BACK TO THE FUTURE:
COMPANY-LEVEL OCCUPATIONAL WELFARE
IN THE ITALIAN CHEMICAL AND PHARMACEUTICAL SECTOR

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Paper per la IX Conferenza ESPAnet Italia “Modelli di welfare e modelli di
capitalismo. Le sfide per lo sviluppo socioeconomico in Italia e in Europa”

“Welfare models and Varieties of Capitalism. The challenges to the socioeconomic
development in Italy and Europe”

Macerata (MC), 22-24 settembre 2016

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Abstract

The paper presents the findings of an extensive qualitative analysis based upon the collection of a large number of company-level agreements of the chemical and pharmaceutical sector signed in the Lombardy region, followed by the selection of nine case studies analysed through nineteen semi-structured interviews to the company management and the union representatives. With the aid of companies’ websites, additional documents and company-level agreements, interviews sought to retrace processes with respect to the spread and the characteristic features of welfare provision and to identify mechanisms likely to lead to different outcomes in terms of welfare negotiation and provision, focusing on punctual description as a way to observe and distinguish causal processes. On the basis on the within-case analysis on each of the experiences selected, the paper attempts to compare them in order to possibly spot common paths, diverging outcomes and causal configurations that are most likely to lead to them.

1. Introduction: occupational welfare and the welfare state

After the great expansion of the public welfare state that followed World War II, accompanying and exploiting the tremendous economic growth of the time, the 1970s oil crises opened the era of economic recession that marked the beginning of “permanent austerity” (Pierson 2001). Since the late 1970s all European countries started making policy adjustments that have been largely path-dependent, that is influenced or mitigated by existing welfare systems (Taylor-Gooby 2004; Ferrera and Hemerijck 2003), and thus achieving more or less satisfactory results. In particular, Southern European countries are still struggling to adapt their welfare systems to the new needs of the population, and to tackle long-time issues such as wide coverage gaps between different categories of workers, high rates of long-term and young unemployed, limited child-care provision and high levels of women’s inactivity (Armingeon and Bonoli 2006; Ferrera 2010; Hemerijck 2013; Guillén and Pavolini 2015; León, Guillén and Pavolini 2015).

In this context, a number of private actors started entering the welfare arena, creating a new “welfare mix” made up of all formal and informal relations between the many who contribute and concur to the welfare provision, namely the public sector, the market, family, social parties and the so-called “Third sector”, that is the variegated universe of non-profit organizations (Ferrera 2006; Ferrera and Maino 2013, 2015). Among those actors, in recent years the contribution of business - fostered by the debate on Corporate Social Responsibility (European Commission 2001, 2009) and the spread of company-level occupational welfare schemes - has become a primary concern, both in theory and practice. Scholars try to set the boundaries of the phenomenon, while companies witness
its fast-paced development. Against this background, several authors discussed the role of industrial relations in the promotion of occupational welfare benefits through collective bargaining (Frege and Kelly 2003; Trampusch 2006). In Italy, industrial relations have been gradually changing in order to respond to workers’ growing social demands (Regalia 2009, Colombo and Regalia 2011, Pavolini et al. 2013): both employers and trade unions are starting to understand the strategic importance of occupational schemes, particularly in times of financial crisis when welfare benefits enter into negotiation and might be employed in exchange to wage increases (Agostini and Ascoli 2014). The development of occupational welfare has been favoured by the State in the very first place, through fiscal arrangements that offer tax exemptions on welfare benefits, which have been further expanded in 2015 by the Renzi Government together with the possibility to use workers’ productivity bonuses as a source of financing for welfare benefits (Ferrera and Maino 2013, 2015; Maino and Mallone 2016).

2. Occupational welfare and industrial relations

Local level negotiation of social benefits is a phenomenon that dates back to the 1970s when, in a phase of union consolidation, trade union representatives begun their broad involvement in local policy-making. Although it was not part of a union strategy, they acted as representatives of interests that were beyond their natural constituency, as for instance those related to social assistance (Regalia and Regini, 1998, Regalia 2010). Social bargaining on the part of union representatives, especially of unions’ retirees groups, marked in the 1990s a new attitude towards overcoming the traditional “compensatory culture” stemmed from old production models (Colombo and Regalia 2011). These are the years in which two levels of bargaining were formally introduced. Company-level negotiation, taking place between the employer and union representatives in the company, has been acquiring over the years growing importance in the Italian system of industrial relations, to the point of being recognized today as the second level of bargaining after national collective agreements, although with discontinuous trends of development (Negrelli and Pulignano 2008). The 2011 agreement signed by CGIL, CISL, UIL and Confindustria, and used as reference for that of 2014, stipulates that company collective agreements can temporarily derogate to national collective agreements in order to be customized to the specific needs of each production environment. National collective agreements maintain, however, the role of ensuring common economic and regulatory conditions for all workers in the sector, and define the matters delegated to company-level bargaining. The parties also agreed to support company-level negotiation and
demanded that the Government increased and introduced as structural measures to encourage their take-up, such as tax reductions on variable productivity results.

