POLICIES FOR SUPPORTING RENT-SHARING SOLUTIONS IN SECOND LEVEL BARGAINING AND THE RISKS OF SECTORAL POLARIZATION AND TERRITORIAL DIVERGENCES

Massimo Resce & Achille P. Paliotta
Activities carried out under the National Operational Programme for the implementation of the European Social Fund (ESF) “SPAO”
INDEX

1. Tax rebates on performance-related pay increases
2. First evidences from the monitoring
3. Conclusions

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In Italy the «Protocol» of 23 July 1993 expressly opened to forms of «decentralized bargaining».

One of the aims was to stimulate productivity growth in the second level of bargaining, by linking wages dynamics to productivity. **This pattern still today is hard to catch on.**

According to many, the lack of rooting and the malfunctioning of this second level of bargaining is one of the reasons for the **lack of growth in labour productivity in Italy**.

The solutions that can be developed in the second level are many: from corporate welfare, to company participation, to rent-sharing formulas as the performance-related pay, etc.

**Decentralized bargaining remains the level where conditions for a better company-workers relationship can be made**, which indirectly could result in increased labor productivity.

In recent years, the Government has put in place a package of incentives aimed at rooting the two-tier bargaining in the firms and providing for a **tax rebates on performance-related pay increases.**

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**The rent-sharing formulas and the importance of second level of bargaining**

**Rent-sharing formulas**

1. **TAX REBATES ON PERFORMANCE-RELATED PAY INCREASES**
The new incentive measures for decentralized bargaining

Since 2008 the Italian law has expected forms of variable wage tax reduction. Starting from 2016, after an experimental phase, the measure was reactivated making important changes compared to the past.
- Low no. 208 of 28 December 2015 (Art. 1 §§182, 189, 190)/ 2016 Stability Law
- Law no. 232 of 11 December 2016 (Art. 1 §160)/2017 Stability Law

<table>
<thead>
<tr>
<th>Taxation period</th>
<th>Amount limit for tax benefits</th>
<th>Income limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,000/2,500* €</td>
<td>2015 income not exceeding 50,000 €</td>
</tr>
<tr>
<td>2017-2018</td>
<td>3,000/4,000* €</td>
<td>2016 income not exceeding 80,000 €</td>
</tr>
</tbody>
</table>

*:companies that involve workers in the organization of work

Measure monitoring was also envisaged, by compiling a special instrument for collecting summary data: the Repository activated by the Ministry of Labour (ML), whose data were processed by INAPP.

1. TAX REBATES ON PERFORMANCE-RELATED PAY INCREASES
Applications distribution by type of agreement

Repository released in January 2020

<table>
<thead>
<tr>
<th>Applications</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Applications</td>
<td>66,190</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>183</td>
</tr>
<tr>
<td>Total</td>
<td>12,128,708</td>
</tr>
</tbody>
</table>

Distribution by type of agreement

- Firm's level
- Local level

- Applications: 72.17% (Local level), 27.83% (Firm's level)
- Beneficiaries: 81.41% (Local level), 18.59% (Firm's level)

Distribution by type of agreement and by firm's size

- Firm's level
- Local level
- Lineare (Firm's level)
- Lineare (Local level)

2. FIRST EVIDENCES FROM THE MONITORING
The dimensional aspect is one of the first factors that affects the activation of decentralized bargaining. The reference literature agrees that the use of decentralized bargaining increases as the size of the company increases. Furthermore, for the same contract, larger companies reach more final beneficiaries. However, in the latest years, small businesses have begun to make greater use of the government measure.

**First risk: polarization by firm's size**
Distribution by economic sector

Distribution of beneficiaries by economic sector

Sectorial propensity to activation of the measure

Second risk: polarization by economic sector

2. FIRST EVIDENCES FROM THE MONITORING
Distribution of beneficiaries by region and by TDL

Incidence* of beneficiaries by Region
*: beneficiaries/total employed

Incidence* of beneficiaries by Territorial Directorate Labor

Third risk: geographic polarization

2. FIRST EVIDENCES FROM THE MONITORING
## Company profiling and 3 risk of the measure

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td>Large sized enterprise</td>
<td></td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>Which chooses a firm-level contract</td>
<td></td>
</tr>
<tr>
<td><strong>C</strong></td>
<td>Which operates in the manufacturing and financial and insurance services sectors</td>
<td></td>
</tr>
<tr>
<td><strong>D</strong></td>
<td>Which is based in a regional capital in the center-north</td>
<td></td>
</tr>
</tbody>
</table>

Which is the typical company that activated the measure envisaged by the government?

What are the risks if the measure really generates an increase in labor productivity?

### 2. FIRST EVIDENCES FROM THE MONITORING
2. FIRST EVIDENCES FROM THE MONITORING

The objectives of rent-sharing

The collective agreements have decided to focus mainly on increases in productivity and profitability. Productivity growth is a high and transversal objective with respect to the type of contract and company size. The objectives of profitability, quality and efficiency seem to grow as the size of the company grows. The objective of innovation is the least chosen one.
2. FIRST EVIDENCES FROM THE MONITORING

The **reduction in absenteeism** is the indicator used in well over 1/3 of the deposited contracts (35.8%).

