

### The role of social partners in bargaining over non-wage issues across Austria, Greece and Italy

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**REC-WP 14/2009**



Working Papers on the Reconciliation of Work and Welfare in Europe

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# **The Role of Social Partners in Bargaining over Non-wage Issues across Austria, Greece and Italy**

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Alison Johnston

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## **About the authors**

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## **Abstract**

Flexible specialisation, internationalisation, an ageing workforce, and the move into a service economy has placed growing pressure on trade unions and employers to strike new deals. Bargaining over 'non-wage' issues may potentially accommodate the needs of an ageing and increasingly feminised workforce and enable unions to increase or at least maintain given levels of membership. Little empirical work has been done, however, in examining different types of 'non-wage' issues that have arisen across countries and explaining why they arise. In this paper, we create a typology of four distinct types of 'non-wage' issues and seek to identify the conditions under which each is expected to be observed. We propose that two conditions (one political and one economic) determine different agendas which lead to the emergence of a particular type of 'non-wage' issue: the level of cohesion amongst unions; and the sector in which bargaining predominates (private or public). We then focus on how the bargaining over 'non-wage' issues has developed within three European economies: Austria, Greece and Italy. Each is representative of a different variant of corporatism, and therefore we look at the ability of social partners with variable institutional capacity to negotiate and agree on 'non-wage' issues through collective bargaining. Our initial findings suggest that union cohesion and the presence, or the lack, of a market constraint on employers helps explain the variation in the types of non-wage issues which arise in these three countries.

## **Keywords**

Collective bargaining; Non-wage issues; Working time; Equal opportunities; union cohesion; private and public sector.

## Introduction

The balance of power between unions and employers, which characterised the Fordist era and attributed labour powers by virtue of their representative capacity, has been shaken by the post-industrial challenges appearing since the mid '70s. Flexible specialisation, increased internationalisation of trade and heightened capital mobility have forced social partners into a corner as bargaining over 'wage issues' becomes constrained by external competitive pressures. In the past, the classic corporatist bargain would exchange wage restraint (to curb inflation and prevent losses in competitiveness) for increases in the 'social wage' provided by the welfare state. However, the conditions of 'permanent fiscal austerity' (Pierson, 2001) constrain increases in social spending and tax decreases. Even more, socio-demographic changes have remoulded the shape of the European workforce. Following the baby-boom and the baby-bust, an ageing workforce presents a major problem for Bismarckian social security systems. The influence of the feminist movement changed established norms over gender roles in the household and the labour market, and contributed to an increase in female participation rates. At the same time, union density has been in consistent decline across all OECD countries.

As a result of these changes, there has been growing pressure on trade unions and employers to strike new deals, as evolving dynamics in the "new" economy are questioning their legitimacy and persistence. Bargaining over 'non-wage issues', which is issues unrelated to pay, may potentially accommodate the needs of an ageing and increasingly feminised workforce and enable unions to increase or at least maintain given levels of membership. However, the very same 'non-wage issues' may be used instrumentally by employers to cater their own cost-cutting concerns in a period of intensified international competition. The agenda of humanisation of work in the 1970s is a case in point. While it started from the side of labour as a collective demand for increasing quality of working life, it was hijacked -by the mid 1980s- by employers as part of their agenda for flexibility (Hyman, 2004).

The conception of collective bargaining as a form of employment regulation (complementary to statutory regulation) dates back to Sidney and Beatrice Webb (Clegg, 1976). While the scope of issues which can be negotiated through collective bargaining (national or sectoral, bipartite or tripartite) is not unlimited, some of the non-wage issues have welfare characteristics and may potentially contribute to the reconciliation of work and welfare. Therefore, our analysis questions whether and what types of 'non-wage' policies have been brought forward to the bargaining table, with a particular focus on: *working time* policies, *early retirement* policies, and *parental leave* rights. The selection of these three issues is further justified on two grounds. First, there is a clear potential of EU legislative influence<sup>1</sup>, assuming the country in question is an EU member. Second, these issues could be consistent with an employer- agenda or a union-led agenda. Therefore, there is much scope to inquire what types of power balances between capital and labour instigate which types of issues. For example, working time is distinguished between working week arrangements and flexible working times, which are bound to either advance

workers' work-life balance or dove-tail employers' need to accommodate fluctuating demand for their goods. Likewise, early retirement may ease the transition from employment to retirement for employees, but also may cater for firms' downsizing strategies shedding out senior and less productive labour. Finally, equal opportunities policies, such as parental leave rights and women's night work, are aimed at addressing the needs of a more feminised workforce and the changing gender roles at large. Examining such issues across three different corporatist countries enables one to determine which bargaining party, unions or employers, has the upper hand in 'non-wage' negotiations, or alternatively, whether one actor is powerful enough to keep a particular 'non-wage' issue off the collective bargaining agenda.

This paper focuses on how the bargaining over 'non-wage' issues has developed within three European economies: Austria, Greece and Italy. The level of analysis includes national and sectoral-level collective negotiations while the timeframe involves the recent decade between the mid 1990s and 2006. We first identify four types of non-wage issues: *cost containing, cost cutting, legislation complying, and reconciling work and welfare non-wage issues*. We then identify the conditions under which each 'non-wage' bargain should arise based on the variation of (i) the degree of union power (cohesive or fragmented) or (ii) the type of constraint placed upon employers (market constraints, or softer budgetary constraints for public employers). We then seek to question whether one can observe a common trend concerning the substance of the 'non-wage' issues bargained across our three cases. We question whether similar 'non-wage' issues, which favour either unions or employers, are being bargained over across these three different economies, and which are the logics driving these bargains and whether they are comparable.

Each country case is representative of a different variant of corporatism, and collective bargaining processes are institutionally embedded to varying degrees. Austria represents the (proto) typical "corporatist" country, where unions and employers are strong and share a long tradition of cooperation, and where associational corporatism developed extensively since the post-war (Traxler, 1998). Greece represents a country with a long tradition of state corporatism in a difficult transition to neo-corporatist intermediation (Ioannou, 2000; Pagoulatos, 2003). Finally, in Italy micro-corporatism historically overlaps with state-sponsored macro-corporatist governance (Locke, 1995; Regini & Regalia, 1997). We will explain these distinctions in more detail in the country studies. In line with the literature on corporatism we have chosen cases with variable institutional capacity where social partners, particularly unions, have different abilities to negotiate and agree on non-wage issues through collective bargaining. We assume that differential institutional capacities, which mediate the different preferences of social partners, determine the extent to which these issues figure in collective bargaining.

