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# The role of collective bargaining in addressing flexibility and security

European Journal of

Industrial Relations

2017, Vol. 23(4) 329–346

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DOI: 10.1177/0959680116687091

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## Abstract

This article examines the role of collective bargaining in addressing flexibility and security in the chemical and pharmaceutical sector in Italy and Denmark. My multi-level and comparative focus on collective bargaining highlights that sector-level industrial relations institutions account for a considerable degree of within-country homogeneity in the content of company agreements over issues of flexibility and security. Moreover, it shows that the degree of company-level heterogeneity is conditioned primarily by firm-level contingencies: union representation and organizational characteristics. This means that at company level, both institutional and non-institutional structures are important explanatory variables.

## Keywords

Bargaining coordination, chemical and pharmaceutical sector, Denmark, flexibility, flexicurity, Italy, multinationals, power relations, security

## Introduction

This article explores the impact of collective bargaining on flexibility and security policies at both sector and company level within chemicals and pharmaceuticals, a major manufacturing industry exposed to strong international competition and with a long history of collaborative industrial relations.

My study makes a twofold contribution to academic research. First, it sheds light on the role of sectoral and company-level actors and institutions in shaping regimes of flexibility and security, thereby enlarging the scope of comparative institutional analysis beyond national institutions. Second, it shows how, in both countries selected for analysis, Italy and Denmark, the state has played a crucial albeit very different role through social welfare and legal regulation in shaping the context in which they interact. In Italy, unemployment benefits are low but protection against dismissal is relatively high (Colombo and Regalia,

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2014). Conversely, in Denmark, there is a generous welfare system which allows different types of workers to enjoy security rights, while minimal legal employment regulation provides a high level of flexibility (Ibsen and Mailand, 2011). Hence, Denmark is often considered a ‘best case’ of flexicurity. A cross-national comparison between these two countries helps us to understand how far differences in national institutional features influence the agenda of the social partners on flexibility and security.

I adopt sector-level institutions as my analytical starting point, assuming that companies and workers belonging to the same industry experience similar technologies and market environments and therefore also similar demands for flexibility and security (Marginson and Sisson, 2006). In addition, the decision to focus on both the sector and the company widens the scope of the investigation to the actors and institutional configurations that frame local bargaining (Pulignano et al., 2016). Finally, as institutions may enable and constrain policy choices while never fully determining them, I highlight the role of firm-level contingencies and their interplay with the resources available to actors (Meardi et al., 2009; Pulignano et al., 2016).

I review the literature on the missing link between flexicurity and collective bargaining, before introducing the rationale for a multi-level comparison of industrial relations institutions. I then present research findings on the role of sectoral and company-level collective bargaining and draw the implications for issues of flexibility and security at both levels. My study confirms that collective bargaining represents an important source of both flexibility and security for the labour market. Moreover, it demonstrates that bargaining arrangements interact at the macro level with national institutional features, explaining the degree of *within-country* homogeneity in the content of collective agreements on flexibility and security; whereas at the micro level, they interact with local power contingencies – both union representation and organizational structures – accounting for *cross-company heterogeneity*. Thus, the multi-level approach applied in this study highlights differences and similarities not only across countries, as most traditional comparative analysis has done (Heyes, 2011; Viebrock and Clasen, 2009), but also *within countries* (Pulignano and Keune, 2015).

## **Engaging with flexicurity across bargaining levels: a review of the literature**

Advocates of flexicurity assume that it is possible to reconcile labour market flexibility with employee security. However, successful implementation has proved ‘elusive’, and the concept has been subjected to increasing criticism (Heyes, 2011; Viebrock and Clasen, 2009). Burroni and Keune (2011) suggest that flexicurity deserves more nuanced investigation. Within the same country, sectors and companies can respond in different ways to similar trends, since they may be equipped with different levels of skills, different institutions and different degrees of unionization. As a result, the effects of national arrangements are likely to vary by territory, sector and enterprise. Moreover, nation-states are not alone responsible for shaping regimes of market flexibility and protection against uncertainty (Hyman, 1991). Collective bargaining occupies an intermediate position between law and market, and involves agreements which enhance both employment and competitiveness. Ibsen and Mailand (2011), and Marginson and Galetto (2016) have established a

clear link between sectoral collective bargaining and flexicurity, while Pulignano et al. (2016) have demonstrated that such links also exist at company level. As yet, no studies have combined findings at both levels so as to explore how far the substantive and procedural rules included in sectoral agreements are reflected in the content of firm-level negotiations. Hence, my primary objective is to investigate the role of both sectoral and company-level bargaining, and the relationship between them, in addressing flexibility and security across countries.

### *Flexicurity as an analytical instrument*

Wilthagen and Tros (2004) define flexibility and security as multi-dimensional concepts. They identify four different forms of flexibility (external, working time, functional and wage) and four forms of security (job, employment, income and combination). Together, they give rise to 16 possible configurations. With some of these, management and union interests may coincide, creating the possibility for 'integrative bargaining' (Walton and McKersie, 1965). However, the extent to which negotiators translate such potential into win-win outcomes depends on both the *institutional framework* and the *actual situation* in which negotiations take place.

