

**The Development of Direct Employee Participation and its Impact on
Industrial Relations at Company Level (DIRECT)**

Trends of direct participation in Italy

Salvo Leonardi

London, 15 May 2017



Fondazione Giuseppe Di Vittorio

The development of DP and its impact on industrial relations at company level: aims, expected results, phases

Key aim:

Trends in direct employee participation in our countries and to identify the main sectors, forms, mechanisms and existing company framework /or more broad regulations, if such exist

Phase 1 – Desk research on the

- Clarifying the main definitions concerning direct participation (DP)
- A review of the main historical developments and various models of DP used in the participating EU Member States and other industrialised countries
- A review of the legal frameworks, concerning DP (if there are such frameworks)
- A review of research publications concerning DP
- Main characteristics and main forms: data and previous researches on DP
- Management motivations, employees involvement, trade unions positions

Some key question marks

- Does DP exist in enterprises: overall and in the sectors identified
- the relations between forms of direct participation and other forms of employee representation and industrial relations at company level;

The Italy Country Report: summary

1. Main definitions concerning direct participation;
2. The forms of employee participation in Italy;
 - 2.1 – *Historical developments;*
 - 2.2.- *Legal regulations;*
 - 2.3 – *Relationship to other forms of employee representation and participation;*
 - 2.4 – *The role of the EU law;*
 - 2.5 – *Recent legislative measures and in the pipeline;*
3. – Best practices examples of DP by sectors, companies and forms;
4. – Evaluation of the social partners towards DP;
5. – Final remarks

Conceptualizing participation

Economic Democracy (distribution)

Macro

- Nationalization
- Public companies
- Economic Planning
- Structural Reforms
- Fiscal Policy

Micro

- Self-management
- Cooperation
- Unions/Collective investment funds
- Financial: profit-sharing; employee stock-option schemes (ESOP)

Industrial Democracy (decision)

Corporate (Participation)

- board-level (BLER)

Indirect (representative)

- information
- consultation
- co-determination

Direct

- Collective
- Individual
- Delegative
- Consultative

Varieties and dimensions of workplace participation

Objective: to balance the original and unilateral management power

Ambit: production-related decision-making

Formalization: ex lege; ex contractu; no formalization

Level: individual, team, firm, company, corporate, sector

Moment: problem solving, problem setting

Decision class: operational, organizational, strategic

Actors: team work, work council, trade union body, EWC

Means: information, consultation, delegation, codetermination

Direct participation

- Non-bureaucratic job design practices; partial withdrawal of managerial control and more indirect supervision; more discretion and operational autonomy for employees, problem solving teams in on-line and off-line issues; collaborative work with greater communication, vertical and horizontal, building trust and mutual commitment;
- *“Opportunities provided by management, or initiatives to which they lend their support at the workplace level, for consultation with and/or delegation of responsibilities and authority for decision-making to their subordinates either as individuals or as a group of employees, relating to the immediate work task, work organisation and/or working conditions”*

INDIVIDUAL

- face-to-face interactions between the first line managers and their staff,
- individually focused consultation (verbal communication, workers' surveys, suggestions schemes),
- Suggestions boxes

COLLECTIVE

- Temporary or permanent quality circles, autonomous or semi-autonomous team-work
- a) "Scandinavian" style: semi-autonomous work groups; voluntary membership, team leader and members selected from below by the workers' group; more complex tasks; rotation, production islands;
 - b) "Japanese" style (Toyota model) characterized by compulsory membership, more limited control and less autonomy, team leader and composition decided from the top management, simple and focused mission.

CONSULTIVE

- Regular review meetings between employee and immediate manager on organizational issues
- Employee attitude surveys
- Other internal arrangements that allow for employees to express their views, such as through social media, on-line discussion boards, company newsletters, notice boards, briefing groups, etc.