The paper is structured as follows. The next section briefly reviews literatures which have dealt with social partners' role in economy, work and welfare and seeks to establish how our approach differs from previous ones. The third section hypothesises a classification system of four categories of 'non-wage' issues. We



propose that two conditions (one political and one economic) determine different agendas, which lead to the bargaining of a particular type of ‘non-wage’ issue: first, the level of cohesion amongst unions; and, second, the sector in which bargaining predominates (private or public). The fourth section delves into the empirical analysis of ‘non-wage’ issue negotiation in Austria, Greece and Italy since the mid-1990s. In the process of this research we discovered that very little such bargaining has taken place in the proto-typical corporatist political economy, Austria, and that only EU-policy-pressures have driven non-wage issues into the collective bargaining realm. However, once the EU pushes non-wage issues into the bargaining arena, unions play a major influence on how they are bargained over. Interestingly, there appears to be more bargaining over ‘non wage’ issues in our two Mediterranean economies, mostly concentrated on working time issues in Italy, and bargaining over equal opportunity and parental leave policies in Greece. The final section summarises the findings and discusses further research avenues.

### **The role of social partners in the economy, work and welfare**

Since Freeman and Medoff's seminal work *What Do Unions Do?* (Freeman & Medoff, 1984) economics and political science embraced the idea that unions had not only a “monopoly face” but also a “collective voice/institutional” role. Trade unions were not only interested in wage issues extracting “monopolistic rents” -according to conventional economic parlance-, but also interested in a range of non-wage issues encouraging information sharing, boosting loyalty and enhancing productivity. Since then a diverse strand of literatures has inquired into the role played by unions and employers' associations at the macro- and micro-levels.

One strand of research looked at the impact of social partners' agreements (corporatist collective bargaining) on macroeconomic performance (Alvarez, Garrett, & Lange, 1991; Calmfors & Driffill, 1988; Soskice, 1990). Following a heated debate this literature has shown that either highly centralised and coordinated systems or decentralised systems contribute to superior macro-economic and employment performance. Another strand of literature had a similar focus, albeit inquiries were taking place at the micro-economic level (Levine & Tyson, 1990). This strand complemented an older literature on the benefits of industrial democracy and showed that employee participation and cooperation at the workplace may boost productivity and firm performance.

In contrast to these studies focusing on macro- and micro-economic dimensions, a more recent wave of research looked at social partners' role from a macro-political perspective and specifically their involvement in reforming institutions pertaining to work and welfare. During the 1990s a trend of resurgence of neo-corporatism was picked up by scholars of the ‘social pacts’ literature (Fajertag & Pochet, 2000; Hancké & Rhodes, 2005; Hassel, 2003). The trend was largely explained in very different terms from the old corporatist bargains, as it was not triggered by strength of labour market actors. Their inclusion in policymaking processes has been instrumental to

legitimise and ensure enforcement of inflation-curbing and debt-reducing measures in the run-up to EMU. The social partners were faced with the dilemma of seeing reforms taking place either with or without them and in many countries a series of social pacts emerged. Social pacts did not only address measures to lower inflation but also measures to reform welfare systems and labour markets. Therefore, this fruitful avenue of research pointed to a link between work and welfare and engaged with social partners' role in reconfiguring welfare states and labour markets. Despite the many insights of this literature, it over-emphasised the *ad hoc* social pacts agreements which were triggered in an atmosphere of crisis in the run up to EMU. It is not a coincidence that following the EMU the momentum for social pacts was weakened in many of the countries where social pacts were identified in the first place (Natali & Pochet, 2009).

Our approach to investigating the role of social partners has some elective affinities with previous literatures, but also differs from them in many ways. First, we are interested in national and sectoral collective bargaining institutions as the macro-economic literature, but we do not ask questions concerning macro-economic performance. Second, we are conscious of the micro-economic concerns of firms for productivity increases and cost-cutting as the micro-economic literature, but employee participation is not among the non-wage issues we are looking at. Finally, we are interested in the links between work and welfare as the social pacts literature, but we turn our attention to regular collective bargains, rather than *ad hoc* bipartite and tripartite social pacts.

## **Explaining the variation in collective bargaining over non-wage issues**

As we will discuss below, the varying extent to which bargaining over 'non wage' issues has surfaced across platforms for collective negotiations in Austria, Greece and Italy shows that bargaining variety is quite heterogeneous. Yet it is not at all clear why this heterogeneity has developed, nor why social partners' interest over such issues differs cross-nationally. If bargaining over non-wage issues represented, for all social partners, the post-Fordist evolution of the institution of collective bargaining, why do we not observe homogeneous trends, even if across heterogeneous cases? We set forward four propositions, though a classification of non-wage issues, to explain variation in non-wage issues that are bargained over. We suggest that, based upon union cohesion and the markets constraints that employers face, four separate non-wage issue categories can be conceptualised.

### **'Cost containing' non-wage issues**

These types of issues pose no added cost to employers or unions. In some cases, these issues can represent little more than cheap talk: in the presence of a weaker labour movement, they are relatively easy for employers to promise, and even easier for them to renege upon. Examples include extending annual leaves for special groups or issues which are highly promising *ex ante*, but appear to have been

exercises in window dressing *ex post* (e.g. training policies first set up and later not implemented).

#### **‘Cost cutting’ non-wage issues**

These types of non-wage issues are more quantitative in nature, and predominantly benefit employers. These measures have a clear cost-cutting motive, as they redistribute working time to meet fluctuations in demand, and potentially reduce labour costs by reducing overtime pay. Examples include working time flexibility measures (time banks or annualised working hours, etc).

#### **‘Legislation complying’ non-wage issues:**

These issues are generally placed on the bargaining table due to pressures from an external (i.e. EU) authority. Examples include equal opportunities, parental leave, fixed-term contracts, telework, work-related stress issues which signify a clear external influence of agenda setting in the domestic bargaining. Moreover, the introduction of EU legislation often captures the integration of countries to minimum agreed labour market standards. Therefore, these issues are likely to act as a lowest common denominator, rather than an issue which significantly benefits employees.

#### **‘Reconciling work and welfare’ non-wage issues**

These non-wage issues carry a high cost for employers, but do much to reconcile work and welfare of employees. They are most likely to arise when unions are highly cohesive and hence can successfully push employers, who are more often sheltered from a market constraint, for these costly concessions. Examples include reducing the working week without pay reduction (35 hour working week), childcare provision to reconcile work-family balance, etc.