Recent studies have thrown some light on these two factors. Ibsen and Mailand (2011) observe that differences in institutional frameworks reflected in sectoral bargaining arrangements are likely to result in cross-country variation in the manner and extent to which items of flexibility and security feature on the bargaining agenda, but that win-win outcomes are indeed possible. As for the actual situation in which negotiations take place, Pulignano et al. (2016) confirm that there are factors, in addition to institutions, that influence the nature of flexibility and security trade-offs. Exploring these issues in the metalworking sector, they found a correlation between two non-institutional variables, *intensity of market competition* and *level of cross-border integration*, and the ability of unions to participate in the definition of company flexibility and security strategies. With low market competition and high vertical integration, companies are likely to undergo significant cost-efficiency pressures. Organizational configurations, market and technological contexts will influence the extent to which unions can leverage collective resources and participate in the definition of different forms of flexibility and security.

Although recent studies have thrown some light on these factors, little is known about the interaction between sectoral and company-level actors and institutions, and between the institutional and the non-institutional dimensions. Thus, my central questions are, first, to what extent and how do sectoral collective bargaining arrangements in different countries influence the way in which flexibility and security enter company-level bargaining agendas, and what are the implications for the actors involved? Second, how far does the interplay between collective bargaining arrangements and firm-specific variables affect the nature of flexibility and security outcomes?

### **Multi-level research**

My research design reflects the multi-level nature of the study, where sectors are compared within their national contexts and companies within their sectoral contexts. Despite

their different institutional frameworks, Italy and Denmark share important elements of similarity, such as a multi-employer bargaining system and coordinating mechanisms between bargaining levels. But it is also possible to explore *differences* in the role of sectoral and company-level bargaining arrangements, and the relationship between them, in addressing issues of flexibility and security.

Factors such as market stability and high skill levels and productivity make chemicals and pharmaceuticals an opportune sector for research. While affected by the 2008 economic crisis, the industry has remained relatively stable, a fundamental precondition if the economic crisis is to be excluded as a determinant in the research. In Italy, the sector is well organized on both employer and union sides, and collective bargaining covers both smaller and larger companies. The comparison with chemical and pharmaceutical companies in Denmark, which are covered by the sectoral agreement and have a high level of union representation, therefore holds a number of factors constant.

Empirical research involved four company case studies. Studying two plants in each country allowed an assessment of whether common sectoral institutional arrangements permitted different patterns of behaviour across companies, and also enabled the development of a deeper understanding of the role of contingent demands when social actors shape their agendas on flexibility and security at local level (Arrowsmith and Marginson 2006; Morgan, 2009; Pulignano and Keune, 2015). A range of secondary sources was also utilized.

Sector-level data provide a crucial element of the context within which company negotiations take place. Accordingly, the first stage of fieldwork involved 16 semi-structured interviews with employer organizations and union representatives. In addition, all sectoral agreements signed between 1998 and 2014 were content-analysed. The resulting categories were coded according to their contribution to flexibility and security, as already tested by Ibsen and Mailand (2011), and Marginson and Galetto (2016). The second stage of fieldwork involved 14 semi-structured interviews with key negotiators in four large manufacturing plants of four different multinational companies which, in order to preserve anonymity, I name *Impresa 1* and *Impresa 2* (in Italy) and *Firma 1* and *Firma 2* (in Denmark). Firm-level agreements signed between 1998 and 2014 were also analysed, along with annual reports, information briefings, minutes of meetings, and press releases.

### *Company structure and product markets*

*Impresa 1* is organized on a continuous process basis and 400 highly skilled employees are involved across a variety of activities. It is a subsidiary of an international and vertically integrated multinational company which employs 35,000 people in 37 countries. It manufactures the world's largest and most diversified portfolio of alcohols and surfactant derivatives. More than 3000 buyers rely on its products, and over time, this company has gained a strong competitive position in the global market. However, benchmarking activities exert strong rationalization pressures on individual sites and keep internal competition for investment high.

*Impresa 2* employs between 650 and 700 highly skilled workers. It grew enormously after a global restructuring exercise led to the relocation of a significant share of European production to the Italian site. It is a subsidiary of a global pharmaceutical company

employing 28,000 workers across 17 countries. Less than a decade ago it divested all its peripheral activities, becoming research-intensive. It now operates under a single value chain with patented and highly diversified products. The company relies on an external model of business development which imposes medium- to short-term financial targets. As a result, manufacturing plants are subject to constant fluctuations in production.

*Firma 1* is a big multi-functional site employing 600 skilled and highly skilled workers. It is a subsidiary of a global pharmaceutical company, headquartered in Denmark. It is wholly owned by an independent foundation which aims to ensure a stable and long-term basis for the company's development. It has more than 5000 employees in 61 countries and relies on a portfolio of highly diversified products. Since 2010, it has set up 11 new divisions, increased its headcount by 60 percent and gained a leading position in its product market.