DELEGATIVE

- Autonomy and higher discretion over work tasks ; employees are empowered to undertake their work tasks, without a constant manager supervision.
- Teamwork: employees are given a larger degree of the operational autonomy – on-line and off-line – to carry out their common work tasks without reference back to management

New forms of work organization and role of the workers' involvement

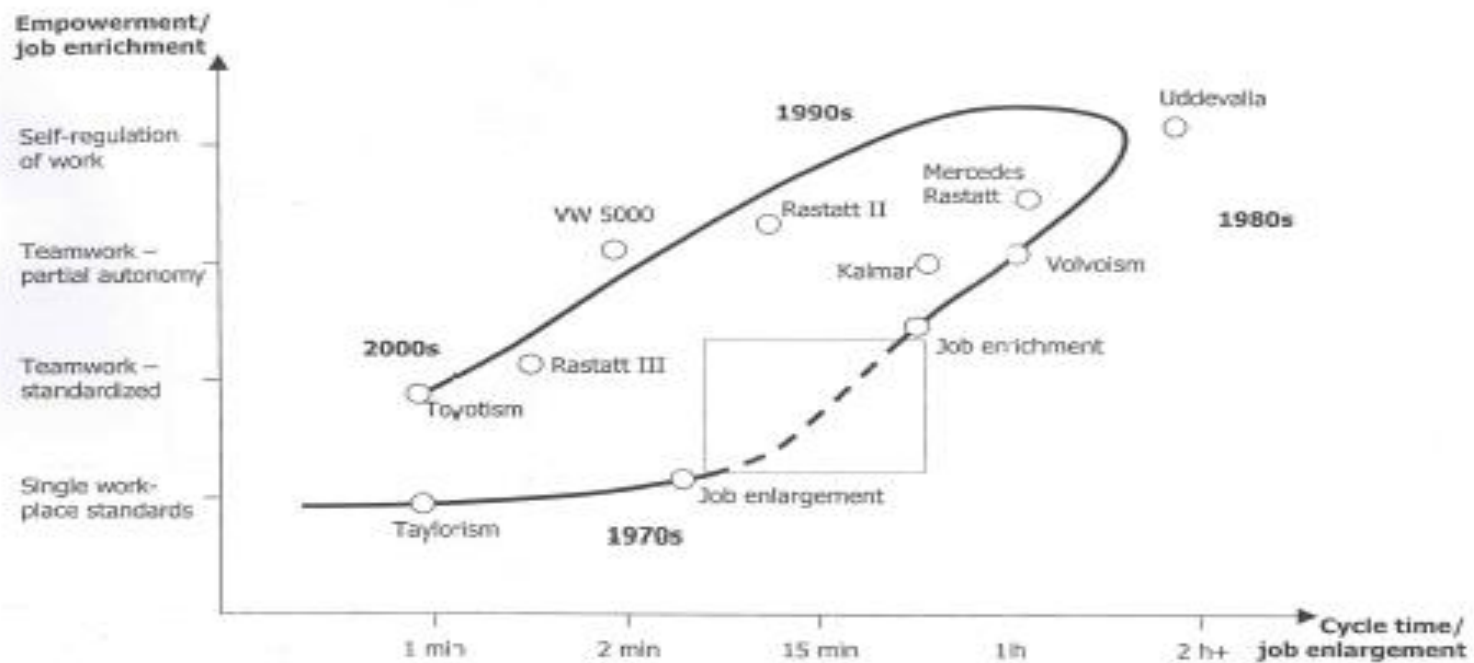
Toyotism and World Class Manufacturing (WCM): an integrated system for the excellence of the entire logistics-manufacturing cycle of manufacturing (Schonberger), which intersects management style and HRM, industrial relations, work organization, ergonomics

- **Objective:** Continuous improvement of all performances; lean production, total quality, just in time: "zero defects, zero stocks, zero waste, zero failures, zero conflicts"
- **Tools:** Involving all levels of business functions and full workers self-activation and mobilization, well-being at work, performance-related pay, contractual flexibility, individual and collective direct participation (team-work, team-leader, suggestion, audit)

Training and skills are crucial ingredients; not only for operational tasks but also in terms of mentality, "ideology" at work

