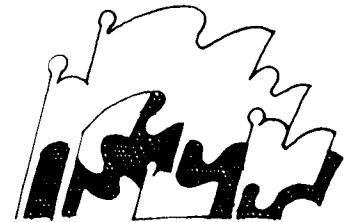


# Foreign Labor Developments



## Italian labor relations: a system in transition

TIZIANO TREU

The mid-1970's marked a turning point in Italy's industrial relations system. At that time, the system appeared to be a case of pluralism, recognized and supported by the statute of workers' rights (Act 300/1970). The main aspects and institutions of industrial relations remained outside the legal regulation. In fact, trade unions and employers' associations exercised joint power. Trade unions reasoned that the registration procedure prescribed by article 39 of the Constitution could lead to more state interference in internal union affairs than the Constitution intended. There were no specific legal provisions concerning the procedure, scope, unit, or content of bargaining or the conduct expected of the parties to negotiations. Collective agreements were treated as contracts, binding only on the parties, although the courts indirectly extended collective wage rates to employees and employers who were not parties to the negotiations. In addition, no statutory regulation on work stoppages based on provisions of article 40 was passed, and the task of imposing limits on industrial conflict was again left to the courts.

The statute of workers' rights (Act 300/1970), which is still the fundamental source of law governing collective labor relations, marked a change of attitude towards organized labor, both regarding the constitutional approach of article 39 of the Constitution and the actual "abstentionism" of the 1950's and 1960's. The act intervenes not to regulate unions at the *national* level but to promote their presence and action at the plant level. The focus of the act is no longer on the recognition of unions and the extension of collective agreements, but on the basic rights granted to the most representative unions and workers for the promotion of union activity and collective bargaining in the workplace (usually enterprises with 15 employees or more). The most representative unions and union representatives were granted the time and the right to hold meetings on company prem-

ises, employee time off for union activities, checkoffs, and special protection against discrimination.

Legislative support, a favorable labor market, and political conditions of the late 1960's contributed to the development of unionization<sup>1</sup> (from its lowest level of 22 percent in the mid-1960's to more than 50 percent in the mid-1970's) and collective bargaining. Individual labor law favored this approach, with minimum legal conditions providing a safety net for marginal employees, and nationwide and enterprisewide collective bargaining regulating wages and working conditions for the majority of employees. It is estimated that in the mid-1970's, more than 75 percent of factory employees were covered by collective agreements. Some features of individual labor law are more effective in supporting collective action. These include the protection of employees against discrimination and unfair dismissal contained in the statute of workers' rights; restrictions imposed by the act on employers' directive and disciplinary powers; and Social Security legislation which provides more than 80 percent of the wages lost by employees who are laid off or employed on a short-term basis because of production difficulties or restructuring in the enterprise. Social Security legislation departs from that of the 1950's and 1960's and responds to the new problems of an industrial system which faces difficulties and changes.

The pressure for change came in the mid-1970's during the serious economic crisis and consequent technological transformation which affected the socioeconomic system of most developed countries.

Italian industrial relations were built on the assumption that the economic system was capable of continuous and predictable growth within a relatively stable organization and technology. Collective bargaining, like unionization, was expected to expand much in the same way. Some scholars assumed that a stable environment would bring about stability and convergence in labor-management relations practices.

In the late 1970's, a series of events called these assumptions into question: (1) the general slowdown of economic growth; (2) the growing uncertainty of domestic and international markets' (3) the rapid technological innovations requiring or allowing changes in production or organization which might undermine collective bargaining; (4) the

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changing nature of labor (white-collar and service employees) which is less inclined to accept traditional forms of unionization and easier to organize; and (5) the growing initiative of management in industrial relations and personnel practices.

Difficulties in the Italian system were heightened by the structural weakness of industry and fragmentation of the economy and the inefficiency of public administration. Political tensions and polarization among the two major political parties (Christian Democrats and Communists) diminished the effectiveness and stabilizing capacity of state intervention in industrial relations and also undermined the internal cohesiveness of trade unions, thereby contributing to further reducing their bargaining power.