As the economic crisis decreases wage bargaining, it seems to push forward the introduction of welfare benefits - even in combination with business reorganization – in order to mitigate the effects of wage restrictions or failed pay rises due to, for instance, times of economic recession (Hoven 1982, Trampusch 2013). The issue is currently extremely relevant, as it also plays a major role in explaining the position of Italian trade unions and other social parties towards the expansion of occupational welfare. Nowadays, trade unions undergo conflicting pushes: they have to contrast compensation effects between wages and contributions, making sure that benefits are not offered in order to avoid pay rises. On the other hand, benefits attached to contracts can constitute a new way of appealing to and keeping members (Hoven 1982, Ebbinghaus 2011). Countries around Europe present different structures of labour costs, and compensation effects between wages and social contributions and benefits cannot be excluded. The occurrence of such phenomena could in principle explain the attitude of social parties towards the introduction of occupational welfare benefits.

3. Occupational benefits and the tax regime in Italy

If governments can “play” with taxation in order to pursue social objectives, as for instance through tax advantages for social purposes, enterprises and individuals perceive such incentives and learn how to exploit them at their fullest: much of the fortune of company-provided welfare benefits and services is undoubtedly due to the extent to which the national regulation allows for tax breaks.

In Italy, fiscal arrangements are established in the TUIR Testo unico delle imposte sui redditi, which provides since the mid-1980s a variety of benefits and options enjoying tax breaks, as for instance healthcare support, cafeterias and meal vouchers, transport services and even day-cares, summer camps and scholarships. Nonetheless, in the last decade the opportunity of revising and updating the existing regulation has become a strongly debated issue, up to December 2015 when the budgetary law for the year 2016 introduced significant changes to the TUIR, as well as a new fiscal discipline of productivity bonuses. The law reintroduces the tax exemption for productivity bonuses that was in place since 2008 and until the interruption for the year 2015, and encourages the use of welfare benefits as “payment” of the corresponding amount through a more favourable fiscal treatment. While productivity bonuses maintain a substitute tax of 10%, the same amount paid out through the provision of welfare is subject to the tax relief already provided for by article 51 of the TUIR and it is therefore fully deducted from employees’ income (i.e. employees do not
pay taxes on them, and employers “save” contributions). Both options related to productivity results remain subject to the thresholds of 2000 euro amount and 50000 euro income envisaged by the budgetary law, and each worker has the right to individually choose how to receive such amount meaning that employees cannot be forced into receiving benefits rather than money. Interestingly, the amount limit of 2000 euro may be increased up to 2500 euro if the company implements systems of direct involvement of employees in work organization through internal joint committees and workers’ groups for the improvement of production procedures. In addition to the new regulation of productivity results, the law completes the long- desired updating of article 51 of the TUIR that applies not only to goods and services provided in total or partial replacement of the productivity bonus, but to all welfare benefits. The law amends article 51 with three main aims: overcoming the limit of voluntariness envisaged by article 100; updating and expanding the basket of services; encouraging the development of tools to facilitate the use of services even for small and medium enterprises. With regards to the first goal, changes in the wording of letter f or article 51 allows employers and unions to negotiate welfare measures listed in the article 100 - i.e. for education, recreation, healthcare, social assistance and religion - without being bounded to unilateral intervention. Such modification allows union representatives to formally step into welfare provision and to be able to guarantee its implementation through the introduction in company level agreements. In addition to this, the new formulation of article 51 provides extra incentives for negotiated provisions over unilateral ones: while employers can still choose to provide article 100 benefits unilaterally – thus exploiting deductions up to the threshold of 0.5% of total labour costs – if the same benefits are introduced into a bilateral agreement they are fully deductible as labour costs, as they acquire the same fiscal treatment of the rest of provisions listed in article 51.

In addition to the opportunities for negotiation provided by the new wording of article 51, which eliminated the requirement of voluntary action and opened up to new services for children and elderly dependents, the turning point in occupational welfare provision concerns the new discipline of productivity bonuses. The 2016 budgetary law envisages tax reliefs for employees, bringing back the 10% taxation on productivity bonuses, but does not provide de-contributions, meaning that both employers and employees have to directly pay pension contributions out of the bonus amount. As a result, with a cash bonus employees pay 10% taxes plus their share of contributions, while employers are left with paying the largest share of pension contributions. On the contrary, if the bonus is to be converted into welfare benefits, both parties are exempted from paying taxes and contributions, meaning that employees receive the gross amount as net, and employers do not bear any extra costs other than the bonus amount itself. The latter solution thus provides significant incentives for companies that can save the full contributions payment, while it might produce
conflicting pushes on the labour side. On the one hand, through the conversion of money into welfare employees save 10% taxation plus pension contributions, thus obtaining the full amount of bonuses to be spent in welfare services; on the other, they “lose” pension contributions paid by the employer, resulting in lower pensions after retirement. Aside from the clear saving opportunity on the company side, trade unions have the choice of “playing safe” and discouraging the switch from cash to services in order to ensure the payment of pension contributions, or they might dare to step into such mechanism and negotiate a different use for the company’s savings with a view to re-investing them into something useful for workers. Of course, it is conditional to a thorough calculation of losses in terms of pension income, as well as to the identification of possible uses that make it worth to bear such losses.

