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THE COLLECTIVE DIMENSION(S) OF EMPLOYMENT RELATIONS ORGANISATIONAL AND REGULATORY CHALLENGES IN A WORLD OF WORK IN TRANSFORMATION

FIRST EVIDENCES FROM THE MONITORING ON TAX REBATES ON PERFORMANCE-RELATED PAY INCREASES

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Activities carried out under the National Operational Programme for the implementation of the European Social Fund (ESF) “SPAO”

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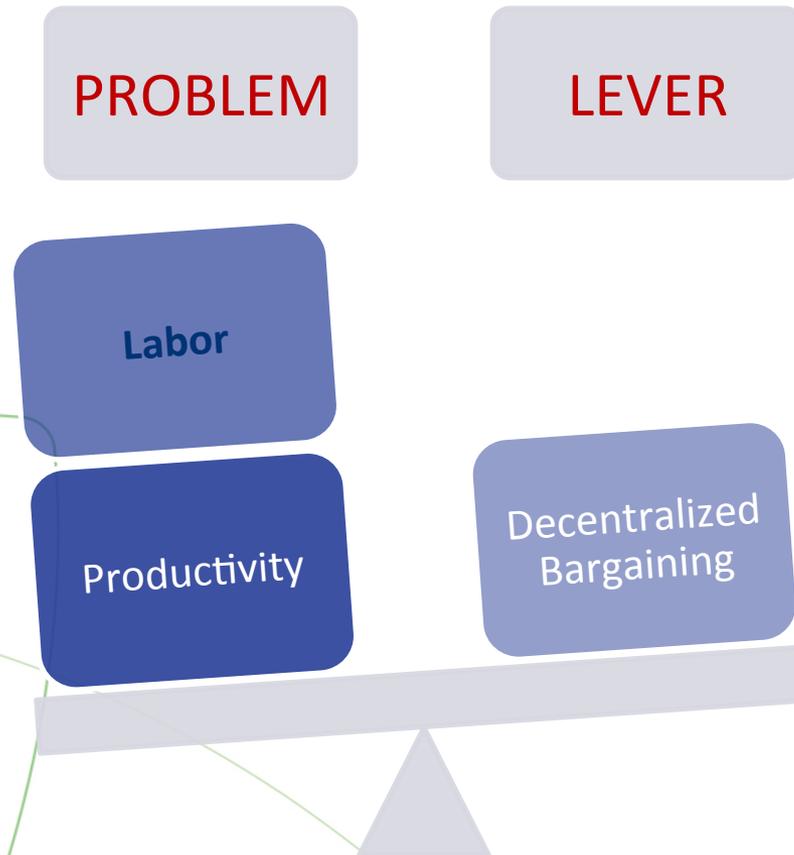
1. Tax rebates on performance-related pay increases
 2. First evidences from the monitoring
 3. Conclusions: some policy recommendations
- References*

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The labor productivity and the lever of decentralized bargaining

The problem of **productivity growth** is a structural aspect of our economy.

In fact, since the post-war years up to the '70s, productivity growth in Italy has been more sustained than the European average, whereas **from the 1990s to the present day it has collapsed** compared to other European States.



The Italian model of collective bargaining involves **two levels**. In the **first level** we find the national collective bargaining (CCNL) that's still the prevalent model and the cornerstone of industrial relations. In the **second level**, decentralized, we find the company contracts and the territorial contracts. At this level the **"performance related pay" is bargained to increases in productivity, quality and other elements of competitiveness.**

Why is the second level of bargaining important?

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.**

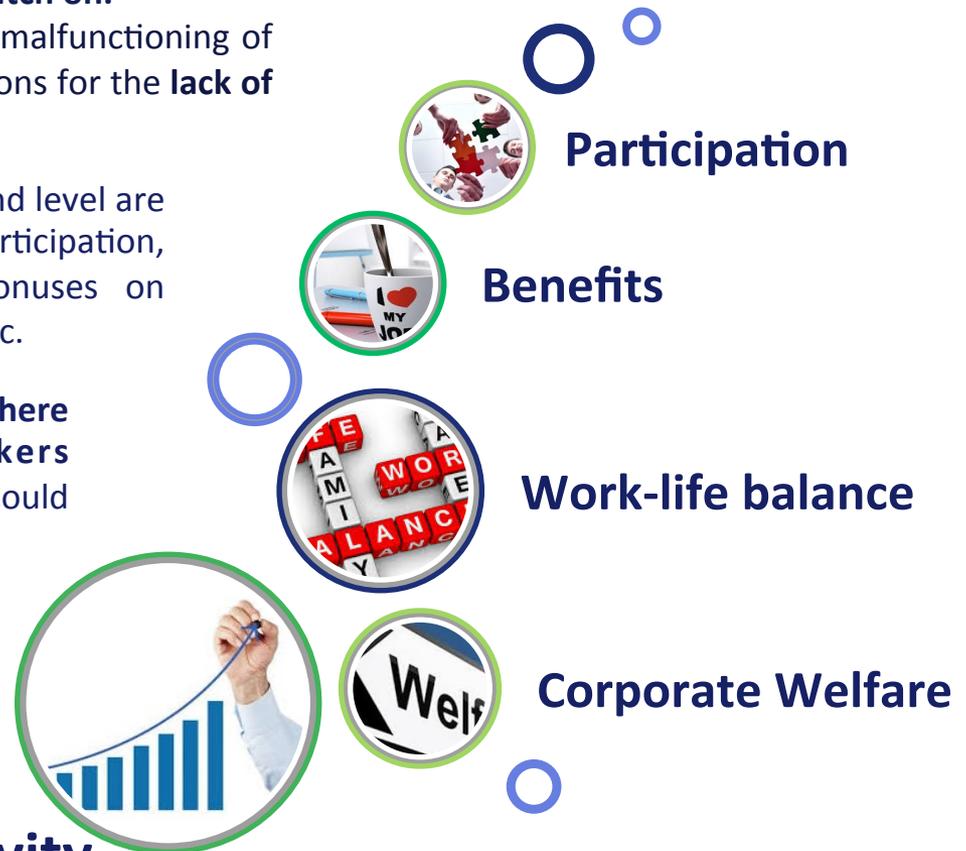
According to many, the lack of rooting and the malfunctioning of this second level of bargaining is one of the reasons for the **lack of growth in labour productivity in Italy.**

