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The Evolution of the Industrial Relations System in the Italian Shipbuilding Industry, by Alberto Sasco. A Review.

Allissa Wade ¹

1. Introduction

The shipbuilding industry in Italy has undergone significant changes regarding industrial relations in the last 60 years and the industry itself is an appropriate illustration of the general state of affairs in Italy. Fincantieri, a global leader in the shipbuilding sector, demonstrates the countless positive effects – business development at a level previously implausible – stemming from heightened importance placed upon innovation, quality, and collaboration with trade unions. As such, *The Evolution of the Industrial Relations System in the Italian Shipbuilding Industry*, by Alberto Sasco, serves as a brilliant summary of these changes and considers this evolution in the specific context of Fincantieri, due to its prominence in the industry.

This work is of high-quality as evident by the great attention to detail and research prevalent throughout each section. The author provides us with a solid analysis of this evolution in the industry as a whole and in the specific context of Fincantieri. However, the relevance of the text does not apply exclusively to the shipbuilding sector as discussion throughout of the overall Italian economy sheds light on similar situations facing other market segments. It is evident that this text should be of great importance to those in management in the shipbuilding sector as its analysis shows that the best path forward is the one the industry is currently on.

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The work is divided into three separate parts following a chronological order with each section carrying equal importance. Part one describes the relationship between trade unions and state majority-owned companies beginning around 1965 and progressing through to present day – with the latest agreement occurring in January 2014. The second and third parts focus more specifically on the changes befalling Fincantieri during this same time-period with part two concentrating on the development of relations between the late 1970s through the mid-2000s while the third part focuses on relations from the mid-2000s through to present day. However, it is my opinion that part one is not structured as well as parts two and three as it lacks the fluidity of the other sections, thus making the first part a bit hard to follow. What follows is a brief summary of the work and my conclusions.

2. Summary

The book begins by examining industrial relations of the shipbuilding sector through the 1960s, 70s and 80s with a focus on major events and the attempt to seek dialogue throughout this period. The industrial relations system in place during the 1950s in Italy did not distinguish between public and private sector employers; therefore, many doubted the ability of a single employer association (Confindustria) to effectively represent different companies (p. 1). Consequently, Act no. 1586 of December 1965 was enacted that allowed state-owned companies to choose their own representation – enabling the concept of “effective and actual pluralism for the first time (pp. 1-2).

Battles over wages and increased pressure by unions on employers to engage in “articulated” bargaining led to the INTERSIND ASAP Protocol of July 1962 which marked INTERSIND’s autonomy from Confindustria and introduced guidelines and a range of provisions on collective bargaining (pp. 6-7). The effects of this protocol were seen for years to come and resulted in (specifically) state-owned companies seeking greater cooperation and collaboration with unions (p. 8). However, externally, Europe was dealing with an economic crisis and the shipbuilding industry was struggling against Far-East competitors (p. 8). Thus, leading to an industry-wide restructuring plan introduced in November 1967, which, although it failed, was the first restructuring plan to be approved by trade unions shoring up the increases in collaboration (pp. 8-9).

Government measures enacted during the economic downturn 1970s were still lacking results into the early 1980s and the need for solutions to boost productivity were increasing (pp. 12-13). These factors combined to encourage greater levels of dialogue among all actors and resulted in the conclusion of a new agreement in December 1984 – between IRI, INTERSIND, and, CGIL, CISL, and UIL – that enacted a participatory and shared approach in relations throughout state majority-owned companies (p. 17).

The author notes that during this same time period, companies represented by INTERSIND promoted a cooperative and collaborative approach with trade unions, while companies with Confindustria tried their best to avoid working alongside trade unions especially regarding managerial decisions (p. 22). The 1984 Protocol experienced organizational and implementation issues due to it being the first protocol of its kind – considering that unions generally made their demands through industrial action versus dialogue (p. 23). As such, a new protocol was signed in July 1986 clarifying the ambiguities of the previous agreement (pp. 25-26). In an attempt to become more competitive, INTERSIND, ASAP, and trade unions concluded a new agreement in February 1990 enacting a new collective bargaining system encouraging maximum participation between employers and trade unions and setting a new national level requirement for collective bargaining at every four years with the option to engage in decentralized bargaining every two years (p. 29).