4. Company-level welfare provision: four areas of inquiry

On the basis of the relevant literature, four areas of inquiry have been identified in order to guide the empirical research. The first one concerns the influence of trade unions and the strength of industrial relations at the company level; the second one deals with specific features of the company, such as its nature, origin and corporate tradition; the third one takes into account some specificities of the sector under scrutiny and their impact on the introduction of welfare schemes as well as on negotiation. The last one, which has to do with the very object of the analysis, i.e. welfare provision, aims at identifying common patterns and distinguishing traits of the benefits supplied. While the first ones refer to specific features of the companies that might shape, according to the literature, employer’s propensity towards welfare negotiation, the last one concerns the quality of the object of the investigation in the attempt to identify strategies and preferences of the parties when introducing welfare schemes.

Industrial relations. Recent studies pointed at unions’ strategies of “revitalization” (Frege and Kelly 2003; Bryson, Ebbinghaus and Visser 2011) or “re-configuration of representation” (Regalia 2009) in which a significant role can be played by welfare negotiation as a way to increase “perceptions of union instrumentality” (Frege and Kelly 2003) and obtain mutual gains. On the other hand, authors warn about the emergence of “concession bargaining” (Natali and Pavolini 2014) highlighting the existence of a trade off between wages and social benefits (Pavolini, Ascoli and Mirabile 2013, Agostini and Ascoli 2014). Unions’ approach to welfare provision appears to be both crucial and thorny at the same time. Aside from their influence at the company level – to be intended both as unionization levels and actual negotiation power – union representatives can be more or less willing to cooperate towards the introduction of benefits. Getting to the very idea of “union influence”, in
order to frame the concept and customize it to the topic under investigation, the qualitative analysis considers the capacity and willingness that union representatives at the site level have to make proposals and follow up on the implementation of welfare benefits.

_Corporate culture._ Multinational companies display “better” industrial relations – in terms of higher union density, collective agreement coverage, and representation in the workplace – than domestic firms (van Klaveren et al. 2013) but, also, that their local policies are the by-product of the interaction between home country and host country influences (Almond et al. 2005, Edwards et al. 2006), often mirroring to some extent the predominant culture of the headquarters’ country of origin (Tuselmann et al. 2003). Taking on board such insights in the present analysis, it is interesting to test, first of all, the actual propensity of foreign multinational groups with respect to large Italian companies, both as openness towards company-level bargaining and, more specifically, as preferences in terms of welfare provision. This second aspect, i.e. the presence of welfare provisions in the agreements, might also be used as a proxy of the “quality” of negotiation, as it is likely to be the result of the direct involvement of union representatives in the set up of services.

_Production._ With respect to the production carried out by companies, a recent strand of literature has pointed at the marked differences of industrial relations dynamics from one sector to the other, emphasizing the relevance of sector-specific features as the composition of the workforce (Bechter et al. 2012). Also, brand reputation is becoming a priority due to the “entrance” of customers who increasingly impact on corporate behaviour through their purchasing choices (Havard et al. 2009; Supiot 2001), as witnessed for instance by the spread of CSR practices. The chemical sector is particularly appropriate for such analysis as it has been regarded for years as dangerous for both employees and the environment, and it is therefore extremely sensitive to brand reputation. Also, it gathers under the same umbrella companies with similar productions but very different “souls”, such as the chemical industrial and the pharmaceutical segments, which display different characteristics in terms of composition of the workforce (e.g. gender and education) and production processes. It is worth noticing that while industrial chemical firms produce for the most part chemical compounds for other industries, thus operating as third party contractors, pharmaceutical companies produce for a very sensitive market that is that of healthcare and supply either hospitals or directly the final consumer, who thus purchases their brand on the market.