A caveat should be entered at this point. The above classes of non-wage issues are not mutually exclusive, but constitute Weberian ideal-types. At a closer inspection, the collective bargaining scope of a given country could include more than one of the above types, as different sectors within a country may have varying degrees of union cohesion and exposure to (international) competition. However, our aim is to construct a theory as to why these different types of wage issues arise (as opposed to a simple categorisation). Therefore, this classification serves as a ‘heuristic device’ to identify the conditions under which specific types will dominate the bargaining agenda. To this end, we incorporate the preferences of employers as well as the ability of trade unions to counter them.

The preferences of employers, be it in the public/sheltered, sector or the private, exposed, sector, are shaped by the structural constraints they are faced with. The constraints of “permanent fiscal austerity” (Pierson, 2001) mould the preference of the public sector employer in favour of non-pay related policies which have a minimal impact on public balances and a maximum impact on garnering political consensus. On the other hand, public sector unions could also seek to take advantage over the state’s softer budget constraint, due to the fact that it is relatively

sheltered from competition, compared to the private sector (Crouch, 1990; Iversen, 1996; Garrett and Way, 1999). The constraints deriving from market driven competition, enhanced by processes of internationalisation and trade liberalisation, shape the preferences of exposed-private sector employers in favour of non-pay related policies which reduce the costs of production by increasing the structural flexibility of employees.

Yet the ability of employers to implement their preferences is also dependent upon trade unions' ability to endorse or contrast such policies; or, alas, their inability to do so. Trade unions capacity to "voice" preferences, and more importantly their power to enforce them, throughout wage and non-wage negotiations is conducive to the final outcome of the negotiation itself. Unions bring to the bargaining table their preferences as well: be it the need to increase given levels of membership through policies which have widespread appeal to a changing workforce or to ensure the continuous support of previous members through policies which benefit established constituencies. Thus their ability (and inability) to exercise bargaining leverage *vis-à-vis* employers – whether it be the state or the private sector - can be captured by the notions of organisational cohesiveness and fragmentation. Where collective bargaining institutions fail to bring together multiple unions who cater the interests of different constituencies, agreement on common positions *vis-à-vis* employers becomes a difficult task; the internal fragmentation of union organisations weakens their bargaining position and strengthens that of employers to realise their preferred policies. Highly centralised and organised union confederations instead may deliver effective support of forceful opposition to employers during negotiations, with their ability to mitigate inter-union conflict.

We therefore suggest that it is the combination of these induced preferences coupled with bargaining actors' ability to act upon them that leads to the high frequency of bargaining over one type of non-wage issue compared to another. We offer four propositions, each detailing under which conditions the four non-wage issues described above are likely to arise. The following propositions may be summarised by Figure 1 below:

### **Proposition 1**

If trade unions are fragmented and the location of collective bargaining lies predominately in the public sector, the constraint of permanent fiscal austerity will lead employers to prefer policies characterised by cost-containing characteristics. Moreover unions' inability to coordinate on a clear bargaining platform will result in *cost containing* non wage issues figuring out prominently in collective bargaining. These non-wage concessions possess no cost or cost-cutting mechanism, as unions lack the power to wrest more costly non-wage issues from employers, and employers are sheltered enough from competition that they are not forced to decrease unit labour costs;

**Proposition 2**

If trade unions are fragmented and the location of collective bargaining lies predominately in the private sector, exposed to international competition, then we should expect that market constraints induce employers to prefer flexibility enhancing policies. They arise because unions are too weak to challenge employers and introduce potentially costly non-wage measures that benefit employees. Additionally, a hard market constraint upon employers limits their capacity to offer non-wage concessions that are costly, but rather makes them opt for cost-cutting measures that enable them to respond to changes in demand;

**Proposition 3**

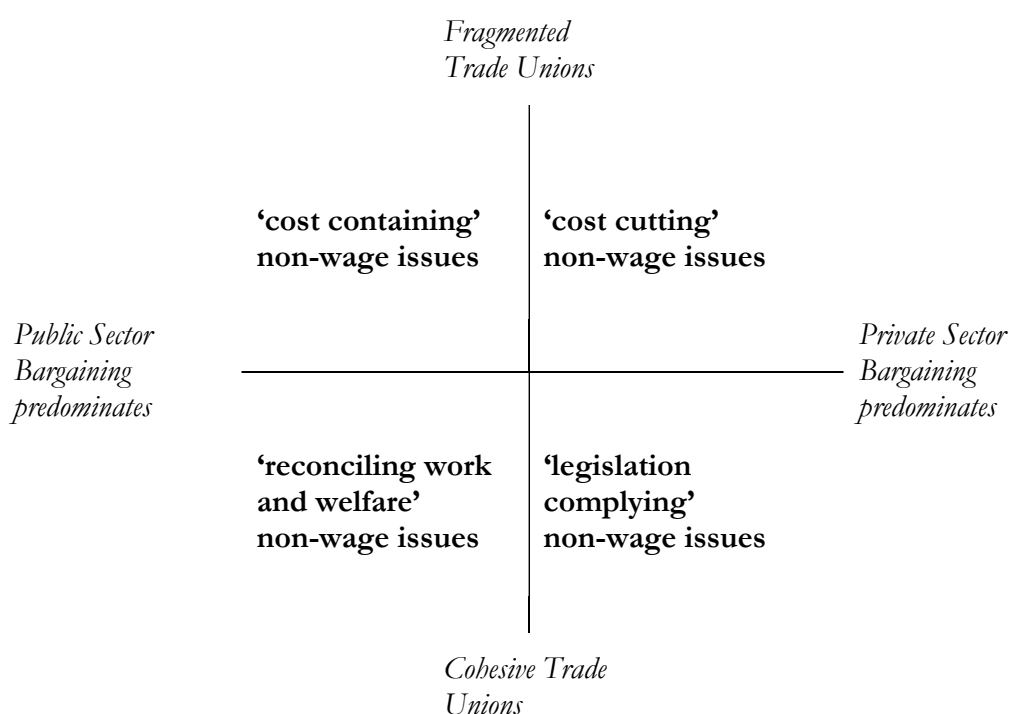
If trade unions are cohesive – by virtue of a centralised interest representation system or other institutional mechanisms - and collective bargaining is widespread in private-exposed sectors, we should expect that policies geared towards *complying with legislation* will be mostly observed in collective bargaining. High social cohesion means that unions are powerful actors in shaping more important quantitative issues, like wages, but may also be realistic about reckless demands in the presence of a market constraint. If these unions are pinned against employers, they will be more reluctant to militantly push for qualitative issues, as private-sector employment is more sensitive to measures which have the potential to increase labour costs. As a result, both unions and employers may either (1) press little for the advancement of non-wage issues and focus on wage issues instead or, alternatively, (2) defer the development of non-wage issues to the state. Because this represents a lowest-common denominator approach, there is possibility, if the country is an EU member-state, that these non-wage issues will ultimately be shaped by relevant EU Directives;