Work organization in the car assembly

The European U-Turn: History of Work Organization in the Car Assembly



The current debate and climate about workers participation

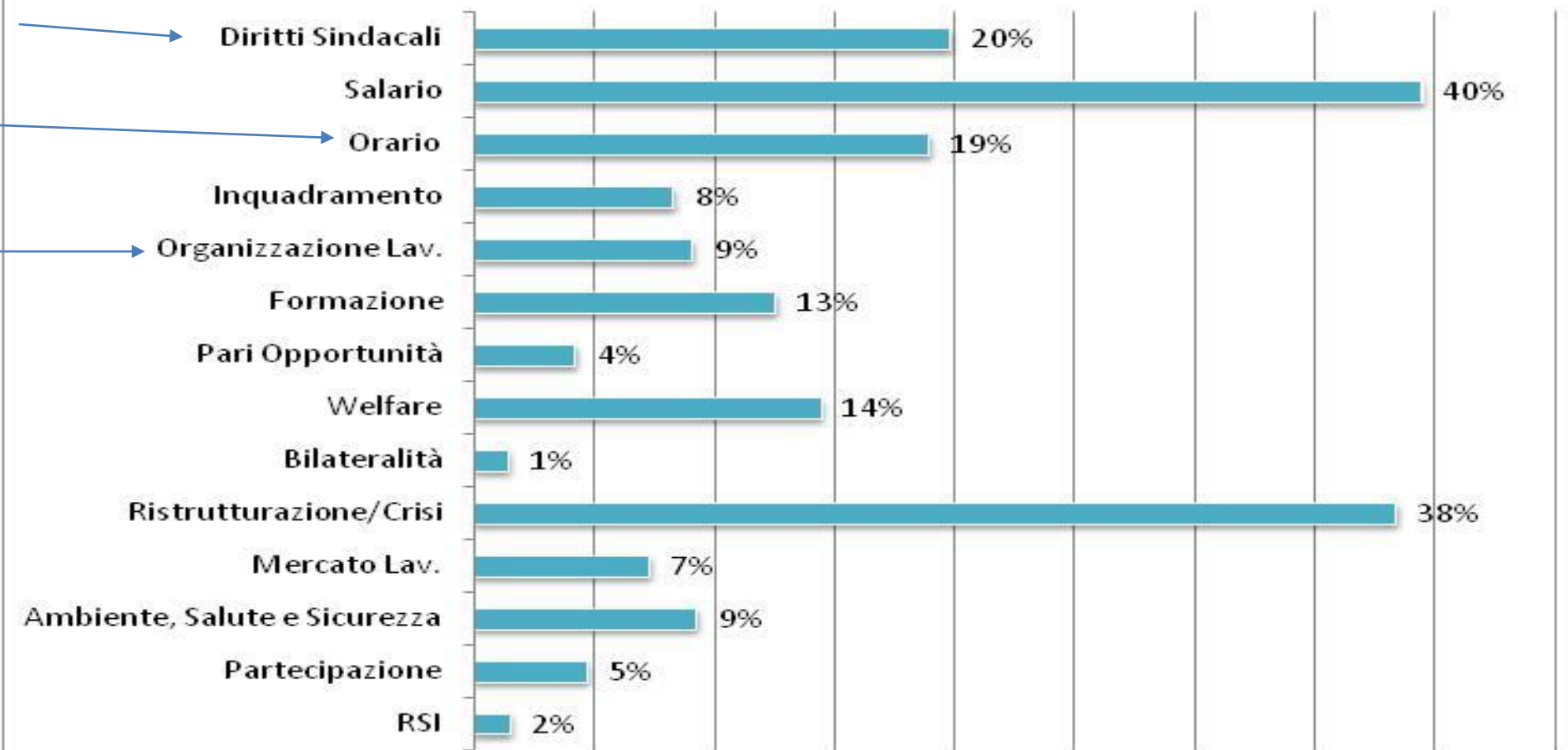
- Political and trade union claim for more extensive rights to workers participation
- the importance stakeholder-value approach to corporate governance
- the crisis has fostered political debates on a renewed industrial democracy programme as a way to mitigate the crisis
- the prospects arising from comparison with the rest of Europe, in particular the German codetermination system;
- the new post-Fordist forms of work organization and their consequences in terms of direct involvement and participation;
- the impulse of European Commission legislation, which has stimulated some normative realignment in the area of participatory rights;
- trade unions are on the defensive, trying to get out of the corner into which they have been pushed by the new EU economic and institutional scenario