The solutions that can be developed in the second level are many: from corporate welfare, to company participation, to rent-sharing formulas, to productivity bonuses on accessory wages, to 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.**

Productivity



The new incentive measures for decentralized bargaining

2016/2017

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

PRP 5 goals				
productivity	profitability	quality	efficiency	innovation
Other goals				
workers participation		corporate welfare		
Taxation period	Amount limit for tax benefits	Income limits		
2016	2,000/2,500* €	2015 income not exceeding 50,000 €		
2017-2018	3,000/4,000* €	2016 income not exceeding 80,000 €		

*: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.



Applications distribution by type of agreement

Repository released in June 2018

Beneficiaries

Applications

38,869

Average

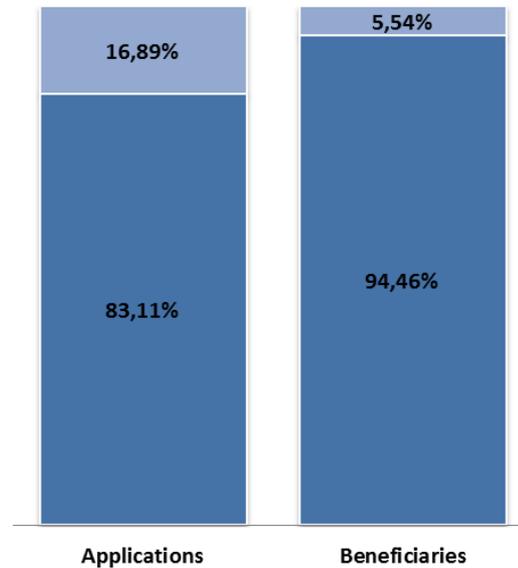
227

Total

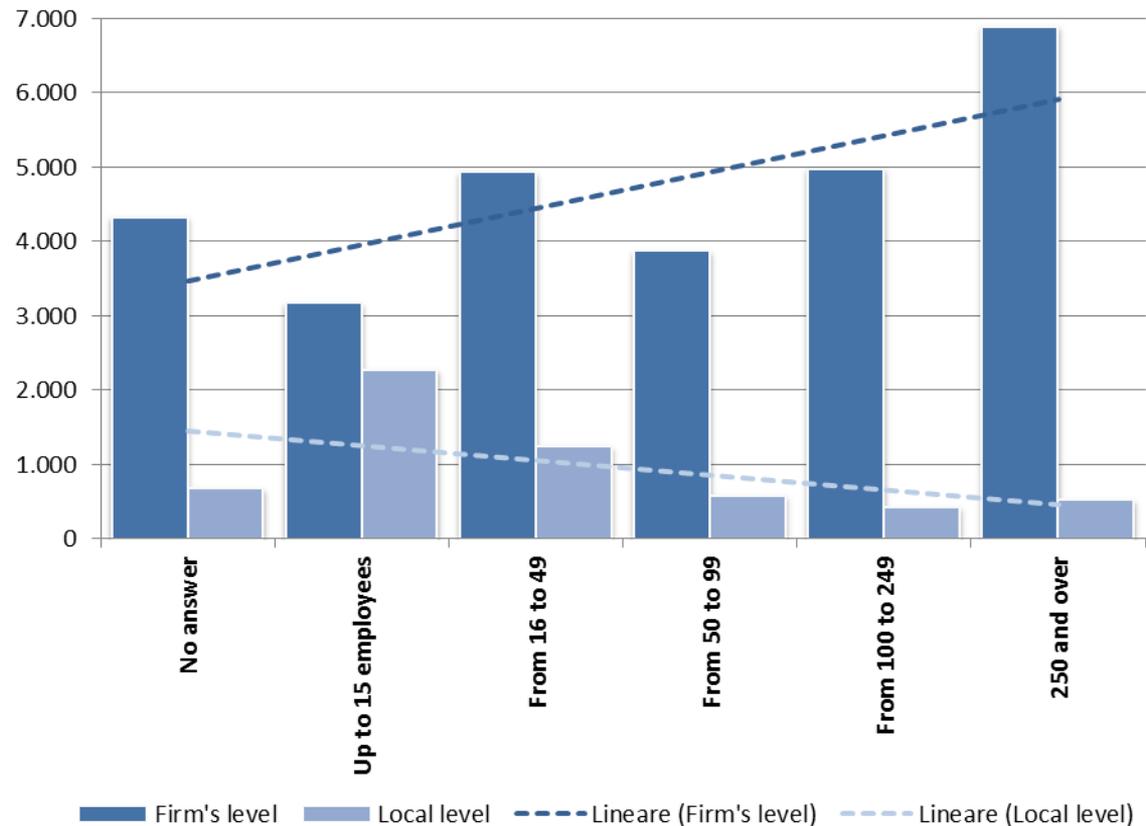
7,705,319

Distribution by type of agreement

■ Firm-level ■ Local-level

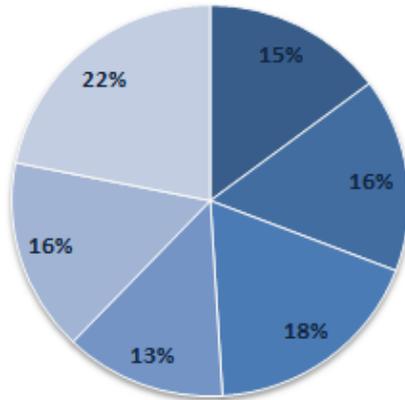


Distribution by type of agreement and by firm's size

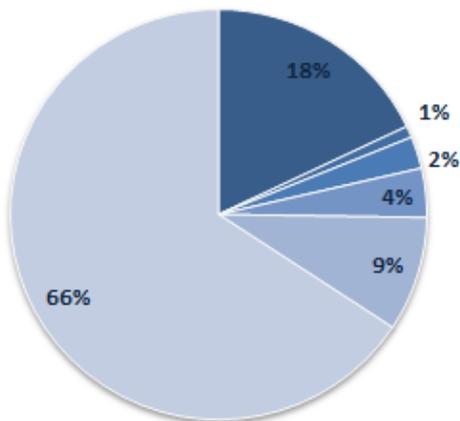


Distribution by firm's size

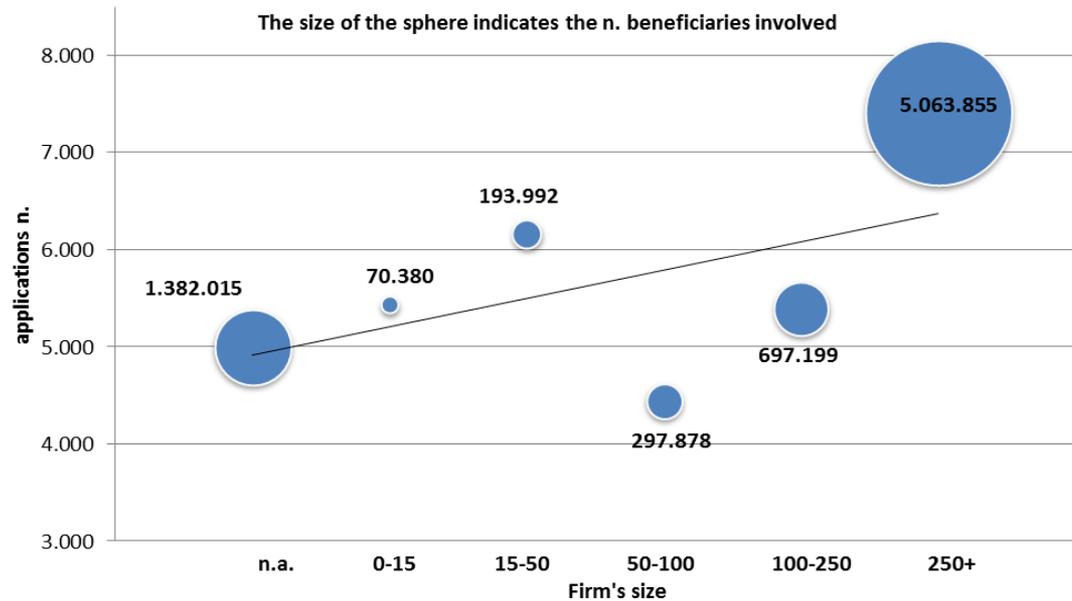
Applications



Beneficiaries



- No answer
- Up to 15 employees
- From 16 to 49
- From 50 to 99
- From 100 to 249
- 250 and over

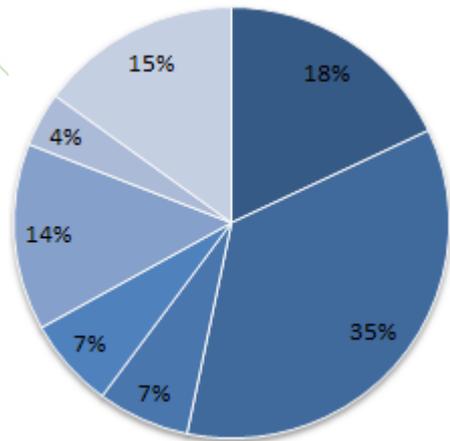


The dimensional aspect is one of the first factors that affects the activation of decentralized bargaining. The reference literature agrees that the use of decentralized bargaining increases as the size of the company increases. Furthermore, for the same contract, larger companies reach more final beneficiaries. Therefore, the measure remains predominantly prerogative of medium and large company employees.

