



Industrial relations and social dialogue  
**Tackling high inflation in sectoral  
collective bargaining in Italy**

[Tackling rising inflation in sectoral  
collective wage bargaining](#)

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**Eurofound reference number:** WPEF23034

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## Introduction

This Working Paper<sup>1</sup> is linked to *Tackling rising inflation in sectoral collective wage bargaining* (Eurofound, 2023) but it contains a longer-term perspective on collective bargaining in Italy. Indeed, the norms and practices that in Italy regulate the adjustment of wages to the inflation rate, and therefore to the cost of living, have changed over time (Cucignatto et al. 2023). The automatic wage indexation mechanism, the so-called “*scala mobile*” (literally: escalator), initially established by a top-level inter-confederal agreement in 1945, then implemented by legislation, was later gradually abolished. The mechanism, abolished in 1992, was replaced in 1993 with a milestone tripartite agreement reached by negotiation systems that have taken various forms over the last 30 years and are based on the primacy of the national industry-wide agreement (Bordogna, Pedersini, 2019).

In Italy, the key rules on wage setting and inflation are established by general cross-sector agreements, which are binding for the affiliated social partners’ federations when they are negotiating and stipulating National Collective Labour Agreements (NCLAs) (*Contratti Collettivi Nazionali di Lavoro – CCNL* in the Italian abbreviation). These top-level agreements – *tripartite* as in the Protocol of July 1993 or *bipartite* like those in 2009, 2014 and 2018 – map out the whole system of wage setting and collective bargaining, not only in terms of players, levels (and their co-ordination) and working conditions but also, importantly, the key wage norms. This involves a) the *objectives* and main goals in terms of income policy, b) *the forecast index* for cost-of-living adjustment to the Consumer Price Index (CPI), c) the *procedures* which must be followed to make this adjustment, d) the overall *duration* and the interim pay rises.

### The rules governing wage adjustment to inflation in Italy

In Italy, for over 45 years (1945-92), the adjustment between the dynamics of the cost of living and wages was ensured by the “*scala mobile*”. It was introduced in 1945, with a top-level agreement between the General Confederation of Italian Industry (Confindustria) and the Italian General Confederation of Labour (CGIL), at that time still unified, in order to protect wages in hard times and to cool down social conflicts (Lungarella, 1981). A national commission had the task of determining the changes in the cost of living every three months, using these changes as a reference index to automatically adjust wage rises. Basically, the pay rise was calculated by following the changing prices of a basket of commonly purchased goods, taking into account – until 1960-70 – age and gender, areas, sectors and occupations. In 1975, with a new top-level agreement – known as *Accordo Lama-Agnelli* as the two main leaders of unions and employers – a “single adjustment point” (“*punto unico di contingenza*”) was adopted, identical across Italy and for all economic sectors and job classification levels. It had an egalitarian approach (Lettieri, 1991), where the lower wages were almost entirely covered by the indexation, with a disparity for the higher professional levels. In the second half of the 1970s, characterised by double-digit inflation, automatic indexation accounted for a large share of the

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<sup>1</sup> The introduction and the conclusions were written by Nicolò Giangrande and Salvo Leonardi. The sections 1, 2 and 3 were written by Salvo Leonardi. The opinions expressed in this publication are those of the authors and do not necessarily reflect the views or positions of their institution. The paper was closed at the end of March 2023.

wage. According to some economists (like Franco Modigliani and his young pupils<sup>2</sup>) and policy makers (such as the Governor of the Bank of Italy, Guido Carli), this ended up fuelling, on the one hand, the price-wage spiral and, on the other, a strong flattening of wage differentials among employees, with detrimental effects on productivity. However, other scholars revealed that the indexation of wages to inflation at that time was already far from full (Lungarella, 1981; Patriarca, 1986). It only applied up to a wage cut-off point and for the excess the coverage was about 25%. In the mid-1970s, indexation coverage for a typical mid-skilled blue-collar worker was between 50-60% of the whole wage. In the meanwhile, some partial freezes, or exemptions, had been introduced. The so-called “Saint Valentine’s decree” was issued on 14<sup>th</sup> February 1984 by the first government led by the socialist Bettino Craxi (1983-86) to contain wage growth by modifying the indexation mechanism with the official motivation of reducing inflationary pressure (Giangrande 2021), represented the *divorce* within the trade union movement (Benvenuto, Maglie, 2016; Carniti, 2019, Trentin, 2017)<sup>3</sup>.

The *scala mobile* ceased to exist in December 1991, when the employers’ federation, Confindustria, unilaterally proclaimed its cancellation, and the government undertook not to renew or to modify it by law. At the height of a conflict that lasted over 10 years, it was suppressed once and for all with the signing of the tripartite protocol of understanding between the first Amato government and the social partners on 31<sup>st</sup> July 1992. With the end of the *scala mobile*, the cost-of-living adjustment allowance was abolished along with the old automatic indexation system.

The objective was to neutralise the wage dynamics originating in the price–wage spiral even if inflation had already changed in the 1980s because it was no longer wage inflation, but imported inflation and inflation caused by interest rates, tariffs and taxes (Graziani, 2000). Today, considering the long stagnation of Italian wages since the ‘90s, and taking into consideration the current inflation growth, in some political sectors there is a widespread nostalgia for that system, with some calls for its reinstatement.

One year after the abrogation of the *scala mobile*, on 23<sup>rd</sup> July 1993, the Ciampi Government and the social partners signed a second tripartite protocol, including a new income policy (Tronti, 2005). Ciampi had been serving as Bank of Italy Governor until that moment and became the first non-member-of-parliament in the Italian Republic to lead a cabinet, which was mainly composed of technocrats. The Ciampi premiership intended to reassure the European Union partners about Italian compliance with the Economic and Monetary Union (EMU) constraints, in particular about inflation, debt-to-GDP ratio and budget deficit. That Protocol was therefore destined to become – according to the definition given by the then-Minister of Labour Gino Giugni – “*the true Constitution of industrial relations in Italy*” (Accornero et al., 1998). Among its numerous aims, as regards the link between inflation and wages, the Protocol defined income policy as “*an indispensable instrument of economic policy, aimed at achieving growing equity in the distribution of income through the containment of inflation and nominal incomes (..) with the achievement of an inflation rate in line with the average of*

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<sup>2</sup> For more detail on the then-economic debate and the opposition between a compatibilist and a conflictual view, see Colacchio & Forges Davanzati (2019).

<sup>3</sup> With CISL, UIL and the socialist minority of CGIL in favour, and the communist majority of the CGIL against, the cutting of the automatic wage indexation mechanism marked the end of the CGIL-CISL-UIL Unitary Federation, formed in 1972. The decree was a watershed in the national income policy, considered by some at that time as an undue intrusion, it paved the way to a very tough political and trade union struggle, culminating in a referendum. Championed by the Italian Communist Party (PCI) and by the communist majority of the CGIL, the referendum aimed to restore the previous full automatic indexation. Held in 1985, it was defeated by 54.3% to 45.7%.

*the most economically virtuous EU countries*". The former *ex post* automatism of the *scala mobile* is replaced by a concertation system in which common objectives on "*planned inflation rates*" are agreed on by government and social partners during two annual sessions. In particular: "*The parties will pursue and conduct, contractual policies and wage policies consistent with the planned inflation objectives*". A specific prices' observatory is thus envisaged, with the task of verifying their dynamics on the basis of specific economic sector studies. The contractual arrangements envisage two levels: (i) a national industry-wide agreement (namely, the NCLA); (ii) a second level of bargaining at company level, or alternatively territorial, where possible.

The sectoral agreement has a duration of four years for the general parts relating to the norms that regulate working conditions and industrial relations, and two years for the economic aspect. The decision to shorten the duration of the economic part of the national contract to two years, compared to the normative one (four years), is justified by the need to adjust wages more promptly. "*The dynamics of the economic effects of the agreement will be consistent with the planned inflation rates assumed as a common objective*", according to what was agreed in the income policy sessions. The objective will be to "*safeguard the purchasing power of wages*", starting from the planned inflation rate, but also "*the general trends of the economy and the labour market, the competitive comparison and the specific trends of the sector*". Therefore, not only planned inflation, but also – according to a clause of the Protocol in practice much neglected – the average productivity generated by the sectors. "*In the two-year renewal of the contractual minimums, further points of reference for the negotiations will consist of the comparison between the planned inflation and the actual one occurring in the previous two years (..)*". In the event of a deviation, a sort of adjustment of the minimums can be decided. The unions asked for this to happen automatically, but in the end a negotiation of this recovery was opted for. While the economic function of the NCLA is mainly to safeguard the purchasing power of wages, that of the second level of bargaining, corporate or territorial, which has a four-year duration, is to disburse increases "*closely related to the results achieved in the implementation of programs, agreed between the parties, having as their objective increases in productivity, quality and other elements of competitiveness available to companies (..) as well as the results linked to the economic trend of the company*". In order to facilitate the timely renewal of national contracts, the 1993 Protocol establishes that "*after a contractual vacancy period of three months from the expiry date of the National Collective Agreement, employees whose contract has not yet been renewed will be paid a provisional remuneration. This amount will be 30% of the planned inflation rate (..). After six months with the expired contract, the amount will be equal to 50% of the programmed inflation (..)*".

In summary, the Ciampi Protocol was designed to reform industrial relations and collective bargaining systems in order to reduce inflation through an income policy established by government and social actors. In the end, the marked reduction of inflation was achieved but it was paid for by the workers (Tridico, 2015) because the income policy focused mainly on wage moderation. Indeed, on one hand, the government reduced public investments due to a restrictive fiscal policy and, on the other, the firms were encouraged to compete through cost cutting. Finally, that policy acted as a disincentive to invest in innovation and affected firm productivity and Italian production specialisation.

Later, however, inflation outstripped wage growth, which instead of being planned jointly with the social partners, was set unilaterally by centre-right governments (1994-96 and 2001-06) at levels lower than was realistically foreseeable. Recovering the gap between planned and actual inflation has often occurred significantly later than expected. Furthermore, decentralised bargaining has never really

taken off (due to the Italian production structure made up of micro- and small-sized firms) and since then, despite the numerous tax and regulatory incentives, it has never covered more than a third of Italian workers in the private sector. The stagnation of real wages that has afflicted Italy for decades is determined by very modest production dynamics, affected by an economic development model based on sectors with low added value and a production structure based on micro and small firms: on this basis, the labour demand covers less qualified and, therefore, lower paid jobs. Indeed, according to the OECD data, in the last 30 years, Italy has recorded the worst wage dynamic among the main Eurozone economies.

The 1993 tripartite Protocol on income policy has represented for years the architrave linking wage dynamics with inflation and cost of living. There have been some important changes in the calculation mechanisms, such as those adopted with the bipartite framework agreements of 2009 and 2018, which we will now outline in their essential features.

New tripartite and inter-confederal agreements were signed in January and April 2009 by Confindustria, CISL and UIL, but not by the CGIL (Bellardi, 2010). They replaced some of the rules established in the Protocol of 1993. First of all, the NCLA, from now on, has a unified validity of three years, both for the regulatory part (which is shortened by one year) and the economic part (which is extended by one year). The role of the sectoral agreement will no longer be *"to safeguard the purchasing power of wages"*, but to *"guarantee the certainty of the common economic and regulatory treatments for all workers in the sector on the national territory"*. In place of the planned inflation in the two sessions of tripartite concertation of income policy, a new forecast index is introduced, the *Harmonised Index of Consumer Prices (HICP)*, for the three-year period, yet – importantly - net of imported energy products (HICP-NIE). The trade union confederations had asked to replace "planned" with "realistically foreseeable" but in any case, *ex ante* and not *ex post*. In 2009, the elaboration of the HICP-NIE<sup>4</sup> was entrusted to the Institute of Economic Studies and Analysis (ISAE in Italian) and in 2011, when the ISAE was abolished, its functions were transferred to the Italian National Institute of Statistics (ISTAT), which is a third party of recognised authority and reliability. The latter has also the task of verifying any differences between expected inflation and the real inflation actually observed, always net of the dynamics of the prices of imported energy goods. The verification of "the significance" of any deviations recorded will not take place at the sectoral level, as in the 1993 Protocol, but at the inter-confederation level, with a specific joint committee in charge. The recovery will not be automatic but will take into account its "significance". It will have to be carried out within the validity of each national contract, in terms of minimum variations. *"When renewing the national agreement for the sector, the stipulating parties will apply the new forecast index to an average wage value, taken as the calculation basis made up of the minimum wages, the value of the periodic increases of average seniority in the sector and any other indemnities in figures established by the same national agreement for the sector"*.