The Italian way to workers' participation

- participation is primarily indirect and representative
- key role played by the collective bargaining, true pillar of the whole industrial relations system;
- lack of either board-level employee representation and financial participation
- the increasing role played by the new forms of work organization, with a strong managerial emphasis on the issues of workers individual and collective activation and participation , through different forms of informal and team work

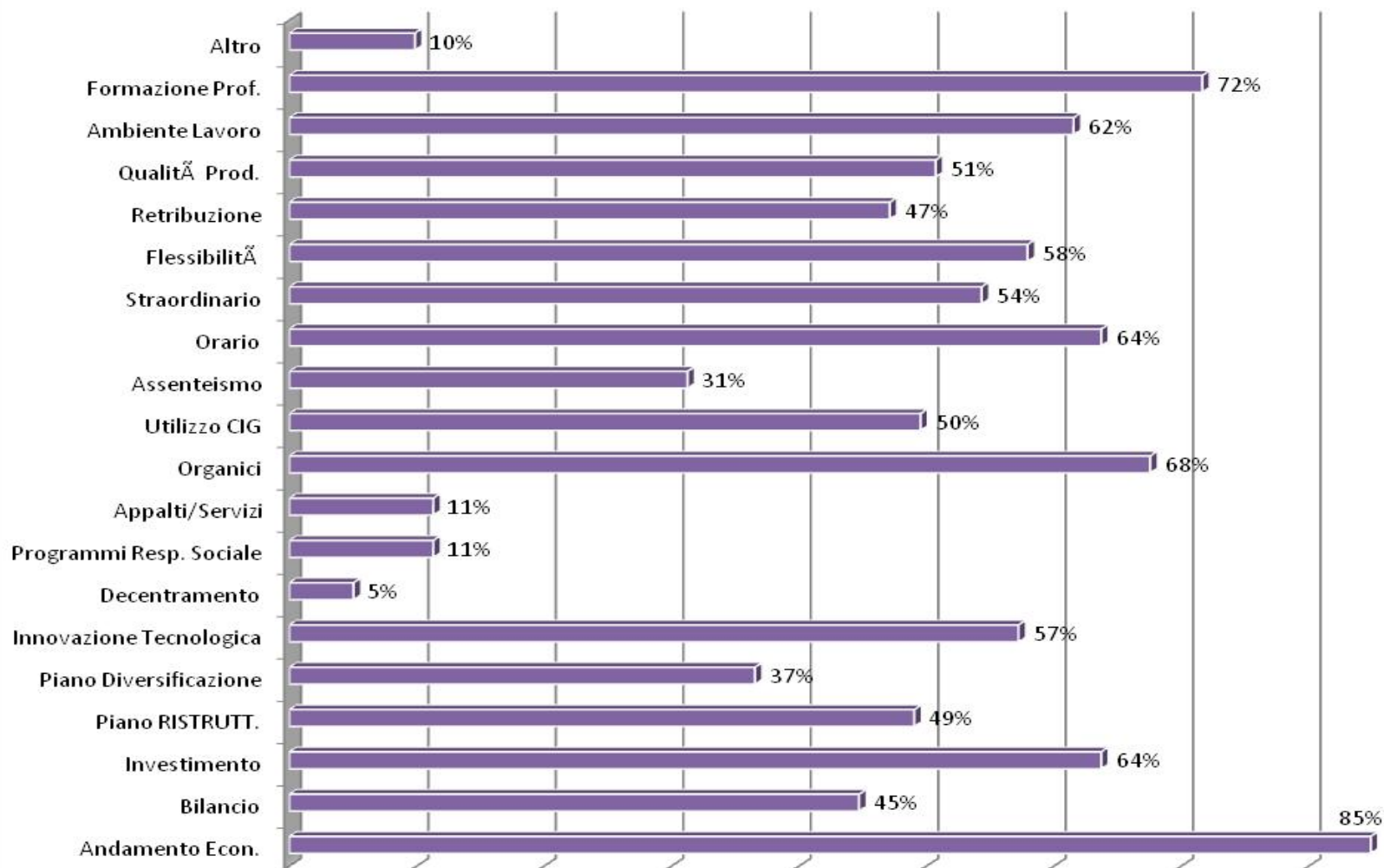
Firm-level agreements and their contents: a quantitative survey (OCSEL, 2014)