_Welfare provision._ Four areas of intervention are identified: pensions, healthcare, training and work-life balance.1 While the first two areas have been developed earlier and can be associated to more “traditional” social risks, the latter ones have been introduced in Italian companies only

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1 See also the research carried out within the EU-funded ProWelfare project: http://www.ose.be/prowelfare/
recently and concern “new” social risks (Pavolini et al. 2013). Aside from being negotiated or unilateral, the empirical analysis focuses on the distinction between old and new social risks in order to assess whether they can be considered as two “pillars” of comprehensive welfare systems or they should be seen instead as alternative strategies, with particular regards to work-life balance policies within the latter category. Back to work-life balance, for the present analysis we identify two strategies related to the financing dimension. On one hand, there are the “money” and “services” as they entail a financial effort on the side of the company and are mainly intended at providing services to “externalize” care taking, while on the other there is “time”, as a zero-budget strategy that requires organizational rather than financial commitment and aims at freeing time to allow employees to take care personally of their family responsibilities. Also, interviews attempt to identify benefits that are more often negotiated than others, which are more likely to be offered as unilateral corporate policies.

5. Structure of the analysis and case selection

In order to achieve deep understanding of the mechanisms taking place within companies, the empirical analysis is made up of the study of nine companies through a set of nineteen semi-structured interviews. For each company, at least two interviews have been carried out: one with the company’s management and the other with union representatives. Both interviews have been structured similarly; still, they are differentiated in their main focus as the management is thoroughly asked about kind and functioning of the benefits and the relation between the different levels of provision (corporate, national, plant), while union representatives are mostly questioned on industrial relations and intra-union dynamics, as well as on the perception of the company’s goals and preferences. Paired interviews for each study case allow to double check information provided but, more importantly, to feel how the two parties perceive each other’s bargaining strategies and what role each of them ultimately takes on with respect to welfare provision.

Getting to case selection, nine large companies have been selected: five of them are pharmaceutical companies, while the remaining are chemical companies. Of the latter four, the first two produce chemical compounds for third party manufacturing, while the others sell their brand products on the market (although not exclusively). In terms of nationality of the headquarters, there are two Italian proprietorial companies (the first one being pharmaceutical, the second one chemical); two German enterprises (the first one being chemical, the second pharmaceutical) and two Swiss, both pharmaceutical. The remaining three are British, French and Belgian. The two Italian companies selected are, although today multi-localized, still run as family businesses by the same family who
founded them. This marked proprietorial character is what ultimately distinguishes them by multinational groups that have their headquarters located abroad (even in more than one location around the globe, depending on business branches).

6. Main findings

The nature of welfare provision. Selected enterprises where either Italian multi-localized companies with a marked proprietorial character or foreign multinationals, belonging either to the industrial chemical business or to the pharmaceutical one. Analyzing the focus of welfare provision on “traditional” social risks and new ones as work-life balance, it is easily noticeable that all companies provide some extra healthcare arrangements, with pharmaceutical companies offering more extensive provisions, at least in the area of healthcare. Looking at negotiation dynamics, healthcare measures are more likely to be included into company-level agreements than work-life balance benefits. Interestingly, pharmaceuticals are more likely to provide unilateral arrangements on-top of negotiated ones, as corporate policies. As for work-life balance, the elaboration presented in figure 1 roughly sketches the placement of each case concerning the kind of benefits implemented and their introduction into negotiation through the author’s evaluation of each one on the basis of the information provided.

Figure 1. Work-life balance: case studies placed in the two-dimension space

Note: the exact placement of case studies in the same space does not imply any differences with respect to the dimensions presented (e.g. no differences implied between cases G and B); the circles located on the boundary lines between two or more spaces indicate the presence of mixed strategies. The same applies to all of the following figures.
There are five companies that enact “pure” strategies, three that implement slightly mixed ones, and one company that equally displays two strategies. Although the figure does not delineate a clear predominance of negotiation over unilateral action or the other way around, we can observe that the chemical companies analysed seem to be more inclined towards negotiating benefits than the pharmaceuticals, which are located instead in the lower part of the figure displaying unilateral action. Looking at the other dimension identified, i.e. budget allocation versus cost saving strategies, companies seem to be slightly keener on implementing the latter strategy. Traditional benefits are slightly more likely to stem from bilateral agreements than work-life balance does: extra payments to the sectoral funds Fonchim and Faschim are introduced into agreements, while additional check-up programmes are often, but not always, negotiated.