In July 1992 a Protocol was developed around the “tripartite system” (government, employers, trade unions) and focused on reviewing income policies and reducing inflation by introducing “the special remuneration item”, a monthly flat rate, as an alternative to the wage indexation system (*scala mobile*) (pp. 30-31). These measures resulted in the signing of the July 1993 Protocol aimed at supplementing economic reform and implemented a “two-tier” bargaining system consisting of national-level collective bargaining and company-level bargaining (p. 31).

The battle between Confindustria and INTERSIND concluded in 1998 when the amalgamation process was completed and Confindustria became the representative for all IRI companies (p. 32). However, without INTERSIND’s quest for innovation, participation, and collaboration, industrial relations in Italy would be vastly different than they are today (p. 33). While no significant changes were made at the national level from 2000 to 2009, the parties (government, employers’

associations, and some unions) introduced a new agreement in 2009 reforming contractual arrangements by linking remuneration to the cost of living with the Consumer Price Index and allowing decentralized bargaining to amend terms from national collective agreements for the first time (p.33). The latest legislation mentioned by the author regards the Consolidated Text on Representation of January 2014 which reviewed trade unions' representation power and introduced special cooling-off procedures to prevent industrial actions (p. 34).

Moving in to part two of the book, the author summarizes the main events characterizing Fincantieri's organizational structure and industrial relations throughout the 1980s and in to the mid-2000s. The global economic crisis relating to increases in oil prices affected the shipbuilding sector in Italy from 1970-1980, as a gap between supply and demand made evident the serious shortcomings of the industry in terms of efficiency and technology (p. 36). Following a failed attempt to implement a "sector plan" and insufficient changes regarding ship demand, Fincantieri was struggling to stay afloat (p. 40). Thus, beginning in 1983 and coming to fruition on 30 June 1984, Fincantieri introduced a restructuring plan to drastically overhaul its organizational structure by prioritizing productivity, efficiency, and competitiveness, and forever altering its relationship with trade unions (pp. 41-43). Furthermore, to become leaner, the agreement created one central operating society from the acquisition of eight operating societies in the industry and had an overall focus on becoming more advanced and productive by focusing on innovative technologies (pp. 43).

To deal with concerns throughout the company, Fincantieri, INTERSIND, and trade unions concluded a new agreement in October 1986 that ensured continuity regarding the restructuring process and had a central focus on high-level skills training as a proactive solution to workers facing possible dismissals (pp. 45-47). Additionally, this agreement introduced the first attempt at performance-based remuneration in Italy as it implemented a two-component remuneration system: 1) fixed amount base pay for all workers; and 2) variable pay linked to productivity and efficiency (p. 49).

The agreement of September 1988 further aimed to recoup losses from the economic crisis by prioritizing value-added production, becoming more international, and increasing productivity through outsourcing (p. 51). This agreement shored up the variable pay scheme for 18 months and encouraged increased productivity by granting bonuses based on six-levels of productivity targets (pp. 53-54).

The previous agreements and restructuring began to shed light on positive effects regarding Fincantieri's reputation and financial situation; therefore, the agreement of April 1992 solidified past measures and introduced the "Total Quality" project, which further increased worker accountability and participation as Fincantieri noted that this was crucial to international competitiveness (pp. 60-61). The early 1990s saw great achievements in levels of growth and productivity thanks to the restructuring plans and the focus on innovation and efficiency (p. 63).

Despite increases throughout the early 1990s, high-levels of new orders significantly strained Fincantieri's resources (p. 67). Thus, a new Protocol was introduced in October 2000 that promoted greater information exchange to facilitate social dialogue out-of-court, reducing costs by transferring noncore activities to outside companies (though ensuring labour legislation compliance), and slightly revising the variable pay scheme to promote economic growth (pp. 67-70). Decisions to invest in new technologies and focus on value-added markets greatly increased Fincantieri's reputation and financial situation – resulting in it being one of the few companies reporting a profit in this time (pp. 70-71). Accordingly, Fincantieri worked alongside trade unions to ensure continuity of dialogue and efficiency by reaching a new agreement in June 2004 focusing on collaboration (p. 71).

Concluding with part three, the author discusses supplementary collective bargaining at Fincantieri from 2008 through present day, with the most recent agreement occurring in June 2016. During this period, Fincantieri implemented several initiatives regarding research and innovation to further increase overall productivity and turned their core business to the cruise industry as it is a high value-added segment (p.78). These new endeavors (along with the decision to partner with international markets in their military ship building department) lead to Fincantieri becoming the leading shipbuilding company in Europe (pp. 78-79).