First risk: polarization by firm's size

Distribution by economic sector

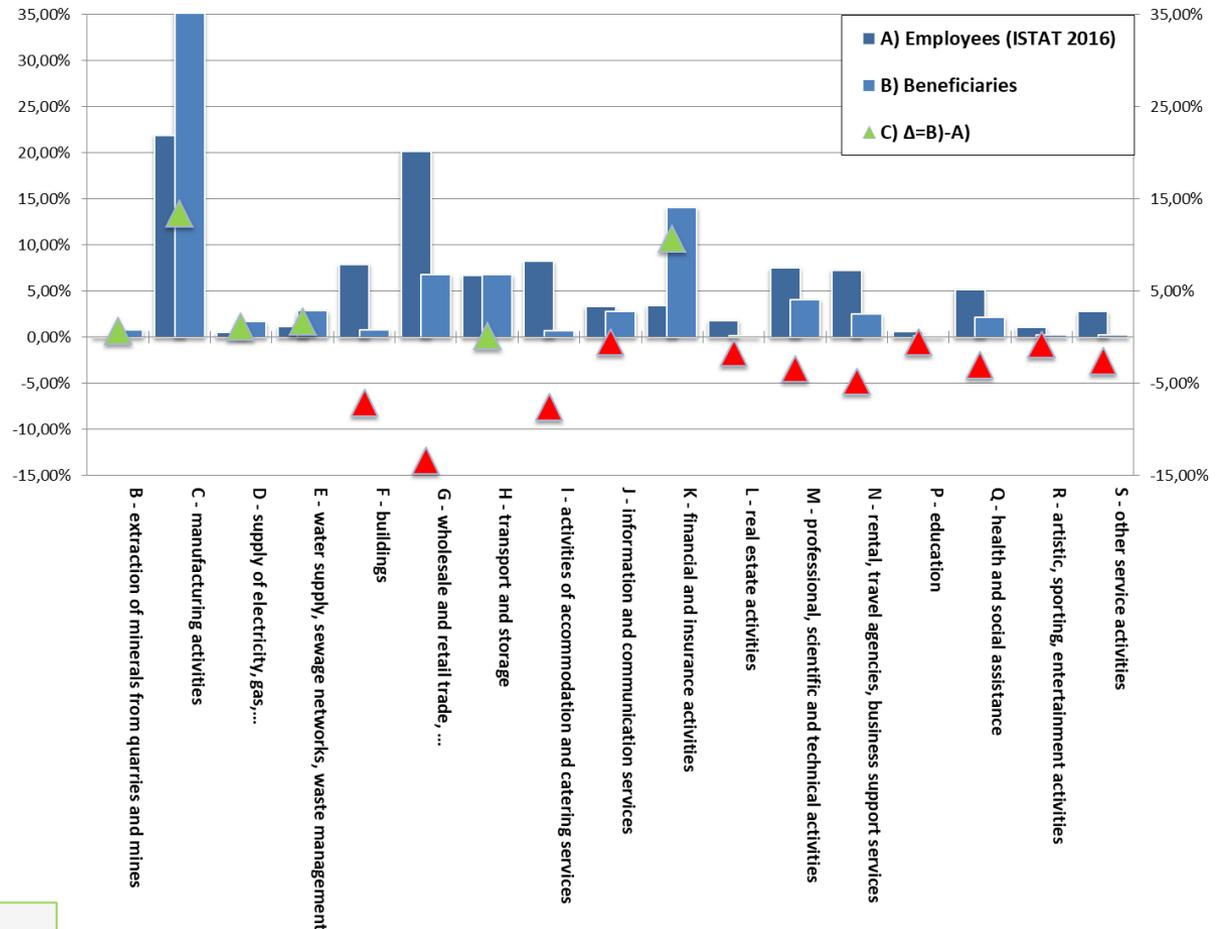
Distribution of beneficiaries by economic sector



- n.a.
- Manufacturing (C)
- Commerce (G)
- Transport and storage (H)
- Financial and insurance activities (K)
- Professional scientific and technical activities (M)
- Other

**Second risk:
polarization by economic sector**

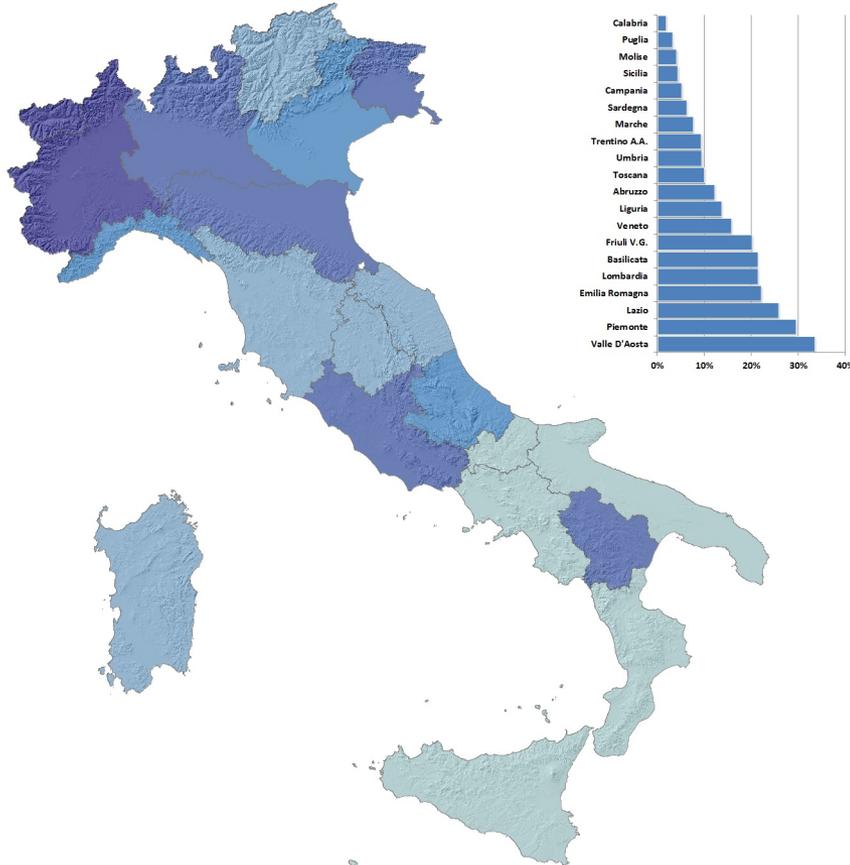
Sectorial propensity to activation of the measure