The adoption of the HICP-NIE was the main novelty introduced in 2009 and since then adopted as a parameter for all the NCLAs renewals signed, including by the CGIL. The latter had not signed that framework agreement, denouncing the lower protection for wage purchasing power provided by the new index. ISTAT now has the task of providing the "filtered" HICP data in June of each year and based on that forecast, sectoral renewals are negotiated for a three- or four-year duration. Its calculation is

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<sup>4</sup> For further details about the HICP-NIE history and methodology see Barbieri (2023) meanwhile for a critique on the index see Garbellini (2023).

based on a representative basket of all goods and services intended for final consumption by households; since 2011, over 1,300 have been included, with constant updates. According to some analyses and mappings, for example those carried out by ADAPT, a large part of the national agreements renewed between 2016 and 2021, in times of almost zero-inflation, were higher – even if mostly only slightly – than the adjusted HICP.

A third important innovation took place with the signing of the "*Factory Pact*" (*Patto della Fabbrica*), signed on 9<sup>th</sup> March 2018, by Confindustria, CGIL, CISL and UIL (Liso, 2018). This applies to national agreements signed within the scope of Confindustria's affiliated federations, whereas in other situations – small and medium-sized enterprises, crafts, cooperatives, tertiary (commerce; tourism; services), banks, agriculture, public employment – different rules usually apply, starting with the duration of the agreements, usually four years instead of three.

For the issues we are dealing with here, the two collective bargaining levels are confirmed, and state that the role of the national sectoral agreement must be that of guarantor of the economic and regulatory treatment common to all workers in the sector. "*Collective bargaining (..) will have to contribute to determining the conditions for improving the real value of economic treatments and, at the same time, favoring the growth of added value and company results (..)*". The main novelty, from now on, for sectoral agreements in the Confindustria domain, is the introduction and distinction between two different types of treatment: the *overall economic* one (*Trattamento Economico Complessivo - TEC*) and the *minimum economic* one (*Trattamento Economico Minimo - TEM*). The TEM consists of minimum pay floors, where the TEC will sum up the TEM and all those economic treatments common to all workers in the sector and consisting of the various forms of occupational and complementary welfare benefits, strongly encouraged by the Factory Pact. It is worth underlining that "*the variation of the TEM values will take place according to the rules shared, by law or practice, in each individual sector agreement*". This clause was conceived in order to safeguard some sectoral patterns and practice, as for instance in the metalworking sectors, or those of the chemical, energy, and electric sectors, which we will examine later on. The forecast index adopted in 2009 is reconfirmed, as is the unified three-year duration of the national agreements. The index and its deviations will still be those "*recorded over time from the harmonised consumer price index (HICP) for the member countries of the European Community, minus the price dynamics of imported energy goods as calculated by ISTAT*".

The wage adjustment to the HICP-NIE will only take the TEM as a reference, and not the more inclusive and complex TEC. In order to make the index more flexible and open to sectoral characteristics and adaptations, it is said that the national sector agreement will be allowed to modify the value of the TEM, "*due to the processes of transformation and/or organisational innovation*".

Other important contents of the *Factory Pact*, related to the wage-earners' pay, concern the incentive (monitored) for the development – quantitative and qualitative – of second-level bargaining, "*recognising economic treatments closely linked to real and agreed growth objectives in corporate productivity, quality, efficiency, profitability, innovation, enhancing digitalisation processes and promoting forms and methods of worker participation*".

## The panorama of national sector bargaining in 2022

In Italy, a 1986 law establishes the obligation to file NCLAs in the National Council of Economy and Labour (*Consiglio Nazionale dell'Economia e del Lavoro* - CNEL in Italian) archive. There they are identified and classified based on a unique alphanumeric code. There are 14 macro-sectors and 96 sub-sectors, associated with NACE/ATECO divisions.

As of last November (2022), according to CNEL data, 946 NCLAs were filed in the private sector, 18 in the public sector, 12 for para-subordinate collaborators and 31 for some categories of self-employed workers. The macro-sector with the highest number of registered NCLAs and workers covered is by far that of the tertiary sector, distribution and services: 235 NCLAs (24.8%) with 4.3 million workers (33.7%). In second place, there is the metalworking sector with 44 NCLAs and 2.5 million of workers covered (19.2%). Of the 946 archived collective agreements, 208 (only 22%) are signed by the sectoral federations of the most representative trade union organisations (CGIL, CISL, UIL). However, these NCLAs – which, with far greater coverage than any others, and commonly called “leaders” – cover an average of 97% of workers in the private sector (Giangrande, 2022). Among all the other NCLAs, which cover 3%, there are NCLAs signed only by the other trade union confederation represented at CNEL in 2022 (such as, for example, CONFISAL, CISAL, CIU and UGL) and also by trade unions not represented at CNEL.

In November 2022, it appeared that 558 NCLAs, out of the 946 filed in the CNEL archive, had already expired, with another 57 expiring on 31<sup>st</sup> December. At the end of 2022, there were almost 40 national agreements signed during the whole year, by the most representative trade unions. Among these, the renewals for railway activities (22/03/22), building and construction (04/03/22), cement, lime and plaster (15/03/22), rail and tram drivers (10/05/22), waste management (18/05/22), agriculture (23/05/22), chemical-pharmaceutical (13/06/22), electricity (18/07/22), energy and oil (21/07/22), gas and water (30/08/22), and insurance workers (16/11/22). To these must be added various NCLAs in the sectors and branches of craft and cooperation: construction, wood, fashion, ceramics, hairdressers, beauty and wellness centers (14/10/22), artisan cleaning and sanitisation (27/10/22). In the box below we list the increases contained in some of the NCLAs mentioned, but there will later be a more in-depth focus on the three sectors selected for our case studies: (i) metalworkers, (ii) chemical-pharmaceuticals and (iii) hairdressers-beauticians-wellness centers. A so-called "interim agreement" (*accordo ponte* in Italian), i.e., for the economic part only and awaiting a full and proper renewal, was signed in logistics and – in mid-December 2022 – in the huge tertiary sector, commerce and services (almost three million employees). Finally, the case of the domestic sector, in which a renewal agreement has not been reached, but in which, based on an important provision contained in the 2020-22 agreement, which expired on 31<sup>st</sup> December, a pay safeguard clause automatically comes into force, by which 80% of the latest inflation recorded is immediately considered as a pay rise on 1<sup>st</sup> January 2023. We will discuss this in detail in the third case of this report.

**Table 1: Some of the latest national industry-wide collectively agreed wages**

- *The railway sector contract* (80,000 workers affected, including contracted workers in catering, cleaning and night accompaniment), which expired in 2017, with an interim agreement from 2018 to 2020, provides for an increase at the average level of €110, plus a one-off €500 for 2021, to be paid in three instalments, between May 2022 and August 2023.
- *The construction sector contract* provides for an increase of EUR 92 at parameter 100, paid in two instalments, one in March 2022, amounting to EUR 52, and the other of EUR 42 in July

2023. Similarly, the contract for the cement, lime, gypsum sector - signed by the same trade unions but with employer counterparts from the craft and small and medium-sized enterprises - provides for a wage increase of €119 at the intermediate parameter, where the majority of workers are concentrated. Identically, the contract for the craft construction sector, which covers 150,000 companies and more than 600,000 workers, provides for a gross increase of 92 euros on the minimum wage, at the first level, divided into two instalments: 52 euros in May 2022 and 40 euros in July 2023.

- *In the sectoral contract for agricultural and floricultural workers*, where an important role is recognised at the level of agreements in the individual provinces, wage rises are reported as a percentage; +3% as of 1/6/22; 1.2% as of 1/1/23; 0.5% as of 1/6/23. The 3% related to the first instalment is also intended to compensate workers for the contractual gap period.
- *The national contract for the electricity sector* covers 130 companies and 60,000 employees. For the economic part, it provides for an average increase of €225 on the minimums, distributed in four instalments (October 2022, July 2023, July 2024, October 2024). The total amount for the period of the contract will be EUR 4,740, with an overall increase of 9%, according to ISTAT, in relation to the HICP adjusted for the cost of imported energy goods, over the term of the contract. The mechanism for verifying inflation deviations at the end of the three-year period is confirmed. There is also a one-off payment of EUR 450 for the contract gap from 1/1/2022. Worthy of mention here in this sectoral contract is the attention paid to the 'just transition' and the protocol for the valorisation of the individual in the company, with great attention paid to every worker's right to training (40 hours minimum) and to worker participation in company decisions.
- *The national contract for artisanal cleaning workers* provides for an increase of EUR 120 for grade V, to be redistributed to the other levels and paid in four instalments, between 1/11/2022 and 1/12/24). To cover the contractual gap, a monthly amount of EUR 15 is to be paid for 26 consecutive months, starting on 1/11/22. To this must be added a special allowance, again for an average level (V) of 83.17€ as from 1/1/22 and 88.17€ as from 1/12/2024.
- *The national contract for insurance companies* covers about 47,000 employees and provides for an increase of EUR 205 per month at the average level, to recover the 'purified' HICP, with a one-off payment of EUR 1,400 as a lapsed contract indemnity and EUR 600 for occupational welfare benefits. Some innovative contents concern the focus on vulnerable persons, gender, diversity, disability, long term care and parental leave policies.
- In December 2022, an important agreement was added for *the tertiary, distribution and services sector*: expired three years ago, it is the collective sectoral agreement with the largest coverage in Italy, involving about 3 million employees. It was not, however, a true renewal, in all the parts that normally make it up, and on which there is still insufficient agreement between the social partners. It is what is called an 'interim agreement', i.e. an agreement only on the economic part, and thus on the adjustment of the basic pay scales, in view of the serious loss of purchasing power, already caused by the prolonged stalemate in negotiations, and now especially by the surge in inflation, which in the autumn reached 12%. The agreement provides for a one-off gross amount of EUR 350 at level IV, spread over the other levels (max. EUR 607; min. EUR 242), to be paid in two instalments: EUR 200 with the January 2023 salary and EUR

150 with the March 2023 salary. From 1 April 2023, a sum equal to EUR 30 gross per month will also be paid to level IV, spread over the other levels, as an increase in basic pay as an advance to be absorbed in future contractual pay rises.

*Source: elaborated by Leonardi*

## Challenges, effects and developments of collective bargaining in times of high inflation

The ISTAT releases three indicators of consumer prices monthly. The consumer price index for the whole nation (NIC) is used as a measure of headline inflation, while the harmonised index of consumer prices (HICP), calculated according to the EU regulations, is used to compare inflation between Member States and also as a key indicator for the monetary policy of the European Central Bank (ECB). The ISTAT also releases a third indicator which refers to the consumption of the whole household headed by an employed worker (FOI). In this report we will focus mainly on the HICP in order to allow the comparison with the other EU countries' inflation rates.

In December 2022, the Italian HICP increased by 12.3% on an annual basis and, in 2022, the average annual rate of change was +8.7% (+1.9% in 2021). This increase, the highest since the 80s, was mainly due to the prices of energy products. In 2022, inflation measured by HICP had a stronger impact on households with less purchasing power (+12.1%) than those with greater purchasing power (+7.2%).