Signs of changed attitudes and strategies first emerged at the macro level of industrial relations. Participants acknowledged that the crucial problems of the period—recovery of the economy and international competitiveness, control of inflation (more than 20 percent in 1977 and again in 1982) and a reduction in unemployment—could not be solved without a more consensual, less conflictual attitude.

The adjustment process was long and difficult and culminated in three major trilateral agreements in 1977, 1983, and 1984 between the top organizations of the social partners and the government.

The underlying pattern was similar to that of other countries, even as early as the 1960's and 1970's, commonly referred to as "concertation" or neocorporatism in industrial relations. The terms of the economic and political tradeoff between the parties varied in the three agreements, but all implied a clear shift away from traditional economic and acquisitive collective bargaining. The trade unions accepted a slowdown of economic gains—mainly wage indexation (–18 percent in 1983 and –30 percent in 1984), which stopped or slightly reversed real wage growth—and committed themselves to greater labor flexibility and control over decentralized bargaining and conflict. In exchange, the government granted tax benefits, particularly for low-paid workers, and made the following commitments: to control public expenditures and administer prices consistent with curbing inflation;<sup>2</sup> to enact a series of measures to promote employment and to favor union participation in labor market policies and, with the employers' consent, the union's role in controlling industrial restructuring and innovation processes; to promote workers' participation in capital formation through a solidarity fund (financed by 0.5 percent of wages controlled by the unions). A reduction of working time was agreed upon with the employers as a means of combatting growing unemployment. This latter directive has been implemented unevenly, depending on the sector (usually 40 hours yearly on an average 40-hour workweek).

These experiences of broad trilateral agreement and social neocorporatism have proved only partly successful. Scholars have indicated that the Italian system lacks elements which account for the success and stability of neocorporatism:

a united labor movement linked to a political labor government, a strong tradition of centralization in industrial relations, and an efficient government capable of implementing the difficult long-term promises of the political tradeoff. Some functional equivalents of these elements have been operating in Italy: unity of action among the three major confederations, growing political and ideological control by the central confederation over the rank and file and middle-level union officers in order to respect social commitments, and a coalition government inclined to decide labor matters jointly with the Communists or with Communist consent only.

The effectiveness of these factors has proved precarious, and political tensions exist between the Communists and the coalition government. In fact, the agreements of 1977 and 1983 were unanimously supported by the trade unions, whereas the 1984 round ended in disagreement and the most serious split within the labor movement since the 1950's. The Communist-dominated confederation (CGIL) withdrew from the negotiations and opposed the decree which the government issued to implement some points of the agreement (mainly the slowing down of indexation) reached with the other two unions (CISL and UIL) and the employers' association.

The government-issued decree represents a step towards direct legal intervention in crucial bargaining matters, and an exceptional alteration of the unwritten rule that any major legislation in labor matters needs the largely unanimous consent of the trade union movement (including the Communist sector). This rule has been in effect since the 1950's (no major labor law has been passed in the face of Communist opposition) and had made up for the exclusion of the Communist Party from national government.<sup>3</sup> The arrangement was an imperfect functional equivalent of the prolabor government usually held to be necessary for corporatism to work, and it presupposed a tacit division of roles with the Christian Democrats running the state (together with minor allied parties) and the Communists having a veto or power of codecision on labor matters (and sharing in local government).

As with many other major directives of Italian industrial relations, it remains to be seen just how exceptional this decision by decree will be. In mid-1985, top negotiations resumed between the three major confederations (United) and the central employer associations; this led to another agreement further sectoring and stabilizing the escalator clause first for the public sector, then extended to the private sector. The agreement represents a continuation, although partial, of the policy of "concertation" adopted in the past years. □

—FOOTNOTES—

<sup>1</sup> Organized labor in Italy is traditionally divided into three major confederations based on ideological and political lines: the CGIL, majority Com-

munists, minority socialists: 4,570,000 members in 1983; the CISL, traditionally grouping Catholic workers and linked to the Christian Democratic party in recent years, with a growing number of politically noncommitted workers (3,005,000 members); and the UIL-socialists, minority social democrats, and republicans (1,300,000 members).

<sup>2</sup> That is, within the maximum inflation targets (set in the 1983 agreement) of 13 percent in 1983, 10 percent in 1984, and 7 percent in 1985.