Distribution of beneficiaries by region and by TDL

Incidence* of beneficiaries by Region

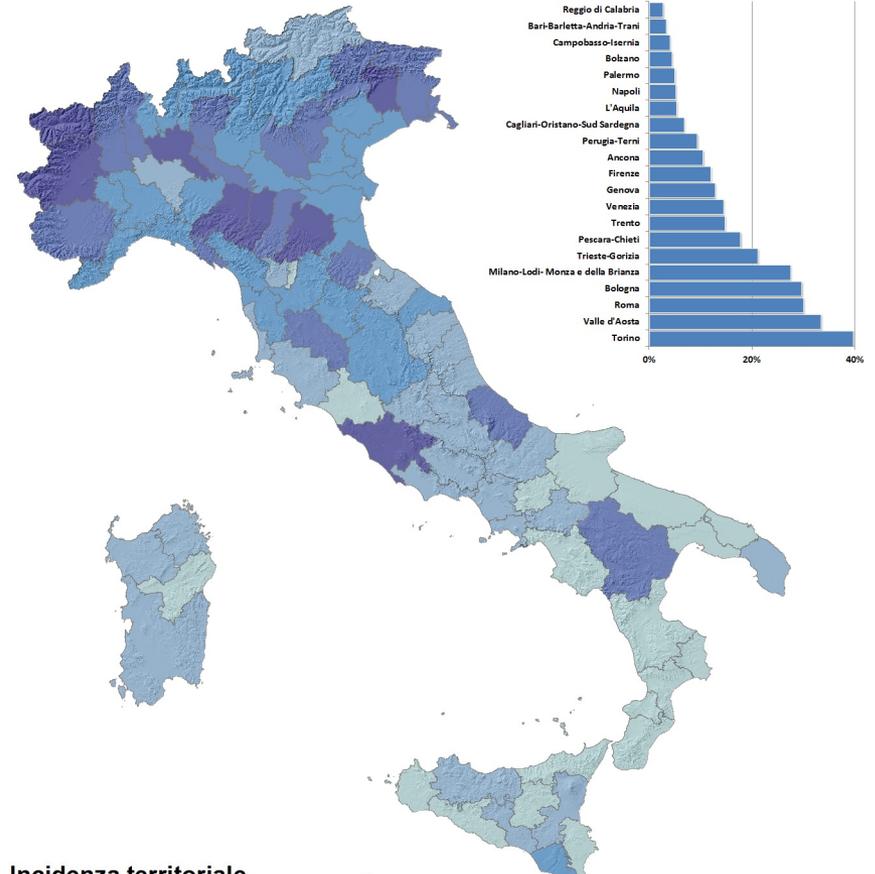
*: beneficiaries/total employed



Incidenza territoriale

- 1,81% - 5,13%
- 5,14% - 9,94%
- 9,95% - 15,68%
- 15,69% - 25,71%
- 25,72% - 33,42%

Incidence* of beneficiaries by Territorial Directorate Labor



Incidenza territoriale

- 0,47% - 3,6%
- 3,61% - 8,35%
- 8,36% - 15,2%
- 15,21% - 22,08%
- 22,09% - 39,68%