Moreover, at the end of December 2022, the trend in contractual wage rises was +1.5% for industrial employees, +0.6% for private service employees and 2.8% for public administration employees. The gap between the price dynamics measured by the HICP, and the trend in contractual wages grew to 7.6 percentage points, reaching the highest level since 2001, that is, the first year the harmonised price indicator was applied at European level.

At the end of the fourth quarter 2022, the NCLAs awaiting renewal involve 49.6% of employees (about 6.1 million) which corresponded to 48.8% of the total payroll. Furthermore, in December 2022 the average waiting time for renewal involving employees with expired NCLAs was 24.8 months. In 2022, the growth in contractual wages was +1.1% on average (ISTAT 2023).

These facts emphasise a critical problem because neither the NCLAs renewed in the previous years nor those signed at the beginning of 2022 consider inflation growth, which increased faster in the second half of 2021. In this period characterised by accelerating inflation, mainly driven by imported energy goods, and by a very long waiting time to renew the NCLAs, wages are under double pressure, which immediately reduces their purchasing power. Moreover, the current index used in NCLA renewals is based on HICP net of imported energy products (HICP-NIE), which is inappropriate for regaining wage purchasing power in a period marked by inflation growth due to energy costs since it is less than the inflation measured by the HICP. This index is, in fact, the outcome of two agreements signed when inflation was low and, in any case, alternative solutions have already been found in the past for some NCLAs renewals such as in the Service sector (D'Amuri and Nizzi, 2017) and in the Metalworking one (Faioli, 2022). In this case, the most relevant is the metalworking NCLAs, signed in February 2021, has a clause that allows some adjustments made every year in June, when ISTAT provides the new data on HICP-NIE. For almost all the other NCLAs it is necessary to wait until expiry, mostly three years but sometimes also four years. All of this without including the delays in NCLA renewal which further complicates the possibility of recovering the share of the purchasing power lost in the previous period.

## Collective bargaining and distributional effects of inflation in wage negotiation

The two years 2021 and 2022 were characterised by an increase in the overall inflation rate driven, firstly, by the upturn in international trade, and later, by the rising prices of energy and food. It is worth mentioning that, in 2021, the main economic topic in the public debate was in fact the accelerating inflation, a phenomenon that had emerged globally before the outbreak of the war in Ukraine but to which the latter has certainly contributed.

In this intense debate, various economists had a heated exchange mainly via op-eds in newspapers and economic blogs. They can be divided into two large groups (Krugman, 2021; Weber, 2021): on the one hand, there were economists who considered the inflationary phenomenon *transitory* and, on the other hand, those who considered it *permanent*. Regardless of the points of view expressed in the columns, that discussion reopened a public debate on inflation that for too long had been a topic relegated only to ECB meetings and macroeconomics textbooks.

In this debate, however, the widespread global uncertainty due to the pandemic was not properly taken into account and this led to rough comparisons with other inflationary periods. The contrived comparison with the oil shock in the 1970s diverted attention from the need to focus on the nature of inflation that was a new and intricate phenomenon to decipher, also because it had developed in an unprecedented scenario. All of this showed how the dominant economic theory had no useful pointers to offer, except the usual pre-packaged recipe based on the rise of interest rates proposed at every rise of prices (Palumbo, 2022).

In that debate there clearly emerged the so-called “*strategy of economic alarmism*” (Caffè, 1972), which is based on the distortion of the economic situation and dramatisation of the negative aspects, with the double purpose of preparing restrictive fiscal and monetary measures, and blocking any kind of social demands (Giangrande, 2021; Pianta, 2021; Sanna, 2021).

According to Leonello Tronti, professor in labour economics at Roma Tre University<sup>5</sup>, “*the failure to adjust the purchasing power of the sectoral minimums is the product of the Italian system of collective bargaining, after the inter-confederal agreements (1993, 2009, 2018). With their peculiar condition of double rigidity, not only downwards (relative to maintaining purchasing power), but also upwards (no increase, unless it is at the level of decentralised bargaining based on company productivity, which however concerns a minority of workers). Minimum wages can at best maintain purchasing power, but not increase it. A unique case of real wage cap, imposed in Italy on the predominant wage item*”. And this would largely explain the stagnation of Italian wages in comparison with the main OECD economies.

For Tiziano Treu – labour lawyer, former Minister of Labour and President of CNEL – the HICP: “*is inadequate, but we must also avoid the spiral between wages and prices, by making an estimate of what can reasonably be recovered, perhaps with a temporary intervention as the German metalworkers did. It is also possible to act on productivity bonuses and corporate welfare, but these are not enough because these tools cover only 30% of the workers. And then we must not exaggerate with tax relief and de-contribution because there is the risk of jeopardizing pensions*” (La Repubblica, 07/11/2022).

According to Pietro Ichino, professor in labour law at University of Milan, there is a difference between national collective bargaining in the industrial manufacturing sectors and that in the tertiary and

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<sup>5</sup> Interview by telephone, 19/2/2023

services sectors. The NCLAs were renewed in the former sector in time, whereas in the latter they have mostly been expired, even for several years. The causes of this gap lie in the fact that while in industrial manufacturing the national average productivity levels are considered quite homogeneous, this is not the case in the tertiary and services sector, where there are differences according to the location and to the company. This makes it very difficult to find a national standard on which the collective agreement for the sector should be based. For Ichino, therefore, "*wage dynamics must be entrusted to company bargaining, leaving the national agreement to establish the minimum standard*" (La Nazione, 10/01/2023).

## Public policies addressing high inflation in relation to collective bargaining

The Budget Law 2023-2025 introduced measures that seek to contain the increased spending on energy (electricity and gas) by buffering price rises without taking structural actions on the underlying causes. These measures are mainly concentrated in the first quarter of 2023 and it would be better to convert them into strategic and structural investments for the energy transition and to work through industrial and energy policies in order to tackle the green and digital reconversion. The limitation of these measures is also that they are not targeted: except the energy and gas bonus, the others benefit the whole population (and not only the vulnerable sectors) and all firms (and not only those in difficulty and/or engaged in processes of reconversion, circular economy, emission reduction, self-produced renewable energy and in guaranteeing quality employment).

Moreover, the Budget Law does not address the issue of employment either from the perspective of wage protection or from the quality of employment, or with regard to policies for job creation through adequate investments. Indeed, on the wage issue, the main measures implemented are the de-taxation of restaurant and hotel tips and the reduction in tax rates for sums paid as productivity bonuses (which will have a partial effect and only on a small share of workers distributed in big firms and particular sectors and areas) instead of a general de-taxation at the NCLA level in order to cover the greatest number of employees. And finally, the other measures foreseen had already been tried in previous years, such as the extension of welfare contribution exemptions in hiring.

In addition, the Act introduced the reduction of the tax wedge, of 2 percentage points, for those with an annual remuneration of EUR 35,000 (based on thirteen monthly payments) and 3 percentage points for those earning EUR 25,000 per annum.

However, inflationary tensions and geopolitical instability, in addition to the structural weaknesses of Italy's economic and production system, would require quite different economic and social measures to support aggregate demand, wages and employment, for both public and private sectors, in order to stop the recessionary and depressive effect of the loss of purchasing power, rising interest rates and negative expectations.

In conclusion, bearing in mind that GDP growth in 2021 was mainly driven by domestic demand, if the worsening of the macroeconomic framework is not addressed with an appropriate economic policy intervention, the risk is that high inflation and the climate of uncertainty will depress consumption and investment, generating recessionary effects on GDP and employment levels. In conclusion, it is necessary to design a political economy strategy based on wages, collective bargaining and employment growth.

# 1. Collective bargaining to deal with the impact of high inflation rates: analysis of sectoral collective agreements

## 1.1 The metalworking sector

### 1.1.1 The sectoral context

The weight of the metalworking sector in the Italian economy<sup>6</sup> is of prime importance, representing by itself 50% of the added value in the manufacturing industry and 8.5% of the entire national economy. It produces wealth (measured with added value) of about EUR 110 billion. It exports goods worth over 240 billion, which represent 46% of the whole economy. The trade assets (equal to almost EUR 50 billion) contribute to the overall rebalancing of the Italian trade balance. The sector employs 1,466,000 people in Italy, of which 1,358,300 are employees, equal to 6.4% of the country's workforce and 43% of the manufacturing sector, making it the second largest in Europe after only Germany (4.5 million), but with many more firms: 200,000 as opposed to 120,000 in Germany. This obviously means that though there are many companies in Italy, they are smaller: on average, 9 employees per company, compared to the average of 38 in Germany and 15 in France. Just over half a million metalworkers are employed in large companies with at least 250 employees, while 687,000 are employed in companies with fewer than 50 employees (of which 223,000 metalworkers in companies with fewer than 10 employees).

In the sector, 52% are employed as white-collar and 48% as blue-collar workers. The average annual wage, in 2021 was €40,283 gross, and €26,957 net; the tax wedge and para-fiscal burden was 33%. If we set a value of 100 in the year 2000, it was respectively equal to 119 (gross) and 113 (net) in 2021. If, on the other hand, we consider the cost of labour, from 100 in the year 2000, it rises to 157 in 2021; 126 for productivity; 124 in terms of labour cost per unit of product. During 2022, the employment dynamics in metalworking companies with over 500 employees did not record significant changes, though settling at lower levels than in the past. Between January and September 2022, in fact, employment decreased by an average of 1.7%, compared to the same period of 2021. The decrease is mainly attributable to the blue-collar category, which recorded a contraction of 3.1%, as opposed to the substantial stability recorded for the clerical category (+0.1%). In the period January-September 2022, recourse to the institution of the redundancy wage fund (*Cassa Integrazione Guadagni Ordinaria*) was greatly reduced: the hours authorised for metalworkers were, in fact, around 140 million, compared to around 392 in the same period of the previous year (-64.2%).

After the first half of 2022, already marked by conflicting signals, in the period July-September metalworking production activity showed a fluctuating trend with results down on the average for the period. The forward-looking indicators contained in the latest quarterly surveys carried out by Federmeccanica confirm the worsening of the sectoral situation, already highlighted in the previous survey. In the third quarter of 2022, in fact, the production volumes in economic terms showed substantial stability (+0.1%), after the 1.1% progress observed in the second quarter. In comparison with the same period of 2021 this is a 2.1% drop, marking a further decline after the -1.2% recorded for the previous quarter. Expectations are marked by a contraction in production and a new reduction

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<sup>6</sup> All data here are taken from the sectoral Report Federmeccanica, "*L'industria metalmeccanica & mecatronica*", 2022

in employment levels. The forecasts are weighed down by further increases in energy and raw material prices due to the prolonging of the Russian-Ukrainian conflict and the zero-Covid policy adopted by China, which contributed to creating ever greater difficulties in global supply chains. This situation, and above all the uncertainty about future developments, is significantly influencing the production of the sector, which is the main user of industrial metals and which in any case is positioned at the base of the supply chain. The General Director of Federmeccanica Stefano Franchi<sup>7</sup>, sees *“growing difficulties. “The general outcomes are still positive, but less and less, trimester after trimester. 70% of our affiliates declare an erosion of the operative margins, with profitability under pressure”*.

The trade union representative interviewed<sup>8</sup> underlines instead that today the sector is not hit by a phase of recession. *“The results are good, even despite the increase in energy costs. Particularly significant for the iron and steel and electro-mechanical sectors. The use of the plants is intense, as demonstrated by the collapse of layoff hours, which have dropped from over a million in 2020-21 to less than half in 2022. The turnover is also very encouraging. It is only in the automotive sector that there are difficulties, but mainly for structural reasons, due to Italy’s delay in converting to the electric system. It is a problem related to industrial choices, to insufficient investments, and also to the situation created by the most recent international and economic events”*.

Lastly, still in a nutshell, the unionisation rate in the sector is 29% (2019). Strike hours per capita have averaged 1.3 over the past five years.