In over 1/4 of the contracts there are indicators such as the "ratio of production volume by number of employees" (27.9%), the "ratio between earnings before interest, taxes, depreciation and amortization (EBITDA) and value added statement" (27.2%) and the "ratio between sales revenue or value added statement by number of employees" (26.0%).
CWP measures distribution

2. FIRST EVIDENCES FROM THE MONITORING
### Corporate welfare

<table>
<thead>
<tr>
<th>Ateco 2007</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediazione monetaria (64191)</td>
<td>143.15</td>
<td>173.879</td>
<td>184.00</td>
</tr>
<tr>
<td>Fabbricazione di autoveicoli (29100)</td>
<td>11.973</td>
<td>11.973</td>
<td>14.272</td>
</tr>
<tr>
<td>Telecomunicazioni fisse (61100)</td>
<td>7.204</td>
<td>7.763</td>
<td>7.245</td>
</tr>
<tr>
<td>Ipermercati (47111)</td>
<td>7.036</td>
<td>7.036</td>
<td>39</td>
</tr>
<tr>
<td>Holding impegnate nelle attività gestionali (70100)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Worker participation

<table>
<thead>
<tr>
<th>Ateco 2007</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediazione monetaria (64191)</td>
<td>143.15</td>
<td>173.879</td>
<td>184.00</td>
</tr>
<tr>
<td>Gestione di infrastrutture ferroviarie (52211)</td>
<td>27.346</td>
<td>200</td>
<td>31</td>
</tr>
<tr>
<td>Fabbricazione di trattori agricoli (28301)</td>
<td>11.973</td>
<td>11.973</td>
<td>14.272</td>
</tr>
<tr>
<td>Fabbricazione di medicinali e farmaceutici (21200)</td>
<td>7.204</td>
<td>7.763</td>
<td>7.245</td>
</tr>
<tr>
<td>Montatura in serie di occhiali comuni (32505)</td>
<td>7.036</td>
<td>7.036</td>
<td>39</td>
</tr>
</tbody>
</table>

### Profit sharing

<table>
<thead>
<tr>
<th>Ateco 2007</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulizia generale (non specializzata) di edifici (81210)</td>
<td>7.603</td>
<td>8.331</td>
<td>90</td>
</tr>
<tr>
<td>Strutture di assistenza residenziale per anziani e dis...</td>
<td>8.512</td>
<td>3.509</td>
<td>1.875</td>
</tr>
<tr>
<td>Intermediari dei trasporti (52292)</td>
<td>1.716</td>
<td>2.795</td>
<td>3.439</td>
</tr>
<tr>
<td>Altre strutture di assistenza sociale residenziale (87)</td>
<td>1.347</td>
<td>1.630</td>
<td>60</td>
</tr>
<tr>
<td>Movimento merci relativi ad altri trasporti terrestri...</td>
<td>2.414</td>
<td>1.429</td>
<td>450</td>
</tr>
</tbody>
</table>

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**2. FIRST EVIDENCES FROM THE MONITORING**
## Key findings

<table>
<thead>
<tr>
<th>Pros (+)</th>
<th>Cons (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attention of the <strong>policy maker</strong> on the importance of decentralized bargaining and the provision of <strong>monitoring</strong> measures for policy evaluation.</td>
<td><strong>Second-level bargaining is not broadly used</strong> and therefore the potential advantages of its application are not evenly distributed in the productive fabric today.</td>
</tr>
<tr>
<td><strong>Incentive</strong> policy for the diffusion of decentralized bargaining and <strong>stricter regulation</strong> in measuring performance increases to access the tax bonus.</td>
<td>In theory, two-tier wage bargaining structures <strong>should have ensured an increase in labor productivity</strong>. To date there is no clear empirical evidence that this happened thanks to the measure.</td>
</tr>
<tr>
<td>The new incentives, even if they are not fully effective in the growth of labor productivity, certainly generate a <strong>reduction in the tax wedge</strong>.</td>
<td><strong>Worker participation</strong> measures are still not very widespread.</td>
</tr>
<tr>
<td>The <strong>variability of the choices</strong> of the objectives and of the indicators on which to measure performance reveals a <strong>capacity for collective bargaining to adapt</strong> to the complexity of the organizational and productive needs of companies.</td>
<td><strong>Profit sharing practices are rare</strong>, moreover they are mainly present in small businesses therefore with a low impact of involvement of beneficiaries.</td>
</tr>
<tr>
<td><strong>Corporate welfare</strong> measures are becoming more and more widespread, especially in large companies with a strong involvement of beneficiaries</td>
<td>It is still early to evaluate this policy but if it should work, it could <strong>generate polarizations of productivity gains</strong> between territories and between types of companies (by size and sector).</td>
</tr>
</tbody>
</table>

### 3. CONCLUSIONS


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