**Third risk:
geographic polarization**

Company profiling and 3 risk of the measure

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



A Medium-sized and large sized enterprises

B Which chooses a firm-level contract

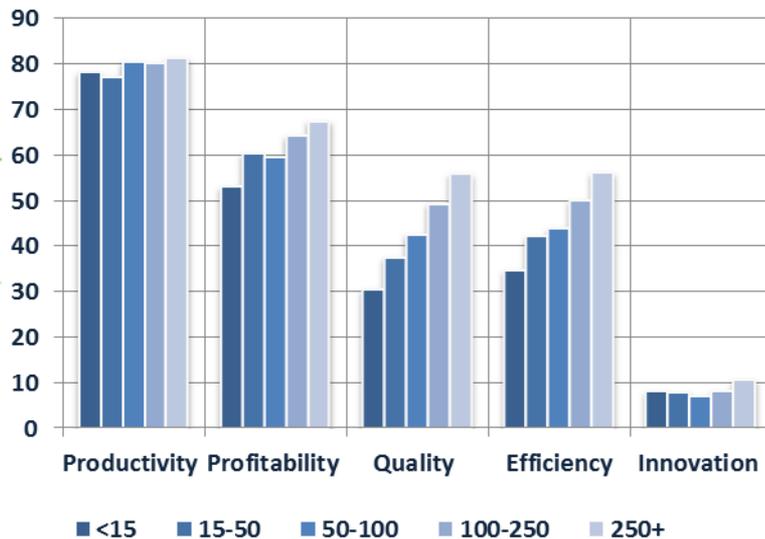
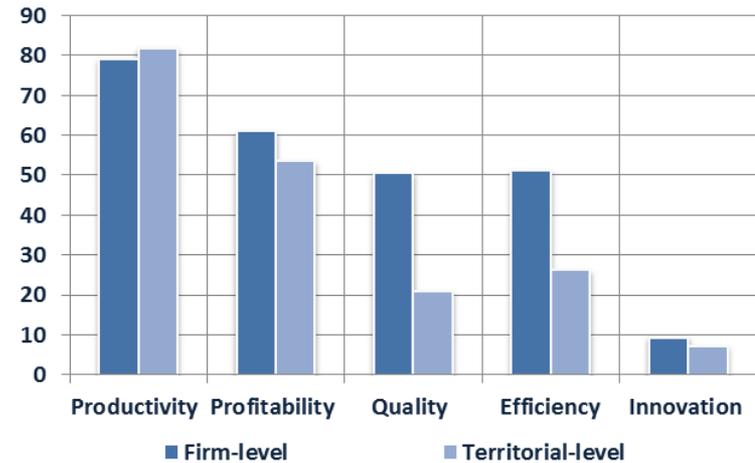
C Which operates in the manufacturing and financial and insurance services sectors