## 1.2 The negotiating parties’ strategies and approaches in the last round of negotiation

The last national industry-wide agreement still in force for middle-sized and large companies was signed on 5<sup>th</sup> February 2021 by the Federmeccanica Assistal (both affiliated to Confindustria), on the employers’ side, and FIOM-CGIL, FIM-CISL and UILM-UIL, on the trade union side. It will expire on 30<sup>th</sup> June 2024, after 3 and a half years, instead of the usual 3. The agreement covers and is binding for all the companies affiliated to Federmeccanica and Assistal, and their approximately 1,550 million workers (1,350,000 Federmeccanica; 200,000 Assistal) (Alvino et al., 2022; Zilio Grandi et al., 2022; Bavaro et al., 2023).

The previous agreement, signed on 26<sup>th</sup> November 2016, had expired more than one year before, on 31<sup>st</sup> December 2019. The renewal required a year and a half of negotiation and was made more difficult by the pandemic and the consequent economic crisis, which at a certain point led to a stalemate, and a 20-hour strike, called by the sector’s trade union organisations FIOM-CGIL, FIM-CISL, UILM-UIL, with a national mobilisation in October 2020. For the FIM-CISL leadership: *“Negotiating in the year of the pandemic, and in full deflation at that time, is the hardest thing that can happen to a trade union negotiator”*<sup>9</sup>.

The agreement was approved by the workers concerned, after a referendum consultation, as traditionally happens in this sector, before its final ratification by the signatory unions. The unions’ strategy was to ask for an 8% increase in the minimum wage (the Minimum Economic Treatment – TEM in Italian) for the three-year period 2020-22, for the (former) 5th category of the classification

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<sup>7</sup> Interview in presence on 07/02/2023

<sup>8</sup> Interview in presence with Mirko Rota, Nat. Secr. FIOM-CGIL, Rome in presence, 31/01/2023

<sup>9</sup> R. Benaglia, L. Campagna, L. Pero, *Il nuovo CCNL dei metalmeccanici*, in “Mondoperaio”, n. 9/2021

scale, where most workers are concentrated, corresponding to €145. FIOM-CGIL underlined the renewed centrality of the national agreement, regarding the definition of the wage treatment of workers, as the best level to concentrate and distribute pay rises. *"We came from the 2016 contract renewal, in which there had been practically no wage increase, given the very low inflation. Now a proper answer was needed. In the renewals do we take into account what happens in the collective bargaining of the sector of other countries? No, we don't take it into account, also because making comparisons is difficult. The Germans make wage renewals every year, but they don't have decentralised bargaining in the company, like we do. Although it covers only 30% of workers, it has overall consequences on the system"* (Int. FIOM-CGIL). Decentralised bargaining, from this point of view, would have had *"an effectiveness far below expectations, and with it, a far lower ability to distribute profits and productivity"*<sup>10</sup>

Federmeccanica and Assital, on the employers' side, had presented a proposal of €65, divided into three tranches. From this point of view, and considering the final compromise reached, the hard line adopted by Confindustria and its affiliated sectoral federations, according to which *"there is no room for wage increases; we can't afford it"*, in the end was rather scaled down. The comment on this released in Federmeccanica now was: *"We always have to be careful of the diverse composition of our affiliated companies, including the less high performing ones, in searching for an average capability to pay, as expected by a national industry-wide agreement"* (Int. Franchi - Federmeccanica)

The unblocking of the negotiations was certainly encouraged by the significant economic recovery in the sector after the pandemic crisis. *"The orders finally arrived from the market, and work had resumed at full speed in the industrial plants. The companies saw favorable prospects opening up and did not want complications and conflicts relating to the renewal of the national contract"* (Int. Rota, FIOM-CGIL).

### 1.3 Contents and provisions of the latest national collective agreements

*Wages.* The economic increase will constitute the *minimum economic treatment (TEM)*, as provided for by the 2018 inter-confederal *"Factory Pact"*. The wage increase is paid directly on the minimum wages and includes

- a) the restoration of the ISTAT forecasted HICP, net of the energy costs, for a three and a half year period (February 2021 – June 2024), plus €12, resulting from the ultra-activity period of the old, expired agreement (July 2020-February 2021)
- b) a further quota, as a result of the reform of the job classification system,

All in all, an increase of €112 for the fifth level of the job classification scale (now C3), in four tranches: €25, €25, €27, €35.

The increases obtained on the minimum table amounted to 6.15% for all levels, well beyond the forecasted HICP, net of energy costs (see § 2.4 for more details).

For workers of companies without firm-level collective bargaining and agreements, there is a further *"compensation element"*, confirmed at €485 for every year.

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<sup>10</sup> <https://www.fiom-cgil.it/net/attachment/article/6747/Piattaforma-FIM-FIOM-UILM-2020-2022.PDF>

*Flexible benefits*, which allow workers to access goods and services of social value, go up to €200 per year in three years (€600), whereas – in the previous agreement – it was: €100 (1<sup>st</sup>), €150 (2<sup>nd</sup>), €200 (3<sup>rd</sup>): total: €450.

*Job classification*. The new agreement adapts the job classification scale, defined back in 1973, to the organisational, technological and professional changes of recent years. From 1/1/2021, blue collar workers, white collar employees and management staff will be grouped in a single classification system, divided into 9 levels, included in 4 areas of role responsibility (increasing from D1 to A1). It is based on six professional criteria: autonomy/responsibility, specific technical competence, transversal skills, versatility, multi-functionality, continuous improvement and innovation. From 01/06/2021, the old 1<sup>st</sup> category is eliminated; it means that all workers currently with that qualification will be upgraded to a new level (D1), which corresponds to the former 2<sup>nd</sup> category. A joint national committee will have the task of monitoring the application of the new system and of drawing up guidelines for trials in the company, which will have to be shared with the union representatives in the workplace and the local trade union organisations.

*Welfare and social security*. The employer's share of the contribution to the Complementary Pension Fund (COMETA) is increased of 2.2% of the minimum wages and will be valid for all workers under the age of 35. For supplementary health care, the agreement provides for the possibility to remain enrolled in the sector fund (METASALUTE), also after retiring, from 2023 on. These two amounts go towards constituting the *Overall Economic Treatment* (TEC), in accordance with the 2018 "*Factory Pact*", which is higher than the *Minimum Economic Treatment* (TEM).

*Procurement social clause*. In the event of a contract change, the new contract provides for the social clause, i.e., an obligation on the part of the outgoing company to inform the incoming company regarding the hours, classification and duties of the contract workers. The contract change must take place under the same conditions as previously. If there are changes, the parties will take steps to harmonise the new requirements with the maintenance of employment levels.

*Right to training*. The subjective right of all workers to continuous training, of at least 24 hours, introduced with the previous 2016 national agreement, now provides for: a) reconfirmation of digital literacy, also for temporary workers employed for no less than 9 months; b) right to recover still unused training hours.

*Information rights*. In companies, half-yearly information is provided on the size of the company, use of seasonal work, fixed-term contracts or through agencies, any production decentralisation and/or relocation, employment levels, agile work, hiring and part-time transformations<sup>11</sup>. Experimentation at company level of participation in the organisation of work, with innovative participatory models of working groups and specific committees, involving trade union representatives and workers. Specific in-depth studies are foreseen to create proposals useful for guiding the development and growth of the sector. The territorial peer observers will learn more about the social economic situation of the sector. *Participation Advisory Committees*, with the lowering of the size threshold from 1,500 to 1,000 employees (with at least one unit of 500 employees), for a more incisive involvement of workers' representatives on corporate strategies.

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<sup>11</sup> "In many cases, Article 9 of the NCLA has allowed the unions to win some cases against MNCs, before the judges, for cases of plant closures and relocations, simply because the company had not correctly complied in time the information and consultation procedures envisaged by the CCNL. Union delegates should become more aware of the opportunities opened up by this contractual provision" (Int. Rota. FIOM-CGIL)

*Agile work.* Equal treatment of workers in “agile” mode from home, compared to those working in the workplace; right to disconnect, protection of privacy, right to training and full trade union rights.

*Health & Safety.* Increase of the activities developed by the ad hoc joint national committee, and analysis of the occupational diseases manifested in the companies. Extension of good practices, with "training breaks", during working hours, and on the risks related to one's job.

*Women victims of gender-based violence.* Paid leave for women victims of violence, is increased from 3 to 6 months, paid for by companies; facilitation in the flexibility of working hours and voluntary transfer of the place of work, solidarity leave.

## 1.4 Collective bargaining's ability to deal with the impact of high inflation rates

At an economic level, the art. 5, Title IV, of the NCLA says: *"In June of each year of validity of the NCLA, the contractual minimums by level, will be adjusted on the basis of the final inflation dynamics, measured with the HICP, net of imported energy goods, as provided by ISTAT. The parties will meet within the first days of June of each year of validity of the NCLA to calculate, on the basis of the data provided by ISTAT, the increases in the contractual minimums by level, with the criteria referred to in the previous point"*.

This sort of safeguard clause distinguishes this industry-wide agreement from all the others in Italy. It involves an *ex post* adjustment annually, instead of every three or even four years as in all other sectoral agreements, where the system is set on the *ex ante* approach.

The *ex post* mechanism, introduced with the national agreement of 2016, was also criticised, especially from some sector of the FIOM-CGIL, as it means that workers have to bear the worsening of their purchasing power for more than a year at least, while waiting for it to be restored at the end. *"The system of recovery of the differential between forecasted and actual HICP works acceptably when inflation is low. But when it is high, as in the last year, it shows its limits. The increase adjustment comes late, at least six months, during which you take less - and even significantly less - than the increase in the cost of living. We as FIOM-CGIL were critical when this type of mechanism was adopted in the national contract of 2016. But we accepted it as a compromise, as it was the first time we had once again entered a NCLA together with the FIM-CISL and UILM"* (Int. FIOM-CGIL).

The General Director of Federmeccanica says: *"When we opted for that system, in 2016, we did it not for convenience but for fairness. It was one part of a mosaic, with other important novelties, as for instance the new company welfare system (...) Do we keep in mind what's going on in our EU competitor countries, or do we look at their systems of wage setting and collective bargaining? Not really. We have a European federation of the employers' sector – SIMET – where we exchange information and opinions. But all our systems are too different, and every attempt at an artificial transplant would fail because it would cause a rejection crisis"*.

According to the labour law Professor Vincenzo Bavaro (University of Bari)<sup>12</sup>, one of the editors of a legal commentary on the 2021 metalworkers' agreement: *"We can say that the duration of the clause relating to the contractual minimums here is annual, being annually adjusted to the HICP index. Therefore, differently from the general rule of the three-year duration of the national sector*

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<sup>12</sup> Interview by telephone, 23/02/2023

*agreement, for the collectively agreed minimums here it is literally for each year of validity of the national contract".* In this way, the degree of uncertainty regarding the deviation between the forecast and the real HICP should be reduced.

This is not the only important innovation. Previously, in fact, the increase in the minimum wages took place strictly *"on the basis of the final inflation dynamics measured with the HICP, net of the cost of imported energy goods as supplied by ISTAT applied to the minimums themselves"*, in accordance with the provisions of the 2009 inter-confederate agreement. Starting from 2021, also by virtue of the changes introduced by the 2018 *"Factory Pact"*, the economic minimum increase mechanism also places importance on the element of *"organisational innovation"*, linked to the new classification system. The text of the NCLA states that *"a further component in consideration of the significant organisational innovation brought about by the reform of the classification system, as indicated by the Factory Pact, point 5, letter H"*. Therefore, the increase set in 2021 was higher than adjusted inflation, but lower than that which began to grow and surge strongly, especially in the second half of 2022. This means that in the event that the change in the index on an annual basis is higher than that foreseen in the 2021 tables, the minimum pay scale will be adjusted to the resulting amount.

