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**BACK TO THE FUTURE:  
COMPANY-LEVEL OCCUPATIONAL WELFARE  
IN THE ITALIAN CHEMICAL AND  
PHARMACEUTICAL SECTOR**

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## Introduction

After the great expansion of the public welfare state that followed World War II, accompanying and exploiting the tremendous economic growth of the time, the 1970s oil crises opened the era of economic recession that marked the beginning of “permanent austerity” (Pierson 2001). By then, national welfare states also started to experience endogenous causes of distress, such as the modified structure of needs stemming from social, cultural, demographic and economic changes, including post-industrial transition. Tight budget constraints, coupled with emerging social needs, posed new challenges on policy-makers, who found themselves in need of achieving the unavoidable adjustments without compromising the relationship with the electorate. Since the late 1970s all European countries started making policy adjustments that have been largely path-dependent, that is influenced or mitigated by existing welfare systems (Taylor-Gooby 2004; Ferrera and Hemerijck 2002), and thus achieving more or less satisfactory results. In particular, Southern European countries are still struggling to adapt their welfare systems to the new needs of the population, and to tackle long-time issues such as wide coverage gaps between different categories of workers, high rates of long-term and young unemployed, limited child-care provision and high levels of women’s inactivity (Armingeon and Bonoli 2006; Ferrera 2010; Hemerijck 2013; Guillén and Pavolini 2015; León, Guillén and Pavolini 2015).

In this context, a number of private actors started entering the welfare arena, creating a new “welfare mix” made up of all formal and informal relations between the many who contribute and concur to the welfare provision, namely the public sector, the market, family, social parties and the so-called “Third sector”, that is the variegated universe of non-profit organizations (Ferrera 2006b; Ferrera and Maino 2011, 2013). Among those actors, in recent years the contribution of business - fostered by the debate on Corporate Social Responsibility (European Commission 2001, 2009) and the spread of company-level occupational welfare schemes - has become a primary concern, both in theory and practice. Scholars try to set the boundaries of the phenomenon, while companies witness its fast-paced development. Questions about the nature and the impact of company-based welfare benefits, which now seem to have reached the top of the research agenda,

have been neglected for quite a long time. The first author to address the issue was Richard Titmuss, who in the 1950s defined occupational welfare as: “Pensions for employees, wives and dependents; child allowances; death benefits; health and welfare services; personal expenses for travel; entertainment; dress and equipment; meal vouchers; motor cars and season tickets; residential accommodation; holiday expenses; children’s school fees; sickness benefits; medical expenses; education and training grants; cheap meals; unemployment benefit; medical bills and an incalculable variety of benefits in kind ranging from ‘obvious forms of realizable goods to the most intangible forms of amenity’ ” (Titmuss, 1958, p.51). Shalev (1996) talked of a collective yet private form of social protection, provided as part of the employment relationship, while Greve (2007) distinguished between benefits that are either complementary or substitutes to the welfare state from the ones that fall outside the scope of it, drawing the line between welfare and fringe benefits. More recently, the research project ProWelfare defined the scope of “voluntary occupational welfare” and identified four policy areas: supplementary pensions, healthcare, work-life balance and training (Seeleib-Kaiser and Fleckenstein 2009; Natali and Pavolini 2014). Against this background, several authors discussed the role of industrial relations in the promotion of occupational welfare benefits through collective bargaining (Frege and Kelly 2003; Trampusch 2006, 2007). In Italy, industrial relations have been gradually changing in order to respond to workers’ growing social demands (Regalia 2009, Colombo and Regalia 2011, Pavolini et al. 2013): both employers and trade unions are starting to understand the strategic importance of occupational schemes, particularly in times of financial crisis when welfare benefits enter into negotiation and might be employed in exchange to wage increases (Agostini and Ascoli 2014). The development of occupational welfare has been favoured by the State in the very first place, through fiscal arrangements that offer tax exemptions on welfare benefits, which have been further expanded in 2015 by the Renzi Government together with the possibility to use workers’ productivity bonuses as a source of financing for welfare benefits (Ferrera and Maino 2013, 2015; Maino and Mallone 2016).

The first chapter of this work presents the general context and discusses in detail the most relevant contributions in the literature, in order to frame the research and define the object. The second chapter deepens into the Italian case and retraces historical

developments and legislative advancements, with particular focus on industrial relations. Chapter three opens up the empirical analysis through the discussion of methods, source of data and research questions. This work is composed of two complementary steps built around a different number of cases: step one aims at framing the analysis with the study of 80 chemical and pharmaceutical companies operating in the Lombardy Region through reading the contents of their over 100 company-level agreements signed since the mid-2000s; step two narrows down the research to nine case studies that are thoroughly examined through at least two in-depth interviews for each case, with the national management and union representatives. Each of the nine case studies is analysed with the purpose of retracing processes related to the spread and the characteristic features of welfare provision as well as of identifying mechanisms that are more likely to lead to different outcomes in terms of welfare negotiation. Four main areas of inquiry have been singled out: the characteristics and nature of welfare provision, the contribution of industrial relations, the role of corporate culture and tradition and the implications of the type of production. *Welfare provision*, which is the dependent variable, has three dimensions of variation: negotiated with union representatives *versus* unilaterally introduced by the management; implemented as an on-top component *versus* as a trade off with other elements of the employment relation (e.g. wage increase); built around “old” social risks such as pensions and healthcare *versus* “new” social risks as work-life balance and family support. Within the last dimension, a sub-dimension has been further distinguished, that is the propensity towards either arrangements requiring the company to allocate financial resources or zero-cost measures such as those related to time management and flexibility. In the attempt to spot causal relations, three independent variables have been identified, namely *industrial relations*, *corporate culture* and *production*. *Industrial relations* have been operationalized as unions’ initiative, meaning the capacity and willingness of union representatives to make proposals concerning welfare provision. *Corporate culture* has been further distinguished into two sub-dimensions of variation, namely the company being a foreign multinational group or an Italian domestic firm, and - for multinational companies - the effects of the interaction between home country and host country culture, regulations and customs. *Production* has to do with sector specific features and has been further distinguished into two, although tightly intertwined, sub-

dimensions: the type of production carried out and its market (i.e. supplying final consumers *versus* other businesses), and the characteristics of the workforce with respect to gender composition and type of work (i.e. prevalence of line workers *versus* office workers). In chapter three, each of the dimensions of variation identified is linked with one or more of those making up the dependent variable, and some causal relations are hypothesized.

Chapter four, five and six are the core of the empirical analysis. Chapter four presents the results of the study of the contents of company-level agreements for 80 companies operating in the chemical and pharmaceutical sector in the Lombardy Region. Step one has been carried out through the full reading of 148 agreements and the contextual classification of their main contents, with particular focus on welfare provision and work-life balance arrangements. Although the number of cases and the methods used for collecting agreements do not allow for statistical generalizations, the analysis constitutes a first attempt to study a significant amount of company-level agreements and to analyse their contents in detail. Furthermore, it provides important insights to the second part of the research and it orientates case selection. The choice of focusing on the chemical and pharmaceutical sector in the Lombardy Region has been motivated, as extensively argued in chapter three, by practical aspects related to data availability as well as by the very design of the research and its purpose. In fact, future replications of the present analysis in a different sector would be worth considering.

Chapter five and six display the detailed retracing of the development of welfare provision, together with processes and preferences of the selected companies of – respectively – the industrial chemical and the pharmaceutical sectors. Within-case studies have been designed to provide accurate descriptions of each experience as well as to grasp preferences and – of course – potential frictions through in-depth interviews with both parties involved.

Chapter seven concludes the research with the summary of the main findings of the two-step analysis and the systematic comparison of the different experiences in order to draw a set of more general findings elaborated on the basis of the previously identified variables and the mechanisms that link them with one another. Conclusive remarks recall the most significant insights gathered so far and open up to future perspectives and possible developments of the research.

## Chapter 1

### Occupational welfare and the welfare state

#### Introduction

Since the 1970s social transformations and welfare state adequacy have been among the greatest challenges for European countries, while the emergence of new social risks, critically coupled with tight public budget constraints, has been further exacerbated by the recent economic crisis. Whereas some countries have been more successful in recalibrating their social protection systems in order to cope with new needs and demands stemming from cultural, demographic and economic changes, Mediterranean states are, more than others, still struggling to adapt their welfare systems to new financial conditions, and to effectively deal with the changing social environment (Ferrera 2010, Hemerijck 2013). Against this background, a number of private actors increased their role in the welfare arena, leading to the emergence of a new “welfare mix” made up of formal and informal relations among the actors that contribute to welfare provision: the public sector, the market, the family, the social partners and the Third Sector (Ferrera 2006a). Among them, the contribution of business through the provision of company-based welfare benefits and work-life balance solutions has become a primary issue within the political debate.

The chapter aims at clarifying the scope of occupational welfare by addressing the relationship between occupational schemes and the public welfare state, and providing a preliminary taxonomy of occupational benefits. The next two sections set the boundaries of the phenomenon through a review of the international literature on welfare states’ development and current challenges, and a discussion on occupational welfare and its possible effects on redistribution and the public provision of welfare. The last section proposes a first, tentative taxonomy of occupational welfare benefits.

#### 1.1. New risks, new welfare?

With regard to welfare state formation and consolidation it is possible to divide the process into different phases. As Esping-Andersen (2002) noted, European advanced

welfare states are built on the extraordinary post-war welfare expansion, that was in turn based upon the late 19th century and 1930s-1940s bursts. The so-called “Golden Age” of the welfare state came a few years later, following World War II and accompanying and exploiting the tremendous economic expansion of the years ahead. The first social schemes, however, were introduced in the last decades of the 19th century to deal with workers’ rising social demands and then went through a phase of consolidation from the 1920s onward as part of a “nation-building” strategy. Bismarck’s pioneering sickness and work insurances for specific occupational categories were followed by initiatives in Austria and the Nordic countries, and, later on, Italy, France, and the UK. It is the WWII post-war period that sees the most significant development of the welfare state, in terms of both coverage and generosity. The 1942 Beveridge Report - a document that, advocating the universalization of social insurance, inspired the creation of the British welfare state and its NHS - is commonly regarded as the manifesto of the Golden Age. The widespread and enthusiastic consensus on the role of the state as major actor in welfare state building experienced in those years produced a cohesive citizenry and contributed to the anchoring of the idea of democracy to the post-war society (Ferrera 2006b). The cultural breakdown that followed WWII, made possible by the economic boom, spread in most countries, pushing the already existing and mainly occupational coverage to its natural limits. As Ferrera (2006a) pointed out, being the system built on national solidarity bonds, its inclusiveness and generosity were tailored upon national boundaries, locking in the insiders while leaving out the outsiders, a process of internal structuring and external closing that dates back to the 1920s.<sup>1</sup> After more than twenty years of unprecedented flourishing of schemes and entitlements, the 1970s oil crisis marked a turnaround for economic growth in Europe. The need for reform that, due to the complex and sometimes puzzling political dynamics lying behind welfare policies and decision-making especially in case of retrenchment, is still an unsolved issue threatening the sustainability of several national welfare systems.

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<sup>1</sup> The national character of social protection is precisely the heritage that has been making the EU-membership challenge of re-defining the boundaries of welfare particularly daunting.



### *1.1.1. The crisis of the welfare state*

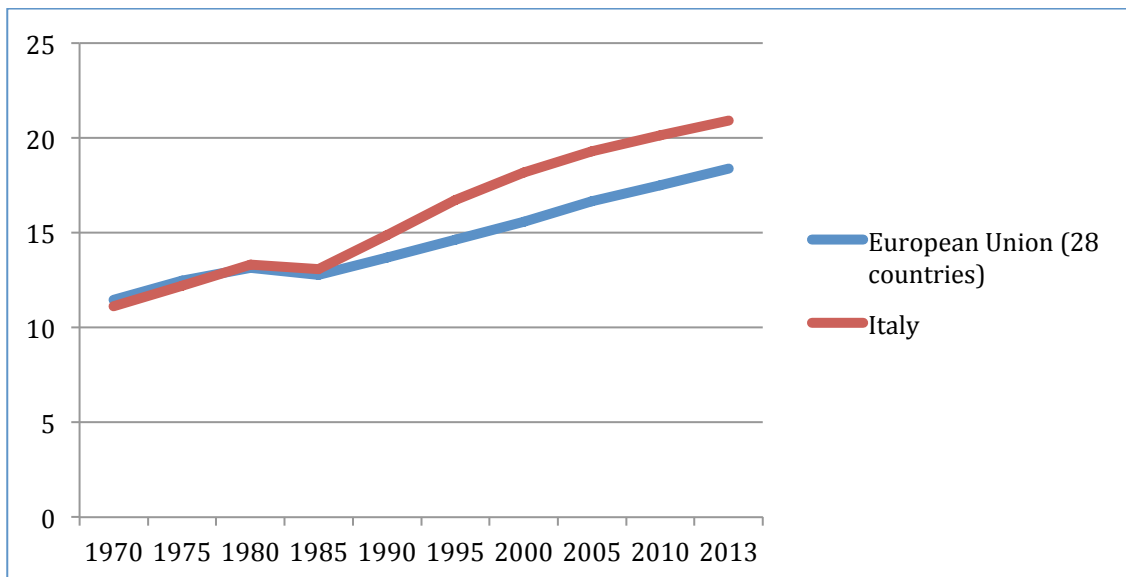
The 1970s oil shocks marked out the beginning of a deep economic recession, as dramatic levels of inflation hit the industrialized economies. The crisis, coupled with the effects of the globalization brought about by new technologies, liberalizations, and the widespread internationalization of trade, posed new challenges on European countries and, more specifically, on their welfare states. By that time, national welfare states were also starting to experience endogenous causes of distress, such as a modified structure of needs stemming from social, cultural, demographic and economic changes, including the post-industrial transition (Ferrera 2005). The most relevant trend was, and still is, population ageing: figures 1.1. and 1.2 show population ageing and lowering fertility rates<sup>2</sup> in Europe (28) and Italy compared. Existing pension schemes, known for being comprehensive and even too generous in some cases, benefited from the so-called “baby boom” that followed WWII and from the high employment rates. Pay-as-you-go systems, largely diffused in Europe, collect contribution from the active population in order to pay pension benefits to the retired. In doing so they rely, in order to function properly, on a large basis of workers, and are thus very sensitive to demographic and occupational trends (Pierson 2001). This is precisely the reason why national welfare states have been on the verge of collapse in recent years. All those “baby boomers” are old and retired by now, and their pensions are to be financed by the young generations, who are fewer and very often unemployed or tied-up in atypical jobs or in the informal sector, without any social guarantees. While countries as the UK, that already had in place “contracting-out” options to the public pension scheme, presented shifts towards private provision as relatively incremental changes, others, such as the Bismarckian welfare states, characterized by nation-wide, compulsory public schemes, had a much longer way to achieve long-term financial sustainability. The first and easiest solution is represented by parametric adjustments such as raising contributions and retirement age and establishing more restrictive indexation methods, which ease the burden but leave untouched the overall structure of the system. Paradigmatic changes such as the creation of partially-funded multi-pillar system and the shift from an earnings-related to a

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<sup>2</sup> The total fertility rate is defined by the OECD as the total number of children that would be born to each woman if she were to live to the end of her child-bearing years and give birth to children in alignment with the prevailing age-specific fertility rates. Together with mortality and migration, fertility is an element of population growth.

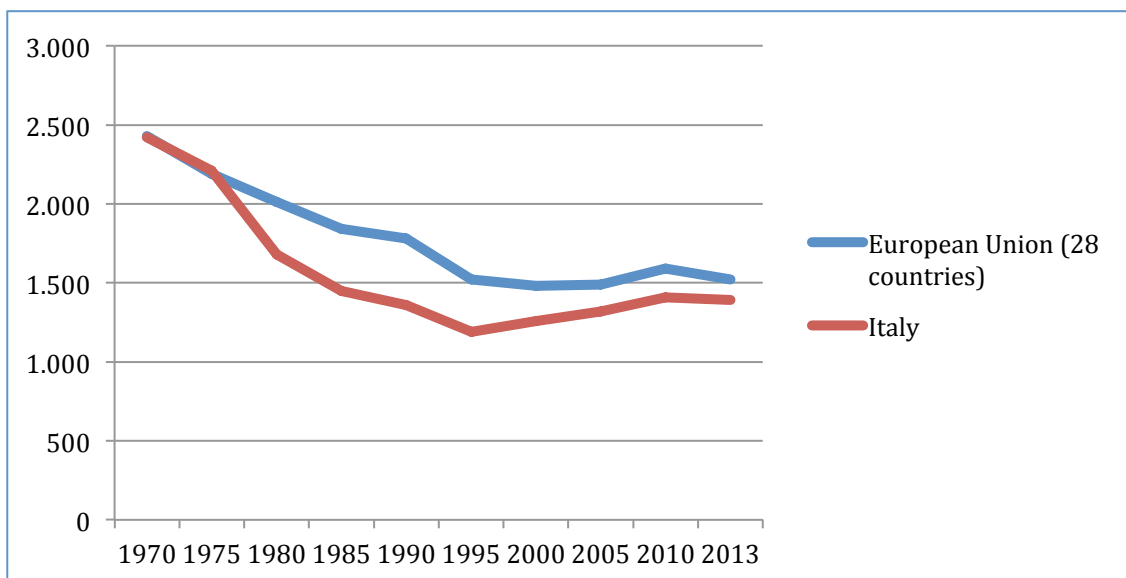
contributions-related formula are harder to set in place but also ultimately aimed at achieving long-term sustainability.

Figure 1.1. The increase of the percentage of population 65 and over in Europe and Italy, 1970-2014



Source: OECD (2016).

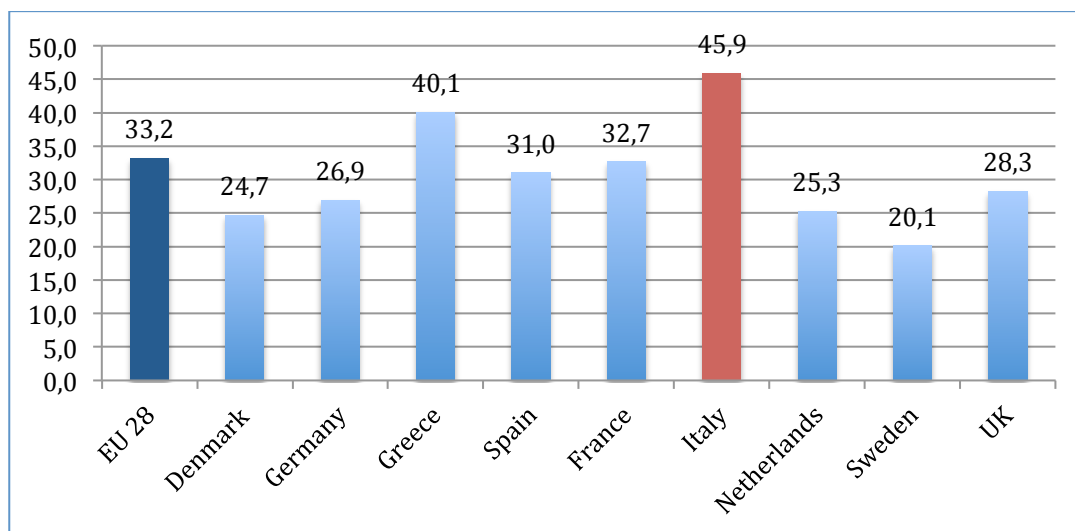
Figure 1.2. Fertility rates in Europe and Italy, 1970-2013



Source: OECD (2016).

Bonoli and Palier (2007) referred to the Bismarckian cluster as being characterized by inertia in front of the population ageing, that resulted in taking the proper steps only when the European integration and the economic recession forced these countries to do so. The elderly are not only an electorally active constituency but they are also widely recognized as deserving of their earnings, which explains why, generally speaking, cutbacks on pensions are particularly unpopular. Population ageing has significant effects also on female employment: women have traditionally borne, and still bear on their own shoulders, the burden of care responsibilities for children and older dependents. Many of them, due to the absence of any services, are forced to stay out of the labour market in order to provide domestic care (Taylor-Gooby 2004). Not surprisingly, figure 1.3 shows that countries providing care services and facilities, as Sweden and Denmark, present low percentages of women who are not employed and not looking for a job, while Italy, Greece and Ireland, among others, have worrisome levels of women out of the labour market.

Figure 1.3. Inactive women as a percentage of total female population in the EU, selected countries, year 2015

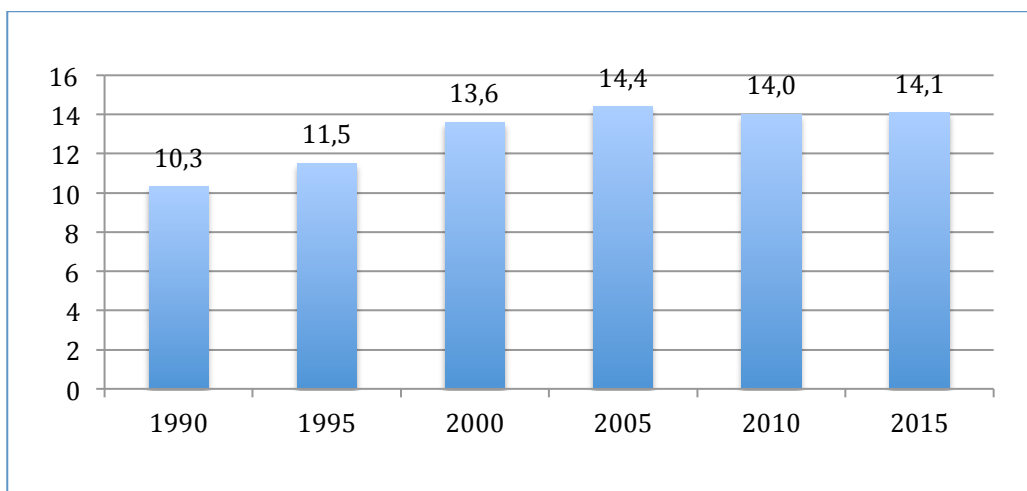


Source: Eurostat online database.

Health-care advancements and life-style changes in industrialized societies produced higher life expectancy levels that, coupled with the declining fertility rate caused by transformations in family and gender relations, such as higher mobility and greater

female participation in the labour market, and rising costs, ultimately produced a wide gap between the increased costs of social care and the resources available. On the side of the economy, the internationalization of the labour market pushed forward by the process of globalization challenged the states' capacity to control tax revenues and at the same time caused national firms to become price-takers rather than price-makers, thus making it harder for them to bear the burden of the social contribution owed. Internal dynamics such as the shift of national economies from industrial to post-industrial and the changes in the labour market also played a major role. The service economy, that was in those years the emerging sector, is subject to what is known as the "Baumol's cost disease": while classical economics sees wages rising proportionately to the labour productivity, the tertiary sector experiences a condition in which wages increase according to other sectors' rises, but in fact they are not linked to an actual growth of productivity in their own sector. Achieving high wages while keeping the prices low thus becomes unfeasible. Also, the once prevailing "Fordist" employment was partially substituted by less stable and more atypical forms (Baumol 1967). Figure 1.4 shows the increasing percentage of contracts with limited duration within the European Union in the last twenty years, that witness higher labour market flexibility brought about by technological changes and stricter international competition (Taylor-Gooby 2004).

Figure 1.4. Temporary employees as percentage of the total number of employees, EU 15, years 1990-2015



Source: Eurostat online database.

The new economic and social order was bringing about not only rising costs for the elderly, but also greater demands on the part of younger workers and their families. To complete the picture, it is also worth mentioning the on-going process of European integration, which pushes the member states to pursue domestic adjustments and greater uniformity of rights and standards by keeping balanced budgets. Although EU-led direct initiatives in the field of welfare are aimed at enhancing guarantees and at opening national social boundaries, they also resulted in de-stabilized equilibriums and traditional sharing arrangements (Ferrera 2007) which is also due to the sound EU fiscal constraints. All changes occurred from the 1970s onward dramatically challenged the financial sustainability of pre-existing welfare systems, born from the 1950s economic boom, and consequently forced all European countries to set on top of the political agenda a thorough reform of their national welfare policies. Interestingly, scholars as Paul Pierson (1994) argued that policy change is characterized by path-dependency, which ultimately causes present and future policy decisions to be always constrained by the choices made in the past. In a democratic system, the electoral cycle necessarily constrains politicians to short-term decision making, meaning that voters will be influenced in their voting behaviour on the government's recent achievements rather than on results in the long run. Also, the groups of citizens affected by these decisions tend to mobilize and actively respond against the cuts to their entitlements, even in those times of fiscal austerity, when the collectively as a whole demands lower public expenses. After all, as Paul Krugman (2011) once pointed out referring to US citizens' attitude towards spending cuts, "the key point to understand is that while many voters say that they want lower spending, press the issue a bit further and it turns out that they only want to cut spending on other people". That is to say, people react differently to losses and gains, as if they would take gains for granted, but could not bear any losses. Thus, decision makers are naturally more likely to refrain from any retrenchment measures, that traditionally require an exercise in blame avoidance rather than credit claiming, and they very often end up implementing reforms that turn out to be partial and ineffective (Pierson 2001). Still, throughout the 1980s and 1990s cutbacks and adjustments became unavoidable, with a growing "generational conflict" that saw in many cases the burdens progressively shifting to the younger generations. While some countries successfully managed to adapt their systems to tighter budget constraints

while keeping high levels of efficiency and generosity, others are still struggling to take on the new challenges.

### *1.1.2. Recalibration proposals*

Effective welfare reforms are not a matter of designing new and “abstract” welfare architectures, as they must be achieved through recalibration of social and economic policies in order to meet the specific vulnerabilities of each regime type (Ferrera and Hemerijck 2002). According to Ferrera, Hemerijck and Rhodes (2000) recalibration efforts entail an institutional re-balancing characterized by economic constraints on policies, interdependence between expansion and retrenchment choices in social provision, and the shifting of the attention from some measures and policy goals to others. The authors identify four dimension of recalibration. Functional recalibration refers to the re-balancing within social functions, such as shifting from passive to active measures; distributive recalibration has to do with the social groups involved, meaning the achieving of more equity between “insiders” and “outsiders”; normative recalibration concerns public discourse and the need of re-thinking moral foundations of the existing system. Last, political-institutional recalibration calls attention to the different actors and levels of welfare governance, paving the road towards more articulated, multi-level and multi-actor, welfare systems. Sub-national as well as supra-national arenas are starting to emerge as autonomous levels, while several actors constitute a more inclusive “network governance” of the social policies (Ferrera and Hemerijck 2002). After the economic expansion of the “Golden Age” guaranteed generous and nearly universal benefits, various administrations over time found themselves in need of achieving the unavoidable adjustments without compromising the relationship with the electorate. When demographic trends started to change, along with the economic crisis that brought along dramatic unemployment levels, it became painfully clear that a major restructuring was no longer avoidable. Since the late 1970s all European countries started making policy adjustments that have been largely path-dependent, that is influenced or constrained by existing welfare institutions (Taylor-Gooby 2004; Ferrera and Hemerijck 2002). The Nordic countries have been the most successful in adapting their welfare systems to the new social risks, implementing services to support families and women with children as well as the elderly and the

disabled. Also, they put in place efficient active labour market policies and they were able to continue providing extensive and high quality social services to maintain low poverty levels. In Corporatist states of continental Europe as France and Germany the legacy of the old occupation-related and highly fragmented welfare states, based on the “male breadwinner” model, challenged significantly reform efforts. Still, in recent times these countries have been able to put in place child-care support policies to favour women’s participation in the labour market, while they have been less successful in guaranteeing the rights of the “outsiders” with regards to unemployment and pensions. Liberal countries as the UK largely continued in the direction of targeting public help and favouring citizens’ reliance on market solutions. In the UK the Labour Party tried to achieve better control through the stricter regulation of private provision and to target public policies to specific need-groups. At the bottom of the ranking there are the Southern European states as Italy, Spain and Greece, that are still struggling to adapt their welfare systems to the new needs of the population. Mediterranean countries present wide coverage gaps between different categories of workers, and have the highest rates of long-term and young unemployed. Also, child-care provision is limited and so is women’s employment. (Taylor-Gooby 2004; Armingeon and Bonoli 2006). Pierson’s idea of path-dependence in welfare reform processes is undoubtedly confirmed by European experiences, although it is worth mentioning the different timing of the emergence of new social risks in each country. As Bonoli suggested, phenomena as deindustrialization and unemployment, growth of women’s employment, and divorce and lone parenthood, started occurring in the Nordic countries, followed by the UK, and later on in continental and southern Europe. Timing marks the pressure on policy-makers to address issues that are increasingly felt by the electorate (Armingeon and Bonoli 2006, Fargion 2000). Against this background, a number of scholars started addressing the issue of the long-term financial sustainability of European public welfare states, often discussing the idea of greater involvement of other social and economic actors in the welfare provision (Ferrera 2005; Shalev 1996; Greve 2007). There are of course different “degrees” of involvement, ranging from the privatization *tout court* to collective forms of social protection provided as part of the employment relationship and up to more participated, multi-stakeholder and bottom-up experiences of local governance. Gingrich (2011) challenges the ideological assumption of markets in public

services being necessarily “good” or “bad”, analysing the fields of healthcare, education and elderly care in England, Sweden and the Netherlands. The author’s idea is that while both left and right-wing governments turned to the market during 1980-90s, they did so with different purposes and very different measures of “marketization” measures differ with respect to the degree of power held by the state, the users and the providers, and to the distribution of the costs among them. Although Gingrich does not explicitly refer to the role of non-state actors such as the social partners, she recalls their influence in more than one occasion, particularly in trying to resist change towards privatization. Gingrich theorizes that different choices in terms of governance and public-private mix in welfare provision lead to very different outcomes in term of quality, coverage and social equality.

### *1.1.3. Occupational welfare and the welfare state*

Concerning the impact of the development of employment based schemes on the public welfare state, a classical argument comes from substitution theory, which hypothesizes crowding-in and crowding-out effects in the provision of welfare between public and private systems. An extensive welfare state is expected to reduce the importance of other actors, such as for instance voluntary organisations. Comprehensive public services have therefore a negative impact on the development of voluntary action, which would be most likely generated from a demand for collective goods not satisfied by the state (Stadelmann-Steffen 2011). An example is the evidence given for the crowding in/ crowding out theory with respect to the role of the Church in poverty alleviation in Finland, marginalized for decades by the universal welfare state and become more pronounced after the recession in the 1990s (Hiilamo 2011). Similarly, it has been questioned whether the development of a strong welfare state diminishes the role of the family through the provision of extensive formal support, or it enables instead family carers to help their dependents more effectively (Motel-Klingebiel et al. 2005). A similar case has been made with reference to employment-related benefits (Greve 2007). In the field of public social insurance, less compensation might push individuals and organization to find alternative non-state solutions, such as individual and collective schemes provided by the employer and “private welfare” initiatives as personal insurance policies and bank accounts (Stahlberg 2003, 190). With regards to



the Anglo-Saxon countries, Esping-Andersen noted that their social assistance-dominated welfare state, characterized by basic and means-tested benefits, tends to strengthen the market, since all but those who fail in it will be encouraged to turn to the private sector. Scandinavian welfare states offer instead generous, universal public benefits, and “effectively block off the market” (Esping-Andersen 1990, 26). Not only Esping-Andersen seems to corroborate the substitution hypothesis, but he also evaluates very differently the two welfare regimes with respect to their de-commodification levels, thus implying a prescriptive appraisal. While contesting the common idea of earnings-related benefits damaging the redistributive effect of the welfare state, Stephens took the iniquity of private alternatives for granted: “This counterintuitive finding is explained by the fact that the institutional welfare state crowds out all other alternatives (such as negotiated occupational benefits, private insurance, and personal savings), all of which are much more unequal than earnings related public benefits” (Stephens 1995, 148). The peculiarity of the Nordic model is crucial in Stephens’ argument: a system that offers generous benefits and broad services will not benefit from private and occupational welfare, since it does not need support in supplementing the provision of services. Things might be different in countries where the institutional welfare state can no longer keep up with the growing needs of the population. A different perspective has been presented by a number of authors who, drawing upon “complementarity theory”, argue that different actors do not fully substitute for one another. A generous welfare state does not replace services from other providers, but it is more likely to allow them to specialize in other forms of support. An increase of one actor’s activity leads to an increase in the total sum of activities, since existing activities can only be either increased or unaffected (Dahlberg 2005). While substitution theory is reasonably applicable to both welfare financing and provision, complementarity theory has been purposely designed for a deeper understanding of roles and responsibilities of formal and informal support in caregiving systems, as it focuses on the issue of “dual specialization” of families and formal service providers in performing different tasks (Zarit et al. 1993). Whether the public welfare state can or cannot crowd-out private alternatives is an issue that has been extensively discussed, but the big question nowadays seems to be precisely the other way around: are private alternatives going to help and complement public provision or are they contributing to the gradual deepening

of social cleavages? On top of that: “Will retaining the support of – and tax money from – privileged socio-economic groups remain possible as they become increasingly covered by complementary, supplementary, or even alternative schemes to the state welfare schemes that are gradually eroding or at best at a standstill?” (Kvist and Greve 2011, p.159). If not, even welfare states characterized by a solid public pillar would be transformed by the spread of occupational schemes into multi-tiered systems characterized by less universalistic access to benefits and services.

## **1.2. Old and new actors in the welfare arena**

A large and influential tradition of explanatory theories of the state is based upon the idea that states exist because of their capacity to deliver goods that would not be successfully provided otherwise. Smith, Mill and many other political economists developed public goods theories from the assumption that some goods are more efficiently provided collectively through the state than individually through the market (Hardin 1997). Not surprisingly, the state has been generally considered the primary provider of social services and benefits. As Ferrera explained, however, the public sector is not only the one actor shaping social policies, being these courses of actions in which a plurality of public and private actors meet and interact. Still, among the actors that contribute and concur to the welfare provision, namely the public sector, the market, the family, social partners and the so-called “third sector” non-profit organizations, the state is not only the main provider but also the territorial, legislative, and to some extent social “container” of the other spheres (Ferrera 2006b). The “welfare mix” made up of all formal and informal relations between the actors in the diamond, is necessarily constrained within the borders of the figure itself, which refer to the State, placed in the upper corner. That is precisely because of its role of main provider and at the same time “sovereign regulator” (Ferrera 2006b). Nonetheless, in light of the recalibration processes presented above, governments have been encouraging both employers and citizens to take up private protection through the provision of even significant tax breaks (Adema 2000). Familial welfare, especially rooted in Southern-European countries, is one of the major sources of welfare in terms of care giving and income pooling, even though life-style changes, such as for instance increased mobility and higher number of working women, dramatically threaten this dynamic.

“Intermediary associations” includes local communities and informal groups as well as associations, organized groups, social parties and non-profit organizations. The market is the main source of welfare for many citizens, as their income comes from employment; also, welfare benefits can be purchased on the market. These actors are ultimately deeply interdependent. Nonetheless, the government is in sole charge of addressing and absorbing market failures through the system of collective solidarity it is built upon (Esping-Andersen, 2002). It is also worth noting that, nowadays, international organizations and transnational institutions have been gradually eroding states’ territorial sovereignty, thus becoming active players in the welfare policy arena (Ferrera, 2005).

#### *1.2.1. The role of employers in welfare state formation*

Among the actors, the contribution of business to social development and sustainability, fostered by the debate on Corporate Social Responsibility and the spread of “occupational welfare” - that is benefits complementing or substituting the public welfare system which are either provided by employers or included in collective agreements - has become in recent years a primary concern. Is the emergence of multi-actor partnerships a promising solution to help the “first”, public, welfare cope with present and future challenges? When it comes to the relation between social and economic actors and policy-making, scholars highlighted different dynamics determining policy outcomes. Leading roles and influence of different social actors and interest groups have been extensively analysed in order to explain welfare state formation processes as well as success or failure of retrenchment attempts. As it has been already mentioned, Paul Pierson inferred that the expansion of the welfare states brought along new interest groups, such as benefits’ recipients and public employees, who play a major role in discouraging attempted cuts in the welfare public provision from both left and right-wing parties (Pierson 1994; 2001). Other authors argued that partisan divides and class-related politics still matter, even when considering welfare retrenchment efforts (Allan and Scruggs 2004; Korpi and Palme 2003). Allan and Scruggs observe: “While Reagan and Thatcher probably got less retrenchment than they wanted, from a comparative perspective they were quite successful by many criteria” (Allan and Scruggs 2004, 502). Walter Korpi, along with the proponents of the power

resources approach, suggested that welfare states are to be seen as arenas for conflicts between socio-economic interest groups that are related to partisan and class divides. The fact that categories with higher life-course risks tend to have lower individual resources generates class-related collective action. Major parties in the Western countries are related to the left-right continuum, which indicates that class is important in forming contexts for collective mobilization (Korpi 2006). Opposite views are expressed by scholars of the employer-centred approach, who maintained that the power resources thesis incorrectly overlooked the proactive role of employers and employer organizations in welfare state development. The control of state power by the left does not necessarily lead to strengthened organized labour, as labour unions and parties are likely to impose limits on the welfare state, and to do so in conflict with themselves and in alliance with outside interests. In the 1980s for instance, Swedish employers and Social Democratic politicians formed a cross-class alliance with private sector unions against public sector unions: they succeeded in challenging the power of public employees in order to relieve pressure for tax increases and promote export competitiveness (Swenson 1991). Isabela Mares observed that research on welfare state formation largely neglected the political role of employers, in order to focus solely on bargains between labour unions and the state, as “in a world 'imagined' as free of firms” (Mares 1997, 300). And, if the participation of firms was acknowledged, it was only to stress their veto capacity over social policy developments, assuming that employers oppose the expansion of social insurance (Mares 2003). Employers' preference towards social policy, as it can be observed in practices of enterprise paternalism, rises from the need to redefine labour market risks such as unemployment, accident and sickness, in order to redistribute their costs, rather than from paternal benevolence or the desire to achieve unregulated labour markets (Mares 1997). Therefore, Mares identifies three dimensions to analyse firms' preferences: ability of social policies to redistribute risks, locus of control within alternative policy arenas and the costs imposed by different social policies. With regards to the introduction in Germany of the unemployment insurance system during the Weimar period, she concluded: “These analyses will identify the particular coalitions underpinning each social policy arrangement and will answer the question whether contributory unemployment insurance rested on a cross-class alliance between unions and employers, or on an alliance between employers and

the state, against unions (who preferred a Ghent system) and small firms. In both cases, large firms remain the crucial political actor in the explanation of the social policy outcome.” (Mares 1997, p.323). Mares also examined the relationship between economic insecurity and the welfare state, arguing that economic insecurity creates two competing cross-class coalitions, both composed of workers and employers, between "high-risk" and "low-risk" sectors. While high-risk sectors push for the introduction of social insurance institutions that can provide income support in case of employment loss, low-risk sectors’ alliances oppose social policy expansion, fearing that they would become subsidizers of high-risk industries. They would opt for social policies characterized by occupational fragmentation and low levels of cost redistribution across sectors (Mares 2004). Similarly, Hall and Soskice argued that employers initiate welfare state development when they are engaged in production requiring asset-specific skills. These skills have much more limited transferability than more general skills, which implies that workers are willing to develop them only if backed up by some form of insurance against the risks encountered (Hall and Soskice 2001). The popular dichotomy of varieties of capitalism (VoC) between liberal and coordinated market economies stemmed precisely from the necessity to explore the contribution of complementary institutions such as corporate governance and industrial relations (Schelkle 2011), although it has been criticized for underestimating intra-country differences (Bechter et al. 2012). The influence of employers’ behaviour and preferences on political choices has been repeatedly stressed out in the literature. Let us consider for example the idea of structural dependence of the state on capital, which maintains that the willingness of owners to continue investing capital is crucial for keeping up economic performance, that is in turn essential for policymakers’ popular support (Swank 1992; Przeworski and Wallerstein 1988). While the power resources approach depicts welfare state formation as zero-sum-game between capital and labour, thereby considering employers by definition against any social policy developments, employer-centred theories do not treat adequately the difference between consent and proposal, between strategy (e.g. not opposing) and pre-strategy (e.g. voluntarily initiating). Although some questions remain unanswered, the review of the literature showed the co-presence of a multiplicity of actors with their own interests and policy preferences, that can cooperate or confront each other within the welfare arena,

ultimately influencing and even determining policy outcomes. The most powerful actors, who often find themselves directly bargaining with policy-makers, are undoubtedly organized labour, because of its representation capacity, and employers' organizations, due to their economic power.

### *1.2.2. A new role for trade unions?*

Against a straightforward welfare privatization approach, another strand of literature contends that welfare services that are left uncovered by public provision can be supplied through the entrance in the welfare arena of actors with a collective nature, such as trade unions and employers associations (Trampusch 2006; 2007). For some time now, unions have been starting to actively operate in the provision of welfare services within several levels of the bargaining process, at the central and national levels but also increasingly at the decentralized one (Colombo and Regalia 2011). Although the social partners often play a role in public social insurance system, it is in the negotiated supplementary one that they have the most say (Natali 2009). The long-going debate over decentralization of decision-making and the effects on coverage and employers' extended room for action (Calmfors and Driffill 1988; Traxler et al. 2001; Traxler 2003) is extremely relevant to company-level welfare provision. The numerous attempts to favour the "sliding" of bargaining responsibilities from the national to the company level bring along fears that decentralization of bargaining eventually leads to less coverage and more managerial control through the dismantling of the "collective" dimension, particularly when combined with national governments' attempts to "rescale upwards" policymaking and to "push aside" the social partners (Guillén and Pavolini 2015). The 1980s witnessed a gradual but significant process of decentralization of bargaining across Europe which allowed organized industrial relations to survive only through the reaching of a "new compromise" based on lowering labour costs in order to improve competitiveness, ultimately resulting in the fact that "competitiveness and flexibility define the *substantive agenda*" of new industrial relations (Traxler 2003, p. 148). What seems to be lost in the process is, though, the solidaristic dimension behind wage bargaining. In addition to this, the EU level brought significant "complexity" to national industrial relations systems as well, particularly for multinational groups (Regalia 2007; 2009). According to Traxler (2003) the solution found in Europe has

been that of organized decentralization through multilevel bargaining made up of higher-level framework agreements and lower-level customized and flexible agreements. Against this background, it is crucial that trade unions take the road of a comprehensive “re-configuration of representation” in order to ward off the risks of employers’ unilateral management of labour relations, uncoordinated auto-organization of civil society or top-down State intervention (Regalia 2009). As many authors have addressed the problem of union decline, others have attempted to analyse strategies of “revitalization” (Frege and Kelly 2003; Bryson, Ebbinghaus and Visser 2011), which may be brought forward by stepping in the provision of benefits in order to favour the shift from the old paternalistic approach of welfare as a “gift” to a modern conception of occupational welfare provision as a component of the employment relation. One of the approaches identified to contrast lowering membership rates and loss of influence is building partnerships with employers at all levels of negotiation – national, local and at the workplace – with the final aim of increasing “perceptions of union instrumentality among non-union employees” (Frege and Kelly 2003, p.9). Assessing the impact of occupational welfare provision on trade unions’ strategies, most recent studies on occupational welfare in Europe highlighted the emergence of “concession bargaining” that displays a clear trade-off between wage stability and the provision of social benefits, particularly in Southern European countries as Italy (Natali and Pavolini 2014).

### **1.3. Setting boundaries**

Back in the 1950s Richard Titmuss (1958) divided welfare provision into three major categories: *social welfare*, *fiscal welfare* and *occupational welfare*. The first grouping encompasses what Titmuss defined as “social services”, that is those forms of public intervention that embraced over time increasingly heterogeneous activities of collective provision, from poor relief and sanitation to disability benefits and higher education, without any strict criteria to draw the boundaries of the definition. After the development of the first category in the early 20<sup>th</sup> century, more “states of dependency” were recognised as collective responsibilities. Several causes of dependency, from natural (e.g. disability and sickness) to “man made” (e.g. unemployment and other labour market-related malfunctions), resulted in the increase of the areas interested by

welfare policies and in the growing involvement of a number of actors in the welfare provision. *Fiscal welfare* refers to all measures operating through the fiscal system, such as allowances and tax breaks originally set up to support families in the lowest income groups and which were through time extended to wider sections of the population. *Occupational welfare* is made up of “indirect social services” duplicating and supplementing social and fiscal welfare. Occupational benefits supposedly proved the “good human relations” in industry inspired by the model of the “good” employer advocated at that time by the British Conservative Party. The 1947 pamphlet “The Industrial Charter: A Statement of Conservative Industrial Policy” called for a greater role for occupational schemes (Titmuss 1958). A belief also shared within the American management rhetoric: the late 19<sup>th</sup> century business literature used to present the image of the “model” employer as the one providing employees with amenities to enhance the lifestyle of workers as well as with welfare benefits (e.g. pension plans, accident insurance and medical care) (Haydu and Lee 2004). Titmuss considered as *occupational welfare* a wide list of benefits: “Pensions for employees, wives and dependents; child allowances; death benefits; health and welfare services; personal expenses for travel; entertainment; dress and equipment; meal vouchers; motor cars and season tickets; residential accommodation; holiday expenses; children’s school fees; sickness benefits; medical expenses; education and training grants; cheap meals; unemployment benefit; medical bills and an incalculable variety of benefits in kind ranging from ‘obvious forms of realizable goods to the most intangible forms of amenity’ ” (Titmuss, 1958, p.51). These benefits act as “concealed multipliers of occupational success”, advantaging the wealthier who add them to the ones already provided by the State, rather than the poorer who do not have access to them (Titmuss 1958, p.52). Occupational welfare, which is favoured in turn by fiscal policies, ultimately undermines solidarity to promote individualism and introduces the idea that social services availability is related to occupational and income achievement. To evaluate these conclusions, it is necessary to consider that they were written in the midst of the “Golden Age” of the welfare state. The role played by occupational schemes and privately funded welfare provision was not seen, at that time, neither significant nor necessary. Nowadays things appear to be changing: emerging social risks, coupled with cutbacks on public expenditure, leaves room for private actors to enter the welfare



arena. Moreover, the UK presents a peculiar historical and cultural background, which contributed to the creation of social stigma accompanying all citizens who find themselves in need of relying on the social services (Esping-Andersen 1990). It seems therefore reasonable to argue that the spread of occupational schemes could widen even more the existing gap between the ones who depend on the public welfare state and the others, who can afford not to. Parallel trends in the development of welfare schemes do not necessarily result in the convergence of different welfare models towards a common paradigm, because of differences in timing, speed, intensity and extent of changes (Kvist and Greve 2011). It is also worth noting that the list of occupational benefits as formulated by Titmuss is extremely inclusive and somehow vague in its definition, without any distinctions within the group itself. Drawing upon Titmuss' categorization and adding up a first, sketchy distinction between different kinds of benefits, Hoven's 1982 analysis of a survey data on occupational welfare benefits in Norway reached analogous conclusions with respect to redistributive effects, showing that there are substantial differences between companies and that the most economically significant benefits are directed towards higher wage positions. The author confirms that the fragmented development of occupational benefits between firms results in sharper inequalities not only between wage earners and citizens outside the labour market, but also within workers employed in different companies and sectors. Hoven's differentiation, based on the market value of benefits, separates the most significant ones such as free telephone, free or subsidised accommodation and company car, from the ones that have a lower monetary value like insurance policies, pension schemes, education grants, subsidised or free meals and cheap loans. The fact that the former group of services is catered only to high-wage employees while the latter applies to all workers, suggests that - as argued by Titmuss - benefits reflect the market value of individual positions, ultimately giving out more to the ones who already earn more. Although Hoven's classification is a useful step towards a more precise typology of occupational benefits, the economic significance and the status of the recipients need to be complemented with other measures in order to accurately draw a line between fringe and welfare benefits. Identifying for instance the social and economic needs that each benefit addresses can be crucial in order to assess whether it operates as a supplement to the public coverage of social risks or instead as an addition, providing support for new

social needs. On the other hand, taking into account the market value alone can be misleading: the welfare expenditure borne by the employer for the workforce is not necessarily lower than the amount allocated on fringe benefits, but it is to be distributed among a wider group of recipients, who probably have very different needs. Still, it has to be kept in mind that fringe benefits such as cars, laptops and telephones are often provided by the company because they are essential to the specific work position, and therefore should be also considered as working tools. With reference to the “Best Companies to Work For” published lists Heymann writes: “The majority of the firms that were praised for being among the ‘Best Companies to Work For’ focused their efforts only on the employees at the high end of their corporate ladder; their policies were either unaffordable or unavailable to their line workers” (Heymann and Barrera 2010). Non-state employment-related insurance policies often give higher benefits, as a percentage of wages, to higher-paid workers rather than to lower-paid, as it is a way for employers to attract and retain. Also, since benefits are not included in traditional wage statistics, they can be used to hide wage drifts and bypass labour laws and agreements (Stahlberg, 2003). Although it cannot be argued for a fact, it is plausible that in this picture - as suggested by Titmuss, Hoven, and Heymann - benefits and contributions provided by companies have a share of responsibility in widening the gap between the high-wage positions, that enjoy significant advantages in return for their professional success, and the rest of the workforce. Recent studies on occupational welfare provision in Europe highlighted similar dynamics, suggesting that the close link between occupational provision and the employment contract eventually leads to further segmentation within the labour market and ultimately to the widening of socio-occupational inequalities (Natali and Pavolini 2014).

### *1.3.1. Welfare and flexible benefits*

Framing employment-related welfare benefits, as well distinguishing them from fringe benefits, has proven to be a particularly daunting task.<sup>3</sup> Greve (2007) suggested to use existing definitions of *social policy* in order to single out benefits and services that fall under the scope of occupational welfare, as well as to distinguish between substitutes and complementary benefits: items included in the OECD and EU definitions of *social*

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<sup>3</sup> For a discussion on the issue, see Greve (2007, pp.37-39).

*expenditure* and the nine branches of the ILO Social Security (Minimum Standards) Convention no.102 (1952) define the relevant areas for building up a typology for occupational welfare. Greve identifies two main dimensions: the degree to which occupational benefits are inside or outside the scope of welfare provision, and the degree to which the various elements have direct or indirect impact on company performance. Some measures produce direct positive outcomes for the company, in terms of enhanced productivity, quality and decreased absenteeism, while others result in indirect effects, as it could be the case for better work environment and increased employees' attachment to the workplace<sup>4</sup>. Fringe benefits like free car and summer cottages fall outside the scope of welfare, together with education and training, while health care support and pension payments are to be considered *occupational welfare*. As acknowledged by the author himself, it is arguable whether or not education and training, which nowadays play a major role in active labour market policies<sup>5</sup>, should be left out of the scope of welfare. The same can be maintained for the inclusion of benefits in the field of reconciling work and family life, that range from day-care facilities and economic contributions for school fees and child-care services, to flexible working hours and the possibility to work from home. Another way of categorising suggested by Greve (2007) is through the adding up of a third dimension, which is *how individuals perceive the benefits*, whether they substitute or supplement the public provision of welfare. *Substitution* is defined as the situation in which the person needs to take action for him or herself in the absence of a state system, while *complementarity* refers to the case of him or her wanting to reach a specific coverage level. The measure includes in the analysis the individual perspective: depending on gender, age and marital status, recipients have different perceptions of the relevance of the benefits. Following Greve's argument, occupational welfare benefits are the ones that are to be considered either substitutes or complementary to the public welfare system (using accepted definitions of social policy and expenditure) regardless of them having direct or indirect impact on companies, according to the individual's perception. Although combining the "institutional" dimension (EU, OECD and ILO definitions) with individual perception moves towards a more comprehensive understanding of the

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<sup>4</sup> See also Heymann and Barrera 2010.

<sup>5</sup> EU's Europe 2020 strategy lists better education attainment and acquisition of new skills in the "inclusive growth" target.

benefits with respect to the needs of the recipients, the same differentiation in interests and priorities that adds a “dynamic” character to the typology may also constitute an element of unreliability. Rather than taking social expenditure items as the only reference, the definition used to determine whether benefits are inside or outside the scope of welfare can be built on the welfare demands of citizens from their early childhood and through their entire life as by the “social investment” paradigm, which implies “increased attention to and investment in children, human capital and making work pay” (Morel, Palier, and Palme 2009, p.27). The beneficial effects of welfare practices on firms’ productivity are not considered here: as Greve showed, the distinction does not appear to be relevant for determining what falls in or out the scope of occupational welfare. Alternatively, establishing whether the benefits are catered to the whole workforce or to specific categories of employees could be interesting in light of the debate on the “up-ward trend” of occupational benefits (Titmuss 1958; Hoven 1982; more recently, Heymann 2010). It is arguable that, in order to be considered *occupational welfare*, benefits should be offered either to the entire labour force or to the categories at the bottom of the corporate ladder (line workers and/or white collars). Measures undertaken only for management positions should be considered as fringe benefits as they enhance lifestyle capabilities but do not address basic social and economic needs. Even those benefits that respond to social needs (e.g. health insurance) mirror, if available for high-wage employees only, occupational success and do not fulfil within the firm’s workforce the basic redistribution principle that is the grounding of the welfare state. Although the choice of not including health plans and life insurances in the welfare area if pertaining only to management positions is questionable, it could be argued that they represent incentives offered to high profiles and are thus to be considered not only supplementary to public coverage but also to private coverage that these employees are likely to have or could in principle afford for themselves. Similarly, initiatives that - although extended to a wider group of recipients - do not tackle primary needs, covering instead areas related to culture and entertainment are praiseworthy but are to be regarded as fringe benefits “which are nice, but not necessarily a classical element in covering welfare risks” (Greve 2007, p.38). Figure 1.5 combines the divide “needs throughout the life cycle / lifestyle-related benefits” with the beneficiaries’ dimension, framing the area of occupational welfare.

Figure 1.5. The area of occupational welfare

		Welfare needs throughout the life cycle					Lifestyle-related benefits	
		parenthood	childhood support, education and care	health and disability	basic income support, human capital development through learning & training	care for elderly & personal autonomy support	employee discounts & rewards	individual utility benefits
entire workforce OR blue and/or white collar employees	maternity/paternity leaves	scholarships & economic support for day-care	disease prevention programs	food vouchers & discounts	supplementary pensions' contributions	cultural & entertainment activities, gym, shopping discounts	free car & telephone, holiday expenses, etc.	
	work-life balance initiatives	health insurance for worker & family	life-long learning programmes, leaves & scholarships	LTC insurance & support for family carers				
high-wage positions	baby-sitting services	school fees	management health plans	free meals & stock/bonds	life insurances & saving plans			

Note: The content of the figure is not meant to be exhaustive but only exemplificatory.

Source: elaboration of the author.

Focusing on goods and services that are offered either to the whole labour force or to categories that do not include high positions makes it possible to control for the misleading inclusion of fringe benefits in the area of the welfare provision. It could be maintained that such strict approach excludes several measures that undoubtedly enhance personal wellbeing. The choice of concentrating on a narrower category of basic social and economic needs has already been discussed with regards to the structuring of the first dimension “needs throughout the life cycle / lifestyle-related benefits”. Adding up to Greve’s, the typology includes benefits that, although not strictly related to “traditional” welfare provision, effectively respond to emerging social needs. On the other hand, it introduces a new discriminant - that of the recipients, - which skims off benefits on the basis of their redistributive power inside the workforce, rather than considering only the nature of the risks covered.

### 1.3.2. The new area of work-life balance

Most influential studies on occupational welfare provision allocate benefits to four main clusters: pensions, healthcare, training and work-life balance (Greve 2007; Prowelfare

2013; Gupta and Shaw 2014). The latter one is though one of the broadest in terms of variety of benefits as well as one of the most recently entered in businesses' agendas; despite its strategic relevance to the company's organization, the area of family benefits is still somehow underestimated (Dulebohn et al. 2009). A significant effort in delineating the area of benefits aimed at supporting family caring responsibilities has been undertaken by Seeleib-Kaiser and Fleckenstein (2009) who divide benefits into three sub-categories: money, time and services. The first one encompasses direct money transfers aimed at covering or co-financing family related expenses (e.g. direct payments and allowances); the second is related to time management and flexibility in order to allow parents to personally take care of responsibilities (e.g. voluntary part-time, flexitime and working time accounts); the last one comprises all on-site service as well as the ones directly provided by the company through agreements with providers (e.g. workplace nursery). Similarly, the European Company Survey on Reconciliation of Working and Family Life 2010 provides a slightly more detailed classification of family-friendly policies, identifying four areas: flexible working time and work arrangements; parental leave and parental support; childcare and care for dependants; family services, information and advisory services. Drawing on the extensive literature on "old" and "new" social risks (Bonoli 2006), Agostini and Ascoli (2014) introduce a qualitative distinction, "hooking" benefits to specific social risks in order to understand whether in the Italian context occupational benefits end up filling the gaps in public welfare provision. The authors conclude that, while occupational welfare might contribute to tackling "new" social risks, it does not improve distributional inequalities within the population, as their provision is subordinated to the beneficiary's employment status. Elaborating on the distinction made, from now on work-life balance and training are considered as an area related to new social risks, while pensions and healthcare are to be seen as more "traditional" benefits.

#### **1.4. What determinants for company-level welfare provision?**

Once established a clear definition of company-level benefits, it is time to draw from the existing industrial relations and organizational contributions a set of elements that could be possibly shaping welfare provision in order to guide the empirical analysis. Although the industrial relations literature concerned with the provision of employee

benefits is still quite scarce, it is useful for the time being to consider welfare provision as part of company-level negotiation. Concerning the impact of union influence on management practices, among which the implementation of employee benefits, White (2005) contends that “unions, by providing voice services (e.g. bringing together, interpreting and amplifying employee voice; and also communicating employers’ messages to employees), can help employers to obtain valuable information from employees at a reduced cost and to communicate to employees in a legitimated manner” (White 2005, p.349). Comparing unionized with non-unionized workplaces in the UK, the author shows that union recognition is associated with welfare-orientated provision for employees<sup>6</sup>, even associated with labour-cost-cutting policies and high-performance organizational practices, suggesting that cooperation between employers and unions leads to mutual gains. In the Spanish case, collective agreements at firm level are more likely to be bargained when there is a strong organization of workers, and they may bring about better working conditions for workers (García-Serrano 2009). Similarly, we could thus expect a more comprehensive welfare provision where unions are more influential, not excluding some sort of trade-off between welfare provision and other organizational aspects. With this respect, recent findings on the characteristics of occupational welfare provision in Europe introduce the idea of a trade-off between negotiated welfare benefits and other items, particularly wage stability<sup>7</sup> (Pavolini and Natali 2014). Studying workplace industrial relations in multinational companies and domestic firms, van Klaveren et al. (2013) found better results in terms of union density, collective agreement coverage and representation in the workplace in the former than in the latter; also, data show differences with respect to countries and sectors within the same country (van Klaveren et al 2013). As multinationals display more satisfactory results in terms of company-level industrial relations than domestic companies, we might expect that, following from it, multinationals negotiate more comprehensive and generous provisions than national firms. Or, at least, they are more inclined to introduce welfare benefits into formal agreements. Whilst there is a large literature on industrial relations’ variations with respect to country or region (Bamber, Lansbury and Wailes,

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<sup>6</sup> Defined as the availability of fringe benefits (e.g. occupational pensions, sickness pay above the statutory level) and of family-friendly practices (e.g. maternity/parental leave above the statutory level, career breaks).

<sup>7</sup> A tendency that appears to be spreading in company-level negotiation in Italy (Pavolini, Ascoli and Mirabile 2013).

2004; Morley, Gunnigle and Collings, 2006), back in 2008 Collings lamented the underrepresentation of the industrial relations perspective on multinational companies, regardless of the crucial implications of globalization on national industrial relations processes. Against this background, some research has been carried out on the impact of institutional influences and organizational agency in shaping MNC's HR management policies (Almond et al. 2005): the authors analyse both institutional "home" and "host" country effects in multinational corporations, taking into account local negotiation practices as well as their multi-layered nature (i.e. European Works Councils, national and company levels). Using a single study case, the research shows how the same multinational group adopts different bargaining strategies depending on the host country, its regulations and predominant culture. It might be arguable that a similar dynamic is identifiable in negotiation strategies and, more specifically, in the provision of welfare benefits from one country to the other, and even from site to site. While regulations and customs create host country effect leading MNCs' subsidiaries to adapt to national contexts, they are also pushed by the headquarters to adopt corporate practices, reinforcing the country of origin effect (Edwards et al. 2006). In addition to the widely assessed "cultural legacy" dimension, the EU Commission classified national industrial relations on the basis of geographical clusters - Nordic, continental European, liberal and southern industrial relations regimes – as they differ in terms of union strength, autonomy, State intervention, and the place of social dialogue at the national level and in companies (EU Commission 2009). Combining both insights it might be reasonable to argue that each company brings along, depending on its nationality, a different industrial relations culture, which might lead to different outcomes in terms of propensity towards negotiation as well as its contents. Studying German subsidiaries in the UK, Tuselmann, McDonald and Heise (2003) discovered that, despite the interaction between home and host country, German companies tended to display comprehensive direct employee involvement systems, moving towards an "Anglo-Saxonized German model". "If such subsidiaries should have a feedback effect in the home country - the authors conclude - it would be more to reaffirm than to weaken the collective approach, while enriching it in a complementary manner with the infusion of 'best practice' elements from the Anglo-Saxon approach" (Tuselmann et al. 2003, p.345). While the literature highlights the fact that multinational companies display more efficient



industrial relations mechanisms, it also suggests that the interaction between the culture of the headquarters and that of the host country, in terms of customs and regulations, might either “clash” or produce a mixed outcome. According to this, we expect on one hand MNCs to be have higher propensity towards benefits’ negotiation, but also that the degree of discretionality left to the national management plays a role in determining the site’s negotiation and welfare provision. Nonetheless, we can also expect that multinationals of different nationalities show different preferences in terms of both negotiation and welfare provision, according to their national culture. Several studies also point at the growing complexity of the employment relation, which is becoming more of a “triangulation” due to the entrance of clients who are today able through their purchasing choices to transform the internal organization of the companies producing goods and services (Havard et al. 2009; Supiot 2001). Brand reputation is becoming increasingly important for companies as political, legal and societal pressures on multinational groups, particularly towards the adoption of CSR practices, are steadily growing (van Klaveren et al 2013). According to such views, being more or less exposed to public opinion as well as selling to consumers rather than to third parties should also have effects on internal organizational arrangements. For instance, companies that sell goods to consumers might be more concerned with their external image and thus keener on working on extensive “people care” practices. Interestingly, the literature points at the diversity in terms of industrial relations between sectors, which is in turn shaped by specific features such as the composition of the workforce and the type of production. Drawing on these insights, we expect different industrial relations dynamics – as well as different benefits and levels of generosity – from companies with specific features. A recent strand of literature critiques the ‘methodological nationalism’ prevailing in traditional comparative industrial relations, arguing that industrial relations vary across sectors as much as they do across countries, as “each sector is shaped by specific product and labour markets, resulting in different workforces, different work practices and different economic contexts” (Bechter, Brandl and Meardi 2012, p.187). Also, sectors vary significantly with respect to gender presence, which might in turn influence welfare provision. According to this view, industrial relations are indirectly influenced by the specific features of each sector, particularly in terms of production and characteristics of the workforce. Once again, the

same could be argued for welfare provision as part of negotiation: it is reasonable to expect work-life balance to be more developed, for instance, in companies that have a large share of women in the workforce, as well as it might be the case that welfare provision is more generous where the internal population is made up of highly skilled employees.

