fixed part of pay (automatic seniority increases, position allowance, merit increases, individually negotiated increments) and of the variable part of pay such as performance-related pay, bonuses, overtime, allowances for shift work or working on Sundays and public holidays. Derogations have to be approved by the National Bargaining Committee, with two exceptions. One relates to the travelling allowance and the reimbursement of expenses. The other relates to the workplace attendance bonus.

The recent renewal of the national collective labour agreement (signed on 18 December 2009) confirmed this regulatory framework, without relevant modifications. But it has widened the exceptions to the authorisation procedures, the so-called 'light derogations', adding the case of the working time schemes allowing the accumulation of credit or debit hours. According to the social partners, this exception was introduced to give companies and workers the possibility to negotiate more appropriate forms of working time flexibility.

All the company-level deviations are intended to be temporary, as they are linked to temporary situations. The text of the accord states that the duration of agreements that include derogation clauses should be closely correlated to the situation and the objectives for which it has been negotiated. In any case, the duration cannot exceed four years. But subsequently the accord states that extensions are possible. In addition, the text introduces a period that one can call a 'derogative break': the three months preceding the renewal of the national collective labour agreement. During this period, negotiations of company-level agreements, including derogation clauses, are considered inopportune.

The extent to which local norms can deviate from the sectoral ones is not specified. However, the accord establishes that the character and extent of the derogations from the norms set under national agreements should be tailored to the specific situation of the company and to the objectives of the company-level agreement. As already mentioned, this is assessed by the National Bargaining Committee.

An interesting provision of the accord relates to the procedures informing workers and their representatives. Its aim is to promote a broad participation in the initiatives at company level, involving deviations from norms set under national agreements. The accord lays down information procedures, both for the preliminary phase, before the negotiations, and subsequently, up until the assessment of the effectiveness of the agreement. This is considered fundamental. Once the agreement expires, the social partners at company level have to carry out a concerted evaluation of the results obtained. They are then obliged to inform the National Bargaining Commission, in order to maintain the traditional hierarchy between the different levels of industrial relations.

The (non-) use of the opening clause

In the chemical sector, the opportunity of negotiating company-level derogations to the norms set under sectoral agreements has never been used. Today, four years after its introduction, there is no company-level agreement providing such deviations. More generally, no attempts or proposals for them have been made. The National Bargaining Committee has never met and no documents have been submitted to the attention of its members. According to the social partners, there is a lack of interest in the argument among company-level actors. Employer associations state that they have received only a few requests for information and advice. Trade unions state they never received such requests or related proposals and they have not been pressured to negotiate deviations at company level concerning pay or other aspects of working conditions. Moreover, the interviews and the documents analysed suggest that this is not due primarily to the regulations concerning the derogation clauses but to other factors.

According to social partners' expectations, derogations could have facilitated new investments and employment. However, developments in company-level collective bargaining demonstrate that deviations are not such a relevant

factor influencing investment decisions of the companies (particularly in multinational companies). As confirmed by this report, in no company was the construction of new plants or the expansion of existing facilities driven by the prospect of possible derogations to the norms set under sectoral agreements. Other aspects, such as the institutional framework, the economic situation or certain features of the production system, are considered more important.

In addition, social partners have preferred other solutions and instruments in situations of temporary economic difficulties. In many companies, in order to cope with this kind of situation, management and trade union representatives have often negotiated modifications to the organisation of working time. They have established, for instance, that workers have to use up their credit hours, saved holiday entitlements or working time reduction entitlements. Against this backdrop, a particular instrument is the job security agreement (*contratto di solidarietà*). It was introduced in 1984 through Legislative Decree 725, subsequently converted into Law 863. It is a form of work-sharing that provides for reduced working hours with a corresponding reduction in pay. Job security contracts can be used by firms in crisis in order to avoid dismissals.

In other cases, companies (and social partners) preferred recourse to the ordinary wages guarantee fund (*cassa integrazione guadagni ordinaria*, CIGO). This important institution of the Italian labour protection system was introduced in 1947. It is financed by the state and companies and managed by the state through the National Institute of Social Insurance (INPS). This fund operates when industrial firms temporarily lay off employees, whether blue-collar, white-collar or managerial staff (except for senior executives, apprentices and home-workers) and covers part of the wages they lose as a result.