The two areas of intervention - that of “old” and “new” risks - seem to be, rather than alternatives, two layers of the same system. Traditional benefits such as healthcare and pensions came earlier in time and are now fully established, while work-life balance is the most recent area of intervention. Concerning the possibility that welfare benefits are offered as a trade off with other components of labour relation, most notably wages and bonuses, the cases analysed did not show a straightforward exchange, as none of the companies have been implemented systems based on “bonus sacrifice” mechanisms, but it is interesting to notice that the interviews that have been carried out during and after the Government’s definition of the budgetary law for the year 2016 treat quite extensively the topic of switching of productivity bonuses from money to welfare services. Companies seem to be extremely interested in the opportunity, while unions express greater concerns. What needs to be mentioned here, is the presence of some kind of trade off that does not involve directly wages but rather workers’ willingness to make extra efforts and a more generalized “social peace”. Chemical companies, which are characterized by a more demanding production in terms of physical work and schedules link welfare provision with performance in terms of safety procedures, absences and mostly the acceptance of rigorous and heavy shifts. Pharmaceutical groups display a more nuanced approach, as welfare provision is for them a way to reinforce their brand reputation both externally and internally. It appears to be an essential part of their business, as their production is related to healthcare and has therefore to convey the idea of wellbeing and ethical behaviour. Nonetheless, several companies analysed show lower attachment of the workforce to union representation as a result of them being “cuddled” by a mother-like company. Union representatives claim that strategies based on generous on-top benefits “numb” employees and tend to dismantle the collective dimension of bargaining. Once again, chemical companies show such dynamics to a lower extent because the management values bilateral action as a way to regulate the collective dimension,
which is something that with the high internal fragmentation of pharmaceutical employees among line workers, office workers and pharmaceutical representatives, is not advantageous.

*Industrial relations.* It has been argued that employers and union representatives can obtain mutual gains through welfare negotiation: the former ones can exploit advantageous fiscal arrangements and seek savings on labour costs, particularly after the introduction of the 2016 budgetary law’s new fiscal incentives; the latter ones have a chance to “revitalize” their role in the eyes of the workforce, as well as to “govern” significant changes in work relations. While companies have a straightforward preference, unions are more likely to undergo conflicting pushes, as they acknowledge the possible existence of a trade off between welfare services and wages. Case studies highlighted that, despite the fact that they mostly operate together at the company-level, unions have slightly different preferences with respect to welfare provision. While CISL sees welfare provision as the future of negotiation, CGIL believes wages to remain the number one priority. The latter one strenuously supports the universalistic ambitions of the public welfare state, fearing that the advancement of occupational provision might supplant social schemes granted to the whole population with the result of increasing fragmentation, while the former traditionally favours bilateral intervention and local-level negotiation as a way to implement bottom-up protection systems. Aside from such more general claims, both organizations seem to be wary about the formalization of an exchange mechanism and do not appear supportive of the new opportunity to switch from bonuses to welfare. Union representatives have been mostly supportive of welfare benefits as long as those did not imply any sacrifices; sometimes they were even indifferent to them, as they were conceived as on-top corporate policies not affecting industrial relations. Still, they would traditionally demand for their inclusion into agreements in order to “secure” them into negotiation and to be able to build from them at each agreement renewal. Things started to change though when the companies’ approach became less “paternalistic” and more strategic, thus increasingly demanding something in exchange for the investment. While a clear trade off between welfare and wages does not incontrovertibly emerge from the case studies, some sort of exchange with time and availability does come to light, particularly when applied to line workers. Welfare provisions, especially when supplied unilaterally, lower the perception of usefulness that employees have of union representatives and “numb” their claims. Such internal environment helps in turn to build the external image of the company as a place that promotes general wellbeing. While production sites witness a more straightforward exchange between welfare and performance, administrative sites use it as a “soft” tool to generate general compliance to the company’s goals. The link between productivity bonuses and welfare takes us back to the possibility of a trade off between the two, suggesting that welfare is increasingly to be seen as part of remuneration policies.
In order to test such suggestions, qualitative interviews dwelled upon the parties’ perception of the exchange mechanisms. The 2016 budgetary law re-united CGIL and CISL in the determination to overseeing the implementation of the new regulations of productivity bonuses, for two different reasons. While CGIL seems to be more concerned of reinforcing the “right” to monetary productivity bonuses, CISL has a more “opportunistic” approach. Both organizations believe that the chemical and pharmaceutical sector – and particularly the latter segment – does not need to cut budgets. In fact, companies can still afford to provide welfare as an on-top component without paying it with workers’ bonuses. While CGIL representatives do not accept the shift from an on-top to self-paid welfare provision, as they believe wages to be the central element of the labour relation, CISL would in principle allow for such trade off, but only where the company’s budget does not allow for extra investments and bonus conversion is thus the only way to provide welfare services to the workforce. In the sector under scrutiny, unions are unanimously sceptical about the convenience of bonus sacrifice, although they are well aware of employers’ willingness to negotiate it. While employers may seek wage containment through the supply of de-taxed benefits, the 2016 budgetary law formally introduced the idea of “bonus sacrifice”, allowing to some extent employees to “give up” their right to wages in order to receive higher values in terms of benefits. The presence of pre-existing welfare arrangements is, in this respect, an obstacle to the introduction of the new bonus sacrifice mechanism, as unions take them for granted and do not support the shift of the financial burden from the company to the workers. Things might be different in companies where welfare benefits were to be introduced for the first time. In addition to this, unions’ acknowledgment of bargaining with “rich” companies yielding high returns contributes to their scepticism, as shown particularly in pharmaceutical experiences.