*Firma 2* employs both skilled and highly skilled employees. It is a subsidiary of a global pharmaceutical company headquartered in Denmark, employing 40,000 employees in 75 countries. It has a dominant market position, supplying 180 countries across the world and controlling 48 percent of its product market. A strategy of internal growth and massive investment in research and development seeks to ensure long-term profitability. In Denmark, more than 8000 employees are involved in different activities across different divisions. Manufacturing plants supply the global market and exports account for 99 percent of total sales.

It is worth stressing that on the independent variables identified as relevant to flexicurity outcomes by Pulignano et al. (2016) – degree of internationalization, type of integration, product market, capital intensity, skill levels – there are no significant differences across the four companies. Market competition was relatively low in all cases, but lowest in *Firma 2*.

## **The Danish and Italian chemical and pharmaceutical industries**

The chemical and pharmaceutical sectors in Denmark and Italy have similar two-tier bargaining systems and coordination mechanisms governing the relationship between levels. The sector is the most prominent bargaining level and sets the framework within which company negotiations take place. However, there are fundamental differences between the role of the state in the two countries, with important implications for whether and how issues of flexibility and security enter onto the sector-level bargaining agenda.

In Denmark, employers' associations and unions are empowered in their regulation of the labour market by a minimal legal framework. There are no formal limits to the items on the bargaining agenda, flexibility and security included. Conversely, in Italy, the legal framework both provides universal minimum employment standards and assigns collective bargaining the role of supplementing, derogating and substituting existing regulations. While the complementary relationship between labour law and collective bargaining legitimizes the social partners as political interlocutors and policy-makers, it also implies that they are not the only labour market actors. In addition, in Italy social benefits are differentiated, with separate programmes for private and public sector employees and almost no protection for self-employed and temporary workers. There are no universal entitlements or minimum income schemes, and active labour market

policies are not well developed. As a result, incomes are secured through relatively high levels of legal protection against individual dismissal; there are few incentives to external mobility including up-skilling and re-skilling; and active labour market policies tend to be ineffective. By contrast, the Danish welfare system guarantees high inclusivity: there are universal benefits and high unemployment benefits compensate for the low level of statutory employment protection. As this is primarily provided by collective agreements, sectoral social partners in Denmark play a much more active role in shaping labour market policies than in Italy. Such autonomy is reflected in the scope of their bargaining agenda. I anticipate that where national labour law is more encompassing, collective bargaining and social dialogue will engage less with flexibility and more with security, since the law reduces the scope for some forms of contract-based flexibility – in particular external flexibility. In contrast, where social welfare is more developed, collective bargaining and social dialogue engage less with security and more with flexibility, because the security dimension is already covered by the state.

Furthermore, the articulation mechanisms that govern the relationship between bargaining levels function differently in Italy and Denmark. In both countries, articulation occurs primarily through *demarcation*, which means that sectoral and company-level negotiators act within different, albeit coordinated, spheres of competence. However, in Italy, the procedures setting the basis for this demarcation are established by a series of interconfederal agreements; but as decentralization has increased, the sectoral social partners have started to *delegate* new competences to company negotiations. As a result, demarcation has become more blurred, with overlapping competences at the sectoral and company levels. In contrast, demarcation in the Danish industrial sector has always been provided by sectoral collective agreements, meaning that negotiators are free from any interconfederal interference. They are therefore more autonomous than their Italian counterparts. Furthermore, in the Danish chemical and pharmaceutical sector, company negotiations have always been an integral element of the collective bargaining system, while in Italy these have played a secondary role.

In Italy, industry-wide agreements are routinely generalized by extension procedures, and sectoral bargaining covers about 80 percent of the workforce (Pedersini, 2014), but company agreements cover only between 30 and 40 percent (Cella and Treu, 2009). In Denmark, by contrast, coverage at sector level is reproduced at the firm level, 70 and 77 percent, respectively (Ilsøe, 2012), thanks to a widespread presence of shop stewards across companies. This suggests that the *depth* of the bargaining system (Clegg, 1976) – the coherence of the structures underpinning collective bargaining at different levels – is higher in Denmark than in Italy. It follows that within the Italian chemical and pharmaceutical sector there is a lower degree of union coordination between bargaining levels, union bargaining power and shop steward autonomy. Hence, I anticipate that different articulating mechanisms governing the relationship between sectoral and company levels influence the scope of company bargaining over issues of flexibility and security.

## Sector-level findings

Table 1 summarizes the analysis of outcomes of collective agreements in Italy and Denmark, using the four types of flexibility and security specified by Wilthagen and Tros

(2004) and addressing each of the seven flexibility and security categories identified within the literature on flexicurity. It also distinguishes between provisions addressing flexibility, security, or a combination of both. In both countries, there is considerable bargaining activity over flexibility and security, confirming that the institutional configuration of the sector conditions the scope of negotiations on these issues.