At the time of signing the agreement, in February 2021, the increase was equal to 6.15%, higher (*"double"*, according to the trade unionists) than the HICP forecasted by ISTAT for the three-year period (2021-24). For the median level of classification (C3), it corresponds to an increase of €112, divided into four tranches, disbursed in June 2021 (€25), 2022 (€25), 2023 (€27), 2024 (€35). The whole range was between a minimum of €90 at the lowest level (D1) and €147 at the highest level (A1).

In June 2022, the safeguard clause was not activated, as the TEM share relating to the HICP dynamic referring to the past year (€14.76) was lower than the increase forecasted and paid (25€). However, on the basis of the new data communicated by ISTAT, in June 2023 the clause will be activated, as the index in question is expected to reach 4.7%, considerably higher than originally estimated. In November 2022, inflation was 8.1%, with a *"planned"* loss of purchasing power for June 2023, when the safeguard clause was to be activated, equal to 3.4%. According to current calculations, it should correspond to €87, instead of the initially forecasted €27. What the unions of the sector fear is not that Federmeccanica and Assisital will not respect the pact, but that part of the employers could opt to cushion this increase by absorbing it into other wage elements, normally considered at company level, like the individual super-minimums<sup>13</sup>.

## 1.5 Social partners' comments and remarks

In commenting on the new agreement, immediately after its signing, the General Director of Federmeccanica – Stefano Franchi – declared: *"In a moment of difficulty, due to the health emergency and the political crisis, the sense of uncertainty could not be fueled by the lack of the 1.5 million-strong metalworker contract. I trust that it will be a distinguishing feature of the recovery of the country"* (La

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<sup>13</sup> The super minimum is an increase in the basic wage, established for a specific category and level of classification. This incremental amount is agreed between the employer and the employees, and this can take place at the time of hiring or at a later stage. It can increase, even significantly, the amount of the monthly paycheck. There is not a single set amount valid for all categories: the amount of the super minimum, being a voluntarily recognised *"extra"* compared to the legally and contractually established basic wage, can vary from a few tens of euros to a few hundreds or thousands of euro for top positions marked by high professionalism. Everything essentially depends on the negotiations between the parties, at the time of hiring or when the employee has gained a certain length of service and experience.

Stampa, 06/02/2021). In the interview with us, he said that: *“At the moment we’re busy trying to do all the things to be implemented from the last NCLA well. Especially regarding the new job classification system and the vocational training. As for our expectations about the forthcoming inflation, we trust it will decrease gradually, but faster”*.

On the trade union side, Roberto Benaglia, General Secretary of the FIM-CISL, said: *“We have brought home, for 1.6 million workers, an extraordinary result, both in terms of wages, double the expected HICP, but above all for the reform of professional frameworks. A very important agreement because it aims to restart the engineering industry by rewarding the value of work. We are satisfied with the significant wage rise which, together with the job classification reform, waited for 48 years, and is the heart of this agreement”*. The complete revision of the old system makes this agreement *“one of the most important in recent decades”*. It will require *“an update of the culture with which work and professionalism are conceived and managed by all actors in the workplace (...). Perhaps it can really be said that it is in times of crisis and difficulty that contractual innovation can gain more ground”*<sup>14</sup>. Rocco Palombella, General Secretary of UILM-UIL, in the days after the signing, defined it: *“The best sectoral agreement we’ve signed in recent times”*. The FIOM-CGIL, which between 2022 and 2023 held its congressional assemblies in the workplace and in the territories, records a widespread discontent among the workers. *“The increase in the cost of living has been so rapid and prohibitive that it is not even until next summer, already with enormous delay, that they will be able to see a more significant increase in their pay (i.e. €87, as per collective agreements), and it is very unlikely that they will derive many reasons for satisfaction”*<sup>15</sup>. Michele De Palma, the current General Secretary of FIOM-CGIL, on the opening of the National Congress of his organisation (15/02/2023), said: *“In the latest national agreement, we went beyond the Consumer Price Index (HICP), innovating the job classification system. Obviously, two years ago we could not predict what would happen with war and inflation. However, we included a clause in the agreement whereby, if the trend in the HIPC had been higher than the expected increase on the minimum tables, there would be an adjustment. In June, if the inflation rate is confirmed, we will therefore have a higher wage increase than expected. Simply catching up on some inflation is not enough. We have also acted with second-level bargaining, but this is only carried out in some of the companies, leaving the others uncovered. The wage authority, i.e., the national contract, must therefore confirm its redistributive role. It is therefore necessary to have the objective, when this agreement expires and we present our platform of claims, to go beyond the trend of inflation adjusted for energy costs, redistributing a part of the value created by male and female workers”*.

We must also mention here the criticisms raised by the far-left faction of the FIOM-CGIL. They express a negative opinion of the ex post restoration mechanism, as well as the prolonging of the whole duration of the agreement – calculated at 4 and a half years as a sum of the 6 months of vacancy and ultra-activity and the 6 month postponement of the next deadline, to June 2024. *“This agreement cannot be called a best practice at all, especially in the gloomy scenario like the current one in Italian industrial relations”*<sup>16</sup>.

At the moment, no discussion has yet started on the forthcoming renewal of the national contract, which expires in June 2024. The judgment of the trade union organisations on the measures launched by the current Government in office are very negative, on the part of FIOM and UILM, whereas the

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<sup>14</sup> Already quoted from *Mondoperaio*

<sup>15</sup> Interview with Mirko Rota, quoted

<sup>16</sup> Interview by telephone with Eliana Como, leader of the CGIL and FIOM Congress minority coalition *“Ritornare alle radici del sindacato”*; 26/2/2023

FIM -CISL appears less drastic in its comments. A traditional difference between these organisations also concerns the degree of contractual decentralisation, with the Fiom more inclined towards centralisation, and therefore with an insistence that quotas of the average sectoral productivity are already distributed in the national contract, and the FIM historically more inclined towards contractual decentralisation.

**Table 1. Metalworking - The last national industry-wide collective agreement's outcomes at a glance**

| Outcome  | Details                                      | Brief description/ figures   |
|--|--|--|
| <b>New mechanism agreed in wage-setting different from the previous collective agreement</b> |  | Distinction between the <i>Economic Minimum Treatment</i> (EMT), subject to HIPC adjustment, and <i>Overall Economic Treatment</i> (OET), as EMT + occupational welfare and various allowances and indemnities.<br>Wage increase = HICP net of the energy costs + a further component for organisational innovation related to the reform of the job classification system |
| <b>Duration of the agreement and implementation timeline</b>                                 |  | February 2021-June 2024  |
| <b>Collective wage increase agreed</b>   | Nominal (average) wage increase agreed       | €112 for the median level job classification (C3)  |
|  | Details                                      | In four annual tranches: 25€ (2021), 25€ (2022), 27€ (2023), 35€ (2024)  |
|  | Minimum wage                                 | The whole pay scale for the 9 different levels of job classification is the collectively-agreed sectoral minimum wage  |
|  | Additional significant forms of variable pay | A standard extra-payment has been included into the new pay scale, to integrate the HIPC coverage  |
| <b>Estimated real wage increase by both negotiating parties*</b>                             |  | It was 6.15%, at the moment of signing the agreement, with respect the agreement duration, beyond the expected HICP, net of the energy cost. After the sharp rise in inflation in 2022, the initially expected HICP, net of the energy cost, will be updated and adjusted. Therefore, the € 27of the 2023 tranche should be raised to approximately € 87                   |

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|--|--|--|
| <b>Other outcomes related to unit labour costs</b>   | Working time (reduction)   | No   |
|  | Training, upskilling, reskilling financed or co-financed by the company                          | Strongly emphasised, with the subjective right to training for 24 hours in the three years, and specific projects like those on digitalisation   |
|  | Social benefits such as bonus for transport, energy costs, schooling, daily meal, etc...         | Flexible benefits for €600 in 3.5 years (€ 200 per year) for supporting workers' access to goods and services of social value  |
| <b>Specific aspects related to the twin transition</b>   | Technological change or digital transformation   | Through the resources and hours for vocational training and, at company level, with support to programmes of innovation in work organisation, involvement and digitalisation/automation  |
|  | Green transition: decarbonisation policies or any other related initiative /programme/investment | Not specifically   |
| <b>Measures addressing potential skills shortages in the sector, if any</b>                                  |  | The training programmes, general and specific on digital literacy, are designed to remedy the skills shortages in the sector   |
| <b>Employment level (expected increase or reduction in workforce)</b>  |  | A contraction of 3.1% was recorded in the last trimester of 2022, with a substantial stability for white collar workers. Some reduction in workforce is expected, according to the main employers' association   |
| <b>New worker rights or prerogatives agreed both individual or collective (for workers' representatives)</b> |  | Information and consultation rights have been fostered and the company-size threshold to set Participatory Advisory Committees lowered from 1,500 to 1,000 empls.<br>"Agile" (tele-) Work and right to disconnection and full union rights<br>Paid leave for women victim of violence increased from 3 to 6 months |
| <b>Governance and implementation of the collective agreement</b>   |  | Annual adjustment scheduled every year in a June session, for an ex-post adjustment  |
| <b>Possibility of derogation (opt-out) or deviation at lower</b>   |  | Yes, according to the procedures and within the scope and limitations  |

|  |  |   |
|--|--|---|
| <b>level by companies (or territories)</b> |  | established by the national sector agreement. |
|--|--|---|

*Source: elaborated by Leonardi*

## 2. The chemical-pharmaceutical sector

### 2.1 The sectoral context

The chemical-pharmaceutical sector in Italy includes a set of branches and activities aimed at transforming materials into technologies, products and consumer goods. Italy is among the main EU producers in this sector. It is estimated that there are more than 3,200 chemical and pharmaceutical industries in the country, which cover just under 9% of the turnover of the Italian manufacturing industry.

The chemical industry is made up of several different branches and Italy is active in each of them: basic chemistry (39.41% of the value of chemical production in Italy); fine and specialist chemicals (46.45% of the total), which is highly articulated and supplies all the other industrial sectors with highly differentiated intermediate goods capable of guaranteeing the desired performance. Paints and varnishes, detergents and cosmetics, destined for the final consumer, represent the remaining 14% of production. Chemistry is the country's sixth largest industrial sector.

Thanks to a production value of more than 56 billion euros, Italy is the third largest chemical producer in Europe, with a share of 9.5%, and the twelfth in the world. In recent years, Italian chemicals have managed to gain positions compared to the other main European producers: since 2010 – i.e., since the debt crisis triggered the collapse of the internal market – Italy is second only to Spain in export performance (34 billion), even surpassing Germany. On average, the chemical industries reinvest 5% of their proceeds in innovation (research & development), a share that rises to 22% in the pharmaceutical industries. Together, they represent the first sector in Italy in terms of companies that carry out research activities (60%).

There are more than 2,800 chemical companies active in Italy. The role of Small and Medium-sized chemical Enterprises (SMEs) is very significant, as they account for 58% of employment in the sector. The region of Lombardy, alone, has about 40% of Italian employees in the sector and more than 30% of the companies. It is the fifth chemical region in Europe by number of employees, behind three German regions: (Rhineland-Westphalia, Bavaria and Rhineland-Palatinate) and a French one (Île de France).

The chemical sector, in Italy, employs around 112,700 highly qualified workers. 96% of the workforce is employed with an open-end contract (of which 1% with apprenticeships), with only 4% on fixed-term contracts, usually stabilised in a few months. The chemical industry, through related industries, also generates qualified employment in other branches and companies. It is estimated that the total employment generated by the sector is more than double the direct one: about 278,000 employees.

With a share of staff dedicated to R&D equal to 7.9%, compared to 5.2% of the manufacturing average, the chemical industry is also characterised by important research activity. Intensity of capital, innovation and highly qualified human resources make chemicals one of the most productive sectors in the Italian industrial landscape: the added value per employee is among the highest and is more than 60% higher than the manufacturing average.