**Proposition 4**

If trade unions are cohesive and collective bargaining is widespread in the public sector, the combination of unions' ability to voice and stand by their preferences, coupled with the employer's (the state) preference to ensure political support, suggest that policies aiming towards *reconciling work and welfare* should emerge on the agenda. Unions are powerful enough, vis-à-vis employers to negotiate these highly political (and potentially costly) demands, and employers are relatively sheltered enough from international competition to grant them. Given increased demand for greater fiscal austerity on governments, such issues are less likely to arise today compared to the 1970s and 1980s.

The next section develops these four propositions using three case studies that represent different variants of corporatism: Austria, the proto-typical corporatist country; Greece, a country with a long tradition of state corporatism and; Italy, a country where micro-corporatism historically over-laps with state-sponsored macro-corporatist governance. We searched through two comprehensive industrial relations databases, the European Industrial Relations Observatory (EIRO) and the European Industrial Relations Review (EIRR) from 1995 to 2005, both released monthly, in order to track the frequency, and type of non-wage issues being

bargaining for all three countries. We utilised feature reports on working time policies, early retirement policies, and parental leave in both databases, as well as other sources, as noted, in order to gain an idea of the state of bargaining over these issues prior to 1995. We discover that the heterogeneity in non-wage issues struck in all three countries can indeed be better understood if one examines the heterogeneity the union cohesion and employer constraint variable for all three countries.



**Figure 1:** Capturing variation in the bargaining of 'non-wage' issues.

## Non-Wage Bargaining across Austria, Greece and Italy

### Austria

Austria's collective bargaining system is one of Europe's most centralised and most coordinated. There exists only one union confederation, Österreichischer Gewerkschaftsbund (ÖGB), which has control over all union affiliates, and there is no competing union confederation which these unions can join. Similarly, employers are nearly 100% organised, as Austrian labour law mandates that all employers belong to the Chamber of Commerce (Traxler & Pernicka, 2007). The post-war Austrian collective bargaining system was founded on a fear of high inflation, given the political consequences of hyperinflation's destruction of the middle class; consequently, caution was built into the system (Katzenstein, 1984; Hochreiter,

2008). Austrian collective bargaining was established upon an elite cooperation, where union and employer elites dominated peak-level bargaining over wages and employment issues. Political issues which jeopardised the goal of the creation of a united labour movement were removed from the bargaining table and placed in the hands of the state. Since the Second World War, collective bargaining in Austria continues to govern aspects related to pay and employment, and ÖGB's successful pursuit of continued wage moderation has enabled this country to combine low unemployment with low inflation (Traxler & Pernicka, 2007).

ÖGB has considerable control over its affiliated unions, as it is illegal for any unions to exist outside of this confederation. Individual unions have little say in the formation of ÖGB wage strategies, and the confederation exercises weighty influence over individual unions bargaining strategies in its collective agreements (Iversen, 1996). While there recently has been some attempt by its member unions to challenge its authority, ÖGB's impressive ability to organise and mobilise its members have demonstrated its superiority over its affiliates. In the early 2000s, for example ÖGB's two largest affiliates, GMT and GPA, intended to merge along with three smaller unions in order to act as a powerful voice against employers and determine their own bargaining strategies. These plans, however, fell through when ÖGB proved its capability of acting uniformly and effectively against the government in spring 2003, during the major confrontations against the Freedom Party's controversial pension reform. GPA experienced major difficulties in organising strikes, prompting questions about its ability to lead (EIRO, 2004a). Because labour law and legislation grants ÖGB high levels of authority, as well as monopoly power in the labour movement, unions in Austria are highly cohesive.

Bargaining in Austria occurs at the sectoral level, yet there is a high degree of coordination between sectoral unions. Since 1983, wage bargaining coordination in Austria has employed a pattern bargaining coordination method. The miners and metalworkers union, GMT, establishes its wage settlements first. After wage agreements are established in the manufacturing sector, all remaining sectors use GMT's wage increase as a target. Given the strength of employers (represented by WKO, Austria's monopoly employers' federation), who have an organisation density near 100%, unions for more sheltered sectors are rarely able to meet this target, but rather have to settle for a lower wage increase based on their (lower) sectoral productivity trends. Pace-setting by GMT follows a macroeconomic approach to wage setting; the union bases its wage demands on overall productivity increases rather than the metal industry's (higher) productivity growth (Traxler 1998). Public sector workers and their representatives are not entitled to the right to conduct collective bargaining nor to conclude collective agreements. However, there is a practice of *de facto* informal bargaining, in that regular, annual negotiations occur between the authorities and public sector trade unions (Traxler & Pernicka, 2007). Due to the pattern bargaining system, as well as public sector unions' inability to formally collectively bargain, private sector bargaining dominates public sector bargaining.

As a result of the post-war class compromise and its subsequent long cooperation with capital and the state, ÖGB strongly orients itself towards quantitative, macro-economic goals; qualitative goals relating to workplace issues hold secondary importance (Traxler, 1998). When qualitative issues do feature on the bargaining agenda, they do so because of their ties to quantitative issues. For example, regarding the introduction of new technology, which concerns job control, ÖGB only addressed this issue on industrial and competitiveness grounds, rather than due to its workplace implications (Traxler, 1998). Reconciling work and private life for employees is hardly dealt with in collective agreements. Legislation tends to play an important role in non-wage issues, but support for them by social partners takes the form of a more symbolic declaration of intent, as they rarely feel the need to improve the current legal framework (Genre, Salvador, Leiner-Killinger, & Mourre, 2003).