The analysis reveals, first, that collective bargaining covers flexibility and security, both in Italy and Denmark, and that negotiations lead to a variety of flexibility and security trade-offs. However, whether agreements address one form of flexibility and/or one form of security varies across the seven substantive categories. In particular, it emerges that *internal* forms of *flexibility*, primarily *functional* and *working-time* flexibility, are more prominent than external forms. This shows that collective bargaining serves the demands of the chemical and pharmaceutical sector well, for example, providing a highly skilled and multi-functional workforce, deployable on a continuous basis. This occurs in both countries, though in Italy, because of complementarity between the law and collective bargaining (on issues such as *training* and *provisions for atypical workers*), the scope for flexibility is less extensive than in Denmark.

Turning to security, the most original finding is that *job security* in the Italian chemical and pharmaceutical sector has entered the collective bargaining agenda, confirming that when external rigidity is provided on the basis of status-like employment, collective bargaining is more likely to foster mobility in the internal rather than the external labour market. The findings also show that when skills represent a source of competitive advantage, as in this sector, employers develop more incentives to invest in and retain employees and unions gain more capacity to push job security onto the bargaining agenda. However, in Denmark, the relatively high unemployment benefits provided by the state have reduced the unions' interest – in engaging with this particular issue. Therefore, *job security* is the only form of security that did not feature in the Danish collective agreements.

Second, although they share a similar institutional configuration at the sector level, the social partners in Denmark and Italy appear to have different capacities (and autonomy) not only to address issues of flexibility and security but also to negotiate a variety of trade-offs between these two issues. This result is consistent with my assumption concerning the interaction between bargaining institutions and national institutional features, which conditions the agenda of sectoral collective bargaining over flexibility and security. Specifically, high unemployment benefits combined with active labour market policies enable the social partners in Denmark to engage with flexibility and security both in the external and the internal labour market. As a result, they are able simultaneously to meet employers' short-term needs and employees' demands for up-skilling and re-skilling. By contrast, in Italy, the law reduces the scope for external flexibility while enhancing job security, so that the social partners have more options to address flexibility and security in the internal rather than in the external labour market, as well as a reduced capacity to produce certain flexibility and security trade-offs.

Third, however, the effect of institutional interdependences across levels is complex. In Italy, the law plays an important role in shaping the outcomes of negotiations not just over security but also over flexibility. It does so by reducing the scope of the bargaining agenda and limiting the extent of the social partners' autonomy when engaging with

**Table I.** Outcomes of sectoral agreements on flexibility and security.

Categories	Agreement	Flexibility	Security
Pay	(IT 2002): Introduction of guaranteed payments in companies where no negotiations take place (DK): Minimum thresholds for company-level bargaining	Wage	Income  Income
Training and education	(IT 2006): Extra 1.5 days for training  (DK 2004): 2 weeks' training for dismissed employees	Functional	Job (core) + employment (temporary) Employment
Working time	(IT 1998): Overtime can be accumulated and used as personal time off (DK 2000): Working-time flexibility on a voluntary basis: involvement of shop stewards needed	Working time  Working time	Combination  Combination
Job demarcation	(IT 2009): Reform of job classifications	Functional	Income
Social benefits	(IT 2002): Integrative Health Insurance (DK 2004): Pension harmonization for white- and blue-collar		Combination  Income + combination
Provisions for atypical workers	(IT 2002): Clauses specifying circumstances, restrictions on use and quotas for temporary workers		Job
Measures for employment	(IT 2006): More flexible clauses to deploy atypical workers in the south  (DK 2012): Period for seniority entitlements (when re-entering employment) reduced	External	Employment  Income + combination

these particular issues. In contrast, in Denmark, a minimal legal framework and a generous welfare system enable the social partners to have a direct impact on the regulation of *both* flexibility and security. Furthermore, the degree of autonomy afforded to the social partners in Denmark means that they have the capacity to adjust their respective agendas in response to unanticipated changes. This they have engaged with different forms of flexibility *and* security, not primarily with flexibility.

In what ways do the articulating mechanisms governing the relationship between sectoral and company levels influence the scope of company bargaining over issues of flexibility and security in Italy and Denmark? Pay is determined at interconfederal level in Italy, as is the case with job classifications, but with derogation clauses at sectoral level allowing company agreements; in Denmark, this is a sectoral responsibility. In both countries, training and working time are determined primarily at



sectoral level, but delegated to company negotiations. Provisions for atypical workers, social benefits and entitlements and employment-creation measures are bargaining issues only in Italy, where they have been delegated to company negotiators. These mechanisms of procedural flexibility shape the content of company bargaining over flexibility and security. It can be expected that in Italy, all seven substantive categories will be on the agenda of company negotiators: at interconfederal level as a result of demarcation (*pay and job classifications*) and at sector level as a result of delegation (*training, working time, provisions for atypical workers, social benefits and entitlements, and measures for employment*). By contrast, only *pay, training, and working time* are normally covered by company negotiations in Denmark, because only these issues are explicitly covered by demarcation. However, in Denmark, demarcation occurs only at sectoral level, meaning that at company-level managers and shop stewards have exclusive prerogative over such issues. Here, *training* (in 2007) and *working time* (in 2000) have both been the subject of opening clauses allowing local actors to reduce the minimum terms and conditions set out at sectoral level. This means that the two-tier bargaining system has experienced a growth of procedural flexibility in both countries.