Wages in the chemical sector, but also in the pharmaceutical sector, are about 38-40% higher than the national average for industrial manufacturing. This evidently reflects the high qualification of the personnel, of whom 23% are graduates in the chemical sector with 40% in the pharmaceutical sector, against an average of 11% in manufacturing.

The employment trend and forecast, for the moment, are quite stable. The issues of atypical work and occupational flexibility are not at the top of the social partners' agenda.

The rate of unionisation, in the sector, is around 40%, eight points above the national average.

In the pharmaceutical sector<sup>17</sup>, Italy is the leading European producer, with 31.2 billion euros of production, 80% destined for export, and 65,400 employees, with another 66,000 employed in related branches. 60% of the companies are foreign-owned and 40% Italian-owned. The pharmaceutical industry is a strategic asset of the Italian economy. It is the sector with the highest growth from 2007 to today, both in terms of production, exports and employment. It is the 3<sup>rd</sup> sector for investments in R&D (7% of the total in Italy) and with the highest value for investments in R&D on added value (16%). One of the main specificities of the pharmaceutical industry is the quality of human resources, the most highly trained (90% of employees with a degree or high-school diploma) and productive in the industrial panorama – the first factor of competitiveness declared by companies. Pharmaceuticals are also among the sectors most attentive to the environment. According to their association, in a decade, the sector's companies have reduced both energy consumption (-69%) and climate-altering gas emissions (-66%). Furthermore, about half of the environmental investments of the pharmaceutical industry are in "clean" technologies, which eliminate or reduce the pollution of the production process at the source. 90% of companies are adopting innovation 4.0 in production, placing Italian companies in this sector at the forefront at European level.

## 2.2 Strategies and approaches of negotiating parties in the last negotiation round in the context of inflation

Over the decades, industrial relations in the chemical-pharmaceutical sector have always been characterised by continuous dialogue and have developed often innovative collective bargaining on the issues of H&S prevention, organisational models and decentralised bargaining.

In industrial relations in this sector, between one renewal of the national contract and another, a crucial role is played by the National Observatory. It is a rather open body, in which the signatory associations of the national contract are represented at top levels. Representatives of the major companies in the sector, both from the employers' and the trade unions' side, also take part in the meetings. On average, 3 or 4 can be held in a year, and it is there that technical discussion on how to deal with and solve problems occurs, including those relating to the renewal of the NLCA. There are also bilateral working groups, which deal specifically with ad hoc topics, paving the way for the finalisation in the new text of the NCLA. National observatories help to map and keep the comparison of economic scenarios, sector trends and contractual policies up-to-date. This has made it possible to renew the NCLA, always within acceptable timing, sometimes before the expiry date, like the last time, in June 2022.

The draft agreement was signed on 13<sup>th</sup> June 2022 by the associations Federchimica and Farmaindustria (both sectoral affiliates of Confindustria) and by the main trade union federations of the sector, FILCTEM-CGIL, FEMCA-CISL, UILTEC, UGL CHIMICI, FAILC-CONFAIL, FIALC-CISAL. The new NCLA will have a duration of three years, from 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2025. The initial hypothesis of the agreement was finally approved after the "green light" obtained with ample consent (97%) from

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<sup>17</sup> All data here are from a Farmaindustria Sectoral Report, 2022

the workers participating in the territorial assemblies. It is interesting to note that the closure of the negotiations, and the subsequent signing, took place before the expiry of the previous agreement, signed in 2018, scheduled for 30<sup>th</sup> June 2022.

The NCLA's scope and perimeter are the workers in the chemical, chemical-pharmaceutical, chemical fibre, lubricants and LPG industries. It covers 3,000 companies and approximately 170,700 workers (112,700 chemical and 58,000 pharmaceutical).

In their platform of demands, the sectoral unions federation - in addition to the improvements in the regulatory contents of the contract - had advanced a total economic request of 180 euros (level D1) and the increase in the welfare providences of the Fonchim and Faschim bilateral funds. At the end, they will get more: €204 for category D1. In the job classification system that runs from the lowest E4 up to A1, the category D1 is a sort of median; it includes the majority of employees, like - for example - accountants, customer service personnel, team leaders, multi-purpose technicians, research operator, surveillance staff and programmers. But this result, as is said in the interviews, was quite common in the final round of national renewals, as it was very clear to both sides of the negotiators that the mounting inflation required some upward revision of the previous calculations.

In the *Introduction* that opens the text of the agreement, we can see the terms of the strategic compromise between the negotiating parties. They consider of central importance, "*the continuity of the dialogue for the search for the best response to mutual problems and needs*". This method, we read, "*has also made it possible to carry out this renewal as a moment of synthesis on themes that have already been extensively studied and shared, through a participatory process carried out, in particular, in the meetings of the National Observatory*". Industrial relations are therefore considered "*an instrument of innovation, sustainable development and growth of the business system and employment of our country*". Furthermore: "*The Parties intend to strengthen the sectoral participatory method based on continuous dialogue, focused on analysis, discussion and comparison to arrive at shared solutions*".

Digitalisation occupies an entire section of the new agreement (Part V). It is considered "*an inevitable and necessary process for competitiveness and therefore for employment (...). A strategic objective to guarantee the safety of people and plants, improve the effectiveness and efficiency of existing company processes, guarantee product and process innovation, increasing competitiveness and environmental sustainability*". The focus concerns, in particular, remote work, industrial automation and big data analysis. To these ends, the agreement contains guidelines on the impact of the digital transformation on work, a chapter on work organisation, another on skills and training, yet another on involvement and participation. A second section is dedicated to the impact of digital transformation on industrial relations. A third section, the impact of digital transformation on safety, health and the environment.

There are instead no specific references to the other major issue, the green transition. According to the representatives of the social partners we interviewed, the main reason is that it is to some extent included, albeit indirectly, in the broad focus on digitalisation. The trade unions, in particular, underline the attention to the impact of this twin transition on the organisation of work. In any case, they say they are quite sure that, in the next national renewal, in 2025, the theme of the green transition will also nominally enter the text of the new collective agreement for the sector.

## 2.3 Contents and provisions of the latest national collective agreements

The most innovative part of the NCLA is represented by the introduction of a full new chapter (Part V), experimental for the duration of the agreement, where guidelines are conceived to facilitate and accompany change in companies, in order to manage the impacts of the digital transformation on work, on industrial relations and on safety, health and the environment.

*Digitalisation ("Impact of the digital transformation on work")*; this theme is a large central part of the new sectoral agreement, with its sections on the impact on work organisation, industrial relations, health and safety at work. In essence, the aim is to accompany, through the participatory and involvement model, defined as "*typical of the sector*", the processes underway, "*promoting and encouraging continuous dialogue and the sharing of actions to support change*". With respect, in particular, to the impact of digitalisation on health and safety in the workplace and on the environment, a fundamental activity is considered the "self-assessment", through a checklist of self-evaluation of the context (on H&S, correct external conditions, quality of air and light, etc.), attached to the text by way of example.

*Working hours*: principle of due performance on availability for the activities and with the methods agreed at company level. No worker can avoid carrying out extra or overtime work, as well as night and public holiday work, within the limits established by law and by the sectoral agreement.

*Joint National Observatory* (which represents the non-negotiation area for shared knowledge useful for contractual activity): it monitors and maps constantly all the issues impacting on the general situation of the sector (including labour market, competences, skill, lifelong learning employability, work organisation, social inclusion and gender gap, contractual welfare equal, health and safety and environment), aiming with the earliest possible identification of weaknesses and opportunities to solve problems, As in preparation for the negotiations at national and company levels.

*Decentralised collective bargaining*: among many topics it deals with flexible working hours adaptable to daily and weekly necessities, equal opportunities, fringe benefits, production and participation awards. Temporary agreements modifying the NCLA are permitted, for a duration of three years, when connected to the situations and prospects of the company, including cases of merger of companies covered by sectoral agreements other than the chemical-pharmaceutical one. Importantly, the production/participation award, in the sector, can on average consist of an extra full monthly wage.

*Occupational welfare (WELFARECHIM)*: the sector has high participation in the funds. Great support from the NCLA for funds that cover almost all workers of the sector (FONCHIM and FASCHIM)<sup>18</sup>.

*Lifelong Learning*: an increase to 2.5 days is envisaged on collectively-agreed training projects, covered by the bilateral and self-financed fund. A major role is assigned to lifelong learning and certification of skills, with the Record of Personal Achievement (*libretto formativo*).

*Gender equality*: focus on work-life balance in order to facilitate the diffusion, at company level, of decisions serving for the achievement of this objective.

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<sup>18</sup> FONCHIM covers 166,000 workers and 2,400 companies, managing something like 8 billion euros in complementary pensions. FASCHIM covers 240,000 (of which 100,000 workers' families) in integrative health assistance, for an amount of 52 million euros of reimbursements.

## 2.4 Collective bargaining's ability to deal with the impact of high inflation rates

The calculation system for the adjustment of wages to the cost of living in this sector and in the national agreement (articles 14-16), largely reflects the system of inter-confederal rules (2009 and 2018) already examined in the first part of this report, that is, an index of consumer prices (HICP) net of the cost of imported energy goods, as periodically supplied by ISTAT. The nominal value of wages is defined in the pay tables based on the level of classification, the so-called "*Minimum Economic Treatment*" (TEM in the Italian acronym). Other contractual items with economic repercussions make up the "*overall economic treatment*" (TEC).

While these are the general rules, there are two specificities of this sector; the "*Distinct Remuneration Element*" (*Elemento Distinto della Retribuzione* - EDR) and the so-called "point value" (*Entità Puntuale Settoriale* -EPS in Italian).

The "*Distinct Remuneration Element*" was conceived by the parties in the 2018 NCLA and functions as a sort of shock absorber in compensating possible gaps or deviations between forecasted and real inflation. The EDR is not considered part of the *minimum economic treatment*, of the collectively-agreed pay scale, but of the *overall economic treatment*. If the forecast should be higher than the real level, it will feed a sort of fund, ready for compensations when the situation is reversed, with real inflation above the level forecast. This is designed to reduce the impact of the up and down variations of inflation, and of its repercussion on wages and cost of labour.

Such a system is conceived to give certainty to companies and to the workers. The first check is after two years. When the NCLA expires, the parties proceed with an overall check to ensure that the minimum contractual wage is in line with real inflation and, as happened with this renewal, they take this into account when disbursing wage rises.

The other special feature of collective bargaining in the chemical-pharmaceutical sector is the so-called "point value", a mechanism devised in the early 1990s by the chemical workers union (Del Biondo, Loreto, 2004). It is an indicator that considers an average wage in the sector which is intermediate between minimum wage and overall wage resulting from second-level bargaining, very widespread in this sector (around 88% of all employees), and other items such as individual super-minimums. Periodically, the two sectoral employers' associations – Federchimica and Farindustria – deliver the union federations a survey on the real wages in their sectors. These real and all-inclusive average wages are, of course, higher than those set in the NCLA pay scale, by an esteemed amount of approx. €300. At the moment of calculating the base for the national wage increases, the parties assume a so-called "conventional" wage. In the latest NCLA, for the next renewal the parties adopted a point value of 100 equal to 17.74 euros for the lowest level in the pay scale (F), which for the median level (D) corresponds to 26.07 euros and for the highest (A), 39,03. This means that for each variation of one percentage point of the adjusted HICP, wages will be revalued according to the parameters of this scale.