Chapter 1 presented some of the most significant contributions to the discussion about the spread of occupational welfare in Europe with the aim of providing a general framework for the discussion. Starting with the distinctive features and most recent developments of European welfare states, the paragraphs passed on to the analysis of the role played in welfare provision by other societal actors other than the State, namely entrepreneurs and the social partners, highlighting both parties' action and preferences as well as present challenges. The last sections deepened into the actual topic of the research, in the attempt of providing a working definition of occupational welfare through the discussion of the relevant literature and of beginning the identification of a set of possible determinants of company-level provision of welfare benefits. The next chapter carries on with the analysis of the most relevant aspects of occupational welfare provision in Italy.

## Chapter 2

### Occupational welfare in Italy

#### Introduction

Despite the "double weakness" of the Italian case, characterized by the partial and fragmented development of both public and occupational provision, company's initiative has been showing a strong momentum in the last decade (Pavolini et al. 2013). The development of company-based welfare in Italy has been affected, and still is, by national historical, cultural and political peculiarities. First of all, Italy has a long history of industrial paternalism, which dates back to the 19th Century and quite steadily carried on, although with different modes and purposes, until the 1950s. Paternalistic legacies and changes in the Italian industrial structure, analysed in section 2.2, played a major role in influencing present conditions. After a brief review of data on the spread of company-level occupational schemes in Italian firms presented in section 2.3, the following sections discuss extensively the contribution of two of the major actors in the process: trade union representatives and the State, through the provision of fiscal incentives. Section 2.4 sets occupational welfare decisions within the interplay of the actors with particular focus on industrial relations, as trade unions display different preferences and concerns when it comes to the relation between the introduction of welfare benefits and maintaining wage levels. Wage compensation through, for example, insurance rights instead of money can be very attractive to the employer, provided that the payroll tax is lower for benefits than for monetary transfers. It might also be in the interest of the state, which can use tax incentives to favour occupational schemes in order to reduce the scope of public burdens (Stahlberg 2003). Recently, the budgetary law for the year 2016 provided additional favourable treatments for a range of benefits and services catered for employees, as well as a new mechanism allowing to some extent "salary sacrifice" on productivity bonuses. New opportunities are discussed in detail in section 2.5.

## **2.1. Industrial paternalism in Italy: a historical account**

Italian occupational welfare practices have a long tradition beginning in the first half of the twentieth century. It all started in the 1920s: after social programmes were introduced in some companies during the “red years” 1919-1920, they widely spread in the late 1920s because of Fascist government’s directives. The construction of Fascist Italy, Benenati (1998) highlighted, was founded on the theorized elimination of class conflict through a system of diffused cooperation in the name of the higher national interest. The government thus strongly advocated for the set up of company welfare systems with the aim of boosting efficiency and modernization while reducing discontent on the part of the workforce with making available services and leisure activities. Most common benefits were at that time factory stores, social facilities, services for children and the *dopolavoro* leisure activities. The effort concerned mostly large enterprises that were undergoing production reorganizations, plus a number of firms particularly sensitive to Mussolini’s influence (Benenati 1998). It was the *Duce* himself who stated: “Intelligent capitalists concern themselves not only with wages but also with housing, schools, hospitals, and sports fields for their workers” (Benenati 1998, 9). Benenati observed that the peculiarity of the creation of occupational services in Italy lies precisely in the fact that it had much to do with the regime’s search for consensus rather than employers’ interest in managing their workforce. The regime’s “State capitalism” model strongly relied on figures of technocrats with a deep nationalistic passion who continued managing in the same fashion state-owned companies in the years ahead (Amatori and Colli 2000). After World War II social services continued to develop in the factories with increasing involvement of workers, who often administered the provision. And with a peak in the 1950s, when the growth of international markets forced companies to implement organizational restructuring with the aim of achieving higher competitiveness. Paternalistic practices, which accompanied new modes of production, spread in almost all factories. The years between the two World Wars witnessed the coming back of renewed paternalistic practices not only in Italy but also in countries as the United States, Great Britain and France. They were motivated by the management’s awareness of the human costs to be paid out to industrial reorganization, and were thus ultimately aimed at fostering the creation of a “company identity” to replace and contrast the rise of class identity

(Benenati 1993). Not surprisingly, a 1955 parliamentary inquiry commission on workers' condition in Italian factories showed the existence of a deep ideological gap between the unions and the ACLI *Associazioni Cristiane Lavoratori Italiani* on one side, and the industrial class on the other. While the former aimed at spreading the idea of a "company community", in which all parties involved actively participate to the creation of a new organizational model based upon "human relations", the latter grudgingly admitted that provisions, although varying from one company to the other and often informally set up, were part of a personnel management design and had specific organizational and productivity purposes. Resurfaced Italian industrial paternalism from the 1930s onwards sought to use the legacy of old 19th century philanthropic provisions in order to achieve production changes, disguised as social policies (Benenati 1993). In 1953 Confindustria published the study *L'industria italiana per i suoi operai*. Although it was clear that social provision and industrial modernization were going together, there still was the attempt to motivate them recalling ideological claims rather than unashamedly linking them with managerial policies (Benenati 1999). Confindustria was particularly concerned with maintaining voluntariness and gratuity of welfare benefits in order to avoid any possible attempted regulation of private initiative (Benenati 1999). "Organic paternalism" was the industrial class' solution to avoid the formation of a sharply antagonistic "Manchesterian" society (Amatori 1980, p.364). Unions answered to employers' philanthropic claims with accusations of attempting to control workers. Labour representatives did not want to accept a corporate culture born with the Fascism, and to some extent fostered by their shortcomings, and strongly expressed moral disagreement for both employers and workers who supposedly betrayed class consciousness (Benenati 1998). An "ideological surplus" brought forward by labour tradition, which conveyed over the years the idea of paternalism as an obsolete and residual practice that provided marginal benefits in order to distract workers from more central aspects of their work relation (Bertuccelli 1999). Analysing the evolution of industrial paternalism from the 1920s to the 1950s, Benenati concluded that, in order for these welfare systems to be set up, it is necessary some acceptance on the side of the workforce, that paternalistic relationship flourished where unions were less active, and that behind these practices lie complex social interactions resulting in different but coexisting workers'

identities. It might be the case that, instead of being just a “distraction”, social provisions were an essential component of a balance of reciprocal obligations between employer and employees, which could be more or less formally stated. Paternalism already showed elements of bargaining and compromise, as well as of building legitimacy, which characterized subsequent industrial relations (Bertucelli 1999).

The most inspirational and widely recognized as extraordinarily innovative Italian experience is that of Adriano Olivetti, the entrepreneur who launched back in the 1950s the first idea of “corporate social responsibility”. Olivetti’s enlightened commitment to the contribution of the company to the wellbeing of the community is witnessed by the working conditions that Olivetti’s employees exploited back in the 1950s, such as shorter working hours, higher wages and a wide variety of benefits for workers and their families. The outstanding figure of Adriano Olivetti is remembered for its commitment to people care and sustainable business as well as for his political involvement through the “community movement”.<sup>8</sup> It is indubitable that Italian Twentieth Century history witnessed several cases of strong and personal attachment between workers and the family who owned the company. A family-work connection that ultimately linked the fate of the company to that of the worker’s whole family, which would have lost everything in case of a lay-off. In addition to that, most jobs were found through family channels, with sons and daughters that were very likely to become future colleagues. A mechanism that employers themselves perpetuated (Foot 1995). Factories in which women and minors were the majority of the workforce often implemented paternalistic practices, coupled with hard control, as a strategy to make workers more efficient (Varini 2010).

American literature analysed paternalism with respect to race, class, and gender. A Canadian study accounted for the gender ideology of male dominance mirrored from community and family relations, which was the basis of the paternalistic attitude towards women factory employees from the 1920s onward. The company used the “family metaphor” to establish authority over female workers who were pictured as being daughters in the company’s “family”. Male managers exchanged welfare benefits for allegiance and a sense of debt, as a strategy to avoid unionization (Sangster 1993). The discrimination towards women and children, who were paid less than male

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<sup>8</sup> For more on Olivetti’s experience see documents and short films available on the website [www.fondazioneadrianolivetti.it](http://www.fondazioneadrianolivetti.it).

workers, is strongly rooted in the Italian industrial tradition, and led to the accentuated “feminization” of factories (Ortaggi Cammarosano 1999). What Benenati defined as “techniques of personalizing relationship” (Benenati 1998, p.9) led, in Giorgio Roverato’s opinion, to the transformation of old paternalistic structures into occupational welfare systems compensating for companies’ restructuring processes (Roverato 2008). The progressive reduction of management’s social provision was read by the workforce as breaking that family-like pact that, although not formalised, had always been felt as binding. That, coupled with the growing influence of the labour movement, led in some cases, as that of the Marzotto family in 1968, to the rise up of the working class. At the *Lanificio Marzotto & Figli* in Valdagno, marked paternalism and repressive practices as sanctions and lay-offs were coupled with a low presence of the unions. It has to be noted that the ones who lost their jobs lost everything else, including their home in the *villaggio sociale*. In 1967 a painful restructuring was accepted by CISL and UIL, while CGIL stood up. 1968 heavy fighting, culminated with the symbolic pulling down of the Gaetano Marzotto’s statue, forced the company to finally come to modern industrial relations recognizing the labour counterparts (Ghezzi 2008; Roverato 2008). Still, Italian industrialization has always been characterized by a shared solidarity system very much rooted in the territories, which favoured the emergence of territorial economic systems as company towns and industrial districts. The success of industrial districts of small companies with respect to large corporations is due precisely to the orientation towards niche markets, the organization based upon community support and paternalistic capitalism, and the ethic of cooperation (Amatori 1997). Business development and the growth of firm sizes introduced new organizational models and fostered a different approach to welfare provision, which was rather seen as a way of containing unions’ interferences first, and later under a new “human resources” approach (Varini 2010).

A few years later, in the 1980s, deep changes occurred in the Italian industrial structure, which was still recovering from the rough times of the 1970s oil shocks. The 1980s boom of the financial market in Italy led to the transformation of the once family-owned industrial capitalism into a new form of oligarchic family capitalism characterized by a few families, some of them of long-standing entrepreneurial tradition as Agnelli, Pirelli, Orlando and Falk, only to mention some, controlling pyramidal holding groups made of

a large number of subsidiaries (Amatori and Colli 2000). As noted by the authors, this organizational structure produced increased separation between ownership and control, and lower liability of the mother company on the controlled ones, which have their own managerial structure. Separation between management and control, resulting in the split between the role of the owner and that of the entrepreneur, who is substituted by a delegated professional, may result in a separation between ethics and personal attachment, and productivity and profit. This is particularly relevant if considering that, as showed by Del Baldo, “the diffusion of CSR is tied above all to the entrepreneur’s values and orientation and to the company embeddedness to the local socio-economic environment” (Del Baldo 2010, p.1). This is especially true in the case of SME, which represent “spirited businesses” that promote, as part of a network with institutions, trade associations, and non-profit organizations, the spread of CSR practices on the territory (Del Baldo 2010). As defined by the European Commission, CSR is a process of managing business’ social and environmental impacts through a multi-stakeholder approach (European Commission 2001). In the last few years, governance models inspired to the principles of the Corporate Social Responsibility started to be known and appreciated. On top of that, European institutions advocated for the development of CSR principles, and pushed governments in the member states to implement public policies that encourage business companies to behave responsibly and pursue sustainable practices (Albareda, Lozano and Ysa 2007). Despite the general belief that firm size has a positive impact on the development of CSR, it has been also argued that CSR participation follows a U-shape trend, meaning that very small and very large companies are more likely, although for very different reasons, to implement CSR policies, while medium-sized firms are the least interested (Udayasankar 2007). Whether it is a fashion or a way of advertising the company’s brand pursued by few large enterprises, or instead a new conception of business as having to produce positive returns for society as a whole, it will be clearer in the years ahead. As in more recent years company welfare tradition got lost, along with the development of structured industrial relations and the growth of public welfare schemes, now it seems to be back in the public debate. Fostered by the economic downturn, which also favoured a more pragmatic attitude on the side of the unions, the issue recently started to be discussed.

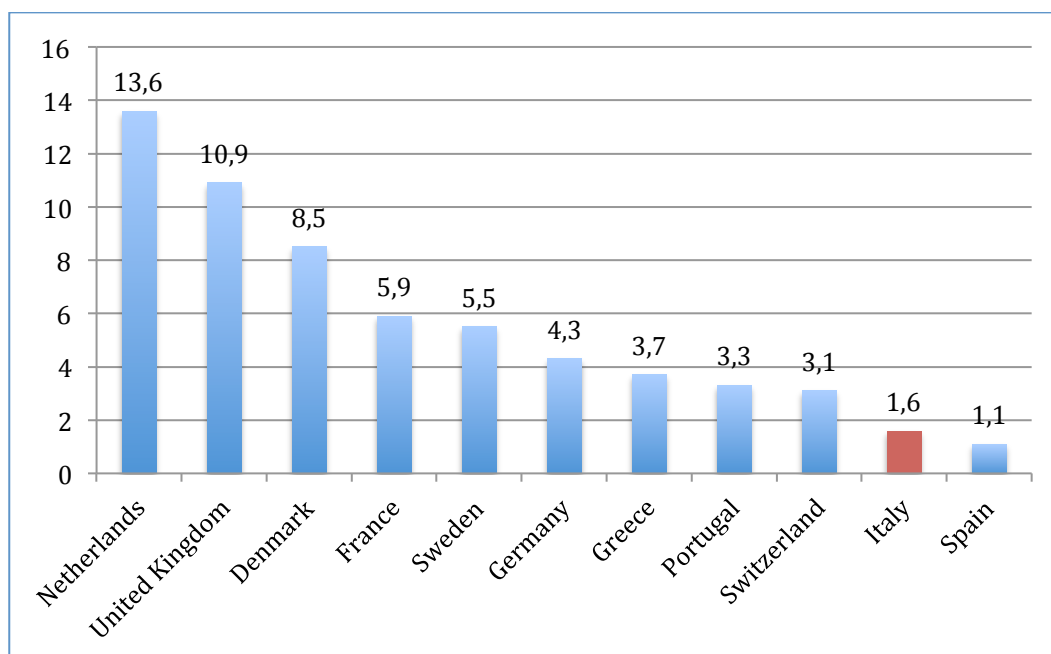


Nonetheless it might be the case that the development of occupational schemes results in exacerbated social cleavages between outsiders and insiders (Ferrera 2005).

## 2.2. The spread of occupational welfare in Italian companies

Compared to other European countries, Italy - together with Spain and to a lesser extent, other Mediterranean countries such as Portugal and Greece - is characterized by low voluntary private spending compared to total public expenditure (figure 2.1). Voluntary private expenditure is defined by the OECD as all resources of a private nature arising from the expense of private citizens, companies and other organizations such as the Third Sector, “channeled” within redistributive schemes that generally have tax advantages. The voluntary private spending includes therefore all those security programs and social investment financed by companies. Interestingly, countries as the Netherlands and Sweden display higher voluntary private spending than Italy, less surprising instead the comparison with Britain, which is traditionally liberal and market-oriented.

Figure 2.1. Voluntary private social expenditure in selected countries, year 2011, as % of total general government expenditure



Source: OECD online database.

Starting from the different levels of private expenditure, the ProWelfare project<sup>9</sup> analysed the occupational welfare coverage of workers in four areas of intervention supplementary pensions, supplementary healthcare, work-life balance and training – in Austria, Belgium, Germany, Italy, Poland, Spain, Sweden and the United Kingdom. According to the national experts, a percentage between 20% and 50% of Italian workers are covered by negotiated welfare schemes. Germany, Sweden, Spain and (partly) Belgium show even higher percentages. The UK outdoes Italy on work-life balance but does not display high coverage in the areas of healthcare and training. Another interesting result of the ProWelfare research concerns the level at which welfare is negotiated: in Italy, Spain and Sweden the role of the second-level bargaining negotiation is widening significantly.

#### *2.2.1. The characteristics of welfare schemes in Italian companies*

A recent web survey (OD&M Consulting 2015) involving more than 300 employees and 112 employers in Italy identified enterprise size and the composition of the workforce as the two principal variables determining the introduction of welfare schemes at the company level: only 21% of small enterprises declared to have a welfare plan, compared to 60% of medium companies and 69.2% of large firms. According to the report, food services (e.g. cafeteria), time management (e.g. working time flexibility) and healthcare contributions are the services that enterprises provide the most. The most utilized by employees are those related to education as well as health insurances and pension funds, while time management, work-life balance services and healthcare benefits are likely to be the most developed areas in the years to come. Some services such as healthcare and food concessions are more “cross-cutting” since they are addressed to everybody, while others are catered for specific categories such as families with children. Still, they prove to be very much appreciated by those who receive them. Pavolini and Carrera (2013) identify the main variables that influence the spread of welfare provision. The year of foundation appears to be significant in terms of number of measures through a “layering” effect, while belonging to a larger group, the large presence of skilled workforce and women in the staff, the economic sector and trade

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<sup>9</sup> ProWelfare is a research project financed by the European Commission that since 2013 examines the role of the social partners in welfare protection through occupational schemes; more information available on the website [www.ose.be/prowelfare](http://www.ose.be/prowelfare).

union involvement are positively correlated with the development of welfare interventions.

### *2.2.2. The recent diffusion of work life balance*

Occupational welfare provisions concerned with the “new social risks” as for instance those related to care responsibilities and work-life balance have been lately characterized by steady growth in Italian companies but are, at the same time, extremely un-systematic due to the lack of a national level regulatory framework (Pavolini et al. 2013). Recent data (ISTAT 2015) confirm the spread of company-level occupational schemes among Italian companies, although with relevant differences between sectors and areas of intervention. Time flexibility and “proximity services” such as childcare, recreational and social assistance structures are far less spread than other initiatives that are not even to be considered as “welfare” in a strict sense, such as safety at work and internal communication. Unlike supplementary pensions and healthcare assistance (Jessoula 2009; Maino 2001), benefits aimed at reconciling work and family life - such as services and other forms of financial support - are regulated only under fiscal aspects. A circumstance that somehow mirrors the general tendency towards family policies in Italy, which have remained over the years marginal and fragmentary (Naldini and Saraceno 2008; Madama 2010; Graziano and Madama 2011). Alongside the spread of occupational family benefits provided to workers as a result of their employment, public administrations - both at the national and the sub-national levels - moved timid steps in the direction of favouring the development of occupational schemes<sup>10</sup>. Although it might seem quite coherent to what Italian governments already did in the areas of pensions and healthcare with the introduction of supplementary, funded pillars, the area of family policies constitutes a whole different story because of its being the “underdog” in Italian social expenditure. Occupational family benefits are, in the Italian case, more of a first than a second, supplementary pillar. On top of this, their position in between assistance (e.g. income support and services) and labour market policies (e.g. part-time and flexibility) increases the number of the actors involved.

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<sup>10</sup> See, for instance Maino (2015) on the programmes co-funded by Regione Lombardia, and the activities undertaken by the Ministry of Labour and Social Policy through its controlled agency Italia Lavoro.

### **2.3. Occupational welfare and industrial relations**

Local level negotiation of social benefits is a phenomenon that dates back to the 1970s when, in a phase of union consolidation, trade union representatives began their broad involvement in local policy-making. Although it was not part of a union strategy, they acted as representatives of interests that were beyond their natural constituency, as for instance those related to social assistance (Regalia and Regini, 1998). One need only consider that back in the 1970s trade unions asked large enterprises to pay to local governments a 1% wages contribution for the set up of social services on the territories, as for instance day-care centres and improving public transports. A highly innovative approach that saw unions asking employers to contribute to the development of services not only for employees but for the whole citizenry, witnessing their commitment to extend the scope of social bargaining (Regalia 2010).<sup>11</sup> Later on, in an attempt to address employment and productive crises, unions often sought confrontation with the institutions through a variety of instruments ranging from informal contacts to the achievement of “memoranda of understanding” between unions and Regions. In the 1990s union initiative at the local level has finally grown from a contingent endeavour to a strategic approach for the protection of specific categories, as for instance in favour of initiatives to assist small craft businesses, territorial pacts and negotiated programming for local development. Social bargaining on the part of union representatives, especially of unions’ retirees groups, marked in the 1990s a new attitude towards overcoming the traditional “compensatory culture” stemmed from old production models (Colombo and Regalia 2011). These are the years in which two levels of bargaining were formally introduced. Company-level negotiation, taking place between the employer and union representatives in the company, has been acquiring over the years growing importance in the Italian system of industrial relations, to the point of being recognized today as the second level of bargaining after national collective agreements, although with discontinuous trends of development (Negrelli and Pulignano 2008). The route towards the definition of the two bargaining levels - national and decentralized – started out with the inter-confederal agreement of July 23, 1993 and continued until the separate agreement of January 22, 2009 not signed by the

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<sup>11</sup> These resources, accumulated over the years and often not fully spent, in some cases have been used for the realization of innovative social projects, as for instance that of the Fondazione Welfare Ambrosiano in Milan (Regalia 2010).

CGIL. It ended with the “recomposition” of the three major trade union confederations in the joint agreement signed on June 28, 2011 and the January 14, 2014 *Testo Unico sulla Rappresentanza*, as summarized in table 2.1.

Table 2.1. Steps towards the definition of bargaining levels in the Italian industrial relations<sup>12</sup>

Date	Title	Signatory parties
July 23, 1993	Protocollo sulla politica dei redditi e dell'occupazione, sugli assetti contrattuali, sulle politiche del lavoro e sul sostegno al sistema produttivo	Cgil, Cisl, Uil, Confindustria and the Ciampi Government
December 22, 1998	Patto sociale per lo sviluppo e l'occupazione	Cgil, Cisl, Uil, Confindustria and the D'Alema Government
July 5, 2002	Patto per l'Italia - contratto per il lavoro	Cisl, Uil, Confindustria and the Berlusconi-bis Government
January 22, 2009	Accordo quadro riforma degli assetti contrattuali	Cisl, Uil, Confindustria and the Berlusconi IV Government
June 28, 2011	Accordo interconfederale in materia di rappresentanza	Cgil, Cisl, Uil, Confindustria
January 14, 2014	Testo Unico sulla rappresentanza	Cgil, Cisl, Uil, Confindustria

Source: elaboration of the author on CNEL's documents.

The process mirrors the different views of CGIL, which always claimed the supremacy of the national level of bargaining, and CISL, showing instead greater propensity towards proximity bargaining (Carinci, 2013; Miscione, 2011). The 2011 agreement

<sup>12</sup> All documents are available on the website of CNEL - Consiglio Nazionale dell'Economia e del Lavoro.

signed by CGIL, CISL, UIL and Confindustria, and used as reference for that of 2014, stipulates that company collective agreements can temporarily derogate to national collective agreements in order to be customized to the specific needs of each production environment. National collective agreements maintain, however, the role of ensuring common economic and regulatory conditions for all workers in the sector, and define the matters delegated to company-level bargaining. The parties also agreed to support company-level negotiation and demanded that the Government increased and introduced as structural measures to encourage their takeup, such as tax reductions on variable productivity results.

In line with its traditional propensity towards proximity negotiation, CISL has been following for several years now the development of company level agreements through a dedicated observatory (*Osservatorio nazionale sulla contrattazione di secondo livello* OCSEL). Ocsel data show trends and characteristics of decentralized bargaining since 2009 through the collection of over 4000 company-level contracts signed nationwide. Company-level bargaining, mostly spread in medium and large enterprises compared to micro and small companies, are most frequent in commerce, metalworkers, chemical and textile businesses, and less common in other sectors, such as services and construction (Ocsel 2014). Around 13% of contracts analyzed in the time period 2009-2014 include welfare provisions<sup>13</sup>, which comprise supplementary pension and healthcare funds, improvement of the treatment envisaged by CCNLs and agreements with service providers. In addition to this, 1% includes CSR practices and 11% training measures; 3% introduces actions related to equal opportunities, ranging from the establishment of advisory offices in the company to the promotion of education and positive actions; 19% deal with time management<sup>14</sup>. The total of the items mentioned is well above the threshold of 100%, as there are many contracts that contain multiple entries at the same time. The sectors that have negotiated more time flexibility instruments are the chemical, textile, food, metalworkers and services. In 2014 under the item “welfare”, services and agreements with providers prevail (69% of cases) on

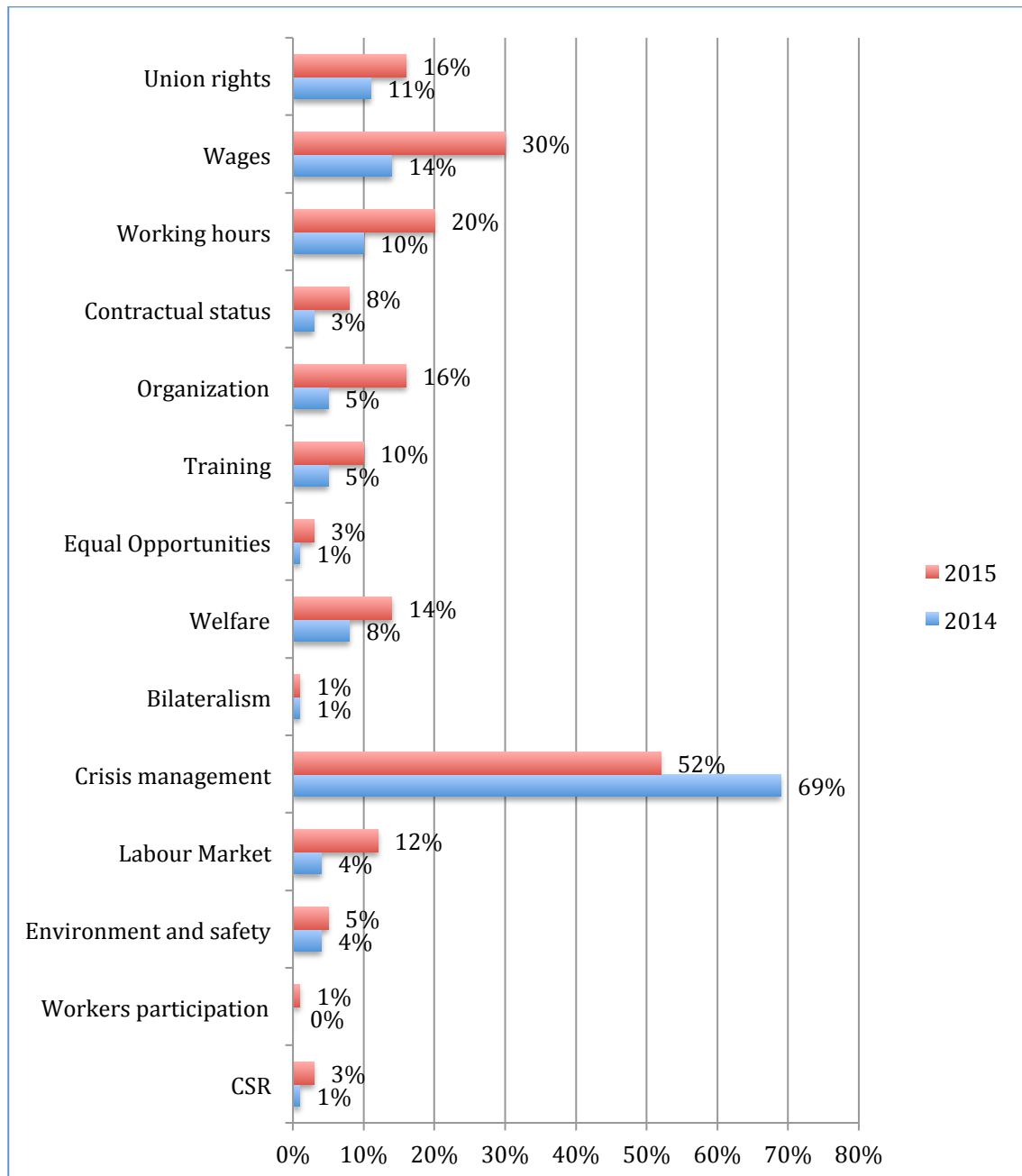
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<sup>13</sup> Data show further interesting findings, such as the high number of contracts on crisis managements and corporate restructuring (as many as 38% of those analysed) and the undisputed prevalence of the negotiation of wages (40%).

<sup>14</sup> 50% of those signed between 2013 and 2014 introduce flexibility arrangements, although with the primary aim of adapting to market flows; 25% introduce part-time.

supplementary funds (51%, more than half of which are healthcare) and regulatory improvements such as extra parental leaves and time off for medical reasons (46%).

Figure 2.2. OCSEL’s agreements by topic, % over the years 2014 and 2015



Source: elaboration of the author on OCSEL data.

The around 4500 agreements collected by OCSEL until 2015 show a fluctuating trend for decentralized bargaining, which varies over the years and among sectors. 89% of

agreements are signed at the company level, 10% at the local level while the remaining 1% at the district level. Comparing the two latest years with respect to the contents of negotiation as shown in figure 2.2, the major issue included in the agreements is the management of crises, which was contained in 69% of the agreements in 2014 and in 52% in the first semester of 2015. The second main topic is wage bargaining (14% of agreements in 2014 and 30% in 2015) that seems to be moving inversely to the first one. Working time rises from 10% in 2014 to 20% in 2015, while welfare goes from 8% in 2014 to 16% in 2015. Albeit in a fragmented and discontinuous way, decentralized bargaining seems to grow both quantitatively and qualitatively through the introduction of new issues alongside more traditional wage-related ones. In fact, it is the crisis that pushed forward innovation and the search for solutions to reconcile the needs of employers and employees. OCSEL data point at the existence of a correlation between corporate crises and the subsequent failure of wage bargaining (the latter one lost 40 percentage points from 2009 to 2014) and the use of negotiation for the introduction of social benefits. As the economic crisis decreases wage bargaining, it seems to push forward the introduction of welfare benefits even in combination with business reorganization. Hence, data appear to back up the thesis that welfare benefits can be used to mitigate the effects of wage restrictions or failed pay rises due to, for instance, times of economic recession (Hoven 1982, Trampusch 2013). The issue is currently extremely relevant, as it also plays a major role in explaining the position of Italian trade unions and other social parties towards the expansion of occupational welfare. Nowadays, trade unions undergo conflicting pushes: they have to contrast compensation effects between wages and contributions, making sure that benefits are not offered in order to avoid pay rises. On the other hand, benefits attached to contracts can constitute a new way of appealing to and keeping members (Hoven 1982, Ebbinghaus 2011). Countries around Europe present different structures of labour costs, and compensation effects between wages and social contributions and benefits cannot be excluded. The occurrence of such phenomena could in principle explain the attitude of social parties towards the introduction of occupational welfare benefits. As further analysed in the following chapters, Italian trade unions, although often able to reconcile their views and reach common agreements, particularly at the local level, traditionally display different preferences.

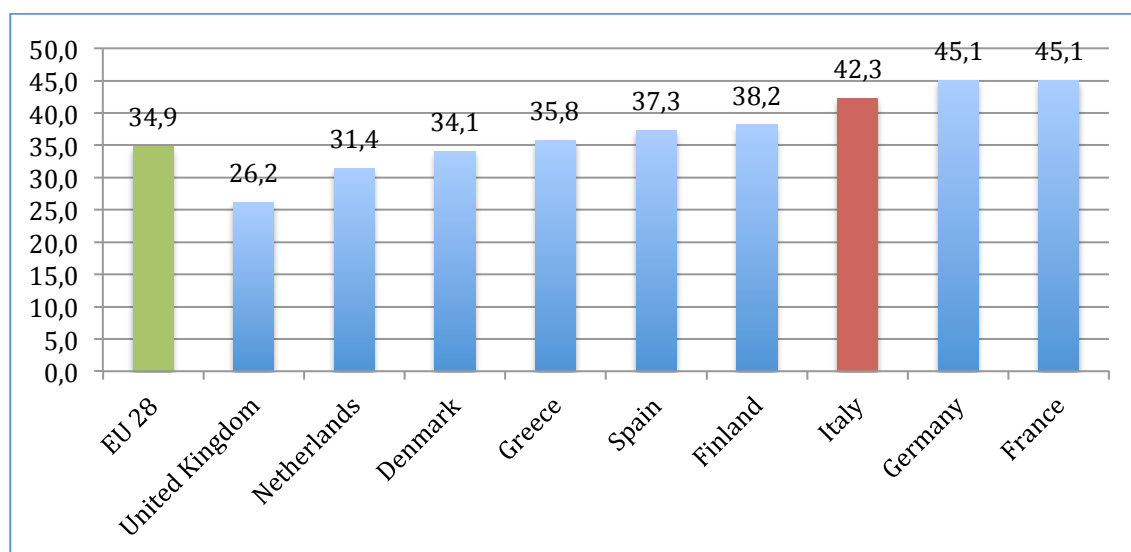


## 2.4. Occupational benefits and the tax regime in Italy

If governments can “play” with taxation in order to pursue social objectives, as for instance through tax advantages for social purposes (OECD 1999), enterprises and individuals perceive such incentives and learn how to exploit them at their fullest. According to OD&M research (2015), if the majority of companies introduce welfare benefits in order to improve performance through providing a new form of incentive to the workforce (58%), 34,5% of the firms involved in the survey indicated cost containment as a priority. In 76% of the companies with a welfare plan in place, the management is aware of the opportunity to exploit tax breaks.

The chance of exploiting favourable conditions is particularly important when considering that Italy is one of the countries in which the tax burden on labour is higher. Italian net incomes are among the lowest in Europe, mainly because of higher contributions and the lack of adequate family income support measures (Ferrera 2010).

Figure 2.3. Tax wedge on labour costs in selected European countries, year 2014



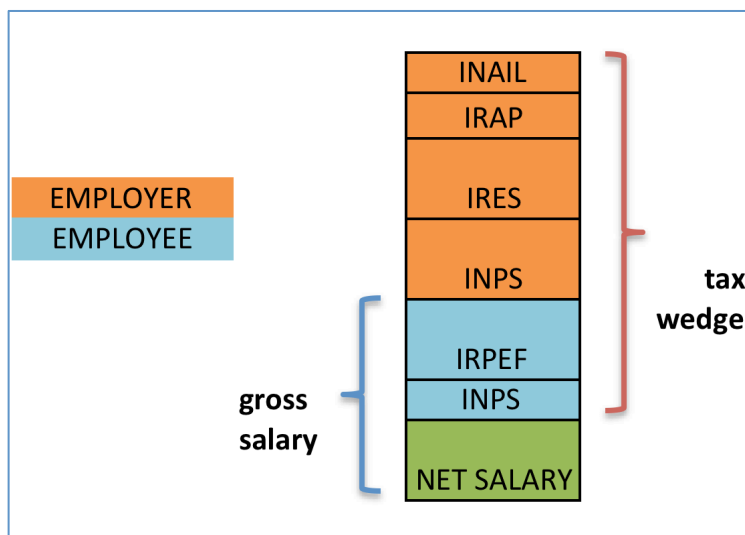
Source: Eurostat online database.

Not surprisingly, as shown in figure 2.3, in Italy the tax wedge on labour costs, defined as income tax on gross wage earnings plus the employee’s and the employer’s social security contributions, expressed as a percentage of the total labour costs of the earner<sup>15</sup>,

<sup>15</sup> Where total labour costs of the earner are defined as gross earnings plus the employer's social security contributions plus payroll taxes.

is among the highest in Europe. Italy's tax wedge was in 2014 as high as 42,3% of employees' gross earnings, plus the employer's social security contributions and payroll taxes, going far beyond the 34,9 EU 28 average. As shown in figure 2.4, tax wedge in Italy is made up for employers of: pensions contributions (INPS, around 23%), national and regional corporate taxes (IRES 27,5% revenues, and IRAP around 4%) and work-related injury insurance (INAIL, on the basis of risk profiles<sup>16</sup>). For employees, of pensions contributions (INPS, around 9%), and taxes (IRPEF, between 23% and 43% on the basis of income).

Figure 2.4. Composition of the tax wedge in Italy



Source: elaboration of the author.

Against this background, much of the fortune of company-provided welfare benefits and services is due to the extent to which the national regulation allows for tax breaks. In Italy, fiscal arrangements are established in the TUIR *Testo unico delle imposte sui redditi*, which provides since the mid-1980s a variety of benefits and options enjoying tax breaks, as for instance healthcare support, cafeterias and meal vouchers, transport services and even day-cares, summer camps and scholarships. Nonetheless, in the last decade the opportunity of revising and updating the existing regulation has become a strongly debated issue, up to December 2015 when the budgetary law for the year 2016

<sup>16</sup> Insurance premium is paid yearly by employers starting from employees' total wages and with a coefficient established by Inail on the basis of the activity risk profile, roughly ranging from 0.5% to 4%, plus an additional 1%. More information available on the website [www.inail.it](http://www.inail.it).

introduced significant changes to the TUIR, as well as a new fiscal discipline of productivity bonuses.

#### *2.4.2. Welfare benefits prior to the 2016 budgetary law*

The regulation of welfare benefits is contained in the TUIR, *Testo Unico delle Imposte sui Redditi*, the income tax code introduced through presidential decree in December 1986 and substantially unmodified until 2015. Two articles concern the fiscal treatment of benefits: article 51 on the determination of employee income, and article 100 on social provisions. Article 51 of the TUIR defines income from subordinate work, and lists off all contributions that are not to be considered as employees' income. The article sets at 5.164,57 euro and 3.615,20 euro the limits of de-taxed contributions to supplementary pension and healthcare funds. Among others, article 51 lists off benefits provided by the employer to all employees, or specific categories, concerning meals and cafeteria, collective transports, day cares, summer camps and scholarships. In addition to those, fringe benefits were admitted up to a threshold that was set to 500000 liras, and now equals 258,23 euro. In addition to that, *comma f* of art.51 recalls the "social utility" services listed in article 100. These are benefits in the fields of education and training, recreation and leisure, social and healthcare assistance, and religion (*comma 1*, art. 100 TUIR) that, according to art.100, need to be voluntarily provided by the employer to the workforce and are thus not be included in agreements with union representatives. Thanks to the fiscal regulation, companies are able to provide, without any additional disbursement, services worth a higher value than the net value on employees' pay checks: benefits listed in article 51 are not to be considered as employees' income and are therefore not subject to income taxation for them, as well as on the payment on pension and other contributions for the employer. Taking as reference figure 3.4 on tax wedge, the provision of benefits allows workers pay on the correspondent amount neither taxes (IRPEF) nor pension contributions (INPS). At the same time, employers do not pay their share on taxes and contributions for that same amount, while they still get to deduct as labour costs. Deduction has been limited, only for the benefits listed in article 100, to the threshold of 0.5% of total labour costs (IRES). As a result, employees receive their full gross wages, and companies do not have extra costs associated with that payment.

#### *2.4.3. Welfare benefits after the 2016 budgetary law*

On October 15, 2015 the Prime Minister Matteo Renzi together with the Minister of Economy Pier Carlo Padoan presented at a press conference the contents of the budgetary law for the year 2016, starting the intense parliamentary process for the approval of the maneuver. The original proposal was quickly included into a “maxi-amendment” that entirely replaces the text of the law proposal, on which the Government placed the vote of confidence on November 20, 2015. Approved in the Senate, the maxi-amendment passed the examination of the Chamber of Deputies where it waited until December 22 to finally become law. Law number 208/15 of December 28, 2015, published in the Official Gazette of December 30, 2015 and in force since January 1, 2016, provides new rules on occupational welfare provision and productivity, contained in paragraphs 182-191. Further details on productivity and welfare provision have been provided by the decree jointly signed by the Minister of Labour and Social Policy Giuliano Poletti and the Minister of Economy and Finance Pier Carlo Padoan on March 25, 2016. One of the features of the law is the Government's desire to promote the development of second-level bargaining and, within it, the provision of welfare as total or partial replacement of the monetary remuneration. The law reintroduces the tax exemption for productivity bonuses that was in place since 2008 and until the interruption for the year 2015, and encourages the use of welfare benefits as “payment” of the corresponding amount through a more favourable fiscal treatment. While productivity bonuses maintain a substitute tax of 10%, the same amount paid out through the provision of welfare is subject to the tax relief already provided for by article 51 of the TUIR and it is therefore fully deducted from employees' income (i.e. employees do not pay taxes on them, and employers “save” contributions). Both options related to productivity results remain subject to the thresholds of 2,000 euro amount and 50,000 euro income envisaged by the budgetary law<sup>17</sup>, and each worker has the right to individually choose how to receive such amount meaning that employees cannot be forced into receiving benefits rather than money. Interestingly, the amount limit of 2000 euro may be increased up to 2500 euro if the company implements systems of

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<sup>17</sup> While welfare provided in place of the productivity bonus is tied to the amount and income thresholds, “traditional” welfare provided in addition to remuneration, is not subject to limits other than those already contained in article 51 of the TUIR.

direct involvement of employees in work organization through internal joint committees and workers' groups for the improvement of production procedures<sup>18</sup>. In addition to the new regulation of productivity results, the law completes the long- desired updating of article 51 of the TUIR.<sup>19</sup> The reform of article 51 constitutes a change of enormous importance, since it applies not only to goods and services provided in total or partial replacement of the productivity bonus, but to all welfare benefits. Paragraph 190 of the law amends article 51 with three main aims: overcoming the limit of voluntariness envisaged by article 100; updating and expanding the basket of services; encouraging the development of tools to facilitate the use of services even for small and medium enterprises. With regards to the first goal, changes in the wording of letter f of article 51 allows employers and unions to negotiate welfare measures listed in the article 100 - i.e. for education, recreation, healthcare, social assistance and religion - without being bounded to unilateral intervention. Such modification allows union representatives to formally step into welfare provision and to be able to guarantee its implementation through the introduction in company level agreements. In addition to this, the new formulation of article 51 provides extra incentives for negotiated provisions over unilateral ones: while employers can still choose to provide article 100 benefits unilaterally – thus exploiting deductions up to the threshold of 0.5% of total labour costs – if the same benefits are introduced into a bilateral agreement they are fully deductible as labour costs, as they acquire the same fiscal treatment of the rest of provisions listed in article 51. In the past, provisions listed in article 100 had to be necessarily supplied on the basis of a voluntary choice of the employer as they were to be intended as corporate social policies rather than negotiated obligations. If unilaterally introduced, they would be considered neither as employees' income nor as labour costs: employees did not pay taxes on them, while employers did not pay contributions but were able to deduct them as labour costs only to the limit of 0.5% of total labour costs. On the opposite, if such benefits were to be formally negotiated, they would be fully deductible for employers but also fully taxed as income on employees. Today, benefits can be either provided unilaterally or negotiated without any

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<sup>18</sup> For more on productivity and direct involvement of workers in the organization see Leonardi (2015).

<sup>19</sup> Partial attempts to reform article 51 have been undertaken over time, as for instance the increase of the untaxed amount of ticket restaurants from 5,29 to 7 euro for electronic tickets only, introduced with the 2015 budgetary law.

repercussions on employees' taxation obligations. On top of that, negotiation makes them more convenient to the company that can deduct them without the 0.5% limit of unilateral action. As shown in table 2.2 displaying fiscal treatment before and after, both incentives – for employers and employees – have been now pushed in the same direction i.e. towards negotiated provision.

Table 2.2. Article 100 benefits before and after the 2016 budgetary law

BEFORE...

	<i>Unilateral</i>	<i>Negotiated</i>
<i>Employer</i>	Partially deductible up to 0.5% of labour costs	Fully deductible as labour costs
<i>Employee</i>	Not considered as income (untaxed)	<b>Fully taxed</b>

...AFTER

	<i>Unilateral</i>	<i>Negotiated</i>
<i>Employer</i>	Partially deductible up to 0.5% of labour costs	Fully deductible as labour costs
<i>Employee</i>	Not considered as income (untaxed)	<b>Not considered as income (untaxed)</b>

Source: elaboration of the author.

Getting to the other purposes of the modifications introduced, letter f-bis is emended in order to update and expand the services listed under article 51, including all education levels from nursery up to university for employees' kids, and even the school canteen and supplementary services related to school attendance. The brand-new letter *f-ter* paves the way to the important recognition of the challenges related to aging: long-term care and nursing services for elderly family members finally deserve to be explicitly mentioned in the income tax code, and regarded as instruments to support the well-being of families. Lastly, the new subsection *comma 3-bis*, allows for the use of

nominal documents, or prepaid vouchers in paper and electronic format for the provision of goods and services listed in clauses *f-bis* and *f-ter*, as a way to favour the supply of welfare benefits even to employees of smaller enterprises that would not be able to set up their own internal benefit system. On maternity protection, the law provides that the mandatory period of maternity leave is counted for the determination of productivity bonuses. Also, it finally identifies the amount of resources devoted to the work-life balance measures, one of the “pillars” of the 2015 Jobs Act. One of the legislative decrees implementing the Jobs Act established that 10% of the resources from the fund for the financing of tax relief to stimulate second-level bargaining would be dedicated to the promotion of work-life balance. The law provides that these resources amount to 38.3 million euro for the year 2016, 36.2 million for 2017 and 35.6 million for 2018<sup>20</sup>, but it remains to break the deadlock concerning the rules for the use of such funding.

#### *2.4.4. Risks and opportunities for industrial relations*

In addition to the opportunities for negotiation provided by the new wording of article 51, which eliminated the requirement of voluntary action and opened up to new services for children and elderly dependents, the turning point in occupational welfare provision concerns the new discipline of productivity bonuses. First of all, it officially allowed a practice, that of the conversion of monetary bonuses into welfare, that had already been implemented in a limited number of large companies but never acknowledged by the Agenzia delle Entrate, the national income revenue authority. Although limited to the amount of the productivity bonus and with additional thresholds, the new regulatory framework introduces for the first time in Italy the idea, always rejected by the authority, of “salary sacrifice”<sup>21</sup>. Secondly, the measure provides extra incentives to exchange wages with welfare for both parties but, surprisingly, even more for employers. Up to the year 2014, productivity bonuses were both tax free, with a government withhold of 10% on income taxes, and contribution free thanks to a specific

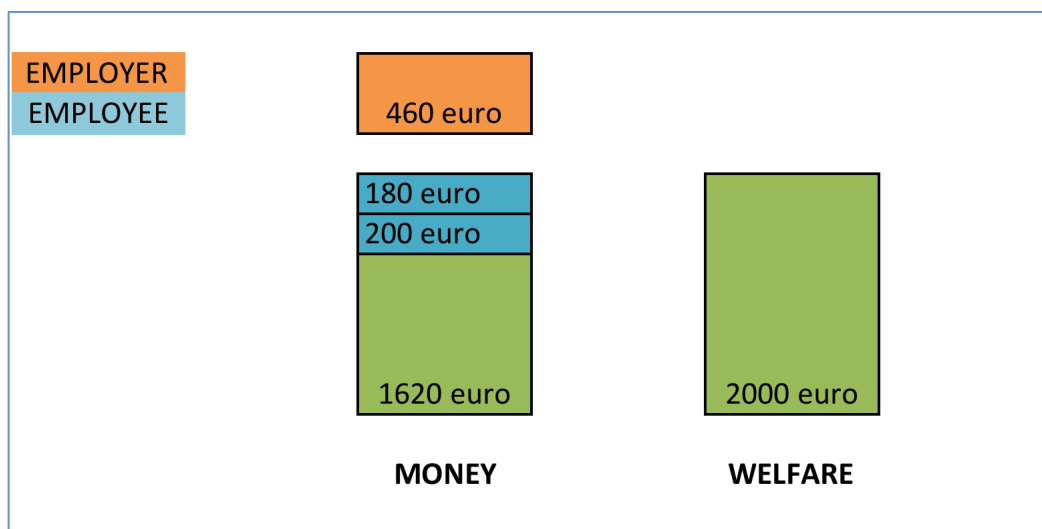
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<sup>20</sup> In light of the reduction of the fund for second-level bargaining to 344.7 million in 2016 and 325.8 million and 320.4 million respectively for the years 2017 and 2018.

<sup>21</sup> The UK Government defines salary sacrifice as an agreement between an employer and an employee to change the terms of the employment contract to reduce the employee’s entitlement to cash pay usually in return for some form of non-cash benefit (source: <https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay>).

public fund instituted in 2008 that paid out contributions for both employers and employees' shares in order to avoid the loss of pension right for workers. The 2016 budgetary law envisages tax reliefs for employees, bringing back the 10% taxation on productivity bonuses, but does not provide de-contributions, meaning that both employers and employees have to directly pay pension contributions out of the bonus amount. As a result, with a cash bonus employees pay 10% taxes plus their share of contributions, while employers are left with paying the largest share of pension contributions. On the contrary, if the bonus is to be converted into welfare benefits, both parties are exempted from paying taxes and contributions, meaning that employees receive the gross amount as net, and employers do not bear any extra costs other than the bonus amount itself. The latter solution thus provides significant incentives for companies that can save the full contributions payment, while it might produce conflicting pushes on the labour side. On the one hand, through the conversion of money into welfare employees save 10% taxation plus pension contributions, thus obtaining the full amount of bonuses to be spent in welfare services; on the other, they "lose" pension contributions paid by the employer, resulting in lower pensions after retirement.

Figure 2.5. Taxes and contributions with cash and welfare bonuses



Source: elaboration of the author.



Figure 2.5 shows a rough estimate of taxation for a 2000 euro bonus under the two options. The first column shows cash productivity bonuses: employees pay taxes for 200 euro (10% taxation) and pension contributions for 180 (around 9%), receiving a net bonus of 1620 euro; employers pay 460 euro pensions contributions (around 23%). The second column highlights instead how taxation is stepped over with the conversion into welfare. Taking as an example a bonus of 2000 euro, which is the highest possible amount under the current regulation, both parties “gain” something – 380 euro for employees and 460 euro for employers – but while saving 180 euro of contributions workers end up losing the additional 460 euro that the company would have paid for them.<sup>22</sup> Aside from the clear saving opportunity on the company side, trade unions have the choice of “playing safe” and discouraging the switch from cash to services in order to ensure the payment of pension contributions, or they might dare to step into such mechanism and negotiate a different use for the company’s savings with a view to re-investing them into something useful for workers. Of course, it is all conditional to a thorough calculation of losses in terms of pension income, as well as to the identification of possible uses that make it worth to bear such losses.

Chapter 2 aimed at drawing a detailed outline of welfare negotiation in Italian companies in order to identify the elements that can play a significant role in the spread of company-level provision. The first paragraph retraced the history of the phenomenon as to clarify the cultural background in which the research is carried out, while the following ones deal with current issues related to the characteristics of national industrial relations as well as with the risks and incentives associated with the provision of benefits to the workforce, for both employers and trade unions. While chapters 1 and 2 addressed more general aspects of the topic under investigation through a review of the literature and the mapping of the Italian context, chapter 3 will dig into the actual research design and methods used to apply the many elements identified so far to the empirical investigation.

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<sup>22</sup> See also the estimate appeared on the *Corriere della Sera*: <http://nuvola.corriere.it/2016/04/02/il-premio-di-risultato-diventa-welfare/>



## Chapter 3

### Research and methodology

#### Introduction

“Although cross-case and within-case analysis are, respectively, the central modes of causal inference in large-N and small-N analysis, there is certainly no reason why one cannot design a research project that draws on both types of analysis” (Goertz and Mahoney 2012, p. 101). Drawing on Goertz and Mahoney’s suggestion, the present analysis - although remaining in the qualitative “culture” - is combined of two complementary steps built around a different number of cases. Step one, designed in order to frame the subsequent part of the analysis as well as to identify and better formulate research questions, concerns the analysis of 80 chemical and pharmaceutical companies operating in the Lombardy region through the study of the contents of their company-level agreements made available since the mid-2000s. Step two narrows down the research to nine case studies that are thoroughly examined through at least two in-depth interviews for each case - one with the national management while the other with union representatives – as to reach a high level of factual accuracy of any propositions (Gerring 2004). Each company is thus studied with the aim of retracing processes with respect to the spread and the characteristic features of welfare provision and of identifying mechanisms that are most likely to lead to different outcomes in terms of welfare negotiation and provision, focusing on punctual description as a way to observe and distinguish causal processes (Collier 2011). Beginning with the within-case analysis on each of the experiences selected, conclusions will attempt to compare them in order to possibly spot common paths, diverging outcomes and causal configurations that are most likely to lead to them. In the attempt to reach “disciplined comparison” even in a small number of case studies to sustain causal inference (King, Keohane and Verba 1994, p.220) the following sections start off defining the main areas of inquiry identified so far and articulating them into a set of variables, and continue framing the two-step research and describing data and their scope, as well as purpose and limits of the endeavour.

### **3.1. Company-level welfare provision: four areas of inquiry**

On the basis of the relevant literature and empirical analyses presented in the previous chapters, four areas of inquiry have been identified in order to guide the empirical research. The first one concerns the influence of trade unions and the strength of industrial relations at the company level; the second one deals with specific features of the company, such as its nature, origin and corporate tradition; the third one takes into account some specificities of the sector under scrutiny and their impact on the introduction of welfare schemes as well as on negotiation. The last one, which has to do with the very object of the analysis, i.e. welfare provision, aims at identifying common patterns and distinguishing traits of the benefits supplied. While the first ones refer to specific features of the companies that might shape, according to the literature, employer's propensity towards welfare negotiation, the last one concerns the quality of the object of the investigation in the attempt to identify strategies and preferences of the parties when introducing welfare schemes.

#### *3.1.1. Welfare provision*

Previous chapters identified two dimensions to frame and classify welfare provision: drawing from Greve (2007), a perimeter of welfare benefits has been traced using social needs and beneficiaries, in order to distinguish proper welfare from other benefits areas. In addition to that, four areas of intervention have been recognized: pensions, healthcare, training and work-life balance (Prowelfare 2013). While the first two areas have been developed earlier and can be associated to more "traditional" social risks, the latter ones have been introduced in Italian companies only recently and concern "new" social risks (Pavolini et al. 2013). Aside from being negotiated or unilateral, the empirical analysis will focus on the distinction between old and new social risks in order to assess whether they can be considered as two "pillars" of comprehensive welfare systems or they should be seen instead as alternative strategies, with particular regards to work-life balance policies within the latter category. While family-related benefits can be clearly identified in the agreements, training incentives are harder to disentangle from opportunities provided at the sector level through the CCNL as well as from job-specific training. Nonetheless, chapter 4 will provide some insights on specific training guidelines and opportunities for working students such as extra time off.

Back to work-life balance, while the literature defines three clusters within– money, time, and services (Seeleib-Kaiser and Fleckenstein 2009) - we identify for the present analysis two strategies related to the financing dimension. On one hand, there are the “money” and “services” as they entail a financial effort on the side of the company and are mainly intended at providing services to “externalize” care taking, while on the other there is “time”, as a zero-budget strategy that requires organizational rather than financial commitment and aims at freeing time to allow employees to take care personally of their family responsibilities. The analysis of qualitative differences within welfare provision can be carried out during the first step of the research through the detailed study of the contents of agreements, in order to assess whether the different areas identified tend to be present together or as alternatives. This can be applied to the distinction between old and new social risks as well as to the two areas of work-life balance identified. Step 2 of the analysis will be useful to check and complement such results with the description of the parties’ strategies and preferences, as well as with a detailed presentation of benefits in place and their timing. Also, interviews will attempt to identify benefits that are more often negotiated than others, which are more likely to be offered as unilateral corporate policies.

### *3.1.2. Industrial relations*

Recent studies pointed at unions’ strategies of “revitalization” (Frege and Kelly 2003; Bryson, Ebbinghaus and Visser 2011) or “re-configuration of representation” (Regalia 2009) in which a significant role can be played by welfare negotiation as a way to increase “perceptions of union instrumentality” (Frege and Kelly 2003) and obtain mutual gains (White 2005). On the other hand, authors warn about the emergence of “concession bargaining” (Natali and Pavolini 2014) highlighting the existence of a trade off between wages and social benefits (Pavolini, Ascoli and Mirabile 2013, Agostini and Ascoli 2014). Unions’ approach to welfare provision appears to be both crucial and thorny at the same time. Particularly in Italy, where the major trade unions traditionally display different preferences with respect to occupational provision of welfare. A double effort is required: on one hand, mapping union preferences and understanding which benefits are subject to negotiation; on the other, the identification of the impact on welfare provision of different approaches on the side of the unions. Aside from their

influence at the company level – to be intended both as unionization levels and actual negotiation power – union representatives can be more or less willing to cooperate towards the introduction of benefits. As a general rule, we would expect a more cooperative behaviour to be associated with the presence of more welfare benefits. Also, we might expect such benefits to be largely negotiated. Step one of the empirical research, namely the analysis of company-level agreements, will be useful in order to map benefits that are more often included in negotiation, and thus to understand whether there are some benefits that are more likely to be negotiated than others. Step two will, through qualitative inquiry, unveil industrial relations dynamics at the company level, mapping preferences and identifying clashing issues as well as conditions undermining company-level negotiation. Also, the analysis of company level agreements together with interviews will enable dealing with the issue of the trade off between welfare provision and other elements related to the labour relation (e.g. wages, time, shifts) allowing us to ultimately assess the parties’ gains and losses. This last aspect is particularly relevant after the budgetary law for the year 2016 provided new incentives for substituting welfare benefits to remuneration related to productivity results. To some extent, interviews will enable the reader to foresee the positions of the parties in the next round of productivity negotiations. Getting to the very idea of “union influence”, in order to frame the concept and customize it to the topic under investigation, the qualitative analysis will be considering the capacity and willingness that union representatives at the site level have to make proposals and follow up on the implementation of welfare benefits. Unions’ initiative will be thus considered as a proxy for the combination of influence, to be considered as the role played by representatives in site-level decision making, and interest in welfare provision.

### *3.1.3. Corporate culture*

As argued in chapter 1, empirical accounts demonstrated that multinational companies display “better” industrial relations – in terms of higher union density, collective agreement coverage, and representation in the workplace – than domestic firms (van Klaveren et al. 2013) but, also, that their local policies are the byproduct of the interaction between home country and host country influences (Almond et al. 2005, Edwards et al. 2006), often mirroring to some extent the predominant culture of the

headquarters' country of origin (Tuselmann et al. 2003). Taking on board such insights in the present analysis, it is interesting to test, first of all, the actual propensity of foreign multinational groups with respect to large Italian companies, both as openness towards company-level bargaining and, more specifically, as preferences in terms of welfare provision. This second aspect, i.e. the presence of welfare provisions in the agreements, might also be used as a proxy of the "quality" of negotiation, as it is likely to be the result of the direct involvement of union representatives in the set up of services. This step can be partly done through the analysis of company-level agreements in Lombardy, which will show if multinationals display more negotiated welfare in their company level agreements than domestic firms. The second step of the research will, through in-depth qualitative interviews with both parties, confirm whether foreign multinationals display different industrial relations dynamics and if it follows that negotiated welfare are the results of cooperative company-level industrial relations. Case studies also unveil the nature of bargaining processes identifying roles of first initiative, i.e. which party is responsible for introducing welfare into negotiation and under what premises. Secondly, it is worth understanding the actual relevance of what have been defined as "home" and "host" country effects. The first one, i.e. the influence of the headquarters' culture on foreign subsidiaries, can be assessed through both the analysis of agreements of multinational groups of different nationalities and qualitative interviews focusing on the origin of welfare benefits, if introduced at the corporate, national or site level. The second, i.e. the contribution of the host country's regulations and customs in shaping welfare negotiation practices, will be unfolded thanks to the qualitative analysis able to assess the strength of corporate decision making and the level of discretionality of the national management.

#### *3.1.4. Production*

With respect to the production carried out by companies, a recent strand of literature has pointed at the marked differences of industrial relations dynamics from one sector to the other, emphasizing the relevance of sector-specific features as the composition of the workforce (Bechter et al. 2012). Also, brand reputation is becoming a priority due to the "entrance" of customers who increasingly impact on corporate behaviour through their purchasing choices (Havard et al. 2009; Supiot 2001), as witnessed for instance by the

spread of CSR practices. It is therefore worth testing whether the composition of the workforce, in terms for instance of the share of women and educational levels shape welfare provision and impact on their introduction into agreements. Furthermore, it is crucial to assess the impact on internal welfare policies and on their negotiation of the type of products supplied and the market they are produced for. The chemical sector is particularly appropriate for such analysis as it has been regarded for years as dangerous for both employees and the environment, and it is therefore extremely sensitive to brand reputation. Also, it gathers under the same umbrella companies with similar productions but very different “souls”, such as the chemical industrial and the pharmaceutical segments, which display different characteristics in terms of composition of the workforce (e.g. gender and education) and production processes. It is worth noticing that while industrial chemical firms produce for the most part chemical compounds for other industries, thus operating as third party contractors, pharmaceutical companies produce for a very sensitive market that is that of healthcare and supply either hospitals or directly the final consumer, who thus purchases their brand on the market. It is therefore crucial to assess whether such differences also impact on welfare provision and the likelihood that it will be negotiated between the parties. Differences between the two subgroups – industrial chemical and pharmaceutical – can be first analysed through the welfare contents of company level agreements in order to check whether one of the two groups tends to have more welfare provisions in the agreements with respect to the other one, as well as if there are qualitative differences in the provisions. It might be the case, for instance, that pharmaceutical companies, which tend to have more women in the workforce, are keener on the introduction of work-life balance arrangements; similarly, industrial chemical plants with a large majority of male, line workers might be willing to provide them with extra healthcare protection. In order to test such hypotheses, interviews are extremely useful as they will also enable to understand internal differences between sites belonging to the same company (e.g. the existence of different provisions catered for the office and the production plant).

#### *3.1.5. Building causal relations*

Table 3.1. summarises the four areas identified and shows them as variables. A further step, depicted in the table 3.2, is that of drawing possible causal relations between the



variables identified, in order to allow the qualitative analysis of case studies to retrace possible mechanisms. The core set of causal relations in the analysis concern the impact of unions' initiatives and of corporate culture (multinational *versus* domestic) on welfare negotiation and the features of the provision, as well as the outcomes resulting from being a chemical or a pharmaceutical company. Where union representatives are involved in the definition of welfare benefits, we can expect them to be more negotiated and less traded with other components of the remuneration. We might also expect unions to push forward their preferences in terms of kind of benefits to be introduced, though we do not have a clear hypothesis to formulate with this respect. According to the literature, we expect multinational companies to negotiate welfare more than domestic firms; we could also argue that multinationals have different preferences in terms of the benefits ("old" *versus* "new" risks) to be implemented, but we do not have enough elements to claim that for the time being. Getting to the puzzling interaction between corporate culture (home country effects) and local customs and traditions (host country effects), we are not able to formulate a straightforward hypotheses, other than saying that such interaction is likely to have an impact on both negotiation propensities and the nature of the benefits introduced.