D Which is based in a regional capital in the center-north

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



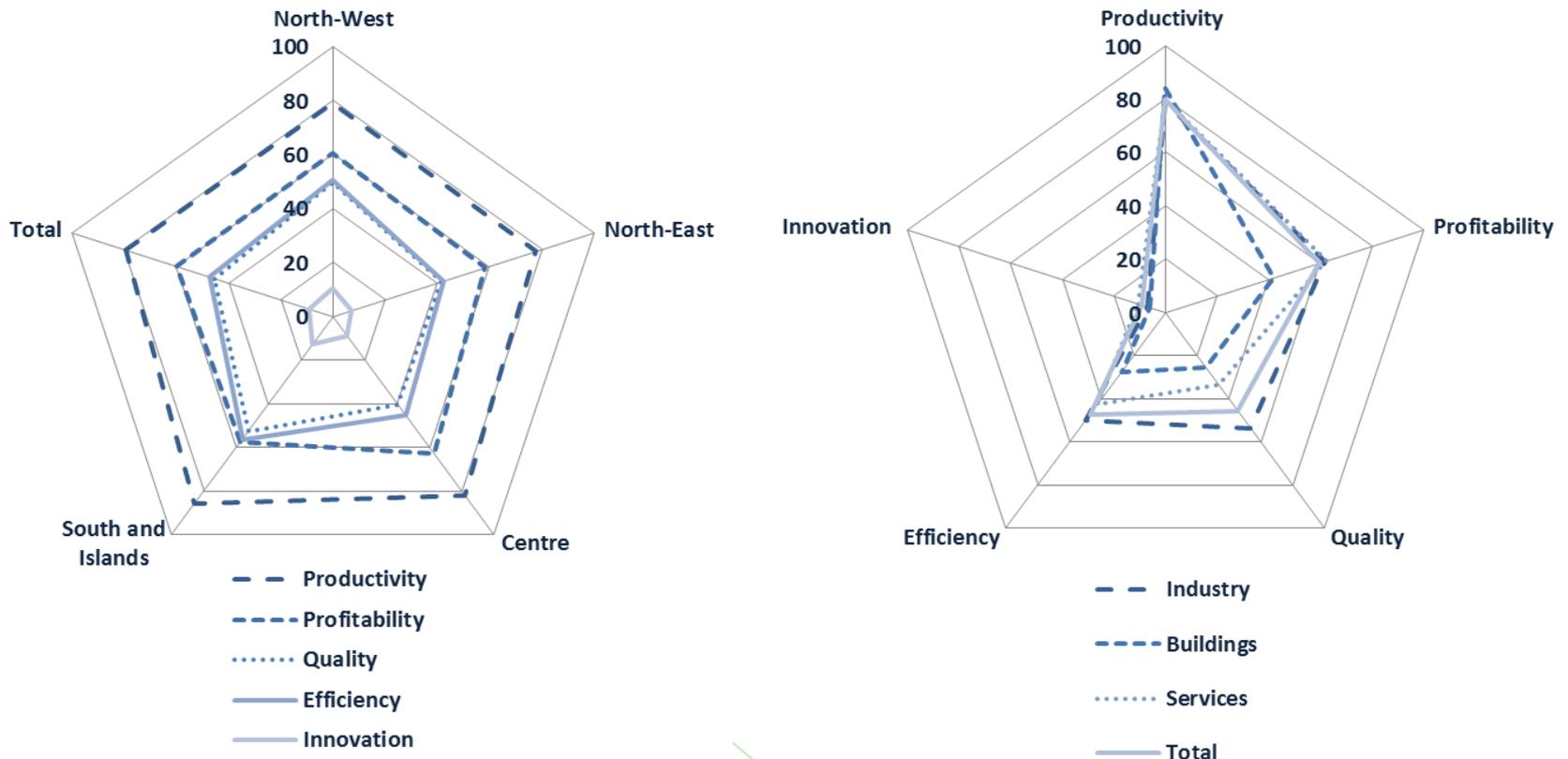
The choice of objectives



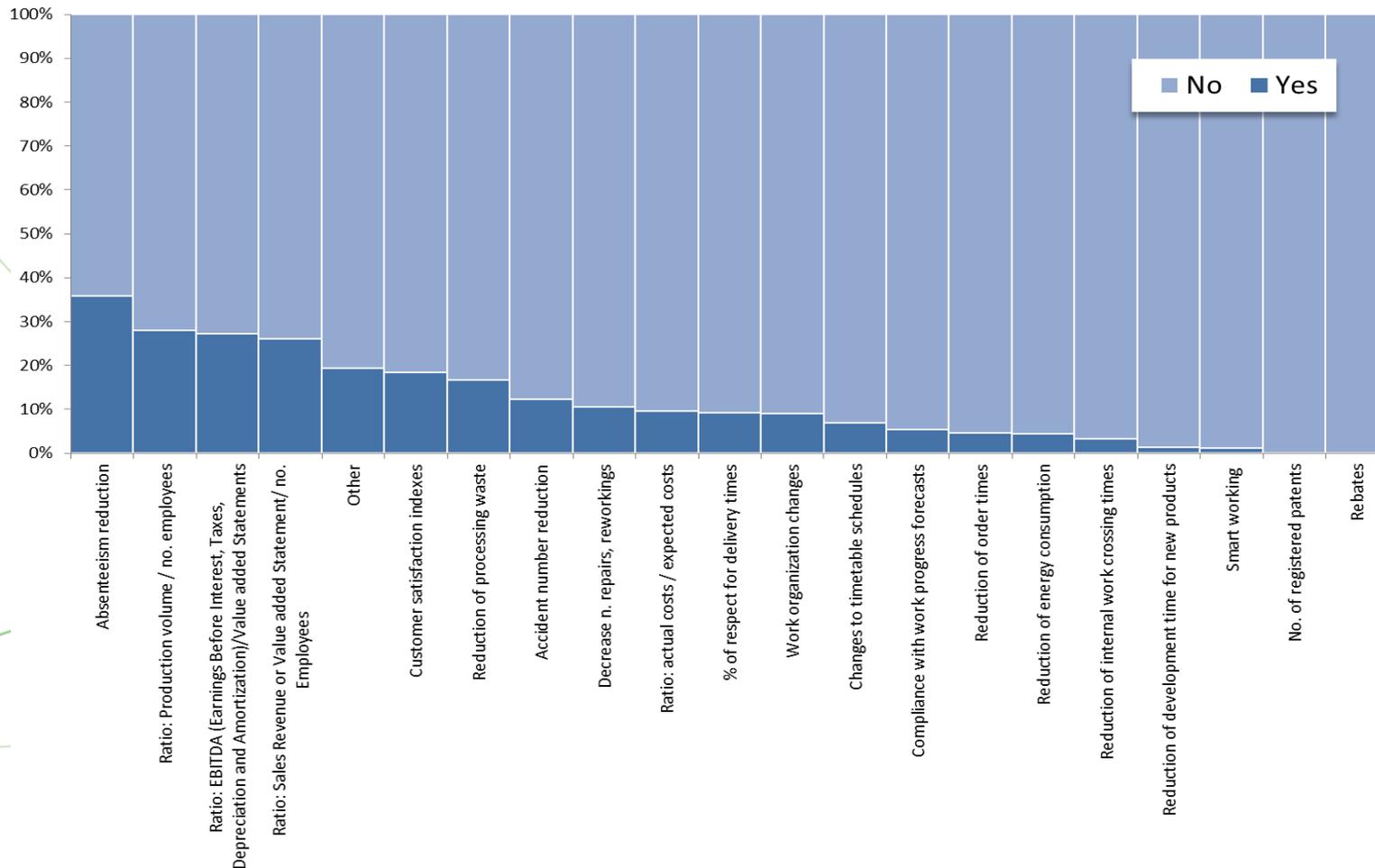
The collective agreements have decided to focus mainly on increases in **productivity** and **profitability**. Productivity growth is a high and transversal objective with respect to the type of contract and company size. The objectives of **profitability**, **quality** and **efficiency** seem to grow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

The choice of objectives

