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

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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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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.**



Rent-sharing formulas

1. TAX REBATES ON PERFORMANCE-RELATED PAY INCREASES

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.



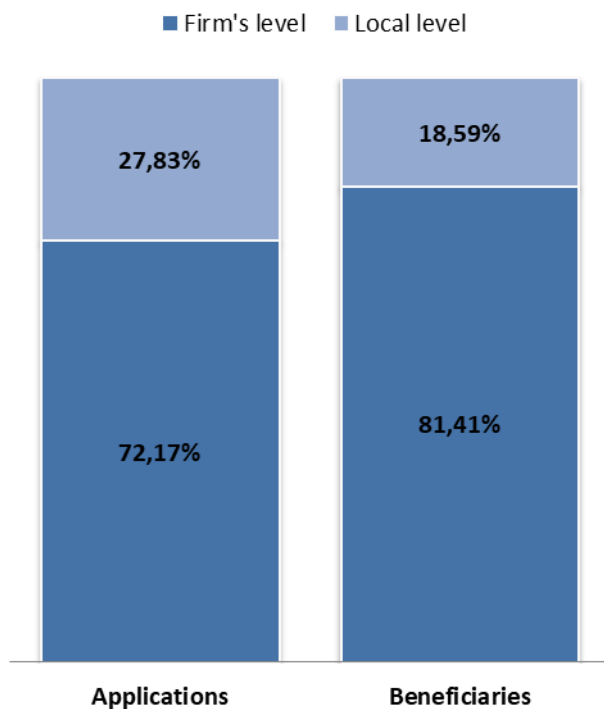
Applications distribution by type of agreement