Table 3.1. Four areas of inquiry: building variables



<b>Independent Variables</b> <i>To explain</i>	 <b>Dependent Variables</b> <i>To be explained</i>
Industrial relations <ul style="list-style-type: none"> <li>▪ Unions initiative</li> </ul>	Welfare provision <ul style="list-style-type: none"> <li>▪ Negotiated <i>vs</i> unilateral welfare</li> <li>▪ On-top <i>vs</i> trade-off with wages</li> <li>▪ "Old" and "new" social risks</li> <li>▪ Work-life balance: budgetary <i>vs</i> saving strategies</li> </ul>
Corporate culture <ul style="list-style-type: none"> <li>▪ Multinational <i>vs</i> domestic firm</li> <li>▪ Home <i>vs</i> host country culture</li> </ul>	
Production <ul style="list-style-type: none"> <li>▪ Chemical <i>vs</i> pharmaceutical</li> <li>▪ Characteristics of the workforce: men <i>vs</i> women; line <i>vs</i> office workers</li> </ul>	

Table 3.2. Sketching possible causal relations

<b>Independent Variables</b> <i>To explain</i>	 <b>Dependent Variables</b> <i>To be explained</i>
<i>Unions initiative</i>	<ul style="list-style-type: none"> <li>▪ Negotiated vs unilateral welfare</li> <li>▪ “Old” and “new” social risks</li> </ul>
<i>Multinational vs domestic firm</i>	<ul style="list-style-type: none"> <li>▪ Negotiated vs unilateral welfare</li> <li>▪ “Old” and “new” social risks</li> </ul>
<i>Home vs host country culture</i>	<ul style="list-style-type: none"> <li>▪ Negotiated vs unilateral welfare</li> <li>▪ “Old” and “new” social risks</li> </ul>
<i>Chemical vs pharmaceutical</i>	<ul style="list-style-type: none"> <li>▪ Negotiated vs unilateral welfare</li> <li>▪ On-top vs trade-off with wages</li> <li>▪ “Old” and “new” social risks</li> <li>▪ Work-life balance: budgetary vs saving strategies</li> </ul>
<i>Characteristics of the workforce</i>	<ul style="list-style-type: none"> <li>▪ “Old” and “new” social risks</li> </ul>

With respect to the production dimension, we expect pharmaceutical companies to supply different benefits than chemical ones, as the former yield higher returns and have to keep up their brand reputation related to the healthcare sector they operate in. Nonetheless, aside from a generalized propensity of pharmaceuticals towards the area of healthcare as well as towards budgetary measures with respect to work-life balance, we do not have clear expectations for the time being. Finally, the “characteristics of the workforce” variable obtained through the interaction between gender presence (women *versus* men) and role (line *versus* office workers) is likely to favour the introduction of different benefits: production plants that host mainly male line workers may provide more healthcare-related than work-life balance benefits. The decision to consider the two factors together comes from the acknowledgment that they are partially overlapping, together with the impossibility to determine which of the two eventually shape policy decisions.

### **3.2. The chemical and pharmaceutical sector** <sup>23</sup>

Italy is the third chemical producer in Europe, after Germany and France, and the tenth worldwide. In 2015, over 108.000 workers were employed in Italy in the chemical sector, while 63.000 in the pharmaceutical business<sup>24</sup>; 19% of them are university graduates, with respect to the 9% industry average and 95% are hired with open-ended contracts (Federchimica 2015). In Italy, the chemical sector – and within it the pharmaceutical segment – is widely recognized as one of the most, if not the most, advanced industry in the fields of Corporate Social Responsibility and Research&Innovation (Stefanovichj 2013). The pharmaceutical segment has the highest personnel expenses in Italian industry, followed by petroleum coke and the chemical sector (Federchimica 2016). The pioneering role of the sector with respect to occupational welfare provision is witnessed by the fact that its supplementary pension fund Fonchim and its healthcare fund Faschim were, back in the 1990s and early 2000s, the first sectoral funds introduced at the national level. In 2015, Fonchim counted 147.263 members in 2.501 companies, while Faschim recorded 2.128 companies for 182.202 members, of whom 110.898 are employees and 71.304 are family members (Federchimica 2015). According to experts and practitioners high levels of innovation and “people care” are due to a variety of factors such as the size and nature of the companies, the type of employees, the relationship of the chemical sector with public opinion and the peculiar industrial relations tradition (Piscitelli 2012). Chemical-pharmaceutical companies are in fact mostly large and international groups with strong financial capacity and solid HR management practices spreading from the headquarters to the national branches. On top of this, the average employee of the sector is highly educated: around 30% of Italian employees of the chemical sector are university graduates, with the remainder being composed of almost exclusively high school graduates. A highly skilled labour force mix that makes it crucial for companies to provide competitive benefits, learning opportunities and HR management practices, for employee retention and minimizing turnovers (Astone 2014). The chemical industry has always been seen by the public opinion with weariness and even concern because of the

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<sup>23</sup> The sector for the analysis has been selected after a number of preliminary interviews with both union representatives (CGIL and CISL) and employers’ associations (Assolombarda and Federchimica). Interviews have been also carried out with the two regional secretaries of the chemical and pharmaceutical sector in CGIL Lombardia and CISL Lombardia.

<sup>24</sup> Over 27.000 work in the over 100 firms operating in Lombardy (Farmindustria data).

very nature of its products, techniques and possible environmental hazards, to the point that nowadays it is one of the safest industries in the country (INAIL). In order to keep the lid on such popular feelings, the sector always tried to present itself as particularly concerned with social and environmental issues, fostering over the years a model of stable and cooperative industrial relations. Within the chemical sector, the pharmaceutical branch - because of its traditionally significant financial and organizational capabilities - occupies the first place for innovative practices.<sup>25</sup>

Lombardy is the first European region for number of chemical companies in Europe and the second for number of employees and local units after the German region of North Rhine-Westphalia (Federchimica 2016). With more than 1300 local units and 69000 employees - 45000 in the chemical sector alone - the Lombardy region hosts over 40% of sector's employees in Italy.<sup>26</sup>

### *3.2.1. Collective bargaining at the national level over time*

Aside from supplementary pension provision, introduced with the fund Fonchim in 1998, and healthcare, provided through the fund Faschim since 2003, collective labour agreements increasingly contain additional provisions related to the areas of training and life-long learning, income support and special needs. The analysis of the three latest collective labour agreements for the pharmaceutical sector - for the years 2007-2009, 2010-2012, and 2013-2015 - shows evidence of significant qualitative changes in the presence and importance of provisions linked to the fields of welfare, family support and Corporate Social Responsibility. It is easily noticeable how the provisions related to occupational welfare benefits have been gradually expanded in the texts of the agreements, up to the point that the latest one, signed in 2012 and in force until the end of 2015, dedicates to the topic a full chapter, entitled "Welfarchim". A distinctive feature of the sector's CCNLs concerns the prevalence of general guidelines over binding regulations, thus demanding the negotiation of operating details to company-level bargaining (Piscitelli 2012).

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<sup>25</sup> See data provided by Farindustria available on the website.

<sup>26</sup> The relevance of the chemical and pharmaceutical business in the Lombardy region can be easily grasped when comparing it to the manufacturing sector. Although the latter one is by far more developed in Lombardy than in the other Italian regions (Istat online database 2013), the share of workers employed in the region is around 24%, compared to 41% of the chemical sector.

*The 2010-2012 collective labour agreement.* Signed in December 2009 and applicable for the years 2010-2012, it is the first agreement that explicitly lists welfare priorities for the sector - to be selected and developed at the company level on the basis of employees' specific demands - formalising the relevance of the area of reconciliation of work and family life. Section II of the agreement's chapter I encourages the creation within each company of a "non-contractual company observatory" as a place for discussion and workers' participation on a variety of topics, among which welfare and CSR, allowing for the participation of external experts and "facilitators". Section III of the same chapter, entitled "Corporate Social Responsibility", expresses the parties' support for the development of environmentally, socially and ethically responsible practices, inviting employers to sign a "Social Responsibility Pact" to formalize their commitment. The parties are – through contractual tools – specifically committed to the following areas: solidarity, social assistance, welfare and work-life balancing; Training; Income and employment support; improvement of safety and health, and environmental protection. The first area encompasses the following priorities: support the inclusion of workers with specific needs, such as the physically and socially disadvantaged; promote voluntary work activities; integrate pension and healthcare sectoral supplementary funds; facilitate personal and family needs such as those of family carers, parents, students and others, through the provision of leaves, time-off, part-time, tele-work and other possible arrangements. Section IV includes, among other measures for income and employment support as bilateral funds, solidarity contracts and work bonuses, the provision to employees of agreements for purchasing goods and services with favourable conditions, such as commercial arrangements with nurseries, shops, banks and insurance companies. Section V of chapter I on industrial relations, entitled "Welfarchim", states the belief of both parties that joint initiatives – implemented both at the sectoral and at the local level -aimed at favouring employment, re-employment and training are to be considered as "socially responsible", and their acknowledging the value of experiences intended at the integration of public provision through the voluntary participation of employers and employees to bilateral initiatives introduced in the contract. The parties agree to introduce the project Welfarchim in order to further develop the innovative programme "Welfarma" - introduced in November 2008 with the aim of implementing welfare-to-work services catered to pharmaceutical

representatives - with particular focus on the following areas: monitoring the first results of the experimentation; studying its possible extension to all sub-sectors of the industry; adjusting existing tools.

*The 2013-2015 collective labour agreement.* Signed in September 2012 and applicable for the years 2013-2015, the agreement takes a further step in the expansion of the sectoral welfare system: chapter 2 of the document – made up of eleven sections - is entirely dedicated to welfare-related topics, as it organizes as a unique whole and enriches already existing provisions. The chapter, entitled “Welfarchim”, encompasses all areas of intervention, from training and employment to the healthcare and pension funds up to CSR and other forms of support. Once again, the document restates the importance of CSR practices and lists the priorities to be pursued at the company level, such as support the inclusion of workers with specific needs, such as the physically and socially disadvantaged; promote voluntary work activities; integrate pension and healthcare sectoral supplementary funds; facilitate personal and family needs such as those of family carers, parents, students and others, through the provision of leaves, time-off, part-time, tele-work and other possible arrangements. On top of this, the chapter introduces several prescriptions on training and re-employment strategies and presents the new “Progetto Ponte” to foster intergenerational solidarity and the hiring of younger workers. The parties agree on the need to enhance productivity through the increased quality of human resources practices and higher organizational flexibility of work. Section III, dedicated to income and employment support, restates the possibility to set up company-level bilateral funds for income support as well as to stipulate agreements with external providers in order to offer discounted goods and services to workers.

*The 2016-2018 collective labour agreement.* Although in a climate of general distress<sup>27</sup>, on October 15, 2015 the parties signed the renewal of the national collective agreement for the sector. It provides for an average wage increase of 91 euro divided into three tranches, and a 0.25 % increase in the Fonchim rate paid by employers starting March 1, 2017. The other main areas of the agreement are: company-level bargaining and simplification of CCNL’s provisions, training, welfare and CSR. The parties share the commitment to develop company-level negotiation in order to better complement the

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<sup>27</sup> As of May 2016, the national collective agreement for metalworkers expired on December 31, 2015 has not yet been renewed due to heavy misalignments between the parties.

CCNL with company-specific needs and to contribute to the spread of negotiated welfare arrangements. Training opportunities represent a tool for both enhanced productivity and the maintenance of current levels of industrial relations through specific training programmes for workers' representatives, supported by the activity of the bilateral body *Organismo Bilaterale Chimico* and company-level joint observatories, together with new possible forms of direct participation voluntarily implemented by the parties at the company level. The CCNL is also completed by new guidelines for company-level negotiation on work-life balance and time flexibility, and it introduces the possibility to give up leaves and holidays accrued in favour of colleagues with care responsibilities or healthcare needs.

### 3.2.2. *Why the chemical and pharmaceutical sector?*

The sector selected for the empirical analysis is particularly suitable to the investigation of all four variables identified above, with very little sector-specific customization. With respect to industrial relations, the chemical and pharmaceutical sector is widely regarded as one of the most cooperative and innovative in terms of negotiation. In addition to that, the CCNL provides large space for manoeuvre to the second-level, favouring the spread of company-level bargaining.<sup>28</sup> In terms of corporate culture, the sector is characterized by both domestic companies as well as a fairly high number of large multinational groups.<sup>29</sup> Therefore it allows for a significant comparison, particularly for the Lombardy region where the national business concentrates<sup>30</sup>. Getting to the production, it is interesting to use the intra-sector differentiation between the industrial chemical business and the pharmaceutical: the former one produces mainly chemical compounds for other businesses or brands (Federchimica 2016), and it has a predominantly male workforce in the sites made of line workers, while women are concentrated in the office. Pharmaceutical firms supply instead either the final consumer or healthcare facilities (e.g. hospitals) with a highly specialized production yielding high returns. Women are present both in the office and in the sites, particularly in research and packaging facilities. On top of this, pharmaceutical employees are generally highly

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<sup>28</sup> As shown for instance by the OCSEL data presented in the previous chapter.

<sup>29</sup> The Italian chemical and pharmaceutical production is made of 38% foreign multinationals, 38% Italian SMEs, 24% large Italian companies (Federchimica 2015)

<sup>30</sup> 42% of chemical employees in Italy work in the Lombardy region, with respect to 25% of the manufacturing sector (Federchimica 2016).

educated.<sup>31</sup> According to Farindustria, 90% of pharmaceutical employees hold either a high-school diploma or a university degree, and 44% are women, compared to 25% of the manufacturing sector. The share of women in the workforce increases to 53% in research departments. Chemical and pharmaceutical enterprises thus differ in terms of production and workforce composition, which are precisely the two main aspects considered by the literature as significant for differences among sectors. Finally, for the kind of benefits provided is worth considering that the sector is considered extremely advanced with respect to welfare provision, and it is therefore appropriate for seizing qualitative variations and most innovative introductions.

### **3.3. Step 1. The analysis of company-level agreements in Lombardy**

The database used in this research in order to assess the main features of welfare benefits in chemical-pharmaceutical companies operating in the Lombardy region through the analysis of second-level agreements has been built on the basis of a comprehensive collection of contracts undertaken by the regional branch of the organization Cisl, one of the three main trade unions in Italy, since the year 2004. Lombardy's collection is the most comprehensive of the ones the national organization has been developed in each Italian region, and it is therefore the more representative with respect to the number of companies and of employees involved. It includes around 2500 agreements<sup>32</sup> signed since 2004 (of which over 800 are dated 2013-2014) belonging to all sectors but mostly to the metalworkers (FIM, 1018) and chemical sectors (FEMCA, 444), as showed in figure 3.1. For this opportunity reason, together with the fact that the Italian chemical and pharmaceutical business is mostly located in Lombardy, the region has been selected as the geographical boundary of the research. With regards to the company size, in terms of number of employees the collection is made up of all sizes (up to 50 employees, 51-250, 251-500, over 500) but mostly of small and medium enterprises sized 0-50 (135) and 51-250 (269), as presented in figure 3.2. Although not in equal amounts, the agreements collected cover the whole regional territory, as shown in figure 3.3.

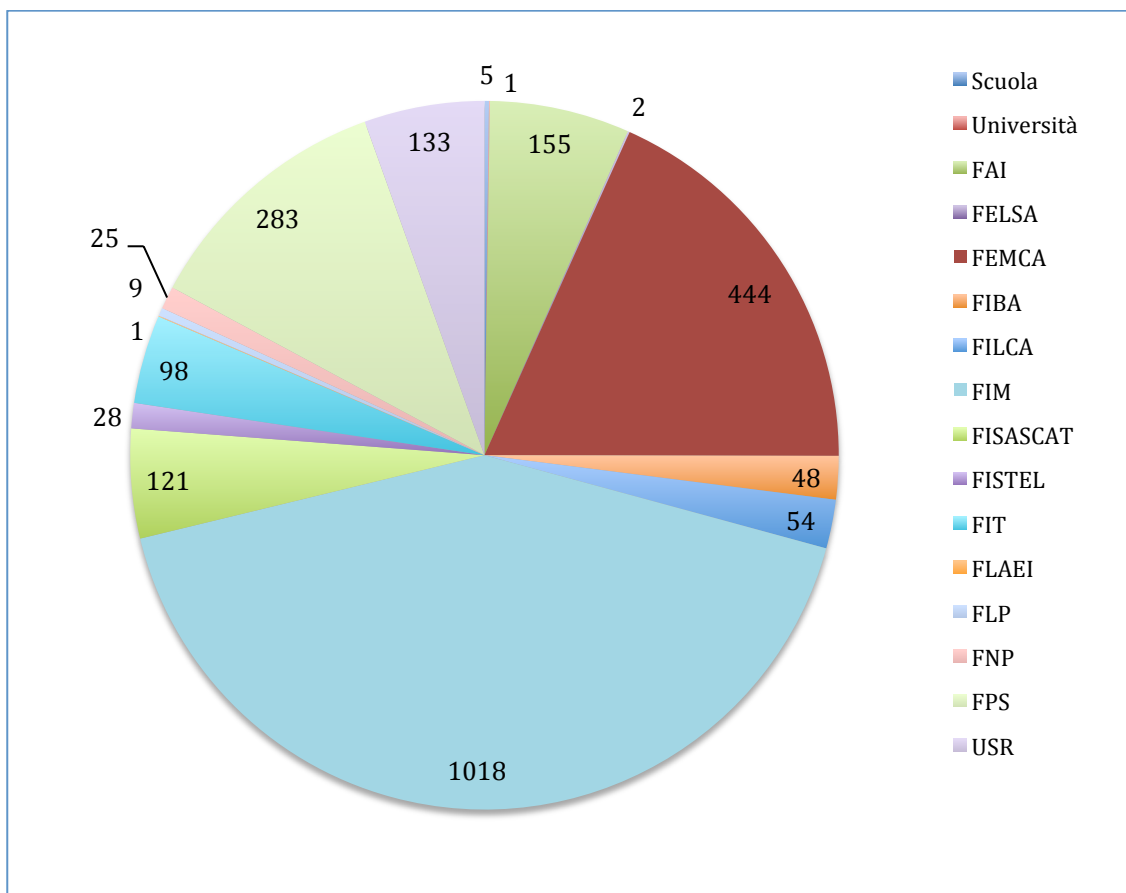
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<sup>31</sup> For more on the sector's workforce and production see also Astone (2014).

<sup>32</sup> Over 50% of OCSEL's nation-wide agreements have been collected in the Lombardy region alone.

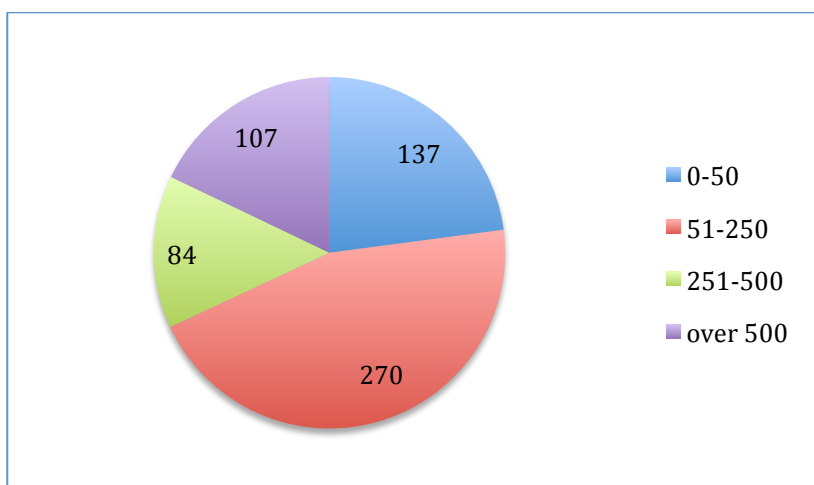


Figure 3.1. Number of contracts included in the Cisl Lombardia collection by sector



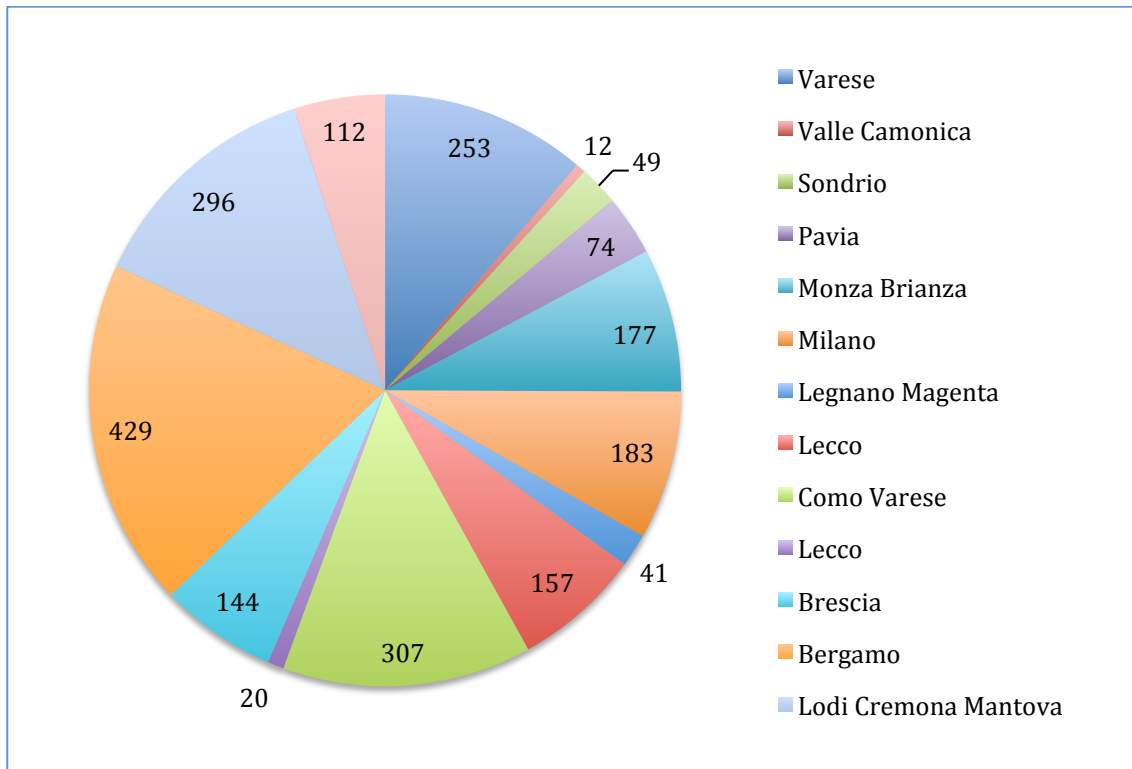
Source: elaboration of the author on Cisl Lombardia data.

Figure 3.2. Number of contracts included in the Cisl Lombardia collection by company size



Source: elaboration of the author on Cisl Lombardia data.

Figure 3.3. Number of contracts included in the Cisl Lombardia collection by location



Source: elaboration of the author on Cisl Lombardia data.

Getting to the agreements belonging to the chemical sector, which are the heart of this first part of the analysis, it had been necessary a quite significant effort to “clean up” the database from a number of contracts that were not relevant to the study because of either the activity branch of the company (meaning that the production was neither strictly chemical nor pharmaceutical) or because of the plant’s closure. Additional information has been gathered through corporate websites but, for the most part, thanks to union representatives operating in each territory (e.g. for the number of employees working in each plant as of April 2015). After all due preliminary adjustments, the final database is made up of 148 company-level agreements belonging to 80 companies operating in Lombardy. The number of contracts exceeds that of companies because of either the inclusion of more than one plant belonging to the same industrial group, or the availability of more than one agreement for the same company (for the vast majority, signed in different years). This means that the database actually considers agreements involving 90 different plants dislocated on the regional territory, and for 30 out of 80 companies it includes two or more contracts signed at different time over the period

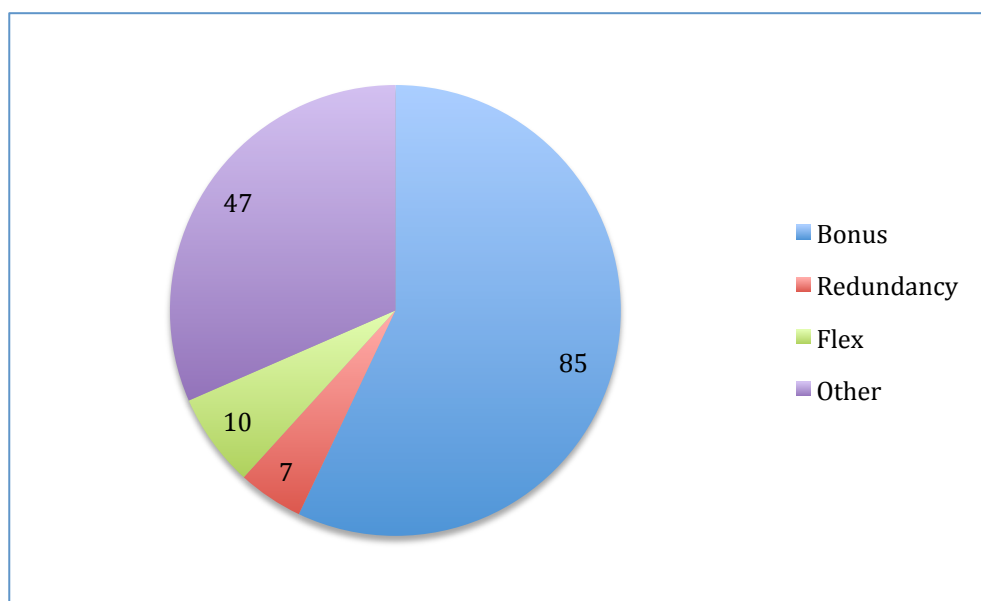
considered (2004-2014). It is useful to focus on plant-level agreements for one main reason: almost all contracts are actually signed by management and union representatives in each facility (HR function at plant level and RSU), resulting in the fact that most of the times agreements signed in different plants, although belonging to the same company or group, differ from one another in terms of contents and conditions applied (e.g. topics for bargaining, conditions regulating productivity results, shifts and so on)<sup>33</sup>. The analysis contains only seven agreements signed by more than one plant belonging to the same company (operating in Lombardy); on top of that, there are six cases of companies displaying one agreement for each of the two (or more) plants. Interestingly, in none but one of these six cases contracts provided the same welfare benefits across all sites. The plant-level is thus the most suitable for understanding not only the actual spread of benefits within the companies considered, but also to get an idea of the possible differentiation among workers belonging to the same organization. All agreements are signed by company representatives and the RSU, the latter one being most of the times assisted by the local branches of the labour organizations representing workers in the plant. Cgil and Cisl are almost always present; Uil is often part of negotiations, while other organizations are largely absent. In a relevant number of cases, the territorial entrepreneurial association also assists the company's management. Most contracts have as their main purpose the regulation of yearly bonuses related to productivity results that, under Italian law, benefit from fiscal incentives. A fair share of contracts stems instead from the need to deal with industrial reorganization and, sometimes, redundancies. When it is not a matter of "defence negotiation", what "triggers" bargaining is the opportunity to exploit fiscal incentives related to productivity bonuses (which require to be included in second-level agreements). As showed in figure 3.4, over 50% of agreements have as their main purpose the definition of productivity bonuses, while a smaller share deals with redundancy and restructuring or reorganization. Remaining contracts encompass a wider variety of topics, often combined (e.g. time and leaves, holidays, safety measures, consultation arrangements

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<sup>33</sup> Exceptions are agreements signed by the company and two or more RSUs together – each one representing its own plant – more often when factories are located close to one another, and regional level agreements signed by the company and unions' categories in charge of the sector at the regional level together with RSUs in order to include all plants and offices operating in the region. The latter solution is likely to be implemented by large industrial groups that are organized through a large number of locations or branches (e.g. the banking sector).

and more specific issues and projects). Out of the 85 agreements introducing productivity bonuses, 13 also include at least one welfare benefit. Of the ten agreements instituting a different articulation of work schedules (e.g. shifts, overtime), two also provide welfare benefits (additional flexibility through “smartworking” arrangements and training opportunities). Not surprisingly, none of the seven agreements dealing with crises and redundancies introduce welfare benefits.

Figure 3.4. Contracts by main purpose

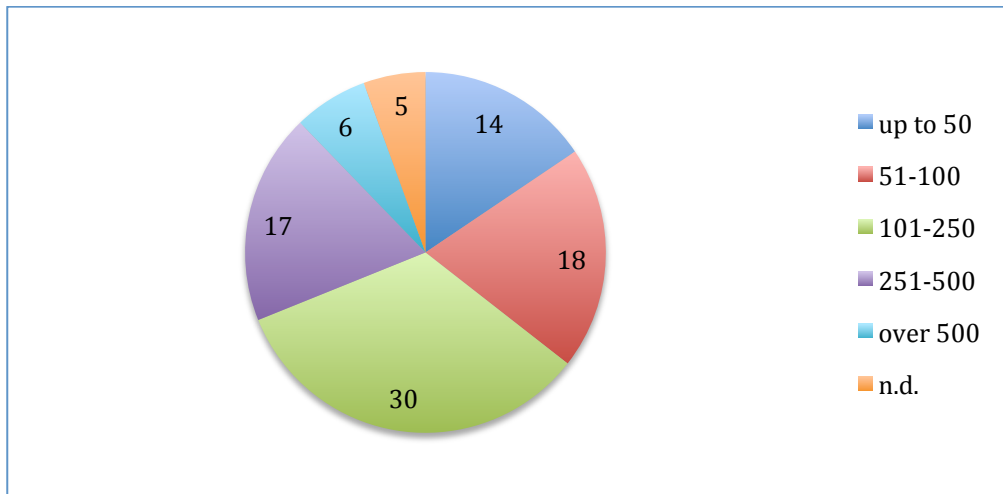


Source: elaboration of the author.

17.618 employees are involved in the analysis, making up for over 25% of the roughly 69.000 workers of the chemical and pharmaceutical sector operating in the Lombardy region.<sup>34</sup> In terms of company size, figure 3.5 shows the presence of cases for all plant sizes (in terms of number of employees), with the predominance of the segment 101-250, followed by 51-100 and 251-500. The vast majority of companies involved are large, multinational companies, while only around 20% are non-multinational Italian companies. The 67 multinationals have different nationalities, as showed in figure 3.6 in addition to the (prevailing) Italian.

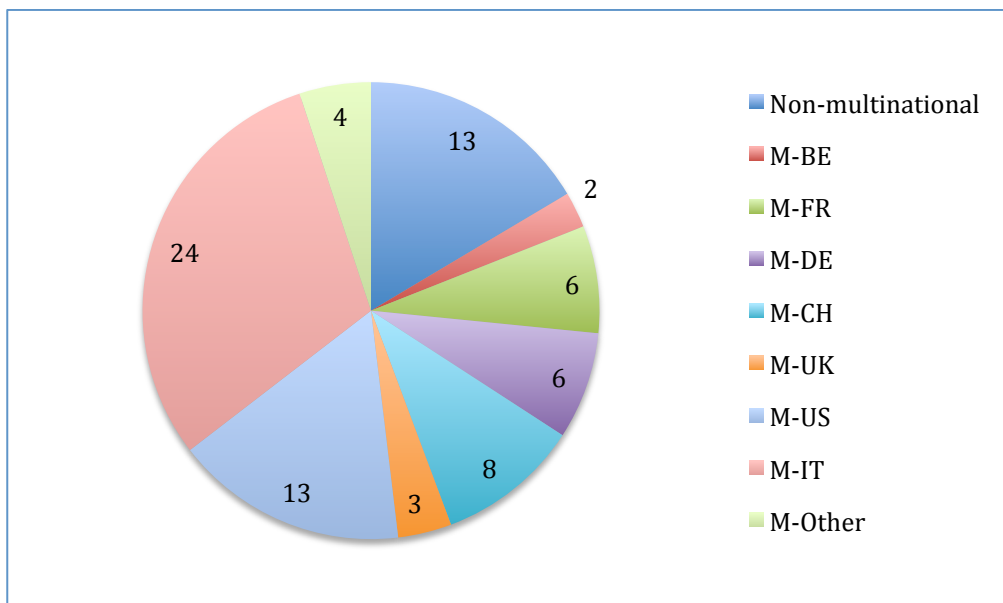
<sup>34</sup> Estimate resulting from data provided in the year 2014 by Assolombarda, the territorial branch of the Italian Entrepreneurial Association Confindustria and available on Assolombarda’s website.

Figure 3.5. The size of the plants



Source: elaboration of the author.

Figure 3.6. Italian and multinational companies, by nationality



Source: elaboration of the author.

### 3.3.1. Description of the analysis

The analysis has been carried out through the full reading of all 148 agreements selected and the contextual classification of their main contents, particularly when related to welfare provision and work-life balance measures. The opportunity provided by Cisl to select and read a large number of company-level collective agreements allowed - after integrating with additional data (e.g. Company information and number of employees) -

to build a database supplying the following information (table 3.3): name of the company, location of the plant for which the agreement has been signed, year of the agreement and period of validity, signatory parties, number of employees involved and, of course, the main features of the agreements in terms of contents.

Table 3.3. Information provided for each contract included in the database, divided by subcategories

General information	Welfare benefits	Work-life balance provision
Company name	Supplementary pensions	financial support for family expenses
year of agreement(s)	Healthcare	on-site services
number of employees	financial support	agreements with providers
company size (range)	training and education	working time flexibility
territory	extra leaves	extra leaves (maternity and family caring)
province	on-site services	post-maternity arrangements and diversity
if multinational		
nationality of headquarters	<b>work-life balance</b>	
if pharmaceutical		
duration of agreement		
signatory parties		
aim of the agreement		
<b>presence of welfare benefits</b>		

Also, the analysis provides information on the company (whether it is a multinational company and, if so, the nationality of the headquarters, and whether the main production is chemical or pharmaceutical) and a detailed description of welfare benefits and work-life balance arrangements provided to the workforce. Welfare benefits have been classified as: supplementary pensions, healthcare, training, financial support, extra leaves, on-site services and family benefits. The latter ones have been further distinguished into: financial support, on-site services, agreements with providers, work time flexibility, extra leaves for post-maternity programs and diversity/equal opportunities.

*Supplementary pensions.* Traditionally, the Italian system provided an inclusive single pillar retirement system through compulsory coverage for insured workers (INPS) while

in addition workers benefited from mandatory severance pay schemes (TFR). Over the last decades the “flexibilization” of the Italian labour market altered the combination of employment and pension rules, increasingly shifting the burdens on the younger cohorts (Jessoula 2012). In order to “compensate”, since the 1990s Italian policy makers started favouring the spread of funded supplementary pension pillars, introduced on a voluntary basis through the exploitation of the workers’ TFR (Jessoula 2009). Subsequent regulations introduced limited tax incentives for members of occupational pension funds set up through collective agreements and managed by the social partners, and to a lesser extent for joining ‘open’ funds and individual pension plans (PIP). On top of this, the ‘silence- assent’ mechanism to use resources from severance pay schemes has been introduced in order to foster participation in supplementary funds beyond pure voluntarism (Natali 2009). Employees thus have the choice to either join the supplementary pension fund that is provided for their activity sector through national level bargaining or to prefer instead not to have any supplementary schemes (their TFR would then be collected by the company until the worker leaves its job) or to select other options available (e.g. company-level pension funds still existing for large industrial groups, or individual insurance plans). In the former case, the company has to co-finance workers’ contributions for an amount established by collective agreements. As we are here considering company-level provision - and, on top of that, we are considering companies adopting the same national-level agreement - are only interested in the amount of money that the company agrees to pay on top of what established by national-level bargaining. Through company-level agreements the parties can define an additional percentage of what workers are due to pay to the pension fund to be provided instead by the company on top of its fixed amount of payment.

*Healthcare.* The variety of policies implemented through company-level agreements is wider with respect to the area of healthcare. On the one hand, companies can provide - similarly to what happens in the field of supplementary pensions - extra payments to the sector-level healthcare fund, which is for the chemical sector FASCHIM. On top of healthcare assistance provided to all citizens by the National Health Service, back in 1999 the Italian law introduced the possibility for several actors to set up supplementary healthcare funds in order to cover beneficiaries’ costs for medical treatments both provided by the *Servizio Sanitario Nazionale* (share to be borne by beneficiaries) and

out-of-pocket expenditure for private medical assistance (Maino 2012). Since then, national bargaining started establishing sector level supplementary funds financed by both employers and employees. Second-level agreements can either offer to top-up the company's share of healthcare fund payment in order to lower in turn the financial burden on the worker side, or can promote the enrolment of other family members in the FASCHIM through co-financing the addition of an extra member to the healthcare plan. On the other hand, agreements often include other healthcare-related benefits that are not linked to the provisions of the sector-level healthcare fund but are an addition of company-level bargaining. These benefits are generally consisting of screening programs and check-ups, often related to disease prevention and life-style related illness (e.g. Dietary habits, smoking and drugs).

*Financial support.* It refers to all kinds of arrangements aimed at supporting through monetary transfers workers facing particular needs, such as unexpected expenditures and, most of the times, health problems due to accidents or illness. These measures are generally into two subgroups: payments and income support. While the first category includes loans and advance payments (e.g. of wages, TFR and annual bonuses), the second encompasses all wage integrations paid when time off work has been taken for health reasons (e.g. additional percentages paid out to top up the amount received by social insurance, or when the latter ones have been exhausted). In some cases the parties established through agreement a bilateral fund aimed at tackling employees' unexpected financial problems. There are even a few cases in which workers are provided with yearly monetary "gifts" for national holidays.

*Training and education.* Training and life-long learning programmes provided to the workforce have not always been considered to be "welfare" benefits. In fact, this view is not entirely wrong: it is necessary to distinguish between training that is either required by law and/or national level agreements (e.g. On safety and workplace behaviour), often provided by bilateral bodies, or specific to the operations and machinery employed by the one company, and those programs that provide the opportunity to learn more general skills and competencies, which could be useful even in the event of a job change (e.g. English classes, computer skills). In the present analysis we thus consider only training opportunities that come as additional to what already set in place through national level bargaining and that concerns the learning of new competencies not strictly related to the



job. Another kind of training measures is that related to educational paths, as companies can provide financial support for employees who are enrolled in educational institutions such as diplomas and university degrees. More specifically, the agreements analysed display financial support measures through scholarships and, more often, training programmes to be undertaken both during working hours and when off work.

*Extra leaves.* National level collective agreements generally provide a number of working hours that can be used by workers as paid time off in the occurrence of particular circumstances, generally related to healthcare needs (i.e. Medical examinations, surgery and hospital admissions). Interestingly, the national collective agreement for the chemical sector does not bind companies to a specific number of hours, leaving it to company-level bargaining. For this reason, the agreements analysed often provide the regulation of paid leaves for health-related reasons. The second kind of leaves considered here is the one related to education, as company level agreements can provide either paid or not paid time off in order to support workers enrolled in educational paths such as university degrees. On top of the provision of leaves for healthcare and education, agreements also include time off for family-related reasons, which will be considered below as family benefits.

*Services.* These are all kinds of on-site services and structures directly provided by the company, often within the plant itself. The most popular of such structures is generally the cafeteria, which can have different costs for employees. Also, there is a variety of services that has been traditionally supplied through the CRALs.

*Work-life balance.* The category encompasses all possible actions undertaken by company and union representatives through the inclusion in company-level agreements aimed at providing support to family and parenthood. As argued elsewhere, the area of work-life balance can be seen as the mix of three different kinds of measures: money, time and services. The first one relates to all types of financial support as reimbursements for childcare services and scholarships for employees' kids, while the second concerns time saving strategies such as flexible working agreements and part-time for family carers. The last comprises the wide range of services directly catered for by the company such as nurseries, orientation and counselling for family problems, on-site social workers and time-saving services. They are generally set up in the company's site or in structures close to the plant. In order to provide extra detail on work-life

balance measures, they have been further divided into: financial support for family expenses, services, agreements with providers, working time flexibility, extra leaves and post-maternity arrangements and diversity. As before, financial support include all kinds of money transfers to employees but it is here limited to the ones aimed at sustaining caring responsibilities towards children and elderly family dependents such as reimbursements for nurseries and socio-assistance structures, and school fees.

*Services and agreements.* On-site services are directly provided by the company and very often within the company's walls as well, such as internal nurseries and counselling and information desks, or childcare and elderly structures and services paid (or co-paid) for by the company. Agreements with providers are different from services because, although being alike with respect to the provision of proximity services, they do not entail a financial effort on the side of the company. Through reaching agreements with providers, the management is able to offer lower rates and the choice of services within a pre-selected network of providers, while the actual recourse to services has to be paid for by individual users. Differently from service provision, agreements do not imply the set up of a dedicated budget on the side of the company, which has borne exclusively set-up costs.

*Working time flexibility.* Flexible working hours arrangements can be distinguished into flexible schedules, part-time and “smartworking”. Flexibility refers to the possibility provided to employees of self-administering the daily schedule with respect to entrance and exit hours and time management (e.g. choosing to use time off and holidays, even on an hourly basis); part-time concerns the chance for newly mothers and family carers to choose to switch to part-time (and to eventually switch back to full time); “smartworking” comprises work arrangements characterized by site and time flexibility, such as working from home or other place selected by the employee (e.g. tele-work and “agile working” arrangements).

*Extra leaves for family reasons.* Time off and leaves for parents and other family carers are to be intended as top-up with respect to what already provided by national collective negotiation, as company-level agreements can introduce extra time in addition to what established at the sectoral level. Extra paid and unpaid leaves are generally granted for marriage, the birth of a child and additional parental leaves, but also when kids are sick

or need to be taken to the doctor; most innovative agreements introduce extra leaves for workers taking care of elderly dependents.

*Post-maternity arrangements and diversity.* The issues of diversity management and women's career paths are usually addressed through programmes aimed at favouring re-integration for workers who have been long absent (e.g. for pregnancy or illness) and the right of these workers to come back to their previous job without being demoted, as well as training for women and projects for raising awareness on the issues.

### *3.3.2. Limits of the analysis*

The first, important, issue that we have to address here is the one related to data collection. The group of contracts, which have been later on further selected and appropriately skimmed, was originally constituted by the regional organization of the trade union Cisl on the basis of their request that all sector-level operators sent a copy of each signed agreement to the regional level in order to contribute to the collection. This endeavour started back in 2005 and it is still ongoing, involving all eight Cisl offices located in Lombardy (Bergamo, Brescia, Monza Brianza e Lecco, Asse del Po, Milano Metropoli, Pavia, Sondrio, Laghi). The main issue is, though, the fact that the regional level can only raise awareness and urge operators to comply, as it does not hold the power to sanction the ones not sending copies. Therefore, the main problem might seem to be some sort of positive bias, meaning that only union officials who feel confident they have achieved satisfactory negotiation results would be willing to comply. On the opposite, regional union officials believe that trade unionists are reluctant to send out their work regardless of the contents, because of a cultural conditioning towards discretion. This certainly helps explaining the fact that only a share of agreements have been collected so far, but would in principle drag out of the picture the concern of a positive bias. Another argument against the positive bias theory lies in the fact that agreements collected encompass all possible areas of intervention and are not specifically focused on welfare provision, which is only one of the many dimensions considered by the regional offices to “evaluate” contracts (evaluation is purely internal and does not lead to any consequences for signers). This means that, even assuming that unionists choose to send out what they perceive to be their best work, this does not necessarily contain welfare provisions, which are the main focus of the present analysis.

What just argued for the “positive bias” problem is not fully applicable to another kind of bias, which would be the territorial one. It might well be the case, in fact, that some territorial offices are more sensitive to the need for monitoring and evaluation, or more cooperative with the regional headquarters, so that they send out as many contracts as possible, while in other areas union officials (and in particular the head of the territorial organization, who is in charge of supervising) are less attentive. This would easily result in different levels of coverage between the territories. While all territories are represented, there are some of them, as for instance Bergamo, Como, Milano and Monza, which display a higher number of cases. Still, from what at hand, there does not seem to be any systematic difference in terms of welfare provision from one area to the other within the Lombardy region. It is very likely that location - as argued elsewhere - plays a much stronger role when considering companies at the national level operating in different regional contexts. The same argument set forward with regards to territorial dis-homogeneity can be applied to the time dimension: agreements are not equally distributed along the selected time period (2005-2014), but latest years are overrepresented with respect to the first ones. Most contracts have been signed from the year 2010 on, meaning that the vast majority of them are fairly recent. Secondly, the database displays an undeniable problem in terms of numbers: it represents around 25% of the workforce, and it does not constitute a sample built for statistical inquiry. There might as well be slight deviations with respect to the actual distribution of companies in the different provinces and the distribution by plant size. Therefore, the aim is not that of taking these results as general trends, but rather of building on them and using them as tools to perform a case study analysis. If data cannot really say much about the actual spread of welfare benefits within the chemical and pharmaceutical sector, reading all agreements can still provide useful insights on the type of services implemented and their combination, highlighting the different features of the welfare systems provided and the variety of social risks they are designed to tackle. Qualitative differences in the provision of services, cash benefits and time arrangements - as well as their combination - have been crucial for studying interviews to the companies selected. Although aware that the number of cases and the method used for collecting agreements do not allow for any statistical generalizations, the analysis constitutes a first attempt to study extensively a wide number of company-level agreements and analyse their contents in

detail, and it has therefore a descriptive value. It can be thus useful to draw some insights and to possibly spot issues related to the negotiation of welfare at the company level. Suggestions drawn from this first undertaking will be helpful for providing a general framework to the second part of the analysis included in the present research, as well as for case selection.

### **3.4. Step 2. Structure of the analysis and case selection**

In order to complement the analysis with a deeper understanding of the mechanisms taking place within companies, a second step of the research has been envisaged, following and integrating the results drawn from the study of the company-level agreements carried out so far. The second step is made up of the study of nine companies selected within the agreements' database, through a set of nineteen semi-structured interviews. For each company, at least two interviews have been carried out: one with the company's management and the other with union representatives. For the management, the person is either the human resources and welfare manager or the industrial relations manager (or equivalents, though with different titles); for the trade unions, it is either a CGIL or a CISL representative, as the two organizations are always prevailing in terms of number of registered members in the workforce on the other ones (if present). With respect to the labour parties, it has been chosen to involve the union officials who - for the specific sector - work in each geographical area (usually province-wide) to assist company union representatives. While the latter ones are elected workers, the former ones are trade union professionals whose job is to support and supervise bargaining at the company level. As they are not only experienced professionals but also responsible for bargaining in all chemical and pharmaceutical companies operating in their area, they have been chosen as interlocutors because they are able to provide both an experienced point of view and a more comparative outlook. Still, there are a few cases in which they suggested instead company-level union representatives because of their long-lasting experience and in-depth knowledge of specific issues. For each company, we have interviewed management first, and then trade union officials, so that the latter ones could confirm and enrich information already provided. As management went first, questions asked concerned: basic

information on the company and the workforce; main features of the welfare provision; internal dynamics, evaluations and future perspectives.

Box 3.1. Main topics of the interviews with management

<p><b>Company interviews</b></p> <ul style="list-style-type: none"><li>a. General characteristics of company and workforce</li><li>b. Description<ul style="list-style-type: none"><li>1. <i>Description of the benefits provided</i></li><li>2. <i>Year(s) of implementation and main steps over time</i></li><li>3. <i>Level of implementation (corporate, national, plant)</i></li><li>4. <i>Differences among plants and locations</i></li><li>5. <i>Role of first initiative and reasons behind the choice</i></li><li>6. <i>Predominance of corporate or national management, and interactions</i></li><li>7. <i>Categories of workers covered</i></li><li>8. <i>Distinction between bilateral and unilateral initiatives</i></li></ul></li><li>c. Evaluation<ul style="list-style-type: none"><li>1. <i>Management's evaluation on industrial relations and role of union representatives in welfare bargaining</i></li><li>2. <i>Results and improvements perceived as a result of welfare introduction</i></li><li>3. <i>Future perspectives in terms of welfare expenditure and new areas of intervention</i></li><li>4. <i>Evaluation of the fiscal regulation (opportunity or obstacle)</i></li><li>5. <i>Propensity to convert bonuses into services</i></li></ul></li><li>d. Specifics of latest agreement on welfare (if present)</li></ul>
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Information requested focused on the Italian sites and, more specifically, on plants and offices located in the Lombardy region, to which the agreements already analysed apply to. After collecting data as number of employees and composition of the workforce with respect to gender and job levels, a set of questions is devoted to list welfare benefits in place, provide a description of each and retrace their introduction and development. Then, management is asked: the aims for the introduction of benefits; the satisfaction they perceive from the beneficiaries with respect to the different benefits in place; the results obtained in terms of - for instance - commitment, turnover, absenteeism and

productivity; future priorities. A section of the interview is devoted to the analysis of the interaction between the corporate and the national decision making processes, in order to acknowledge the existence of a “mixed outcome” that takes into account both cultures and preferences. Both the corporate style of “command” and the local management discretionality are examined, in light of both origin and host countries regulations and customs. The final part is devoted to deepening into specific topics and areas, as well as to discussing the details of the company-level agreements analysed. The last section has proven to be very useful in order to identify internal dynamics and actors’ preferences leading to the inclusion of welfare benefits in the agreements. Interviews with union representatives have been less structured, as their main goal is not that of gathering data but instead of unveiling internal dynamics and identifying preferences. For a start, interviewees were asked general information, particularly concerned with intra-unions dynamics and worker participation. Then, questions aimed at gaining further understanding of the processes that led to the introduction of benefits and, if so, to the inclusion in the agreements, with particular focus on roles of first initiative, proposals and preferences, in order to ultimately understand the choice of whether or not including welfare benefits into agreements. As shown in the boxes, both interviews have been structured similarly with the sequence of: general information on the company and plant(s); detailed description of benefits provided and their source (bilateral *versus* unilateral); evaluation of the system in place and its results; specific questions on the latest agreement, where available. Still they are differentiated in their main focus, as the management is thoroughly asked about kind and functioning of the benefits and the relation between the different levels of provision (corporate, national, plant), while union representatives are mostly questioned on industrial relations and intra-union dynamics, as well as on the perception of the company’s goals and preferences. Paired interviews for each study case allow to double check information provided but, more importantly, to feel how the two parties perceive each other’s bargaining strategies and what role each of them ultimately takes on with respect to welfare provision. Also, intra-unions dynamics might affect the outcome: union representatives who cooperate might constitute a “stronger” counterpart; a fragmented representation might leave instead more room for unilateral action.

### Box 3.2. Main topics of the interviews with unions

#### **Union interviews**

- a. General information on representation in the different sites  
(organizations and members)
- b. Welfare provision in industrial relations
  1. *Preferences in terms of welfare*
  2. *Relations with the company and among the different organizations*
  3. *Differences between plants and locations*
  4. *Role of first initiative and reasons behind the choice*
  5. *Perception of the corporate level decision making over the national one*
  6. *Categories of workers covered*
  7. *Distinction between bilateral and unilateral initiatives*
- c. Evaluation
  1. *Evaluation on industrial relations and role of both union representatives and management in welfare bargaining*
  2. *Intra-union dynamics and workers' preferences*
  3. *Perception of the company's preferences and goals*
  4. *Results and improvements perceived as a result of welfare introduction*
  5. *Future perspectives in terms of welfare expenditure and new areas of intervention*
  6. *Evaluation of the fiscal regulation (opportunity or obstacle)*
  7. *Propensity to convert bonuses into services*
- d. Specifics of latest agreement on welfare (if present)

Getting to case selection, nine large companies have been selected out of the ones included in the database: Basf, Bayer, Bracco, XXXX<sup>35</sup>, Novartis, Roche, Unilever, Sanofi and Solvay. Five of them - Bayer, Bracco, Novartis, Roche and Sanofi - are pharmaceutical companies, while the remaining - Basf, XXXX, Unilever and Solvay - are chemical companies. Of the latter four, the first two produce chemical compounds

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<sup>35</sup> The company asked to remain anonymous.



for third party manufacturing, while Unilever and Solvay sell their brand products on the market (although not exclusively). In terms of nationality of the headquarters, there are two Italian proprietorial companies, Bracco and XXXX (the first one being pharmaceutical, the second one chemical); Basf and Bayer are German enterprises (the first one being chemical, the second pharmaceutical) while Novartis and Roche are Swiss, both pharmaceutical. Finally, Unilever is British, Sanofi is French and Solvay is Belgian. The two Italian companies selected are, although today multi-localized, still run as family businesses by the same family who founded them. This marked proprietorial character is what ultimately distinguishes them by multinational groups that have their headquarters located abroad (even in more than one location around the globe, depending on business branches).

Table 3.4. Case studies: name of the company, nationality of the headquarters and type of production

Company	Nationality	Production
Bracco	ITA	Pharma
XXXX	ITA	Chem
Basf	GERM	Chem
Bayer	GERM	Pharma
Novartis	CH	Pharma
Roche	CH	Pharma
Unilever	UK	Chem
Sanofi	FRA	Pharma
Solvay	BE	Chem

It seemed somehow “unfair” to compare domestic companies with multinational groups, as – according to the literature - the size variable would impact enormously on company-level welfare establishments. Therefore, the choice was made towards the selection of two companies, Bracco and XXXX that - despite their different core

businesses - share the same proprietorial and domestic features.<sup>36</sup> As summarized in table 3.4 our case studies cover both productions (pharmaceutical and chemical) and five nationalities. Analysing five pharmaceuticals and four chemicals, we could hopefully notice whether in our study cases it is possible to identify some systematic differences between the two clusters of companies. As mentioned before, we would expect to find a different approach to welfare provision in companies that sell healthcare-related products and that do so directly to the final consumer (pharmaceuticals) with respect to enterprises manufacturing chemical compounds to be employed in other manufacturing processes (chemicals). On the basis of the agreements collected in the database, we already know that most of these companies provide at least one kind of welfare benefits; the only two companies whose agreements do not contain welfare arrangements are XXXX and Novartis. As already pointed out, all of the companies selected could in principle provide a wide variety of benefits and services not (or only partially) including them in company-level bargaining. Through in-depth interviews with both parties we are finally able to assess whether welfare benefits are (partially) included in company-level bargaining, entirely unilateral or just not in place. It is interesting to put together the many pieces of sometimes very articulated and layered company welfare systems in order to understand the reasons behind each choice, particularly in terms of industrial relations. All nine cases follow the same structure, which starts off with a detailed description of relevant aspects in order to be concluded by a paragraph highlighting main findings divided into company-specific and sector-specific. The first ones summarize the most relevant features of welfare provision and its development process in the specific case study, while the second ones provide more general insights on the dynamics that characterize the sector under consideration. Box 3.3 summarizes the structure of the case studies. Tables 3.5 and 3.6 display the full list of the documents, websites and company-level agreements and of the interviews used to analyse each case study. While chapter 4 presents the results of the analysis of company-level agreements collected by CISL in the Lombardy Region, chapters 5 and 6 display the detailed description of the nine experiences analysed. Chapter 5 starts with

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<sup>36</sup> Pharmaceutical companies such as Bracco have been recently defined as “Italian pocket-size multinationals” because of their relatively small size compared to large multinational groups (Magnani 2016).

the four industrial chemical companies, in order for Chapter 6 to conclude the empirical analysis with the five pharmaceutical cases.

Box 3.3. Structure of the case studies

<p><b>1. The company and the Italian sites</b></p> <p>General information on the company</p> <p>Presence in Italy and Lombardy</p> <p>Detailed information on the site(s) selected for the analysis</p> <p><b>2. The welfare structure</b></p> <p>History of welfare provision over time</p> <p>Home and host country influences</p> <p>Structure of the welfare system and highlights</p> <p>Contents of latest agreement(s)</p> <p><b>3. Negotiation dynamics</b></p> <p>General information on unions presence</p> <p>History of company-level industrial relations</p> <p>Parties' preferences and attitude towards welfare</p> <p><b>4. Main findings</b></p> <p>Company-specific findings</p> <p>Sector-specific insights and recurring arguments</p>
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Table 3.5. Documents and website

Company	Website	Documents
Solvay	www.solvay.com; www.solvay.it	Agreements 2012, 2014
Sanofi	en.sanofi.com; www.sanofi.it	Agreements 2011, 2012, 2014
Novartis	www.novartis.com; www.novartis.it	Agreements 2012, 2013, 2014
Bayer	www.bayer.com; www.cropscience.bayer.it; www.bayer.it	Agreements 2011, 2014, 2015
Unilever	www.unilever.com; www.unilever.it	Agreements 1983, 1988, 2010, 2012, 2015
Basf	www.basf.com; www.basf.it	Agreements 2011, 2012, 2013, 2014
Roche	www.roche.com; www.roche.it;	Agreements 2007, 2010, 2011, 2013
XXXX	corporate website	Agreements 2010, 2011, 2013, 2014
Bracco	corporate.bracco.com	Agreement 2012

Table 3.6. Interviews

<b>Interview</b>	<b>Role</b>	<b>Company</b>	<b>Date</b>
1	FILCTEM CGIL 1974-2006	Unilever	February 9, 2014
2	FEMCA CISL	Unilever	February 9, 2014
3	Innovation & CSR manager	Solvay	August 6, 2015
4	Industrial Relations manager	Solvay	August 6, 2015
5	Industrial Relations manager	Bayer	October 8, 2015
6	Industrial Relations manager	Novartis	January 8, 2016
7	HR manager	Bracco	January 14, 2016
8	HR manager 1988-2007	Unilever	January 15, 2016
9	FEMCA CISL	Novartis	January 17, 2016
10	Benefits manager	Roche	January 29, 2016
11	HR manager	Roche	January 29, 2016
12	General manager	XXXX	February 5, 2016
13	HR manager	XXXX	February 5, 2016
14	FEMCA CISL	Bayer	February 9, 2016
15	HR manager	Basf	February 12, 2016
16	FILCTEM CGIL	Solvay	February 19, 2016
17	Benefits manager	Sanofi	March 9, 2016
18	FEMCA CISL	Basf; Roche; XXXX; Bracco	March 11, 2016
19	FILCTEM CGIL	Sanofi; Bracco; XXXX	March 17, 2016
20	Federchimica	Industrial Relations	February 10, 2016
21	FILCTEM CGIL Lombardia	Regional Secretary	March 17, 2016
22	FEMCA CISL Lombardia	Regional Secretary	March 11, 2016

## Chapter 4

### Occupational welfare and company-level agreements in the Lombardy region

#### Introduction

After having presented the source and the main descriptive features of the data used in step one of the empirical research, chapter four is dedicated to the actual analysis of the results gathered through the reading and systematising of the contents of the over 100 company-level agreements collected. Results concern the spread of welfare benefits through negotiation as well as the nature and main characteristics of the provision. The analysis also focuses on the areas of inquiry and variables defined in the previous chapter in order to provide useful insights for the following step of the research. The study of company-level agreements proves to be useful in order to further frame the research questions, pointing at possible causal relations, but it also helps orientate case selection for the following step.

#### 4.1. The spread of welfare provision

Getting to the actual spread of welfare benefits in company-level agreements, the database shows that 29 out of 80 companies, around 36%, and 38 out of 90 plants (42%) provide at least one type of welfare benefit. In terms of the share of employees covered, the percentage rises up to 59,8% (10.535 out of 17.618). This suggests that – as widely assumed by existing literature – large companies are more likely to offer occupational welfare arrangements. Interestingly, table illustrating the share of employees covered by at least one welfare benefit with respect to the total number of employees of each plant size brings up a slight deviation. In our sample, almost 43% of plants under up to 50 workers have welfare benefits in place compared to only around 29% within larger sites (51-100 employees). Values increase again, and grow steadily, when moving up the number of employees: 48% (101-250), 50% (251-500) up to 83% (over 500). In order to test it, figure 4.1 and table 4.1. show the plants providing welfare by number of employees, while figures 4.2 and 4.3 divide companies with welfare among multinationals and non-multinationals. Small companies up to 50 employees are in fact

underrepresented (15,8%) with respect to large companies (over 250 employees, 34,2%) but especially to medium-sized enterprises (50-250 employees, 47,4%).

Table 4.1. Share of employees covered by at least one welfare benefit for each plant size

Plant size	% employees
up to 50	42,9
51-100	29,4
101-250	48,1
251-500	50,0
over 500	83,3

Figure 4.1. Plants with welfare by number of employees, %

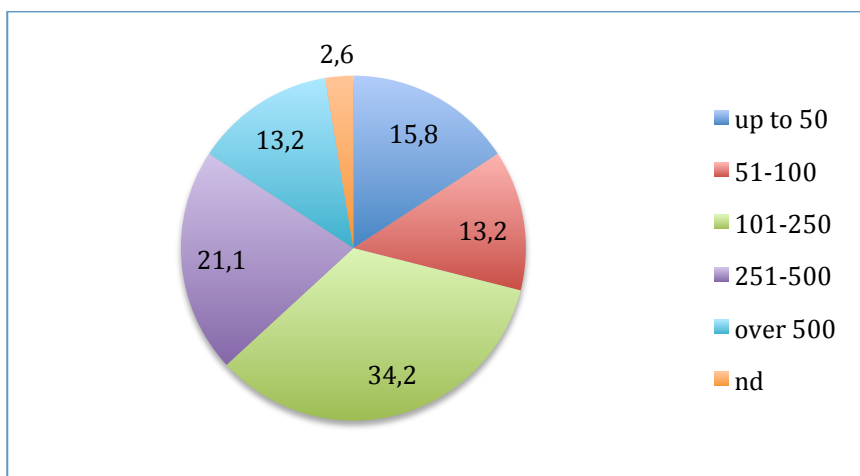


Figure 4.2. Companies with welfare (multinational, Italian non-multinational)

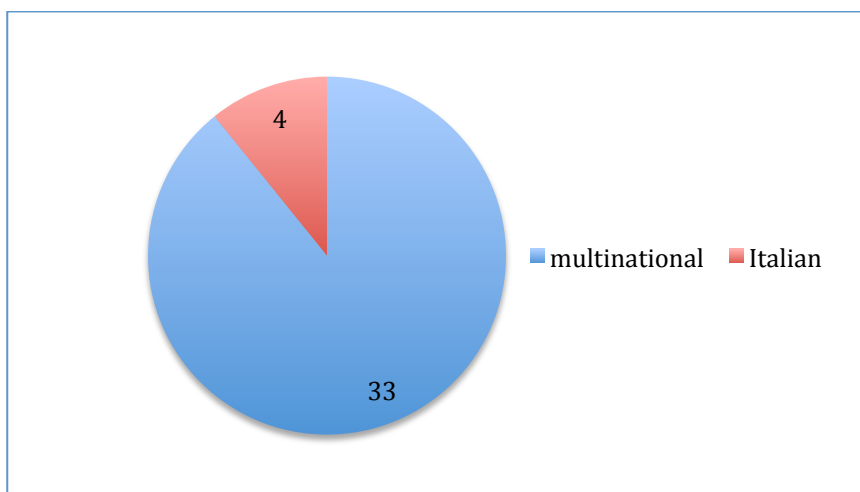
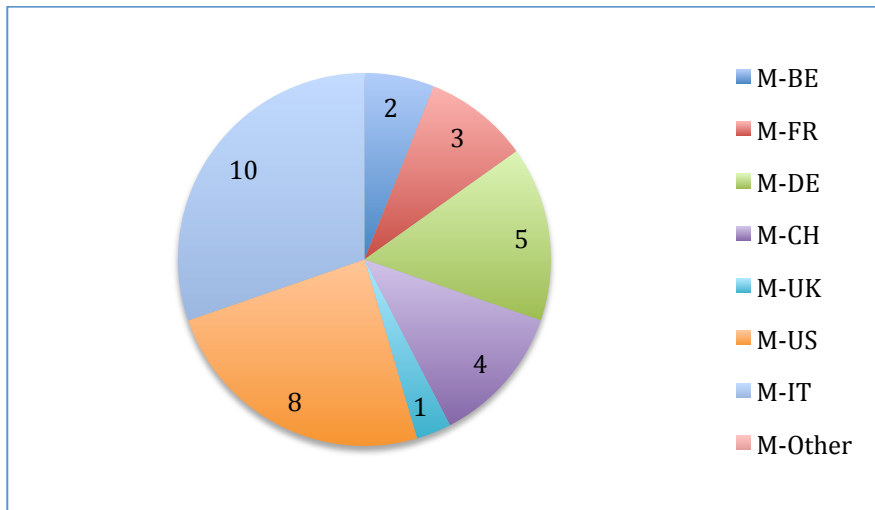


Figure 4.3. Multinationals with welfare by country of origin



It is striking, though, the great difference between multinational companies and Italian non-multinational ones: 33 out of 37 companies providing welfare benefits are multinationals, of several nationalities.