The tendency for unions to generate their focus on quantitative, as opposed to non-wage issues, has not changed in recent years. Since 1995, the only two significant non-wage issues that emerged in collective bargaining were connected to the failure to comply with existing EU directives and regulations. The EU, not social partners, was the instigator of introducing these issues into collective bargaining. These two issues were the 1997 working-time reform and the abolition of a women's night work ban. In both cases, social partners were forced to alter previous arrangements due to new directives introduced by the EU (in the case of working time) or due to ECJ rulings that these policies violated previous EU/EEC Directives (in the case of the women's night work ban).

Because policies of a more qualitative nature (i.e. those unrelated to pay or employment) are left predominantly in the realm of the state, most non-wage issues which have arisen on Austria's collective bargaining agenda in the past ten years have been the result of EU pressures to change existing labour legislation. The introduction of the EU working time directive in 1997, for example, broke a long period of deadlock between social partners on working time reform, where debate between social partners had dragged on for many years (EIRR, 1997a). Despite this extended period of debate over working time, relatively little change emerged until 1997. While most of the modifications to working time, due to the directive, were not too different from current labour law (the maximum amount of weekly working time had to be lower from 50 to 48), there was the introduction of a controversial flexibility arrangement on Sunday working. The EU working time law allowed for greater flexibility in the organisation of working days, and included the possibility for the extension of Sunday working hours (EIRR, 1997a). However, in order to avoid potential conflict between social partners, employers conceded to a central union demand that if working time arrangements were not agreed upon in collective agreements at the sectoral level, that they could not be reached at the company level. Such disputes would be resolved by a conciliation committee, rather than between the individual employee and the company (EIRR 1997b, 1997c). Through the employer's granting of this concession, the EU directive indirectly pushed working time out of the realm of the state and into to the realm of collective bargaining. Yet



despite greater control over this non-wage issue, social partners continued to treat working time flexibility as a quantitative matter rather than a qualitative one: in other words, prior legislation was either eased or tightened in order to allow employers and unions to change arrangements in order to respond to demands for increased competitiveness, *not* to respond to changing work/life balance needs of the labour force (EIRR, 1997c).

The EU also played a major role in previous regulation over women's night work, although unlike working time, the Austrian women's night work ban did not feature on the collective bargaining agenda prior to its reform. The 1969 Night Work of Women Act in Austria forbade the employment of women between the hours of 20:00 and 6:00 (EIRO, 1998a). According to ÖGB, half of employed women in 1997 were willing to work at night rather than lose their job. Yet the removal of the women's' night work ban failed to prominently feature on the collective bargaining agenda (EIRO, 1997a). It was only after Austria's accession to the EU in 1995 when a formal declaration was made that the ban would have to be removed by 2001, as it ran counter to a 1976 EU directive on gender equality (EIRR, 1998; 2002a; EIRO, 2001a). In the transition to the elimination of this ban, a law was passed on 1 January 1998 permitting collective agreements to make exceptions from the general ban on women's night time employment, particularly in the metalworking sector. However, the debate over the women's night work ban's removal gained much more momentum among social partners when it was tied to employment concerns rather than social policy and equal opportunity:

*"If (the ban on women's night work) were merely a question of social policy and equal opportunities, as it first seemed when women's night work appeared on the agenda in Austria, then the retreat from the ban would have been very slow, as evidenced by the 2001 deadline. However, once employment or investment concerns enter the scene, the process picks up momentum" (EIRO, 1998a)*

Given its trend-setter role in collective bargaining roles, the metalworking sector was the first to negotiate a collective agreement on women's night work after the 1998 law was instated. However, only few sectors, notably the food, printing and paper industries, utilised the possibility of women's night work opened up by the 1998 legislation (EIRO, 2001a). In 2002, six months after the EU deadline, Austria passed legislation allowing women's night work for all sectors. Unions continued to blame government for failing to implement regulations aimed at protecting the health of night workers, and failing to provide better working standards than those laid out in the EU law (EIRR, 2002a; EIRO, 2002a)

Like the issue of flexibility and working time, social partners became more involved in decisions about women's night work once it was given a quantitative justification (employment concerns) rather than a qualitative one (equality concerns). In this sense, social partner's influence over women's night work followed a very similar trajectory as working time reform. Prior to EU entry, the removal of the ban featured little in collective bargaining debates. After pressure from the EU to adhere

to and implement its equality directive, the state drafted legislation which placed women's night work in the realm of collective bargaining. Yet even with external pressures that enabled social partners to exert greater control over women's night work, the issue, though more qualitative in nature, was treated as a quantitative one in practice. Put otherwise, it was not enabling women to reconcile work and family life that made the abolition of the ban so important to social partners, employers *and* unions, but rather its potential to increase flexibility in (part-time) female employment (EIRO, 1998a). In Austria, unions do not push non-wage issues onto the bargaining table, unless they have a clear quantitative purpose. However, once the EU places these issues under their jurisdiction, they do have bargaining power they can exert over employers to obtain outcomes which satisfy their preferences. The employers' concession that working time arrangements could only be concluded in collective agreements, and not at the company level, provides a clear example of unions' ability to retain a powerful bargaining position.

### Greece

The enactment of Law 1876 in 1990 has been the major turning point for collective bargaining in Greece. The legislation was passed after consensual agreement between the coalition government and the social partners from labour and business. It was innovative in a number of ways: (i) it set the details of collective bargaining structure, introducing two new levels of bargaining: sectoral and firm-level (in addition to the national level) (ii) it broadened the range of issues to be negotiated including non-wage issues (iii) it abolished compulsory arbitration and provided for the establishment of an independent mediation and arbitration organisation (OMED) and finally (iv) it broke with the past tradition of state interventionism, ensuring the non-involvement of the state in collective bargaining (EcoSoc, 2002:18-19).

This grand change in the institutional framework marks a departure from *state corporatism* or *étatisme* (Ioannou, 2000; Mavrogordatos, 1988) and highlights the starting point of a process of 'maturing' into a long transition to neo-corporatist intermediation (Kritsanonitis, 1998; Pagoulatos, 2003). Admittedly, while the state role was constrained formally, it remained important informally and at crucial points where negotiations reached deadlocks throughout the last two decades, the government intervened in an enabling/facilitating manner.