Repository released in January 2020

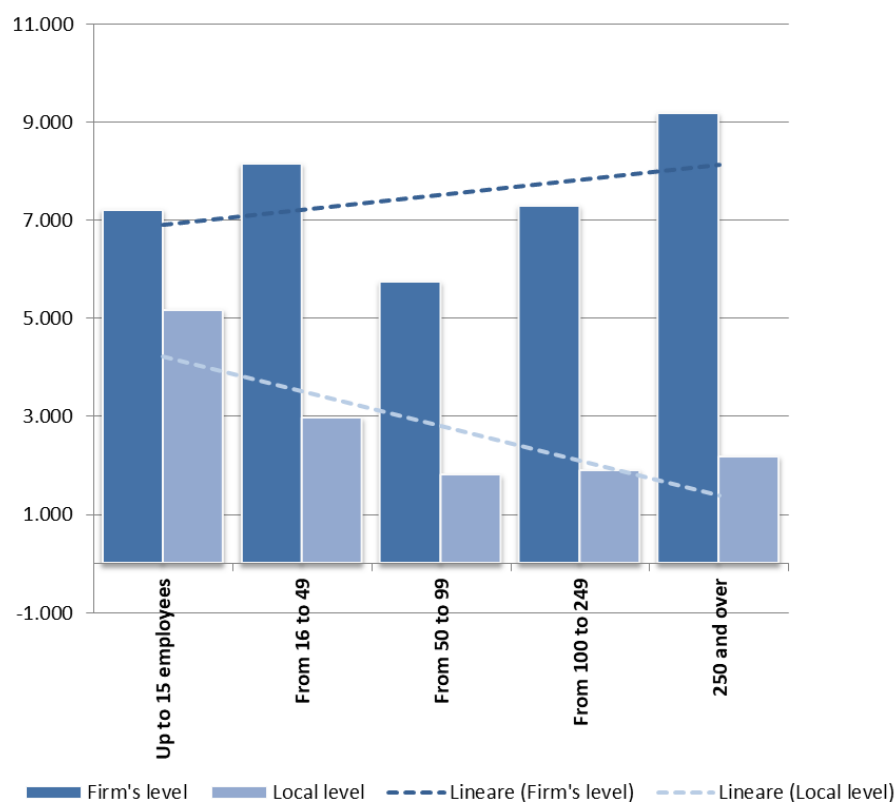
Applications
66,190

Beneficiaries	
Average	Total
183	12,128,708

Distribution by type of agreement

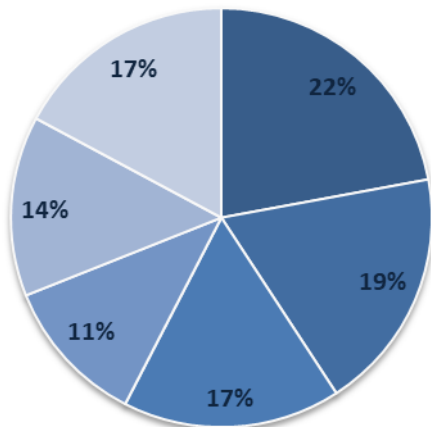


Distribution by type of agreement and by firm's size