Table 4.2. Percentage of each nationality with respect to the total number in the database

Nationality	With welfare	Tot	Welfare % on total
<b>M-BE</b>	2	2	<b>100</b>
<b>M-FR</b>	3	6	<b>50</b>
<b>M-DE</b>	5	6	<b>83,3</b>
<b>M-CH</b>	4	8	<b>50</b>
<b>M-UK</b>	1	3	<b>33,3</b>
<b>M-US</b>	8	13	61,5
<b>M-IT</b>	10	24	41,6
<b>M-Other</b>	0	4	0

Table 4.2 shows that, unfortunately, the database does not include the same number of companies for each of the nationalities represented, but it also suggests that they might be having different inclinations towards bargaining. In fact, German and Belgian companies seem to be the ones to have higher propensity for including welfare benefits

in company-level agreements, while French, Swiss and American companies rest in the middle, leaving Italian and British ones last. While some results are probably more expected, others leave room for further inquiry. Data seem not to contradict the hypothesis that corporate culture and existing traditions, also in terms of legacy (pre-existing structures), might still play a role in the way the company deals with company-level industrial relations and welfare provision.

So far, information drawn from the analysis of the agreements shows that, among them, almost 60% of employees are actually provided with at least one welfare benefit. Also, the sample confirms the direct correlation between plant size and welfare provision as well as the hypothesis that the company's cultural elements might also influence somehow the choice of providing welfare benefits and the proclivity to negotiate them with union representatives. What still seems to be unveiled is the relation between occupational schemes and belonging to multinational groups. It might easily be a matter of size and number of employees, but it could also be related to other cultural and organizational features. There might be, for instance, a trans-national spread of internalized habits and guidelines from the headquarters to the different national plants. A dissemination of practices that might also vary in strength and kind on the basis of the nationality of the headquarters. Once again related to the companies' characteristics and tradition, there might also be a different attitude towards welfare on the basis of the very nature of the production. The analysis shows a slightly higher propensity of pharmaceutical companies with respect to industrial chemical ones (table 4.3). Out of the 27 pharmaceuticals analysed 14 (51,8%) provide welfare benefits, while the percentage lowers to 41,5% among chemicals (22 out of 53). Also, the former ones seem to be keener on providing work-life balance arrangements on top of more traditional benefits, as shown in table. This aspect, although still somehow related to corporate culture, drags in the picture other elements such as corporate reputation and the relationship with the public opinion. Is it possible that the type of products manufactured and the target consumers also play a role in defining corporate policies (e.g. Corporate Social Responsibility practices and, within them, "people care")? A business-to-business production might influence corporate strategies differently than a straight business-to-consumer relation. At this point, we cannot provide a straight answer.



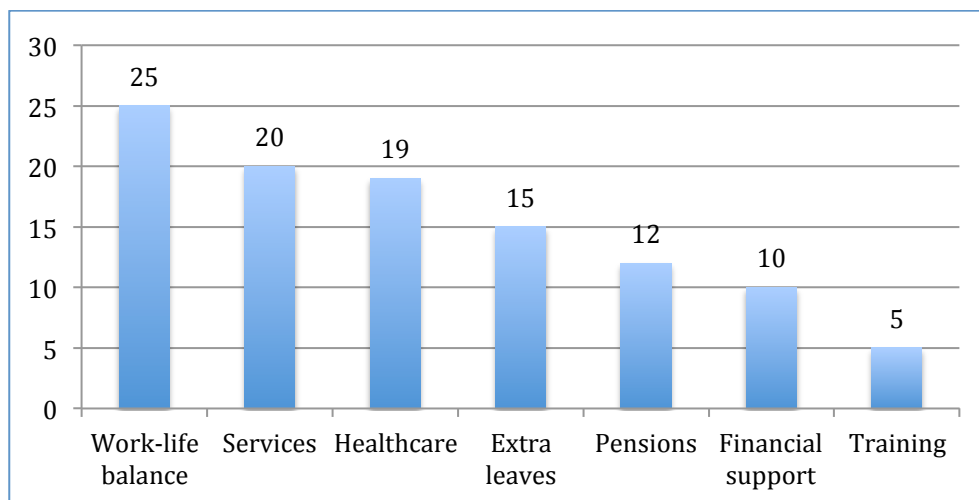
Table 4.3. Pharmaceutical and chemical companies compared: spread of welfare benefits and main characteristics (“traditional” and work-life balance, financial support and flexibility).

	<b>Pharmaceutical</b>	<b>Chemical</b>
<b><i>Total number</i></b>	27	53
<b><i>With welfare</i></b>	14	22
<b><i>Welfare % on total</i></b>	51,8	41,5
<b><i>Traditional benefits</i></b>	12	18
<b><i>Traditional % on welfare</i></b>	85,7	81,8
<b><i>WLB</i></b>	12	13
<b><i>WLB % on welfare</i></b>	85,7	59
<b><i>Financial support</i></b>	5	9
<b><i>support % on WLB</i></b>	41,6	69,2
<b><i>Flexibility</i></b>	11	12
<b><i>Flexibility % on WLB</i></b>	91,6	92,3

#### 4.2. Variety of benefits

Of the 80 companies considered, over 30% offer some work-life balance support, while almost 24% provide healthcare and around 19% extra leaves, mostly for healthcare related reasons. As shown in figure 4.4, most popular benefits within the enterprises selected are work-life balance, healthcare and extra leaves, followed by extra payments to the pension fund and training. Although services appear to be one of most rated benefits, agreements treat exclusively canteens (16 out of 20 companies) and the company’s contribution to the CRAL (4). No other services are included in the agreements analysed. With respect to training, it has been decided to consider only agreements actually introducing financial support for working students or training opportunities, as a large number of agreements mentions training but ends up setting only general guidelines for future action. Extra leaves include those related to either healthcare reasons or other kinds of unexpected events, as the ones directly linked with care responsibilities are comprised in work-life balance, as shown in figure 4.5.

Figure 4.4. Number of companies providing welfare benefits, by area



Out of 148 agreements, 46 introduce welfare provisions and almost half of them does so while defining productivity bonuses (22). Going back to the information collected through the database and listed in table 3.1, we can start off with pensions. As through company-level agreements the parties can define an additional percentage of what workers are due to pay to the pension fund to be provided instead by the company on top of amount fixed by the CCNL, 14 agreements provide an extra percentage of payment to the FONCHIM, the national-level pension fund for the chemical and pharmaceutical sector. The same advantage does not apply to other selected pension funds, as it is likely that the main goal of the benefit is that of favouring the adoption of the FONCHIM over other kinds of savings options. In terms of pension-related benefits, this is the only type of provision that we could observe in the analysis. With respect to healthcare, second-level agreements can either offer to top-up the company's share of healthcare fund payment in order to lower in turn the financial burden on the worker side, or can promote the enrolment of other family members through co-financing the addition of an extra member to the healthcare plan. Also, agreements often include other healthcare-related benefits such as screening programs and check-ups, often related to disease prevention and life-style related illness: 26 agreements within the sample include such healthcare benefits. Financial support, included in 11 agreements of the sample, concerns either advance payments or income support for specific circumstances (e.g. long-term illness, unexpected expenses). Out of the 18 agreements mentioning training opportunities, only two offer scholarships and other forms of

financial support for working students, while the other ones mostly contain general guidelines on the study of joint training paths. In the area of extra leaves and time off, 11 agreements provide healthcare leaves while only 5 envisage extra time off for education purposes. Interestingly, although companies can - and often do - provide a significant variety of on-site services, meaning either facilities for employees within the plant or commercial agreements with providers operating in the surroundings, the database shows that they are almost never included within company level agreements. This might suggest that, despite the general tendency towards company welfare bargaining, services and commercial agreements tend to remain in the realm of unilateral activity undertaken by the company's management. The only kind of services to be found among the agreements selected are related to cafeteria and lunch, as they define the share of cost - if any - to be paid by workers for their daily meal. 12 agreements include the regulation of lunch services in terms of costs, while 4 define the amount of the companies' financial transfer to the CRALs - the associations established at the company or, more often, plant level, in order to offer recreational, sports and other services and run by union representatives - in order to allow them to set up initiatives for the workforce through some sort of "outsourcing" of service provision to the CRAL. The wider area of work-life balance is made up of all three kinds of benefits - money, time and services - provided that they are specifically directed at family support: 16 agreements display nursery and school fees reimbursements and scholarships for children, while one provides a one-off payment for marriage and the birth of a child. Another one supplies instead the possibility to ask for a TFR advance payment for personal reasons. Once again, services and agreements with providers for family support and care taking responsibilities are almost always out of negotiation: only two agreements touch upon the subject: one mentions the agreement with a local summer camp, while the other regulates the social counselling on-site service. Flexible working time arrangements seem to be, on the opposite, quite popular as 15 agreements include at least one of them. They are either flexible schedules, part-time or "smartworking" programmes. Flexibility refers to the possibility provided to employees of self-administering the daily schedule with respect to entrance and exit hours and time management; part-time concerns the chance for newly mothers and family carers to choose to switch to part-time; "smartworking" comprises work arrangements such as

working from home or other place selected by the employee. 10 agreements set forth two “flexibility slots” for entrance and exit and the possibility to make up for delays, while 13 favour the spread of part-time contracts prioritizing family caring needs, and often setting the share of part-timers out of the total number of workers. Four agreements introduce new organizational processes allowing for the possibility to work from home or other places other than the office for a set number of days. Time off and leaves for parents and other family carers are widespread within collective bargaining. Not only they are set forth within national level collective agreements, but the database displays 19 cases of additional integrations, with two respects: the share of wages to be corresponded during the absence, and the specific circumstances that grant the right to abstain from work. While the vast majority of agreements provide extra time off for marriage, the birth of a child and parental leaves, seven include extra paid and unpaid leaves for parents when their kids are sick; only two agreements mention the possibility to use extra leaves when caring for other family dependents such as elderly parents. One agreement even provides time off for attending prenatal classes. Very few agreements deal with the issue of diversity management and women’s career paths: two agreements set up programmes aimed at favouring re-integration for workers who have been long absent and the right of these workers to come back to their previous job without being demoted, while only one establishes the constitution of a bilateral body called “company observatory” aimed at dealing with the proper reintroduction of workers after long leaves through the set up of guidelines and a customized path. The analysis of contents has proven to be particularly useful in order to assess the actual presence of work-life balance arrangements within welfare provision. First of all, the analysis distinguishes between “traditional” welfare benefits – i.e. the ones related to more traditional welfare risks such as pensions, healthcare (insurance, check-up and screening, extra leaves) and financial support, which seem to be nowadays the “first pillar” of more structured company-level occupational schemes – and the area work-life balance, which encompasses all benefits and services aimed at providing solutions to “new” needs as the ones related to care responsibilities, both for children and for elderly family dependants. Data confirm this relationship: of the total number of employees provided with welfare, 7692 have access to work-life balance (43,6%, 28 companies). Out of them, 7641 also have traditional welfare benefits (99,3%). There is about 26% of

workers with welfare who access traditional benefits but not work-life balance. There is only one plant that does provide – on the basis of what contained in its agreement – work-life balance arrangements (more specifically, a pilot project of smart working) without the co-presence of traditional benefits.<sup>37</sup> Almost all employees who can access work-life balance benefits are also provided with traditional benefits, but not the other way around. Traditional benefits, most often related to pensions and healthcare, are not necessarily associated to work-life balance measures, while the latter ones are always coupled with traditional benefits, as they represent some sort of “second pillar” to be added up (probably over time). These results lead to another interesting question concerning the relation between what we called two pillars, traditional and work-life balance. Is it true that they are two pieces of the same system and that the first one is older than the other? Is it true that the first eventually leads to the second? These questions will be thus addressed in the second part of the research. Focusing on work-life balance and family benefits, the main areas of intervention are: financial support for family expenses (e.g. scholarships and school fees); on-site services (e.g. nursery and counselling); agreements with service providers; working time flexibility (e.g. smart working, voluntary part-time, flexible schedules); extra leaves for family reasons (e.g. for caring for children and elderly dependants); post-maternity and equal opportunities programs (e.g. raising awareness and extra information and training after long leaves). Looking at the number of times each area is addressed within contracts<sup>38</sup> (figure 4.5), it is clear that the two areas that stand out are working time flexibility and financial support to family expenses, followed by extra leaves for family reasons. This picture poses another interesting question concerning the actual presence of benefits. It is crucial to understand whether the areas falling behind - such as post-maternity and equal opportunity programmes, agreements with service providers and on-site services - are actually less widespread or they are just not included in the bargaining process between

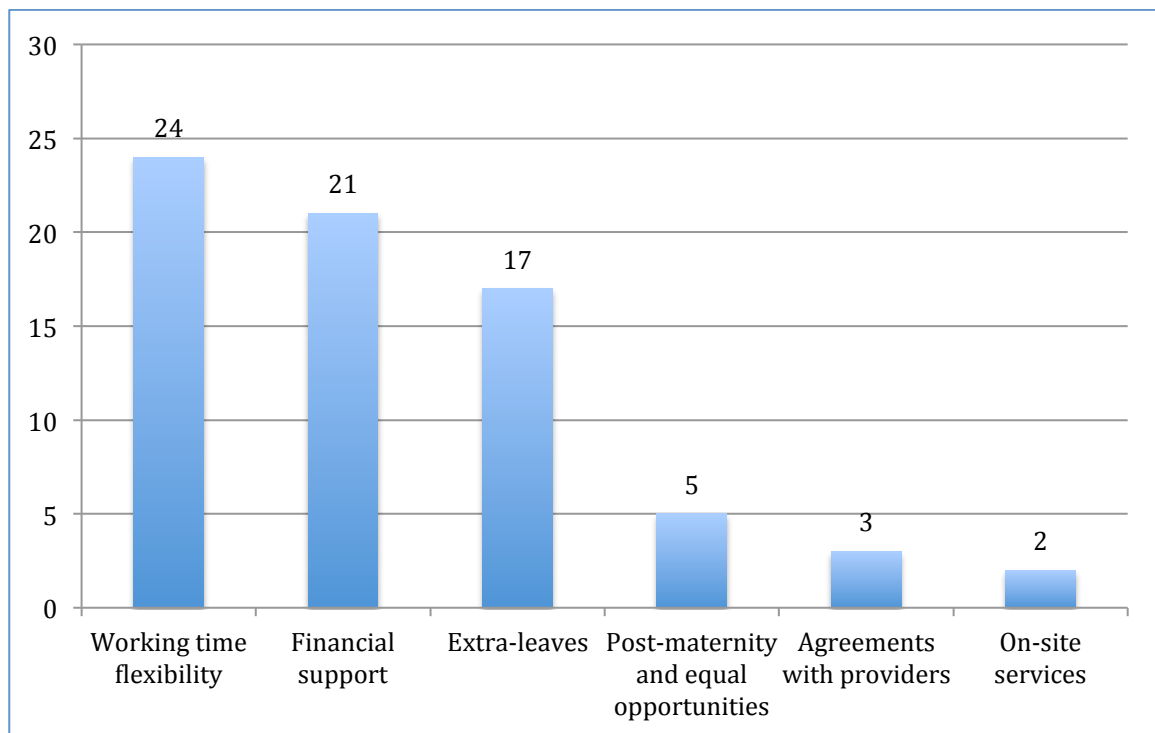
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<sup>37</sup> It has to be noted that we are considering here only benefits that have been introduced at the company/plant level through agreements with union representatives, thus additional to what already provided by national sector-wide collective agreements and - in some cases – by employers through unilateral decisions. All our companies, including the one not providing traditional welfare, are bound by national agreements to co-finance the sector-level pension fund (Fonchim) and healthcare fund (Faschim). These funds act as occupational “safety nets” that, even when not topped-up by additional provisions, provide protection towards the two major traditional risks of old age poverty and sickness (in addition of course to what supplied by the State through the first public pension pillar and the national health service). Differently from what happens for most work-life balance arrangements, traditional risks are already taken care of through national-level bargaining and are thus already implied within the analysis.

<sup>38</sup> Some contracts include more than one area.

the parties. And if so, why? Is it for a management’s decision (e.g. trying to avoid a binding process) and/or for a lack of interest on the side of the unions? These questions will be also addressed in the following chapter. Of the 29 sites that – through one or more agreements signed over time – introduced work-life balance arrangements, 8 provide both financial support to family expenses and working time flexibility. The remaining 21 have either one or the other: 8 plants offer financial measures such as scholarships and the reimbursement of school fees, and 13 implemented instead organizational changes in order to make shifts and schedules more flexible.

Figure 4.5. Number of times the work-life balance provision is included in different companies’ agreements



On top of that, working time flexibility is most often associated with extra leaves for family reasons. This suggests the presence of two distinct strategies of welfare provision. The first one is based on the provision of financial support and therefore requires the company to have a budget allocated to welfare benefits; the second is focused instead on the provision of time and it has to do more with a reorganization effort than with money spending. The former roughly corresponds to the supply of money (though indirectly), while the latter to that of time. Data seem to suggest that,

these days, the second strategy is slightly preferred to the first one by companies, implying that a “zero-budget” measure stands more chances of introduction. This opens up in turn to other questions, such as: why is it so? Is it solely because of economic convenience? Can we find other reasons (e.g. the chance provided by flexibility to re-organizing work and spaces, a preference on the side of employees)?

### **4.3. Main findings**

The analysis carried out so far highlighted several aspects that are worth examining further. In addition to the company size, which has already been identified as the key element for the spread of company-level welfare arrangements because of the financial and organizational resources associated with being a larger company, data suggest that corporate culture and production might affect welfare provision as well. Multinational companies are keener to provide welfare than Italian ones, at least through company-level agreements with trade union representatives. It might as well be the case that Italian companies tend to carry forward an old industrial-paternalism tradition thus preferring unilateral action, but it cannot be assessed at this point. On top of that, welfare benefits appear to be more present in pharmaceutical companies with respect to industrial chemical companies, suggesting that a business-to-consumer production might lead to different corporate strategies than a business-to-business one, particularly in a “sensitive” field as that of the production of chemical compounds for the healthcare sector. Getting to the analysis of the welfare benefits included in the agreements – which was the main purpose of this first part of the research - we find that there are some benefits that are either more spread within companies or more likely to be included in company-level agreements. In terms of work-life balance, flexibility arrangements and financial support are more frequently present than, for instance, on-site services and commercial agreements with service providers. Another useful distinction is that between financial measures requiring the set up of a dedicated budget line on the side of the company, and organizational arrangements such as those related to time management. As we have seen before, benefits that do not require budgetary expenditure seem to be slightly preferred at this time. On the basis of the welfare provision contained in the agreements analysed we are now able to build up a typology resulting from the combination of two dimensions: source (negotiated *versus* unilateral)

and financing (budget allocation *versus* zero-cost). The former one is useful to distinguish benefits that are more likely to be agreed upon by the parties from the ones that more often remain in the realm of management’s unilateral action, while the latter refers to the actual cost of the provision on the side of the company, differentiating between measures that imply a monetary disbursement from the ones that are mainly organizational arrangements or envisage the financial burden to be borne by individual users.

Table 4.4. A typology of work-life balance provision

		<b>Financing</b>	
		<i>Budget allocation</i>	<i>Zero-cost</i>
<b>Source</b>	<i>Negotiated</i>	<b>A. Negotiated + budget allocation</b> e.g. reimbursements for school expenses	<b>B. Negotiated + zero-cost</b> e.g. time flexibility
	<i>Unilateral</i>	<b>C. Unilateral + Budget allocation</b> e.g. on-site counselling service	<b>D. Unilateral + zero-cost</b> e.g. agreements with providers

The first dimension is extremely relevant to the Italian case because of the features of the fiscal regulation on welfare benefits, as it distinguishes between benefits that can be either unilateral or negotiated from others that - in order to qualify for fiscal incentives - necessarily need to be left to unilateral decision. Until 2016, benefits related to education, training, social assistance, healthcare (with the exception of supplementary healthcare funds), recreation and religion were to be compulsorily provided by unilateral management action in order to access tax exemptions. The dimension has become in very recent times even more significant: while until December 2015 the law favoured unilateral action through the provision of fiscal incentives for benefits “voluntarily offered” to the workforce, since January 2016 new regulations promote instead bilateral arrangements over one-sided decisions. Therefore, the distinction between unilateral and negotiated action is expected to become increasingly applicable in future research. The second dimension, concerned with financing options, has to do primarily with budgetary choices and on the willingness of the company to spend actual resources on human capital investment, but it can also relate to the idea of providing



time-off instead of some sort of deferred payment and, at the same time, to create the opportunity to introduce organizational changes that might have greater impact on plant performance. The intersection of the two dimensions creates four types of work-life balance provision, as shown in table 4.4.

Crossing the two dimensions chosen results in the creation of four ideal types of provision, although in the real world they can also be found variously combined. The first type is generated by the combination of negotiation (i.e. the fact that benefits are established by a signed company-level agreement) and budget allocation (i.e. the fact that benefits have an actual cost to be borne exclusively or partially by the company): a good example can be the reimbursement of school fees or book expenses included in a company level agreement. The second type combines negotiation and the choice of benefits that do not imply a fiscal disbursement, such as for instance self-management of work schedules (e.g. the possibility to enter and exit work at any time in a given time frame, to shorten lunch break, to switch to part-time for family caring responsibilities, to take time-off in particular circumstances), favouring flexibility over money transfers as a bilaterally agreed action. The third and the fourth types are generated from the intersection between unilateral action and the two modes of financing. The third type can be exemplified with on-site services (e.g. counselling and social assistance, legal advice and consulting) that although supplied to employees by professionals hired by the company are seldom included in bargaining, as shown before. The last type represents benefits directly set up by the management without bargaining, not constituting a cost for the company as they are either purely organizational or envisage the direct payment - although generally with discounted rates - of the individual beneficiaries. An exemplification is the set up of commercial agreements with local suppliers of goods and services or the granting of particular work schedules flexibility on a discretionary basis (i.e. not formalizing it through a collective agreement setting a the right for all employees involved and defining access requirements). As mentioned before, the four ideal types are often found mixed and combined in the same company: it is frequent to observe the co-existence of negotiated and unilateral benefits following two separate paths as well as the combination of budgetary and zero-cost measures. Still, the analysis of company-level agreements has shown a higher recurrence of benefits than others, as well as a quite clear-cut distinction between financial support

and flexibility measures. The present analysis of contracts allows for the actual estimate of only two of the four types that have been built here, as the contracts can – by definition – only take into account negotiated benefits. The analysis cannot distinguish, for the companies without welfare into company-level agreements, between the ones that actually do not provide any welfare benefits and the ones that do so on a voluntary basis. Although it is very likely that some of them do provide welfare benefits that are either not included in agreements or have been included long time ago and thus excluded from the analysis, for now we have to cautiously assume that all companies not displaying negotiated benefits might as well not provide them at all. Still, looking at the kind of benefits provided through agreements it is noticeable that most of them belong to several categories, while there are other areas that mostly absent. The vast majority of benefits concern working time flexibility, financial support to family expenses and extra leaves for family reasons, while post-maternity and equal opportunity programmes, agreements with service providers and on-site services are only very seldom mentioned within agreements. This might suggest that they are less common, but also that they might be actually provided although not included in the company-level bargaining. Previous analyses on the issue (OD&M 2015) report that some of them, as for instance agreements with service providers and on-site services, are quite often offered to the workforce, supporting the idea that it might just be less likely that they are negotiated among the parties.

Excluding, for the time being, the assessment of unilateral welfare provision as it is out of the scope of the analysis of collective agreements, results focus on negotiated benefits highlighting the difference between the budget allocation and the zero-cost strategies. With respect to work-life balance arrangements, out of the plants that provide some less than 30% offer both zero-cost and budgetary measures. The remaining 72,4% provides either one or the other, with the slight predominance of the former ones. 44,8% of sites decided for the provision of zero-cost benefits such as flexibility and time off for family reasons, while 27,6% chose for making available budgetary measures as reimbursements for family expenses. The next step of the research – namely the qualitative analysis of case studies through in-depth interviews – will be systematically taking into account the difference between negotiated and unilateral provision on order to eventually complete our typology.

#### **4.4. What next?**

As mentioned before, the analysis of part of company-level agreements collected by Cisl Lombardia does not allow for the generalization of the results through statistical inferences. Still, it has been one of the first attempts to study company-level bargaining, particularly with respect to welfare provision. The above findings, which are largely in line with existing literature, provide valuable insights to the next step of the research, i.e. case study analysis through semi-structured interviews with management and union representatives. First of all, the database built so far is useful in order to direct and facilitate case selection towards the choice of companies meeting specific requirements. Secondly, the study of contents allowed identifying a set of relevant research questions addressing different aspects of the issue at hand. The analysis stressed out the existence of several dimensions that need to be further examined.

*Ownership and structure.* All existing researches on the spread of company-level occupational welfare point at the company size as the main determinant of the presence of provisions: the larger the company, the more developed the welfare system (Pavolini et al. 2013, OD&M 2015). Reasons for this encompass of course the availability of financial resources as well as the organizational dimension and the skills level of the management, but, particularly when considering multinational groups, might also have something to do with corporate culture and the presence of pre-existing welfare structures. As company size is one of the most popular variables used within studies in this field, the following qualitative analysis will focus instead on a less investigated aspect such as the difference between multinational groups and large, proprietorial companies. Deeming that, within large and multi-located companies, foreign multinational groups have a different approach to industrial relations and - more specifically - to welfare provision through company-level bargaining than Italian large companies that are still characterized by a very personalistic approach to the management by the founder/entrepreneur.

*Corporate tradition.* As highlighted before, we would expect different welfare arrangements – particularly when considering benefits introduced and regulated through bi-lateral agreements – to be developed by companies with different backgrounds in terms of nationality and of prevailing culture. The country of origin is likely to shape

not only ideas and cultural views (e.g. with respect to collective bargaining, to the role of private actors in the provision of welfare and/or to the need of investing on human capital) but also corporate habits through the “exporting” of what already in place in other countries’ production sites. Very much related to corporate tradition, a major step forward in the understanding of corporate dynamics would be that of investigating the relation between the corporate level and that of the single sites. As already pointed out, the analysis showed differentiations between plants belonging to the same group, even when operating in the same area. With this respect, it would be crucial to identify the interaction between the two decision-making processes in light of the room for manoeuvre left for benefit customization from the headquarters to underlying levels.

*Type of products.* From previous data we could also expect the choice of different tools and solutions among companies manufacturing non-identical goods. More specifically, we might encounter major variations separating pharmaceutical companies from industrial chemical ones, as the compounds they produce are different in terms of composition, procedures and harmfulness, and of course final application and markets. Large pharmaceutical companies generally produce very specific and innovative compounds for medicine, to be sold to healthcare facilities and/or to final consumers. The chemical business is, instead, mostly characterized by the manufacturing of industrial compounds that are often less innovative in nature and perceived as more dangerous, frequently as contractors for third party manufacturing. Differences in core businesses also mirror those in the workforce composition: pharmaceutical corporations hire a large number of researchers and highly specialized factory workers, while industrial chemical firms employ workmen – particularly men – for hard labour over continuous cycles. On top of that, in terms of corporate reputation, while chemical companies have often in the past been seen as dangerous and harmful to the environment, pharmaceutical ones are in collective imagination closely related to the healthcare sector. Production specificities impact on both internal (i.e. workforce characteristics) and external (i.e. reputation) features, and are thus to be identified as a relevant dimension.

*Old and new social risks.* When it comes to benefit types, it is crucial to understand the specific social risks they are set up to address and their trajectory in terms of implementation and spread over time. It has been argued before that company-level

occupational welfare provision can be distinguished between a first pillar, emerged early on and aimed at covering more “traditional” social risks (i.e. old age income maintenance and sickness), and a second pillar made up of the large variety of measures aimed at promoting work-life balance for family carers. The latter pillar has been introduced in more recent years and catered for new social risks such as the ones related to the entry of women in the labour market and the population ageing. The next step of the research is aimed at testing whether this general distinction clearly occurs in the provision of welfare benefits at the local level.

*Contractual versus unilateral welfare.* Another crucial distinction is to be associated with the nature of the underlying agreement between the parties, which can be more or less formalized. Welfare benefits provided on top of that already provided for by national-level bargaining (CCNL) can either be included in company or group-level collective agreements or offered by the company without agreeing it with union representatives. These two options are of course related to the state of labour relations (e.g. the propensity of the management towards dialogue and/or the attitude of trade unions) but there could also be a distinction between benefits, meaning that some might be either easier or more advantageous to negotiate while others are more suitable to unilateral decision.

*Budgetary versus saving strategies.* One last dimension concerns the strategy underlying the decision to set up a welfare system with respect to budgetary choices. It might be possible to identify a course of action envisaging the allocation of financial resources for welfare and another one exploiting instead non-costly measures through favouring time management instead of service provision. Of course, two distinct strategies might entail different bargaining dynamics and might be in turn the byproduct of corporate culture and internal negotiation processes. Aside from the company size dimension, for which we already have clear expectations (i.e. the larger the company the more structured the welfare provision), the other dimensions of variation are to be further examined in order to provide explanations and, ultimately, unveil possible causal mechanisms. Our initial expectations, drawn from existing literature and confirmed by the analysis, are now to be tested within actual companies through a set of interviews with both management and union representatives. A more qualitative approach has been chosen in order to trace back welfare developments to their very beginning and to single

out their main drivers. Also, interviews are useful to reconstruct the nature and the outcomes of the interactions between the parties involved.

Study cases are aimed at assessing mainly:

1. Whether there is a different approach to welfare provision between foreign multinational companies and Italian “proprietary” firms;
2. Whether there are different modes of interaction with the social partners by multinational groups with different nationalities;
3. Whether there is a systematic difference in the welfare strategy of pharmaceutical companies with respect to chemical ones;
4. What are the elements that ultimately shape company welfare systems and to what extent the parties’ interaction leads to different outcomes.

On the basis of the results of the first part of the analysis, our expectation with respect to the first question is that proprietary firms maintain a more personalistic approach to welfare provision leading in turn to lower propensity towards negotiation and “sharing” with labour representatives. On the opposite, multinational companies are expected to be keener on establishing stable industrial relations, particularly when the headquarters belong to a country with a solid bargaining culture. According to the agreements’ analysis we expect more negotiated provision of benefits in German and Belgian companies than, for instance, in British ones. The third question focuses instead on the quality and structure of the systems implemented, as we expect differences in the welfare provision between chemical industrial companies and pharmaceutical ones. They differ not only for their production but also for the composition of the workforce, for instance in terms of gender and education levels. The final question has to do with the role of industrial relations at the company level, in order to assess the “power of cooperation”. We expect the quality of the social dialogue to shape the outcome in terms of welfare bargaining.

Let us now consider the specific aspects of the dependent variable, that is welfare provision. We have identified three features of the companies that are likely to impact on the likelihood that welfare benefits are regulated through bilateral agreements among the parties. The first feature is the type of company, as we expect foreign multinational groups to display more negotiated welfare than Italian proprietary firms. The second is corporate tradition understood both as origin and cultural background. We assume that

companies holding a solid industrial relations tradition built through the inclusion of welfare provision into agreements over time is more likely to continue to do so, even abroad. Nonetheless, the outcome has always to be considered as the result of the combination of corporate tradition with local specificities (host country effects). The third feature is the influence of union representatives: where they are involved in welfare management, we will observe more sharing through bargaining.

The second aspect shaping the quality of the welfare provision is the orientation towards the introduction of more “traditional” benefits (e.g. pensions and healthcare) in opposition to more work-life balance oriented ones (e.g. support for family expenses such as school fees). Previous research clearly showed that “traditional” benefits are more rooted in companies’ welfare systems, because they have been introduced earlier in time and have been fostered by the national level of bargaining through an early inclusion into the sector’s CCNL. Thus, the real question would be here concerned with the openness towards more innovative benefits designed to support family carers and, in particular, women. Because of its highly skilled population, larger share of office workers and researchers, and large number of women employed, we expect – again - pharmaceuticals to be more inclined towards the development of welfare catered for “new” social risks. We also have to take into account the role played by legacy, i.e. existing structures and tradition: groups that are widely recognized for their sensitivity towards gender equality and family protection might want to act in continuity with their traditional corporate patterns. Finally, union representatives can push for the introduction of new benefits and the regulation through agreements of arrangements concerning working time and days off, fostering the consolidation of work-life balance. Deepening in to work-life balance, we expect pharmaceutical companies to put more financial effort due to their higher returns, thus favouring welfare benefits based on the allocation of a dedicated budget from the company rather than arrangements not requiring a financial effort. Arguably, trade unions’ influence can also make the difference: labour representatives can negotiate budget allocations on welfare and even support the introduction of new solutions, such as the employment of a share of bonuses to be paid out in kind rather than in cash, which brings us back to what we previously identified as “trade off”. As a result, table 4.5 shows our propositions re-defined on the basis of this chapter’s findings.

Table 4.5. Developing sector specific propositions

<p><i>1. Industrial Relations</i></p> <p>The stronger unions' initiative the more welfare benefits are included in agreements</p>
<p><i>2. Corporate culture</i></p> <p>Multinationals are more likely to negotiate welfare than proprietorial firms</p> <p>Combinations of home country and host country effects lead to different outcomes</p>
<p><i>3. Production</i></p> <p>Pharmaceutical companies develop work-life balance arrangements</p> <p>Pharmaceutical companies are more inclined towards budgetary measures</p>



## Chapter 5

### The analysis: case studies

#### INDUSTRIAL CHEMICAL COMPANIES

##### Introduction

Chapter 5 presents a detailed description and a final summary of the first four case studies analysed, all belonging to the industrial chemical sector. They are Solvay, Unilever, Basf and XXXX. They are all large multinational companies, each of them of a different nationality, respectively Belgian, British, German and Italian. The latter one is also characterized by a marked proprietorial style of management, as it is still a family-run business. The analysis on Unilever and XXXX starts off from two production sites located in the Lombardy region, in order retrace their welfare history and compare it to that of other sites. Solvay and Basf cases focus instead on the Italian headquarters, which host mainly administrative units and little production. The cases follow the same structure, which starts off with a detailed description of relevant aspects and concludes presenting the main findings divided into company-specific and sector-specific. The first sub-section summarizes the most relevant features of welfare provision and its development process in the specific case study, while the second one provides more general insights on the dynamics that characterize the sector under consideration.

##### 5.1. Solvay Italia, Bollate (MI)

Solvay is an international chemical Group, headquartered in Brussels, created in 1863 by its founder Ernst Solvay as a start-up enterprise manufacturing sodium carbonate. Today, the company is a global leader in the chemical sector. In 2015, the group generated 12.4 billion euros of net sales, employing around 30,000 people in 53 different countries. In Europe, the company has 52 industrial sites, 8 R&I centres and over 13.000 employees, producing for various markets such as consumer goods, automotive and aeronautics, energy and environment, and construction and electronics.

Solvay's presence in Italy dates back to 1912, with the first plant located in Rosignano, Tuscany. Since then, the number of the Italian sites has grown up to eleven with a total workforce of 2.280. Spinetta Marengo is the major site in terms of employees, with around 600, while Bollate has 430 and Rosignano around 450<sup>39</sup>. While Spinetta is an ex-Montedison site and thus presents a "monocratic" culture (Interview 4), Rosignano on the opposite has always been a Solvay plant and it is therefore fully representative of its traditional culture. Within the Italian sites, Bollate (Milan) – located in the Lombardy region – is the only one hosting together administrative units and research facilities. Traditionally, the company did not have a significant presence in the Lombardy region: Milan hosted only an administrative site while the production was mainly carried on in the historical sites of Rosignano and Storci. Things changed in 2001, when the company acquired Ausimont, the chemical branch of the Montedison Group with its two production plants – Spinetta Marengo and Bursi – and the Bollate research centre. Gradually, it has been decided to consolidate the company's presence in Bollate up to the establishment of the headquarters of Solexis- now Solvay Specialty Polimers - in the site. Today, the plant hosts seven legal entities with two different origins: Montedison and Solvay. On top of that, it has the peculiarity of hosting in the same location both one of the major research centres and the global headquarters of Solvay Specialty Polimers, which is today one of the most important branches in Solvay's production (Interview 3). Against this background, Bollate has been growing extensively over the last few years: not only it hosts the National Direction and one of the major research centre, but it is also the headquarters of the new Global Business Unit Solvay Specialty Polimers, a new addiction to the Solvay group characterized by extremely high levels of research and innovation. The new centre of excellence, which employs around 3.000 people around the world and 250 researchers in Bollate produces innovative components for high technology sectors. An example is the participation since 2004 in the Solar Impulse project, the realization of zero-fuel aircraft charged exclusively through solar energy. Its labour force of over 430 employees is also very peculiar: while it lacks completely factory workers, it presents both office workers and highly skilled researchers. In terms of history, Bollate's uniqueness originates from the fact that it is the result of the merge of a traditional Solvay site with an ex-Montedison one: it brings

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<sup>39</sup> Rosignano also hosts over 300 employees of Solvay's joint ventures, who have access to the same benefit system.

along both traditions, blended together. It was thus deemed necessary to harmonize welfare benefits across the workforce in order to unite employees coming from two different traditions, leading to the two harmonization agreements signed, in 2011 and 2014, specifically for the Bollate site (Interview 4). As a “sum of two histories” (Interview 4) Bollate offers a wide variety of benefits, while traditional Solvay units as for instance Rosignano build negotiation around two pillars, the healthcare fund and the yearly productivity bonus. For this reason, the plant has been chosen as a “trial facility” for experimenting new benefits and modes of provision. The site will be the first one to try out the flexible benefits system. Bollate hosts not only a peculiar combination of workers (administrative and research units) but also the head of industrial relations, who developed an extremely high understanding of the site’s industrial relations (Interview 4). On top of that Bollate benefits from a fortunate encounter of two welfare traditions – Solvay and Montedison – both rooted into bargaining practices (Interview 16). For these reasons, as well as to proceed in continuity with the previous analysis of agreements signed in the Lombardy region, the empirical investigation focuses in particular on the recent history of the welfare system in the Bollate site in comparison to the other Italian locations.

#### *5.1.1. The welfare structure*

In terms of welfare provision there is a high level of diversification from one site to the other: the ones stemming from the Solvay tradition are still characterized by the presence of old *opere sociali* (social endeavours) representing what is left of the old paternalistic tradition, such as recreational activities and structures. The other sites, such as for instance Spinetta Marengo, have a different culture, leading in turn to other kinds of people care. The level of profitability of the different productions also plays a role in negotiation processes, particularly for what concerns the definition of productivity bonuses that have been lately used as “key” to move towards a more comprehensive welfare provision (Interview 4). All welfare benefits introduced so far are part of the many requests introduced by union representatives over the years in the periodical platforms presented before each agreement renewal. On the basis of the feedbacks gathered during meetings with the workforce, union representatives study a comprehensive platform, well aware that not all of the requests will be approved during

bargaining. There is also a “dissemination” effect initiated by union officials who assist several companies in the same area: requests are often formulated on the basis of what already obtained in other similar contexts. If, for instance, a nearby company agrees to introduce a new benefit for the workforce it might easily be the case that the same will be attempted in the next negotiation round. It often happened, as an example, for the increase of extra leaves for family reasons or the introduction of free periodical medical examinations (Interview 16). Welfare services have been purposely provided to the whole workforce, regardless of the position. In fact, managers tend to have separate benefit plans but can still access the welfare system in place. Although in the past, particularly for the ex-Montedison part of the workforce, managers had always been considered as being a category apart subject to their own rules, today – while holding on to some special treatments – they are included in the prescriptions of the collective agreement (Interview 4). Despite the fact that over the last decade Solvay has witnessed two rounds of mobility through early retirements, the quality and generosity of negotiated welfare has been steadily growing over time. This apparent contradiction can be easily explained through the fact that Solvay’s lay offs were not justified by financial issues or productivity downturns but mostly by the will to “defoliate the older leaves” through early retirement schemes for which the company offered generous economic incentives (Interview 16).

*Healthcare.* Solvay was born at the beginning of the 20th Century as a proprietorial firm with a marked paternalistic approach. For this reason, its company-level healthcare fund is one of the major legacies of a traditionally comprehensive system of protection that included houses, schools and nurseries. While many of these structures got lost over time together with the growth of the public Welfare System of the countries hosting the plants, the healthcare fund survived. During the 1970s, the introduction of the National Healthcare System in Italy forced significant changes, as some of the company’s structures passed on to the public service, e.g. the hospital of the Rosignano plant. Nonetheless, a complex system of health protection was kept in place: there is a company-level fund for all Italian management positions, while each site administered its own fund. For this reason, the ex-Montedison sites did not provide healthcare protection. The solution found for Bollate was that of extending the “Solvay protection” to the Montedison portion of the site; this has been made possible because of the

original presence of both traditions. In the case of the Spinetta Marengo plant, which was a Montedison site, employees do not have access to the Solvay healthcare funds; on the opposite, the Rosignano site always had it. While managers are homogeneously covered, the other Italian employees do not have the same coverage. For the future, the management foresees the creation of a single fund for all Italian employees. The main challenge would be that of arrange the convergence of all site agreements towards the same goal regardless of the specificities of each plant (Interview 4). On top of that, healthcare funds at the company level have been progressively transformed into being supplementary to the sector-level fund FASCHIM. With the creation of the national sector-level supplementary fund FASCHIM through the national level collective agreement for the chemical sector, company-level funds had to start operating, in their turn, as supplementary to the FASCHIM. They do not constitute an alternative to the FASCHIM, they provide instead benefits that are additional to the ones offered by the sector level fund through the provision of reimbursements either for areas that are not covered by the FASCHIM (e.g. dentistry) or an addition to the share of expenses reimbursed by the FASCHIM. With respect to supplementary pensions, company level negotiation raises the amount that the company pays out to the sector-level fund FONCHIM in order to re-direct all employees to the FONCHIM and being able for the future to close up FIPREM, the old Montedison pension fund. Latest agreements raised the company's contribution to FONCHIM while keeping fixed that to FIPREM in order to encourage all ex-Montedison employees to switch to the national fund for the chemical sector. The productivity bonus has been used in the Italian sites, and particularly in Bollate, as the "key" to move to a new welfare provision. In Bollate, Solvay employees had lower bonuses but more welfare (e.g. the healthcare fund) while ex-Montedison ones had higher bonuses and a less comprehensive welfare system. Bonuses and welfare had been used in negotiation to even each other out and eventually lead to the final homogenization of treatments among colleagues. The introduction of what was perceived as the most important welfare benefit, that is the healthcare coverage, allowed for the introduction modifications in the amount of bonuses. It was also introduced, though, the possibility for employees to opt out and thus receive a monetary compensation<sup>40</sup>. This arrangement has been necessary because of the many

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<sup>40</sup> It has to be noted, though, that fiscal incentives on welfare provision make the former option more

recent hirings in Bollate: a young – and quite often single – population does not show particular interest in healthcare protection. Solvay’s healthcare funds were designed over 50 years ago and founded under a solidaristic principle; it is therefore quite convenient for employees to extend the coverage to the family unit, with only a negligible extra cost.<sup>41</sup>

*Work-life balance.* Exploiting the introduction of the Law 125 on equal opportunities, in 1999 the company started a programme on “positive actions for gender equality”. The project “Armonia” focused on the introduction of work-life balance arrangements, providing employees with the opportunity to switch to tele-working from home after the statutory maternity leave for the time in which they could choose instead to ask for the optional maternity leave (Interview 3). Out of the over 100 employees working in the old Milan’s headquarters in 1999, all mothers exploited the opportunity and did not ask for the optional leave as they could work from home. The programme, which was supervised through the constitution of a bilateral committee, turned out to be so appreciated by the workforce that was continued until 2001. Then, the following agreement acknowledged the experimentation and adopted the procedure on a stable basis. As the arrangement became customary, it was transferred to Bollate when the headquarters moved. As a result, since 2001 Solvay provides the opportunity to switch to tele-work, not only after the statutory maternity leave period. In August 2015 around 50 people – mostly employed in the supply chain and sales departments, not exclusively women – were tele-workers. On top of that employees can ask, for a couple of days a month, to work from home thanks to a “home working” agreement.<sup>42</sup> As for the initial cultural bias that many colleagues have against smart workers, it has been defeated during the headquarters relocation from Milan to Bollate. Milan’s offices were less spacious and smart and tele-working practices were able to keep the lid on the issues

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profitable for both company and worker; if the latter one chooses to opt out the fund and receive the money refund, she will see the amount taxed just like the rest of her earnings. Welfare benefits are, up to a certain amount, tax-free.

<sup>41</sup> Solvay’s funds were designed to cover the whole family nucleus and are therefore more convenient for a family breadwinner than for single member, as they basically have the same cost. Still, as funds operate today as supplementary to the sector level fund FASCHIM, in order to access benefits provided by the company funds, the breadwinner has to first pay for the adhesion of all family members to FASCHIM.

<sup>42</sup> The “home working” agreement has been made possible by the pre-existing provision of extra-work injury insurance policies for all employees. As the policy covers workers in the even of accidents occurred out of the office, they can work from their residence without worrying about the negative response in case of injury coming from the Italian government agency for the insurance against work-related injuries, INAIL. Otherwise, “smart workers” would not have any protections in case of injuries.

with space that workers used to experience. After the relocation in Milan's hinterland, several employees worsened their commute time and were significantly helped by the possibility to exploit those working arrangements. It was ultimately the space issue first, and the commute afterwards that favoured a wider understanding of the benefits of flexibility measures among the workforce (Interview 3). A culture that is now fully shared in Bollate, although not thoroughly understood abroad. Interviewee 4 observes that when the business organization changed, passing from a strict national branch to a transnational administration built around business lines rather than national divides, some issues emerged: while Belgian management is on board, Germans and French are much more sceptical. At the global level, the company promotes a general survey every three years: the responses showed satisfactory levels of work-life balance and a friendly environment. At the corporate level, the management has been working on a transnational "work-life balance manifesto" in order to publicize some sort of etiquette of behaviour with colleagues who have care responsibilities (e.g. timing of calls and emails) and to raise awareness on the issue (Interview 3). Time management is one of areas chosen for future intervention: additional work needs to be done in order to update flexibility arrangements and to adjust to the new legislation.<sup>43</sup>

*Local partnerships.* Spinetta Marengo lately has been focusing its efforts on rebuilding the relations with the territory and its local communities, as with its acquisition Solvay inherited peculiar dialectical dynamics related to previous issues of pollution during the Montedison era. The work in Spinetta has been that of re-acquiring social acceptance through local initiatives such as the Solvay Lab project to involve local representatives in periodic meetings. The project is aimed at discussing particularly environmental issues and corporate relations with local stakeholders, as a new way to "talk to the territory" (Interview 3). In the same fashion, Spinetta recently signed an agreement with a local chemical vocational school for the activation of a number of apprenticeships, which very often lead to stable employment in the plant (Interview 4). In this respect Bollate is very different, as the fact that most workers are not actually leaving in the surroundings of the plant but are quite spread over the whole region makes it less a priority to "open up" to the local dimension. Still, there are some examples of local services, as the agreement with the nursery school nearby the site, with a contribution

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<sup>43</sup> The implementation decree 81/2015 of the so-called "Jobs Act" introduces new provisions for maternity and paternity leaves; a bill on smart working begun the legislative *iter* on January 28 2015.

that covers most of the expenses. In fact, the major issue is low take-up rate among employees as they live in other areas and do not find the arrangement convenient (e.g. they have no one to pick the child up).

*The 2014 agreement.* With regards to the latest agreement, signed in 2014 for the Bollate site, the parties did not start from scratch. The novelty of the 2014 agreement is the introduction of financial support for the nursery school. As for the other benefits included in the agreement, they were only listed in order to be shared, but they had been introduced through previous agreements (Interview 16). Signed on September 18, 2014 in Assolombarda's offices in Milan by the company and the unions Femca Cisl and Filetem Cgil. The agreement is in force until December 31, 2016. The main provision included in the agreement are: the harmonization of the yearly productivity bonus for all workers employed in Bollate; the articulation of welfare benefits; the criteria for calculating productivity results. The second one comprises a variety of benefits:

1. starting January 1, 2015 the share of contribution to the sectoral pension fund paid by the company is 2%. In order to benefit from it, employees who joined the fund FIPREM have to switch to FONCHIM;
2. in order to join the company's recreational centre employees pay a membership fee of 5 euro per year, while the company finances the CRAS with 20.000 euro every year;
3. the canteen is financed by the company for 90% of the total cost of the meal, while employees are charged for the remaining 10%;
4. all employees can access on Thursdays the on-site social counselling services seeking support for paperwork, legal and administrative duties, as well as personal and family-related issues (e.g. assistance with family dependents);
5. employees can access a private childcare facility operating in Bollate with a monthly contribution of 200 euro for each child;
6. the On-site ATM provides advisory services on Tuesdays and Thursdays (12.15-1.15pm);
7. office workers (*impiegati*) and supervisors (*quadri*) can join the fund *Cassa di Previdenza impiegati Edison e Consociate*, which provides loans at subsidized rates in the occurrence of specific circumstances; the company tops up with a corresponding sum the fee withheld on the pay check;



8. in terms of income support, employees can access an additional sickness after the end of sickness benefits provided through the CCNL; in particular circumstances the company can pay in advance the *tredicesima* and *quattordicesima* (annual Christmas bonuses) and the TFR (severance pay);
9. employees' kids from 6 to 12 years old can attend the summer camp selected by the company;
10. reimbursements for children's school expenses amount to 100 euro up to high school and 250 euro for university;
11. workers who start school while in employment receive a prize when reaching the diploma, of 500 euro (high school) and 1000 euro (university);
12. 25 years of service are awarded with 400 euro, 35 years with 1.500 euro;
13. the parties share the decision to join the Workplace Health Promotion programme, promoted by the Lombardy Region in order to promote occupational health and safety through positive actions;
14. constitution of a bilateral working group in order to study sustainable mobility and public transportation initiatives;
15. in addition to the promotion of the sector-level healthcare fund FASCHIM among workers, the parties recognize the usefulness of the company-level fund CIAM, which traditionally integrates the FASCHIM benefit provision; as of January 1 2015 all employees can access the CIAM, and the company pays for a second family member (the workers and the first family member are included within the membership fee); if workers opt out of the CIAM they receive the corresponding amount on their FONCHIM personal account.

The 2014 agreement is the second harmonization effort between two different "worlds", Solvay and Montedison. The first one (2011) focused mostly on hours and time schedules, while leaving for a subsequent phase more sensitive aspects such as retribution and benefits that, if extended to the whole population, would have inevitably raised financial burdens on the company. The second harmonization step, occurred in 2014, moved forward to the statement that all employees in Bollate regardless of the legal entity they are employed in, are entitled to the same treatment. In order to do so, wages have been involved in the bargaining process. Solvay had, for instance, company-level unilaterally provided healthcare funds that were not offered to

employees in Bollate and still represent a significant cost on the company. In order to provide all employees with the same benefit without increasing the costs, it has been necessary to agree upon more flexible retribution policies, leaving to individuals the choice of opting out from the healthcare fund and thus get higher retributions. It is not yet a full “flexible benefits” system, but it is definitely a move towards it. The next step will be that of mapping and valuing each benefit in order to build a proper system of flexible benefits (Interview 4). Today, the only flexibility in terms of welfare provision concerns the possibility for each employee to opt out from the fund in order to get the equivalent of its cost; in the future, workers will have the opportunity to spend a pre-determined “welfare account” in whatever good or service among the ones offered within the welfare system. On top of that, there is a bundle of “historical benefits” (Interview 4) rooted in either the Solvay or the Montedison traditions that have been collected and offered to all Bollate employees. Among these, holiday houses, nurseries and the co-payment of school fees. Still, as they are used only by workers with related needs (e.g. childcare), the management’s main goal is that of moving towards the provision of an individual, nominal budget. The decision to move from “traditional” welfare provision to a more structured and customized “flexible benefits” system stems from the conviction that each one should be able to equally exploit benefits regardless of her family background (Interview 4). Despite the fact that the new arrangement goes to the benefit of only a share of employees who have young children, that the introduction is significant as it sets the bar higher for future negotiation not only in Solvay but for company level bargaining in general (Interview 16).

### *5.1.2. Negotiation dynamics*

Solvay does not have a national-corporate level of bargaining: each site carries out its own agreement. Due to the fact that the company does not negotiate agreements at any other level than the single plant, each of them tends to have its own specificities: the main differences occur with respect to the type of site – whether it is a production or an administrative one – and, particularly for the former ones, the core business i.e. type of production (Interview 4). Plant level agreements are signed every three years (the next one in 2017) and share the same structure. The latest ones had the same focal points: the regulation and amount of the yearly productivity bonus and welfare provision

(Interview 4). The occasion leading to periodical negotiation of benefits is the need to re-negotiate agreements on productivity bonus that expire every three years. They can be either extended for another three-year period or re-negotiated. Because of this incumbency the parties have the opportunity to introduce new elements in company-level bargaining (Interview 16).<sup>44</sup> Although Belgian headquarters display a comprehensive welfare system, the corporate management has never pushed for a transnational harmonization of benefits. Still, while traditionally each country had its own national management, today hierarchies are built upon business lines and it is not infrequent to have heads and supervisors located in other countries: the cornerstone has been gradually changed from the country to the business (Interview 4). In practical terms, each employee has two different HR managers: the business line HR, and the site HR. While business lines define welfare budgets for their collaborators, the site HR management is in charge of ensuring correct implementation and harmonization across colleagues working in the same site for different business lines. The national dimension does not exist anymore, leaving room for either the business or the site levels. On top of that, there has to be a national coordination for industrial relations at the country level in order to support site HRs' daily interactions with local trade union representatives according to the national framework. Being the national guidelines the first brick of the negotiation process, the national head of industrial relations is in charge of site differentiating on the basis of the production: some productions are less specialized and manufacture less expensive goods thus for them site guidelines impose to keep costs fixed; more innovative and qualified productions, such as that of Specialty Polymers in Bollate, have much higher returns and are expected to keep on growing in terms of production and research. The first case is that of maintenance, while the second calls for further investment (Interview 4). Nonetheless it is crucial not to produce "frictions" among workers through an excessively clear-cut distinction, particularly because of the intervention of trade union representatives at all levels. On one side, local trade unions are much more likely than in the past to share information, on the other, national trade

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<sup>44</sup> As an example, at some point the management pushed for removing the possibility for parents to send kids to summer camps that were totally financed by the company, as they were representing a significant expenditure. Unions have been able, so far, not to let it go and to have it listed in the 2014 agreement, but it is very likely that in 2017 they will have to settle for one of the solutions brought forward by the company, that is either setting a number of available places or introducing a share to be paid by beneficiaries (Interview 16).

unions have been pushing through national collective agreements coordination plans and the establishment of bilateral national observatories for large industrial groups. As group-level national observatories are a *locus* for exchange and coordination among the different sites, it is today almost impossible to conduct negotiations without keeping an eye on what happens elsewhere. The same applies to the European level through the action of the European Works Council and, to a lesser extent, the IndustriAll Global Union general principles (Interview 3). The increased correlation between the different levels of bargaining unavoidably leads to a situation in which the business unit defines the welfare treatment, but then it “spreads” to the minority of people working in the same site while employed in other businesses.

With respect to union representation, the majority of employees who are union members are registered with CGIL, an organization that traditionally displays conflicting pushes towards the expansion of welfare benefits. Union representatives in Bollate always opposed the development of supplementary healthcare provisions based on the idea that it is not legitimate to “drain” workers’ financial resources in order to set up a system competing with the universal, public national healthcare system. Despite the relevant number of new entrants in the workforce, CGIL did not crumble in its supremacy: union representatives are today the same people running it 30 years ago, carrying forward a solid continuity with the past. Surprisingly for a site that does not have any production units, around 40% of employees are union members. On top of that, union membership does not mirror actual participation, leaving representatives large room for manoeuvre in carrying on traditional bargaining logics (Interview 4). CISL, with a minority of representatives, strongly pushed for reaching an agreement on the extension of the healthcare fund in Bollate, which was eventually closed thanks to the intervention of the local employers organization. The resistance encountered when dealing with welfare provision is to be mostly accounted for the very nature of the representation. There are significant differences between an “old” ex-Montedison CGIL group like the one in Bollate and the views of a CGIL representation born and raised in a “pro-welfare” Solvay environment (Interview 4). On top of the foundations of the different union organizations (e.g. CGIL *versus* CISL), the cultural environment in which negotiation dynamics developed shapes the style of bargaining of union representatives, leading to a different propensity towards welfare benefits from representatives of the same

organization operating in different contexts. Surprisingly, in Rosignano Interviewee 4 observes lower ideological positioning on the side of CGIL representatives, despite the fact that the population is mostly made up of industrial workers. Spinetta Marengo, which is a production site with a Montedison tradition, is characterized instead by a different balance of power: CGIL, CISL and UIL hold the same share of members. They are moving forward towards the introduction of a healthcare fund. In the last round of voting in Bollate, out of seven representatives six were CGIL members, and one CISL. Still, membership rates in Bollate are not very high, accounting for approximately 70 CGIL and 20 CISL members out of the whole workforce. Despite some rare occasions of friction between the organizations – particularly until six years ago, when UIL also had one representative - all organizations have been acted in harmony (Interview 16).

*The company side.* The acquisition of the ex-Montedison sites opened a window of opportunity for the restructuring and updating of the “traditional” Solvay welfare system. Before that time, welfare arrangements operated in continuity with what already set in place long time before and the managing of benefits mostly concerned the actual functioning and, if needed, minor updating. Against this background, the acquisition acted as a major disruption, introducing the need for higher coverage without a significant increase in costs. On top of that, Montedison sites carried along their own tradition and welfare culture that needed to be integrated in Solvay’s practices for the sake of homogenization of treatments. A comprehensive rethinking of the system in place has been ultimately brought forward by the need for homogenization that followed the acquisition (Interview 4). This move started with Bollate as it was the only site in which ex-Montedison and Solvay employees mingled together in the same location, making it more urgent to even out benefits and compensations. Spinetta, which is an exclusively ex-Montedison site, came afterwards as the adaption to the culture of the new Solvay ownership could be managed in a more gradual fashion. As a traditional Solvay site since 1912, Rosignano did not undergo any changes. Together with the acquisition, the second driver of change has been the management’s understanding that “traditional” benefits were not adequately valued by the workforce, as they were either disregarded or taken for granted. Efforts needed thus to be put in the promotion of the comprehensive welfare system inherited from the past through a massive

communication plan made of mapping, valuing, and making benefits available on the basis of an individual choice (Interview 3). In Rosignano, for instance, the availability of recreational and sports structures and of services as the on-site social counselling<sup>45</sup> had been internalized to the point that they were not even regarded as benefits. There are a wide variety of more “intangible” benefits - introduced through agreements over the years – that are today mostly considered by the workforce as ordinary time management (i.e. time flexibility and smart working arrangements) (Interview 3). One of the ways in which the change has been brought forward is the introduction of all benefits, even if already included in old site-level agreements, in the 2011 and – particularly – in the 2014 agreements (Interview 4). It is important to remember that spending on welfare benefits is, for the company, less expensive than paying cash. On top of that, where the welfare tradition is more rooted, the management observes higher attachment to the company witnessed by extremely low turnover rates (Interview 4).

*The union side.* A common trait of chemical companies is the attempt to promote an extraordinarily relaxed and collaborative environment that has a positive impact on corporate image. The major interest is that employees work in a peaceful environment. Because they can afford it, but mostly because their main concern is with image, which would be discredited in the event of major strikes. Pharmaceutical companies, in particular, have extremely high returns but also a very sensitive image, as they not only produce for the final consumer but also sell healthcare related goods (Interview 16). Even with time and schedules, working in chemical plants is very different than in other sectors, such as the metalworkers, as there is higher tolerance for breaks during production. Also, wage levels are notoriously high. The impact of brand reputation on goods that are so popular among consumers all over Europe is much larger than it is for other industrial sectors. “In all of these chemical companies, when you walk in as a union representative they care to ask if there is anything wrong and the management is immediately informed of your presence.” The fear of strikes is felt so deeply that, despite the sometimes low union membership rates, unions are extremely influential. This condition leads in turn to the edge of the chemical sector, which is the one that started out crucial innovations such as the introduction of the sectoral funds FONCHIM

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<sup>45</sup> A social worker is available to employees who need help for dealing with family-related issues such as illness or death of relatives, and caregiving for family dependents. The service is available for both Rosignano and Bollate.

and FASCHIM. This inclination towards high levels of people care is shared in the chemical sector, but it definitely finds its peak in the pharmaceutical segment. This is in turn to be explained by the strength of industrial relations, despite the actual unionization of the workforce (Interview 16). Paradoxically, workers increasingly disregard the possibility to join trade unions as they feel they would benefit from it anyways, particularly among administrative employees. The “core” is still made up of older, factory workers. This is actually the unions’ main issue: they feel they are not adequately valued for what they do, as workers tend to have the impression that they have a lot and that it is not the result of negotiation. Younger workers, particularly, take what is given for granted and do not feel the need for participating through union membership. Solvay’s company-level negotiation has always been ameliorative. Today’s pushes for the shifting of resources from wages to services is an uncontested trend on the management side, regardless of the size and nationality of the company. With this respect the unions’ approach is very clear: in the event of choosing between money and welfare, union representatives always go for the first one. They increasingly understand the benefits of negotiating services, but the “welfare culture” is still largely in the minority regardless of the organization (Interview 16). There is thus great difference between welfare benefits as “top-up” as it happens in richer contexts, and welfare as “trade-off” with wages. Envisaging a possible distinction between multinational and proprietorial firms, interviewee 16 believes multinational corporations to have a peculiar approach towards normative ties, which they do not fully understand and adapt to. Italian companies, on the opposite, tend to endure old paternalistic habits. Solvay is much easier to win over, in terms of negotiated welfare, than other Italian companies because of their marked proprietorial character. Negotiation of benefits can be harder when the owner is determined on granting welfare as a personal gift (Interview 16). In fact, in proprietorial firms it is not unlikely that the owner calls out individual workers for giving them *ad personam* pay rises without even informing labour representatives. Conversely, multinational companies have a more detached approach that ultimately leads them to see national industrial relations as obstacles towards the application of the decisions coming from the corporate levels. Solvay is no exception, but it is also characterized by an extraordinarily capable national level management – that holds strongly on the belief that the wellbeing of the employees is in

the company's best interest - combined with an attentive company-level union delegation. Bollate's union representatives are extremely competent and able to discuss complex matters with the management even in the absence of union officials. In Solvay, the communication is extremely good with the national level, but union representatives are well aware of the uncontested predominance of the corporate level, which have stripped by now the national level of any decision-making prerogatives. Although the company motivated the two mobility procedures occurred over the last decade with arguments related to productivity and profit margins, it is for a fact that hirings were made after short periods of time for new management positions. Even when not on board, union officials knew they did not have options other than signing, as they did not want to undermine the company's image and the reputation of the whole sector. The long lasting and well established "communion" at the very top of the industrial relations system restricts in turn the room for action on the side of local union officials, forcing them to abide by decisions they do not share for the sake of the system's reputation (Interview 16).