Now, having said that, in relation to the agreement's 36-month validity (2022-25), the signatory parties have – first of all – adopted the HICP adjusted as communicated by ISTAT for the three year period and equal to 9% (4.7% in 2022; 2.6% in 2023; 1.7% in 2024). For the median category D1, it corresponded to 212 euros. The inflation gap detected for the 2019/21 period (24 euros for category D1), in credit for the enterprises, is offset with the contractual tranche envisaged for June 2022, for

an amount of €16 and from the new tranche for the remaining €8. The last tranche of the expiring NLCA, equal to 16 euros, was shifted to the first instalment of the new one. All in all, with some other minor adjustment, the final result was 204 euros, to be disbursed in 5 tranches:

→ 01/07/2022: 50 euros (18 euros, plus 32 euros of EDR)

→ 01/01/2023: 30 euros

→ 01/07/2023: 36 euros

→ 01/07/2024: 68 euros

→ 01/06/2025: 20 euros

The total amount, i.e., the total increase in Minimum Economic Treatment wages over the three-year period, will be equal to €4,750.

Point 5) of Article 15 provides for a method of verifying and adjusting the minimum economic treatment (TEM), due to any deviations between forecasted inflation and actual inflation. It will be carried out on the basis of ISTAT data published in June. The parties agree to proceed with a realignment of the deviations with the following methods and timing:

1. For the two-year period 2022-23, the verification will be carried out in June 2024 and the adjustment, in the case of deviations greater than 0.5%, will be made in July 2024;

this economic system can be used to compensate for negative or positive deviations between expected inflation and real inflation, at the time of verification set during the NCLA validity. If the real inflation is found to be:

1) Higher than the forecast, the sum corresponding to the deviation is transferred from the Distinct Remuneration Element to the Minimum Economic Treatment;

2) Lower than the forecast, the sum corresponding to the deviation will be transferred from the next tranche of increase in the Minimum Economic Treatment to the Distinct Remuneration Element.

2. In June 2025, the verification will be carried out with reference to the three years of contractual validity (2022, 2023, 2024), without prejudice to any adjustments already made. With regard to the next renewal, the inflation trend will be assessed, but also the sectoral trend.

In the case of a crisis or a start-up, at company level a collective agreement gives a maximum of 6 months' leeway to postpone the start of the pay rise tranche, as scheduled in the national agreement (article 15).

## 2.5 Social partners comments and remarks

Both the signatories give a very positive evaluation of the results reached with the last NCLA renewal. On the employers' side, Paolo Lamberti, President of Federchimica, declared: *"This agreement, reached in such a critical phase on the national and international scene, takes on a particularly significant meaning. In a climate of great uncertainty, strengthened by our culture of industrial relations inspired by the principles of participation and social responsibility, we have ensured a perspective for the future of companies and workers"*. Massimo Scaccabarozzi, President of Farindustria, stated: *"the renewal of the NCLA in record time is a particularly important result in such a complex moment due to the pressure on costs and the need to defend the levels of competitiveness of drug companies. An agreement that once again demonstrates the pharmaceutical industry's ability*

*to work concretely to find positive solutions for the country. The good industrial relations in our sector are exemplary, both nationally and among companies. Collaboration and continuous dialogue are a stimulus to improve the skills and quality of our collaborators, who are recognised as excellent on the European scene".* Marcello Cattani, delegate for the industrial relations in Farindustria, added: *"the collaborative model of industrial relations, characteristic of our sector, has once again demonstrated, with a great sense of responsibility of the signatory parties, the commitment to find a positive understanding with the trade unions through the renewal of the NCLA to seize the extraordinary current and future challenges related to scientific, technological innovation and new skills in the life sciences"*. Marco Colatarci, Vice President of Federchimica with responsibility for Industrial Relations, underlined that *"the agreement enhances, among other things, second-level bargaining related to profitability and productivity and adequate to support competitiveness and employment; we have made a concrete contribution to the development of contractual welfare, social responsibility, gender equality, work/life balance"*<sup>19</sup>.

Confindustria, the umbrella confederation to which Federchimica and Farindustria are affiliated, has appreciated the outcomes of this last sectoral agreement. Nevertheless, it views with some reluctance the wage mechanisms of the chemical sector, assumed as a sort of exception, since it takes as the base of calculation for national increases, a sectoral average wage resulting from second level bargaining. Confindustria is in fact in favour of the two kinds of wage setting and dynamics, national and company-level, absolutely separate and distinct. From this point of view, Confindustria respects the autonomy of its sectoral affiliated federations, but opposes the possibility of exporting this model beyond that scope and perimeter.

In Federchimica – according to what we've been told in our interviews<sup>20</sup> – there is a positive view of the fact that the wage dynamic is shielded from energy cost fluctuations, and also of the current timing of a three-year period for wage adjustment. A shorter time would create the risk of a permanent bargaining situation and would also negatively affect the second level bargaining. Furthermore, the employers association is very protective of the achievements reached in the sector, through a very pro-active social partnership, as in the case of the original solutions adopted with the Distinct Remuneration Element or with the "point value". They state that they believe in the social partners' role and their autonomy from any automatism and/or external interference.

On the trade union side, the General Secretary of UILTEC-UIL, Paolo Pirani, considers the new NCLA in the chemical-pharmaceutical sector *"an innovative agreement that will pave the way for other renewals. With this positive epilogue, we have structurally increased the purchasing power of the wages of all employees in the chemical and pharmaceutical sector. There is no other way than to increase wages through effective negotiation between the parties, who thus receive mutual satisfaction, with beneficial effects both from a productive and employment point of view. We are proud and satisfied with the result achieved. The workers will appreciate it very much"*<sup>21</sup>. *"This is a really important renewal – said Nora Garofalo, General Secretary of the FEMCA-CISL – because it comes at a time when it is necessary to recover the purchasing power of wages for workers, given the economic situation that has strongly affected families. The distinct element of remuneration (EDR),*

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<sup>19</sup> All these quotations are taken from [A. Di Mario, Rinnovato il CCNL chimico-farmaceutico. Ora tocca al governo](#), Formiche.it, 14/06/2022

<sup>20</sup> Interview in presence with Paolo Cuneo, Central Director for the Industrial Relations Federchimica, Rome, 07/03/2023

<sup>21</sup> A. Di Mario, [Rinnovato il CCNL chimico-farmaceutico. Ora tocca al governo](#), Formiche.it, 14/06/2022

used in this agreement to verify inflation gaps, has proven to work perfectly. In periods of low inflation, it made possible to mitigate the repercussions on minimum wages, whereas now it allows them to be better protected. A balancing and compensation mechanism – she explained – which has proved to be extremely useful for the application of the Factory Pact”<sup>22</sup>. According to the General Secretary of the CGIL sectorial federation (FILCTEM-CGIL), Marco Falcinelli: “Unlike the HICP, the system adopted by the chemical sector responds well, both when inflation is low and when it fluctuates upwards, as it is today”. In spite of such a positive consideration for the sector, he also thinks that in general: “Today, it’s clear that the rules set by the inter-confederal “Factory Pact” of 2018 – with the HICP, net of the costs of imported energy goods, as a reference point for the calculation of wage increases – are no longer corresponding to the true dynamics and relationship between wages and inflation”. Therefore – this is the conclusion – it is time to go beyond it, towards a new mechanism (Opening speech at the FILCTEM-CGIL National Congress, Turin; 17/02/2023).

During our interviews with the leaders of this federation<sup>23</sup>, we were told that even three years between one renewal and the next is too long a period. Two years would be likely the best compromise, as it was until 2009. However, at that time, it was not unusual to find a confusing overlap between bargaining at the national and company level. At the same time, the wage increases appeared very low to the workers. But “the solution must be found at the peak and cross-sectoral level”. For what specifically concerns the sector, Falcinelli thinks that the system of the “distinct remuneration element” (EDR) will enable the sharp rise in inflation to be amortised. “We could have put more money into the basic payroll (TEM). We have preferred to strengthen this instrument, which however will have exhausted its capacity at the next renewal, precisely because of the gap in recent years, in which the HICP will be much higher than what we had estimated, signing the last national contract. Next time, in 2025, we will have to find the resources to re-fuel it”.

In conclusion, it is worth noting that the difficulties emerging at the confederal level – between CGIL and UIL more and more in synergy in their strategic actions on one side, and the CISL on the other, are also finding a certain resonance in the sector, with some deterioration on the trade union unity of action among the three sectoral federations.

**Table 2: Chemical-pharmaceutical - The last national industry-wide collective agreement's outcomes at a glance**

| Outcome  | Details | Brief description/ figures  |
|--|---------|---|
| <b>New mechanism agreed in wage-setting different from the previous collective agreement</b> |         | Confirmation of the mechanism of distinction between the <i>Minimum Economic Treatment</i> (EMT), subject to HIPC adjustment, and <i>Overall Economic Treatment</i> (OET), as EMT + occupational welfare and various allowances and indemnities.<br>The model for verifying inflationary deviations is also |

<sup>22</sup> From the FEMCA-CISL website

<sup>23</sup> Interview in presence with Marco Falcinelli, Aldo Zago and Lillo Oceano, Rome, 07/03/2023

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|  |   | confirmed, with the role of the EDR as a shock absorber.  |
| <b>Duration of the agreement and implementation timeline: rules for time revision, method and regularity of adjustment, update(s) foreseen (e.g., via amendments to collective agreements), if any</b> |   | 01/07/2022-30/06/2025   |
| <b>Collective wage increase agreed</b>   | Nominal (average) wage increase agreed  | €204 for the median job classification level (D1)   |
|  | Details   | In five tranches: €50 (01/07/2022), € 30 (01/01/2023), €36 (01/07/2023), € 68 (01/07/2024), €20 (01/06/2025)  |
|  | Minimum wage (provide details, if relevant)                                     | The whole pay scale, for all the different levels of job classification is the sectoral collectively-agreed minimum wage  |
|  | Additional remarkable forms of variable pay                                     | The so-called point value considers an average wage in the sector which is intermediate between minimum wage and overall wage as a result of second-level bargaining (very widespread in this sector) and other items such as individual super-minima.                      |
| <b>Estimated real wage increase by both negotiating parties</b>  |   | The total amount, i.e., the total increase in Minimum Economic Treatment wages over the three-year period, will be equal to 4,750 euros.  |
| <b>Other outcomes related to unit labour costs</b>   | Working time (reduction)  | Principle of due performance on availability for the activities and with methods agreed at company level. No worker can avoid carrying out extra or overtime work, as well as night and public holiday work, within limits established by law and by the sectoral agreement |
|  | Lifelong Learning upskilling, reskilling financed or co-financed by the company | Yes, strongly emphasised, especially on the issues of digitalisation  |

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|   | Social benefits such as bonus for transport, energy costs, schooling, daily meal, etc...        | These aspects are regulated by second-level bargaining.  |
| <b>Specific aspects related to the twin transition</b>  | Technological change or digital transformation  | Yes; “digitalisation” occupies an entire section of the new agreement (Part V), adopted as “a strategic objective to guarantee the security of people and plant. The focus concerns in particular remote work, industrial automation and big data analysis.  |
|   | Green transition: decarbonisation policies or any other related initiative programme/investment | Not specifically but principles of Digital transition are also valid for Green transition.   |
| <b>Measures addressing potential skills shortages in the sector</b>   |   | Lifelong learning training programmes, general and specific on digital literacy, are designed specifically to remedy the skills shortages in the sector  |
| <b>Employment level (expected increase or reduction in workforce)</b>                                       |   | A contraction of 3.1% was recorded in the last trimester of 2022, with a substantial stability for white collar workers. Some reduction in workforce is expected, according to the main employers’ association   |
| <b>New worker rights or prerogatives agreed both individual or collective (for workers representatives)</b> |   | A great focus on the “participatory method” and social dialogue, as in the tradition of industrial relations in this sector.   |
| <b>Governance and implementation of the collective agreement</b>  |   | For the two-year period 2022-23, verification and adjustment of the possible gap between forecasted and real inflation, on the basis of the new data published in June by ISTAT  |
| <b>Possibility of derogation (opt-out) or deviation at lower level by companies (or territories)</b>        |   | Yes, temporary agreements modifying the national sector agreement are permitted, when correlated with the situation and prospects of the company, including cases of mergers of enterprises covered by sectoral agreements other than the chemical-pharmaceutical one. The wage increases scheduled in the national agreement in five different dates between 2022 and 2025, can be postponed up |

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|  |  | to a maximum of 6 months, in the event of a crisis or start-up |
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*Source: elaborated by Leonardi*

## 3. The domestic work sector

### 3.1 The sectoral context

In Italy, the real total number of domestic workers (domestic helpers, household and family assistants, caregivers, babysitters, butlers, gardeners, tutors) is estimated at around 2.1 million, corresponding to less than the 10% of all employees in Italy. It involves over 2.5 million families as employers. In 2022, Italian families spent over 15 billion euros on domestic work, of which 7 billion not declared to the tax authorities.