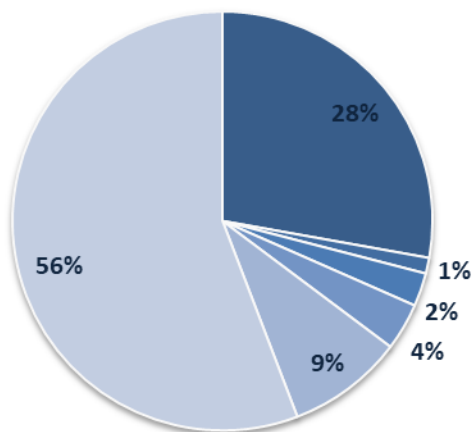


Distribution by firm's size

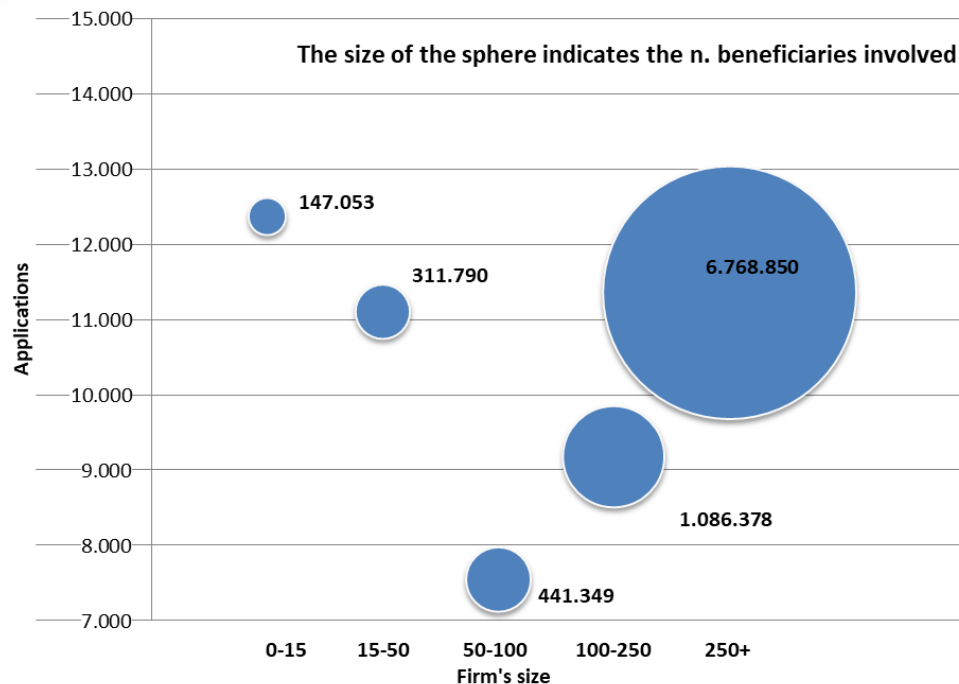
Applications



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.

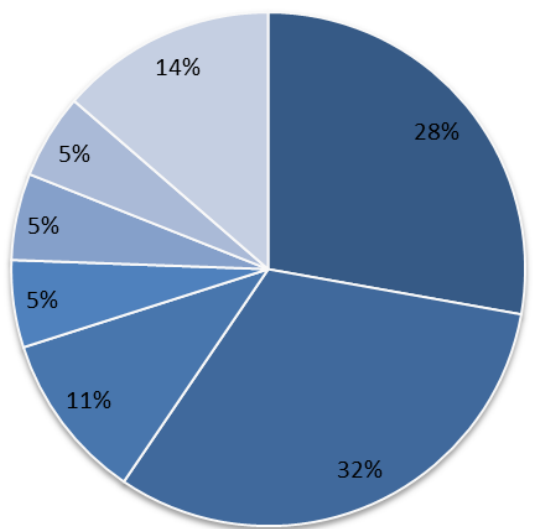
Furthermore, for the same contract, larger companies reach more final beneficiaries.