<sup>3</sup> Indeed, this is the major argument used by scholars and courts claiming that these decrees are unconstitutional in that they militate against the principle of trade unions' freedom of negotiation by substantially altering the functioning of a previously negotiated system of indexation without the full consent of the parties involved. Those who defend the constitutionality of the decree point out that under Decision 142 of 1980, the court should reject these objections. They maintain that while union consent is a condition of effectiveness, it does not constitute a necessary or sufficient condition of legitimacy.

## How are Japanese unions responding to microelectronics-based automation?

WILLIAM EARLE KLAY

Japan, a world leader in the development and production of electronics technology, is now attempting to transform itself into an "information society"—one in which virtually all social institutions fully utilize, and are profoundly affected by, computer-based technology.<sup>1</sup> Not surprisingly, the growing impact of microelectronics-based automation is causing widespread concern among Japanese unions. Rather than dealing piecemeal with the many effects of the new programmable automation technology, they are developing multiple, integrated strategies which include an increased emphasis upon contractual protections and a desire to assume a role of international leadership.

Japanese unions do not oppose the introduction of the technology, but they are greatly concerned about the possible adverse effects that microelectronics could have on workers. Of the 554 unions surveyed by the Japan Institute of Labor, 53.6 percent of the unions said they were "in favor as a rule" toward the adoption of the technology while only 2 percent were "opposed as a rule," and 36.6 percent said it was "unavoidable." More than half of the unions said that they had already conducted some sort of negotiations about microelectronics technology issues, and most union leaders expected the technology to spread rapidly. Anticipating the automation of offices as well as factories, the unions said that the "growth of surplus labor" would be the greatest problem in both the manufacturing and clerical sectors.<sup>2</sup>

In Japan, there are four major nationwide organizations of labor unions, commonly known as national centers. These are: Sohyo (General Council of Trade Unions of Japan), Domei (Japanese Confederation of Labor), Churitsuroren (National Federation of Independent Unions of Japan), and

Shinsanbetsu (Federation of Independent Unions of Japan). All four national centers have adopted written guidelines related to microelectronics-based technology, with those of Domei, Sohyo, and Churitsuroren being particularly broad in scope.<sup>3</sup>

These guidelines generally promote a continuation of the policies established in the landmark written agreement of March 1, 1983, between the Nissan Motor Workers' Union and the Nissan Motor Co., previously cited in the *Review*.<sup>4</sup> The provisions of that agreement included a commitment to consultations between union and management in advance of introducing new technologies into the workplace; job and wage protection through the renouncement of layoffs, dismissals, or downgrading of positions; an employer commitment to provide necessary training and education; and protections for safety and health. It is now evident, however, that many Japanese union leaders consider that agreement to be only a beginning.

Domei, the national center with the largest number of private sector workers, has agreed upon specific action guidelines to be implemented or negotiated at each enterprise, industrial, subnational, national, and international level. While stressing the importance of predecision joint consultations and consensus building at all levels, Domei calls for the negotiation of a labor-management agreement on technological innovation in each enterprise. All of its action guidelines are based upon five "basic principles."

- "Progress of Human Society and Acknowledgment of Welfare." The intent of this principle is to assure that the new technology serves social and economic progress, and that it promotes general welfare for all of society.
- "Establishment of Principle of Assessment." The principle of assessment is that the impact of technology on the worker is to be assessed *prior* to the introduction of microelectronic equipment into the workplace, and that necessary policies to ease the transition are to be decided in advance.
- "Securing Social Equity." Domei is concerned that the benefits of microelectronics-based technology might not be fully shared with workers and that the technology might "widen the gaps among workers, industries, and regions," not merely within Japan, but among nations as well. It is, therefore, "essential to establish a rule of distributing the fruits of technological innovation equitably."
- "Improvement in Worker's Participation and Labour-Management Consultation." Arguing that the new technology deeply affects not only the employment relationship, but all of society, Domei says it is essential to the building of "a public consensus" that labor-management consultation on these issues become a universal practice and that worker representation be included in setting the directions for national science and technology policy.
- "Establishment of International Cooperation." Realizing that Japan's economic success is causing stress among its

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