### *5.1.3. Main findings*

The extremely rich set of information provided by the interviewees has to be now condensed in order to suit our research questions. Interviews, with particular concern to the ones carried out with well-versed trade union officials who had several years of experience in both the chemical and the metalworkers sectors, can be used with a double intent. On one hand the interviewee was able to provide a detailed picture of the specifics of the company, on the other he offered interesting insights at a comparative level to other companies within the same sector as well as on the distinguishing features of the chemical sectors more in general terms. Taking it as a whole, the first study case provided the following company-specific and sector specific intuitions.

*Company-specific.* Solvay's welfare system is the result of the prolonged effort of the unions meeting a particularly positive attitude of the company's national management. In the past, the responsibility was borne almost exclusively by the Italian national management structure, while in most recent years a re-centralization process occurred within the group leading to a comprehensive re-design of the organizational hierarchies. Still, the legacy of a system built through bilateral action seems to guard off the risk of



unilateral retrenchment. The legacy of a pre-existing welfare system - deeply rooted in the company's tradition but at the same time built over time through bilateral action – seems to constitute the basis for either innovation or maintenance. In the case of Bollate, the trigger for change has been represented by the merge of two different structures, each carrying along its own benefit tradition and practices. The need for homogenization ultimately led to the decision of modifying the provision, but the continuity with the past imposed to do so through negotiation. The existing welfare architecture determined the ways of action, which was triggered in turn by a disruptive event. The comparison of the different Italian sites is particularly revealing: while Rosignano e Spinetta are going towards welfare reorganization at a much slower pace, in Bollate the blending together of two entities resulted in a push for homogenization that paved the way to change. Aside from the legacy factor, the influence of the corporate level seems to be playing another role - although not determinant - in relation to the organizational changes leading to the predominance of business units over national groupings. Against the tendency to re-centralize decisions to the corporate level, Solvay displays solid national-level bargaining structures, which leave untouched the centrality of site-level negotiation. Despite the low levels of union membership in the company, union representatives seem to be considered as indispensable parties to the management's decision of re-launching the company's welfare system. Interestingly, internal events such as the mobility procedures that were - in terms of welfare provision - potentially disruptive did not act as obstacles to the steady progression of the welfare system. This, read through the lenses of industrial relations turns out to be less surprising than expected. Solvay's mobility procedures did not affect negatively welfare provision – which continued instead to improve over time – essentially because they were not motivated in the first place by the need to cut costs. In fact, mobility has been strategically employed as way to pursue generational renewal<sup>46</sup>. Unions did not vigorously oppose such decisions in light of the long-lasting cooperation climate that characterizes the sector's industrial relations. In terms of welfare provision, though, it seems that in few cases they were able to stop, or at least delay, retrenchment

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<sup>46</sup> According to the Law 223/91 mobility procedures can be activated by companies that are not able to guarantee employment levels nor to offer alternatives due to technical, organizational or production-related reasons; workers should be selected according to, among others, family responsibilities and seniority.

proposals. Welfare benefits have been traditionally introduced through negotiations: they are either included in the two latest agreements (2011 and 2014) or had been already set forth by previous ones. The main features of welfare provision have been summarized in table 5.1 in order to easily recall for each case study the same relevant information with respect to the research questions defined in the previous chapters. The table groups benefits into three areas: pensions, which includes extra payments to the supplementary pension fund; healthcare, which can be either extra payments to the healthcare fund or additional check-up and disease prevention programmes, or both; and work-life balance, which has been distinguished between “budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off. For each of the provisions in place, the table indicates the level of implementation - whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements. The table will be replicated for each of the case studies.

Table 5.1. Solvay’s summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
✓ Pensions	site	negotiated
<b>Healthcare</b>		
✓ extra payment	site	negotiated
additional programmes		
<b>Work-life balance</b>		
✓ money/services	site	negotiated
✓ time	site	negotiated

The core of Solvay’s provision seems to be the area of health, although the current commitment on work-life balance – particularly through time flexibility – has to be also noted. As the company moves towards a new “flexible benefits” approach, the link between wages and welfare is eventually revealed. Not only productivity bonuses have been used in order to “even out” welfare provision among workers, but also the welfare budget for each site is ultimately determined by the business unit – and thus the type of production – it hosts.

*Sector-specific.* The first observation to be made concerns the differences, within the chemical sector, between Italian proprietorial companies and multinational groups. While the former ones are likely to maintain a more personalistic approach, multinationals as Solvay display high organizational complexity and operate through corporate-level guidelines filtered by national-level discretionality. For Solvay, building the welfare provision necessarily signified the parallel construction of stable industrial relations. The chemical sector is widely regarded within the national industrial relations system as an excellence in terms of productive communication and cooperation among the parties. Mediation with counterparts and discipline within union organizations are the key features of the chemical sector. Still, there seems to be a difference between industrial chemical companies such as Solvay and pharmaceutical companies. Type of production is a major determinant as it is, in the pharmaceutical segment, much more costly and specialized, but also more profitable. Moreover, pharmaceutical companies seem to value more their brand reputation. One other element seems to distinguish chemical and pharmaceutical businesses: the latter ones' presence in the workforce of pharmaceutical representatives. They are a high-income category with extremely individualistic demands, which they are nonetheless able to push forward thanks to the exploitation of their contribution to the pharmaceutical business. Typically, their priorities are business cars, smartphones and electronic devices, up to luxury goods as watches. In fact, these dynamics end up dragging upwards negotiated benefits as they constitute, after all, the cornerstone of pharmaceutical representatives' generous welfare system. Of course, they will be keener on pushing for the introduction of budgetary measures (e.g. health insurance, screening and check-ups) rather than of flexibility arrangements and time off that would not benefit them directly (Interview 16). Where the core of the workforce is still represented by factory workers it is easier to witness the triggering of resentment and competition dynamics towards the category of pharmaceutical representatives, while office workers seem to be less aware of this claimed injustice. Again, the same conflict is not observed between line and office workers who tend to acknowledge and respect each other's contribution to the company's functioning, even more than in the past. In the last decade or so contractual treatments have been evened out, contributing to a new perception on both sides of being part of the same organization. Against this background, chemical industrial

companies as Solvay do not have such differences within the workforce, as factory and office workers have, after all, similar priorities in terms of wages and benefits. The population is largely compact, with the exception of occasional contrasts between old guards' managers (*dirigenti*) and supervisors (*quadri*). Once again, the homogeneity of the workforce comes into play.

## **5.2. Unilever, Casalbusterlengo (LO)**

Founded in the 1930s, Unilever is an Anglo-Dutch multinational chemical company, co-headquartered in Rotterdam and London, which specialises in cleaning and personal care products. With 400 consumer brands sold in 170 countries, the group employs more than 172.000 people worldwide. The Italian division, headquartered in Rome, has four production sites: Caivano (Napoli), Sanguinetto (Verona), Casalbusterlengo (Lodi) e Pozzilli (Isernia). Italian employees are over 3.000. The plants of Pozzilli and Casalbusterlengo produce detergents and laundry soaps for the European market and apply the CCNL of the chemical sector. Casalbusterlengo, in particular, is one of Unilever's Italian "historical" sites, and its highs and lows are strongly intertwined with the development of the local community in which it operates. In the 1970s Casale's employees called the plant "mamma Lever", as it provided everything families needed and extraordinarily well-paid jobs for the time. Unilver employees were the first ones in the area to have a bank account, while years later the company even provided an internal ATM. The plant ultimately brought forward the modernization of the whole territory (Interview 8). Casale was the largest site in Lombardy, reaching 1200 employees. In the 1980s Casale's supremacy in Italy has been threatened by the opening of Pozzilli. Although both sites produced the same detergents, their workforces were never able to share programs and demands as they always tended to see the other as competition (Interview 1). Despite Casale's strategic geographical location, Pozzilli had lower labour costs; not being able to stick together ultimately allowed the management to use one against the other in order to reduce workers' claims. Since the 1970s, the community of Casalbusterlengo found in the plant significant employment opportunities until, starting 2005, the crisis hit the site leading to dramatic job losses. The first mobility, in 2006, was managed through early retirements; the second of 2008 was instead more dramatic, causing 200 job losses (Interview 2). In most recent years though the group begun to re-invest on the plant, giving new perspectives to the around 350 employees left. Although Casale has a very limited internal market, its advantage with respect to other European sites is the capacity to rapidly change its production if required, and to produce even small batches; this is what ultimately kept the site open in the 2000s (Interview 8). Today, the site counts around 350 employees: 200 are researchers and the remaining line workers producing liquid laundry soap.

### 5.2.1. *The welfare structure*

As a multinational company, Unilever has always had a pioneering role in human capital formation and people care, as its professional management and advisors have been pushing in that direction since the 1980s. These guidelines would come from the headquarters to the national HR management, which was then in charge to spread and apply them to the local context. Characteristic features of Unilever are the focus on organizational innovations, often pursued through collaborations with the academic sector, and training and education (Interview 8). In addition to that, the group would often apply policies already implemented in the British sites. That is the reason why – as interviewee 8 recalls – “Unilver was always fifteen years ahead”. In the 1970s, when Unilever established the site in Casale, it provided an extraordinary variety of “traditional” benefits (e.g. holiday camps for children) designed around the needs of the 1970s Italy. The approach has never been paternalistic though: the company would supply benefits that were, back then, necessary. Unilever was very different from an “enlightened” entrepreneur such as, for instance, Adriano Olivetti as it already operated in the global economy and thus knew from previous experience was necessary to do on the basis of the policies already implemented in the other European sites (Interview 8) such as the first, British “village”. It had houses, schools and infirmaries since the late 1800. Although it was not yet a strategy, the company might have thought workers would be more industrious in their jobs (Interview 8).

*The history of welfare provision.* In the 1970s, the company had in place a set of unilateral benefits (e.g. Christmas gift, gifts for newborns, one day off for the birth of a child) that were included in a leaflet distributed to workers and called *Regole di Gruppo*, group regulations. They were homogeneously applied to all Italian employees (i.e. Casale and Milano) on the basis of corporate practices (Interview 8). Unilever has always been a forerunner – in terms of welfare, training and safety at work - because it had its British experience to benefit from. It suffices to say that one of the first workers’ strikes occurred because they did not want to wear safety boots, which for the company were usual (Interview 8). In the 1980s, benefits started to change according to people’s preferences: as an example, holiday camps were terminated in the mid-1980s because they did not have enough participants. Workers started demanding money over services, as they wanted to be free to choose (Interview 8). Still, that is the decade that “built a

wall out of the bricks”, as the company understood the necessity to move to a more efficient and at the same time professionalized welfare provision. The focus moved from single benefits to comprehensive programs for training, human capital formation and diversity. The 1980s witnessed the addition of a set of “soft” benefits, as training, information, and diversity guidelines, together with a more strategic approach towards safety and efficiency to be seen as something that “pays” for welfare and guarantees jobs. The active involvement of the workforce has been the major step forward (Interview 8). Between the 1980s and the 1990s the headquarters fully realized that investing on people’s skills is more important than on machines. Corporate strategies put even more emphasis on training and education as a way to build human capital and convey the company’s values. It was not a strategy aimed at containing costs; instead, it was a significant investment on the side of the company (Interview 8). To the company, working on diversity was a way to better understand and promote its global production: understanding diversity was crucial to remain a global player. These are the years in which the company discovered Corporate Social Responsibility. Still, country managers had significant room for action, as they were free to decide the ways to implement such corporate guidelines. In the 1980s the HR director could fully manage its site and, on top of that, was able to demand to the headquarters more resources for training. Its level of discretionality was of course subordinated to the results. Casale’s site always contributed directly to the development of the area through a variety of initiatives (i.e. financing new equipment for the local hospital, volunteering activities, partnerships with local schools), showing strong attachment to the territory. In the 1990s the headquarters developed a specific corporate policy: country managers were evaluated on the basis of the initiatives activated for the local community in order to promote local CSR practices. Periodically, each site was required to send to the headquarters a report on the activities supported in the field of local development, to be evaluated and compared with other sites’. Back in the 1990s, the HR manager had a specific budget dedicated to CSR practices, as well as one to employee benefits (e.g. Christmas gifts and party, gifts and double wage for 15 and 25 years seniority). In the 1990s the “old” management started to mix with a new, often foreign, professional management, weakening the tie with the local community that the old – mostly indigenous – management always felt so deeply. The years 2000 witnessed the advent of the site’s

crisis, and cutting costs became a priority: when labour costs reached 50% of total costs it was clear that a reorganization would have been necessary. When the crisis officially exploded the HR manager was forced to implement the first mobility, however exclusively with early retirements thanks to his denial - as the then-head of the site - to dismiss workers. The following ones- after the HR manager left - were “bloodsheds” (Interview 8). These are the years in which some benefits, as for instance the on-site social counselling service and the infirmary have been gradually eliminated (Interview 2). Unilver’s welfare provision is thus the result of a corporate tradition born in the UK and “disseminated” across Europe through specific guidelines. Over the years, benefits adapted to changing needs, and became part of a more comprehensive corporate strategy built around human capital. When the crisis hit, priorities changed and the circumstance became unbearable for the “old” management, ultimately leading to the HR manager’s voluntary early retirement.

*The contents of company-level agreements.* The agreements signed in the last 30 years in the site of Casalpusterlengo mirror the different phases the site went through over the years. From the 1970s to 2005 negotiation has been mostly providing betterments in terms of remuneration and welfare. In the ears 2005-2012 they mostly deal with redundancy, while since 2012 they started introducing new benefits and to acknowledge new investments on the site. The agreement signed on July 10, 1984 is an example of “traditional” negotiation: it retraces all sections included in the then-in force CCNL for the chemical sector, signed in March 1983, integrating each section with improvements with respect to the national treatment such as higher productivity bonuses, more time for working students, work environment and safety. The same goes for the May 14, 1988 agreement. The breaking point with respect to the structure of agreements is constituted by the 2000s, particularly since 2005, when they become concise and characterized by, in addition to mobility procedures, retrenchment measures (e.g. lower bonuses coupled with more and more flexible shifts). Interestingly, since 2010 agreements display increasing interest in innovative practices of welfare, particularly when related to work organization and time flexibility. The September 2010 agreements introduces Agile Working as a new “way of working” according to the corporate “performance culture” as well as with the aim of favouring work-life balance. The August 3, 2012 agreement “brings back” a paragraph dedicated exclusively to welfare provision - retreading the



sector's CCNL – although “exchanging” them with even greater flexibility. The agreement declares the parties' shared commitment to people care, particularly to the implementation of the Lamplighter project for healthcare and wellbeing, but it also includes more flexibility in shifts, holidays management to reduce the factory's costs, and new criteria for the productivity bonus. The latest agreement, signed in December 2015 and in force until 2018 encompasses new provisions as: 1 extra-day off for newly fathers; 10 hours of paid leave for kids' medical examinations (0-14years); the possibility to give in to other colleagues holidays and leaves; 38 hours of paid leave for medical examinations; blood test and full screening once a year. It is worth noting though that the same agreement specifies that the concession of greater flexibility on the side of workers is one of the major reasons for the company's decision to re-invest in Casale.

### 5.2.2. *Negotiation dynamics*

Negotiation in Unilever has always been “traditional”, with a platform that was very similar one year to the next, and highly politicized (Interview 8). Its main points were wages, investments, employment, time schedules, professional advancements and the productivity bonus. Among them, whenever they had the chance, unions would demand benefits to be codified into agreements. Then, from time to time they asked for additional improvements. As an example, once the infirmary was introduced into the agreements, the next platforms included additional requests such as the availability of an ambulance in the site and to be open 24 hours a day (Interview 8). In the first thirty years since the 1970s union influence was indisputable, with as many as 80% of employees joining the unions (Interview 1) and a solid company that would quite easily fulfil unions' requests in order to keep internal peace. Under the first union leadership, CISL was largely predominant in the site, with only a small CGIL share. The balance between the organizations literally reversed in 1986, when the union leader decided to leave CISL for CGIL<sup>47</sup>. The 1990s are characterized by a compact CGIL majority with a strong leadership. Once again, when Interviewee 1 left the site in 2006 and the younger Interviewee 2 started actively operating in the RSU, CISL went back to be

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<sup>47</sup> Interviewee 1 did not approve the decisions taken in the 1980s by his organization, particularly when CISL national leadership agreed to signed, without CGIL, the 1984 *Decreto di San Valentino*, which among other things cut once again the index-linked pay scale.

slightly majoritarian (51%) though with a solid CGIL presence (49%). Both union representatives recognize though that the general climate deeply changed since the 2000: negotiation became much harder, and unions were forced to gradually abandon structured platforms in order to concentrate on single emergencies.

*The company side.* In the 1970s, Casale was a low-automation plant, with “simple” work and even “simpler” social needs. Against this background, Unilever provided an extraordinary variety of “traditional” benefits (e.g. holiday camps for children) designed around the needs of the 1970s Italy and mostly “exported” from British sites. Since the late 1970s, and particularly during the 1980s, some of these rules – such as the infirmary and the canteen, as well as a variety of additional benefits as the on-site social counselling - have been codified through company-level agreements. On the company’s side, two elements favoured the development of people care practices. First, workers’ categories increased in number, and some line workers had to be retrained in order to switch to new functions; as a reward for their commitment, the management felt they deserved something in return. Second, and more general, it became necessary to make life in the factory easier to people: as the company could not reduce shifts (particularly night ones), it started “answering back” to unions’ claims for better working schedules with new on-site services as for instance the canteen and all arrangements that could make the plant more comfortable. In the same fashion, the plant’s infirmary started providing additional services (e.g. for workers with specific needs or therapies). Unions would include benefits in negotiation in order to be able to have a say on them and to “defend” them once in place (Interview 8). The mid-1980s were also the time in which people care practices entered in a more comprehensive corporate policy together with training and workplace safety. In fact, the latter one was one of Unilever’s major concerns. “During those years –interviewee 8 recalls - the work on organization has been huge. It has always been hard to calculate such returns, as tables and numbers do not fully show them. What is crucial though is that Casale still nowadays lives on the flexibility they were able to devise those days.” The site is extremely fast in changing its production if required and in producing even small batches, and this is a major advantage with respect to other ones in the European network. In the 2000s, old negotiation habits were still in place, as the old RSU was nostalgically attached to traditional rituals (e.g. agreements had to be signed at night, so that in the morning all

workers knew union delegates had been worked hard for them) (Interview 8). Unions' weapon was the threat of strikes that for a company like Unilever would mean a long echo on local newspapers. Negotiation was still built around money. In the mid-2000s the financial stability of the site started to weaken and the corporate level started pushing for a comprehensive reorganization. The then-HR manager, who is from Casale and has an emotional attachment towards the site, tried to resist major layoffs as long as he could. Still, against this background platforms would keep on demanding investments, up to the request to build an on-site nursery school. This long-lasting "misunderstanding" between the parties ultimately exacerbated the financial problem. In those years welfare benefits – although regarded as unfeasible by both parties – were included in the negotiation process in order to obtain something else: out of the many things demanded, welfare would be discarded but still useful to gain something in exchange. Since the 1990s welfare has been, on the union side, a tool to strategically achieve something else (i.e. professional advancement for blocks of workers) rather than a real priority (Interview 8).

*The union side.* Back in the 1970s the corporate organization was very different with national plants producing for their internal market; since the 2000s the sites have to make instead a single product for the European market. Negotiation changed according to the strategical reorganization: before, bargaining happened at the regional level between the company and the "Lombardia group" in which Casale was the biggest entity (Interview 1). Today, each site is on its own, depending on its product division. In addition to this, trade union influence over the years has significantly downsized. Not only the economic conditions changed but also the composition of the workforce – made up since the 2000s of more researches than line workers – with a major impact on union membership (Interview 1). The years 2000s witnessed the transition from a more "traditional" negotiation based on a set of additional requests included in a comprehensive platform to a larger number of "smaller" agreements signed by the parties every time they were in need of dealing with specific issues, mostly related to redundancy or tighter schedules. Negotiation stopped being a tool for "gaining" with respect to the CCNL and became a tool for the RSU to contain losses. The "architecture" of traditional negotiation ultimately crumbled under unions' feet when the first mobility took place. After the second mobility in 2008 both workers and union

representatives started believing that in a few years the plant would be closed. Surprisingly though the last two agreements (2013-2015 and 2016-2018) envisage new investments on the site and praise its flexibility. As interviewee 2 explains, industrial relations came out of the years of “emergency negotiation” deeply changed both formally and substantially. Agreements continued being lean and built around more specific issues but, as they were more frequent, entailed a more continuous dialogue between the parties leading to a more informal decision making process. With respect to welfare provision, several new arrangements have been discussed and introduced over the last decade but many of them – although bilaterally designed and often proposed by the RSU – did not end up in a formal agreement (Interview 2). Interestingly, things partially changed – once again – with the two latest agreements. On one hand, interviewee 2 as the new RSU leader is deeply convinced of the need to introduce welfare provision through bilateral involvement; on the other, the company started “exchanging” it with greater flexibility (Interview 2). The RSU is today fully aware of the fact that Casale’s work flexibility and ability to quickly adapt to new productions is the “ace in the hole” in order to avoid closing; their intention is to “play” with it in order to stay on the market rather than fighting it as the old CGIL-run RSU did (Interview 2)<sup>48</sup>. Through accepting the company’s requests for flexibility (e.g. night and weekend shifts) the RSU is able to obtain not only money and services, but also the guarantee of new production investments on the site. As a final note, the relationship between the parties radically changed when the national management was, since the mid-2000s, stripped of its authority in order to become a mere executor of corporate decisions (Interview 2).<sup>49</sup>

### 5.2.3. *Main findings*

Unilever’s experience provides a unique outlook on company-level industrial relations and on the way they changed over time. The high level of detail reached during the

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<sup>48</sup> Interviewee 2 believes today’s workers to be more aware of the general economic climate as well as of the company’s financial issues, and thus more accommodating towards the company’s requests; he admits that a different composition of the workforce might have helped such change.

<sup>49</sup> Since interviewee 8 left his spot as HR director of the site of Casale, he was replaced by a corporate executive without decision-making authority and directly supervised by the headquarters (Interview 2). RSU’s members increasingly placed their hopes on the activity carried out within the group’s European Works Council.

interviews allows not only to retrace Casale's whole negotiation history but also to fully understand the changing role of welfare provision in both corporate and union cultures.

*Company specific.* Unilever is an Anglo-Dutch multinational company that imported in Italy, together with its production, the people care practices it already had in place in the British headquarters. As a foreign multinational, it displayed, in place of a paternalistic approach, a more "professional" culture built around human capital investment. An increasingly "scientific" endeavour – in which welfare was associated with training, workplace safety and, of course, performance – that became a clear corporate strategy in the mid-1980s. Against this background, unions always worked to drag unilateral benefits into negotiation, in order to have a say on them and be able to introduce additional provisions. Besides the headquarters' general propensity, the Italian HR manager had the authority to discuss and grant their requests. Since the years 2000s, the solid CGIL majority performed comprehensive negotiations through platforms in which it often introduced unfeasible welfare benefits in order to "exchange" them with monetary increases and professional advancements. After two major occupational crises occurred in 2006 and 2008 the now CISL majority adapted to new negotiation dynamics brought forward by the reorganization. Agreements are now simpler than before and mainly focused on specific issues, while industrial relations are characterized by a more informal dialogue often not "materialized" with an agreement. Still, in the latest agreements – signed in 2012 and 2015 – the RSU was able to include a list of either new or previously informally agreed-upon welfare benefits through a silent exchange with greater shifts flexibility. As the company would manage to obtain it anyways, the RSU felt it was time to exploit it rather than enduring it. In terms of welfare provision, many of the "traditional" benefits introduced back in the 1970s were interrupted as they did not respond to the new needs of the population; today, benefits are mostly related to healthcare (i.e. prevention campaigns and check-ups) with most recent ones concerning time flexibility and extra leaves for family reasons, as summarized in table 5.2.<sup>50</sup>

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<sup>50</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance ("budgetary measures" such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

Table 5.2. Unilever’s summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
Pensions		
<b>Healthcare</b>		
extra payment		
✓ additional programmes	site	negotiated
<b>Work-life balance</b>		
money/services		
✓ time	site	negotiated

*Sector specific.* Unilever’s case clearly highlights the difference between industrial chemical companies and pharmaceutical ones. Production and efficiency are of primary importance, while brand reputation seems to remain in the background. In fact, it seems that the company “fears” exposure rather than longing for it. Trying to avoid strikes in order not to appear on local newspapers, just like allocating a specific budget on activities for the territory suggest the idea of seeking acceptance more than popularity. In the history of Casale welfare provision has been increasingly used as a tool to generate something else: in the 1980s it was workplace safety and raising individual responsibility; in the 2000s is extra flexibility and production. Although based on corporate tradition, welfare appears to be an actual incentive rather than a communication tool. Interviews also provide interesting insights on the changes in the modes of negotiation, from a “traditional” negotiation process beginning with the study and the presentation of the unions’ platform retraced on the structure of CCNL followed by comprehensive bargaining, to an “emergency negotiation” made up of several leaner documents aimed at solving specific issues and, most times, at containing losses. In times of unstructured negotiation, unions were still able to build a dialogue with the management although on a much more informal basis. These efforts eventually led to a renewed bargaining process built upon the negotiated introduction of welfare in exchange to higher production flexibility, suggesting that in some circumstances welfare can be a trade-off for productivity, particularly when financial issues arise within the company’s organization.

### **5.3. BASF, Cesano Maderno (MB)**

Basf - Badische Anilin & Sodafabrik is a German multinational group, founded in Mannheim in 1865, producing chemical materials for a wide variety of industries as, among others, construction, automotive, agriculture, coatings and plastics and packaging. Its five segments of production - Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas - employ around 112.000 workers worldwide. The group is concerned with safety and environmental sustainability to the point that it implemented a corporate Responsible Care Management System aimed at monitoring performance with respect to safety procedures and energy savings. Its commitment towards sustainability is also expressed through a variety of local initiatives financed by the company for over 56 million euro in the year 2015.<sup>51</sup> The group operates in Italy since 1946 through the Milanese company SASEA, acquired in 1974 and transformed in 1985 into Basf Italia Spa. In the same year Basf acquires Inmont with its production plants of Cesano Maderno, Baranzate, Caronno Pertusella, Cinisello Balsamo; in the 1990s Cesano – which will continue to be a production site until the early 2000s - was chosen to be the Italian headquarters. Since the mid-1990s Basf proceeded with a number of acquisitions: Termolan (1995); Engelhard and Degussa (2006); Ciba (2008) and Cognis (2010). Today, the group has fourteen sites in Italy, ten of which are production plants, and employs around 1500 workers. In the Lombardy region, aside from Cesano Maderno's headquarters, the company has the production sites of Zingonia (BG), Mortara (PV) and Fino Mornasco (CO). Other Italian sites are located in Treviso, Pontecchio Marconi (BO), Arzignano, Lugo, Scandicci, Roma, Latina, Villanova d'Asti and Volpiano (TO) and Bibbiano. With the sole exception of Scandicci, which applies the CCNL of the service sector, all other sites apply the chemical sector national collective agreement. This is mainly because the chemical sector CCNL is “heavy” on costs and it is not suitable for a small site producing car coatings, as Scandicci's margins are very low (interview 15).

In terms of employees, the around 1500 workers are spread on the territory, with a slight majority in the Lombardy region, as follows: 450 in Cesano Maderno, 165 in Rome, 30 in Bibbiano, 5 in Lugo, 4 in Arzignano, 100 in Mortara, over 300 in Pontecchio

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<sup>51</sup> More on Basf strategy can be found in the Basf Online Report 2015 available online.

Marconi – which is the largest production site – 120 in Villanova, 70 in Fino Mornasco, 40 in Zingonia, and 210 in Volpiano. As a result of the acquisitions, the Italian management was left dealing with a high level of organizational complexity due to the many legal entities. It was decided in most recent years to try to group them under the same umbrella, which would be Basf Italia. This is the management's number one priority today. Some of the companies have been merged right away, as Cognis for instance, while others had to wait, as Villanova d'Asti and Zingonia that were until January 1, 2015 Basf Poliuretani. The same happened with Cesano Maderno's Basf Coatings and with Mortara and Pontecchio, which were Ciba. Even Basf Trading Company has been merged into Basf Italia in 2014. Legal entities today are: Basf Italia, Basf Construction Chemicals (Treviso and Latina), Basf Coating Services (Scandicci) and the small Basf Business Service with 13 employees providing IT services (Cesano). The Lombardy region hosts today – with the sole exception of Basf Business Service – only Basf Italia sites. Cesano Maderno is the largest site in terms of employees and it hosts the national headquarters. Also, it has the most comprehensive welfare provision in terms of benefits, included in the site-level agreements over the years. Also, it is an administrative office, and has many female workers: over 50% of the workforce is made of women, which has been a major push towards the introduction of new benefits (Interview 15). Interviews thus focus on Cesano Maderno's experience.

### *5.3.1. The welfare structure*

Over the last decade a significant number of acquisitions radically changed the group's presence on the Italian territory, particularly with the inclusion of new production sites: while before Basf had in Italy mostly a commercial presence, today it has 10 production sites. Since then, the first commitment of the management has been to a process of “legal entity consolidation”, that is the unification of the many sites acquired under a smaller number of entities through mergers. While mergers have been pursued for simplification, as each company had to draw up its own balance sheet, in terms of industrial relations acquisitions made it necessary to incorporate businesses with very different backgrounds, and in a very short time span. Now that acquisitions finally ended, the Italian management is working on a process of gradual harmonization of treatments through negotiation. Despite this generalized effort, the office and the



production sites still display differences in terms of benefit provision. The four Lombardy sites, in particular, have some degree of differentiation in terms of benefits not because of their different size but because of the history of each site (Interview 15). On top of that, each site produces for a different business, and thus has a different goal than the others. They have different margins as well as different internal issues. Sites supplying specialties products have higher margins, while commodities site have lower ones. These aspects are crucial, as agreements are almost always related to productivity bonuses and are thus customized on the site's specificities. Over the years, the company committed to use agreements deadlines as an occasion to take off profitability criteria inherited by the different companies acquired, and to introduce ROA, an index used by Basf worldwide. The index, elaborated in the German headquarters, compares the whole workforce with the same criteria, establishes next year's goals and defines managers' bonuses. Every time the old site-level agreement expires, the management uses the new one to substitute parameters. ROA is topped up by a list of site-specific indicators. The same goes for welfare provision: agreements' renewals are used by the parties in order to recap and align the benefit provision to that of the other sites through agreements that, for many respects, are copies one of the others (Interview 15). Every two to three years the corporate level promotes a survey – the latest ones in 2012 and 2015 – that has been used by the national management to identify areas of intervention. As the 2012 survey highlighted the need for more personal and professional growth and work-life balance, the management introduced a smartworking pilot ended in 2015. They are currently working on 2015 results. On December 1, 2015 Basf Italia has been awarded during the *Giornata Nazionale Salute Sicurezza Ambiente*, an event established by the CCNL of the chemical sector in order to identify and disseminate best practices in terms of healthcare, safety at work, corporate social responsibility and negotiated welfare.<sup>52</sup> The agreements selected included extra payments to Fonchim, scholarships, and Cesano's English summer camp for children from 6 to 14 years old.<sup>53</sup>

*The 2013 agreement.* The agreement signed for the site of Cesano Maderno on February 5, 2013 - in force for the years 2013-2015 - is the parties' latest attempt to include all welfare benefits into negotiation. The agreement formally applies to Basf Italia

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<sup>52</sup> Companies are selected by a joint commission of Federchimica and national union representatives.

<sup>53</sup> The daily summer camp is not available to other sites as it is located near Cesano's office and out of 450 employees sometimes is hard to even gather 30 participants (interview 15).

employees, but it has been copied and re-signed for the thirteen Basf Business Service collaborators. Its main items are information, safety, time schedules and extra leaves, and welfare support. For safety and healthcare the parties confirm the healthcare prevention programme providing employees with a general check up and further examinations when needed through the use of the site's infirmary structure. Time management encompasses a variety of flexibility arrangements such as part-time and entry and exit hours. Working days are of 7 hours and 45 minutes (Fridays are 6.45) – for a total weekly schedule on 37 hours and 45minutes - with entrance between 8 and 9 and exit between 5 and 6pm; employees can decide how to manage their time as soon as they grant at least 7 and no more than 9 hours a day. Workers can accumulate up to 8 hours to be then used as time off in the next month. The agreement also regulates part-time and expresses the parties' commitment to promote its use by employees who have personal care responsibilities. The most substantial part of the agreement concerns extra paid leaves for sickness and family reasons. The company preserves the worker's job for at least 18 months in case of sickness and to full recovery in case of injury; for a maximum of 12 months they will receive their full wage. For short ailments of up to two days for a maximum of six times a year workers are not requested to present a medical certificate; paid leaves for medical examinations are extended to accompany family members; 2 days are granted to fathers, and 8 hours to attend relatives' weddings; 20 hours for introducing kids to nursery school and 20 for kindergarten. Optional maternity leaves are topped up by the company in order to reach 100% remuneration, while for an additional six month period the company offers 30% wage.<sup>54</sup> In the event of child illness parents have 40 hours of paid leave until the kid is eleven years-old. With regards to training opportunities, the parties restate it as a vital area and agree to prioritize the re-integration of workers who have been absent for some time (e.g. for maternity leave) and classes that allow employees to understand the context in which they operate and the aim of their task. In addition, in order to promote education as enrichment for the company's human capital, working students have 150 hours of paid leave to spend over two years and additional 40 hours to prepare for their final

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<sup>54</sup> It is a way to combine parents' desires with organizational efficiency, as it is much easier to temporary replace workers if the management knows from the very beginning how long they are actually going to be absent (Interview 15). Interested employees have to communicate their choice when they first leave for maternity.

exam. University students also have 40 hours to prepare for exams and the possibility to accumulate time to be used prior to the exam or to take care of administrative duties. Article 24 of the agreement, entitled “gender equality and positive actions for the realization of gender equality in the workplace” expresses the parties’ commitment to favour gender balance in recruiting, training for both employees and managers and through the implementation of projects to favour work-life balance and reinsertion after maternity leaves. Aside from the activities carried out by the CRAL – financed with 125 euro per employee, and an on-top amount of 25 euro for Christmas and Easter holidays – the company provides an English language summer camp for children and it is willing to discuss with the unions the possibility to study additional childcare initiatives. The CRAL provides a variety of extra services related to recreational initiatives and shopping discounts. The Christmas present is today a voucher to be spent in shops. Lastly, since the year 2008 the company provides a scholarship to all employees kids of 150 euro for secondary school, 200 for high school and 400 for university.

*Seniority prizes.* Each acquisition brought forward a different way of identifying and rewarding seniority (e.g. gifts for 25 years seniority), and each site continued for some time applying the same method unilaterally introduced by the previous companies back in the 1970s, so that there were no bargaining precedents in this area. In order to follow up to the guidelines released by the German headquarters intended to resetting of all seniority-related rewards, in 2013 the Italian management decided to apply a new regulation aimed instead at modernizing old arrangements. On the basis of a general input coming from the headquarters the national management opted instead for a reorganization that provided more value to people. Instead of keeping rewards that would be granted only when reached a specific threshold (i.e. 25 years), the management favoured the introduction of an “incremental” reward in order to award continuity and loyalty to the company. Getting to the actual prize, they also decided to move from “old” gifts as watches and silver plates to a more useful benefit. Lastly, the management committed to switch from a unilateral practice into a negotiated arrangement. The agreement abolishes all site-level seniority rewards and introduces a yearly reward of an additional payment to the sectoral pension fund Fonchim. Each site now has its own “copy” of the same agreement. The choice of devoting the amount to Fonchim has been done to favour take ups among workers. From the 80%, Fonchim’s

adhesions arrived after the agreement at over 87% in the last two years. In fact, the payment can be collected even by workers who have individual pension plans (PIP).

*Healthcare.* In addition to the Faschim, the corporate level identifies every year a different disease prevention campaign – to be then implemented at the local level (e.g. the 2011 skin check-up; 2012 hearing tests; 2014 posture; 2015 adhesion to the Workplace Health Promotion programme in all sites and a project on drugs and alcohol abuse). As they are corporate level initiatives, they are the only benefits not included in negotiation. Corporate initiatives are worldwide and administered by the German headquarters. They run parallel to the “core” of bilateral welfare provision at the national level. In fact, there are a few cases in which even corporate endeavours have been shared at the national level with union representatives (Interview 15).

*Work-life balance.* Most recent efforts have been undertaken in the area of time management: employees who do not work on shifts have entry and exit flexibility with minimum time slots. In addition, Cesano unilaterally introduced a flexi-work pilot that involves even some production sites. After a year and a half of experimentation, ended in 2015, in 2016 the management has to wrap up and evaluate its actual feasibility. The experiment envisaged four to six days a month to be spent working at home and has been carried out by 50 employees in different departments selected with feasibility assessment for each task. After mapping “smartworking positions” available in the organization, the management welcomed those candidates regardless of their family status. In fact, they are almost entirely women. The question is now whether to introduce it in a formal agreement: the CCNL provides this possibility but it does not set it as compulsory (Interview 15).

### 5.3.2. *Negotiation dynamics*

Basf does not have a national-level group negotiation: each site makes up its own agreement at the local level, meaning that each of the four Lombardy sites has its own agreement. The union membership rate at the national level is around 26%, with higher percentages in the production sites than in the office. CGIL is majoritarian, followed by CISL and then UIL (where present). The negotiation process, differentiated for each site, is the result of the significant acquisitions carried out by the group over the last seven years. Welfare provision is fully contained in the agreements not necessarily

because it originates from bilateral discussion but because all acquired companies were large multinational groups with a solid industrial relations history. As industrial relations had always been cooperative with both RSUs and local union officials, Basf decided to keep on moving in the same direction.

*The company side.* Cesano Maderno is the most developed in terms of both negotiation and benefits, as it is Basf “historical” site: it had time to develop mature industrial relations (Interview 15). Negotiated benefits originated in the 1990s, when the site hosted both the office and the production. When production facilities relocated, benefits were simply re-adapted to a changing population. Back in 2010 the agreements were introducing benefits that were not envisaged by the CCNL of the time. Subsequent agreements even improved the treatments under an incremental process that culminated in the 2013 agreement. Aside from the “critical mass” of Cesano, which allows for the implementation of benefits that would not be sustainable for a smaller population, another factor that plays a role in the development of welfare provision is the very nature of the working population: office employees benefit from flexibility arrangements that cannot be granted to line workers. Even extra leaves and time off are more developed in Cesano than elsewhere because of the higher share of women employed; line workers are still keener on demanding financial remuneration rather than work-life balance services. Nonetheless the management is progressively working on agreements’ renewals in order to extend the same benefits to all employees. One by one, benefits are introduced in the sites’ agreements. Latest agreements for Treviso, Villanova and Zingonia for instance introduce scholarships. The only area of welfare provision that they will not be able to make completely uniform is that of time management, with flexibility and leaves. Also because the population is very different: in the production sites there is a predominantly male workforce that produces on continuous cycles; in the office there is a wide percentage of women with office working hours. Still, the management’s commitment is that of raising awareness on work-life balance in all sites through the introduction of customized arrangements. Even production plants have a variety of extra leaves on top of CCNL’s provisions. While time flexibility necessarily has to take into account work organization, benefits related to services and financial support are more “exportable”. Benefits as canteens and TFR advance payments have been recently introduced in all agreements. With the sole

exception of Cesano, all latest union platforms are still centred on wage increase and allowances. While welfare benefits are introduced by the management, unions are generally inclined towards welcoming them but sometimes they had difficulties to have all workers accept them. Although unions operate cohesively, CISL representatives are more sensitive to welfare provision, while CGIL is more “anchored” to the monetary element, probably due to its members’ composition. Nonetheless, it has always been a truly shared effort between the parties. The Italian management has never doubted on introducing benefits through negotiation. Union representatives presented each time a detailed platform, which is becoming in time less and less “thick” as benefits are being gradually introduced. As most areas of intervention have been already covered by the parties, bilateral relations are nowadays devoted to improving specific aspects rather than introducing new provisions from scratch. As a general rule, the parties meet in order to evaluate provisions and discuss together what works and what can be improved. The company has a history of good industrial relations at the local levels and puts significant effort keeping it that way, as witnessed with the introduction of the new seniority award system that has been jointly studied by the management together with local union representatives leading to the decision to transform seniority “gifts” into extra payments to the Fonchim. Getting to the relationship between the different levels of the corporate ladder, it can be summed up as: the corporate level raises the issue, the national level has to find a solution. Welfare and safety are the two priorities of the headquarters but, in terms of negotiation, each country is in charge. The corporate level does not impose a unique path as each country deals with its specificities; in the UK, for example, the role of industrial relations manager does not even exist. Still, he recognizes the fact that the group’s origin matters: for a German company is much easier to understand industrial relations. Italy has a lot of specificities in terms of regulations that foreign companies find it often hard to fully understand; German companies do not have such problem. In fact, they have a co-participation mechanism in which unions have even a greater role; this makes it much simpler for the national management to share their decisions with the headquarters. The German headquarters show high sensitivity towards industrial relations. The corporate level attitude is very peculiar: they are extremely interested in understanding national industrial relations, they want to openly discuss it and they never impose their solution. “They always care to ask: how would

you deal with this in Italy? They do not question it, they just follow” (interview 15). They completely trust local negotiation practices. While there are some areas to which the group is traditionally sensitive, the national management has the power to decide what to implement. As for instance with scholarships, which are a national management’s concern carried out in all sites. The national management is deeply convinced that benefits have to address actual needs, even though not all workers can exploit them in the same way. Unions have always been supportive but workers have sometime brought the issue up for discussion: some of them feel that some benefits as scholarships advantage workers with families rather than the others. The budgetary law for the year 2016 opened to new opportunities, but the Italian management is cautious and is waiting on the publication of guidelines by INPS (social security service) and *Agenzia delle Entrate* (income revenue authority). Nonetheless, the idea would be that of opening up to new types of services in the area of work-life balance. The management is very sensitive to education, and is thus oriented towards school support. In addition to this, the law highlighted the possibility to provide support for elderly family carers, which would be a viable option particularly if combined to the prescriptions of the sector’s CCNL aiming at favouring company-level negotiation and welfare practices. The management’s idea is that of moving to the use of productivity bonuses for welfare purposes. Certainly, fiscal regulations can significantly favour the spread of welfare benefits, similarly to what happens in other European countries.<sup>55</sup> As a general rule though Basf is extremely cautious and puts in place only initiatives that have a clear fiscal configuration. The peculiar sensitivity of the CCNL towards welfare provision is very much influenced – in addition to the characteristics of the workforce - by two elements: the nature of the production and its potential risks, which require particular emphasis on healthcare and safety; the peculiar tradition of chemical companies, which perceive the importance of public opinion for their wellbeing (interview 15). Without necessary health and safety conditions, chemical production can be harmful not only to its workers but also to local communities, thus calling for great

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<sup>55</sup> In Spain, Basf employees have been using for years now the “bonus sacrifice” mechanism. The Spanish fiscal regulation allowed the company to provide its employees with a sophisticated flexible benefits plan implemented after mapping available benefits and handing out a total reward statement. Before that, many of them were not even aware of the benefits they could access; the ones who did, often valued more “simple” benefits rather than extremely expensive initiatives. As an example, smartworking practices turned out to be thoroughly appreciated.

emphasis on environmental protection and CSR practices. Basf is extremely committed to maintaining good relationships with the local community through supporting local initiatives and associations.<sup>56</sup> Basf Italia also joins the initiative *Fabbrica Aperta*, a day in which citizens can visit the sites in order to understand what happens inside. It is a powerful event in order to debunk old myths on the dangers of chemical production (Interview 15). Safety and environmental attention are traditional features of chemical companies. Within the sector, the pharmaceutical segment is the highpoint in terms of wealth. Although the two segments – industrial chemical and pharmaceutical – are very much aligned with respect to the priorities, it has to be considered that pharmaceutical companies sell to consumers, while chemicals are not as exposed to public opinion (Interview 15). Concluding with the reasons pushing the management to introduce welfare benefits, interviewee 15 explains that as the company ultimately lives on its results, what it wants in exchange for welfare is the quality of work and responsibility, which in the production sites necessarily means working on time schedules and shifts in order to achieve more flexibility and productivity target. Welfare is also the tool that allows for a better relationship between company and workers. Not only they work better, but they relate to the company in a different way. Lastly, welfare works well in terms of retention: nowadays employees evaluate their remuneration on a more comprehensive basis rather than considering wages only. In a chemical plant, even specialized line workers are crucial figures. Chemical production has high levels of technology and sophistication thus requiring a skilled workforce; even safety procedures require years of training and knowledge of the regulations. Line workers undertake a path of specific training and are thus a valuable component in the organization, which would be costly to replace (Interview 15).

*The union side.* In most recent years unions have been committed to an effort of diffusion and coordination, through sharing best practices and exchanging agreements, that is producing greater awareness on welfare related issues. Among those, union representatives are particularly sensitive to time schedules and extra leaves, particularly for healthcare and family related reasons. Also, they care about long absences and facilitations when coming back to work. According to interviewee 18, the main factor

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<sup>56</sup> As an example, Cesano's site will host the events organized by the group *Memoria Operaia*, a group coordinating school activities and visits to old and new factories of the area. It is only one of the many local initiatives sponsored by Basf in the areas of education and environmental protection.



determining differences in the provision from one site to the other is the characteristics of workforce (*i.e.* office workers or line workers), thus explaining the reason why the Italian headquarters have a different welfare system than the production sites. Still, the points out how even individual union representatives can play a significant role in shaping the company's people care policies. Sometimes it is the person who makes the difference. The propensity of the company to negotiate welfare arrangements is the result of pushes at different levels. First of all, unions acknowledge the peculiarity of the chemical and pharmaceutical sector: its companies, which are mostly large multinational groups, have a more "professional" approach towards negotiation. Also, they are interested in building solid industrial relations because at the end of the day, they facilitate them in dealing with large workforces. For companies that large, the management of an individual relationship with the workforce would not be sustainable (Interview 18). As for culture, they fully recognize the role of industrial relations in managing the collective dimension. Multinational companies are the place in which company-level negotiation starts and from where it "spreads": best practices included into agreements have been extensively used as study cases for introducing innovation in the CCNL of the sector. While there is no question on the propensity of multinationals to negotiate more than smaller companies, it is also noticeable the different approach that groups have on the basis of their national origin. While foreign companies tend to experience difficulties in understanding Italian labour regulations, German firms are not only fully aware of the role played by industrial relations, but also entrust the national management providing it with significant room for manoeuvre (Interview 18). Aside from the general propensity towards negotiation, Germans appear to be able to overcome the "normative fatigue" through the empowerment of the local management. Getting to the reason why companies negotiate welfare, unions believe that, on one hand, they seek a bilateral management for efficiency – particularly in their recent effort to homogenise benefits - and on the other they increasingly see it as an item for possible exchange (Interview 18). To some extent, the chemical CCNL calls for second-level negotiation: instead of defining binding rules the national collective agreements sets general guidelines to be then applied through company-level agreements. While the type of production might influence the characteristics of welfare provision (*i.e.* pharmaceutical companies use it to "sell their product"), the nature of the company –

whether it is a foreign multinational or a proprietorial company – is more likely to translate into different propensity towards negotiation. Multinationals display higher propensity towards negotiation as they have a more strategic outlook, while proprietorial companies have an emotional attachment to the company that might sometimes lead to favouring unilateral decision-making.

### 5.3.3. *Main findings*

Basf Italia is a German chemical company with fourteen sites in Italy. The national headquarters, located in Cesano Maderno, display the most comprehensive welfare benefit system. Nonetheless, the national management is seeking greater unification of treatments through site negotiation.

*Company specific.* The major peculiarity of Basf’s welfare provision lies in the fact that both sides – national management and union representatives – are committed to the full introduction of benefits into negotiation. The last three agreements constituted an incremental effort towards the unification of all provision under a “bilateral umbrella” after the many acquisitions carried out by the group over the last decade. Still Cesano’s office displays a mature system of benefits that outdoes all other Italian sites. The reasons seems to be: the solid industrial relations tradition of the site, which is one of first to be acquired in Italy by the group; the characteristics of the workforce, as it hosts only office workers high share of whom are women; the size of the site that makes it possible to reach the “critical mass” to make initiatives sustainable. In addition to those, interviewee 18 suggests that agency also matters: union representatives’ priorities change, making them more or less committed to the proposal of new welfare benefits. Some of them value welfare provision, while others seek to negotiate money. In terms of welfare provision summarised in table 5.3<sup>57</sup>, despite the group’s priorities of healthcare and safety, the national management has been able to push through additional benefits related to education and school support, as well as some additional time flexibility measures.

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<sup>57</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance (“budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

Table 5.3. BASF's summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
✓ Pensions	site	negotiated
<b>Healthcare</b>		
extra payment		
✓ additional programmes	site	negotiated
<b>Work-life balance</b>		
✓ money/services	site	negotiated
✓ time	site	both

While healthcare remains the core of welfare provision - through the sectoral fund, but also with corporate prevention and check-up programmes - the national management has significant room for action. According to corporate guidelines, the national management also pursues good relations with the local community, as a way to show the company's commitment towards sustainable development. The combination between the corporate solid bilateral tradition, the commitment and independence of the national management, and the sites' established bilateral negotiation practices led the parties to keep on going towards a fully bilateral system. Unions do not underestimate though the exchange dimension: in chemical companies, welfare is - particularly in the production sites - closely related to production. It helps building a different dialogue with the workforce, which is often required to increase flexibility in shifts and schedules. And it pushes them towards higher standards in terms of quality and, particularly, safety procedures. Lastly, it is a way to retain workers in a sector in which training line workers is costly and time consuming. Against this background, unions feel they have a role that is fully recognized by the counterpart.

*Sector specific.* Interviewees agree on the peculiarities of the chemical sector's industrial relations, which are described as mature and mostly characterized by cooperation. This is witnessed by the CCNL, which does not establish strict regulations but includes instead more general guidelines to be then implemented through company-level negotiation. This seems to be motivated by the characteristics of the workforce, but also by the production and the tradition of the companies involved. If production induces the management to pay attention to workers' wellbeing – particularly in the area of healthcare and safety – also as a way to gain acceptance from local communities,

legacy seems to be what ultimately matters. As both Basf and the companies acquired over the last decade displayed solid bilateral relations formalized through site-level agreement, it has been easiest to keep on working in the same direction. While multinationals' "professional" approach leads them to bargain more and with a more strategic attitude than Italian proprietorial companies, interviewee 18 recognizes German companies to experience fewer difficulties than other foreign groups in understanding Italian labour regulations and industrial relations. Both interviewees motivate this with their peculiar bilateral tradition, but also with their propensity to entrust the national management and provide a certain degree of discretionality. Nonetheless, industrial chemical firms seem to be also distinguished by a marked focus on welfare as exchange. While they are more interested in the relationship with the local communities in which they produce than of a wider brand reputation towards consumers, they acknowledge the effectiveness of welfare provision in shaping the relation with their own workforce – to whom they have sometimes to ask sacrifices in terms of shifts and weekend work – as well as their performance in terms of quality and safety of the production.

#### **5.4. XXXX, Lombardy** <sup>58</sup>

XXXX is an Italian proprietorial company founded in Lombardy at the beginning of 1900 as a small family business producing chemicals for the textile industry. The process of internationalization begun in the 1980s with some Italian acquisitions and the foundation of first foreign subsidiary. Since then, the group's international presence continued to develop steadily. Today, the group supplies chemical products for a wide range of industries such as ceramics, construction and paints, leather and textiles, home and personal care and agrochemicals. The company, which is 100% Italian and still owned and run by the founder's family, has over 1300 employees worldwide. Of the almost 800 Italian employees, over 600 work in the Lombardy region. Out of the Italian employees, the women are fewer than 200: the population is almost exclusively made up of men, particularly in the production sites, which work under continuous cycles. Interestingly, even the sales department does not host many women, as the work is very technical and clients are not final consumers but other international producers, often requiring long trips abroad. The area with the largest share of women is research, followed by administrative offices. Research is divided into two branches: central and applied research. The former one is more scientific, while the latter one is more practical and often requires researchers to accompany sales representatives in order to deal with specific technical issues. Here, women are very scarce in number, as they tend to prefer not to travel because of family responsibilities. Rather than being an HR discrimination, is actually some sort of "self-selection". Production and sales are areas almost exclusively occupied by men, as women prioritize family caring responsibilities. The company's "historical" plant is the most complex site of all, as it hosts together production facilities, research and administrative units. The same location has both production and "central functions" that directly report to the headquarters. Each function has its own necessities. 50% workers are in production, while the remaining half is constituted by corporate services, such as research and the HR and sales divisions. While the site director is in charge of the production and plant services, corporate services are not under any hierarchical dependency aside from health and safety procedures and behaviour. Organization is crucial to have different populations live side by side (Interview 12).

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<sup>58</sup> Due to the fact that company decided to remain anonymous, the information presented in the following sections are slightly less detailed in order for the case study not to be recognizable.

#### 5.4.1. *The welfare structure*

Traditionally, human resources management was done directly by the owners, with a more personalistic approach originated in times in which the headquarters were the only site and everyone working in the plant was personally known by the founder. The expansion of the business unavoidably loosened the direct relationship between the family and their workforce, until the point in which a dedicated HR function became essential (Interview 12). Differently from the experience of other proprietorial companies, which remained inextricably clung to the figure of the entrepreneur who directly provides everything in a marked paternalistic fashion, the entrepreneurs were truly “enlightened” when they decided to entrust professional managers (Interview 13). Professionalization has been chosen over personalization. Nonetheless, the owners’ family is always present, resulting in extremely timely decision-making processes, even on minor choices such as *ad personam* arrangements. In addition, they set the agenda for the group, sharing strategies with their management. As the company has never been characterized by the industrial paternalism approach that is a distinctive feature of several “traditional” Italian large companies, a more strategic and professionalized welfare provision started being devised in the years 2000 with the constitution of the HR function. The arrival of a professional HR management has definitely been the first brick in the wall (Interview 12). The fact that employees had someone who’s job was to take care of them definitely boosted their feeling of belonging in the organization (Interview 13). Decisions very much depend on the country under exam, making the fact that the company is Italian even more of a fortune (Interview 12). Even in Italy, on top of the core of corporate level provisions that are extended to the whole Italian population, there are a number of site-specific initiatives that are used as pilots to be then – if successful – extended to all Italian sites. All sites will eventually get to the same point, but with a different timing: as an example, one joined a disease prevention programme while another was working on a risk awareness project. The general approach to new provisions is a bottom-up one: starting from the dialogue with colleagues and small trials in the site, provisions often end up being shared at the corporate level. As interviewee 13 notes, very often companies provide benefits that are linked to their core business, in order to consolidate their image both internally and

externally. This is something that an industrial chemical company has no use in doing. As an example, when the management started considering the provision of childcare services, they realized that on the one hand structures needed to be left outside the plant, as an on-site structure would be too demanding in terms of safety and other requirements; on the other, a large share of workers are men and work on shifts. It has been thus decided to opt for agreements with structures operating in the surroundings. With only two employees interested in the whole site, the management finally realized childcare facilities were not needed within their population, although it would have been extremely “fashionable” to have them. As the company is not interested in gathering popularity, there was no need to proceed in that direction.

*Healthcare.* On top of Fonchim and Faschim, employees access a plan of yearly medical examinations with some degree of customization (i.e. gender medicine and skin check-ups); for the future, the management is considering the possibility to offer Faschim’s extension to the family unit. The sites host infirmaries that are available to employees for their therapies, as well as the social counselling service on demand. A group level agreement implemented the “Wellbeing training”: all employees, with the sole exception of executives, attended classes of self-awareness and communication skills.

*Work-life balance.* Since the early 2000s, with the constitution of the HR function and the arrival of a new manager, time management arrangements have been progressively introduced. Entry and exit flexibility have been implemented for years now, through agreement. As the continuous cycle is undoubtedly the most demanding, schedules for line workers have been completely revised in order to be more suitable to workers, with a significant organizational rearrangement. As a result of an experimentation started in the offices and later extended to research, mothers have the opportunity to ask for a year of part-time work after the birth of a child (Interview 12). Although extensively discussed with union representatives, it has not been yet formalized into an agreement. After case-by-case evaluation, the company provides extra flexibility and other support such as TFR advance payments for specific circumstances, and the possibility to accumulate “holidays debts”. These provisions are unilaterally provided by the management and will not be included into agreements, as they are corporate policies that can be easily revoked once the problem has been solved. If such flexibility

arrangements were to be introduced into negotiation, on one side they would have a precise regulation, but on the other all employees would acquire the right to ask for it, even at the same time (Interview 13). Also, if the management were to write it down, they would be forced to precautionary set more restrictive rules than the ones informally applied (Interview 12). Even unions share the idea that it is more effective to consider cases taken individually, as they trust the management to be willing to find solutions; they bring up for discussion only collective problems (Interview 13). Finally, all Italian workers access a wide range of agreements with service providers and shops for discounted prices, managed at the corporate level and implemented through agreements with local structures. Today, the management is considering tele-work at the end of maternity leave. Still, the opportunities in an industrial chemical site are very few, as most tasks require actual presence. As a general tendency, the management is more sympathetic towards healthcare than of childcare related issues. The company does not obstacle maternity, in fact it favours it through flexibility arrangements; still, the management expects workers to acknowledge the fact that they are making a personal choice, which is very likely to impact on their professional life. The business “keeps on going” even when people are absent, ultimately making it impossible to avoid to some extent the trade-off between maternity and career: it often happens that mothers experience difficulties after coming back as they have been absent for several months, and even after that are not able to commit to their job as much as they would like to (Interview 13). Recently, the management also studied the introduction of a take-away service from the canteen, but soon realized that it implied cooking ad hoc meals resulting in costs that would have been higher than the perceived benefit. The cost dimension is crucial, particularly when the workforce is not too large. Differently than the pharmaceutical segment, such costs are not available to the industrial chemical segment (Interview 13).<sup>59</sup> The management decided to work more on organization than on monetary reimbursements and services.

*Local commitment.* The major site has a “training island” in order to teach jobs to disabled workers. The management worked together with the Province to build a place

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<sup>59</sup> Coming from the pharmaceutical sector, interviewee 13 notices that the culture is very different: pharmaceutical employees think they are “saving the world” as they produce medications. The “medical” atmosphere is what distinguishes it from the chemical sector but, at the end of the day, the latter one much more concrete.



for them to work and learn, hosting today ten people. It is a dedicated area within the plant, in which two social counsellors supervise activities that are in some way related to chemical production, as for instance the management and delivery of personal safety devices to all workers<sup>60</sup>. Those workers have to feel they are useful to the organization (Interview 12). A chemical plant is a workplace with a lot of risks so instead of hiring them in order to fulfil requirements, the company trains them in order to be able to enter the labour market. Still, when the needed characteristics are shown, some of them have been hired.

#### *5.4.2. Negotiation dynamics*

As many as 18% of total Italian employees are union members, with a majority of CGIL, followed by CISL. Only one plant has UIL members. Agreements can be either signed at the group level or at the site level, depending on the topic. Productivity bonuses are likely to be discussed at the group level for the general part, while individual sites sign agreements identifying site-specific criteria. The common ground is constituted by agreements signed with the unions' coordination group and called "framework agreements", on top of which each site agrees upon more specific issues with the RSU (Interview 13). The system is constituted in order to regulate homogeneously all topics that are not site-specific, while leaving discretionality for issues that are strictly related to the organization within each site (Interview 12). Welfare provision is somewhere in between: general guidelines are expressed at the corporate level, while pilot projects and specific implementation procedures might be covered by local agreements. Agreements with service providers are for the whole Italian workforce, while other benefits that are necessarily customized (e.g. office workers can use ROLs (work reductions) on a hourly basis, while line workers on continuous cycles cannot modify their schedule that easily<sup>61</sup>) (Interview 12). When there is the chance, the management prefers to sign corporate level agreements in order to extend new provisions to all sites. Still, it often starts with a pilot project. Each site's general manager is in charge of implementation on the basis of local specificities.

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<sup>60</sup> Before the introduction of the Training Island workers would take their equipment home to wash it; they now have a new service.

<sup>61</sup> After experimenting it, today even line workers can – under specific procedures - use eight hours a year on a hourly basis. The new mechanism has been included in a group-level agreement in order to extend it to the whole production population.

*The company side.* Welfare and organizational innovations are generally introduced by the HR management, which – as interviewee 13 puts it – “is paid to have ideas”. Although ideas generally stem from the management, they are always brought to unions for discussion. The greatest limit of union representation today is being able to make proposals (Interview 12): for a long time they have been asking for information and involvement – which today the management has fully learnt – but they are still lacking, at the site-level, capacity to engage the company and elaborate their own suggestions. The management is often in charge of helping site-level representatives in understanding the issues at stake (Interview 13). Nonetheless, they generally welcome ideas from the management and appreciate welfare proposals, even though they show wariness in discussing productivity bonuses in welfare services. Few years ago, set productivity results were not reached due to the introduction of new indicators; as union representatives were not convinced of them from the very beginning, employees encountered difficulties in cooperating for the desired result. Understanding that, the company decided to still supply the gap between achieved results and the goal set through the provision of vouchers, half of them for gasoline and the other half for shopping. Although the fiscal regulations allowed employees to receive the net amount, most of them continued demanding money. Against this background, the management is now committed to the introduction of a new discipline of productivity results to be distributed in welfare, but it crucial that union representatives understand the opportunity provided by the budgetary law. Another aspect tightly linked to the new regulatory framework on welfare provision concerns the management’s firm belief that benefits should be equally provided to all employees, thus requiring a shift towards a flexible benefits system allowing individuals to choose among provisions. The company does not provide reimbursements and scholarships because not all workers have children or other family dependents, resulting in the risk of “hitting” a share of the population while disappointing the rest. The major risk is that of creating internal fragmentation, which makes someone feel discriminated and produces organizational unease (Interview 12). Scholarships would even require additional work to find shared criteria and evaluate demands, which is very risky as income should also be taken into account. If executives are excludable from certain provisions, it would not seem fair to exclude their kids if deserving. The only way to involve all is to provide vouchers, as

already done in the past (Interview 13). Today, the dialogue with union representatives is consolidated. The HR manager believes that discussing with union representatives is useful in order to overcome the unfeasibility to discuss with each worker and it is thus an opportunity to act in an effective and timely manner. Italian companies also have on their side the fact that decisions are not taken elsewhere; they are elaborated here and take into account industrial relations from the very beginning of the decision making process (Interview 12). As for the aims of welfare provision, initiatives build a strong sense of belonging: motivated workers produce more and ultimately cost less (Interview 13). On the other hand, for employees a good working environment is priceless; still, line workers continue to be more inclined to demand money over welfare, as they are in greater need of wage integrations.