However, in the latest years, small businesses have begun to make greater use of the government measure.

First risk: polarization by firm's size

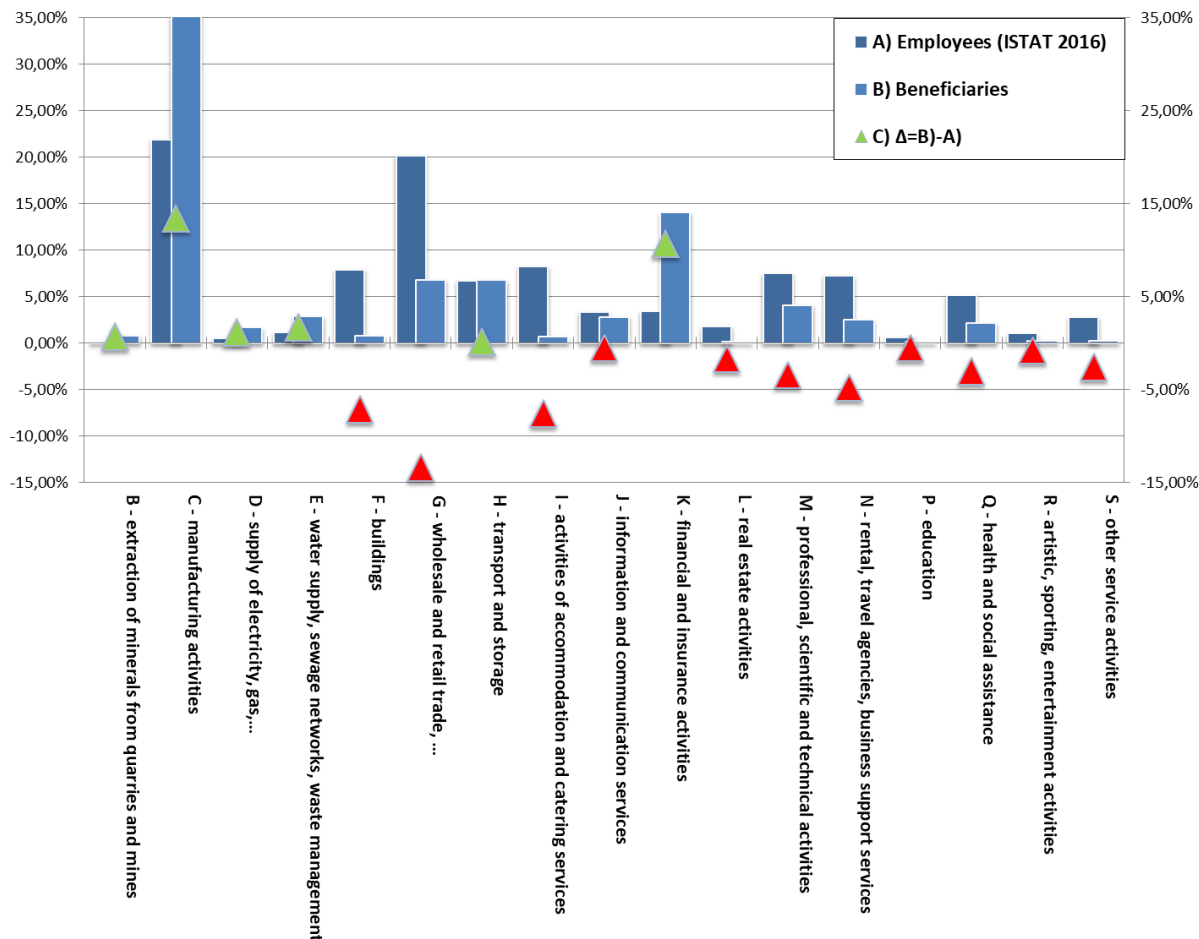
Distribution by economic sector

Distribution of beneficiaries by economic sector



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

Sectorial propensity to activation of the measure

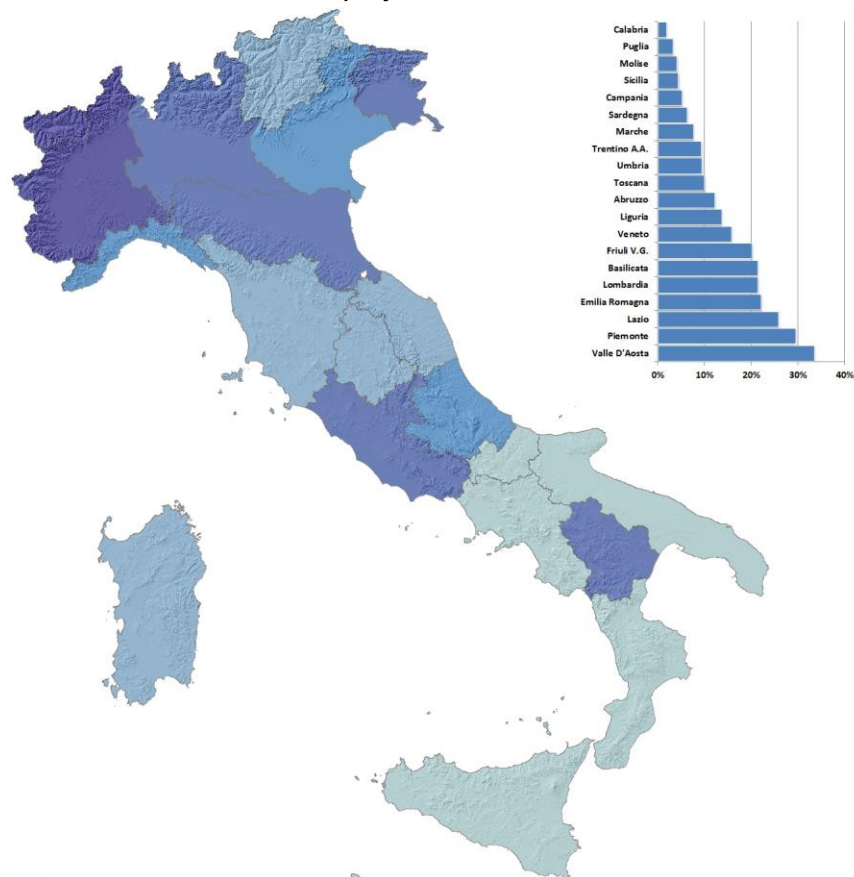


**Second risk:
polarization by economic sector**

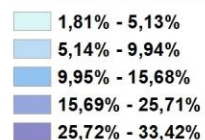
Distribution of beneficiaries by region and by TDL