Following this institutional innovation, there are three main levels of bargaining in the system in Greece: national general, sectoral and firm-level.<sup>2</sup> The *favourability principle* holds across those levels, i.e. when there is a sector-level agreement in a given sector, its provisions are favoured over the national level agreement and similarly for firm-level agreements over sectoral agreements. The national-level agreements have the character of collective labour law and a two-year duration (thus negotiated biennially). In the negotiation and the signing of National Collective Bargaining Agreements, the labour side is represented by the unitary peak labour confederation GSEE.<sup>3</sup> Although there are political factions divided along ideological lines within the peak confederation, there are no competing confederations as in Italy. From the

employers' side SEV stands out as the major employers' association representing big industrial firms, while GSEVEE represents Small and Medium-sized Enterprises and ESEE represents commercial enterprises.

The main aim of national collective agreements is to set the minimum wages for blue collar and white collar workers in the private sector, but since the 1990 Law 'non-wage issues' (what the actors themselves call 'institutional') are also within the collective bargaining scope. Those issues have sometimes the character of innovative measures or complement employment regulation and sometimes take the shape of general guidelines, which are to be specified at lower levels of bargaining. For instance, the 1993 agreement established a Training Fund (LAEK) which finances vocational training for the unemployed via employers and employees' contributions. This Training Fund is the first and perhaps the stronger example of a collective good provision. The momentum of re-organisation of the collective bargaining system in the early 1990s gave rise to the inclusion of other non-wage issues. Similarly, the collective agreement of 1991-2 established the corporatist venue of Hellenic Institute for Health & Safety at the Workplace (ELINYAE) charged with information, consultation, training, research and regulation of issues pertaining to health and safety at the workplace.

It goes without saying that the social partners attach primary importance to wage issues. Until the entry in EMU (2001 for Greece) trade unions accepted wage restraint following a formula whereby yearly wage increases do not surpass expected inflation and productivity. However, this period of restraint cultivated the expectation that following EMU entry, wage increases will catch-up and the benefits from above EU-average economic growth will trickle down to wage earners. Therefore, after the country joined the EMU the discourse of trade unions was centred on the 'real convergence' of wages to EU averages.

The flagship non-wage demand from the side of trade unions for the 1990s was related to *working time* and involved the implementation of 35 hour working week without pay reductions *a la française*. For the union side this measure would not only boost job creation benefiting the unemployed, but also improve working life for current employees. As a result a committee with experts from both sides was set up in 1999 to discuss the potential implementation of the working time reduction. As the issue gain some momentum the sectoral collective agreement in banking agreed a pilot implementation of the 35 hour week (EIRO, 1999). However, negotiations within the national committee reached a dead-end as the employers' side raised insurmountable concerns over the impact of such a measure on competitiveness and judged it as 'premature' (EIRO, 2000a).

Other non-wage issues related to working time<sup>4</sup> overlap with changes in regulation of *annual leave* including *parental leave*. Marginal changes related to annual leave are introduced in all collective agreements between the 1996-2001 period (EIRO, 1996; 1998b; 2000b). Moreover, additional leave for employees suffering from anaemia and lone-parent families are introduced in the 2002/3 Collective

Agreement (EIRO, 2002b; EIRR, 2002b). Special leaves for vulnerable groups (HIV-positive, students) and reduced hours for women breast feeding (in addition to maternity leave) are part of the 2004/5 Collective Agreement (EIRO, 2004b). Finally, in the most recent 2008/9 Collective Agreement there was an extension of parental leave rights of natural and adoptive parents to foster parents.

With regard to *retirement issues*, they do not figure significantly in national collective agreements.<sup>5</sup> The only exception is perhaps the 2000/1 Collective Agreement providing the opportunity to cover the social security contributions from the LAEK Fund for older long-term unemployed, and thus ease their transition to retirement. However, more firm-specific schemes of early retirement do figure out in firm-level agreements of sectors such as banking and telecoms (EIRO, 2005a). These agreements seek to facilitate the replenishment of workforce shedding out senior employees without resorting to redundancies.

Agreement on non-wage issues such as training, equal opportunities/parental leave and training reflect issues which do not have major re-distributive consequences. Being largely low cost for either employers or employees or benefits are accrued by both sides, it highlights an emphasis on *positive-sum* and easy to achieve consensus issues. One may also read from the agreements that social partners aim to project a picture of 'encompassing' and socially responsible organisations. For example general interest issues such as environment; campaign against racism; personal data protection; fighting undeclared work and spurious self-employment; providing healthcare for young unemployed from LAEK; additional leave for drug addicts and ease of legalisation of immigrants feature throughout the decade. Notably, these issues transcend the immediate interests of firms or trade unions, whereas they do have social policy character. However, when it comes to non-wage issues having greater re-distributional consequences (such as annualised working hours and shorter working week) the outcome is one of stalemate. The employers' side eventually sees certain non-wage issues as direct increases to labour costs and raising competitive implications to block demands from trade unions (EIRO, 2002b).

In the non-wage issues included in the agreements of the period one may also discern an *EU influence* on the agenda of collective bargaining. Thus the implementation of the 1995 EU Directive on Parental Leave, which followed EU-level social partners' framework agreement, figures in the 1996-7 national collective agreement (EIRO, 1997b). The incorporation of the 2002 EU Framework Agreement on Tele-work is among the non-wage issues of the 2004-5 and 2006-7 Agreements (EIRO, 2004b; 2006; EIRR, 2006). Finally, the implementation of the 2004 EU Framework Agreement on Work-related stress is part of the 2008-9 collective bargaining agreement (EIRO, 2008). The EU influence can be traced also in the adoption of Lisbon-related discourse within agreements. In the 2004-5 collective agreement social partners endorse active policies for the employment of older people and also combat sexual harassment at work (EIRO, 2004b) while promotion of female employment is among the aims of the agreement of 2006 (EIRO, 2006).

## Italy

Until the nineties reform of the wage setting system, the structure of collective bargaining in Italy featured managerial unilateralism and wage bargaining decentralisation to the industry level. The collective bargaining arena was responsible for the negotiation of wages and the resolution of conflict. Normative and procedural standards for labour management relations at lower levels were instead agreed on an *ad hoc* basis, through the intermediation of the state, at the national level. The social pacts of the nineties, signed in the wake of a democratic and economic crisis, resulted in the institutionalisation of a new collective bargaining system which created a two-level bargaining structure (the national and the company or territorial level), and the explicit separation of bargaining over 'wage' and 'non-wage' issues. This inter-sectoral bargaining system implied that the responsibility for setting normative and procedural standards was now downloaded to the sector. It is in the background of this institutional change that we clearly observe a trend of increased bargaining over 'non-wage' issues. Moreover, bargaining at the sector level in Italy has the dual role of (1) negotiating wages and pay, as well as (2) setting the normative and procedural rules that manage training, job structures, flexible working time, atypical employment contracts, layoffs and occupational pension funds. Within this context we have observed a substantial number of collective agreements centring on the three non-wage issues we proposed to investigate: working time, early retirement and supplementary pension, equal opportunity related policies. Each, in its own way, has the objective of reconciling work with welfare in the face of structural changes to the labour market.