However, this "golden age" would not last as the global economic crisis hit the shipbuilding industry particularly hard beginning in 2008 and lasting until roughly 2013 (p. 80, 93). Fincantieri struggled significantly as a severe drop in demand for cruise ships (16 orders in 2007 to just 1 in 2009), resulted in long-standing problems returning to the spotlight. The agreement reached in April 2009 was crucial in ensuring continuity of operation by consolidating production and

enacting measures to boost flexibility, international competitiveness, and efficiency by cross-training to increase the skills of current staff (p. 83). The agreement placed further importance on occupational health and safety as another way to reduce overall costs (p. 87).

Fincantieri's decision to enter international markets regarding the production of warships helped sustain them through this time as the U.S. government was constantly upgrading their fleet (p.90). Nonetheless, Fincantieri once again developed a massive restructuring scheme in December 2011 to reorganize into specialized 'hubs' of production, use facilities in alternative ways, and adjust the functions of staff to meet this new model (pp. 90-91). The plan also called for the use of temporary unemployment benefits as an alternative to massive employment reductions (p. 90).

Societa Fincantieri was listed on the Milano Stock Exchange in July 2014 as another way to renew relations and raise resources to reinvest in increasing efficiency, productivity, and quality (p. 94). Though market conditions were improving, it was agreed that the existing agreement would be renewed and new talks would not begin until conditions further improved (p. 95).

The two parties (Fincantieri and trade unions) first met in December 2014 and the new agreement was not signed until June 2016. This gap in time is marked by a breakdown in talks due to differing demands on both sides and disagreement regarding the best way forward (pp. 95-97). As a result, in an unprecedented move, Fincantieri announced to workers in March 2015 that the terms agreed upon in the 2009 agreement were no longer applicable, which led to strikes, and ultimately in Fincantieri agreeing to better cooperate with unions (pp. 97-98). Finally, the agreement was concluded and resulted in a new system of variable pay (making it more straightforward) (p. 98); better forms of occupational welfare (e.g. a "social bonus") (p. 99); greater emphasis on training (e.g. vocational and language courses) (p. 99); increasing insourcing and use of limiting external services (p. 100); and the establishment of a "joint technical body" (p. 100).

The book concludes by reaffirming the importance of sharing and cooperation between parties as essential to growth and development of companies (p. 101). We see that the use of Fincantieri as a case study shows the evolution of collective bargaining and industrial relations in Italy and the great importance of collaboration to ensure international competitiveness (p. 102).

3. Conclusion

As seen, the shipbuilding industry in Italy has encountered momentous transformations regarding industrial relations in the last 60 years. As such, Fincantieri provides an excellent example of the numerous benefits achieved through cooperation and active engagement with trade unions as the company would not be as successful as it is today without this collaboration. While down times should always be anticipated, having the appropriate measures in place to counteract negative periods will lead to greater prosperity for all.

The Evolution of the Industrial Relations System in the Italian Shipbuilding Industry, stands as a quality piece of work that should be enjoyed by a wide audience. Obviously, it is a work to be experienced by management in the shipbuilding industry (and those desiring to become management), additionally it could be enjoyed by those in an array of sectors as the book also frequently discusses the general state of affairs in Italy.

As previously stated, the first part was a difficult read and if it were not for the other two parts, my perception of the work would be quite different than it is. However, considering the text as a whole, I believe it stands as a thorough examination of the evolution of industrial affairs in the shipbuilding industry and sheds light on the development of a global leader in the industry. I do believe that those in the specific industry stand to benefit the most as it should be used as an example of ways to govern in the future using examples from the past.

ADAPT International Network



ADAPT is a non-profit organisation founded in 2000 by Prof. Marco Biagi with the aim of promoting studies and research in the field of labour law and industrial relations from an international and comparative perspective. Our purpose is to encourage and implement a new approach to academic research, by establishing ongoing relationships with other universities and advanced studies institutes, and promoting academic and scientific exchange programmes with enterprises, institutions, foundations and associations. In collaboration with the Centre for International and Comparative Studies on Law, Economics, Environment and Work, (DEAL) the Marco Biagi Department of Economics, University of Modena and Reggio Emilia, ADAPT set up the International School of Higher Education in Labour and Industrial Relations, a centre of excellence which is accredited at an international level for research, study and postgraduate programmes in the area of industrial and labour relations. Further information at www.adapt.it.

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