Incidence* of beneficiaries by Region

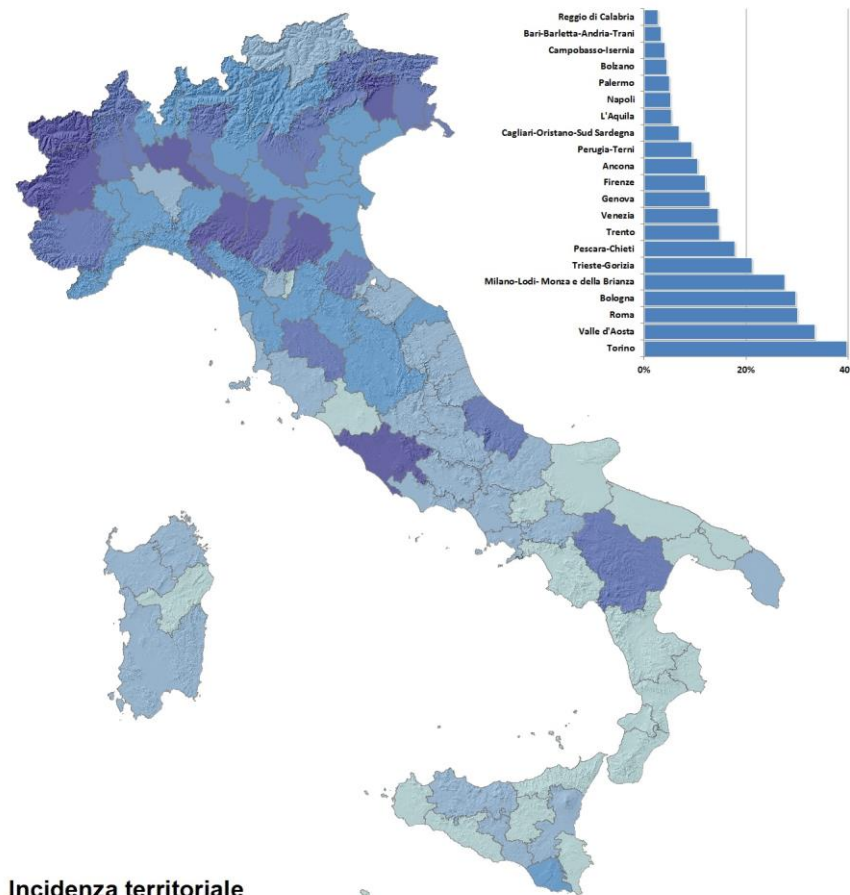
*: beneficiaries/total employed



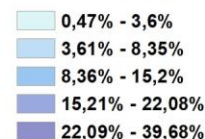
Incidenza territoriale



Incidence* of beneficiaries by Territorial Directorate Labor



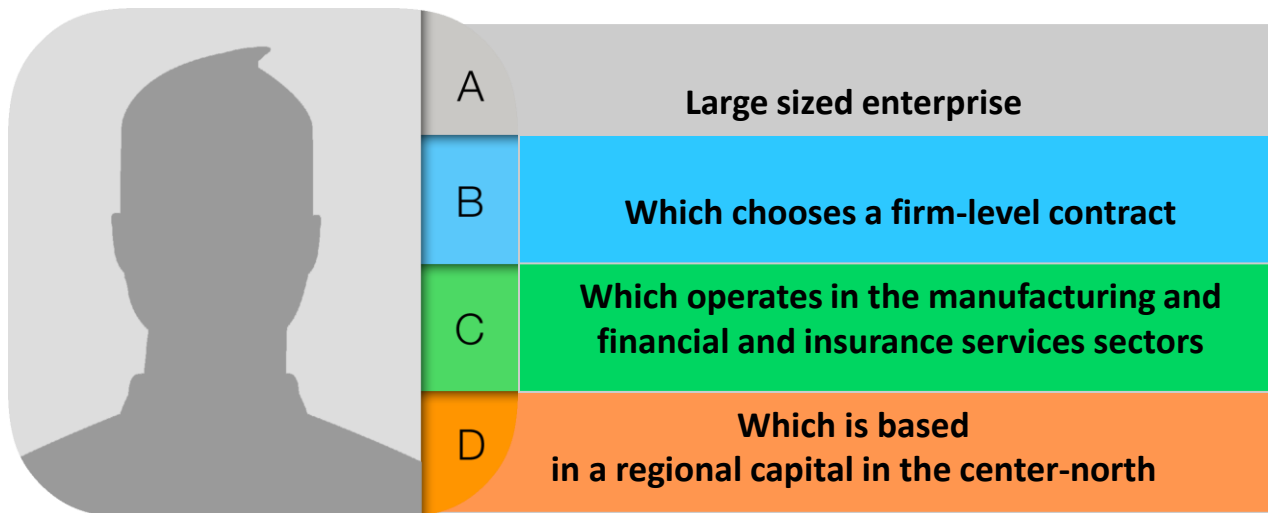
Incidenza territoriale