### **The role of company collective bargaining in addressing flexibility and security**

The sector-level analysis demonstrates that on the procedural aspects, Italy and Denmark display both similarities and differences. First, they both possess multi-employer arrangements and two-tier bargaining systems. Second, in both countries, decentralization occurs in a controlled fashion. However, in Italy, demarcation is provided by interconfederal agreement while in Denmark by agreement at sector level. Third, mechanisms of articulation based on demarcation and delegation are present in both countries. Yet in Italy, sector-level delegation is significantly more important than in Denmark, and sector-level social partners have made a shift from decentralization through demarcation to decentralization through delegation. Accordingly, the competences of company-level bargaining on issues of flexibility and security are greater in Italy. Whereas in Denmark, sector-level demarcation limits the scope of firm-level bargaining on flexibility and security to pay, working time, and training, in Italy sector-level delegation (provided by opening clauses and derogations) covers all seven substantive categories.

As discussed above, recent studies have demonstrated that in addition to institutional variables there are other factors that, by shaping power relations between actors, influence the outcomes of negotiations within and *across* multinationals (Ferner et al., 2006; Marginson and Meardi, 2012; Pulignano and Keune, 2015). I anticipate that a high degree of global competition, high vertical integration and a low level of product differentiation increase the scope for inter-site benchmarking within multinationals, which in turn increases internal competition for resources and reduces the likelihood of each operation maintaining a strategic role towards human resource (HR) management. The lower the level of autonomy available to subsidiaries, the less likely it is that HR managers and shop stewards will be able to control costs by exchanging flexibility with different forms of security.

## Company-level findings: comparisons across and within Italy and Denmark

Table 2 shows the categories of flexibility and security which have been the object of negotiations across the four manufacturing plants investigated and indicates whether the provisions have enhanced flexibility and security, and if so which forms.

As anticipated, the issues of *pay*, *working time* and *training* have entered local agreements across all four of the manufacturing plants as a result of the procedural mechanisms (demarcation and/or delegation) provided by the sectoral agreements in both Italy and Denmark. *Job classifications* and *provisions for atypical workers* are items for negotiation only in the Italian plants. In these companies, the centralized wage bargaining system obliges local social partners to adapt employees' career paths to a remuneration strategy and the sectoral agreement provides companies with the option of modifying the percentage of atypical workers through local-level bargaining.

Moreover, as Table 2 demonstrates the mechanisms of procedural flexibility are not the only factors which condition whether and how flexibility and security are bargained at the company level. For example, it was anticipated that *measures for employment* would be an object of firm-level negotiations only in Italy, where it is *de jure* covered by sector-level delegation. This proved not to be the case. In the Danish companies, this issue has *de facto* entered onto the negotiating agenda. This can be explained in two different ways. First, in Italy, the 2009 interconfederal agreement (which reformed the 1993 Protocol on incomes and employment policy and on bargaining arrangements) has produced uncertainty over bargaining competences, reducing the scope for flexibility and security in both *Impresa 1* and *Impresa 2*. The category *measures for employment* was included in the 2012 sectoral agreement with the specific objective of coping with the dramatic effects of the latest economic crisis; decentralization (temporary derogations included) was seen as an opportunity for local actors to enhance employability and competitiveness in the industry. However, an ambiguous normative framework, coupled with a low presence of union representatives in the two companies (50% and 30%, respectively) discouraged managers and shop stewards from engaging further with this issue:

The problem we face is that such a decentralization of collective bargaining [as fostered by the 2012 sectoral agreement] is not recognised. Thus we [HR managers] lack legal certainty and litigations are lengthy. We need to see how the jurisprudence evolves on these issues [further decentralization] and the judgments issued, before being sure we can actually engage with new competences. (Impresa 2 HR director, June 2013)

We deal with the fact that there is a lack of employee representation, thus negotiations have become very difficult and unstable. Union representatives know perfectly that they have lost consensus, this is why they tend to subject the content of our collective agreements to a referendum. If employees do not agree with it, are we supposed to start over again? (Impresa 1 HR director, December 2011)

If an RSU [*Rappresentanza sindacale unitaria* workplace representative body] signs an agreement without carefully considering the consequences, it could significantly damage