Istituti Contrattuali % ricorrenza delle materie
sul totale degli Accordi



Information and consultation (indirect participation)

Diritti di informazione e consultazione (singole voci)

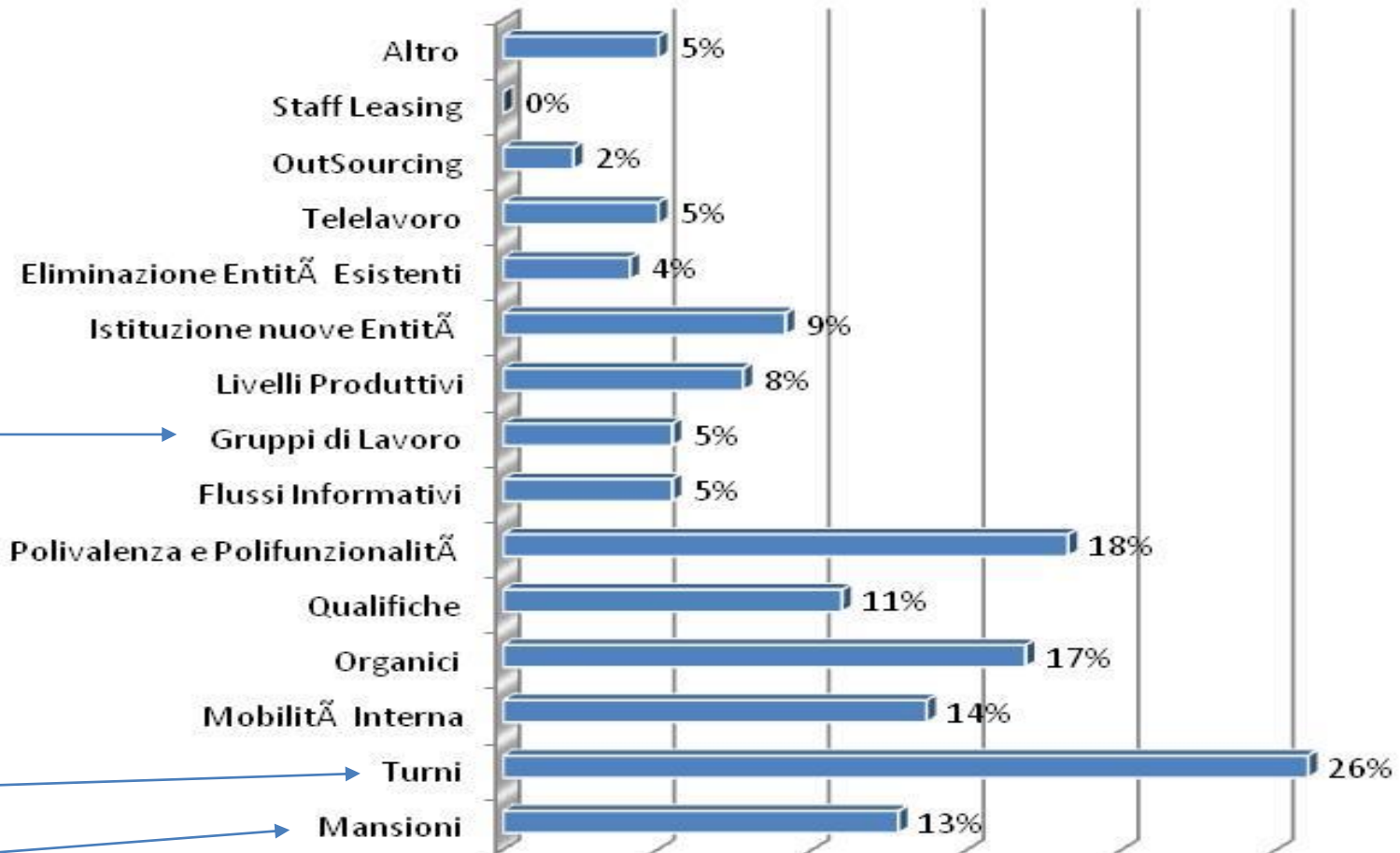


The issue of work organization: trends and details



Change-related issues

Contenuto del cambiamento



Best practices example

- **What?** A mixture of broad information and consultation rights, joint committees and occupational welfare schemes; community of practices; team-work; smart-working
- **Where?** FIAT/FCA, Finmeccanica, Magneti Marelli, Lamborghini, Ducati (metal), GD (packaging), ENI, ENEL (energy), Pirelli (tyre), Roche (pharma) Gucci, Luxottica, Furla (fashion), Barilla, Ferrero, Parmalat, Granarolo, Orogel (food), Telecom (TLC),

DP, HRM and the training and skill development

How: Companies schools and Corporate University

Target groups: the hierarchy closest to the production process, middle managers and team leaders

The aim: to form the "sharing some content that the company considers essential for those who must contribute to the implementation of the strategy, whether the company values or some specific skills".

How many and where: Alcatel-Lucent, Bosch, Coca-Cola; ENI; Hewlett-Packard; Media Market; Mediolanum, Nokia-Siemens, Pirelli, Telecom, Tenaris-Dalmine, Sirti, KPMG; Whirlpool.

Toyota Production System (TPS): just in time; Kanban, total productive management, zero-stock, zero-conflicts, etc..

Kaizen Institute active in Italy since 1985

Toyota Academy established since 2011

Toshio Horikiri, president of Toyota Engineering Corporation, consultant to spread the TPS in midsize businesses.

Yamashina (Kyoto University: consultant for Pirelli, Ansaldo and Indesit.