**Third risk:
geographic polarization**

Company profiling and 3 risk of the measure

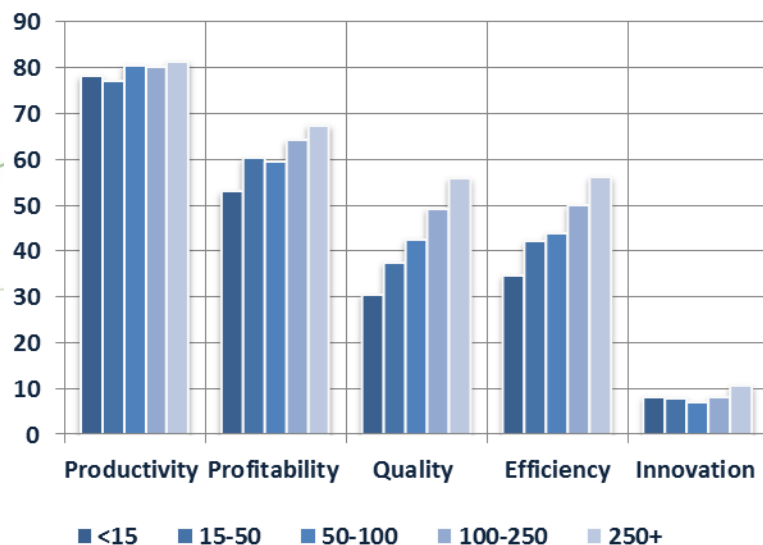
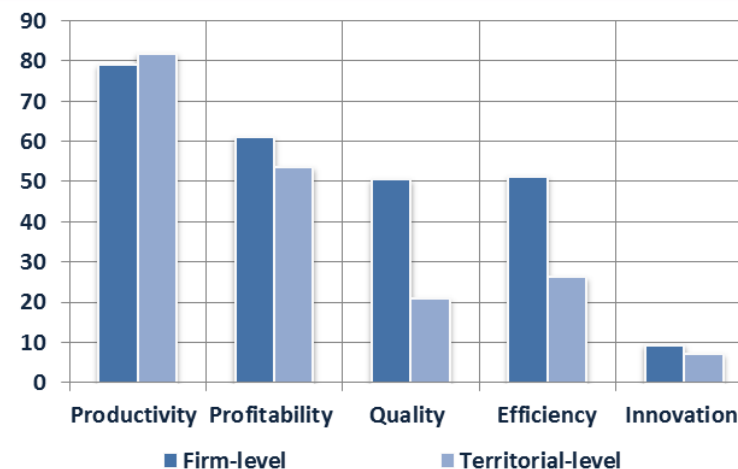
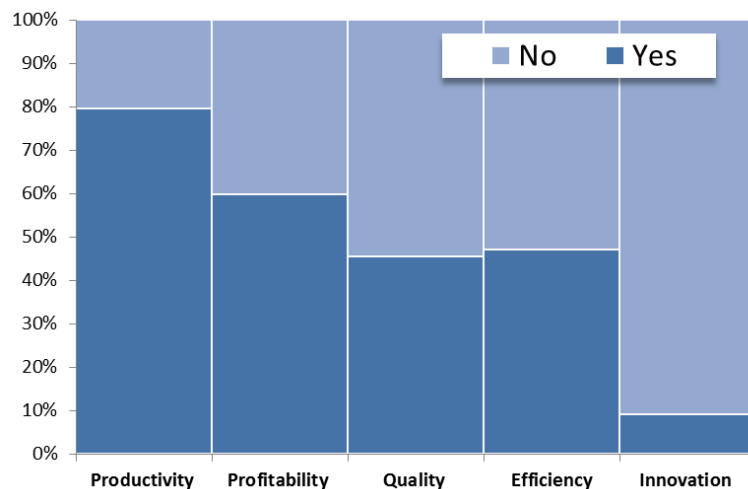
Which is the typical company that activated the measure envisaged by the government?