The structure of Italian interest representation, and the terrain where collective bargaining between social partners takes place, is vastly fragmented. The major employer association is Confindustria, which represents businesses in the private sector. On the union side, employers' face an even less cohesive institution: though the 1944 Pact of Rome created a Unitary CGIL, this organisation was subject to vast internal frictions which led to the creation of the separate CGIL, CISL and UIL (Rogari, 2000). The political affiliation and ideological stance of each confederation implies, both in the past and today that the demands of each union differed.

Over the time period analysed, there appears to be a clear dominance of bargaining over working time related issues. With respect to working time flexibility, the agreements reached reflect the dual nature of the policy (Keune, 2006). On the one hand, its ability to create substantial levels of employment via temporary work-sharing in times of economic difficulty (EIRR 278 15) and smooth contractions in employment; on the other its ability to render production more flexible and therefore meeting employers' preference for increased numerical flexibility. We therefore observe a high number of agreements linked to this policy in the manufacturing sector - in particular at the firm level as bargaining about flexibility [...] was a typical feature of company bargaining (D'aloia, Olini, & Pelusi, 2006:165). In 1997, we observe a high number of agreements on working time arrangements: four in the private and three in the public sector. Yet the drivers of these policies seem to have

differed: in the banking and transport sectors (the former recently privatised at the time, the latter in the process of partial privatisation) the introduction of flexible working time, tele-working, and working time banks served - paralleled to early retirement policies, mobility procedures and job security agreements - the purpose of managing redundancies across the sector (EIRO 1997c, EIRR 281 9, EIRR 282 9). In the telecoms, commerce and tourism sectors instead the introduction of flexible working time management of annually set working time ceilings, together with the creation of a time-bank served the purpose of allowing employers the flexibility to meet the fluctuating (commerce and tourism) and non-stop (telecoms) demand which characterises these sectors (EIRR 283 9, EIRR 284 7).

This Janus-faced policy therefore alternatively responds to the preferences of employers or employees, according to the structural characteristics of the sector at the time when the policy is introduced. It therefore becomes harder to extrapolate why and who proposes and promotes such measures, as case by case analysis highlights the existence of opposing trends.

With respect to regulation of the number of hours to be worked during the week we observed that this process occurs at two levels: firstly the state transposes the Community Directives 93/104 and 2000/34 setting a forty hour ceiling to the working week. Nonetheless, many sectors are covered by collective agreements which provide a framework for annualised hours arrangements (EIRR 280 17). The 1999 metalworking agreement, for example, provided that a working hours' maximum would be averaged across the year, but specific working week schedules would be negotiated at the firm level allowing for fluctuations between periods of 48 and 32 hour weeks, as a response to market fluctuations and negotiated by employers and workers' councils (EIRR 306 9). Similar agreements have been signed in the commerce and telecoms (1999), textile (2000) and utilities (2002) sectors (EIRR 310 9, EIRR 316 9, EIRR 339 9).

We turn now to the other two policy realms which ease the transition from work to retirement (early retirement and occupational pension funds) and the transition from unrecognised to recognised work (maternity rights, parental leave); which have nurtured less debate in Italy than working time related policies. Nonetheless, since the 1995 Dini reform to the pension system, supplementary occupational pension funds have been introduced and – importantly – the establishment and management of such funds have been delegated to collective bargaining. We have therefore observed a substantial number of agreements signed concerning this issue, in particular in the 1997-1999 period. And though indeed the procedural management of these funds has been mandated to the collective bargaining realm, so that it could be hard to refer to these developments as spontaneously originating from the social partners, the timing of the creation of these funds is voluntary and not subject to deadlines. Supplementary pension funds have in fact not been created in all sectors yet; agriculture, chemicals, utilities, food processing, telecoms, health service and the public administration still lack them (EIRO 1998c).

Finally with respect to equal opportunity related policies we do not observe intense and widespread bargaining activity across all sectors. The national level established by law that the statutory minimum right to maternity leave is five months in Italy – of which eight weeks allowed before birth, and twelve following it. This right is guaranteed by Law no.1204 of 30 December 1971, and was amended by Law no.53 of 8 March 2000. Women receive 80% of their final salary, paid by employers on behalf of INPS and no specific eligibility conditions, other than being in work, paying social security contributions and registered with the National Health Service, are in place. There are no specific rights to paternity leave, except those deriving from law 53/2000 which gives a father the right to take on the mother’s period of obligatory leave under certain circumstances (EIRR 330 17). Therefore, the need for collective bargaining on the issue is less apparent. Nonetheless a number of agreements are worth mentioning. The 1998 firm level-metalworking agreement included a number of measures geared towards improving childcare facilities provided to help working parents (EIRR 288 9). The following two agreements reported in the sector are also negotiated at the firm level (EIRO 2001b, EIRO 2005b). At the sectoral level instead we observe two important agreements in the textile sector in 2004, which is not surprising given the high proportion of female employment in the sector. The 2003 agreement in the public sector is important as it established a permanent observatory to monitor sexual harassment and mobbing in the workplace, which had been strongly requested by unions (EIRR 350 9).

Country	Union organisation (cohesive or fragmented)	Sector which dominates bargaining (private or public)	<i>Non-wage issue that dominates</i>
Austria	Cohesive	Private Sector	<i>Legislation- complying</i>
Greece	Fragmented	Public Sector	<i>Cost-containing</i>
Italy	Fragmented	Private Sector	<i>Cost-cutting</i>

**Figure 2: Types of non-wage issues in Austria, Greece and Italy**

This evidence collected suggests that collective bargaining activity focused on ‘non-wage’ issues has developed amongst Italian social partners, though to a varying degree depending on both a policy and a sectoral dimension. Interestingly, too, is the fact that the EU’s influence over social partner’s negotiations is limited, and even where such influence became mandatory – as with the introduction of a 40 hour

working week, which reduced the previously allowed 48 hour working week through a 1923 Royal Decree – escape clauses were conceived in order to bend such rules – as the introduction of negotiable week limits in the metalworking, commerce, textiles, telecoms and utilities sectors.