Today more than 200 large Italian companies have reorganized according to the logic of TPS. Especially in Lombardy: from Pirelli (tire) to Telecom (TLC), the Hoepli (editing) Eataly (food), Magneti Marelli (engineering) and Roche (pharma), the largest distribution services. chemical and mechanical contractors, such as Flexform, the Bticino, the Pomini Tenova; the Same, Iveco and OM.

Collective DP: the team working

Consultative

- It strengthens the communication and collective autonomy at work
- horizontal and non-hierarchical practices of sharing knowledge and skills to face and solve problems
- widespread in the small knowledge intensive start-up enterprises
- The 'productions island'; food industry (project FOX Made in Ferrero and Barilla) and fashion (Luxottica).

Delegative

It defines very precise functions, tasks, productive goals.

Not very widespread:

- a) through company collective agreements: the German companies operating in Emilia Romagna – Ital Design, Ducati and Lamborghini – and it happened,
- b) Without company agreements: Fiat/FCA: the team work was strongly supported by management

The FIM-CISL survey on the WCM at FIAT and new working conditions

The overall evaluation was positive but with significant variations from plant to plant

WCM brings benefits right away. You work better. But the work is tightened

- On job rotation, but "little practiced" ("I would like to rotate more")
- On the cognitive contents of the work,
- On the information and training system
- On participation in continuous improvement ("vast and enthusiastic membership")
- On improving the working environment (noise, cleaning, lighting)

"My job is less tedious" = 52%

Satisfaction with the company: "Fiat: a good place to work" (max Pomigliano = 97%),