*The union side.* The company is a proprietorial enterprise that until few years ago did not display any industrial relations unless strictly required, to the point that they did have neither welfare arrangements nor productivity bonuses. Traditionally, the company did not develop any welfare provisions - not even unilateral - as it was not part of the its culture. Industrial relations were characterized by low propensity towards sharing and informal communications (i.e. meetings were limited to what was necessary). On the side of the company negotiation was done only if strictly necessary, while union representatives were not proactive (Interview 18). Bargaining has always been built around wage exchange (Interview 19). Then, things started to change with the arrival of a new management, particularly the new HR director. When the owner passed on the administration to its sons and eventually died last year, the company radically changed thanks to the input of a brand new professional management. This coincided with the start of actual industrial relations leading to negotiation practices (Interview 19). Bargaining is much more “practical” than in a pharmaceutical company. Still, things changed significantly since it started being handled by a professional management, which nonetheless has to report to the owners (Interview 18). It also has to be noted that together with the arrival of the new management union representatives also changed, leaving room for younger generations. Before that time the clash between an old proprietorial approach on the side of the company, and a highly adversarial position on that of CGIL representatives – defined by interviewee 19 as “warmongers” - had been unavoidable. Both parties’ interlocutors changed, allowing for a brand-new relationship.

Today, the CEO in person comes to the meetings in order to explain to union officials how the company is doing. The new management seems to believe that discussing with union representatives allows solving problems in advance rather than being an obstacle on their way. Still, managers have to take into account the owners' beliefs, particularly because they are likely to watch over their conduct in a way that is very different from what a multinational headquarters do. Talking about brand reputation, interviewee 19 suggests that welfare is, for industrial chemical companies, rather a way to "purchase" tranquillity. The group does not sell to final consumers, and on top of that is a chemical factory, characterized by higher risks associated with the production. As chemical companies have been frequently seen as dangerous, they are not interested in publicity. In fact, they gladly avoid it (Interview 19).

#### *5.4.3. Main findings*

The company started out in the early 1900s as a family business, and it is still owned today by the founder's family. After the first moves towards internationalization, the family was "enlightened" enough to come up beside a professional management, among whom the current HR director. Since then, the propensity of the company towards negotiation and sharing with union representatives radically changed, paving the way to a more strategic approach towards welfare provision.

*Company specific.* The main turning point towards both new negotiation dynamics and the development of welfare benefits is constituted by the passage from a family-run business to a professional management. Until then, negotiations were kept to a minimum and there were no informal relations between the parties. A new, professional staff hired in the early 2000s introduced the company to a strategic approach towards both welfare and industrial relations. Welfare benefits are now seen as a tool to contain costs without cutting wages, as well as a way to improve performance and create a more suitable work environment. Industrial relations have been "brought back" as a way to jointly solve problems and to overcome the impossibility to deal with individuals. For the first time, unions are seen as an ally to define corporate rules rather than an obstacle. It has to be noted though that together with the arrival of the new management the RSU underwent a generational turnover, leaving both sides with new, and more reasonable, interlocutors. As welfare provision was not in the company's tradition, benefits started

being introduced in the 2000s. First came healthcare, then other initiatives and some time flexibility. Over the whole experience, the cost dimension proves to be crucial. Aside from the use of pre-existing structures (e.g. the on-site infirmary as a place for check-ups and other therapies), benefits tend to concentrate in the area of time management and work flexibility rather than in that of reimbursement and services, as shown in table 5.4.<sup>62</sup>

Table 5.4. XXXX's summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
Pensions		
<b>Healthcare</b>		
extra payment		
✓ additional programmes	corporate	both
<b>Work-life balance</b>		
money/services		
✓ time	site	unilateral

*Sector specific.* The case study offers precious insights on the differences between the industrial chemical and the pharmaceutical segments. The former one, as the experience shows, has as distinguishing mark the necessity to contain costs and boost productivity. Welfare arrangements are aimed at achieving both, and are thus very sensitive to the costs and to the outcomes they produce in terms of direct organizational betterments. More than once, interviewees emphasize the fact that the company is not interested in gathering popularity. In fact, it is better off without. Welfare is not to be seen as a choice to build brand reputation or to win over consumers, as chemical companies generally prefer to remain in the shadow. It is a much more concrete strategy to help people cope with demanding tasks and inconvenient shifts. Differently from pharmaceuticals, which flaunt massive CSR and international cooperation programmes, chemical industrial firms seem to be more concerned with the local dimension. Rather

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<sup>62</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance (“budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

than seeking widespread notoriety, they build stable relationships with local communities in order to avoid the reputation of being harmful.

## Chapter 6

### The analysis: case studies

#### PHARMACEUTICAL COMPANIES

##### Introduction

Chapter 6 concludes step two of the empirical research, presenting the remaining case studies, belonging to the pharmaceutical sector. The five companies under consideration are Sanofi, Novartis, Bayer, Roche and Bracco. Two of them, Novartis and Roche, are Swiss multinational enterprises, while Sanofi and Bayer are, respectively, French and German. Bracco is an Italian multilocalized firm characterized by being run by the founder's family and thus displaying a marked personalistic approach. With the exception of Bayer, all of them have a large office population and fewer line workers in the Lombardy sites; nonetheless, three out of five have at least one production site located in the region.

##### 6.1. Sanofi, Milano

Sanofi is a global multinational group operating in the healthcare sector, constituted through several mergers and acquisition. The original company that initiated the enterprise was Laboratoires Midy, founded by a family of pharmacists in 1718 and later acquired by Sanofi. Since then, Sanofi developed its global presence in three main areas of production: pharmaceuticals, human vaccines and animal health. Major changes occurred in May 1999, when Sanofi merged with the group Synthélabo, and in August 2004, when Sanofi-Synthelabo acquired the Franco-German group Aventis resulted from the 1999 merger between Rhône-Poulenc and Hoechst Marion Roussel. Finally, in 2011, the group formalized its new name Sanofi. With its three main production divisions - pharmaceuticals, human vaccines and animal health – the company has 33,770 million euro of net sales (2014), over 27 of which come from the pharmaceutical segment, making Sanofi the fourth largest pharmaceutical company in sales worldwide. Working in over 100 countries, the group employs over 110.000 people in 107 industrial sites and over 20 Research and Innovation centres. In terms of Corporate

Social Responsibility, Sanofi activated 300 access to care projects in 80 countries catered for 190 million beneficiaries (2014). In Italy the group has two administrative offices, in Milano and Modena, and six industrial sites - Origgio (VA), Garessio (CN), Anagni (FR), Scoppito (AQ), Brindisi, Noventa Padovana (PD) – employing over 2500 workers. Milan is the country headquarters and hosts the animal health company Merial and the Clinical Study Unit centre for the “Adriatic Cluster” (Romania, Bulgaria, Greece, Slovenia, Croatia, Serbia, Albania, Bosnia Erzegovina) for clinical trials. Out of the 2540 employees in Italy, 770 work in the Lombardy region between the site (Origgio), Milan’s offices and the external network of pharmaceutical representatives. In Milan the workforce of Sanofi and Merial amounts to 450, while Origgio employs around 200, leaving 120 pharmaceutical representatives. Around 46% of employees worldwide are women, while in Italy they are around 40% of the workforce. In Milan, they are around 50%, while they are fewer in Origgio. Today, Milan is the location that benefits from most welfare arrangements, particularly with respect to the more recent work-life balance initiatives. This is motivated by the fact that the other sites are still characterized by a marked “local dimension” while Milan gathers people from all over Italy who do not always have family support, as well as by the work organization that varies between offices and production sites (interview 17). As an example, employees in Origgio seem to be less interested to summer camps for kids than the ones in Milan (Interview 17). The company provides more services in the office than in the production sites, and it does so for two main reasons: because of the type of job, which implies the permanence in the office for the whole day, and it is far more sensitive to individual performance than running a machine, which ultimately determines production times; secondly, the real investment in the plants is made on technology and machineries rather than on human capital, which is secondary to production (Interview 19). The individual contributions that office workers, just like pharmaceutical representatives, bring to the company is at the end of the day much higher than the one of factory workers, who are purely instrumental to the technology they assists. In the office, the company behaves “like a mum”, providing everything workers perceive to be useful up to a point that they do not understand the importance of joining the unions (Interview 19). The analysis focuses in particular on the Milan’s office, although frequently placing it in the Italian context.



### 6.1.1. *The welfare structure*

The global headquarters set general guidelines, asking to the national branches to seek homogeneity with respect to welfare provision across the country and particularly among the different categories. More than once the general management asked to adapt insurance policies for supervisors (*quadri*) and managers (*dirigenti*) to the rest of the population. Of course, they were forced to take into account provisions set at the national level by the CCNL for managing positions. Although welfare provision is very rich with respect to the variety of initiatives in place, today benefits are not part of a more comprehensive “welfare design”. From time to time the management used to bring on new projects, without them being necessarily related to one another (Interview 17). As Sanofi is a French company, the headquarters are used to a generous public welfare system that traditionally protects families. The French culture gives that family support through reimbursements and financial measures has never been as a priority. This is the main reason why they had always been keener on supporting the two sectoral funds Fonchim and Faschim. Differently from other Italian large companies, Sanofi never built over the years a more articulated company-level welfare system: traditional Italian proprietorial companies have always been aware of the fact that the State did not provide comprehensive protection, and naturally adapted to the state of things (Interview 19). A French company as Sanofi did not feel, instead, pushed towards the implementation of a comprehensive system of protections and thus oriented its action towards topping-up the sector-level funds. Sanofi’s welfare does not have a precise structure aimed at responding to specific needs, but it is the result of the sum of a variety of activities disconnected from one another (Interview 19). Over the last two years the company’s perception started to change: last year it has been created a specific position exclusively dedicated to the study and implementation of welfare benefits. Ultimately, the decision to move towards a new “welfare philosophy” has to be attributed to the national HR manager, a woman who definitely initiated change since her arrival in 2010. The advent of a new national HR management has been able to influence policies, particularly as she is a woman and shows greater sensitivity on some issues than the manager who preceded her. Before that time the Italian branch was “ages behind” (Interview 17). Although it is a foreign multinational company, it has to be

noted that today the Italian branch is administered by an Italian HR manager – who knows the national context – and even her boss is Italian as well and used to work in FIAT before. Today’s management thus has a marked national connotation, which not all multinationals’ Italian branches have. Although it cannot be a coincidence that welfare became a priority only a few years ago, the legacy of the French approach remains clearly identifiable (Interview 19). Pharmaceutical companies are not necessarily “better” at welfare provision than other sectors’ firms – particularly with respect to the great effort towards communication, which in Sanofi is still underdeveloped – but the fact that the pharmaceutical sector is “rich” certainly affects the generosity of the systems (interview 17). In addition to that, Sanofi developed great attention to the wellbeing of its collaborators, “spoiling” them like a mother does with her children. Unfortunately this leads to a situation in which employees are not aware of what they have, what they could benefit from and the value of it. This is why the management decided to stop “shooting out” initiatives and to take some time to map and reorganize the existing ones into a coordinated effort, observing the fact that colleagues were often confused and disoriented (Interview 17). This is the time in which the national management started working on internal communication through meetings and events, with a double goal: explaining the offer and facilitating its use, and conveying the idea that it was not to be taken for granted. The management even introduced cost participations for some initiatives and benchmarked the internal offer with respect to both public and privately-run services nearby (e.g. the English language summer camp), in order to rise awareness of the actual value they were indirectly transferred. In 2016 the “total reward statement” project<sup>63</sup> has been carried out for the third year with the aim of collecting the people care offer, increasing transparency and raising awareness on the actual value of the compensation system as a whole. Through welfare provision the company wants to convey the idea of a trade-off between the time and commitment demanded and the caretaking effort: it is a motivational strategy and a way to increase

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<sup>63</sup> The Total Reward Statement is a paper document that each employee receives containing the detailed economic value of everything she receives from the company, not only in terms of wage. The statement communicates the precise expense borne by the company with respect to all compensations aspects - such as services, welfare provision, insurance policies, and fringe benefits as cars, smartphones and laptops – and sums their value with wage and bonuses in order to provide a comprehensive value. It should not, be seen as a form of presumption on the side of the company but rather as a transparency effort which helps orientate employees even in the event they decide to seek another job position (interview 17). Also, it shows the company’s investment on its human capital.

the quality of work carried out at the office. It is definitely not a cost-containing strategy (Interview 17). Welfare provision can be distinguished into a “macro-offer” catered for all Italian employees and a “local-offer” that each site manages on its own. The latter one is shared with Milan’s headquarters but it is not directly organized there. Against this background, the effort is doubled: the management is seeking on one side to homogenize “core” benefits - insurance products and healthcare, pensions and financial support – on the other to maintain intact “local initiatives” that are customized and often managed by the individual sites (Interview 17). There will be a first, common pillar on the basis of which each site will be able to maintain its bottom-up provision tailored upon local needs as well as on the job specifics, as for instance the medical check-up programme for factory workers. Supported by the corporate level, the national management also decided to restructure the benefit system seeking greater homogeneity between categories of workers. The only existing distinction in the welfare provision is related to insurance policies, as the company has to abide by what envisaged by the CCNL for managers. All other benefits and services are provided to the whole workforce (Interview 17).

*Healthcare.* As a pharmaceutical group Sanofi shows great concern with employees’ health and safety and thus aims to offer protection to the workforce in the areas of wellbeing and prevention (Interview 17). Healthcare provision is thus the most developed area of intervention, built around support for healthcare expenses, disease prevention and customized periodical check-ups, flu vaccination and insurance policies. Health insurances is undoubtedly the area in which the company devotes most welfare’s financial resources in order to provide workers with round-the-clock protection, from sickness and work-related injuries to all sorts of accidents with no excess (Interview 17). Back in 2011 the company provided only a work-related injury protection and witnessed over the year more than one case of employees affected by serious illness that was not covered by the existing policy. As colleagues started organizing whip-rounds for supporting the families, the HR manager decided to revisit work-related injuries’ in order to be able to provide life insurances. On top of that, the company provides an extra “solidarity contribution”. The national HR manager has been able to extend protection to a wider variety of health-related issues because the corporate level is not only very sensitive to healthcare but also committed to the homogenization effort. In

particular, they pushed for reducing the gaps among categories with respect to insurance policies; in order to do so without extra costs they sought the adaptation of the ones offered to higher positions. As a pharmaceutical group Sanofi puts its greater effort in health protection, which is definitely the “diamond point” of its welfare provision (Interview 17). A new project on nutrition, sports and lifestyle - to be called Be Well - is currently under study. It will be made of medical prevention and examinations, agreements with gyms and fitness centres and dietary guidelines supported through the canteen’s daily menu.

*The 2011 agreement.* The agreement signed on July 26, 2011 by the parties in the Assolombarda offices in Milan is in force until December 31, 2013, for employees of Milan and the external network. It is divided into three areas: industrial relations, productivity bonus and corporate social responsibility. In the first one, the parties establish a bilateral observatory to meet at least once a year to jointly discuss information and company’s strategies. The second paragraph sets the rules for calculation of yearly productivity bonuses and distribution. In the final part, dedicated to CSR practices, the parties not only agree on promoting CSR according to the CCNL of the chemical sector, but also recognize the centrality of health and old age protection as the main pillars of the company’s people care efforts. Seeking to promote adhesion to the sector-level funds, starting on January 1, 2013 employees can choose either an additional 0,15 payment to the pension fund FONCHIM or the payment of the 288 euro for the adhesion of the family unit to the healthcare fund FASCHIM, per year. As of January 2014 contributions increase of an additional 0,10 for FONCHIM and to 365 euro for FASCHIM.

*Work-life balance.* When it comes to the area of work-life balance, the tendency is to prefer flexibility and time-saving arrangements - such as the prescriptions delivery at the office and the on-site social counselling<sup>64</sup> - to structured childcare services (Interview 17). Milan is characterized by the presence of a variety of time management and flexibility measures as the entrance from 7.30 to 9.30am and exit without necessarily having worked 8 hours for the single day. Each employee has to guarantee presence for 6 hours per day, given that she has to work 38 hours a week, to be accounted for monthly. A smartworking project has been officially launched in the

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<sup>64</sup> The social counsellor offers both psychological help and orientation and advice for dealing with family caring responsibilities and socio-sanitary needs, as well as assistance with paperwork.

occasion of the first Smartworking Day<sup>65</sup> in 2014, and union organizations acted as sponsors of the new opportunity. The first experimentation envisaged the limits of 50% in each direction and a maximum number of smartworkers not greater than 20% of total employees of the office. Requests have been, since the very beginning, higher than foreseen and such limits have been overtaken with the consent of the HR manager who always approved requests. The number of smartworkers, who were between 60 and 70 in 2014 are, in 2016, 170. Although Sanofi's smartworking was born in the French offices and their experience had been illustrated abroad, the major push for introducing it in Milan – together with a great deal of work on culture and awareness – ultimately came from the national HR management. Introducing it permanently has not been easy, mostly because of managers' concerns as they felt more in control with the actual presence of their teams in the office. On one hand, supervisors did not fully embrace such organizational changes, as they preferred the actual presence and ended up relying more on people at the office who felt thus overly exposed; on the other, people at home felt the pressure to demonstrate their productivity and often ended up working longer hours than before. It had been necessary to guide the former ones to a new evaluation system based on results and to accompany the latter in the correct interpretation of their role. As a result of the introduction of smartworking, requests for part-time – that the company did not normally accept other than for very exceptional circumstances - significantly lowered (Interview 17). The programme has been renewed in an experimental fashion every six months, but in April 2016 it should be stabilized through a specific agreement.

*Other benefits.* Aside from healthcare and time management, all other initiatives – particularly the “local” work-life balance and financial support arrangements, as for instance Milan's summer camp – are directly managed by the company (Interview 17). Among them, the “my card Sanofi” project which provides all Italian employees with a Mastercard credit card giving access to discounts and favourable treatments in over

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<sup>65</sup>The smartworking day *Giornata del Lavoro Agile* is an event organized every year since 2014 by the Municipality of Milan in order to promote work-life balance through flexible time arrangements; companies can subscribe to the event and participate allowing a selected number of employees to work from home and asking them to later fill a questionnaire about pros and cons. Smartworking practices consist in time and place flexibility and do not entail a modification of the employment contract in place.

30.000 shops with a cash-back system.<sup>66</sup> Milan also has a CRAL, a recreational and welfare centre for workers, that manages recreational activities such as agreements with theatres, the library and the sale of discounted goods during the lunch break through agreements with shops and other providers. The company provides several diversity and gender equality programs; the HR director is also very sensitive to sponsoring training opportunities. In other Italian sites, the local HR established initiatives as for instance study prizes for employees' children on the basis of school grades.

*Future perspectives.* For the future, the company wants to move towards a comprehensive flexible benefits system to the whole workforce, eventually using the productivity bonus as a financing source. Today, Merial's 160 employees in Milan are part of a pilot project on flexible benefits in order to try out a more complex system in terms of fiscal regulation. The experimentation, started in January 2016, also provides for the possibility to allocate a share of the sum from the productivity bonus for the year 2015 to welfare benefits, including education and childcare services. It has been undertaken in two steps: the agreement on productivity bonuses (2000 euro) and a second one on the allocation of 200 euro out of the 2000 on the flexible benefits system. It has to be noted though that the bonus had been purposely raised with respect to the previous years' one in order to allow for the introduction of the pilot, exploiting the favourable taxation mechanism on welfare benefits (Interview 17). With regards to assessing welfare returns, the management has not yet run a survey on welfare satisfaction, but interviewee 17 noticed that the number of employees that use the services provided increase from one year to the next. The most appreciated ones seem to be related to public transports and time flexibility, which lowered absenteeism and led to a perceivable cultural change. Also, the turnover is extremely low. In addition to "internal" returns, interviewee 19 is convinced that Sanofi, as a pharmaceutical company, pursues an "external" strategy related to brand reputation. Pharmaceutical production concerns healthcare and thus calls for a particular image: companies like Sanofi sell either to the consumers or to the State, exacerbates their need for a good

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<sup>66</sup> While the company paid a service provider for the set up of the initiative and the access to the providers' network, it does not provide any monetary resources on the card itself. It is a discount system that works after the actual purchase: the buyer pays for the full price of the good and afterwards she will find on her card a deposit of the amount of the discount agreed upon. The choice of outsourcing the service came after the acknowledgement that following agreements all over the national territory would have been an excessive burden on Sanofi's internal administration.

brand reputation; it would be slightly different if they were selling pharmaceutical compounds to third companies as contractors. After all, “big pharmas” live on their image (Interview 19).

### *6.1.2. Negotiation dynamics*

Each Italian site has its own negotiation process, which results in site-level agreements. Still, there are some that are basically the same for all sites, such as the ones introducing healthcare and insurance policies, and other that are instead specific for each. The latter type is mostly characterized by the regulation of site activities as for instance time schedules and flexibility, but it can also encompass some local welfare initiatives, when introduced in negotiation. Sanofi’s welfare negotiation has been carried out partially and only for limited areas of intervention; all other benefits are to be considered corporate policies that have been unilaterally implemented over time (Interview 19). In general terms, Milan’s office has more flexibility and time-off for family reasons while the sites tend to implement more support for family expenses as for instance the prize for kids’ school performance. Aside from healthcare programmes, insurances and time schedules, the other welfare initiatives are not introduced through negotiation. Local initiatives related to, for instance, parenthood and childcare (e.g. summer and winter holiday camps, orientation for students in Milan) are unilateral and set up directly by the local management without informing union representatives, as they are seen as being of general “value”. Not only they are not agreed upon with union representatives, they are not even discussed with the corporate management. While the Italian management does not consider necessary to pre-emptively inform the unions, union representative seem to be extremely attentive when dealing with schedules, time off and the discipline of leaves rather than with this kind of people care company-run initiatives (Interview 17).

*The company side.* Between the national HR management and union representatives there is today a relationship of trust, which allows the former not to worry about having to share all steps unless the latter one feel it is in their competence. A shared approach was necessarily taken, for instance, when introducing one day a week of smartworking: the initiative has been studied and presented to the workforce as a bilateral project. In the case of the latest policy introduced, life insurance in 2011, the corporate level did not oppose the decision but the final outcome has been reached thanks to a marked

positioning of trade union representatives who strongly backed up the choice brought forward by the national management, understanding that the proposed trade-off would be beneficial for workers (Interview 17). This led in turn to the formalization of the insurance treatment in a company-level agreement signed in 2011, along with check-ups and medical prevention. As the strength of unions is very significant, the company feels the need to involve them in all decisions that have a direct and meaningful impact of employees and work organization in order to not to have ex post “surprises” (Interview 17). It is not a coincidence that the pilot project on flexible benefits linked with the productivity bonus has been introduced first in Merial, which is a smaller company in which unions are less influential. Sanofi’s unions are much more concerned with productivity results and criteria for the definition of bonuses and felt that the proposal was aimed at achieving savings. Actually, the company invested resources for the set up of the flexible benefit platform, outsourced to a service operator. On top of that, the complexity of dealing with the fiscal regulation makes it extremely demanding for the company’s administrative system. Although the idea is that of extending the same flexible benefits system to Sanofi – that was originally the chosen company for experimenting the programme - it has been delayed by the wariness of union representatives, who demanded further clarifications on several aspects and eventually involved national trade union organizations for support. The main issue for union members has been that of understanding the company’s proposal fearing it was a “scam” (Interview 17). Also, the fiscal complexity – defined by interviewee 17 as “nit-picking” - did not help in conveying a clear offer, which could have accelerated the negotiation process despite the competence of some union members on the topic. Both the attempt to build a more comprehensive welfare system and the decision to do so directly involving union representatives have been carried forward by the national HR management but, while the first one has been initiated by the current HR manager, the collaboration with unions is a legacy of the old manager who had been in office until 2010. He was actually even keener at sharing with workers’ representative than Dr. Bruno is, but she definitely introduced more modern and comprehensive welfare benefits to the Italian sites (Interview 17).

*The union side.* Agreements provide extra payments to Fonchim and Faschim with respect to what disciplined in the CCNL, while there is a wide variety of other benefits



that are directly implemented by the company without negotiation. Provisions as the Christmas gift and on-site counselling services are unilaterally decided upon by the company, and are to be considered “benefits” stemming out of corporate policies rather than “welfare” provision (interview 19). This is the main reason why union representatives seek for the future to build a clear “welfare plan”, mapping the current provision and identifying future actions (Interview 19). Union members have been convinced for a while of the necessity to promote a shared re-organization effort in order to eventually distinguish management’s policies from welfare and map the whole provision. Also, they are committed from now on to the reorganization of welfare on the basis of the new regulations introduced by the budgetary law for the year 2016. Until now welfare has been something “on-top” and unions did not feel the need to step in and demand a direct involvement; today, in light of the new opportunities, they feel it has become their responsibility to watch over, particularly when implying the transfer of resources from the productivity bonus to welfare benefits. The new budgetary law for the year 2016 provides significant incentives to negotiated welfare, so that now both sides have opportunities to exploit in terms of negotiating what was before unilateral (Interview 19). It is crucial though to thoroughly discuss how the link between welfare provision and the productivity bonus will be articulated. The first necessary step is the correct identification of the bonus and its final amount; then, it would be possible to decide whether individual workers can choose to use a share of it in order to purchase welfare benefits. With over 3000 employees in the Italian sites, it is impossible to assume that everybody has the same needs and preferences: each employee has to be absolutely aware of the possibility to choose cash and of the fiscal implications associated with her choice. Interviewee 19 also believes that, to some extent, the law “liberalized” welfare provision to a point in which its original purpose is strongly downsized. In the past, the company had to define a budget to allocate on welfare policies and a set of initiatives worth financing for its community; it was something *on top* of retribution. Today, a share of workers’ wages can be transformed into welfare, significantly switching its source of financing. “Liberalizing the welfare market” allows companies to allocate to welfare measures that benefit from fiscal incentives a share of wage, not an amount that is additional to it (Interview 19). It is today a share of something that was allocated before to something else, not an *ad hoc* additional fund.

Such novelty requires a radical change in perception on the side of employees, who hardly see welfare provision as part of their retribution, particularly because in our national culture caretaking pertains to the individual and family dimension and it is managed informally (Interview 19). The actual reason why welfare provision has become such a priority for companies relies in the fact that resources are lower: welfare is a way to pursue cost containment while still providing something that has a perceived value akin to that they were used to received before. Fiscal incentives are crucial. In the latest budgetary law, the Government “opened” so much on productivity bonuses that, paradoxically, the risk is that of discouraging the spread of welfare as employees do not really benefit significantly from it. Particularly if considering that the fund allocated by the Government to pension de-contribution is very likely not to be sufficient for all potential requests.<sup>67</sup> Against this new background, unions are going to demand that savings from fiscal incentives are in turn invested in what we consider to be the “real” welfare, which is to them *Faschim* and *Fonchim* (Interview 19). Unions’ concerns on the novelties introduced by the budgetary law let transpire a sceptical approach towards the actual functioning of the new public incentives. In addition to this, interviewee 19 believes that the real benefits of developing welfare provision will be reaped by the increasing number of companies and consultants that have as a core business the provision of welfare systems to companies, as they are most likely to be able to manage the fiscal complexity. After over a decade in the pharmaceutical sector interviewee 19 witnessed several cases of outsourcing - such as the ones occurred for pharmaceutical representatives who in more than one cases passed from being employees to external agents – which ended up to be very harmful on the company’s financial sustainability. Similarly, the outsourcing of welfare administration is likely to lead to a loss of control over processes and financial flows. It is likely that increasing administrative complexity will also discourage workers from exploiting benefits that they would use instead if the company directly provided them. There is also a due distinction to be made between low-income workers, who generally opt for money as they are in need of cash

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<sup>67</sup> While the conversion of the productivity bonus allows companies to save on pension contributions that would be paid otherwise on the whole bonus amount, employees have a saving of only 10% taxation plus their share of pension contributions, making the whole mechanism more advantageous for the company. It has also to be noted that, choosing welfare provision, employees “lose” the companies’ share of pension contributions, resulting tomorrow in lower pensions. This would not happen if the governmental fund for de-contribution would be able to cover for such lost payments.

integrations, and medium-to-high income individuals who are more able to exploit such arrangements, as they already spend more on services and are more likely to understand incentives. Unions fear that company welfare arrangements end up favouring the latter group. It is precisely for this reason that occupational welfare schemes are more developed in the chemical sector than other ones (e.g. metalworkers, textile) and, in the same fashion, in the pharmaceutical segment than the industrial chemical one (Interview 19). Another feature characterizing the pharmaceutical branch with respect to the industrial chemical one is the meaningful presence of pharmaceutical representatives within the workforce, as they hold strong negotiation influence. Not only they join unions more than employees working in the sites, but they are very determined in their claims. Being spread on the national territory without working in teams makes them feel they are “alone against the company”; this feeling leads them in turn to join unions as a way to build aggregation (Interview 19) and push through their specific demands. These group-building dynamics result in a significant bargaining power that to some extent influences negotiation processes for the whole workforce. On one hand they provide union representatives with the power to negotiate as an influential counterpart to the management, on the other they have requests that are not compatible with other employees’ ones. Pharmaceutical representatives are also influential because of the constraints they impose on the company’s retrenchment efforts: while layoffs in a production site can be easily attributed to production-related issues (i.e. the plant or division closes, its workers are let go), it is much harder to clearly determine which of the representatives has to be let go (i.e. the job will be always carried out, choosing the person to get rid of is the result of a more discretionary decision), exposing the company to the risk of lawsuits. What is crucial though is the fact that aside from the nature of the demands in terms of benefits (i.e. representatives are concerned with company cars and technological devices; other employees with on-site facilities as the canteen, time off and holidays), the group dynamics they put in place are largely the same, and they tend to activate as allies when the company seeks retrenchment. Where there are additional resources to be allocated the two groups tend to develop competition with one another, as they perceive that it is a zero-sum game. Where instead there is something to lose on both sides it is very likely to observe cooperative dynamics as representatives are likely to be able to drag negotiation for the ones “below” (interview 19). Another

distinguishing feature of the pharmaceutical sector is its members' concern with image and brand reputation, which leads them to work very hard on communication. Especially when considering that their image has been lately hit by several scandals related to the cost of medicines and their extremely high returns, as well as their tendency to invest less and less in research and innovation since the early 2000s (interview 19).

### *6.1.3. Main findings*

As showed above, interviews provided a variety of useful insights in order not only to retrace Sanofi's experience but also to draw more general intuitions on the specificities of the sector under study. As before, results of the interviews will be divided into case specific and more general findings.

*Company-specific.* Sanofi's commitment towards a new and more comprehensive welfare system is the by-product of two factors: a new markedly Italian national management with a clear determination towards it, and the need for a reorganization of the existing provision. The latter is explained in terms of general efficacy - as an attempt to value more what already in place - by the management, while the unions highlight the lowering of financial resources calling for new ways of saving without affecting wages, which is also showed by the attempt to build a new welfare system based upon the use of productivity bonuses. Still, the change in the national management has been regarded as a turning point towards the mitigation of the French cultural setting favouring healthcare protection over work-life balance. The distinctive Italian cultural background favoured the inclusion in the managements' agenda of a comprehensive rethinking of welfare provision towards new need such as those related to work-life balance. In terms of industrial relations the company displays a "mixed" approach: the management seeks unions' cooperation in the core areas such as healthcare provision – particularly through the sectoral funds – and time management, while maintains higher discretionality over work-life balance services and other local initiatives. As both parties see local arrangements and on-site services as corporate policies, there is no clash over them, allowing the national management to exclusive jurisdiction. This state of things appears to be radically changing, though, with the management's new "flexible benefits" approach, particularly after the approval of the budgetary law for the year 2016. With

the company “threatening” to alter the yearly productivity bonus as a new source of welfare provision, unions feel not only entitled to step in but also pushed to be extremely cautious. The implementation of the new flexible benefits system has been delayed in Sanofi and eventually introduced only as a pilot project for Merial. With regards to welfare provision (table 6.1)<sup>68</sup>, the main area of intervention still is healthcare protection: following the guidelines of the headquarters, the company offers a wide variety of insurance benefits and other initiatives (i.e. check ups and screening). It is motivated by the very nature of the company that, as a pharmaceutical group, shows – for both long-time tradition and brand reputation – particular concerns with healthcare. Also, as a French company Sanofi is used to a generous public pillar and for this reason never developed a more comprehensive system focusing on social risks other than health protection (interview 19). Looking at work-life balance, Sanofi’s provision is the result of a number of local initiatives added up over time without a coherent welfare design. Most of them concern time flexibility, while services are still very few and developed on a local basis mostly without unions’ involvement.

Table 6.1. Sanofi’s summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
✓ Pensions	site	negotiated
<b>Healthcare</b>		
✓ extra payment	site	negotiated
✓ additional programmes	both	both
<b>Work-life balance</b>		
✓ money/services	site	unilateral
✓ time	site	negotiated

*Sector-specific.* Interviews identify a set of distinctive features of pharmaceutical companies with respect to the set up and the characteristics of company-level welfare systems. First of all, Sanofi’s experience clearly shows the primary importance of brand reputation: as pharmaceutical producers they have to display high levels of people care,

<sup>68</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance (“budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

with particular regards to healthcare that still represents their main area of intervention on welfare support. Secondly, the headquarters' cultural background also plays a role in determining policies, suggesting that the group's nationality has a significant impact on the features of welfare provision. As a French group Sanofi traditionally focuses more on healthcare – as it is its core business – and does not fully acknowledge the importance of family support as it is something that should be carried out in the public sphere (interview 19). Once again, the role of pharmaceutical representatives comes into play: although having different demands than the rest of the population, their strong mobilization capacity is able to “drag” negotiation. When there are extra-gains the two groups – representatives and site workers – tend to develop adversarial dynamics; when the company seeks retrenchment, they are more likely to stick together. As a last note, interviews were able to collect the parties' first impressions on the latest regulatory developments included in the 2016 budgetary law. The company's management definitely sees them as a great opportunity to revise actual provision and particularly to push forward a design that they already had in mind and had not been able to introduce yet because of unions' concerns. Still, a clear judgement on the overall complexity of the fiscal regulation shows through. Unions are much warier, as they fear that novelties will translate in companies' savings at workers' expense.

## **6.2. Novartis Pharma, Origgio (VA)**

Novartis is a global pharmaceutical company based in Switzerland. Although it was constituted in 1996 by the merger between Ciba-Geigy and Sandoz, the companies of the group have a long history, as Geigy was founded in Basel in the 18th century, Ciba in 1859 and Sandoz in 1886. Today, the group is made of Novartis Pharma, Sandoz and the latest arrival Alcon, acquired in 2011. While Alcon's manufactures eye care products, Sandoz and Novartis are global leaders in the pharmaceutical sector. The first one produces for the generics industry, while the second has a portfolio of more than 50 key marketed products. With over 119 000 employees worldwide, the group has four sites in Italy: Origgio (VA), Torre Annunziata (NA), Rovereto (TN) and Milan. While Origgio and Torre Annunziata are Novartis Pharma sites, Rovereto is a Sandoz one and Milan's office is the headquarters of Alcon. The Italian presence of Novartis Pharma SPA is articulated in two sites, Origgio (VA) and Torre Annunziata (NA), plus the external network of pharmaceutical representatives. Torre Annunziata has around 400 employees. Origgio has a total workforce of around 1200 people: 500 are office workers, while the rest are pharmaceutical representatives dislocated on the national territory. As agreements are signed at the site level Torre Annunziata has its own. The same goes for the other companies Sandoz and Alcon. The following section will thus focus on the Origgio site, although it will be able to provide interesting insights through the comparison with Alcon, that displays the latest Italian company-level agreement signed within the group.

### *6.2.1. The welfare structure*

The core of welfare initiatives is strictly unilateral, as a "traditional" feature. The company's history of mergers and acquisitions led to the assimilation of a variety of benefits brought in by each company, which came along with its "pride and joy" of welfare provision. This would especially happen in times of economic growth (Interview 6). Novartis does not have a uniform welfare plan: each company of the group tends to maintain its original tradition built in different historical moments. Where possible, benefits have been aligned though enlargement, but this of course resulted in a cost increase that is no longer possible (Interview 6). Up to now there had not been any corporate-level guidelines, but today the headquarters are starting to move

towards greater harmonization. The only homogeneous treatments concern healthcare and disease prevention policies, while for the rest of local provision the attempt is that of making treatments uniform in a way that favours financial sustainability (Interview 6). Both sectoral funds, Fonchim and Faschim, cover over 50% of Origgio's employees; the company does not provide extra payments other than what envisaged by the CCNL. Supervisors (*quadri*) also have an additional healthcare insurance co-paid for by the company that integrates the Faschim. Although the corporate level did not impose specific guidelines with respect to welfare provision, repeated acquisitions periodically resulted in partial adaptation efforts. Novartis shows high sensitivity to the social dimension through a variety of internal policies, coupled with the presence of on-site services in the Origgio site (Interview 9). Some of these policies come from the headquarters tradition, which have always considered such services as an added value, while other have a local origin. In fact, the national management is in charge of applying more general guidelines coming from the corporate level and it is thus the ultimate decision maker on the introduction of specific policies. It is with the national management that union representatives can play a significant role contributing to innovation (Interview 9).

*Local initiatives.* Origgio's employees access the on-site gym and summer camps for children in Italy and abroad with little co-payment<sup>69</sup>, and the infirmary open for both work-related injuries as well as for screening programmes and disease prevention campaigns. Welfare services, such as for instance the summer camp for employees' kids, have been historically continued forward through the years. Despite the rising idea of a harmonization effort the group is not there yet, partly due to the high level of internal complexity. Benefits and services are traditionally provided and mostly not revised since then (Interview 6). Unilateral services encompass advance payments (e.g. wages and TFR) for specific circumstances provided as a site-level policy; training is one of the most developed areas. Origgio also has a CRAL that provides discounts and other agreements with providers such as the one in place until few years ago with the local nursery school and for the purchase of schoolbooks. There is no financial contribution for those services (Interview 6).

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<sup>69</sup> For summer camps, the company purchases the actual service while employees return a cost share on the basis of their wage.



*Work-life balance.* Besides the summer camp and agreements with providers, the most part of reconciliation policies in Novartis concern time management and flexibility. Time flexibility include entrance and exit flexibility, an hour bank-like system called “flex-time”, occasional work from home when needed and tele-work possibilities. After the birth of a child mothers can choose to stay home for a whole year with an unpaid leave of absence, while fathers have five extra days. There is also a “re-onboarding” project for employees who have been absent for a long time for support and counselling. These opportunities are not translated into agreements or specific regulations but they are mostly intended as company’s policies discretionally provided on an individual basis. Although the unions are often informed about them (e.g. in the case of a pilot smartworking project during Milan’s Expo), they do not take part in their definition (Interview 6).

*Alcon’s experience.* A very different welfare system has been structured in the newly acquired Alcon, which built a brand-new welfare architecture using part of the productivity bonus through a comprehensive company-level agreement. The fact that Alcon neither signed previous company-level agreements nor distributed productivity bonuses made it easier to start off with something entirely new. As the introduction of a productivity bonus would have been too costly for the company, it has been decided to proceed through a step-by-step increase, which could still provide a perceivable benefit to employees. For this reason, a flexible benefit system was implemented in order to offer the possibility to choose among an array of benefits with fiscal incentives to be “purchased” with a share of the bonus (Interview 6). The flexible benefits system implemented in Alcon has not been extended to the “older” Novartis and Sandoz divisions. The management would have liked it but Novartis already has a long-lasting tradition of productivity bonus that would been much harder to modify without a significant cost increase (Interview 6).

*The 2013 agreement.* The agreement signed on March 1, 2013 in Origgio by Novartis Pharma and union representatives determines the productivity bonus for the year 2012, with particular focus on the negative implications of exogenous factors, among which the significant reorganization completed in 2012. The agreement offers the possibility to employees of donating an amount of 1% or 2% of their bonus to charity. For each adhesion, the company tops up with an additional 2%. The system works through tacit

approval: without communicating their decision to opt-out, workers are automatically donating a 1% amount. The idea of the latest agreement originated from the will to focus attention on what happens outside of the company, which is a “tradition” towards solidarity that both union organizations already had (e.g. CISL has its international development cooperation association ISCOS) (Interview 9). Backed up by CGIL, CISL proposed and the company responded well. Today, almost all employees adhere (Interview 9). The yearly amount is between 75.000-80.000 euro, to be divided between company and unions-sponsored organizations. The full amount raised is equally divided between the ones selected by the company and the unions: each party has its 50% share, which can be allocated to a single initiative or, depending on the choice they previously made, to two of them (each with 25%) (Interview 6). The company’s idea is that of providing a contribution to the social arena, particularly at the local level: company’s charities operate either in the Province of Varese or, at most, in the Lombardy Region (Interview 6). While the company operates mainly at the local level, CISL decided to donate to the ISCOS in order to promote international cooperation activities (Interview 9).

#### *6.2.2. Negotiation dynamics*

Agreements signed in Origgio concern around 1200 employees, with over 500 working at the office and the other ones spread on the national territory working as pharmaceutical representatives. At the end of 2015 the company carried out a reduction of the external network resulting in the fact that today employees are almost equally divided between office workers and pharmaceutical representatives. Among workers union membership is quite low, around 25% almost equally divided between CISL and CGIL.

*The company side.* Welfare provision is strictly unilateral because it has been the result of periodical adjustments dictated by the evolution of the group’s organizational structure, always characterized by the adaptation to the tradition brought along by each new component of the group rather than by an active restructuring effort on the management side (Interview 6). Novartis “traditional” provision is to be considered as unilateral policy that does not entail any exchanges. Alcon’s example is, with this respect, very different as the choice there has been that of building a brand new welfare

system using a share of bonuses. That had necessarily to be done through a comprehensive company-level agreement. The management would be in principle interested in introducing a similar solution in Novartis, exploiting the new regulations that provide opportunities to transform monetary bonuses into welfare services (Interview 6). Still, the management is hesitant because of the complexity of fiscal arrangements, and sceptical about the approval of trade unions. In his view, unions' main issue will concern the loss of pension contributions. Although CGIL shows the greater concerns, even CISL representatives have not been promoting the use of the productivity bonus for welfare purposes so far. In Origgio, Novartis displays a satisfactory level of unilateral welfare initiatives coupled with a significant yearly productivity bonus. For these reasons unions do not need to step in and make proposals (Interview 6). Against this background, the budgetary law will probably be the occasion for the parties to discuss welfare provision and elaborate new proposals, as well as to consider the introduction of new types of services. The management is happy to do so, but with an eye on costs, as there is no room for raising financial resources allocated to welfare provision (Interview 6). The only way possible would thus be the re-directing of productivity bonuses towards welfare. With respect to provision, instead of identifying specific areas of intervention the management would probably go for the implementation of a flexible benefits system in order to provide answers to all needs encountered by the site's population during their lifetime (Interview 6).

*The union side.* Industrial relations in Novartis have never been adversarial, as the group's central European culture – very similar to that of German companies – tends not to “demonize” union intervention, differently than what happens for instance in Anglo-Saxon companies. Both American and British firms are not so used to exchanging views and very often their willingness to discuss is only superficial; choices there are unilaterally decided upon and pushed forward. Germans are instead very keen on confrontation (Interview 9). Italians are somewhere in the middle, as they are used to unions' presence but traditionally have a marked proprietorial culture. On the other hand, though, Italian entrepreneurs often have a wide understanding of their social role and felt the need to take care of their people, without unions' interference. In the Italian tradition, industrial relations are seldom seen as a tool to achieve general improvements (Interview 9). It needs to be taken into account, though, that in the pharmaceutical

sector these dynamics are softened by the presence of multinational groups managed by skilled professionals (Interview 9). Although informally, welfare benefits are always the result of unions' participation (Interview 9). Building positive industrial relations passes through negotiation but also a continuous relationship among the parties who – as a general rule – listen to each other in order to adjust the target of whatever initiative. Discussion is not necessarily instrumental to negotiation, as it builds in the long run stable relations allowing for more disclosure (Interview 9). Interviewee 9 strongly claims unions' involvement in welfare provision, though he confirms the fact that on a formal standpoint it has always been introduced unilaterally. Also, he suggests this to be the key of grounded industrial relations. Industrial relations in Novartis are undoubtedly positive, but lately there is a problem of generational turnover in the RSU as some old members left. The issue mirrors the general trend in membership and group dynamics within the workforce, as younger employees seem to be keener towards individual achievements rather than understanding the power of being a community. Union officials need to be able to engage people on a different level through a deeper understanding of workers' new approach (Interview 9). Commenting on the absence of welfare provision in company-level agreements, interviewee 9 acknowledges what he calls a "limit" of unions' activity: whenever the management shows to be particularly "active" it is easier to witness low activation from the RSU as a result of the behaviour of employees. In a situation in which the company voluntarily provides welfare benefits, workers do not feel the need of being "protagonists" and end up relying on what they receive, most of the times giving all of it for granted (Interview 9). As employees presume that benefits would – and will - be given anyways there is no push for the formalization into agreements. In companies that are as attentive, unions feel as they have limited action as no one would see the usefulness of a new agreement. This "constraint" highlights in turn unions' own limitations in terms of capacity to make a new proposal (Interview 9). In addition to this, the way benefits are introduced does not favour negotiation either: the national management discusses it with union representatives once they have the availability of a budget from the headquarters that has been previously allocated to a specific action; they have some degree of discretionary power but, at the end of the day, presenting to the union is just for conveying information on something that would be pursued anyways (Interview 9).

This, together with the fact that unions feel the lack of a bottom-up push to negotiate, leads to the absence of negotiated benefits though in positive industrial relations. The company's environment indirectly acts as an obstacle to negotiation: having claims is the key to aggregation (interview 9). Where there are no substantial claims as the company already provides a lot, it is hard to trigger group-building dynamics. Even when external union officials bring in new proposals they produce only a short-time momentum that soon flags into the usual indifference (Interview 9). The fact of having a lot and taking it for granted results in a very low recognition of the RSU's role. Another element that keeps welfare out of negotiation is the fact that Novartis never asked for an exchange; things are going to become very different in 2016 due to the budgetary law. While the company probably intends to apply a new system based upon the productivity bonus to be paid off with welfare benefits, unions are unanimous in their attempt to hold back on this (Interview 9). They share the opinion that the budget allocated to productivity results is anywhere near the actual availability of financial resources of the national management, and they are all aware of the amount of resources that pharmaceutical groups allocate on other expenditure areas. The budget allocated to negotiation is only a share of the resources the national management has in order to be spent on individual incentives and other initiatives such as welfare (Interview 9). With this particular sector, they believe that companies can afford to keep welfare provision as an on-top component without exchanging it with wages, as their available budget already includes such element. Unless future proposals envisage the maintenance of what already in place and, in addition to that, the set up of new services to be "purchased" with bonuses, unions will keep on opposing a shift from the company's budget to workers' productivity (Interview 9). As an example, given a budget of 100, if 60 goes to agreed upon productivity results and 40 on other initiatives, unions' goal would be that of increasing the first in order to eventually push the general budget up of 120 or, at least, to gather a larger share on negotiation; they definitely oppose the shift of resources from negotiated bonuses to welfare as they believe that national managers allocate the remaining budget on unilateral and individual incentives and, in addition, they could still gather additional resources. Paradoxically, it would be easier to shift resources from productivity to welfare if resources were limited, as the priority there would be to respond to actual needs knowing that budget constraints are tight. Where

there are the means, unions are committed to negotiate welfare on top of everything else (Interview 9). Within the organizations, CISL is traditionally more sensitive to the introduction of welfare provisions, a tendency that is witnessed by the fact that CISL were the first ones to suggest the idea of donating a share of the bonus to charity that has been introduced in the latest agreement on the productivity bonus. CGIL is very watchful on rights rather than on needs, and it tends therefore to consider these measures as company policies that do not concern unions (Interview 9). CGIL officials hold the strong conviction that productivity bonuses are, just like it was before 1993<sup>70</sup>, an entitlement to wages rather than a variable share. In their view distribution mechanisms changed but not the workers' right to receive it. For this reason, they might consider opening to a possible switch from wages to welfare provision as a risky move. While CGIL perceives the bonus as a right to negotiate, it did not fully acknowledge its role in welfare negotiation, particularly because in ideological terms it should be something that the State provides on a universal basis (interview 9). As welfare provision is limited to the public sphere, CGIL representatives welcome everything that the company does on top of it but tend to consider it as a corporate policy not an item for negotiation. Their fear is that such practices, if legitimated, would crowd out the public welfare system allowing for its retrenchment. Against this background, giving away in terms of wages for having back services that should already be guaranteed is to them unacceptable. Still, it has to be noted that CGIL in the chemical sector is less radical than in other contexts and is used to company-level negotiation: they are more than willing to exploit the opportunities of negotiation (Interview 9). While CGIL does not support the switch from wages to welfare on the basis of the idea of a right (i.e. the entitlement to productivity bonuses), CISL is instead softer on the matter as it recognizes to both options – wages and welfare – the same value. In fact, it has even valued the latter more than the former in circumstances where people showed to be in need for that. Negotiating welfare rather than wage improvements is for CISL a viable option but –interviewee 9 notes – representatives have to be extremely careful not to fall

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<sup>70</sup> The transition from a productivity bonus as a negotiated right to a variable bonus related to results has been a major change in industrial relations together with a more comprehensive reorganization of the industrial relations system brought forward by the July 1993 agreement. The document was signed after several months of discussion between the parties, as CGIL was particularly critical. Up to the point that after signing the agreement the national general secretary Bruno Trentin left as he felt he had violated his mandate.

for favouring saving strategies at workers' expenses. In order to convey the actual value of welfare it is crucial that workers do not perceive corresponding losses. Although strongly believing negotiated welfare to be the future of union representation, interviewee 9 sees a huge difference between shifting workers' resources to welfare, and building a welfare system through on-top budgeting. Both options are negotiable, but where company's financial resources allow it, the latter one is to be preferred. In line with the organization's views, Cisl representatives have been trying lately to negotiate welfare in exchange to other provisions when they are on top of what the CCNL prescribes (e.g. extra-CCNL night shift compensations and attendance fees); also, he is committed to work on time flexibility in order for unions to actually have a say in the organization of work, according to CCNL prescriptions (i.e. through company-level bilateral observatories). Things might be slightly different if considering negotiated welfare as an on-top component that leaves productivity negotiation untouched. This kind of negotiation though has become increasingly difficult to put in place, particularly with the advent of the economic crisis (Interview 9). While negotiation in the past was more structured and comprehensive, only few companies nowadays display articulated bargaining processes that encompass items additional to the productivity bonus. Since the financial crisis exploded, negotiation has been directed to either the management of industrial crises and mobility (i.e. "defence" negotiation) or to the regulation of yearly bonuses, mainly due to the fiscal incentives provided (Interview 9). Being the person in charge of supervising company-level agreements in its territory (the provinces of Varese and Como) interviewee 9 is deeply convinced of this trend of reduction in the articulation of second-level agreements that are mostly related to productivity bonuses, as companies are more and more concerned with cost containment. The whole idea of a comprehensive "platform" has been lost in favour of a more "contingent" and shorty-sighted negotiation (Interview 9). It would be much easier to negotiate welfare within an articulated platform. Right now, it is difficult for union representatives to abandon the traditional dynamic of "the company acts, then unions react": everyday life of a union representative is made of reacting to company's initiative, making it much harder to be able to plan and design autonomously. The real incentive to do so comes every three years, when agreements have to be signed again. This is for unions the opportunity to point at what did not work properly and to make

new proposals. There are pharmaceutical companies in which this still happens, but Novartis does not have a “strong” RSU. The workforce does not have such motivation, it is not “hungry” (Interview 9). Unions’ priority in company-level negotiation is always wages, then time flexibility and schedules, which also have an economic impact. Time flexibility is a promising area as it allows both parties to exchange, as the two might be interested in negotiating it, particularly because it does not entail a dedicated budget. Besides wages, it has become increasingly important to safeguard the quality of life that workers have, meaning that stepping into time and schedules is for unions now more decisive than ever. This is the reason why it is necessary to promote work-life balance through both services and time (Interview 9). In Novartis, a viable option could be that of mapping the whole “heritage” of welfare benefits, and share them in a document that includes all; still, this could pave the way for an actual economic evaluation of the welfare system in order to eventually making it part of future negotiation. It is an extremely “delicate” move, as the company could lay claim to the value of what unilaterally introduced. Ultimately, only a strong bottom-up push coming from employees could encourage representatives to try that (Interview 9). Unfortunately, Novartis employees lack that sort of collective interest, as shown even by the extraordinary results of the donation mechanism introduced with the 2013 agreement (interview 9). Besides the objective success of the initiative, take-up rates witness once again the distinctive feature of Novartis employees: the popularity of the donation system is to be explained - at least partially - by the fact that employees have to express their will to opt out, otherwise they are considered automatically in. Probably, most of them just did not bother to understand and eventually decide not to participate. The “value of solidarity” is, once again, a façade rather than a conscious involvement. A prove of that comes from the fact that employees do not really show any interest in knowing which initiatives have been financed (Interview 9). There is one ingredient, though, that strongly influences negotiation dynamics: the clash between internal and external workers. The two groups have different characteristics and demands, leading to strong competition. External pharmaceutical representatives tend to “swallow” the others’ opportunity to obtain something, as they value their contribution to the company more than the one of internal office workers. Bargaining often ends up focusing on pharmaceutical representatives’ demands, while internal employees suffers from the



formers' higher claiming ability. The conflict internal to the workforce emerges in particular when the agreement's deadline is close and it is thus time to formulate new proposals. Representatives are corporatist, group together and often vote CGIL as they perceive its members to be more suitable to carry forward their claims. In turn, CGIL representatives feel they have a specific mandate for the achievement of monetary improvements (Interview 9). The internal divide has a significant impact on bargaining: in the history of Novartis, 70% of negotiation concerns pharmaceutical representatives, who have generous individual incentives that can reach up to 15.000 euros per year while productivity bonuses do not go beyond 3.000 euros. The company supports it as representatives are crucial elements of its business in terms of marketing. This is precisely the reason why negotiation on productivity bonuses is able to "collect" only a share of the actual budget of the company. In Novartis, individual incentives are significant but mostly "silent" as representatives have a double opportunity: they collect individual incentives but they also value collective negotiation as a way to express their role as a community. Ideologically, they believe in group dynamics but underneath that they have "their hands dirty" of individual incentives (Interview 9). They ultimately need collective bargaining to establish their influence with respect to the company, particularly because they are not physically present in the site, but their actual economic incentive is to be found somewhere else. Their strong influence catalyses negotiation, disadvantaging the remaining portion of the workforce, which displays – paradoxically – a much lower mobilisation capacity. Office workers have a much more individualistic approach and tend not to feel part of a group: they are fragmented groups within a common context without a shared identity. These dynamics are a characteristic feature of the pharmaceutical segment (Interview 9). The strong internal cleavage between site workers and pharmaceutical representatives unveils a distinctive feature of pharmaceutical companies that is tightly intertwined with welfare provision: they have a large share of resources not allocated through collective bargaining. As performance is still obtained through individual monetary incentives, welfare is not aimed at achieving results but rather at building a collective "social dimension". This is shown by the fact that welfare has never been used, so far, in exchange for something else. The company takes care of its image: the organizational model necessarily has to be coherent with the claim of selling an "ethical product", both externally and internally. Pharmaceuticals'

image is under the spotlight at a global level: if they were found perpetrating a “social massacre” this would definitely impact on their sales. Also, they care that their own workers perceive that “ethical” dimension. In line with this thesis, interviewee 9 claims dynamics to be very different in chemical industrial companies. First of all, collective negotiation is more important, as individual incentives are significantly lower; budgetary constraints are tighter, as they are not as “rich” as pharmaceuticals; welfare is less related to image and brand reputation, but it can be more associated with performance. Chemical companies need to work on the organization of labour, as they require efficiency and flexibility in production, while keeping an eye on costs, in order to stay on the market. The “social value” in doing business is ultimately instrumental to these three requirements. A chemical company is concerned less with its image and more with the quality of work in its plant: organizational aspects are crucial (Interview 9). There, welfare provision is often an item for negotiation.

### 6.2.3. *Main findings*

Novartis is a Swiss pharmaceutical multinational group working in Italy under three divisions: Novartis Pharma, Sandoz and Alcon. Out of the three, interviews focused on the first, located in Origgio where it employs over 1000 people, almost equally divided between office workers and national pharmaceutical representatives.

*Company specific.* Novartis displays a disorganized mix of welfare benefits introduced as company’s unilateral policies, accumulated over the years without a comprehensive design. Their core is still constituted by extra contributions to the sectoral funds and some healthcare-related initiatives, topped up by locally devised on-site services and some flexibility arrangements provided discretionally on an individual basis. Welfare benefits summarized in table 6.2<sup>71</sup> never entered negotiation largely because they had always been the result of periodical adjustments dictated by the evolution of the group’s organizational structure, rather than of a thorough welfare-building effort. Things might be changing with the new opportunities provided by the budgetary law for the year

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<sup>71</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance (“budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

2016, which provides fiscal incentives to switching the amount of the yearly productivity bonus into welfare services. Although prudent, the national management is interested in studying a proposal exploiting such new exchange mechanism.

Table 6.2. Novartis' summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
Pensions	site	
<b>Healthcare</b>		
extra payment	site	
✓ additional programmes	both	unilateral
<b>Work-life balance</b>		
✓ money/services	site	unilateral
✓ time	site	unilateral

Unions, who never felt the need to step into the regulation of welfare provision based on the shared conviction that it was a unilateral policy, now believe it's their right and duty to oversee possible changes. The possible switch between welfare as an on-top unilateral people care policy and welfare provision "purchased" by workers with their own bonuses alarms union representatives who believe the company to still be able to afford the old welfare system. Interestingly enough, in the recently acquired Alcon, which is a smaller legal entity that never had negotiated productivity results before, the management was able to push for the introduction of a flexible benefits system financed with part of the amount of the newly defined productivity bonus. Unsurprisingly, the management was not able to introduce the same system in the "old" Novartis and Sandoz sites. Going back to the absence of welfare provision in the company-level agreements notwithstanding the stable dialogue with the national management, interviewee 9 motivates it with the "apathy" of Origgio's workforce, which does not value the collective dimension nor provides a bottom-up push to the activity of union representatives. As the company voluntarily supplies welfare benefits, workers end up giving them for granted and assuming that they will always be available to them regardless of formalization. As for unions' internal dynamics, CGIL is less proactive on the matter, not opposing what comes on-top and strongly opposing the switch between productivity bonus and welfare. Although CISL is traditionally "softer" on the matter, in the specific circumstances they agree with CGIL as they feel that pharmaceutical

companies like Novartis do not have issues with resources but they are just keener on spending them for individual incentives (i.e. for pharmaceutical representatives). Together, the unions presented an initiative for allowing employees a 1-to-2% share of their bonus to charity that was included in the latest agreement, in order to revive the value of solidarity.

*Sector specific.* Novartis' experience is probably one of the "richest" in terms of sector-specific insights, as it allows putting together the pieces of a puzzle, that of the cleavage internal to the workforce that seems to characterize the pharmaceutical sector. As a result of a recent reorganization, site workers and pharmaceutical representatives are almost equally represented within the workforce. While the company starts considering a new system financing welfare provision through negotiated productivity bonuses, a fair share of the national budget is allocated on individual incentives for representatives. Although unions represent both groups - particularly because representatives tend to be more unionized than office workers – they cannot avoid seeing the clash of interests between a group that could be, in the future, "paying" its own welfare with bonuses and another that keeps on receiving generous on-top remunerations. Against this background, unions witness a more generalized crisis of representation exacerbated by the fact that pharmaceutical companies "numb" employees to collective representation with welfare unilateral policies. High levels of people care "spoil" workers: they rely on what they receive, mostly giving it for granted, and do not value the role of the RSU. Why do pharmaceuticals do that? It is a matter of brand reputation: the "ethical" dimension of their business has to be perceived both on the inside and outside.

### **6.3. Bayer, Milano and Garbagnate Milanese**

Bayer is a German multinational pharmaceutical company headquartered in Germany. Founded in 1863, the group has today 102,168 employees worldwide, the majority in Europe (almost 60.000. Europe is Bayer's "home market", with sales of approximately 16 billion euro. Its chemical and pharmaceutical production focuses on the areas of healthcare, both human and animal, and agriculture. In Italy, the group has around 2.500 employees working in four production sites and the Italian headquarters in Milano. Together with the central office, three of the four Italian sites are located in the Lombardy region: Garbagnate Milanese (MI), Segrate (MI) and Filago (BG). Production in the Italian sites concerns the businesses of pharmaceuticals, agriculture and polymers. The group has a complex organizational structure, with a number of divisions divided into four main business areas: the healthcare area constituted of pharmaceuticals and consumers healthcare, which produces for the over-the-counter market (e.g. Aspirin and Supradin); the crop science area, supplying seeds and pest management; animal health selling products for farm and companion animals; the polymers area, which became an independent legal entity with the name of Covestro in September 2015. The sites of Segrate and Garbagnate, which constitute a unique legal entity, employ around 500 workers, while the office hosts around 700. Filago's employees, who are now part of the new legal entity Covestro, are around 300. Over 1500 people work in the Lombardy's sites, while the remaining part of the Italian population is constituted by pharmaceutical representatives working in Italy. The external network of pharmaceutical representatives also depends on Milan's headquarters and, for this reason, participates in company-level negotiation in Lombardy. Women represent over 40% of the workforce even in the production sites, as the pharmaceutical sector is characterized by a significant presence of women in the plants (Interview 5).

#### *6.3.1. The welfare structure*

Everything that is labelled as "welfare" is shared between the parties and included in company-level agreements. In addition, the company has a variety of services that have been in place for a while but are not included in welfare provision. Although it was not labelled as "welfare" before, the company has a long time tradition of caring for its

people, as for instance the great effort displayed in the area of training intended as a way to develop human capital (e.g. soft skills as management and languages) (Interview 5). In Milano, Garbagnate and Segrate there is a dinner take-away service on demand, while Milano has an on-site laundry and tailor service on Mondays and Thursdays. As a corporate policy, workers with 40 years seniority receive a “gift” sum corresponding to three net wages (Interview 14). Back in 1994 the parties constituted the company-level pension fund for Bayer’s employees through a company-level agreement, which terminated the old unilateral fund managed by the company and defined for each employee on the basis of her seniority the amount to which she would start off in the new fund. On top of that, it was one of the first examples of agreements including the company’s additional payment to the pension fund in the measure, back then, of 2% (Interview 14). All initiatives taken together build an approach, which is what ultimately makes people feel taken care of. Welfare provision is a crucial part of it, as in the pharmaceutical business people “make the difference” (Interview 5). For German workers Bayer is the State: it provides scholarships and school fees’ reimbursements (interview 14). Work-life balance is a consolidated practice. Italy should be moving in the same direction, although – interviewee 14 notes – Italian sites are called upon to do the “dirty job”: when production suddenly needs to speed up, Italian sites provide more labour flexibility than the German ones. Despite a general corporate propensity towards people care practices, all latest welfare initiatives originate from the national level, up to the point that during a recent European Works Council meeting the Italian experience has been presented to the German headquarters (Interview 5). A renewed attention to welfare provision was brought forward through the 2014 agreement. Few years before that, the national management handed out to employees a leaflet entitled “The value of working in Bayer”, as a total reward statement aimed at rising awareness on the opportunities provided and on the actual value of what is available to them (Interview 5). In terms of financial participation, the company provides additional payments to Fonchim and Faschim. Bayer’s mission is “science for a better life”: even welfare provision has to follow that direction through favouring healthcare related benefits. With respect to work-life balance, there are previous agreements introducing time off (e.g. for education purposes) but no financial support (e.g. school fees, reimbursement for books expenses). Besides, the company CRAL provides some extra facilitations

(e.g. for purchasing books). The management is very careful not to overlap with CRAL's activities (Interview 5).