The **low propensity** of all sectors to set goals in terms of **innovation** could be explained by the fact that the **measure is mainly adapted to labor-intensive production processes** less to those with a high capital / technology intensity. Another hypothesis that could be done is the displacement of the choices of entrepreneurs due to other measures that reward technological innovation such as those proposed by the **contextual Plan for Industry 4.0**. **However, a role of this objective is clear in the strategic choices especially for the Southern enterprises.**



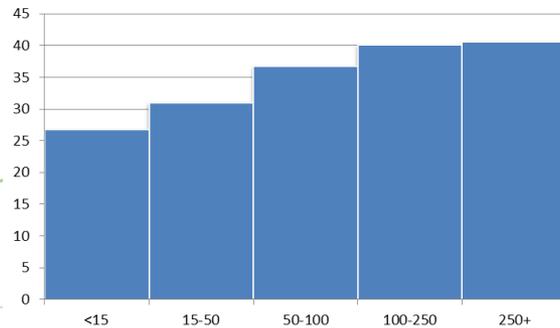
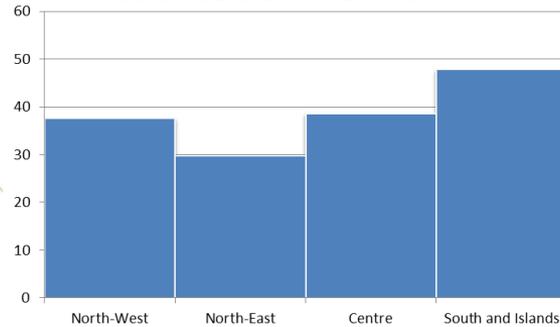
Indicators foreseen in the contract