**Table 2.** Agreement provisions enhancing flexibility and security at company level.

Categories	Agreement	Potential flexibility	Potential security
Pay	(Impresa 1) Short-time incentive scheme	Wage	
	(Firma 2) Pay bargaining	Wage	
Training and education	(Impresa 2) Introduction of new job profiles	Functional	Job
	(Firma 2) Vocational training		Employment
Working time	(Impresa 1) Extended scope for on-call work	Working time	Combination
	(Firma 1) Multi-flexible production	Working time	Combination
Job demarcation	(Impresa 1) New job profiles	Functional	Income
Social benefits	(Impresa 1) Company welfare fund		Combination
	(Firma 1) Seniority entitlements		Income
Provisions for atypical workers	(Impresa 2) Use of agency workers for new production line (2004)	External	Job (core)
Measures for employment	(Firma 2) Job transfer centre for re-training and job placement		Job

employees. ... It is better to leave some matters to those who can deal with them [national officials]. (Impresa 1 RSU Delegate, Filctem-Cgil, December 2012)

Second, where company-level actors are confident about the outcomes of their interactions, as in Denmark, sector-level provisions are not always necessary for company negotiations over flexibility and security to take place. By acting within a clear legal framework and relying on a strong mandate, local social partners – especially unions – feel legitimated in addressing issues that fall outside the direct scope of the sectoral agreement. Hence, strengthened by their autonomy, shop stewards in Denmark are better equipped than their Italian counterparts to react to unexpected changes in economic conditions. Similar considerations apply to bargaining over *social benefits and entitlements* that has *de facto* entered into collective agreements at both *Firma 1* and *Firma 2*, despite the lack of *de jure* mechanisms at the sector level:

We want to bargain at the local level! Because we believe that the industry agreement is not as good, and we can make it better. (Firma 1 Dansk Metal, July 2014)

If you take the sector agreement [it] is good to have it, and it is important and necessary to have it, but it really is something in general terms; and you have the possibility to make it more detailed and better, if you have local negotiations. (Firma 2, HK-Privat, November 2013)

I think most of the things are negotiable, and these things are increasingly so. But we have a clear sense of what we can do. (Impresa 1 HR manager, July 2014)

Thus, while sectoral provisions do indeed shape negotiations on flexibility and security at the firm level, these are neither necessary nor sufficient conditions. The lack of interference from higher institutional levels and the presence of employee representatives at the company level prove to be equally significant. First, they persuade shop stewards either to accept, as in Denmark, or resist, as in Italy, the delegation of additional bargaining competences. Second, they reduce, as in Denmark, or increase, as in Italy, the risk of *representation problems* occurring, in particular those linked to management questioning the mandate of shop stewards. One can conclude that by relying on a wider degree of autonomy, company-level actors in Denmark have more opportunities than in Italy to take advantage of institutional resources.

Finally, Table 2 shows that whether company agreements address primarily only one type of flexibility and/or one type of security not only varies across the seven categories but also across the four manufacturing plants under focus. Specifically, those involving provisions on *pay* concern wage flexibility in *Impresa 1*, *Firma 1* and *Firma 2* and wage flexibility and job security in *Impresa 2*. Those addressing *working time* involve working time flexibility in *Firma 1* and *Firma 2*, working time flexibility and combination security in all the plants, and working time flexibility and job security in *Impresa 2*. Provisions on *training* address functional flexibility and job security in *Impresa 1* and *Impresa 2*, functional flexibility and employment security in *Impresa 2* and *Firma 1*, functional flexibility and income security in *Impresa 2*, and only employment security in *Firma 2*. Provisions on *job classifications* address functional flexibility and income security in *Impresa 1* and *Impresa 2*, whereas *provisions for atypical workers* address external flexibility and employment security and external flexibility and job security in *Impresa 2*. The category *social benefits and entitlements* addresses combination security in all the four plants and income security only in *Firma 1* and *Firma 2*, while the category of *measures for employment* addresses income and employment security in *Firma 1* and only job security in *Firma 2*. Thus, when looking at the nature of flexibility and of security addressed by each of the seven categories across the four companies, institutional factors only partially result in common patterns. While the data confirm that articulation mechanisms suggest particular categories to the local-level actors for negotiation, it is unclear whether they also account for the types of flexibility and the types of security, and trade-offs between these, that are actually addressed by the collective agreements.

In order to understand how far firm-specific characteristics account for the content of company-level agreements, the four multinational companies need to be reviewed. It is worth recalling that on the five independent variables identified as relevant (Pulignano et al., 2016), no substantial differences emerge across the four companies investigated. This underpins the argument that follows.

*Impresa 1*, being part of a *highly internationalized* and *vertically integrated* organization, is subject to global benchmarking which increases cost-efficiency pressures. Here, social partners respond to the challenges deriving from intra-site competition by allowing productivity and market-led considerations onto their bargaining agendas. As a result, flexibility is expected to be particularly strategic to the plant. Meanwhile, other

organizational characteristics, such as a medium-to-low level of *international competition*, a *differentiated product* portfolio, *capital-intensive production* and *high skill requirements*, allow local HR managers to retain a certain amount of autonomy in choosing how this flexibility can be injected, including through collective bargaining. In this context, shop stewards may leverage institutional resources to shape compensating forms of security.