It seems that for company-level actors the abovementioned solutions involve fewer drawbacks. The empirical material used for this report highlights, on the one hand, that trade unionists, employee representatives and probably the majority of workers do not like the idea of company-level deviations, in particular those concerning pay norms. They see a risk of an increasing disparity and fragmentation of working conditions, with the consequent risk of a downwards competition, in a context of a generally low level of wages (OECD, 2009). On the other hand, companies want to avoid conflicts and do not want to ruin good industrial relations (here it is important to note that in the chemical-pharmaceutical sector, unlike in other sectors, the industrial relations climate for many companies is rather good). Moreover, the issue of company-level deviations, including their negotiation and management, is considered rather difficult. This is especially the case for small and medium-sized enterprises (SMEs), which represent the majority of the companies in the sector. This aspect is highlighted by all the social partners interviewed. In other cases, companies, and especially multinational companies, are not interested in negotiating temporary deviations within the company but rather aim to restructure their value chain, with partial or complete closures of plants, relocation, shifting investments between plants and outsourcing. This is especially the case when companies think temporary deviations are not sufficient, for instance when they are convinced that a certain plant suffers structural problems or lacks profitability.

Territorial forms of derogations

Other possibilities for derogations, not strictly linked to the question of wage flexibility, are made possible by certain policy instruments dedicated to promoting employment growth in the so-called area of Mezzogiorno in the south of the country. To give an indication of the problematic situation in the Mezzogiorno, in 2009 the gap between the northern and southern regions is:

- 16.9% in the employment rate;
- 21.5% in the female employment rate;
- 6.9% in unemployment;

- 17.9% in youth unemployment;
- 8.6% in irregular employment (data from the Central Institute of Statistics, Istat).

There is a twofold strategy aimed at dealing with these problems. On the one hand, a new series of regional policies based on micro-corporatism and collaborative strategies between local and regional institutions emerged in the mid 1990s to promote economic growth. These policies were defined as negotiated planning (*programmazione negoziata*) and aimed at 'regulating public interventions that involve a large number of public and private actors and that concern complex decision-making processes and a rational use of public funds' (Law 662/1996). It was characterised by a set of new policy instruments such as institutional agreements (*Intesa istituzionale di programma*), territorial pacts (*Patti territoriali*), area contracts (*Contratti d'area*) and programme contracts (*Contratti di programma*). In particular, area contracts – addressed also at areas of decline in central and northern Italy – offered the possibility to 'create favourable working conditions in terms of labour and wage flexibility' to promote processes of recovery and to favour external investments. This includes derogations concerning wage norms. In all of these cases, the introduction of forms of flexibility to promote local development and employment are possible only with the consensus of the social partners and with the set up of a local pact signed by unions and employers associations.

There are no comprehensive data on the inclusion of derogation clauses in territorial pacts and on their use in practice. However, a series of case studies that focused on territorial pacts suggested that many of them contain possibilities for derogations, especially concerning labour flexibility, but that they were not used in practice and did not represent a core element of the territorial pacts (for example, see Magnatti et al, 2005). Indeed, research shows that these pacts have been used rather to produce local competition goods (such as external tangible or intangible goods aimed at reinforcing the competitiveness of firms, such as technological parks, knowledge transfer or SME consultancies).

On the other hand, tailored measures were developed to deal with the shadow economy. One example is the so-called 'realignment contracts' (*contratti di riallineamento retributivo or contratti di gradualità*), which aimed to endow territories, particularly those of southern Italy, with a pragmatic instrument to cope with the problem of undeclared work and to foster the entry into the regular economy of shadow economy enterprises. The institution, regulated by Law 210/1990 and subsequently modified by laws 608/1996, 196/1997 and 448/1998, is based on an agreement between employer associations and trade unions at provincial level. The social partners can agree on a minimum wage, which should be no less than 25% of the national-sectoral minimum wage; companies that participate in this policy initiative can pay this minimum wage level at the start of their realignment trajectory. This minimum wage should then be readjusted within three years to 100% of the sectoral minimum. At the same time, companies that participate in the initiative have other advantages: the law provides for a reduction in taxes and social contributions during the realignment period and a remission of past non-compliance in terms of tax evasion, social contributions and others (Viscomi, 1999). The realignment contracts have had poor results, though. One reason is related to the assumption that labour costs are the main cause driving companies into the shadow economy. Many studies underline that there are complex institutional causes that explain the emergence of the shadow economy. They show that the informal economy is driven not only by labour costs but also by a complex combination of factors including the availability of credit to businesses, the qualification level of the workforce, the quality of public and private educational institutions, the level of unemployment, the level of unionisation and the perception of state support (Bàculo, 2003; Burroni et al, 2008; Burroni and Crouch, 2008; Leonardi and Oteri, 1998; Baldini and Tiraboschi, 1997).