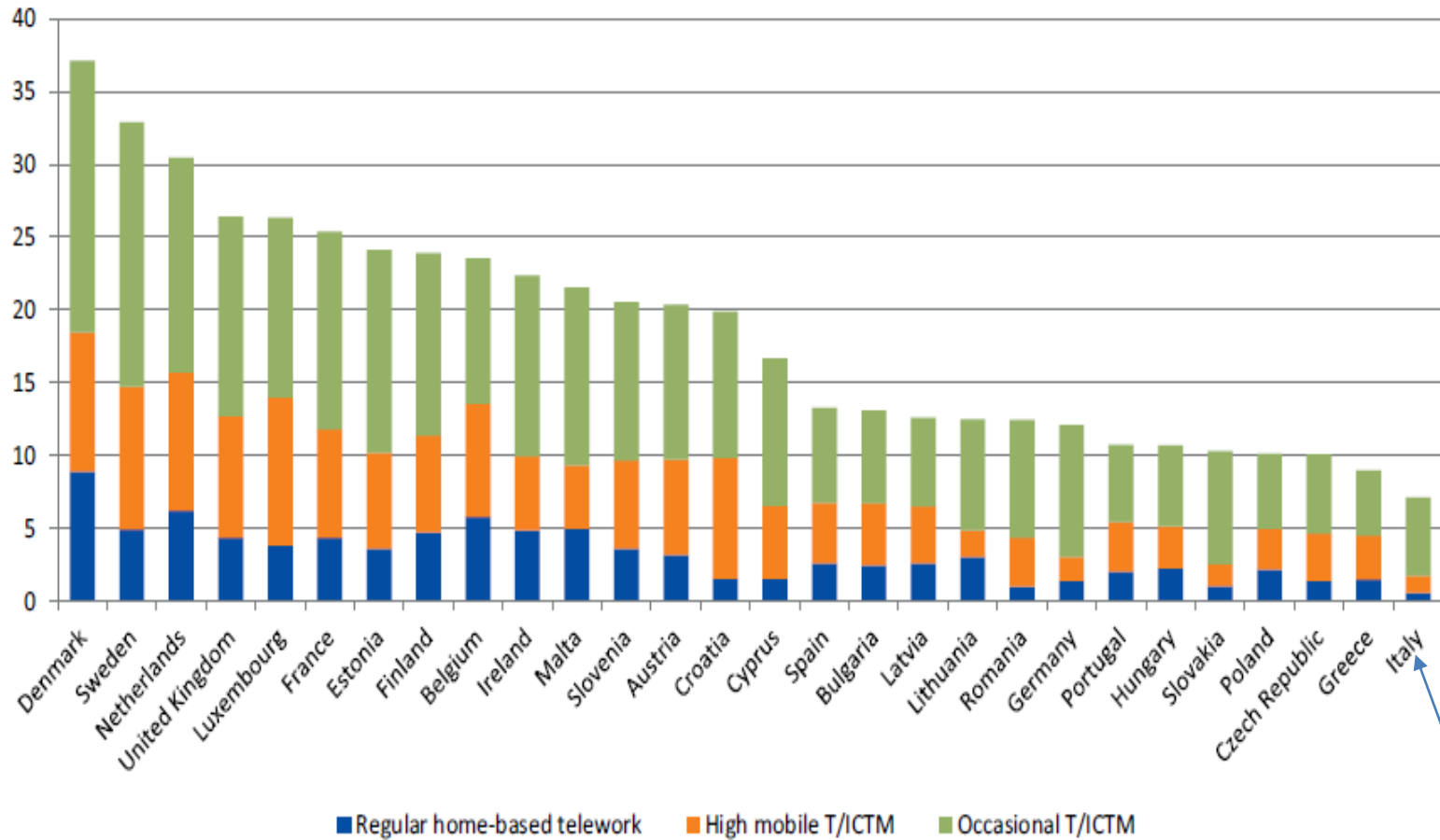
Major Critics:

- Low-skilled worker team;
- Little time team discussion (35%), little feedback to suggestions,
- Low premium satisfaction (only 23% positive),
- Narrower, less "porous" and more saturated times and rhythms ("It is no longer possible to distract")
- Power relations are not altered

Individual participation

- audit, workshops, focus groups, training, seminars (FCA)
- job rotation (OMB Brescia, engineering industry)
- personal solutions for the choice of work shifts and use of bank hours (widespread in more and more firms and sectors)
- smart and tele-working, where employee can agree with the management to work from remote one or more days a month (Nestlè; Vodafone; Tim; Italiana Assicurazioni, ZF Marine, Luxottica, Ikea, Endress-Hauser)

Smart-working: last in Europe



Source: EWCS 2015.