Figure 2. Unions’ initiatives and the source of welfare provision
In order to consider general union influence, the chosen method was to use the capacity and willingness of RSUs to formulate welfare demands and make actual proposals. This way, we are able to grasp at the same time the contribution of union representatives into negotiation as well as their real interest in the introduction of welfare provisions. In order to evaluate such ability to make proposals, interviews asked both parties to provide evaluations on the activity of company-level union representatives. As figure 2 shows quite clearly, where unions are more involved in the proposal and study of welfare benefits (e.g. through the presentation of articulated platforms), the result appears to be a largely, if not exclusively, bilateral welfare system. On the opposite, companies that display low unions’ proactivity end up falling in the lower quadrants. Interestingly, the four companies that display the widest unilateral actions are all characterized by either very weak unions’ influence or quite problematic interaction between the parties.

The figure suggests the presence of a relation between unions’ involvement and the mode of introduction of welfare benefits, highlighting the nexus between high involvement and negotiated welfare systems (and vice versa). On the basis of the empirical analysis, we can conclude that unions have two ways of exercising their influence, which is through active proposals mostly with the presentation of platforms or by building a more generalized climate of cooperation leading to the customary discussion and joint implementation of new provisions. On the union side, the willingness to commit to welfare provision as well as the perception to be given the space necessary for making an actual contributions lead to the constitution of a stable set of relations between the parties aimed at studying, promoting and monitoring new initiatives. Negotiation thus becomes the way in which both parties concur to the success of the initiative and “legitimate” the endeavour. In the long run, case studies show that joint initiatives build a relationship between the parties that makes it easier to deal in a more cooperative fashion even with other issues, such as the ones related to corporate restructuring and the intensification of work schedules. If we also want to consider the possible relation between unions’ involvement and the prevalence of “old” or “new” benefits, we find that traditional benefits are slightly more negotiated than work-life balance, especially when they entail extra payments to the sector level funds. This might suggest a stronger commitment on the side of union representatives to the top-up of bilateral provisions stemming from the CCNL, rather than pushing for the introduction of new, extra benefits.

*Corporate culture.* Previous literature contended not only that multinational companies display “better” industrial relations than domestic firms, but also that their local policies are the by-product of the interaction between home country and host country influences, often mirroring the
predominant culture of the global headquarters. Interviewees often mention the country of origin as a reinforcement of the company’s welfare architecture. The analysis points at the peculiarity of Italian domestic firms that have a marked proprietorial style resulting in a less comprehensive, if not even absent, welfare negotiation. Even in the other cases nationality seems to matter, with German and Belgian companies naturally oriented towards negotiation, while Swiss firms claiming their right to introduce policies unilaterally.

Nonetheless, all cases display interesting outcomes of the interaction between home and host country levels, as the national management is often able to play a significant role in reinforcing or mitigating corporate guidelines depending on its discretionary power. While Italian companies present a more straightforward orientation, given the fact that the corporate and the national management coincide, foreign multinationals have different approaches to their national subsidiaries. While unions cannot avoid noticing the significant effort to re-centralize decision making, the national management is called out to implement and, where possible, customize the welfare supply, creating two separate strands of activity, the local provision and the corporate policy. All case studies back up the idea of the national management as a “filter” to decision-making, which is able to shape according to its discretionary power both the specific features of welfare provision and the propensity towards sharing them with the unions. In fact, Italian companies are the only ones that do not display such intermediate level of decision making with the result that their policies mirror their general propensity towards unilateral action. In general, national managements appear to be always “pro-negotiation”: they are either convinced of their usefulness, or they are more neutral but still aware of the functioning of the Italian system of industrial relations and thus not willing to ignore the unions’ views. Even companies that are either characterized by a marked unilateral approach or, at least, appear to be disinterested in industrial, end up with either bilateral or mixed welfare schemes as the result of the buffering effect of national managements, which necessarily have to compromise according to local customs and regulations.

Considering the possible relation between corporate nationality and the propensity towards “old” or “new” risks, the analysis shows the presence of both areas of intervention in all companies, but it also highlights the fact that work-life balance is very often an Italian national, or even local, endeavour rather than being a direct corporate policy, particularly in organizations based in countries that are characterized by a solid public welfare provision.