*Impresa 2* is also part of a global organization that is both *highly internationalized* and *vertically integrated*, and its financial performance is closely monitored by the global headquarters. Data show that in this company, global management uses cross-site coordination to ensure that there is consistency in the way in which the different products are incorporated along the value chain and that this occurs in the most effective way. In addition, a growth model involving primarily strategic acquisitions in the area of research and development (backward vertical integration) exposes *Impresa 2* to both fluctuations in production and high risks of relocation. Thus, demands for flexibility are expected to put local HR managers under significant pressure. Like *Impresa 1*, however, *weak-to-medium international competition*, a *highly differentiated product market*, *capital-intensive production* and the *need for a multi-skilled workforce* are likely to increase the unions' ability to enhance security in exchange for concessions on flexibility.

*Firma 1* is part of a *vertically integrated* and fast-growing *international organization*. As with *Impresa 1* and *Impresa 2*, financial targets are expected to be set by the global headquarters, pushing local HR managers to save costs by increasing levels of flexibility. However, data show that the degree of *international competition* to which this multinational is exposed is not strong because of the leading position it has gained in its product market. Thus, global management has become less preoccupied with imposing common work patterns across production sites. Moreover, in a context where *highly specialized* and *capital-intensive production* processes coexist with a *skilled workforce*, there is a relatively low risk of relocation. As a result, unions are likely to use collective bargaining to accommodate HR managers' requests for flexibility in exchange for different forms of security.

In *Firma 2*, a *high degree of vertical integration* and *internationalization* also exert cost-effectiveness pressures, and local HR managers use flexibility in a strategic way. However, the fact that this company faces relatively *low international competition*, that most production occurs in Denmark and that 99 percent of products are sold in the global market is expected to mitigate the effect of intra-site competition, providing local social partners with a large degree of autonomy. In this context, *capital-intensive production* and the need to retain *highly skilled employees* further reduce pressure on the bargaining agenda, allowing shop stewards to enhance security independently of HR managers' requests for flexibility.

By comparing the different forms of flexibility and security enhanced through collective bargaining across the four manufacturing divisions (Table 3), it is possible to grasp the extent to which firm-specific variables account for the outcomes of negotiations.

When examining the relationship between firm-specific variables and the outcomes of collective bargaining over flexibility and security across the four production plants, three relevant findings emerge. First, the combination of a *high degree of internationalization* and *vertical integration* pushes issues of flexibility onto the collective bargaining

**Table 3.** Outcomes of company-level collective bargaining on flexibility and security.

	Flexibility	Security	Flexibility + security
<i>Impresa 1</i>	Wage (2002, 2015) Working time (2010, 2015)	Combination (2005, 2015)	Working time + combination (2010, 2013, 2014) Functional + job (2007, 2011) Functional + income (2011, 2007)
<i>Impresa 2</i>	Wage (2002, 2012) Working time (2002, 2012)	Employment (2003)	Wage + job (2005, 2001) Working time + job (2005, 2012) Working time + combination (2001, 2008) Functional + job (2004, 2011) Functional + income (2001, 2008) Functional + employment (2008, 2009, 2011) External + job (2002, 2009)
<i>Firma 1</i>	Wage (2004, 2012) Working time (2004, 2007)	Combination (2004) Employment (2010, 2014) Income (2010)	Working time + combination (2010) Functional + employment (2007, 2010)
<i>Firma 2</i>	Wage (2002–2013) Working time (2000, 2004, 2007)	Employment (2012) Combination (2000, 2002, 2005, 2012) Income (2012) Job (2004)	Working time + combination (2012)

agenda. By increasing the incentives for the global headquarters to engage in benchmarking, these characteristics exert pressures on local HR managers to control costs through the implementation of different forms of flexibility.

Second, *medium-to-low* and *low international competition, differentiated products, capital-intensive production* processes and *high skills requirements* enhance the security dimension. By limiting the interest of global management in injecting flexibility through a top-down approach and containing the risk of relocation, they allow local HR managers to shape their own flexibility strategies according to local resources and balances or imbalances of power. Given this favourable context, shop stewards retain scope to leverage institutional resources (collective bargaining) in order to exchange such flexibility with compensating forms of security. This confirms that the greater the autonomy of the social partners from the global headquarters, the greater the possibility to exchange flexibility with compensating forms of security.

Third, although featuring similar firm-specific characteristics, the scope for security in *Firma 1* and *Firma 2* is still wider than in *Impresa 1* and *Impresa 2*. This important finding highlights that, at the company level, institutional arrangements are nonetheless able to make a difference. It is suggested that high levels of union representation at the firm level and a clear framework of rules at the sector level – *depth of bargaining* – reduce the capacity of the global headquarters in Denmark to exploit local imbalances of power. In the presence of these institutional constraints, unions also develop the capacity to gain security regardless of managers' postures on flexibility.