Impact of the use of opening clauses and social partner views

From the mid-1990s, there has been an intense discussion over the reform of the collective bargaining structure. An important moment was the appointment in September 1997 of a special committee charged with the task of assessing the outcomes of the Protocol of 23 July 1993 and proposing changes. This appointment was expressly provided by this agreement itself. The evaluation of the application of the Protocol norms was positive. Even so, the committee, in its final report, highlighted several important issues and proposals. Specifically, it highlighted the need for a greater decentralisation of collective bargaining, with more functional specialisation between the two levels. It also proposed the inclusion of opening clauses in national-sectoral agreements (Commissione per la verifica del Protocollo del 23 luglio 1993, 1998).

Another important input to the discussion was provided by the centre-right government, with its White Paper published in 2001. This document recognised that opening clauses are an issue to be regulated by the social partners, but it insisted on the need to reform the Italian industrial relations system. More specifically, it recommended a dual reform. On the one hand, it suggested a weakening of the role of national-level bargaining. Industry-wide agreements – according to the proposal – had only to define framework agreements guaranteeing minimum conditions, and in particular minimum pay (assuming in practice the role played, in other countries, by minimum legal standards). On the other hand, it suggested a strengthening of decentralised bargaining to make wage setting more flexible. Moreover, according to the proposal, the regional level had to gradually replace the national level – in line with the government's federalist ambitions (Caruso and Zappalà, 2005).

More generally, and most intensely in recent years, the government has long supported the idea of a progressive slackening of national-sectoral bargaining, replacing it with a simpler and more flexible system of obligations. As mentioned, in recent initiatives the government has tried to facilitate such changes by favouring the decentralisation of industrial relations and collective bargaining.

Still, despite their different positions, the social partners agree on the importance of maintaining the two-tier bargaining structure and on the fact that decentralisation should be organised. Neither of the two proposes a one-tier system nor a process of disorganised decentralisation. The latter is considered a cause of unfair competition among companies, of inequalities among workers, and of conflict (Bellardi, 2008). Employer associations, in their documents, have always reaffirmed the validity and efficiency of the two-tier bargaining system. However, at the same time they emphasise the need for more decentralisation, including in wage setting, in order to meet companies' competitive needs or to allow companies to overcome temporary economic difficulties. The possibility of company-level deviations from norms set under national-sectoral agreements is considered as a fundamental instrument permitting companies to cope with global competition and unstable markets.

Among the main trade unions, CISL and UIL agree with the government and the employer associations on the need for greater decentralisation of the collective bargaining structure. They propose a progressive shift of the centre of gravity towards the second level, which would cover all workers. They hypothesise a sort of obligation to resort to company-level (or territorial-level) bargaining. However, employer associations, especially Confindustria, are against any kind of obligations. National trade union CGIL insists on the importance of the national-sectoral level, which guarantees minimum standards to all workers, and calls for a strengthening of this level. However, in recent years, CGIL has also insisted on the need for relaunching territorial-level bargaining, considering the great number of SMEs in the Italian production system.

On the matter of second-level derogations, trade unions agree that this instrument could be useful in some circumstances and in some socioeconomic contexts, but argue that deviations have to fulfil certain conditions. They:

- have to be negotiated by all social partners;
- can be accepted only for specific cases (for instance, to overcome temporary economic difficulties);
- have to be temporary;
- cannot concern minimum rights like minimum wages.

For the trade unions, and especially for CGIL, a looser regulation of the possibilities for second-level derogations risks destroying the structure of the collective bargaining system and the role of national collective agreements. The main consequences, especially in the long run, would be an increasing diversity and inequality in working conditions and a weakening of trade unions (or rather of trade unions as bargaining actors) through an erosion of their capacity of aggregation and of representation, finally leading to a decline in solidarity and social cohesion.

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