Production and workforce. Sector-level characteristics such as the type of production and - related to it - the features of the workforce, have been considered as elements that can eventually shape several aspects of welfare provision. First of all, we have been considering the items produced by
the companies and the target consumers they are supplied to: while industrial chemical companies mostly manufacture chemical compounds for other industries and thus operate as contractors without a direct relation with final consumers, pharmaceuticals sell their own brand in the market as they mostly produce over the counter and prescription medications. The latter ones thus maintain relations with final consumers and either doctors or hospitals, selling ethical goods. Investigating the differences between the chemical and the pharmaceutical segments, we thus have to take into account the product dimension per se, as well as its implications on the workforce composition. While chemical companies display great diversity between production and administrative sites in terms of gender composition, as factories host almost exclusively men while offices have a fair share of women, pharmaceutical companies have more women in the office but nonetheless host a large share of female line workers. This has to do with the production, as the chemical sector manufactures goods requiring heavy workloads and continuous cycles, while pharmaceutical production is more detailed-oriented (e.g. in the packaging divisions, where many women work) and does not normally entail continuous cycles. Interestingly, the only pharmaceutical enterprise with a larger share of line workers than office employees still has over 30% women in the workforce. According to the interviews this state of things, together with the fact that production sites operate on shifts and are thus less likely to be able to implement zero-cost work-life balance initiatives such as the ones related to time flexibility and extra time off, leads to the fact that line workers exploit less work-life balance benefits than office employees. On top of this, union representatives also claim that office employees’ performance is more sensitive to welfare, as line workers’ performance ultimately depends on technology and machineries rather than on human capital.

Another characteristic feature of the pharmaceuticals’ workforce is the coexistence of three different groups: line workers, office employees and pharmaceutical representatives. Internal dynamics can be cooperative, that is for instance when representatives use their influence in negotiation for obtaining benefits for the whole workforce, or adversarial, when the company’s acceptance of representatives’ demands results in the rejection of other groups’ claims. Although made up of line and office workers, industrial chemical workforce shows greater cohesiveness, as the two categories tend to have more similar demands with respect to welfare provision.²

² All interviews highlight that pharmaceutical representatives have high salaries, generous individual economic incentives and no daily work schedules, making them keener on asking luxury goods as new cars, watches and laptops rather than welfare benefits. Conversely, both office and line workers appreciate extra leaves and financial support. Representatives’ voice is crucial in bargaining, as their performance is crucial for the company’s sales. Also, they value the collective dimension and are therefore highly unionized.
Figure 2 showed how chemical companies display more negotiated benefits than pharmaceuticals, which tend instead to provide on-top unilateral welfare benefits. In the first group, union representatives seem to be more active and determined in being involved in all aspects of workers remuneration, particularly when they are backed up by a solid “basis” of line workers; the management values the role of collective representation and “uses” it as a way to reduce complexity and regulate all aspects of production. Interestingly, even in the two chemical companies that have been analysed starting from the headquarters, which display very little to no production in the site, the management shows the rooted perception of production sites as the heart of the business. In the pharmaceutical segment, research and sales are the cornerstones on which the business is built upon. As mentioned before, even though none of the companies has in place a “bonus sacrifice” system, chemical firms appear to be more concerned with financial sustainability and thus slightly keener on implementing zero-cost benefits. Also, they seem to have a more pragmatic view of a possible trade off between welfare and performance. Although they do not appear to be seeking savings though the exploitation of tax incentives, they surely link welfare provision with work flexibility, workers availability to tighter schedules and lower absenteeism. Pharmaceuticals’ trade off is subtler, as it has to do more with social peace, low mobilization and brand reputation. Getting to the propensity towards “old” or “new” risks, the analysis does not witness the existence of two separate strategies; nonetheless, pharmaceutical companies are likely to provide more comprehensive healthcare related benefits than industrial chemical firms, even with considerable expenses such as the budget allocated to extra insurance policies. Once again, this seems to be associated with the healthcare-related production and the subsequent need to maintain a brand image that is coherent to the products manufactured and their “ethical dimension”. Pharmaceuticals appear to be slightly more inclined towards budgetary measures than chemical companies; this might have something to do with the former ones yielding higher returns, but it is more likely to be related to company-specific strategies. Interviews delineate two distinct strategies: providing time to allow workers to take care personally of their family responsibilities, or supplying services and financial support so that employees delegate such responsibilities. Even the choice of providing a variety of on-site services eventually leads workers to spend more time in the workplace. Passing on to considering workforce-related factors, all case studies confirm the fact that office workers exploit more comprehensive welfare provisions than production sites, due to the variety of local work-life balance arrangements that are more often implemented in the office. As most of the companies analysed favour the introduction of measures related to time flexibility, we can easily conclude that line workers cannot access them for the very nature of their job, which is organized
on shifts. Even extra leaves are much more troublesome for the work organization of a production plant.