## Discussion and conclusion

The most important contribution of this multi-level study is to highlight that institutions, although important, are not the only factor that shape the content of firm-level bargaining over flexibility and security. First, it confirms that the characteristics of the chemical and pharmaceutical sectors in Italy and Denmark both enable and constrain company-level bargaining over issues of flexibility and security. They do so by providing a series of procedural mechanisms that shape the content of local agreements across companies (Marginson and Galetto, 2016). Second, it reaffirms that under multi-employer bargaining there is an important difference between those countries that control decentralization primarily through *delegation* and those that control it primarily through *demarcation*. However, in contrast to the findings of Marginson and Galetto (2016) in the metalworking sector, it is shown that further *delegation* of competences does not always lead to greater bargaining activity over flexibility and security at company level. Significantly, in the chemical and pharmaceutical sector the company-level bargaining agenda over flexibility and security in Denmark, where decentralization still occurs primarily via *demarcation*, is more extensive than in Italy where there has been a recent shift from *demarcation* to *delegation*.

Thus, by combining the sectoral and company foci, my study augments previous research on the coordinating role of sectoral institutions for company-level bargaining (Marginson and Galetto, 2016; Marginson et al., 2003; Nergaard et al., 2009). It demonstrates that sectoral arrangements interact at the macro level with national institutional features and at the micro level with local power contingencies, providing company-level actors with different opportunities across countries. Indeed, in Italy, issues that are covered by delegation do not necessarily enter onto the bargaining agenda of local negotiators. By contrast, in Denmark, issues that are not subject to demarcation can be found in company agreements.

This difference is due to the varying amounts of *autonomy* accorded to local actors, and can be explained in two different ways. First, in Italy, sectoral social partners do not play the same key role in the regulation of the labour market as in Denmark. In contrast to their Danish counterparts, they act in a context where there is substantial legal regulation, and they are not solely responsible for defining the scope for company-level negotiations. The interconfederal level, through *demarcation*, also plays an important role. Here, the involvement of different sources of labour market regulation produces uncertainty over the competences of firm-level negotiations. As a result, managers and shop stewards are reluctant to enact the procedural flexibility provided by the sector. In Denmark, where there are clear articulation mechanisms between the sector and company levels, on the one hand, and a lack of legal regulation on the other, company-level actors are empowered to push their bargaining role further.

Second, the Danish collective bargaining system is characterized by greater *depth* (Clegg, 1976) than the Italian system, meaning that company bargaining in Denmark has always played a more strategic role than in Italy. As Ilsøe (2012) has argued, this research demonstrates that in Denmark high union presence at the local-level favours the development of trust-based relationships between managers and shop stewards, thereby increasing opportunities for viable compromises between local parties. A high degree of union

representation, in particular, provides shop stewards with the confidence to improve on the conditions specified at sector level. As a result, not only do they feel legitimated to engage with the competences that are subject to demarcation but also to embrace items that go beyond this scope. At the same time, by trusting their ability to represent the workforce, management develops an interest in negotiating with the shop stewards, who are assumed to guarantee the successful implementation of the agreements. Thus, it is shown that flexibility and security enter into company-level bargaining in Italy and Denmark as a result of both the procedural flexibility provided by the *sector-level framework* and the *autonomy* of local-level actors. The former suggests categories for negotiation and the latter ensures that such categories enter into firm-level bargaining. In addition, the Danish cases show that the way in which bargaining arrangements interact with national institutional features on the one hand, and local power relations on the other, provides further opportunities for company-level actors, for example, the capacity to increase the scope for security in collective agreements.

My research confirms that the degree of cross-company variation in the types of flexibility and security negotiated depends on firm-specific characteristics. These help to shape the extent to which local bargaining actors can leverage institutional resources in a strategic way. As Pulignano et al. (2016) found in the metalworking sector, this study in the chemical and pharmaceutical sector shows that the ability of company-level bargaining to engage with issues of flexibility and security is to a large extent dependent on non-institutional factors. Such factors have been confirmed to provide actors within subsidiaries with the opportunity to implement directions from the global headquarters by means of collective bargaining.

Furthermore, the original contribution of this study is to show that when a *high degree of vertical integration* is coupled with *weak market competition*, global management does not seek to impose common organizational strategies. Constrained only by financial targets, local HR managers retain the scope to control costs by accounting for local patterns of power. It follows that in subsidiaries where unions are strong, the capability of the global headquarters to exploit local imbalances of power is relatively low and shop stewards gain more leverage to use institutional resources in a strategic way. Indeed, the four cases show that flexibility and security trade-offs are not the only outcomes of negotiations. All the subsidiaries investigated also engaged with categories that address flexibility alone, in particular wage and working-time flexibility. As for security, this dimension is shown to be more prominent within Danish collective agreements than in Italy. One could conclude that in contrast to the findings of Pulignano and Keune (2015), the institutional dimension – union representation at company-level – does indeed play a fundamental role.

### **Author's Note**

The author is currently associated with the University of Warwick, UK.

### **Acknowledgements**

I would like to thank my PhD supervisor Paul Marginson for his invaluable comments and suggestions. I would also like to extend my thanks to the EJIR for the ILERA Best Paper Prize 2016.



## Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

## Funding

The author(s) disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: This article is based on my doctoral research, which was supported by a scholarship from the Warwick Business School.

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