*The 2014 agreement.* In the occasion of the renewal of the previous agreement on productivity bonuses, a set of new welfare benefits were introduced in the negotiation. The agreement, signed on July 20, 2014 for the years 2014-2017 is signed by the RSUs, the union organizations Cgil, Cisl and Uil, and the divisions Bayer, Bayer MaterialScience, Bayer CropScience and Bayer HealthCare Manufacturing. Its main areas are industrial relations, corporate social responsibility and welfare, productivity bonus and time schedule. Concerning industrial relations, the parties constituted the company-level observatory, a shared organism already envisaged by the national-level collective agreement for the chemical sector (CCNL) as a voluntary undertaking of the parties, not aimed at negotiation but rather at sharing information and generate new ideas and proposals. The observatory – composed of one to two members for each RSU, local union officials of Milano and Bergamo for Cgil, Cisl and Uil, and one or more members from the management<sup>72</sup> - deals with four priority areas for study and analysis: training, welfare, employment and safety. As of October 2015, meetings have been focusing on training and welfare, as they have been regarded as of primary importance with respect to the latest company-level agreement (Interview 5). In terms of welfare, the agreement starts off with integrating what already in place through the provision of extra payments to the funds, Fonchim and Faschim, on top of what the CCNL envisages, for the years 2015-2017. Fonchim's amount gradually reaches 2,20% for the year 2017, with respect to the 1,80+0,20 of the CCNL. Also, the company finances the employee's share of contribution to join the Faschim starting January 1, 2015, meaning that workers can access the healthcare fund free of charge. As one would expect, over the year 2015 Faschim's memberships have been steadily increasing, while Fonchim's were already over 80% of total employees (Interview 5). In addition to the top-up of sectoral funds, the agreement displays a second area concerning work-life balance policies. As it is a new endeavour, this latter part mainly contains some general guiding principles for future actions. A number of areas of intervention have been identified, with the purpose of further study: internal organizational processes (e.g. time

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<sup>72</sup> Each RSU has one member, unless it represents also the external network of pharmaceutical representatives; union officials act as additional members, meaning that they are not always required to be present; the management chooses its members on the basis of the specific topic.

management, flexibility and smartworking) and the activation of agreements with providers in order to offer services (Interview 5). The parties also agreed on the introduction of a corporate policy – to be homogeneously implemented across all sites and legal entities<sup>73</sup> - for long absences, both for maternity and long illness, to help people fit well at work upon their return. The agreement is important on two different levels. On one side, it codifies benefits that were already customarily offered, formalizing the co-participation of both parties. On the other, it provides guidelines that open up to new areas of intervention and future experimentations, particularly in the field of work-life balance (Interview 14). Since the agreement, the parties have been starting to organize the observatory's activity and to start monitoring first results (i.e. increased membership to Fonchim and Faschim) (Interview 5).

*The 2015 Flexpo agreement.* The first project stemmed from the guidelines provided by the 2014 agreement is Flexpo. Soon after the 2014 agreement, the management began to work on a new Flexpo project, culminated with a specific agreement with the RSU signed on March 24, 2015 for the period May 1 - October 31. The company started thinking of it when it realized that Milan's site is very close to the Expo area, resulting in great difficulties for employees to reach the office, particularly if coming from the Northern area of Milan and the hinterland. In order to help with the inconvenience, Milan's management carried out a geo-localization analysis on addresses in order to devise a site flexibility that could be beneficial to them. The project started on May 1 and ended on October 31, after the involvement of unions through a specific agreement that encompasses two different opportunities, ExpoTime and ExpoSite. The project allows workers to choose both time and location flexibility through the exploitation of the other Lombardy's sites, which "host" employees who join the project. Under FlexpoSite, employees could work for five days a month from one of the other sites, where the company had equipped office areas (20 offices in Segrate, 10 in Garbagnate and 3 in Filago), allowing them to choose the closest to their home. 80 employees working in Milano participated in the project. FlexpoTime has been used instead by almost all Milan's employees, as they had the possibility to enter the office from 7.30 to 8 and from 9.30 to 10am<sup>74</sup>. The choice of not allowing people to work from home has

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<sup>73</sup> Including all divisions belonging to the healthcare area (pharmaceuticals, consumer healthcare), animal health, crop science and polymers.

<sup>74</sup> Bayer's regular entrance is between 8 and 9.30am.



been made in order to abide by the current tele-working regulation, which imposes a set of safety and ergonomics norms in order to obtain coverage in the event of a work-related injury. Having employees working from the sites allow the company to ensure the respect of all requirements, while facilitating their commute. Although the company already provides comprehensive insurance policies for injuries, the company is extremely law-abiding and prefers as a general rule to follow strictly existing regulations (Interview 5). The initiative has been warmly welcomed by colleagues, who sent emails to both the HR management and the RSUs thanking them and suggesting to carry on (Interview 5). Despite the fact that Flexpo was devised in order to find a solution to a temporary need, it definitely started out a new working area as the management understood the results in terms of people's engagement. Despite the fact that project required a significant load of extra work on the company's side (e.g. set up office areas in the plants; organize e-learning classes for safety reasons), it has been chosen to present it as a shared effort of the parties (Interview 5). After this first pilot project, the parties will continue working on time flexibility. They usually meet in order to plan the following year's activity in November: it might be the case that, after the success of the Flexpo project, time schedules will be kept according to FlexpoTime (Interview 5).

*The service portal.* Following on the areas of interest identified by the parties, the management began working on the activation of agreements with providers (Interview 5). An internet portal collecting discounts and agreements with providers for Bayer employees all over the national territory was launched in October 2015. The project has been presented to the workforce as a result of the shared commitment of the parties started with the 2014 company-level agreement (Interview 5). The offer is divided into three areas: family, services and shopping. The first, which is the actual core of the provision, includes a list of providers in the area of childcare, disability and elderly care; services include time-saving and counselling (e.g. legal, with paperwork), while shopping provides discounts. The company paid for the portal's setup cost and supervised the agreements, while employees access discounts and then decide whether to purchase the service. The project had been shared within the observatory and welcomed by union representatives, who contributed in the definition of the areas of

intervention on the basis of a preliminary analysis of the population with respect to age and gender (Interview 5).

### *6.3.2. Negotiation dynamics*

All Italian workers are employed in the Lombardy region regardless of their actual activity, as they all formally depend on the sites located in the region. Meetings with the unions are organized on a regional level, and the RSUs are assisted by union officials coming from both the territories of Milan and Bergamo, and the ones belonging to the organizations at the regional level. When the agreement was signed, it concerned around 2.400 employees; today, without the polymers' division<sup>75</sup>, it applies to around 2.100 people. The trade union membership rate is in Italy around 22%. Site employees are almost equally divided between Cgil and Cisl, while pharmaceutical representatives are more oriented towards Uil (Interview 5). Milan's office is the less unionized, as they do not really experience the problems that line workers have: in the plants of Segrate and Garbagnate it reaches around 50%. Among pharmaceutical representatives the rate is around 30%. It is necessary to consider though that in the pharmaceutical sector unionization levels have never been particularly high, reaching 60% tops in the "best" years (Interview 14). The relationship with pharmaceutical representatives is extremely significant, as one of the members participating in the yearly meeting of the European Works Council is their representative. It is important for the Italian cluster to "stick together", and they have a good relationship with the management. Still, negotiation clearly shows the difference between the two groups, representatives and site workers: the former are most concerned with cars and storage space while the latter care about shifts and schedules. In the overall, Bayer's RSUs have been always able to find a balance between the demands, as the parties always showed reciprocal solidarity. Even with respect to welfare provision, the parties were able to identify common priorities, as for instance additional payments to the sectoral funds (Interview 14).

*The company side.* The occasion for discussing welfare reorganization has been the deadline of the previous agreement on productivity bonuses. When the parties sat together, unions – a group of around 40 RSUs for the Lombardy region, which included

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<sup>75</sup> Bayer MaterialScience division, located in Filago, has become on September 1, 2015 a new autonomous entity called Covestro. Its 300 employees are no longer included in the negotiation process for the Lombardy region but, for the time being, they keep on applying the existing agreement.

both site workers and pharmaceutical representatives - presented a detailed platform that did not include exclusively the renewal of the yearly bonus but also a whole new area on work-life balance. Aside from more “traditional” requests as those related to integrations of the sectoral funds Faschim and Foschim, union representatives brought forward a number of innovative measures. After a few preliminary meetings with the management, unions elaborated a work-life balance request based on extra leaves and time off. Unions originally asked for a comprehensive review of extra paid leaves but the management could not support it because of the high organizational complexity they would have required, particularly for employees working on shifts (Interview 5). The bargaining process lasted for around three months – starting May 1 until July 30 - at the end of which we shared new initiatives drawn from the unions’ platform. The management has made a precise choice of always involving the unions in the decision making process. The company’s effort on people care pays back even in terms of industrial relations, as union representatives see Bayer as a reliable and cooperative counterpart (Interview 5). As a note, interviewee 5 points out that - despite the current financial difficulties that even pharmaceutical companies have been experiencing over the last few years - the whole sector is characterized by “enlightened” industrial relations.<sup>76</sup> Industrial relations are traditionally cooperative and oriented towards active participation, with negotiation habits that always led to the definition of agreements before the deadline of the previous one. Issues are always discussed and followed through in order not to cause a trauma. Since January 2015 as of October 2015, meetings between the parties have been around 90, while in the year 2014 there have been 125 meetings and over 60 agreements signed at the national level (Interview 5).<sup>77</sup> Today, the management’s major effort is that of “channelling” everything under a unique “umbrella” through negotiation. In fact, there are a variety of initiatives that are often taken for granted by both employees and the company itself, and are thus not adequately valued. The management’s commitment is to have everybody see them as

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<sup>76</sup> The three major union organizations and Federchimica jointly organized training courses on industrial relations catered for both management and union representatives. Bayer adhered to the programme hosting a two-day course for its employees.

<sup>77</sup> Each legal entity in the group has its own meetings and agreements. Productivity bonuses are taken extremely seriously: each entity undergoes a process of definition and monitoring with each RSU, in order to take into account specificities.

welfare or, in other words, to exploit welfare's popularity in order to favour greater awareness (Interview 5).

*The union side.* Before the parties' commitment to include welfare provision in negotiation, the company did not have a formalized welfare structure. A variety of benefits have always been offered, as for instance the customary payment of the full wage for several years to people affected by serious illness. Although it was not codified as "welfare", there had always been extraordinary attention towards people, as a result of constant though informal discussion between the parties (Interview 14). Despite the fact that it was not an official endeavour, unions would point out specific issues to the management so that the level of care for workers would remain high. In fact, unions would not define welfare provision as "unilateral" since he claims the central role played by union representatives. Very often they would take the initiative and ask the company to take care of specific issues. On the other side, the company never denied its help, making it unnecessary to proceed with formal negotiation (Interview 14). Today, everything has been written and formally shared, and it is thus even simpler than before. It has been an important step towards the constitution of a formalized system, which still carries along Bayer's long-lasting tradition. The ultimate push to take such leap comes from the significant changes in the industrial relations system: the switch from the "old" pre-defined bonus to a variable amount related to performance significantly affected negotiation dynamics, indirectly pointing at welfare provision as an additional "slice" of performance-oriented actions (Interview 14). At the same time, workers increasingly have the perception of public retrenchment on the social dimension and anxiously look for answers elsewhere. Those two elements together led to increased attention on welfare provision, suggesting that the parties started to move forward in terms of new benefits and areas of intervention. Unions demanded the introduction of welfare provision in the latest agreement through a set of specific requests, as they did not want to feel "excluded" from the social dimension. Ultimately, it has been a way to have everybody acknowledge their role, even on the outside: as Bayer's employees, they have been often "accused" of being lucky because of their working environment as if they had little to do with that (Interview 14). In terms of work-life balance policies, the company always favoured time over money, which has to be in its view built instead through productivity agreements. Union

representatives agree, suggesting that people lives could be made better through the provision of a correct balance between work and caring responsibilities rather than providing extra money. Particularly because the company hires as many women as men, and expects them to do the same shifts men have. It cannot be about money, but opportunities and time when needed (Interview 14). Unions would have liked provisions more “customized” on the population’s specific needs: the pharmaceutical sector counts a large number of female workers, and it is advisable to work more on their necessities. RSUs demanded more time flexibility and support for mothers but it seems that the parties are not yet ready for discussing that. In fact, the company is willing to share the commitment through the constitution of the company-level observatory. One of the areas identified is precisely welfare provision, in order to build on the observatory’s work for the next company-level negotiation. In the platform for the 2014 agreement unions requested extra time for family reasons with 25 to 28 hours of paid leave for family caring; since union representatives were not able to reach a shared position on that,<sup>78</sup> they ultimately let it go. The company thus decided to keep a 20-hour bundle as a customary unilateral rule, not introduced into the agreement. The sector’s CCNL is progressively emptied in order to demand most provisions to the company level. Even additional bonuses related to the presence on the workplace are, starting in 2017, to become part of the productivity bonus. This means that its regulation passes from the national level (CCNL) to company level negotiation, leaving room to the parties to discipline it in a less conservative way (e.g. relating it to absences for injuries). Since company-level bargaining moved towards the variable bonus, it became evident to unions that it will not be possible to increase it forever; at some point, it would stop and the only change to keep on obtaining betterments is to move to another kind of provision (Interview 14). In order not to be crushed by new performance-related standards unions have to strategically direct resources towards welfare. As productivity bonuses are destined to stop increasing, welfare is the only indirect wages that unions can still negotiate. Interviewee 14 suggests that the opportunities provided by the fiscal regulation of both welfare benefits and productivity bonuses are always to be taken into

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<sup>78</sup> Garbagnate and Segrate’s RSUs clashed over the number of hours as the latter one – which is a site resulting from an acquisition and thus has a different cultural mind-set – felt it could have been easier to let the management take responsibility for the final decision, even though everybody had to settle with fewer hours (Interview 14).

account: financial sustainability significantly shapes the modes of action. Although CISL is today majoritarian in Garbagnate<sup>79</sup>, there had never been frictions with CGIL representatives, who actively worked on the new welfare proposals. Regardless of the organizations, Bayer's RSUs have always been pioneers: they were the first to sign in the 1990s a company-level agreement - for which they had been long criticised – on women's night shifts notwithstanding the national regulations. This event clearly shows the ultimate exchange between the parties: unions “reward” a company providing people care and good remunerations with greater flexibility and a general climate of cooperation. It suffices to say that the latest agreement introduced an innovative system of individual evaluation linked with an extra bonus.<sup>80</sup> Although sceptical, unions agreed to the introduction as a “favour” to the Italian managing director, who was strongly committed to the project and wanted to show its results to the headquarters. Union representatives guarantee that the willingness to help each other is a reciprocal inclination of the parties. Even when, in 1989, the group decided to move the whole production of aspirin from Italy to the ex-East Germany, unions did not respond with strikes. Instead, they sat together with country managers and studied a new development strategy that eventually led to a significant investment on the plant in order to start producing the ciprofloxacin antibiotic developed by Bayer. In addition to that, it is worth remembering that the choices made within the plant have a major impact on the surrounding local community. The company's attitude produces workers willingness to cooperate and give its best (Interview 14): it suffices to say that for two subsequent years line workers – both men and women – operated on a continuous cycle. Bayer is a group that for its very nature challenges itself with a co-management model. It is extraordinary how union representatives can openly discuss, during the European works council “Bayer Europa Forum”, with the President and the corporate top management (Interview 14). For the future, the direction to follow is family support and work-life balance, which is something that in Germany Bayer has been providing for several years. Interviewee 14 believes welfare provision to be a forward-looking approach that

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<sup>79</sup> The “switch” from a CGIL to a CISL majority took place in the 1980s, when the old CGIL representative retired and the current CISL leader started working in the RSU, carrying on with the good work that had been done until then. This is why he is firmly convinced that RSU's success is not a matter of organizations but of the individuals who run it.

<sup>80</sup> Supervisors evaluate each employee on the basis of a methodology built on the company's values and called L.I.F.E.: leadership, integrity, flexibility, efficiency.

needs to be strongly pursued by union representatives. Today, unions are seeding, in order to harvest tomorrow. The same approach has been shared several times with Federchimica's management, witnessing the peculiar DNA of the chemical sector's industrial relations. In the 1990s the then-president of Federchimica Messina would come to Bayer to talk to unions and workers about such topics. When the national parties of the sector constituted Fonchim and Faschim, union organizations were pointed at as "betrayers"; today, that system is the benchmark for all other sectors (Interview 14). Against this cultural background, Bayer benefits from the combination of a corporate culture based on co-management and dialogue, and a national management that always shared with union representatives the importance of people care. Welfare provision is considered as a tool to reach a win-win situation. Strategically speaking, unions earn something in terms of general recognition of their work and thus of memberships, in a time in which unionization is dropping and people tend to take everything they have for granted; on the other hand, the managing director can be proud of exporting organizational innovation and wellbeing (Interview 14).

### *6.3.3. Main findings*

Bayer shows the experience of a German, multinational pharmaceutical group with a solid Italian presence articulated in the Lombardy region. Through the eyes of its industrial relations management and unions we witness a grounded history of cooperation and mutual recognition, leading to several interesting conclusions.

*Company specific.* Among our cases, Bayer displays one of the most efficient local industrial relations system, characterized by productive and continuous relations between the parties, up to the point that until recently negotiation over welfare benefits did not seem necessary. Against a general background of reciprocal trust, unions initiated change with the platform for the renewal of the 2014 agreement, motivated by a double incentive. On one side, unions experience a lack of recognition from the workforce, generating a bottom-up push to show their actual contribution; on the other, the crucial transition from a pre-defined bonus to a performance-related productivity result deeply changed negotiation, leading to the re-considering of welfare provision as a tool in compensation strategies (interview 14). RSUs initiative brought forward the reorganization and formalization of welfare provision, identifying the major areas for

future intervention. While today the company’s welfare is formally negotiated, before it had always been completely shared although it did not culminate in a formal agreement. Interviewee 14 is reluctant in calling it “unilateral”, as both parties always acknowledged the bilateral contribution to its construction and maintenance. Bayer’s welfare system still has as its cornerstone old age and healthcare support, through extra payments to the sectoral funds Fonchim and Faschim (topped up by initiatives such as disease prevention and screening), as shown in table 6.3.<sup>81</sup>

Table 6.3. Bayer’s summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
✓ Pensions	site	negotiated
<b>Healthcare</b>		
✓ extra payment	site	negotiated
✓ additional programmes	site	negotiated
<b>Work-life balance</b>		
money/services		
✓ time	site	negotiated

Both parties recognize as its weak point the lack of a comprehensive work-life balance arrangement, despite some minor efforts have been made with regards to flexibility and time management. Although acknowledged by the German headquarters, reconciliation policies in the Italian sites are still to be implemented; for now, the parties contributed through the constitution of a bilateral observatory. Unions have been demanding more in terms of leaves and time off but this has not been implemented yet. In terms of results, welfare seems to produce a win-win outcome. Unions use it as a way to revive their presence, and the national management operates in a largely cooperative environment.

*Sector specific.* Interviews point at the cultural dimension in order to explain the features of company-level negotiation. Interviewee 14 is convinced that, as a German group, Bayer brings along a tradition of co-managing with the unions that is typical of

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<sup>81</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance (“budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.



its cultural background, suggesting that nationality has something to do with the approach towards industrial relations. Interviewee 5 acknowledges instead the crucial contribution of the national level, both for management and unions, as a relationship built over time. Both actors attribute a crucial influence to the specificities of sectoral industrial relations, particularly for the pharmaceutical segment. Cooperation, innovation and people care are, according to them, the guiding lights of a sector that has healthcare and science as its core business. In addition to that, the CCNL for the chemical sector provides increasing room for action to the company-level, pushing them to develop negotiation skills and carry on new responsibilities. Once again, the cleavage between site workers and pharmaceutical representatives emerges, but it seems that in Bayer the “Italian identity” prevailed over other group divides and - although each group’s specific demands are indeed very dissimilar - unions were always able to reconcile them into a unique collective dimension. As elsewhere, in terms of mobilization the weakest link are office workers, while line workers and pharmaceutical representatives still value union membership. Low membership rates, which are quite common in the sector, do not affect negatively negotiation. Nevertheless, the management relies on union representatives in order to build a collaborative environment.

#### **6.4. Roche, Monza**

Roche is a multinational pharmaceutical group founded in Switzerland in 1896, specializing in personalized healthcare, cancer treatments and biopharmaceuticals, as well as vitro diagnostics. It employs over 88.000 people in 150 countries. In 1997 the group acquired the German company Boehringer Mannheim, thus constituting one of the largest pharmaceutical groups worldwide. Since the 2000s the company committed to two core business: pharmaceuticals and diagnostics, with a particular focus on biotechnology that led to the 2009 acquisition of the American biotech company Genentech. Roche's Italian presence dates back to 1897 with the office in Milano; in 1976 the Roche's controlled company Givaudan was the protagonist of the dramatic chemical accident occurred in Seveso, near Milano, which caused the emission of a dioxin cloud. Givaudan would become a spin off in the early 2000s, in order to separate the cosmetics business and focus Roche's effort on pharmaceuticals. The 1998 acquisition of Boehringer Mannheim brought along the production sites in Lombardy. Italian sites are divided into two subdivisions: Roche Spa and Roche Diagnostics. The double interest in both diagnosis and cure is what distinguishes Roche from its competitors, as it allows the company to operate under a "personalized healthcare" approach. Roche Spa is the pharmaceutical branch, which is to be sub-divided into Roche Pharma, Genentech and Chugai. The pharmaceutical division specializes in oncology and virology, producing prescription and hospital medications. Roche Diagnostics – subdivided into Professional Diagnostics, Molecular Diagnostics, Tissue Diagnostics, Sequencing Unit and Diabetes Care - produces machines and reagents, plus a smaller part devoted to DNA research and anathomopathology. Producing machines for diagnosis implies high levels of technology and computer science knowledge. Both legal entities operate in Italy in the same building in Monza. Each entity has its general and HR management but shares a variety of services such as welfare provision. Since March 1, 2016 the diabetes division of Roche Diagnostics – employing around a total of 130 people between office workers and external representatives – is an independent legal entity, thus making three Roche independent entities in Monza's campus. Its full name is Roche Diabetes Care Spa. Roche Spa has 1.124 Italian employees: 427 work in Monza's headquarters, while 386 in Segrate's production facility and 311 are external representatives. While the former group is made up of women for over 50%, the other

two are mainly composed of male workers, particularly in the latter group. Similar proportions apply to Roche Diagnostics (which is now divided into Diagnostics and Diabetes Care) where, among the 517 employees, Monza has 58% women while external representatives are 82% men; 231 workers are employed in Monza's headquarters, while the remaining 55% of the workforce is constituted by the external network. In the overall, women are concentrated in Monza's office and, to a lesser extent, in Segrate, where women are present in the packaging division. Pharmaceutical representatives are almost exclusively men. Segrate's plant is currently on sale, as the corporate management turned to the biopharmaceutical business, which is produced abroad. If the plant is not sold, five years from now it will be closed. The national management has nothing to do with the decision, as it is a strategic turn implemented by the global headquarters (Interview 10).

#### *6.4.1. The welfare structure*

Welfare provision, particularly related to healthcare, is traditionally present in Roche; recently, the management's effort has gone in the direction of adapting it to the changing needs of the population and to what the market is able to offer today. In addition, the provision has been aligned to the headquarters' guidelines. Over the last years, the tendency is the re-centralizing of decision-making through a "globalization" effort undertaken several areas: benefit provision is likely to be the next, probably with the introduction of a flexible benefits system as the headquarters are definitely moving towards the definition of a standard "welfare package" for the whole workforce. They are particularly attentive in the fields of healthcare prevention, thus leaving national management with the choice on how to implement it. Some degree of discretionality is required particularly by the complexity of the fiscal regulation, which orientates towards solutions that might still be country-specific (Interview 11). The same welfare provision is offered to all employees regardless of their position; the only differences for managing positions are the life insurance, which has for them a slightly higher compensation, and the healthcare plan as they have the FASI with an on-top integration. Nonetheless, having a large number of external employees shapes welfare provision, which is organized on two parallel directions: on-site initiatives and structures that are catered for employees working in Monza and a set of agreements with providers that

cover the whole national territory. Roche's welfare system can be divided into two macro-areas: insurance coverage and services. The first one is increasingly directed by the headquarters, which do not force the introduction of specific coverage plans, but constrain the Italian management's choices of the providers within a selection made at the corporate level. The management is thus invited to select insurance plans proposed by companies that already stipulated agreements with the headquarters, otherwise it is asked to motivate a different decision. The second area is managed at the local level by the national management, as it is partially the result of the legacy of acquisitions. When Roche acquired Boehringer Mannheim's site 19 years ago, the harmonization of treatments took several years but eventually led Roche to take on some of the benefits, such as prevention campaigns, that were included in the more comprehensive welfare plan offered by the German group. In the following years Roche's focus on welfare has been steadily growing; this ultimately led to maintenance of what Boehringer Mannheim introduced in the Italian site (Interview 10).

*Healthcare.* As a pharmaceutical company, core activities are developed in the areas of healthcare and disease prevention through the provision of both healthcare coverage and screening programmes (Interview 10). The first one is alternative to the sectoral fund Faschim, and the costs are equally shared between company and workers. The company-level insurance plan is offered as an alternative to the Faschim because it was antecedent. Disease prevention programmes have been in place for the last twenty years. In addition to healthcare coverage – which can be either provided through the Faschim or the company-level plan elaborated by Unisalute<sup>82</sup> – employees receive a variety of policies that do not envisage any co-payment from workers such as for injuries, life insurance and serious illness. They are automatically activated since the first day of work in any of the group's entities. Unisalute's plan envisages a contribution from employees of around 15% of the total cost, and it is the only one that can be extended to family members. In September 2016 the management will organize the fourth yearly Wellbeing Week, organized at the same time in all Roche sites worldwide for information and raising awareness in the areas of healthcare and wellbeing (e.g. psychophysical wellbeing; nutrition, disease prevention). The Wellbeing Week witnesses the “cultural model” exported by the headquarters (Interview 10).

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<sup>82</sup> It is an individual insurance plan co-financed by the company offered through Roche's agreement with Unisalute and extendable to family members.

*Work-life balance.* The national management implemented a variety of on-site services - as for instance examinations envisaged by prevention and screening programmes, the “conciierge” service for running errands, fitness classes and the on-site gym, tax consulting, and the “healthcare equipe” made up of a physician and a social counsellor - that are available in Monza’s campus and partially in Segrate during working hours. Both sites have the on-site infirmary, and Monza has an on-site counselling service run by Unipol for workers who want to purchase extra insurances that can be paid with ten monthly wages withholdings. The CRAL that provides recreational activities and discounted shopping opportunities. In addition, the management directly activated a number of agreements with childcare facilities and fitness centres after mapping employees’ domiciles. Before closing agreements with nurseries, the site’s social counsellor inspects the facilities, with Roche’s co-financing. The management together with the social counsellor also organizes summer camps for children both in Italy and abroad. Daily campuses host kids from 5 to 16 years of age, while weekly campuses abroad are attended by kids from 7 up to 17 years old; 50% is paid by the company while the remaining 50% is charged to users in five payments. In terms of flexibility and time management, opportunities in place are mainly discretionary and regulated on an individual basis. Under particular circumstances, employees can be granted – informally and on an individual basis - the possibility to work from home once in a while. Still, the management is cautious about the introduction of such flexible arrangements on a stable basis (Interview 10). For the time being, there are no plans towards the introduction of tele-working and smart-working programmes. Nonetheless, all employees in Monza work with flexible entry and exit hours that allow them to organize their time granting a compulsory minimum daily time slot, which ranges from 9.30am to 4pm. This allows them to partially manage their time over the full month, as they can save hours and make up for lost time (Interview 11). Newly mothers can ask for time reductions to 6 or 7 daily working hours, granted on an individual basis, in order to avoid part-timers. There is no maximum amount of hours for medical examinations, which have to be agreed with the supervisor. Other initiatives (e.g. two yearly meetings with the counsellor to help newly mothers re-integrating at work in Roche Spa; two hours a week for two weeks for mothers to help children settle at nursery school in Roche Diagnostics) are informally organized by each legal entity. As the two entities live

under the same building, the management's commitment for the future is the harmonization of even the smallest benefit. The management's attempt is to design benefits that can – although implemented differently – suite the whole population. Still, Monza's "campus" has a wide variety of internal facilities implemented in order to favour work-life balance for the internal population who works office hours. One of the areas of recent activity is that of sports and fitness, through a dedicated area in the office and the offer of a variety of classes; for external representatives there are agreements with fitness networks. Segrate provides some of the same services as Monza, but modulated on line workers' time schedules as they work on continuous cycles.

*Internal communication.* Is a key element of welfare provision: aside from the dedicated website and one person fully employed on benefits management, each new employees receives a specific induction to the welfare system. For each new benefit, it is undertaken a "customized communication" effort targeted to the different components of the population. A feedback mechanism for each service can be accessed online, and there is a corporate survey that has a set of questions dedicated to benefits provision: in Italy – which is ahead of many foreign sites - 80% of employees declared to be satisfied (Interview 10). The main idea behind welfare provision is that of allowing employees to saving time. Time saving provisions allow workers to control stress levels within a population that is increasingly evaluated by results. Employees are pushed towards greater commitment and accountability in order to achieve long-term sustainability. With respect to childcare, for instance, the aim of services is that to provide a valid alternative to parents who would have instead to spend time looking for childcare facilities (Interview 10). Although there is no direct "exchange" between the parties, the management believes that benefits pay off in terms of job satisfaction and, then, the general performance. In addition to this, the management acknowledges a more general "social responsibility" (Interview 11); still, they do not have in place dedicated local initiatives.

*The 2010 agreements.* The agreement signed for Roche Spa on July 12, 2010 and the one signed for Roche Diagnostics on September 28, 2010 follow the same structure. Both contracts are aimed at regulating productivity bonuses and are in force until December 31, 2012. In terms of welfare provision, they encompass two main areas: disease prevention and childcare services. Just like previous agreements, the parties

establish the amount of resources to finance the disease prevention programme and commit to find a shared solution to provide a possible alternative to the Unisalute healthcare coverage that first expired on December 31, 2010, with a maximum increase of the company's costs of 10% for each employee. With respect to childcare, Roche Spa provides, starting September 2010, 90 euro a month for nursery schools and 50 euro a month for kindergarten; Roche Diagnostics provides instead 85 euro a month for nursery schools and 60 euro a month for kindergarten. On top of common provisions, the two agreements introduce different leaves: Roche's employees who study can use 20 extra hours of paid leaves, while Roche Diagnostics' newly dads have one additional day off to use within four days from the birth of a child. Roche's 2013 agreement maintains the same structure: along with the regulation of productivity bonuses, the parties confirm the company's investment on disease prevention programmes and raise the contribution for nurseries to 100 euro and kindergartens' to 55 euro on a monthly basis. In addition, raises the company's contribution to the pension fund Fonchim of an additional 0,2% starting January 2013.<sup>83</sup>

#### *6.4.2. Negotiation dynamics*

Although the parties should be discussing the renewal of the 2013 agreement, a comprehensive platform from the unions has not been formulated as both entities have their own, although different, priorities. In Roche Spa the discussion is now focusing on the decision to sell Segrate, while in Roche Diagnostics negotiation has been put in stand-by due to the creation of the new Roche Diabetes Care division, which will result in the constitution of a new RSU. The office population is not very interested in union representation, leaving industrial relations essentially governed by external pharmaceutical representatives and Segrate's line workers. Unions' claims are thus concentrated on these two groups, and particularly on pharmaceutical representatives' needs such as cars and daily allowances. On the other hand, Segrate's claims are essentially about shifts and schedules (Interview 11). The portion of welfare provision which is left today into negotiation – i.e. healthcare and prevention programmes and childcare reimbursements – has been maintained as negotiated benefits essentially because of an “old legacy” coming from Boehringer Mannheim. As an example, at the

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<sup>83</sup> The sector's CCNL envisaged the 0,2% increase starting January 2014.

times of Boehringer, Unisalute's plan was managed directly by union representatives without management's involvement. When Roche succeeded the old management, it decided to take it in its own hands by virtue of the fact that the company would pay the largest share of costs (Interview 10). In 1999 the parties signed a harmonization agreement that paved the way for what came after. Today, aside from corporate core areas such healthcare and wellbeing, the national management is in charge of implementing corporate guidelines. Union does not have any formalized role in the endeavour, as they come directly from the global HR and are to be intended as corporate policies (Interviews 10, 11).<sup>84</sup>

*The company side.* Welfare provision is ultimately generated by the encounter of different cultures: Boehringer Mannheim's German one, which was keener on negotiation; Roche's Swiss one, which started developing people care around 20 years ago; and Genentech's American one. As of today, the company's preference is towards introducing unilateral policies. While negotiated benefits derive directly from the old Boehringer Mannheim's management, everything that came afterwards is almost exclusively unilateral (Interview 10). The management does not perceive unions' interest towards welfare, as unions seem to acknowledge the presence of benefits but do not consider them as topics for discussion; their items for negotiation are much more focused on external representatives' demands (e.g. cars and daily allowances) (Interview 11). Although the group does not push for the introduction of welfare benefits into agreements, the national management is aware of the necessity to bring on union representatives in order to exploit new fiscal regulations and eventually introduce a flexible benefits system (Interview 11). Deciding to exploit the new budgetary law in order to open up to the introduction of a new flexible benefits system might be changing things with respect to negotiation. The national management has not been considering so far the possible use of the productivity bonus in order to finance the welfare system, also because the corporate level does not allow as a general rule to convert into welfare individual incentives. Still, this would allow the constitution of a wider portfolio of

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<sup>84</sup> One example of such global corporate policies is the recognition programme "Applause" aimed at creating a system of peer-evaluation among colleagues through the possibility to allocate credits, which can be spent on a catalogue of goods. "Applauses" can be shared between colleagues regardless of locations, business units and hierarchical status (Interview 11). None of this passes through country-level policy-making.



services, as for instance those related to caretaking responsibilities towards elderly family dependents (Interview 11). Interestingly, welfare investment on Segrate will remain the same until the site is either sold or closed. This is motivated by the fact that the decision is not the result of financial issues, but rather of strategic choices made at the corporate level. Until then, Segrate's employees are formally entitled to receive the full welfare package. The national management has nothing to do with the decision and would not have any influence; they can only keep on working at the local level.

*The union side.* Union leaders noticed Roche's effort – lately shared with other multinationals – to re-centralize decision making at the corporate level, resulting in the fact that the national management is increasingly left with the sole implementation of top-down guidelines. Still, Swiss groups are often characterized by fair levels of discretion for the national management, to which is also delegated bargaining at the local level. Under the unions' evaluation, "core" welfare benefits are still included in company-level negotiation, as bilateral agreements still regulate healthcare, childcare reimbursements and the financing of the CRAL. With respect to industrial chemical companies, though, pharmaceutical groups tend to always keep a slice of benefits provision unilateral; around 50% of what is in place is generally implemented as a corporate policy (Interview 18). Pharmaceuticals carry forward their business and thus work extensively even on the inside on healthcare-related benefits. As part of this, they spend notable amounts of money on insurance policies covering a wide variety of risks. It is a way to stick to their business, but also a way to foster production and performance. Once they lose hospital clients, they know it is hard to get them back. Aside from their people care tradition, pharmaceutical companies have higher returns and higher wages than industrial chemical firms. Pharmaceuticals use welfare provision to support and extremely specialized production and, ultimately, to sell it (Interview 18). Unions' representativeness has been significantly downsized when the company sold the production site in Liscate, Milan, and it will be further damaged by the loss of Segrate's plant. Roche's Italian presence is strongly characterized by the prevalence of the external network of pharmaceutical representatives, who constitute a wide share of the Italian workforce and are more unionized than office workers. Their strength in Roche is significant, as it generally is in pharmaceutical companies. Still, they did not develop adversarial dynamics with the rest of the workforce and are thus "useful" in

negotiation. In fact, they are the ones that drive negotiations with the company, often obtaining results even for the other categories. One characteristic feature of the pharmaceutical sector is its workforce, which has higher educational and wage levels and has been extensively “spoiled” through high wages and benefits. This is ultimately the reason why keep on making economic requests.

#### *6.4.3. Main findings*

Roche is a Swiss pharmaceutical group that has today a solid Italian presence, also resulting from the acquisition in the late 1990s of the German Boehringer Mannheim. As a mix of two cultures, the Italian site displays interesting peculiarities.

*Company specific.* Interviews carried out with company management and unions clearly show some degree of asymmetry. On one hand, the national management perceives welfare provision to be a unilateral endeavour resulting from corporate policies “re-interpreted” at the local level; on the other, unions hold on to a significant part of it through agreements’ renewals. Both parties claim their central role. Against this background, managers recognize the cornerstone constituted by Boehringer Mannheim’s negotiation tradition, while interviewee 18 acknowledges the presence of a variety of benefits provided directly by the company, as well as the decreasing influence of unions within the workforce. The legacy factor imprinted a clear bilateral mark on those benefits that were already under Boehringer negotiated into company-level agreements, but was not enough to ensure the continuation of old negotiation practices under the new ownership, resulting in the parallel development of a unilateral strand of welfare benefits. Unions, which see as their core constituency line workers and – even more – pharmaceutical representatives, did not take much interest in the new developments as they felt their mandate was to negotiate money (for representatives) and shifts (for line workers). As a result, the welfare system is characterized by a core bilateral provision, made up of healthcare and nurseries’ reimbursements, topped up by a variety of either corporate initiatives or on-site services directly implemented by the national management. While the areas of healthcare and disease prevention are extremely advanced, work-life balance policies noticeably favour services over time. Aside from an entrance/exit flexibility system, the company does not promote part-time

nor smart-working practices. They are rather granted from time to time on an individual and discretionary basis, as presented in table 6.4.<sup>85</sup>

Table 6.4. Roche's summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
Pensions		
<b>Healthcare</b>		
✓ extra payment	site	negotiated
✓ additional programmes	corporate	both
<b>Work-life balance</b>		
✓ money/services	site	unilateral
time		

*Sector specific.* Interviews provide interesting insights on the pharmaceutical sector. First of all, Roche reveals a clear tendency towards the constitution of unilateral welfare practices understood as corporate features rather than local initiatives, supported by the headquarters' general trend towards re-centralizing decision-making. Great focus is placed on communication, in order for employees to be fully aware of what the company provides. "People care" is thus to be seen as characterizing the group and, therefore, its production. Aside from a general internal climate, nothing is asked to employees in return for such investment. This is to be explained by the fact that employees' wellbeing ultimately "sells" pharmaceutical products (interview 18). While industrial chemical firms see negotiation as a way to overcome the complexity of dealing with individuals, pharmaceuticals care about providing benefits first hand and to be recognized for it. Union representation dynamics are also very different. While office workers tend to recognize less the value of collective representation, union members are divided between line workers – who are today in Roche fewer than before – and pharmaceutical representatives who are influent in negotiation. In Roche, they did not develop adversarial dynamics with respect to the other groups, and are thus able to sustain claims in a way that is often beneficial to the whole population.

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<sup>85</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance ("budgetary measures" such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

## 6.5. Bracco, Milano

Bracco is an Italian multinational company established in Milan in 1927 by its founder Elio Bracco. After the first factory in Lambrate, completed in 1953, Bracco opens in 1988 the facility in Ceriano Laghetto. In the same years Bracco begins its foreign acquisitions. Since 1966 Diana Bracco joins the firm., becoming General Manager in 1977. Today, the group operates through four divisions: Bracco Imaging, producing for the diagnostic imaging business; Acist Medical Systems, supplying contrast agents and medical devices; Bracco Pharma, selling prescription drugs, over-the-counter drugs and food supplements for the Italian market; Bracco Health Services for the management of the *Centro Diagnostico Italiano*, a polyclinic with 22 locations in the Lombardy regions. With a portfolio of over 1800 patents, the Bracco group has 3500 employees worldwide. Diana Bracco is President and CEO of the Bracco Group. The group focuses its business on imaging, which is its core business and it is the sole areas with the whole supply chain, from production to commercialization both in Italy and abroad in over 100 countries. The push towards internationalization comes from Diana Bracco's imprinting in the 1980s. In addition to imaging, Bracco runs the contrasting agents, prescription and over-the-counter pharmaceutical business, which is a sector traditionally prosperous that had a downfall in most recent years because of healthcare retrenchment policies aimed at cutting pharmaceutical costs. This is the area that has been restructured in the last decade – with two major reorganizations occurred between 2005 and 2012 - and it is now slowly recovering, with a wide portfolio of pharmaceutical products. The pharmaceutical division produces in Italy only, as it does not encompass research facilities but only national production sites. Another nation-wide business unit is the one dedicated to healthcare services that manages *Centro Diagnostico Italiano* centres, which have been operating now for 40 years now. The youngest business unit focuses on medical technology and has its headquarters in the US, producing injectors for the imaging business and heart valves. Last, the real estate division, managing the group's properties. Half of the 3500 employees worldwide work in Italy, in the sites of Torviscosa (UD), Ceriano Laghetto (MB), Cesano Maderno (MB), Ivrea (TO) and the headquarters in Milano. Over 40% of the population are women. Around 1000 employees work in the Lombardy region. Milan's headquarters host around 350

employees, a number that increases up to 750 considering the whole Milan's area (headquarters, Fondazione Bracco's office and Centro Diagnostico Italiano).

#### *6.5.1. The welfare structure*

Bracco is a family group that, with almost 90 years of age, is run today by the fourth generation of entrepreneurs. The owners' vision has traditionally pushed forward people care practices and, later on, diversity management: initiatives, although with a more paternalistic character, were already present in the 1960s. Back then, the Bracco family already looked at its people as crucial contributors to the company's fortune and bearers of a general wellbeing that goes beyond the economic dimension, believing the company's aim to be not only that of producing profits but also of generating prosperity as a social stakeholder (Interview 7). This vision, though adapted to societal changes, is the constant element in the history of the company. Diana Bracco – as a manager and as a woman – has been extremely sensitive to welfare-related and gender issues, which is nonetheless coherent with the whole family background and it is continuing nowadays with the fourth generation. Against this background, the national management is in charge of interpreting the family's vision and of understanding people's needs. People care initiatives have two strands: employees' welfare and internal communication, and external social activities. The first one begun in the production sites, was gradually expanded to more recent divisions and is now spreading to the CDI population, which has around 350 workers for the majority women. While CDI employees access - for the time being - only some of the benefits, the other sites already implemented the full provision. Services are pretty much the same but tailored upon contexts' specificities. As an example, all sites have an on-site social counselling: while in Milano the service is very popular, Torviscosa's workers did not use it. As a result, the Milano office hosts the service twice a week on a regular basis, while for Torviscosa is an on-call service. The management is currently working for the harmonization of benefits among the Italian sites, while foreign sites present different characteristics and are thus treated differently, as each national management has the autonomy to customize initiatives.<sup>86</sup>

*Areas of intervention.* The welfare system is organized around five areas: healthcare and pensions; wellbeing; family; professional growth; services and agreements. The first

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<sup>86</sup> The headquarters care to provide general guidelines and monitor implementation while national managements are free to decide how to follow up on them.

area encompasses, on top of the sectoral fund Faschim, disease prevention through a “basic” check up programme topped up by a specific one on the basis of age and gender, and insurance policies for injuries. According to the company’s mission, healthcare and prevention have always been strongly developed, particularly since the constitution of the *Centro Diagnostico Italiano*.<sup>87</sup> For pensions, there is an extra payment to Fonchim. Wellbeing includes the on-site gym for Milano and social counselling in all sites and online; family envisages scholarships, summer camps and volunteering camps for kids, 50 hours of home help for elderly family dependents and the possibility for mothers to ask for one year of part-time after maternity leave. Professional growth encompasses all training opportunities as well as tax advisory; services comprehend agreements with providers, on-site services (e.g. canteen and laundry service) and discounts. Today, the only benefits catered for all workers regardless of their family needs are recreational activities and discounts provided through the Fondazione Bracco.<sup>88</sup> The new systematised offer is the result of a first mapping of services undertaken by the CSR function in September 2015, which served a double purpose: raising employees’ awareness through providing workers with the monetary equivalent of what they receive in services<sup>89</sup>, and allowing the HR management to re-organize the provision. Mapping services was the first step towards a more comprehensive effort of modernization, particularly directed at favouring a new perception of welfare provision as constitutive of the employment relation rather than as a “gift”. For the future, the management is oriented towards developing the areas of gender balance and family support through new services, as nursery schools, and increased time and location flexibility. The company has a marked “Italian culture”, which still favours actual presence at the office rather than focusing on results. Aside from the cultural barrier, the management will also have to develop an efficient goal-oriented evaluation mechanism (Interview 7).

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<sup>87</sup> All Bracco employees have a CDI Family Card for up to 50% discounts on medical examinations and exams for the whole family.

<sup>88</sup> Fondazione Bracco operates in three main areas - cultural, scientific and social – with philanthropic initiatives. Although welfare benefits are provided directly by the company, the link with the foundation allows employees to exploit some of the facilitations in the areas of culture and recreation. In addition to the work of the foundation, the company directly implements a variety of social initiatives in the field of international cooperation.

<sup>89</sup> A “total reward” mechanism was put in place to raise awareness on the actual value of Bracco’s remuneration through compensations that top up wages.

*The 2012 agreement.* Signed by the parties on June 27, 2012 by the company and the Italian RSUs, the agreement disciplines the distribution of productivity bonuses as well as it confirms part-time provision as for the November 2008 agreement<sup>90</sup> and the disease prevention programme. Also, it foresees the constitution of bilateral groups in order to discuss the feasibility of more time flexibility and tele-work. Out of the many provisions catered for Bracco employees, the only ones introduced through bilateral agreements are part-time for mothers and yearly disease prevention campaigns. In addition, CRALs take care of all discounts and agreements with providers, as well as recreational activities. Aside from those, all other benefits are directly provided by the company.

*Internal communication.* These days, the HR management main concern is finding effective communication tools to reach all employees. Targets are very different – in terms of location, job tasks and education levels - and getting to all is a crucial issue, particularly when new benefits are introduced.<sup>91</sup> On one side, everyone deserves to utilize benefits; on the other, benefits deserve to be valued adequately instead of taken for granted. In Bracco's view, welfare provision is an investment, and thus has significant costs: there is one dedicated person who manages the functioning of the system and collects demands coming from the colleagues, who have to find in the company an “ally for life” (Interview 7). All sites have a contact person who helps in the local implementation. There is thus a direct interaction between individual workers and the welfare supervisor. In addition, the management monitors results through periodical surveys. There is undoubtedly a vision coming from the ownership, which is what initiates the introduction of a welfare system. But, as a company's mission is producing profit, the more people perceive a climate of general wellbeing matters, particularly for the generation of people between 30 and 45 years old who value the fact of working for a company that commits to corporate social responsibility. Showing a “social dimension” works for both attraction and retention. The choice of providing benefits to the entire population originates from the belief that all employees, at all levels, contribute to the construction of such wellbeing climate. Similarly, the choice of not outsourcing welfare provision to specialized providers comes from the commitment

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<sup>90</sup> Part-time for women after maternity leave was first introduced through agreement in the 1990s.

<sup>91</sup> Customized communication includes the intranet's website for office workers and printed leaflets and posters for employees not working on PC stations.

to hold on to welfare policies as a way to spread the corporate culture; welfare has to be kept “close” to the management in order to mirror its views (Interview 7). In addition, it is important to maintain a direct link with people.

#### *6.5.2. Negotiation dynamics*

Bracco is an Italian proprietorial firm, still run by its founders. As a family enterprise, it is a direct emanation of the family’s values and approach. It is a company that behaves like a mother to its workforce, thus giving everything first hand (Interview 19). At the same time, unions’ influence has been consistently waned over time, resulting in a welfare provision that started off as negotiated but was later on topped up by a variety of more recent and innovative unilateral benefits. Although the majority of initiatives have been managed unilaterally, some of them have been nonetheless informally shared with union representatives without a proper bilateral involvement. Still, new regulatory developments are likely to lead to the introduction of such benefits into negotiation.

*The company side.* The relationship with union representatives is traditionally good, and it has been so even when the group had to deal with two major restructurings (in the years 2005-2006 and 2010-2012). Still – although informally shared with union representatives - a large share of benefits are not included into negotiation as part of the management’s vision. The initiative to introduce new provisions comes mostly from the company. In fact, until the end of the 1990s agreements would occasionally include welfare provision, particularly when related to time flexibility. Back then, part-time and disease prevention programmes were introduced through bilateral agreements. Negotiated welfare provision is all quite dated though, as in most recent years RSUs “crumbled apart”, particularly for the fact that employees do not express major necessities. There are periodic meeting to share new ideas, but they do not culminate with formal agreements. When the company launched the programme *Valore Studio* for instance, union representatives have been called in order to inform them of the company’s new strand of intervention (i.e. supporting new generations through information, counselling, education and job opportunities). Study awards introduced within the project have been partially financed by the resources coming from



employees' co-payments to children summer camps.<sup>92</sup> This shift of resources from one initiative to the other has been informally discussed with union representatives. Union representative appreciate benefits but do not contribute to elaborating new proposals. The management, although noticing the internal fragmentation of the RSU, seeks to share new initiatives. The HR management wishes for the re-construction of a cohesive RSU with the next elections in order to eventually share ideas on the new opportunities provided by the budgetary law. Still, the issue would not be approached as a way to “shift” existing benefits from the company’s budget to productivity bonuses, but rather as a chance to introduce something new. The new budgetary law might be influencing future choices as Bracco started considering the new opportunities to use resources coming from productivity bonuses to finance welfare provision, although the welfare system is already so comprehensive that it might take some effort to be able identify new areas that are worth developing as an on-top element (Interview 7). In fact, the main issue concerns the fact that employees do not benefit from welfare to the same extent. A solution could thus be to add up to what already in place the opportunity to get additional services on a voluntary basis. As a company that invests on new generations, the main focus for the future will be supplementary pensions. As Bracco’s traditional provision focuses on families, a new welfare system based on productivity results will necessarily have to encompass opportunities even for employees who do not have family care responsibilities. The management thought more than once of the introduction of a flexible benefits system. Up to now, the company’s view has been that of providing benefits in “core” areas as healthcare and family support although “penalizing” other areas such as recreation not considered as essential. The choice has been that of supporting actual “welfare” needs. Dismantling it in favour of a flexible benefits system to be individually chosen by each worker is not completely out of the picture but it entails changing the very nature of what has been done so far (Interview 7).

*The union side.* Bracco is a proprietorial Italian company that provides a generous welfare system as a commitment to personally offer benefits to its workforce. It does so according to its corporate culture, but also because it is a pharmaceutical company and

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<sup>92</sup> Summer camps were originally free of charge but later a small fee of 20% of the total cost has been introduced in order to avoid last minute cancellations. The management felt that free admissions led employees not to adequately value the initiative.

cares about its image (Interview 19). Welfare provision is not linked to performance. The management does not have an “anti-union” behaviour, but its approach to negotiation is definitely more “practical” than in a multinational firm. Its characteristic feature is the high level of personalization around the family and, more specifically, the figure of Diana Bracco (Interview 18). Crucial to the analysis is the current strength of unions: while in Ceriano Laghetto – where the population is mostly made up of line workers – unions are still recognized, the RSU in Milano’s office made some crucial mistakes which led to its loss of influence. Particularly, the unions were not able to contrast the company’s decision to substitute the external network of pharmaceutical representatives, which were Bracco’s employees, with external agents. The loss of such highly unionized population unavoidably led to the decline of union influence. These dynamics have been exacerbated by the reorganizations that took place in the last decade, which led to the closure of production plants that are notoriously the areas in which unions are most influent (Interview 18). Despite the old tradition of solid industrial relations, which produced negotiated welfare provisions, unions made relevant “mistakes” that contributed to their own weakening. The loss of an important piece of their representation resulted in the decline of their bargaining power and destruction of the RSU’s internal cohesion.

### *6.5.3. Main findings*

Bracco is an Italian proprietorial company operating in the pharmaceutical sector that has a rooted tradition of welfare provision, which started out as bilateral and ended up in most recent years being mostly made up of unilateral initiatives. The switch from bilateral to unilateral arrangements, although not opposed by the company’s management, has been ultimately caused by the loss of influence of union representatives.

*Company specific.* Bracco’s welfare provision is the result of a marked personalistic approach aimed at developing the owners’ views on people care and corporate social responsibility. As the company mirrors accurately the wills of the entrepreneurs, it behaves like a mother, providing its people with everything they need and doing so personally. Against this background, unions were not able to effectively contrast corporate choices, such as the closure of production facilities and the transformation of

pharmaceutical representatives into external agents, which ended up causing their loss of influence and internal cohesion. Today, with an extremely weak counterpart – particularly in Milan’s offices – the management directly provides all welfare benefits aside from the ones that were already introduced into agreements. Nonetheless, the company might try to involve unions in the future in order to exploit the opportunity of paying out productivity bonuses with welfare benefits provided by the 2016 budgetary law.

Table 6.5. Bracco’s summary of findings

<i>Welfare</i>	<i>Level of implementation</i>	<i>Source</i>
✓ Pensions		unilateral
<b>Healthcare</b>		
extra payment		
✓ additional programmes	corporate	both
<b>Work-life balance</b>		
✓ money/services	site	unilateral
time		

Bracco’s welfare system is characterized by the orientation towards specific areas such as healthcare and family support. Oldest benefits concern more “traditional” areas such as pensions and healthcare (i.e. extra payment to Fonchim and disease prevention programmes). A more recent focus, which characterizes today Bracco’s provision is family and children, with a variety of benefits (e.g. scholarships and summer camps). Work-life balance focuses on financial aid and on-site services rather than on flexibility and time management, with the exception of the negotiated provision of part-time after the maternity leave, as depicted by table 6.5.<sup>93</sup>

*Sector specific.* Interviews highlight two crucial aspects of welfare systems in the pharmaceutical sector. First, the propensity of pharmaceuticals to provide benefits as a strategy related to brand reputation and, only indirectly, to performance. Differently from the industrial chemical sector, which seeks to contain costs and improve

<sup>93</sup> Benefits are divided into three areas: pensions (extra payments to the supplementary pension fund), healthcare (extra payments to the healthcare fund and additional check-up and disease prevention programmes) and work-life balance (“budgetary measures” such as money transfers and services, and time management such as flexibility arrangements and extra time off). For each, the table indicates whether it is a corporate policy or a local initiative - and if it is unilaterally introduced or included into company-level agreements.

productivity, the pharmaceutical segment is characterized by the use of welfare as a tool to build both an internal climate and an external image that resembles the relevance of its production. These companies care that their employees acknowledge the importance of what they do as well as the company's commitment to CSR practices. Second, the case study clearly witnesses the relevance of pharmaceutical representatives in the sector's negotiation dynamics. The decline of unions' influence, initiated with the closure of production divisions and subsequent loss of line workers, culminated when the RSU was not able to avoid the shift of pharmaceutical representatives from being employees to external agents. Losing this core constituency definitely marked the end of unions' ability to impact on decisions. As a last note, Bracco's experience shows the peculiarity of Italian proprietorial companies that, despite their size and global presence, show a marked personalistic approach related to the figure of the owner (or family). According to the interviews, Italian companies are not "anti-union", but tend to display negotiation dynamics more oriented towards pragmatism than being strategic bargaining endeavours as in multinational groups. Concerning welfare benefits, they are keener on providing them personally, as a durable corporate policy implemented by the ownership in order to support its people.

## Chapter 7

### Results: main findings from the two-step analysis

#### Introduction

The last chapter aims at briefly summarizing the most relevant findings of the two-step analysis, to “channel” them into the four areas of inquiry defined in chapter 3 and, lastly, to draw some more general conclusions. The first section displays and recaps the results of step one of the empirical research, highlighting the aspects that showed to be most relevant for the following step. The second section draws the most significant discoveries from the nine case studies, producing considerations that touch upon each of the pending questions of the previous step. In addition, the section elaborates on the typology built through the agreements’ analysis and tested on case studies in order to “place” the companies analysed into the typology and to determine mixed strategies. The last section outlines more general arguments related to the spread of welfare provision in the Italian context and to both opportunities and risks associated.

#### 7.1. Step one: gathering insights

Around 38% of the companies analysed in the first part of the research display agreements including at least one welfare benefit; the percentage rises up to 68% in companies with at least 215 employees. These data alone suggest that welfare benefits are quite often part of the negotiation, particularly for larger enterprises with structured industrial relations systems. Deepening into the kind of benefits offered, almost all employees who can access work-life balance benefits are also provided with traditional benefits, but not the other way around. Traditional benefits, most often related to pensions and healthcare, are not necessarily associated to work-life balance measures, while the latter ones are always coupled with traditional benefits, as they represent some sort of “second pillar”, probably added over time. Looking at the area of work-life balance, the two areas that stand out are working time flexibility and financial support for family expenses, followed by extra leaves for family reasons. The distribution of such benefits into negotiation also suggests the existence of two distinct strategies of

welfare provision. The first one is based on the provision of financial support and therefore requires the company to have a budget allocated to welfare benefits; the second is focused instead on the provision of time and it has to do more with a reorganization effort than with money spending. Data seem to suggest that, these days, the second strategy is slightly preferred to the first one by companies, implying that a “zero-budget” measure stands more chances of introduction.

The analysis highlighted that, in addition to company size, which has been extensively pointed out in literature as the key element for the spread of company-level welfare arrangements, corporate culture and type of production might affect the form and size of welfare provision as well. Multinational companies are keener on providing welfare than Italian ones, at least through company-level agreements signed with trade union representatives. On top of that, welfare benefits appear to be more present in pharmaceutical companies compared to industrial chemical ones, suggesting that a business-to-consumer production might lead to different corporate strategies than a business-to-business one, particularly in a highly receptive field as the healthcare sector. Step one allowed to build up a typology resulting from the combination of two dimensions: source of benefits (negotiated *versus* unilateral) and financing (budget allocation *versus* zero-cost). The former one is useful to distinguish benefits that are more likely to be agreed upon by the parties from the ones that more often remain in the realm of management’s unilateral action, while the latter refers to the actual cost of the provision on the side of the company, differentiating between measures that imply a monetary disbursement from the ones that are either organizational arrangements or envisage the financial burden to be borne by individual users (net of setup costs). In between, we find extra paid leaves, which are strategically more related to time flexibility but nonetheless have financial implications for the company that agrees to provide them. In conclusion, step one contributed to the identification of a set of aspects that needed further investigation, such as the elements determining different kinds and sources of welfare provision. Findings suggested that specific features of the companies analysed – national origin, corporate tradition and production – are somehow linked to the outcome in terms of welfare negotiation and of the services introduced.

## **7.2. Step 2: unveiling mechanisms**

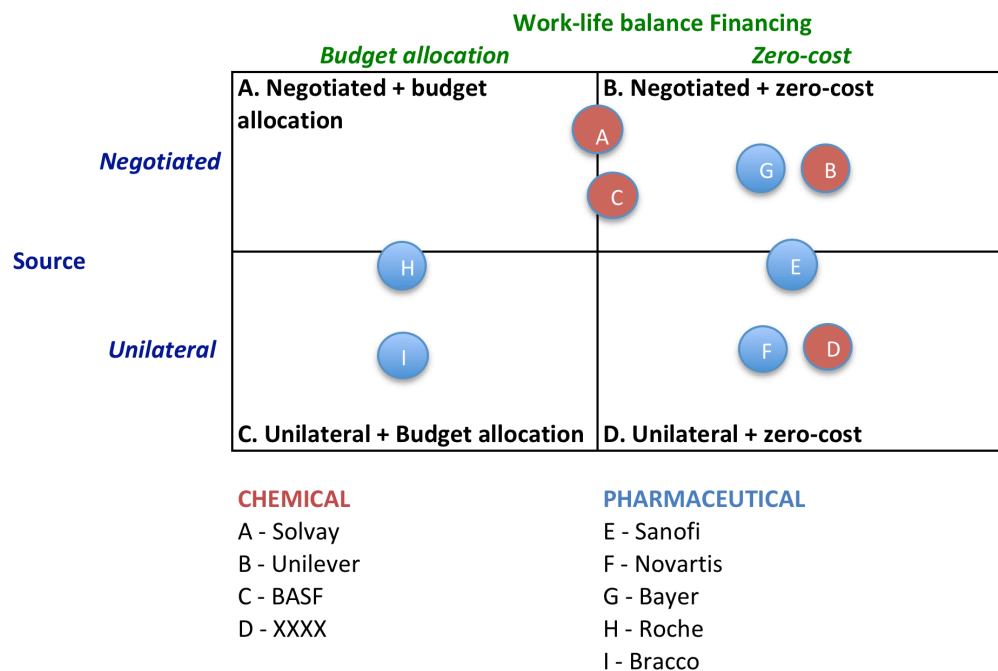
The second part of the empirical analysis has been carried out through the in-depth study of nine cases, selected within the sample of company-level agreements, with semi-structured interviews with both the management and union representatives, resulting in at least two interviews for each study case. With the aid of companies' websites, additional documents and company-level agreements, interviews sought to retrace the history of welfare provision and the industrial relations dynamics that led to different outcomes, with particular focus on features linked to the relationship between the national and the corporate level governance and the specificities of the production.

### *7.2.1. The nature of welfare provision*

Selected enterprises where either Italian multi-localized companies with a marked proprietorial character or foreign multinationals, belonging either to the industrial chemical business or to the pharmaceutical one. XXXX and Bracco are a chemical and a pharmaceutical company sharing a management style that still mirrors their nature as Italian family-run businesses. Basf, Solvay and Unilever are chemical industrial companies mainly producing as third-party contractors for other industries (business-to-business) belonging to different nationalities, namely German, Belgian and British. Novartis, Roche, Sanofi and Bayer are “big pharmas” mostly producing for the healthcare market, with the headquarters located respectively in Switzerland (Roche and Novartis), France and Germany. Although not all equally large, what these companies have in common is that they all are multi-localized enterprises operating in the chemical business. Each of them has its history of welfare provision, which is more or less closely intertwined with that of the sites' industrial relations. Analyzing the focus of welfare provision on “traditional” social risks and new ones as work-life balance, it is easily noticeable that all companies provide some extra healthcare arrangements, while a fair number – 5 out of 9 – supplies extra payments to the pension fund Fonchim. Back to healthcare though, industrial chemical companies tend to provide either an extra payment to the healthcare fund Faschim or check-up programs (one provides only the extra payment, the other three only check-up and disease prevention); pharmaceuticals provide instead both arrangements (extra payment and check-ups combined) in three out of five cases; the other two offer exclusively check-ups. This *per se* suggests that

pharmaceutical companies tend to provide more extensive provisions, at least in the area of healthcare. Looking at negotiation dynamics, healthcare measures are more likely to be included into company-level agreements than work-life balance benefits, as the former one are – at least partially – mentioned in company level agreements in eight out of nine cases. Interestingly, pharmaceuticals are more likely to provide unilateral arrangements on-top of negotiated ones, as corporate policies (e.g. Bracco and Roche). As of work-life balance, the typology built on the basis of step one of the analysis finds a correspondence in all case studies, though often suggesting the presence of mixed strategies. In order to show such strategies in a more intuitive way, in figure 7.1 each of the analysed enterprises is placed in its own square on the basis of the characteristics of welfare provision.