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

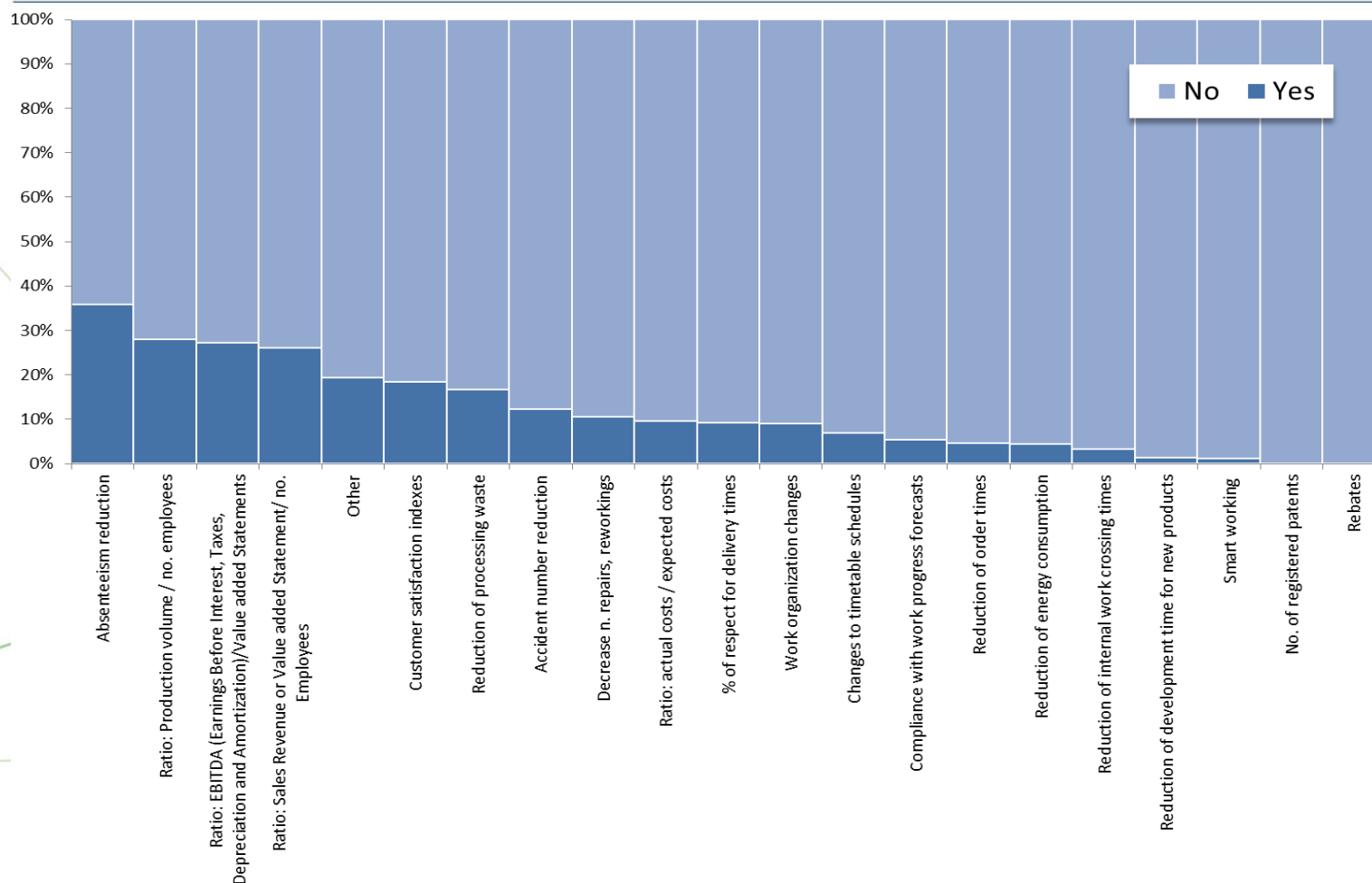


The objectives of rent-sharing



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.