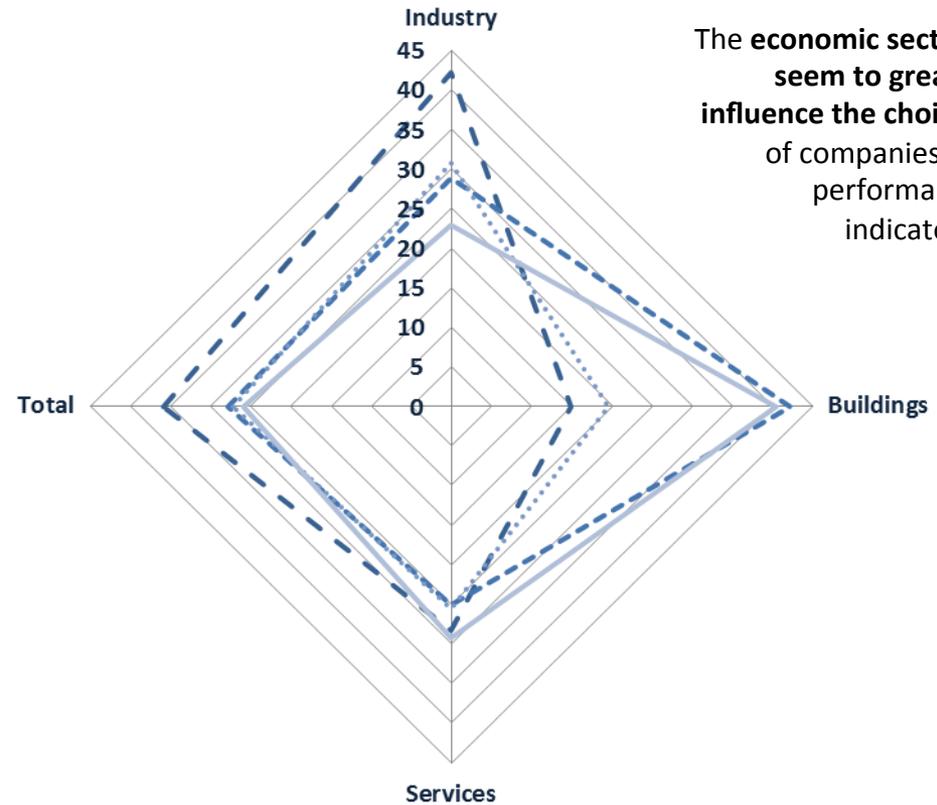
The **reduction in absenteeism** is the indicator used in well over **1/3** of the contracts deposited (35.8%). In over 1/4 of the contracts there are indicators such as the "**ratio of production volume by number of employees**" (27.9%), the "**ratio between earnings before interest, taxes, depreciation 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%).

Indicators foreseen in the contract

Absenteeism reduction



The **reduction of absenteeism** remains one of the problems of **large enterprises** and **Southern Italy**.



The **economic sectors** seem to **greatly influence the choices** of companies on performance indicators.

- — Absenteeism reduction
- · — · Ratio: Production volume / no. employees
- · · · · Ratio: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)/Value added Statements
- — — — Ratio: Sales Revenue or Value added Statement/ no. Employees

Key findings

Pros (+)	Cons (-)
<p>Attention of the policy maker on the importance of decentralized bargaining and the provision of monitoring measures for policy evaluation.</p>	<p>Second-level bargaining is not broadly used and therefore the potential advantages of its application are not evenly distributed in the productive fabric today.</p>
<p>Incentive policy for the diffusion of decentralized bargaining and stricter regulation in measuring performance increases to access the tax bonus.</p>	<p>In theory, two-tier wage bargaining structures should have ensured an increase in labor productivity. To date there is no clear empirical evidence that this happened thanks to the measure.</p>
<p>The new incentives, even if they are not fully effective in the growth of labor productivity, certainly generate a reduction in the tax wedge.</p>	<p>It is still early to evaluate this policy but if it should work, it could generate polarizations of productivity gains between territories and between types of companies (by size and sector).</p>
<p>The variability of the choices of the objectives and of the indicators on which to measure performance reveals a capacity for collective bargaining to adapt to the complexity of the organizational and productive needs of companies.</p>	<p>Absenteeism is the main concern of companies and the main performance goal set by companies.</p>

Some policy recommendations

Policies

Policies for the dissemination of decentralized bargaining should **improve their appeal.**

Policies for the diffusion of decentralized bargaining and productivity growth should be **integrated with broader industrial and local development policies.**

Industrial relations

The industrial relations system should guarantee **programmed levels of productivity gains.**

A stronger framework for collective bargaining at the firm or local level could support the efficient allocation of resources within and across firms, strengthen the **link between wages and local economic conditions**, and facilitate the adoption of innovative work practices at firm level (e.g. flexible working-time arrangements to support work-life balance or vocational training).

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