7. Conclusive remarks

The companies selected present interesting dynamics of interaction between unions’ involvement, management strategies and traditions. Union initiative on welfare, that we have considered as the willingness of union representatives to make proposals, generally leads to negotiated welfare systems as unions’ demands into platforms or bilateral decision making result in joint governance efforts through bargaining. Unions appear to be slightly more inclined towards the negotiation of zero-cost benefits such as those related to time flexibility and extra leaves with respect to on-site services and financial support, as they feel it is their duty to regulate the former ones more than the latter. Passing on to corporate culture, multinational groups seem to be keener on negotiating benefits than Italian proprietorial firms; nonetheless, such propensity not only changes according to the company’s nationality but it is also “filtered” by the national management. For instance, while the Germans appear to be more inclined towards negotiation than the Swiss, the Italian national management that is aware of country-specific regulations and customs is able to act as either an amplifier of pro-unions behaviour or a buffer to unilateral ambitions. The same applies to the nature of the benefits introduced: according to the interviewees, the sensitivity of the headquarters towards for instance work-life balance is deeply influenced by their national culture and the welfare state model they started operating in; nevertheless, national managements are often able to introduce local and even site-level initiatives.

Chemical and pharmaceutical productions display systematic differences with respect to both negotiation propensity and the features of the welfare provision. While chemical companies value industrial relations as a way to regulate issues collectively and are therefore keener on negotiating, pharmaceuticals are concerned with brand reputation and are thus more inclined towards introducing unilateral corporate policies that characterize the group. The former ones present more evident trade-offs between welfare provision and work organization, performance and production flexibility, while the latter ones are interested in a more subtle exchange with “social peace”, low mobilization and brand reputation. Considering the different focus on “old” and “new” risks, the case studies do not show a clear distinction between chemicals and pharmaceuticals; the only thing we can say for the time being is that the latter ones provide more generous healthcare benefits, probably due to higher returns and the healthcare sector being their core business.
The first causal relation identified concerns industrial relations and, more precisely, the effect of union involvement through welfare proposal on the source of introduction of welfare benefits (i.e. negotiated versus unilateral). Unions’ willingness and capacity to make proposals on welfare provision lead to negotiated systems because their involvement is typically aimed at a formal recognition of their contribution through the introduction of shared commitments into company-level bargaining, as a way for representatives to exert their influence and be recognized by the workforce. Interestingly, this process creates a “virtuous circle” in which unions make proposals, company-level negotiation witnesses their efforts, workers recognize it and send “up” positive feedbacks reinforcing unions’ perception of their crucial role for employees’ wellbeing. Contrarily, when unions are not directly involved the management is left with the opportunity to discretionarily introduce benefits as corporate policies, which often end up “numbing” the workforce with respect to the importance of collective claims. The second causal relation has to do with the distinction between foreign multinational groups and Italian domestic firms in relation to their different inclination towards welfare bargaining. Multinational groups appear to be keener on negotiating benefits, because their approach is more strategic due to the fact that decision making is in the hands of professional managers. Conversely, domestic firms are often characterized by being family-run businesses that are still administered by the founder or its relatives, conveying a higher and more personal attachment to the company. The family-run businesses analysed here showed, regardless of their size and articulation, the preference towards unilateral action as a way to personally implement policies without sharing credits. In addition to this, we also have to consider the different level of decision making: in multinational firms decisions are taken by the headquarters and then passed on to national branches, which have some degree of discretionality in their application, while domestic firms do not have any intermediate levels. Acknowledging the role of the different levels of decision-making brings us to the third causal relation touching upon the interaction between home country and host country effects. In the case studies, this interaction is represented by corporate culture and preferences “filtered” by the host country national management. As expected, outcomes in terms of both welfare provision and negotiation are the by-product of such interaction. The analysis also points at the fact that national managements most often act in favour of welfare bargaining, leading to different outcomes depending on the original preferences of the headquarters.

The last two causal relations confirmed in the empirical analysis concern the production dimension, highlighting the differences between the chemical and the pharmaceutical segment. As mentioned before, the former is characterized by the production of chemical compounds, requiring heavy workloads and implying possible safety risks, to supply other businesses as third party contractors.
The latter operates instead in the healthcare sector, with a highly specialized production directly sold to either final consumers or healthcare specialists. The former have higher propensity towards negotiation as they value company-level industrial relations for their capacity to collectively regulate work organization in all of its aspects, from schedules and night shifts up to safety procedures. In addition to this, a general climate of “social peace” does not draw extra attention on the company, which is something that industrial chemical firms gladly avoid because of the traditional association of chemical production with environmental and human hazard. On the contrary, pharmaceutical groups ultimately live on their image of “ethical producers” and place great importance on their reputation. For this reason, they introduce generous people care initiatives and care to do so unilaterally in order to show off benefits as corporate policies.

The distinction between the two segments proved to be also relevant to the existence of a trade off between welfare and other components of the work relation. If both productions show its presence, its quality is very different. Chemical companies seem to recognize a quite “tangible” exchange between welfare provision and work organization in terms of schedules, continuous cycles and workers’ willingness to “sacrifice” for the sake of production. Pharmaceutical companies display a craftier *quid pro quo*: welfare provision is to be seen as a tool to build up the group’s image, both internally and externally, as well as to achieve employees’ commitment and, although not necessarily intentionally, “numb” them towards the usefulness of collective claiming.
References