Fiscal incentives to bargain performance-related wage increase and welfare benefits

The Government is using de-taxation (10%) to foster firm-level collective agreements in order to enhance work productivity, innovation, occupational welfare schemes

Performance bonuses are conditional; outcomes have to be real, measurable and resulting from company or territorial collective agreements.

Collective agreements must define in detail objectives and parameters: increase of the production volumes, quality improvement of goods and processes, reorganization of working time and smart work, participation bodies.

Individual workers can voluntarily choose between wages increases and services or welfare benefits. Welfare benefits are exempted from social security charge

DP and outcomes for employees: in literature

“DP is good for workers”,

Mostly managerial, emphasizing workers enrichment and empowerment, greater job and satisfaction, social-psychological health, higher autonomy over tasks, self-directed operational outcomes, where workers can develop, share and apply their knowledge; (Bonazzi, Butera, Pero; the CISL' metalworking federation), in sharp discontinuity with the past

“DP is bad for workers”

Mostly scholars sympathetic with the labour movement, emphasizing intensification of work process, more workload, stress and pressure; self-exploitation (Rieser, Cerruti, Garibaldo, Capecchi, Sai). Autonomy paid at a high price, in pressure and stress. The total value-based normative integration and identification of work into the capital culture and firm's goals, in substantial and more powerful continuity with Taylor-Fordism.

The social partners view on DP

The managers

It improves the organizational behavior and outcomes in terms of efficiency, productivity and added economic value, with enhancing:

- increase staff motivation; workers' commitment to produce more and better; reducing absenteeism, grievances, accidents
- a more precise identification and reduction of wastage of materials and human resources (worked hours, energy, breakdowns, quality defects, etc.);
- a more efficient management of technologies, production flows and the man / machine relationship;
- a faster implementation of new organizational models and new technologies

The trade unions

- Different ideological and historical backgrounds, among the organizations (FIM and CISL more dispositive; FIOM and CGIL careful to the “dark side” of DP)
- DP a good thing if involving shop stewards and works councils;
- Very risky if used to elude or marginalize them, as when the team leader takes the place of the shop stewards as the direct medium between management and on-line workers

The Protocol of CGIL, CISL, UIL (14 Jan. 2016) for “a modern system of industrial relations”

Aim: an economic development based on innovation and quality of work”, focusing **on three main pillars** to set of new rules on

- collective bargaining,
 - representation,
 - **participation**
-
- **Three types of participation**
 - A) corporate governance (BLER)
 - B) financial (ESOP)
 - C) organizational (EPOC):** for SMEs «with contributing to the innovation of production processes and job qualification»

Some final remarks and questions

How many employees can be said to be really involved into new enriching and empowering forms of work organization and DP? We're likely coping with a deep polarization into the LM and working conditions

DP: a collectively agreed change in work organization or just a unilateral HRM tool and strategy? Complementary or alternative to indirect/representative participation?

Is it a really win-win perspective, between management and employees? Or just the last, and more sophisticated step through which integrally mobilize and valorize the human factor?

Which risks of disintermediation, de-collectivization and individualization of employment relationships?

Is there any link between DP and corporatization of industrial relations and ongoing pushes for dis-organized collective bargaining?

Can we ignore that such a changes are going hand-in-hand with a powerful process of casualization of the work contracts and employment replationships?

What's the meaning of DP in times of digitalization and industry 4.0; of huberization and Gig economy; but also of co-working and sharing economy? How the labour-management are developing and challenging the issues of employee autonomy and participation?