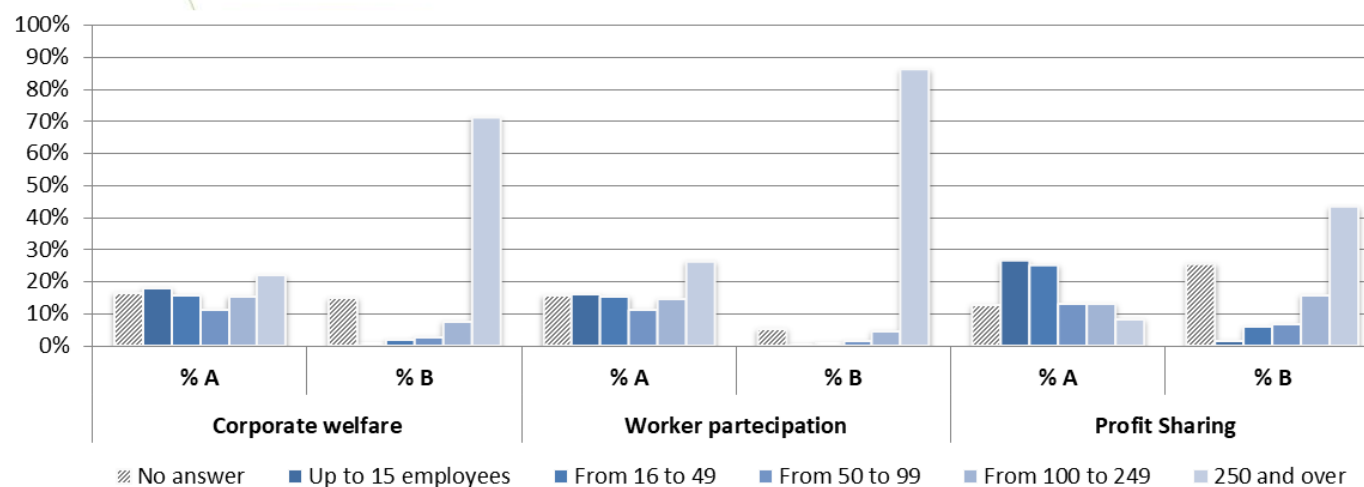
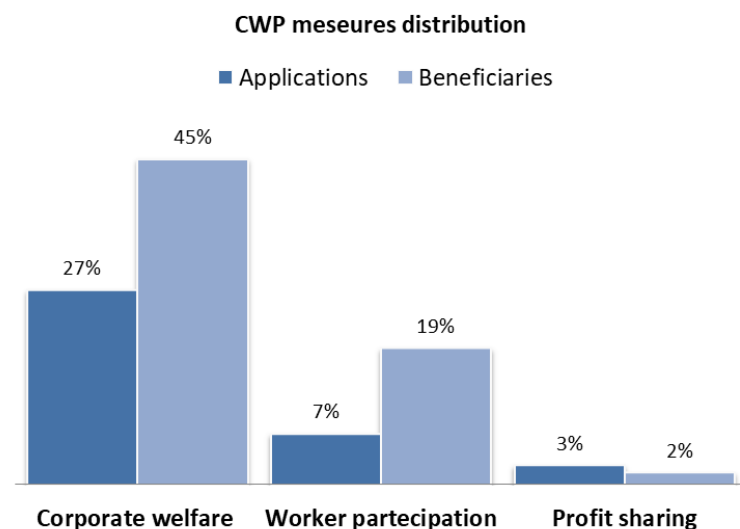
Performance indicators foreseen in the contract



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



CWP measures distribution

Corporate welfare

Ateco 2007		2017	2018	2019
Intermediazione monetaria (64191)		247.899	224.846	114.179
Fabbricazione di autoveicoli (29100)		134.349	188.661	161.384
Telecomunicazioni fisse (61100)		1.516	85.471	2.255
Ipermercati (47111)		42.326	74.941	21.142
Holding impegnate nelle attività gestionali (70100)		38.956	45.738	11.560

Worker participation

Ateco 2007	P..	2017	2018	2019
Intermediazione monetaria (64191)	1	143.415	173.379	58.400
Gestione di infrastrutture ferroviarie (52211)	1		27.546	200
Fabbricazione di trattori agricoli (28301)	1	11.973	11.973	14.272
Fabbricazione di medicinali e farmaceutici (21200)	1	7.204	7.763	7.246
Montatura in serie di occhiali comuni (32505)	1		7.036	39

Profit sharing

Ateco 2007	U.	2017	2018	2019
Pulizia generale (non specializzata) di edifici (81210)	1	7.603	8.331	90
Strutture di assistenza residenziale per anziani e dis..	1	8.512	3.509	1.875
Intermediari dei trasporti (52292)	1	1.716	2.795	3.439
Altre strutture di assistenza sociale residenziale (87..	1	1.347	1.630	60
Movimento merci relativo ad altri trasporti terrestri..	1	2.414	1.429	450

Pros (+)	Cons (-)
Attention of the policy maker on the importance of decentralized bargaining and the provision of monitoring measures for policy evaluation.	Second-level bargaining is not broadly used and therefore the potential advantages of its application are not evenly distributed in the productive fabric today.
Incentive policy for the diffusion of decentralized bargaining and stricter regulation in measuring performance increases to access the tax bonus.	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.
The new incentives, even if they are not fully effective in the growth of labor productivity, certainly generate a reduction in the tax wedge .	Worker participation measures are still not very widespread.
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.	Profit sharing practices are rare , moreover they are mainly present in small businesses therefore with a low impact of involvement of beneficiaries.
Corporate welfare measures are becoming more and more widespread, especially in large companies with a strong involvement of beneficiaries	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).

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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