To conclude, the case studies we analyse above, summarised in Figure 2, draw support to our propositions outlined in section 3. The dominance of working time related policies, with flexibility enhancing properties, in Italy is explained by the realisation that most collective bargaining takes place within the private sector domain and the acknowledgement that trade unions are highly fragmented. When such circumstances arise, employers face reduced opposition during negotiations and the ‘non-wage’ issues bargained are characterised by *cost reducing* characteristics. The limited appearance of bargaining over ‘non-wage’ issues in Austria except when exogenously imposed by the state or the EU, is relatively unsurprising once the ability of unions and employers to mediate their preferences is taken into account. The Austrian social partners’ ability to reach satisfactory agreements with respect to wages and employment implies that neither partner is willing to further endure negotiations over non-wage issues; unions are content with their bargaining power over wages and do not seek to jeopardise employment or bargaining power this by introducing potentially costly non-wage issues. In Greece, most bargaining over ‘non-wage’ issues takes place under the protective arm of the state. Unions have limited ability to exercise leverage during collective negotiations and government holds dual concern with fiscal balances whilst mustering public support. Thus, most non-wage issues which arise are cost-containing, and ‘window dressing’ in nature.

## Conclusion

The main research question addressed by this paper has been whether non-wage issues are negotiated within collective agreements, and whether those bargains have the potential to reconcile work and welfare. Because assessing this question in dynamic terms has proved a complicated task due to methodological and empirical difficulties, we have concentrated our efforts on capturing a static image of what ‘non-wage’ bargaining has taken place in three countries, paying attention to what are its drivers and why. This question becomes all the more pertinent given the changes in the post-industrial era, the pressures of permanent fiscal austerity and debates over welfare state retrenchment, as our work specifically questions how the institution of collective bargaining has developed over time. If the social pacts across Europe have been used instrumentally to attain Maastricht criteria and EMU entry, then is there a role of social partners to reconcile work and welfare through traditional collective agreements? Furthermore, this evidence opens up further questions on an important theme relevant to the understanding of collective bargaining in particular and industrial relations at large. Collective bargaining historically implied that a political exchange, a *quid pro quo* was being sought between social partners (Pizzorno, 1978). What has become apparent through this investigative study is that social partners are striking very different and innovative deals, breaking with more traditional patterns –



though admittedly to varying degrees. Where present – can we thus establish whether bargaining over ‘non-wage’ issues follows a different logic from bargaining over wages and employment, or is it a simple emanation of it?

We have thus hypothesised the occurrence of policies driven by *cost containing*, *cost cutting* and *EU complying* objectives and have tried to explain why ‘non-wage’ policies can be characterised by such different *raison d’êtres*. To this purpose we have developed four propositions which built on the acknowledgment that bargaining over ‘wage’ and ‘non-wage’ issues takes place between social partners - be it the national, sectoral or firm level. It is to the preferences of each party that we direct our analysis to, in order to develop a more sophisticated understanding of the conditions under which one category of ‘non-wage’ issues emerges and not another. Our propositions go beyond the mere description of different types of issues. They aim to identify actors’ motives and the conditions under which each of these types of issues is expected to be observed.

We have conducted this study by concentrating on three policy realms in particular in order to overcome the empirical difficulties encountered with respect to defining and measuring ‘non-wage’ policies. We have analysed the extent to which policies related to working time, early retirement, parental leave and maternity rights are part of the *pleura* of issues negotiated within collective bargaining. The pictures that have emerged within our three countries are briefly summarised as follows. In Austria we found limited bargaining over ‘non-wage’ issues amongst social partners, except when it’s super-imposed by third parties, the state or the EU or it has compelling output or employment enhancing characteristics. However, when non-wage issues enter the bargaining realm, unions are still able to exert their preferences vis-à-vis employers. In Greece there is some bargaining over ‘non-wage’ issues amongst social partners, only when issues bargained carry no real added expense to employers or benefits are accrued equally by firms and trade unions. One may also easily discern an EU influence on the bargaining agenda. In Italy there is widespread bargaining over ‘non-wage’ issues at the sectoral and firm level and predominance of working time related policy with a Janus-face characteristic. The majority of bargained agreements suggest the policy addresses employers’ need to adjust production to flexible and fluctuating demand.

Collective bargaining agreements in the past were dominated by discussions which resulted in the exchange of wage moderation for increasing or stable employment. Today we observe agreements where flexible working time is exchanged for stable and non-reduced employment, or flexible working time for shorter working weeks. This seems to suggest that a reshuffling of the cards on the (bargaining) table has taken place – even though some agreements maintain more traditional connotations (particularly those observed in Austria). There is yet another important question lying here-in, does bargaining over ‘non-wage’ issues link powerfully to social partners’ limited ability to engage over the bargaining of ‘wage’ issues; does a clear lexicographic preference towards ‘wage’ issue bargaining exist, and where absent, ‘non-wage’ issues offer a second-best avenue for institutional

confirmation? Further research could therefore be geared towards the study of how these dynamics have changed, whether collective bargaining as an institution has simply modified its purest and simplest form as a competitiveness enhancing instrument or is fluctuating towards becoming the locus where the reregulation and redefinition of labour markets takes place.

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<sup>1</sup> Equal treatment Directive 79/7/EEC; Parental leave Directive 96/81/EC; Flexibility in working time 97/81/EC.

<sup>2</sup> This also includes the older system of occupational agreements (pertaining to specific professions e.g. accountants) which is itself a residual of *craft* trade unionism. Although the actual number of agreements fluctuates from one year to another, across 1997-2002 occupational agreements ranged from 44 to 62; sectoral agreements ranged from 69 to 116 and firm-level agreements ranged from 143-186 respectively. (<http://www.eurofound.europa.eu/eiro/>).

<sup>3</sup> The only other peak labour confederation is that of civil servants (ADEDY), which does not participate in the negotiations over national level collective agreements.

<sup>4</sup> Further dimensions of working time (annualised hours/time banks; shop opening hours; overtime regulation) were part of the failed social dialogue for labour market reform (Papadimitriou, 2005). Changes in working time and opening hours were also part of negotiations in sectoral agreements such as that of banking.

<sup>5</sup> Pension-system issues were the main theme of several failed attempts to ad hoc social dialogue (Matsaganis, 2007).

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