Figure.7.1. Work-life balance: case studies placed in the two-dimension space



Note: the exact placement of case studies in the same space does not imply any differences with respect to the dimensions presented (e.g. no differences implied between cases G and B); the circles located on the boundary lines between two or more spaces indicate the presence of mixed strategies. The same applies to all of the following figures.

The elaboration roughly sketches the placement of each case concerning the kind of benefits implemented and their introduction into negotiation, through the author's



evaluation of each one on the basis of the information presented in chapters 5 and 6. Considering the whole sample at hand, there are five companies that enact “pure” strategies, three that implement slightly mixed ones, and one company, namely Solvay, which equally displays two strategies. Although the figure does not delineate a clear predominance of negotiation over unilateral action or the other way around, we can observe that, with the sole exception of XXXX, the chemical companies analysed seem to be more inclined towards negotiating benefits than the pharmaceuticals, which are located instead – again with one exception, i.e. Bayer – in the lower part of the figure displaying unilateral action. Looking at the other dimension identified, i.e. budget allocation *versus* cost saving strategies, six out of nine companies seem to be keener on implementing the latter strategy, two chose the former one while one is placed in between the two. Solvay (A) witnesses a strong inclination towards negotiation, as all work-life balance benefits are included into company-level agreements, but it also displays financial support and service as well as time flexibility arrangements. Although the management declares the latter one to be the most recent area of intervention, suggesting its increasing relevance in the organization, the co-existence of both, benefits implying a dedicated budget together with zero-cost initiatives, seems to rule out the propensity towards cost containment alone. Unilever (B) shares with Solvay the propensity towards negotiation but shows a clear tendency towards favouring time management over services and financial support; the same goes for Basf (C), although the company also maintained a set of “traditional” arrangements such as summer camps for employees’ children which make the case cross over to the upper left corner.<sup>94</sup> XXXX (D) is the last industrial chemical case and reveals an opposite strategy than the previous company: work-life balance is strictly unilateral, and exclusively related to time flexibility and other zero-cost arrangements. Passing on to pharmaceuticals, with the exception of Bayer (G), which has a clear propensity towards negotiation,<sup>95</sup> all other cases provide either exclusively unilateral or partially negotiated benefits, thus always displaying some unilateral action. Among them, Sanofi (E) and Roche (H) negotiated

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<sup>94</sup> The sole exception to this strategy is, in Basf, the recent introduction of a smart working pilot which has not been yet included into negotiation. If confirmed, it will be probably regulated in the next company level agreement.

<sup>95</sup> Bayer’s sole work-life balance arrangement for the time being is represented by the temporary Flexpo agreement signed in 2015 in order to allow employees to practice smart working during the time in which Milan’s Expo was open to the public. The latest step, stemmed from the 2014 agreement, is the set up of service portal displaying agreements with providers.

part of the work-life balance provision: the former one shared with union representatives most recent efforts on time flexibility and smart working and asked them to act as “sponsors” of the new initiatives, while managing directly all other benefits (e.g. discounts and agreements); the latter one, which provides little time flexibility but a variety of on-site services, offers negotiated nurseries’ reimbursements, as Roche had found them already introduced into site level agreements when the group acquired Boehringer Mannheim’s Italian sites in 1997, and over the years topped them up with a variety of either corporate initiatives or on-site services directly implemented by the national management. Novartis (F), offers a variety of unilaterally managed work-life balance benefits that are mostly concerned with time flexibility and extra leaves.<sup>96</sup> Finally, Bracco (I) provides a wide variety of services (social counselling in all sites and online, scholarships, summer camps and volunteering camps for kids, 50 hours of home help for elderly family dependents), while the only arrangement touching upon time is a 1990s agreement regulating part-time. Everything else has been provided directly by the management. In a nutshell, all companies analysed introduced “traditional” benefits such as pensions and healthcare first, and are now moving, though at different paces, towards the implementation of work-life balance provision. Most of them seem to be keener on working on time management and flexibility, while a minority chooses instead (i.e. Roche and Bracco) or in addition (i.e. Solvay and Basf) financial support and facilities. Traditional benefits are slightly more likely to stem from bilateral agreements than work-life balance does: extra payments to the sectoral funds Fonchim and Faschim are introduced into agreements, while additional check-up programmes are often, but not always, negotiated. Aside from Bayer, which has only recently been starting to study more structured work-life balance arrangements, the other companies provide either time management opportunities or services for family carers, or both. This ultimately show the absence, in the cases analysed, of a two areas of intervention, that of “old” and “new” risks, as alternatives. Rather than being one or the other, they seem to be two layers of the same system. Traditional benefits such as healthcare and pensions came earlier in time and are now fully established and mostly touched upon in order to be corrected upwards over time, while work-life balance is the most recent area

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<sup>96</sup> Sanofi’s and Novartis’s exceptions to the strategy are the co-financing of local initiatives at the site level, as for instance the summer camp in the Milan’s office for Sanofi and in Origgio for Novartis. Nonetheless, they are all implemented unilaterally by the national management.

of intervention. Concerning the possibility that welfare benefits are offered as a trade off with other components of wages, most notably wages and bonuses, the cases analysed did not show a straightforward exchange, as none of the companies have been implemented systems based on “bonus sacrifice” mechanisms, but it is interesting to notice that the interviews that have been carried out during and after the Government’s definition of the budgetary law for the year 2016 treat quite extensively the topic of switching of productivity bonuses from money to welfare services. Companies seem to be extremely interested in the opportunity, although extremely cautious in approaching the tax regulation, due to its complexity. Unions on the other hand express greater concerns, as discussed more in detail in the following section. What needs to be mentioned here is though the presence of some kind of trade off that does not involve directly wages but rather workers’ willingness to make extra efforts and a more generalized “social peace”. Chemical companies, which are characterized by a more demanding production in terms of physical work and schedules link welfare provision with performance in terms of safety procedures, absences and mostly the acceptance of rigorous and heavy shifts.<sup>97</sup> Pharmaceutical groups display a more nuanced approach, as welfare provision is for them a way to reinforce their brand reputation both externally and internally. It appears to be an essential part of their business, as their production is related to healthcare and has therefore to convey the idea of wellbeing and ethical behaviour. Nonetheless, several companies analysed show lower attachment of the workforce to union representation as a result of them being “cuddled” by a mother-like company. Union representatives claim that strategies based on generous on-top benefits “numb” employees and tend to dismantle the collective dimension of bargaining. Once again, chemical companies show such dynamics to a lower extent because the management values bilateral action as a way to regulate the collective dimension, which is something that with the high internal fragmentation of pharmaceutical employees among line workers, office workers and pharmaceutical representatives, is not advantageous.

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<sup>97</sup> A peculiar example is constituted by Unilever, which introduced a set of new and renewed benefits in the latest site level agreement but together highlighted the requirements in terms of higher flexibility and increased productivity.

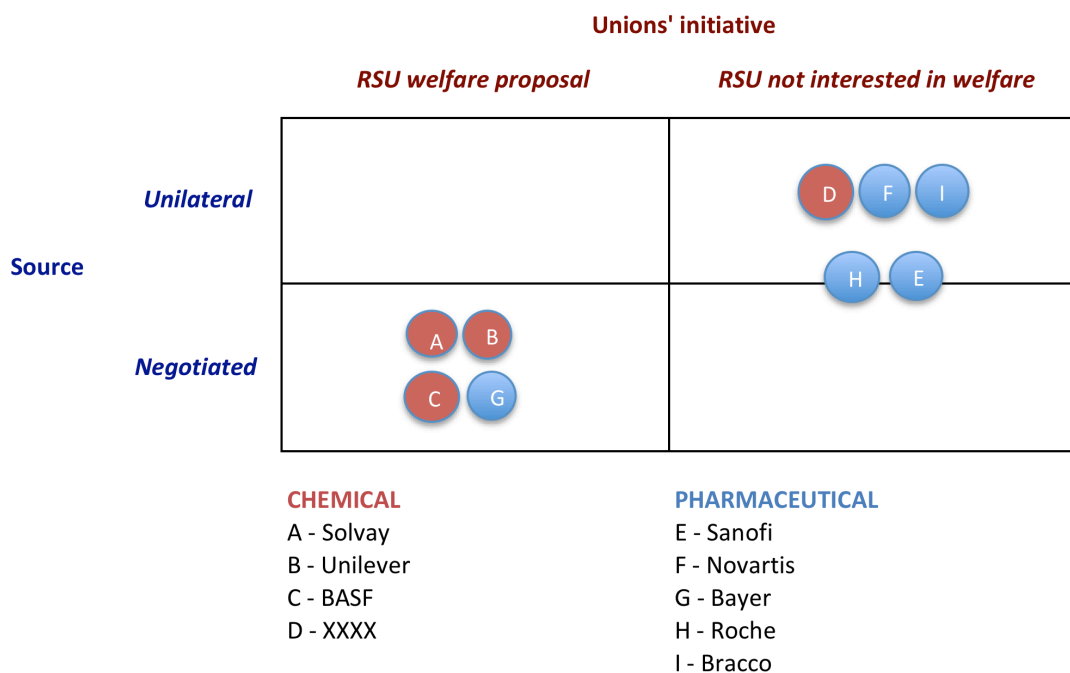
### *7.2.2. Industrial relations*

The first area of inquiry identified concerns the influence of industrial relations at the company level and the parties' willingness to cooperate for the introduction of negotiated welfare benefits. It has been extensively argued that employers and union representatives can obtain mutual gains through welfare negotiation: the former ones can exploit advantageous fiscal arrangements and seek savings on labour costs, particularly after the introduction of the 2016 budgetary law's new fiscal incentives; the latter ones have a chance to "revitalize" their role in the eyes of the workforce, as well as to "govern" significant changes in work relations. While companies have a straightforward preference, unions are more likely to undergo conflicting pushes, as they acknowledge the possible existence of a trade off between welfare services and wages. Case studies highlighted that, despite the fact that they mostly operate together at the company-level, unions have slightly different preferences with respect to welfare provision. While CISL sees welfare provision as the future of negotiation, CGIL believes wages to remain the number one priority. Le latter one strenuously supports the universalistic ambitions of the public welfare state, fearing that the advancement of occupational provision might supplant social schemes granted to the whole population with the result of increasing fragmentation, while the former traditionally favours bilateral intervention and local-level negotiation as a way to implement bottom-up protection systems. Aside from such more general claims, both organizations seem to be wary about the formalization of an exchange mechanism and do not appear supportive of the new opportunity to switch from bonuses to welfare. Union representatives have been mostly supportive of welfare benefits as long as those did not imply any sacrifices; sometimes they were even indifferent to them, as they were conceived as on-top corporate policies not affecting industrial relations. Still, they would traditionally demand for their inclusion into agreements in order to "secure" them into negotiation and to be able to build from them at each agreement renewal. Things started to change though when the companies' approach became less "paternalistic" and more strategic, thus increasingly demanding something in exchange for the investment. In the last decade, the companies analysed begun re-organizing welfare provision with an eye on costs and in more than one case handed out to workers "total reward statements" in

order for them to acknowledge the full potential of their remuneration package. Differently than the past, when benefits were considered as related to tradition, social responsibility and the willingness to keep “social peace”, today both parties recognize them as being strategically linked to performance. Companies claim that employees are more committed to the job, as well as willing to stay more at the office; unions see welfare as a tool to obtain a more accommodating workforce and reduce claims. While a clear trade off between welfare and wages does not incontrovertibly emerge from the case studies, some sort of exchange with time and availability does come to light, particularly when applied to line workers. Welfare provisions, especially when supplied unilaterally, lower the perception of usefulness that employees have of union representatives and “numb” their claims. As a result, they are more willing to accept compromises in terms of shifts and work organization. Where the workforce is made up instead of office workers, the exchange is less evident but still present: employees perceive the company to be willing to give them everything they need, and unionization levels are extremely low. Such internal environment helps in turn to build the external image of the company as a place that promotes general wellbeing. While production sites witness a more straightforward exchange between welfare and performance, administrative sites use it as a “soft” tool to generate general compliance to the company’s goals. Interestingly, the analysis of agreements shows that over 50% of them are signed in order to regulate productivity bonuses and almost 50% of them introduce welfare benefits. This might suggest that, on the one hand, productivity bonuses “trigger” company-level negotiation, while on the other that such negotiation is often the occasion to agree upon additional provisions. The link between productivity bonuses and welfare takes us back to the possibility of a trade off between the two, suggesting that welfare is increasingly to be seen as part of remuneration policies. In order to test such suggestions, qualitative interviews dwelled upon the parties’ perception of the exchange mechanisms. The 2016 budgetary law re-united CGIL and CISL in the determination to overseeing the implementation of the new regulations of productivity bonuses, for two different reasons. While CGIL seems to be more concerned of reinforcing the “right” to monetary productivity bonuses, CISL has a more “opportunistic” approach. Both organizations believe that the chemical and pharmaceutical sector – and particularly the latter segment – does not need to cut

budgets. In fact, companies can still afford to provide welfare as an on-top component without paying it with workers' bonuses. While CGIL representatives do not accept the shift from an on-top to self-paid welfare provision, as they believe wages to be the central element of the labour relation, CISL would in principle allow for such trade off, but only where the company's budget does not allow for extra investments and bonus conversion is thus the only way to provide welfare services to the workforce. In the sector under scrutiny, unions are unanimously sceptical about the convenience of bonus sacrifice, although they are well aware of employers' willingness to negotiate it. While employers may seek wage containment through the supply of de-taxed benefits, the 2016 budgetary law formally introduced the idea of "bonus sacrifice", allowing to some extent employees to "give up" their right to wages in order to receive higher values in terms of benefits. The presence of pre-existing welfare arrangements is, in this respect, an obstacle to the introduction of the new bonus sacrifice mechanism, as unions take them for granted and do not support the shift of the financial burden from the company to the workers. Things might be different in companies where welfare benefits were to be introduced for the first time. In addition to this, unions' acknowledgment of bargaining with "rich" companies yielding high returns contributes to their scepticism, as shown particularly in pharmaceutical experiences.

Figure 7.2. Unions' initiatives and the source of welfare provision



In order to consider general union influence, the chosen method was to use the capacity and willingness of RSUs to formulate welfare demands and make actual proposals. This way, we are able to grasp at the same time the contribution of union representatives into negotiation as well as their real interest in the introduction of welfare provisions. In order to evaluate such ability to make proposals, interviews asked both parties to provide evaluations on the activity of company-level union representatives. As figure 7.2 shows quite clearly, where unions are more involved in the proposal and study of welfare benefits (e.g. through the presentation of articulated platforms), the result appears to be a largely, if not exclusively, bilateral welfare system. On the opposite, companies that display low unions' proactivity end up falling in the lower quadrants.

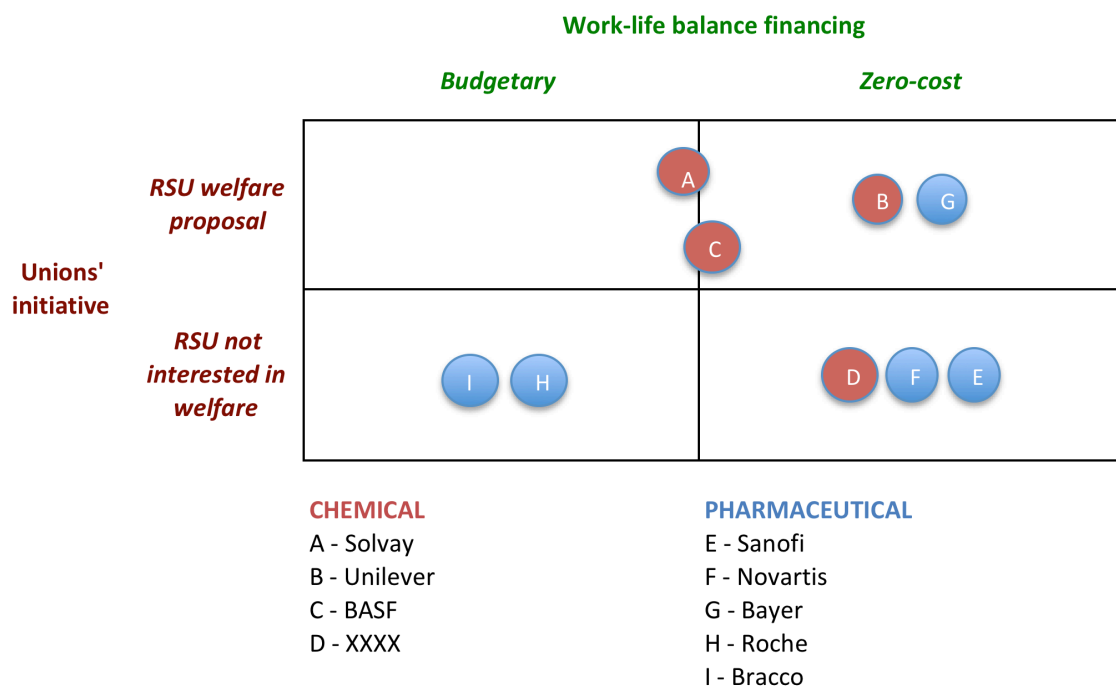
Unions' lack of initiative mirrors the more general condition of industrial relations in the sites analysed, taking us back to the very idea of "union influence". Interestingly, the four companies that display the widest unilateral actions – namely Novartis, Bracco, XXXX and Roche – are all characterized by either very weak unions' influence or quite problematic interaction between the parties. In Novartis, the "apathy" of Origgio's workforce, which does not value the collective dimension nor provides a bottom-up push to the activity of union representatives, allowed the company to voluntarily supply welfare benefits as unilateral policies, while workers give them for granted and assume that they will always be available regardless of any formalization efforts thus ending up transmitting such uncaring attitude to their representatives. Unilaterally provided benefits "numb" the workforce and limit negotiation. In addition to this, union representatives' work is made more complex due to the clashing interests of the two groups represented, office workers and pharmaceutical representatives. Similarly, Roche displays a marked unilateral commitment on the side of the company, which does not see negotiation as an advantage and would rather provide benefits first hand, and little union influence due to the many losses in terms of production sites – Liscate, Milan and next Segrate – which were more unionized than the office, combined with the robust weight of pharmaceutical in bargaining, bringing other instances to the table such as individual incentives, cars and technological devices. The cornerstone of welfare provision is still made up of negotiated benefits as a legacy of the negotiation tradition that came along with the acquisition of Boehringer Mannheim in the late 1990s. Bracco

and XXXX are two Italian proprietorial companies characterized by a marked centralization around the figure of the funder/family, therefore traditionally displaying a personalistic approach. While Bracco has a mother-like attitude and always cared to directly provide a wide variety of benefits to its workforce, XXXX did not do so until, in the early 2000s, a new professional management took over the family-run business. Despite the fact that Bracco never showed an anti-union tendency, union influence sharply declined over the last decades due to the loss of production sites that were more unionized and, mostly, by what unions consider their big mistake, that is failing to contrast the company's decision to outsource the sales function. Since pharmaceutical representatives ceased to be employees and started being external agents, unions lost their influence and started breaking apart, particularly in the office. From then on, the room for unilateral action greatly expanded, leaving few marginal benefits into negotiation. Conversely, XXXX does not have a long-lasting welfare tradition as benefits in the past were individually granted on a discretionary basis by the owner while the relation with union representatives was deliberately kept to a minimum. In the early 2000 the organization witnessed both the introduction of a new professional management and a generational renewal within the RSU, paving the way to more stable and cooperative industrial relations. While the management acknowledges the importance of industrial relations in order to overcome the individual dimension and regulate matters collectively, union representatives are more measured in their demands, although mostly concerned with money-related issues rather than welfare and extremely weary towards the formalization of any possible exchange mechanisms. Despite being informally shared between the parties, most initiatives have not been yet introduced into negotiation. On the other hand, companies such as for instance Solvay, Basf and Bayer are characterized – as acknowledged by both parties – by an active and qualified RSU that is even able, as in Bayer's case, to make its own welfare proposals. Despite the fact that unionization levels are not extremely high, such companies also display a solid “core” of line workers who value representation. This, combined with the propensity of the management towards negotiation as a tool to obtain a collectively disciplined organization, ultimately leads to welfare bargaining. In summary, it seems fair to conclude that where union influence is strong, welfare benefits are more likely to be negotiated into company-level agreements; where union representatives are instead



either uninterested or adversarial, unilateral action tends to “fill the gaps”. The figure suggests the presence of a relation between unions’ involvement and the mode of introduction of welfare benefits, highlighting the nexus between high involvement and negotiated welfare systems (and *vice versa*). On the basis of the empirical analysis, we can conclude that unions have two ways of exercising their influence, that is through active proposals mostly with the presentation of platforms as in the cases of Bayer, Basf and Unilever, or by building a more generalized climate of cooperation leading to the customary discussion and joint implementation of new provisions as for Solvay and partially Sanofi. The mechanism that may be able to explain the relation identified is clearly expressed in the interviews. On the union side, the willingness to commit to welfare provision as well as the perception to be given the space necessary for making an actual contributions lead to the constitution of a stable set of relations between the parties aimed at studying, promoting and monitoring new initiatives. Negotiation thus becomes the way in which both parties concur to the success of the initiative and “legitimate” the endeavour. In the long run, case studies show that joint initiatives build a relationship between the parties that makes it easier to deal in a more cooperative fashion even with other issues, such as the ones related to corporate restructuring and the intensification of work schedules.

Figure 7.3. Unions’ initiatives and work-life balance strategies



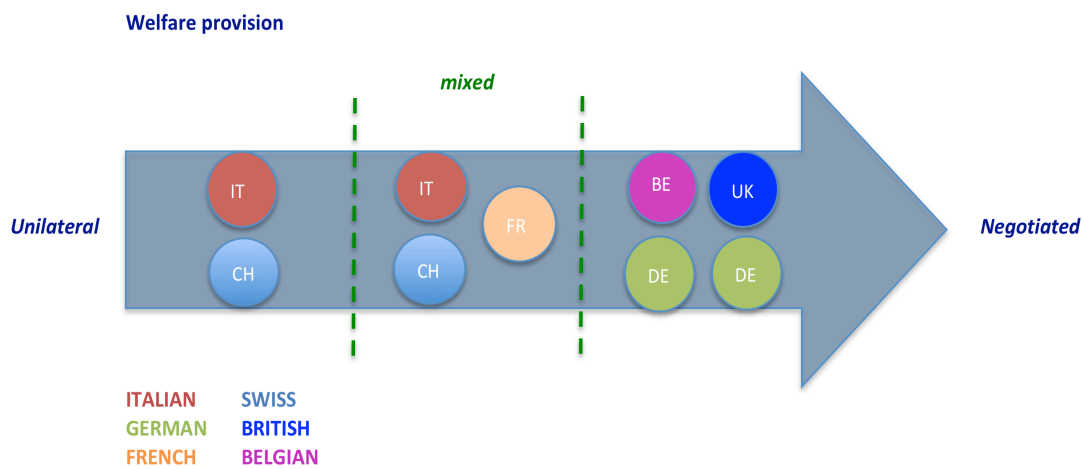
If we also want to consider the possible relation between unions' involvement and the prevalence of "old" or "new" benefits, as well as the propensity towards budgetary or zero-cost strategies, we find that traditional benefits are slightly more negotiated than work-life balance, especially when they entail extra payments to the sector level funds. This might suggest a stronger commitment on the side of union representatives to the top-up of bilateral provisions stemming from the CCNL, rather than pushing for the introduction of new, extra benefits. Getting to the choice of implementing budgetary or zero-cost provisions with respect to work-life balance, figure 7.3 does not show any conclusive results other than the fact that seems to be a slight propensity of unions to favour zero-cost alternatives as flexibility and time off. Questioned about this, union representatives state the importance of regulating time schedules and formalizing leaves for family reasons, particularly for employees working on shifts.

### *7.2.3. Corporate culture*

Previous literature contended not only that multinational companies display "better" industrial relations than domestic firms, but also that their local policies are the by-product of the interaction between home country and host country influences, often mirroring the predominant culture of the global headquarters. Actually, interviewees often mention the country of origin as a reinforcement of the company's welfare architecture. Bayer for instance is regarded by both parties involved as a German enterprise used to co-management practices and solid industrial relations systems, as a way to explain the management's giving welfare negotiation as the only alternative; similarly, Bracco and XXXX are often defined as proprietorial in order to highlight their nature of domestic family-run businesses; again, Sanofi is regarded as French in order to explain its late approach to family support benefits as the welfare state of its country of origin does not call for private intervention, while Swiss groups are seen as not particularly keen on negotiating welfare. Belgians seem to be associated to Germany in Central European cluster. Aside from the perception of the "protagonists", the analysis points at the peculiarity of Italian domestic firms that have a marked proprietorial style resulting in a less comprehensive, if not even absent, welfare negotiation. As shown in figure 7.4, German and Belgian companies - namely Bayer, Basf and Solvay - seem to be naturally oriented towards negotiation as they do not even consider the possibility to

introduce provisions without sharing them with workers' representatives. While the only French company appears to be somewhere in the middle, Swiss firms claim their right to introduce policies unilaterally. Surprisingly the British one, Unilever, ended up negotiating its welfare provision.

Figure 7.4. Unilateral, negotiated and “mixed” welfare provision, by nationality of the headquarters



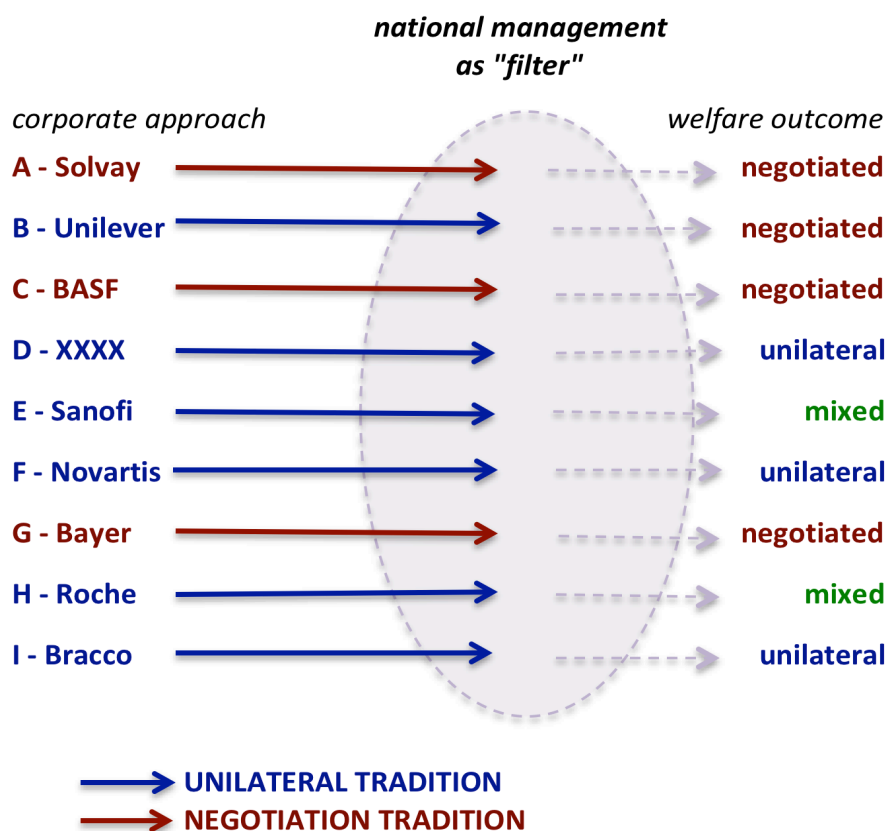
Nonetheless, each case displays interesting outcomes of the interaction between home and host country levels, as the national management is often able to play a significant role in reinforcing or mitigating corporate guidelines depending on its discretionary power. While Italian companies present a more straightforward orientation given the fact that the corporate and the national management coincide, foreign multinationals have different approaches to their national subsidiaries. The German companies under study are both characterized by corporate managers that are on one side already used to negotiation dynamics and are therefore more likely to fully understand processes and limitations at the national level, while on the other show higher propensity to trust the national management's decision and give them additional room for manoeuvre. Headquarters decision and guidelines are thus always filtered by the national management that is in charge of implementation and may even customize and make proposals. Significantly different appears to be the Swiss approach, characterized by a variety of corporate policies stemming directly from the headquarters and reaching all

individuals regardless of their national context. While unions cannot avoid noticing the significant effort to re-centralize decision making, which has similarly been undertaken in the British Unilever, the national management is called out to implement and, where possible, customize the welfare supply, creating two separate strands of activity, the local provision and the corporate policy. Somewhere in the middle is the Belgian Solvay, which displays a German-like approach to the national management and to welfare negotiation dynamics, but also carried out a re-centralization endeavour with respect to financial and production issues, up to the point that national unions feel they cannot effectively oppose layoffs and closings, just like in Roche's and Unilever's experiences. What is interesting about those two is though the crucial role played by the "old" cornerstone of bilateral welfare. Roche's twofold welfare provision is the result of the implementation of more recent corporate policies that were purposely maintained as strictly unilateral, on top of the negotiated system inherited from the German Boehringer Mannheim, which owned the Italian sites prior to 1997 and always included welfare provision into site-level negotiation. Although bringing along a very dissimilar approach to industrial relations, Roche has not been able to dismantle the previous welfare architecture and ended up providing on-top unilateral benefits. Starting in the 1970s and before the re-centralization effort kicked in in the early 2000s, Unilever's HR director signed a great number of site-level agreements for the Italian site of Casalpusterlengo and was even able in the mid-2000s to contain the losses during the first round of layoffs. Today, things are deeply changed as the HR function has been brought up to the corporate level, but the agreements' legacy still allows union representatives to demand for the introduction of new benefits, although often in exchange for either older ones or greater work flexibility in the plant.

All case studies back up the idea of the national management as a "filter" to decision making, which is able to shape according to its discretionary power both the specific features of welfare provision and the propensity towards sharing them with the unions. In fact, Italian companies are the only ones that do not display such intermediate level of decision making with the result that their policies mirror their general propensity towards unilateral action. With the exception of Novartis, which has been "helped" by the workforce "apathy" towards representation to keep welfare strictly unilateral, the other experiences show the presence of national management as either a buffer or an

amplifier. In general, national managements appear to be always “pro-negotiation”: they are either convinced of their usefulness, or they are more neutral but still aware of the functioning of the Italian system of industrial relations and thus not willing to ignore the unions’ views. As depicted in figure 7.5, companies that already display an inclination towards negotiation have national managements to act as amplifiers and thus produce strictly bilateral welfare systems. Even companies that are either characterized by a marked unilateral approach or, at least, appear to be disinterested in industrial relations (e.g. Sanofi and Unilever), end up with either bilateral or mixed welfare schemes as the result of the buffering effect of national managements, which necessarily have to compromise according to local customs and regulations. The figure uses the blue colour to identify unilateral propensity and outcomes, and red for negotiation propensity and outcomes; green has been used to identify mixed outcomes (i.e. welfare systems in which negotiated benefits and unilateral policies coexist).

Figure 7.5. The effect of the national management as “filter” on negotiation propensity



Considering the possible relation between corporate nationality and the propensity towards “old” or “new” risks, the analysis shows the presence of both areas of intervention in all companies, but it also highlights the fact that work-life balance is very often an Italian national, or even local, endeavour rather than being a direct corporate policy, particularly in organizations based in countries that are characterized by a solid public welfare provision. The French Sanofi and the German Bayer have never considered family support a strand of intervention until recently, and nonetheless claim it to be stemming from the national management’s initiative. The British Unilever and the Italian Bracco have been considering it since the 1970s. Unilever “exported” a wide variety of benefits such as Christmas gifts and summer camps from the UK Unilever “village”; interestingly, the Italian national management together with the unions were able to turn this tradition into a bilateral effort. In a similar fashion, Bracco is a proprietorial Italian company that, according to the tradition of industrial paternalism widespread in the country in the mid-1900s, provided several services and structures to the plant’s workforce. In fact, reasoning in terms of national or local needs seems to be more applicable to the area of work-life balance than, for instance, that of healthcare. If we espouse the idea that companies tend to fill the gaps in public provision, we should not expect the existence of cross-country corporate policies on healthcare which cover employees living in both national health service and insurance-based countries. Nonetheless, we have to consider that the focus on healthcare is a characteristic features of the sector under study, as explained in detail in the next section.

#### *7.2.4. Production and workforce*

Sector-level characteristics such as the type of production and - related to it - the features of the workforce, have been considered as elements that can eventually shape several aspects of welfare provision. First of all, we have been considering the items produced by the companies and the target consumers they are supplied to: while industrial chemical companies mostly manufacture chemical compounds for other industries and thus operate as contractors without a direct relation with final

consumers,<sup>98</sup> pharmaceuticals sell their own brand in the market as they mostly produce over the counter and prescription medications. The latter ones thus maintain relations with final consumers and either doctors or hospitals, selling ethical goods. Investigating the differences between the chemical and the pharmaceutical segments, we thus have to take into account the product dimension *per se*, as well as its implications on the workforce composition. The first one concerns the sales and marketing aspects of the business, while the second has to do with the internal organization of work. Both contribute in defining the separation line between the two segments. Deepening into the workforce argument, we cannot avoid considering the features presented in figure 7.6. The majority of the companies considered have a predominance of office workers on line workers; while chemical companies are evenly distributed within the two columns, all pharmaceuticals display – with the sole exception of Bayer – a majority of office population. Despite the fact that our sample is not equally constituted by offices and production sites, it is still possible to spot interesting insights. While chemical companies display great diversity between production and administrative sites in terms of gender composition, as factories host almost exclusively men while offices have a fair share of women, pharmaceutical companies have more women in the office but nonetheless host a large share of female line workers. This has to do with the production, as the chemical sector manufactures goods requiring heavy workloads and continuous cycles, while pharmaceutical production is more detailed-oriented (e.g. in the packaging divisions, where many women work) and does not normally entail continuous cycles. Interestingly, the only pharmaceutical enterprise with a larger share of line workers than office employees, still has over 30% women in the workforce.<sup>99</sup> Pharmaceutical case studies display a significant share of women in the workforce regardless of the nature of the plant, although they employ more women at the office. Chemical industrial firms show greater differences between administrative and production sites, as the latter one mainly employ male workers. According to the interviews this state of things, together with the fact that production sites operate on shifts and are thus less likely to be able to implement zero-cost work-life balance

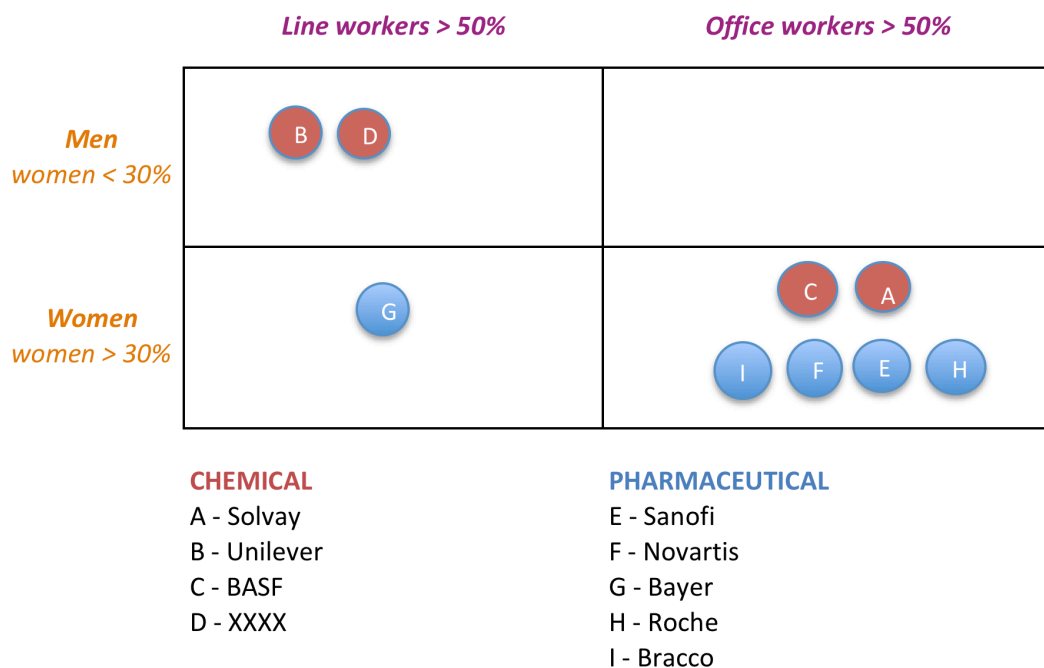
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<sup>98</sup> In our sample the only exception is constituted by Unilever, which sells its own products under different sub-brands, such as for instance Cif, Dove, Coccolino, Svelto, Algida and Knorr.

<sup>99</sup> The 30% threshold has been chosen for female presence in the workforce as the companies analysed seldom reach 50% of women, thus making 30% an already significant share of female workers in the organization.

initiatives such as the ones related to time flexibility and extra time off, leads to the fact that line workers exploit less work-life balance benefits than office employees. On top of this, union representatives also claim that office employees' performance is more sensitive to welfare, as line workers' performance ultimately depends on technology and machineries rather than on human capital.

Figure 7.6. The description of the case studies with respect to the main features of the workforce



Another characteristic feature of the pharmaceuticals' workforce is the coexistence of three different groups: line workers, office employees and pharmaceutical representatives. Internal dynamics can be cooperative, that is for instance when representatives use their influence in negotiation for obtaining benefits for the whole workforce, or adversarial, when the company's acceptance of representatives' demands results in the rejection of other groups' claims. Although made up of line and office workers, industrial chemical workforce shows greater cohesiveness, as the two categories tend to have more similar demands with respect to welfare provision.<sup>100</sup>

<sup>100</sup> All interviews highlight that pharmaceutical representatives have high salaries, generous individual economic incentives and no daily work schedules, making them keener on asking luxury goods as new cars, watches and laptops rather than welfare benefits. Conversely, both office and line workers



Figure 7.1 clearly showed that chemical companies display more negotiated benefits than pharmaceuticals, which tend instead to provide on-top unilateral welfare benefits. In the first group, union representatives seem to be more active and determined in being involved in all aspects of workers remuneration, particularly when they are backed up by a solid “basis” of line workers; the management values the role of collective representation and “uses” it as a way to reduce complexity and regulate all aspects of production. Interestingly, even in the two chemical companies that have been analysed starting from the headquarters, which display very little to no production in the site, the management shows the rooted perception of production sites as the heart of the business. In the pharmaceutical segment, research and sales are the cornerstones on which the business is built upon. As mentioned before, even though none of the companies has in place a “bonus sacrifice” system, chemical firms appear to be more concerned with financial sustainability and thus slightly keener on implementing zero-cost benefits. Also, they seem to have a more pragmatic view of a possible trade off between welfare and performance. Although they do not appear to be seeking savings through the exploitation of tax incentives, they surely link welfare provision with work flexibility, workers availability to tighter schedules and lower absenteeism. Pharmaceuticals’ trade off is subtler, as it has to do more with social peace, low mobilization and brand reputation. Getting to the propensity towards “old” or “new” risks, the analysis does not witness the existence of two separate strategies; nonetheless, pharmaceutical companies are likely to provide more comprehensive healthcare related benefits than industrial chemical firms, even with considerable expenses such as the budget allocated to extra insurance policies (e.g. Roche and Sanofi). Once again, this seems to be associated with the healthcare-related production and the subsequent need to maintain a brand image that is coherent to the products manufactured and their “ethical dimension”. Pharmaceuticals appear to be slightly more inclined towards budgetary measures than chemical companies; this might have something to do with the former ones yielding higher returns, but it is more likely to be related to company-specific strategies. Interviews delineate two distinct strategies: providing time to allow workers to take care personally of their family responsibilities, or supplying services

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appreciate extra leaves and financial support. Representatives’ voice is crucial in bargaining, as their performance is crucial for the company’s sales. Also, they value the collective dimension and are therefore highly unionized.

and financial support so that employees delegate such responsibilities. Even the choice of providing a variety of on-site services eventually lead workers to spend more time in the workplace. Passing on to considering workforce-related factors, all case studies confirm the fact that office workers exploit more comprehensive welfare provisions than production sites, due to the variety of local work-life balance arrangements that are more often implemented in the office. As most of the companies analysed favour the introduction of measures related to time flexibility, we can easily conclude that line workers cannot access them for the very nature of their job, which is organized on shifts. Even extra leaves are much more troublesome for the work organization of a production plant. Gender does not seem to significantly affect the nature of provision: of the two companies that have fewer women in the workforce, one provides work-life balance arrangements even related to time management, regardless of the fact that line workers would not be able to exploit them; the other declares to disregard them as the working population does not need them, but also admits its propensity to favour discretionary arrangements granted on an individual basis. We might conclude that problem pressure is in this context an excuse for not acting rather than a push for doing so. While time flexibility arrangements are in all companies used more – although not exclusively – by women, family support services and allowances are requested by all workers with children and are thus not be seen as strictly gender-related measures. In addition to this, the recent attention placed on work-life balance at the national as well as the supranational levels<sup>101</sup>, might also contribute to the spread of such arrangements regardless of the actual presence of women in the workforce.

### **7.3. Explanation**

It is now time to review and systematize all insights offered during the empirical research in the double attempt to gather some general intuitions on the dynamics that may favour change at the company level as well as to answer the initial questions about welfare provision and its determinants. Starting from the former point, which was not the main purpose of the analysis, for the time being we can say that the companies

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<sup>101</sup> In 2015, the Italian Government adopted the decree implementing reconciliation policies within the Jobs Act, and the European Commission launched the public consultation on improving work-life balance and reducing obstacles to women's participation in the labour market.

selected present interesting dynamics of interaction between unions' involvement, management strategies and traditions.

### *7.3.1. Dynamics of change at the company level*

Getting to the interaction between the parties, it is possible to identify in all companies under study some general dynamics that lead to “change”, to be intended as either the implementation of welfare benefits or the restructuring of existing welfare systems. The triggering factors are most of the times the introduction of a new managerial strategy – often following the arrival of new management figures – and some external event such as acquisitions, mergers or organizational restructurings. The two can be sometimes combined, or even the latter one may lead to the former. For instance, for Solvay, Basf, Roche and Novartis the trigger has been, although in different time periods, acquisitions and changes in the organizational asset; in the case of Unilever a marked shift in strategies has been brought forward by crises and subsequent reorganizations; for Bracco, Sanofi and XXXX the welfare system was shaped by the succeeding of different managements.<sup>102</sup> The empirical analysis showed the existence, in addition to company initiative, of two - often intertwined - enabling factors: the legacy of pre-existing bilateral structures and the company's own culture. In order to better identify such processes of institutional change, it is possible to draw from the widespread three-fold explanation that sees the interdependence of different dimensions: interests, ideas and institutions. Many political economists have extensively wondered, for any given set of economic arrangements, whose interests prevailed, which nonmarket institutions underpin changes, and what is the creative power of ideas in shaping human interaction (Hall 1997; Kaelberer 2002; Horowitz and Heo 2001). Although the “three I's” identify different dynamics and causal relations, they “are not entirely incommensurable with each other”, as “it is often possible to incorporate insights from each into a single

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<sup>102</sup> Solvay's trigger was the acquisition of the ex-Montedison sites, while for Basf it was the sequence of acquisition completed in the last decade. In Roche, the cornerstone of the welfare provision is constituted by the ex- Boehringer Mannheim's sites, while Novartis' welfare is the result of a series of adaptations following new acquisitions. Unilever's current benefits have been revised and partially renewed after the early-2000s crises and layoffs, while the fortunes of welfare provision in Sanofi, XXXX, Bracco and Bayer are linked to national entrepreneurial strategies. The former two companies witnessed in the years 2000s significant changes in the management, particularly with the arrival of new national HR managers; similarly, Bracco's welfare tradition has been both endured and further developed by Diana Bracco as head of the company. Bayer's welfare system is the result of the matching of a sensitive national management with an extraordinarily dynamic union representation.

analysis” (Hall 1997, p. 189). Company interests, defined in terms of the necessity of organizational restructuring and/or management preferences and corporate strategies, appeared to be in the cases analysed the trigger for welfare developments. As interests alone cannot fully explain change, the framework can be complemented with the analysis of institutions, defined as existing welfare legacies and current industrial relations’ processes. In addition to the company initiative, the existence of bilateral welfare structures generated by unions’ involvement proved to be an enabling factor, even in the cases of unilateral introduction of new provisions. The last enabling element is constituted by ideas, identified as cultural and historical traditions as well as local industrial peculiarities, which may determine for instance the existence of a collaborative climate and is likely to influence in turn industrial relations. Companies that historically developed a bilateral governance culture generally display a participatory environment. On the other hand, firms characterized by a more individualistic attachment to the figure of the employer/family present stronger management’s initiative, sometimes accompanied by lower unions’ involvement. The interaction between interests, ideas and institutions, allows getting a grasp of behaviours and preferences. Each actor brings along different interests, which are in turn hampered or favoured by the influence of other elements, as pre-existing institutional assets (institutions) and the cultural environment in which they are embedded (ideas). Having assessed interactions between company-specific features, it is time to come back to what initially identified as possible determinants of welfare provision.

### *7.3.2. Back to the research questions*

Recalling the hypotheses sketched in chapter 3, it is easily noticeable that while some of them seem to find confirmations in the empirical analysis, others rest on a weaker basis. Union initiative on welfare, that we have considered as the willingness of union representatives to make proposals, generally leads to negotiated welfare systems as unions’ demands into platforms or bilateral decision making result in joint governance efforts through bargaining. There is a weaker relation between union initiative and the nature of welfare provision: “traditional” benefits are more likely to be negotiated than work-life balance, as they often entail the provision of extra payments to sector-level bilaterally constituted funds; nonetheless, work-life balance is equally widespread.

Unions appear to be slightly more inclined towards the negotiation zero-cost benefits such as those related to time flexibility and extra leaves with respect to on-site services and financial support, as they feel it is their duty to regulate the former ones more than the latter. Passing on to corporate culture, multinational groups seem to be keener on negotiating benefits than Italian proprietorial firms; nonetheless, such propensity not only changes according to the company's nationality but it is also "filtered" by the national management. For instance, while the Germans appear to be more inclined towards negotiation than the Swiss, the Italian national management that is aware of country-specific regulations and customs is able to act as either an amplifier of pro-unions behaviour or a buffer of unilateral ambitions. Interestingly, national "filters" have been operating in the companies analysed as sponsors for bilateral actions, while domestic firms that do not need to delegate to an intermediate level of decision-making are better able to push forward their unilateral agenda. The same applies to the nature of the benefits introduced: according to the interviewees, the sensitivity of the headquarters towards for instance work-life balance is deeply influenced by their national culture and the welfare state model they started operating in; nevertheless, national managements are often able to introduce local and even site-level initiatives.

Chemical and pharmaceutical productions display systematic differences with respect to both negotiation propensity and the features of the welfare provision. While chemical companies value industrial relations as a way to regulate issues collectively and are therefore keener on negotiating, pharmaceuticals are concerned with brand reputation and are thus more inclined towards introducing unilateral corporate policies that characterize the group. The former ones present more evident trade-offs between welfare provision and work organization, performance and production flexibility, while the latter ones are interested in a more subtle exchange with "social peace", low mobilization and brand reputation. Considering the different focus on "old" and "new" risks, the case studies do not show a clear distinction between chemicals and pharmaceuticals; the only thing we can say for the time being is that the latter ones provide more generous healthcare benefits, probably due to higher returns and the healthcare sector being their core business. There seems to be no relation at all with the choice of budgetary or zero-cost arrangements, as they appear to be more related to the strategy of each single company. Finally getting to the characteristics of the workforce,

the distinction between a majority of line or office workers seems to be able to explain the propensity of “old” or “new” benefits: as most companies seem to be moving towards the provision of zero-cost arrangements such as time flexibility and extra leaves, they are easier to be implemented for the office population. Line workers operating on shifts, and even continuous cycles, are in all cases excluded from exploiting such arrangements and thus receive almost exclusively provisions addressing “old” risks. Interestingly, the presence of a fair share of women in the workforce does not shape welfare provision towards work-life balance: companies willing to introduce such benefits do so even when the number of female workers is low, while the ones that do not plan on doing it mention low shares of women as an “excuse” but end up being asked by workers to grant work-life balance arrangements on a discretionary basis. Women working in organizations used to female presence are not necessarily better off than the ones working in male-dominated environments.

The last tables – 7.1, 7.2 and 7.3 - draw from the ones presented in chapter three in order to compare initial hypotheses with actual findings, and to show causal mechanisms highlighted through the empirical research. Table 7.1 shows that, as mentioned, out of the eleven causal relations identified in chapter three only six find a clear confirmation in the empirical analysis, while the remaining five are not sufficiently supported by empirical findings and are therefore, for the time being, to be considered as weaker although not automatically disproved. In fact, they should be inquired further. Focusing on the ones that have been confirmed, a set of causal mechanisms linking the variables identified can be retraced, as presented in table 7.2 and explained in 7.3. Mechanisms, to be intended as “intervening processes through which causes exert their effects” (Goertz and Mahoney 2012, p.105), are summarized in the last column for each of the causal link observed in the empirical analysis; nonetheless, each of them needs to be thoroughly explained. The first causal relation identified concerns industrial relations and, more precisely, the effect of union involvement through welfare proposal on the source of introduction of welfare benefits (i.e. negotiated *versus* unilateral). Unions’ willingness and capacity to make proposals on welfare provision lead to negotiated systems because their involvement is typically aimed at a formal recognition of their contribution through the introduction of shared commitments into company-level bargaining, as a way for representatives to exert their

influence and be recognized by the workforce. Interestingly, this process creates a “virtuous circle” in which unions make proposals, company-level negotiation witnesses their efforts, workers recognize it and send “up” positive feedbacks reinforcing unions’ perception of their crucial role for employees’ wellbeing. Contrarily, when unions are not directly involved the management is left with the opportunity to discretionarily introduce benefits as corporate policies, which often end up “numbing” the workforce with respect to the importance of collective claims. The second causal relation has to do with the distinction between foreign multinational groups and Italian domestic firms in relation to their different inclination towards welfare bargaining. Multinational groups appear to be keener on negotiating benefits because their approach is more strategic due to the fact that decision making is in the hands of professional managers. Conversely, domestic firms are often characterized by being family-run businesses that are still administered by the founder or its relatives, conveying a higher and more personal attachment to the company. The family-run businesses analysed here showed, regardless of their size and articulation, the preference towards unilateral action as a way to personally implement policies without sharing credits. Professional managers typically acknowledge industrial relations habits and different context and are pushed by the desire to achieve expected results in terms of productivity and performance rather than individually stand out. In addition to this, we also have to consider the different level of decision making: in multinational firms decisions are taken by the headquarters and then passed on to national branches, which have some degree of discretionality in their application, while domestic firms do not have any intermediate levels. Acknowledging the role of the different levels of decision-making brings us to the third causal relation touching upon the interaction between home country and host country effects. In the case studies, this interaction is represented by corporate culture and preferences “filtered” by the host country national management. As expected, outcomes in terms of both welfare provision and negotiation are the by-product of such interaction. The analysis also points at the fact that national managements most often act in favour of welfare bargaining, leading to different outcomes depending on the original preferences of the headquarters. Where the corporate level is already inclined towards bargaining, as for instance in the German companies analysed, the national management favours bilateral relations leading to negotiated welfare systems. When companies traditionally

have lower propensity towards negotiation, as for instance in the Swiss companies, the national management acknowledges the role of industrial relations in the local context and ends up acting as a buffer on unilateral endeavours producing mixed welfare arrangements made up of both unilateral and bilateral initiatives. There are multinational groups that do not traditionally provide work-life balance and family support benefits to the workforce as the headquarters' national culture does not identify those social risks as a prerogative of occupational schemes. Once again, the national management is able to act as a filter and, depending on its discretionary power, promote the introduction of benefits at the local level. The last two causal relations confirmed in the empirical analysis concern the production dimension, highlighting the differences between the chemical and the pharmaceutical segment. As mentioned before, the former is characterized by the production of chemical compounds, requiring heavy workloads and implying possible safety risks, to supply other businesses as third party contractors. The latter operates instead in the healthcare sector, with a highly specialized production directly sold to either final consumers or healthcare specialists. The former have higher propensity towards negotiation as they value company-level industrial relations for their capacity to collectively regulate work organization in all of its aspects, from schedules and night shifts up to safety procedures. In addition to this, a general climate of "social peace" does not draw extra attention on the company, which is something that industrial chemical firms gladly avoid because of the traditional association of chemical production with environmental and human hazard. On the contrary, pharmaceutical groups ultimately live on their image of "ethical producers" and place great importance on their reputation. For this reason, they introduce generous people care initiatives and care to do so unilaterally in order to show off benefits as corporate policies. While chemical companies fully acknowledge the importance of good industrial relations for the plants' functioning, pharmaceutical firms seem in most cases to endure them. The distinction between the two segments proved to be also relevant to the existence of a trade off between welfare and other components of the work relation. If both productions show its presence, its quality is very different. Chemical companies seem to recognize a quite "tangible" exchange between welfare provision and work organization in terms of schedules, continuous cycles and workers' willingness to "sacrifice" for the sake of production. Pharmaceutical companies display a craftier quid pro quo: welfare



provision is to be seen as a tool to build up the group’s image, both internally and externally, as well as to achieve employees’ commitment and, although not necessarily intentionally, “numb” them towards the usefulness of collective claiming.

Table. 7.1. Hypothesized causal relations and final results

<b>Independent</b>	<b>Dependent Variables</b>	<b>Results</b>
<i>Unions initiative</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> <li>➤ “Old” and “new” social risks</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>○</li> </ul>
<i>Multinational vs domestic firm</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> <li>➤ “Old” and “new” social risks</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>○</li> </ul>
<i>Home vs host country culture</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> <li>➤ “Old” and “new” social risks</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>
<i>Chemical vs pharmaceutical</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> <li>➤ On-top vs trade-off with wages</li> <li>➤ “Old” and “new” social risks</li> <li>➤ Work-life balance: budgetary vs saving strategies</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>○</li> <li>○</li> </ul>
<i>Characteristics of the workforce</i>	<ul style="list-style-type: none"> <li>➤ “Old” and “new” social risks</li> </ul>	<ul style="list-style-type: none"> <li>○</li> </ul>

- ✓ Causal relation confirmed by the empirical results
- Weaker causal relation displayed in the empirical analysis

Table.7.2. Confirmed causal relations explained

<i>Unions initiative</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> </ul>
<p>=&gt; Unions' initiatives leads to more negotiated welfare provision; lack of unions' involvement results in unilateral welfare systems.</p>	
<i>Multinational vs domestic firm</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> </ul>
<p>=&gt; Multinationals have higher propensity than proprietorial firms towards welfare negotiation.</p>	
<i>Home vs host country culture</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> <li>➤ "Old" and "new" social risks</li> </ul>
<p>=&gt; Companies have, on the basis of their national origin and prevailing culture, different inclinations towards welfare negotiation and the type of benefits to be implemented;</p> <p>such home-country preferences meet and cross host-country regulations and customs producing mixed outcomes.</p> <p>German and Belgian companies seek negotiation =&gt; national management as amplifier =&gt; negotiated welfare</p> <p>Swiss companies seek unilateral action =&gt; national management as buffer =&gt; mixed outcomes</p> <p>French company sees work-life balance as public welfare endeavour =&gt; national management as buffer =&gt; local initiatives</p> <p>British company "exports" work-life balance =&gt; national management as amplifier =&gt; local initiatives</p>	
<i>Chemical vs pharmaceutical</i>	<ul style="list-style-type: none"> <li>➤ Negotiated vs unilateral welfare</li> <li>➤ On-top vs trade-off with wages</li> </ul>
<p>=&gt; Industrial chemical companies have higher propensity than pharmaceutical firms towards welfare negotiation; the two segments display different trade-offs between welfare and other components of the work relation.</p> <p>Chemical companies "exchange" with working time and organization</p> <p>Pharmaceutical companies "exchange" with commitment and "social peace"</p>	

Table.7.3. Confirmed causal relations and underlying mechanisms

<b>Causal relation</b>		<b>Mechanism</b>
<i>Unions initiative</i>	Negotiated vs unilateral welfare	Unions' proposal => "recognition" into negotiation => accountability to the workforce
<i>Multinational vs domestic firm</i>	Negotiated vs unilateral welfare	Proprietorial companies => personalistic approach; multinational companies => "professional" approach
<i>Home vs host country culture</i>	a) Negotiated vs unilateral welfare b) "Old" and "new" social risks	Headquarters' inclinations: - vary from one country to the other - are filtered by national management => a) more negotiation; => b) work-life balance
<i>Chemical vs pharmaceutical</i>	a) Negotiated vs unilateral welfare b) On-top vs trade-off with wages	a) Chemical companies => welfare in negotiation as essential collective regulation of work; pharmaceutical companies => welfare as corporate policy to foster image; b) Chemical companies => welfare in exchange for time and organization; pharmaceutical companies => welfare in exchange for commitment and low mobilization.



## **Conclusive remarks**

The present research aims at deepening into the analysis of some of the many determinants of the introduction of company-level welfare provisions as well as of their main features and the relation between the actors and interests involved. Previous literature started identifying a set of possible factors shaping welfare outcomes; some of them concern industrial relations, while others take into account the company's origin and culture, the production and the characteristics of the workforce. In order to single out such elements, the analysis of a large number of company-level agreements signed in the Lombardy region for the chemical and pharmaceutical sector has been complemented by a case study analysis of nine multinational groups with different characteristics. Aside from investigating such relevant aspects, the study proposes causal relations and unveils a set of mechanisms working behind them.

Out of the many insights gathered here, the study opens up to a set of possible developments in future research. The exploration constitutes a first, necessary, step towards the unveiling of negotiation dynamics that either lead or run parallel to welfare provision, highlighting the existence of a trade off and mapping the preferences of the actors involved. In light of recent legislative developments, the investigation of unions and employers' strategies with respect to welfare, and the in-depth study of the role played by fiscal regulations in occupational welfare developments are crucial. In addition to this, the argumentation pointed at sector-specific features that are able to lead similar companies to very different outcomes: it would be definitely worth extending such analysis to other sector in order to identify intra-sector dynamics and cross-sector similarities. Finally, on a more organizational level, the investigation retraced processes of change at the company level and provided an interpretation that may be worth testing further. Looking back at the methodology used in the research, findings suggest the possibility to apply a QCA approach to step two of the analysis. It might be worth trying to use a mid-path between qualitative and quantitative approaches through set-theoretic methods in order to frame the area of interest more rigorously, as well as to spot new combinations of the factors identified here and eventually state explicit connections and complex causal configurations (Ragin 2008).

On a more general standpoint, the study does not directly touch upon the relationship between public welfare provision and the spread of occupational benefits, which lays in the background of the analysis. In fact, this is one of the many points requiring extra investigation efforts, together with the determination of the perspectives, as well as of the risks, of welfare negotiation at the company and local levels. Nonetheless, we can observe that in all the analysed companies welfare benefits are catered for either the whole workforce or for line and office workers, excluding managerial positions. While in the latter circumstance welfare provision, through the supply of non-monetary support, might contribute to bridging the opportunity divide between people at the bottom and at the top of the corporate ladder, the former case seems to be neutral with respect to redistribution efforts. Although if we consider that management positions not only benefit from higher wages but also receive even more generous welfare “packages” and individual incentives, it would be extremely superficial to think of welfare provision as aiming at internal redistribution. As the analysis clearly pointed out, welfare provision is to be seen as a strategic endeavour on both sides of the bargaining table. While companies use it as a strategy to enhance productivity, foster organizational flexibility, shape negotiation dynamics or build a reputation, unions are gradually moving from acceptance to active proposal, with the double intent of governing such changes and reviving their role at the company level. The possibility to exploit productivity bonuses as a source of welfare provision introduced by the Renzi Government with the budgetary law for the year 2016 entails, as argued before, both opportunities and risks. The legislator’s approach towards welfare radically changed, moving from considering it as an on-top “gratuity” to formally including it into the remuneration and quantifying it in economic terms. The new opportunity opens up to the idea that workers “earn” their own welfare through performance and, most of all, access it on the basis of the bonus amount they receive, which tends to be higher moving up the corporate ladder. Despite the income and amount thresholds dictated by the new regulations (50000 euro yearly income and 2000 bonus amount), welfare provision eventually loses its redistribution purpose. We could conclude that the more welfare benefits are related to reaching performance goals, the more they become part of the remuneration package, thus mirroring internal status differentials between workers employed at different levels. Nonetheless, it could be the case that they

increasingly target new social risks that are today not adequately addressed by public welfare provision such as those of family carers, filling the gaps in terms of new services. As maintained by previous literature on occupational welfare provision, the present analysis shows its potential with respect to the supply of new varieties of services that would be otherwise left to be purchased on the market, but it does not lead to the conclusion that occupational benefits erase differences between high and low income individuals. Nonetheless, welfare systems targeted to the latter ones might still contribute to the reduction of the gap between employees working in the same company, provided that they are not combined with rising individual incentives for top positions. The significant differentiation in benefit plans observed from one company to the other does not allow us to assume homogeneity across the sector, even more so considering that the study focused on large, multinational enterprises which are likely to have more comprehensive welfare systems than small and medium firms. The study shows company-level occupational welfare's potential for providing new opportunities in terms of services to individuals, but it does not necessarily imply lowering inequalities at the aggregate level. This is why further research on such relation would be also highly desirable.





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## Documents and websites

### *On the 2016 Budgetary Law and decree:*

- Gazzetta Ufficiale <http://www.gazzettaufficiale.it/eli/id/2015/12/30/15G00222/sg>
- Ministero del Lavoro <http://www.lavoro.gov.it/Pagine/default.aspx>

### *Tax wedge in Italy:*

- Inps <http://www.inps.it/portale/default.aspx?itemdir=6357>
- Inail [www.inail.it/](http://www.inail.it/)

### *On the chemical and pharmaceutical sector:*

- Federchimica <http://www.federchimica.it/docs/default-source/assemblea-2016/pubblicazioni/l-39-industria-chimica-in-italia-2015-2016.pdf?sfvrsn=2>
- Farindustria [www.farindustria.it](http://www.farindustria.it)
- Assolombarda [www.assolombarda.it/](http://www.assolombarda.it/)

### *Other data:*

- OECD online database <http://stats.oecd.org/>
- Eurostat online database <http://ec.europa.eu/eurostat/data/database>
- ProWelfare project <http://www.ose.be/prowelfare/>
- OCSEL Cisl <http://www.cisl.it/osservatori/ocsel-contrattazione-di-2-livello.html>
- CNEL <http://www.cnel.it>