Of the 2.1 million domestic workers, less than half are hired and employed legally, in terms of wages, pension and tax contributions. During the Covid-pandemic in 2020, thanks to a law-decree (no. 34), almost 190,000 irregular positions were legalised, as this was a mandatory requirement for families to allow domestic assistants to circulate with a mobility pass to commute from home to the workplace, and to access some bonuses. According to the fourth annual report of the sectoral Association *Domina* (2022), despite the legislative encouragement and push to emerge from the informal economy, beginning in 2020, the domestic sector is still by far the leading sector in the ranking of undeclared employment: 52.3% against a national average of 12%. The most typical forms of non-compliance with the rules for fully regular employment relationships are the under-declaration of the real number of the working days or hours; under-classification of roles; non-payment of overtime, night shifts and annual leave.

The composition of the workforce by gender shows a very clear prevalence of females, whose percentage of the total has increased over time and in 2019 reached 88.6%, the maximum level of the last six years. Since then this percentage has slightly decreased and in 2021 stood at 84.9%. The composition of workers by nationality shows a strong prevalence of foreign workers, who in 2021 made up 70% of the total. After years of decline, in the last year the number of foreign workers has grown by 3.2%, compared to the previous year, while for the first time there has been a decrease in Italian workers of -0.9%. In terms of area of origin in 2021, Eastern Europe continues to be the geographical area from which the majority of domestic workers come, with 344,466 workers, or 35.8% of the total domestic workforce. They are usually female employees with an over-qualification in terms of educational background. They are followed by 288,749 Italians (30.0%), South Americans (7.5%) and East Asian (7.3%). Ten years ago, the share of Eastern European workers was 44.0%, against 19.1% of Italian workers (All the data here are from an INPS survey, June 2021).

Analysing the data on domestic workers by type of relationship and geographical area of origin for each, we see a prevalence of the “home help” category, in charge of helping families in daily tasks, which in 2021 accounts for 53% of the total number of workers. 47% are caregivers who assist the family in the care of elderly or non-self-sufficient family members. The home help typology is prevalent among Italian workers and almost all foreign workers, with the exception of those from Eastern Europe, the Middle East, Asia and Central America, where the caregiver typology prevails.

Due to the peculiar characteristic of these employment relationships, these jobs are allowed to derogate from several labour rights, such as those regarding working hours, which here can reach a maximum of 54 hours a week for live-in caregivers; limitations on keeping the post in the event of illness or on sick and maternity leave.

In 2021, the standard average weekly working time is “25-29 hours”, which accounts for 25.8% of cases. The same applies to the domestic worker relationship (30.2%), while for the caregiver relationship, the standard “50 and over” has the highest frequency (45% of the total). In fact, it is observed that as many as 54.8% of workers with the caregiver relationship, precisely because of the nature of the work they carry out, work over 29 hours a week. By contrast, 54.7% of home helps/cleaners work less than 25 hours a week.

The analysis of the data on wages in 2021 quoted above shows that the majority of domestic workers receive an annual wage of 13,000 euros and above (106,451 workers equal to 11.1% of the total). On average, females have a higher wage than males; in fact, 43.6% of male home helps earn below 5,000 euros a year, due to their shorter working hours and number of weeks, as opposed to the 40.4% of females, who work for longer hours. For workers with a home help relationship, the earnings bracket with the highest frequency for females is merely between 1,000 and 2,000 euros per year, while for males it is between 6,000 and 7,000 euros. Caregivers present, both for males that for females, the same modal class as workers as a whole, i.e. 13,000 euros and above. Furthermore, for this type of worker, 34.6% of the females have a wage equal to or greater than 10,000 euros per year, against 25.7 % of the males. As one can easily see, we are dealing with one of the lowest paid categories of workers in a European country.

### 3.2 Strategies and approaches of negotiating parties in the last negotiation round in the context of inflation

The last NCLA for domestic work was signed on 8 September 2020, one year after the expiry date of the previous one, stipulated in 2016. Its effective starting date was 1<sup>st</sup> October 2020, expiring on 31<sup>st</sup> December 2022. The new one is currently under negotiation.

The 2020-22 agreement was stipulated by the employers’ associations – i.e., FIDALDO, made up of ASSINDATCOLEF, Nuova Collaborazione, Adlc, Adld, and Domina – and the sectoral trade union federations: FILCAMS-CGIL, FISASCAT-CISL, UILTUCS-UIL and FEDERCOLF.

The text, composed by 54 articles, applies to all family assistants (home helps, caregivers, babysitters and other professional profiles within the scope of the NCLA), including those of non-Italian nationality or even stateless persons, doing paid work, involved in the functioning of family life and family-structured live-in arrangements, taking into account some key features of the employment relationship.

This NCLA should cover 900,000 (regular) workers in the sector but there are no official data on this.

### 3.3 Contents and provisions of the latest national collective agreements

Provisions and changes introduced by the 2020 NCLA concerned:

- a new denomination of “*family assistants*”, instead of the old established distinction between home helps, caregivers and babysitters;
- job classification standardised in 9 different levels, based on their skills;
- inclusion in a single level for babysitters (B Super)

- a monthly wage increase of 12 euros is recognised for domestic workers, classified in the median level (B Super), starting from 1<sup>st</sup> January 2021
- additional allowances from €100 to €116 for those who assist children up to the age of six or more for a non-self-sufficient person, starting from 1<sup>st</sup> October 2020,
- employees in possession of quality certification (UNI 11766/2019) will be entitled to an additional allowance of up to 10 euros per month;
- an extension of the probationary period to 30 days of time worked;
- new figure of the “professional educational family assistant” (Lev. Super D);
- introduction of a greater number of hours dedicated to training.
- leave for women victims of gender-based violence
- guidelines for reducing risks in the workplace, including telematics and robotics tools.
- *Territorial Commissions of Conciliation* for all individual disputes relating to the application of the NCLA. The employee must be assisted by the representative of a trade union organisation signatory of the NCLA (art. 47);
- *Cassa Colf* (art. 50); the contribution due for services and health care benefits is doubled from 0.30 to 0.60 euro per hour. *Cassa Colf* is the sectoral bilateral fund for occupational welfare, jointly managed, providing benefits and services for workers and employers, including health care and insurance treatments, additional to public providences;
- *National Commission for the update of wages* (art. 46). It is established at the Ministry of Labour and is composed of representatives of trade union organisations and employers’ associations who are signatories to the national contract. It decides unanimously and has the task of determining the periodic variation in the cost of living for families of employees and workers recorded by ISTAT for the minimum contractual wages.

### 3.4 Collective bargaining’s ability to deal with the impact of high inflation rates

The wages for domestic assistants (home helps, caregivers and babysitters) are set out by the NCLA of this sector, the first of which was stipulated in 1972. The wage varies according to the pay scale and worker’s job classification level (8: from the lowest A up to Super D). Minimum wages are revalued annually, according to the cost of living (art. 38). After the abrogation of the “*scala mobile*”, at the very beginning of the 1990s, the domestic sector has been the only one where some kind of escalator has been preserved, due to the vulnerabilities of this type of workforce. The indexation system in the domestic sector, therefore, can be considered quite unique in the Italian panorama of collective bargaining and wage setting.

To understand how the adjustment of minimum wages in the domestic work sector functions, it is necessary to look at art. 38 of the 2020 NCLA, which expired on 31<sup>st</sup> December 2022. That article provides for a rather peculiar mechanism for adjusting wages to inflation. Art. 38, titled “*Periodic change minimum wage and standard value of board and lodging arrangements*”, states that: “*Minimum contractual wages and standard values of board and lodging arrangements set out herein, are adjusted by the National Commission for the update of wages (..), according to changes in the cost of living for families of employees and workers recorded by ISTAT on 30 November of each year. The*

*Commission will be convened for this purpose by the Ministry of Labour, no later than 20 December of each year, in the first call, and, in any subsequent calls, every 15 days. After the third call, in case of lack of agreement, or absence of the parties, the Ministry of Labour is delegated by the contracting associations to determine the periodic variation of the minimum wage. It will be of an amount equal to 80% of the variation in the cost of living for the families of employees and workers surveyed by ISTAT, as regards the minimum contractual wages and to an extent equal to 100% for the conventional values of board and lodging”.*

Thanks to this mechanism, domestic workers benefit from a wage adjustment that almost completely protects them from inflation. A sort of automatism, guaranteed by the Ministry of Labour, which has no analogy in other sectors.

As the cost of living, in the past years, had changed very slightly, also the minimum contractual wage had seen very modest or no variation at all, for example in 2021, when the variation was equal to zero, since the cost of living growth at the end of the prior year was around zero (the year of Covid and lockdowns). In 2022, with the inflation at 3.6% at the end of 2021, the annual revaluation was 2.88%. In other words, wage increases in two out of the three years of the expiring NCLA (2020-22) had a very small impact on the sectoral workforce remunerations.

Things have changed greatly in recent months; since inflation in November 2022 was recorded by ISTAT at 11.5%, all domestic workers, starting in January 2023, will see their new minimum wages revalued by 9.2% (80% of the 11.5%). It is one of the highest indexations and coverages in the current Italian scenario of collectively-agreed minimum wages of last year. This means that for live-in caregivers working over 40 hours, the minimum wage will rise from €1,026.34 to €1,120.76, with an increase of over €94 per month. With the consequent increase in welfare contributions, it will bring the total annual cost from €17,177 to €18,752, with an increase of €1,575 or more.

Overall, the monthly increase will vary between a minimum of €61.10 gross for the lowest classification level (A), with a monthly minimum of €725.19 per month, €83.31 gross for a typical domestic worker (B), with a monthly wage of €988.90, and up to €116.64 gross for the highest (D Super), or for a carer for non-self-sufficient persons, with a monthly minimum rising to €1,384.46.

With the new minimums, the hourly pay rate for live-out employees varies between a minimum of €5.25 and a maximum of €9.36. In the case of caring for non-self-sufficient persons, the highest wage rises to €10.09. To this, extra daily allowances can be added for board and lodging, specifically €2.26 for lunch and/or breakfast; €2.26 for dinner; €1.95 for accommodation. Total daily allowance: €6.48, 100% indexed.

Those who work short hours and do not live in the families, will receive little or no significant increases, between a minimum of €0.44 an hour for the lowest level (A) and €0.79 for the highest one (D Super), unless a higher amount than the collectively-agreed minimum wage (€5.27/€6.99) is agreed in the individual negotiation with the employer.

Let us see a little more information about overall pay. In the Christmas period, and in any case in the month of December, the worker is entitled to an additional month's wage, equal to the total actual pay, including the allowance in lieu of board and lodging (art. 39). In any case of termination of employment, the worker is entitled to severance pay (Trattamento di Fine Rapporto – TFR in Italian), determined on the amount of wages received during the year. The annual amounts set aside are increased by 1.5% per annum, and by 75% of the increase in the cost of living (art. 41). Occupational welfare includes a form of supplementary pension fund for workers in the sector, based on an

employer's contribution equal to 1% of the wage used to calculate the severance pay, and the employee's contribution equal to 0,55% of the wage calculated in the same way (art. 52). As stated above, employees in possession of quality certification (UNI 11766/2019) are entitled to an additional allowance of up to €10 per month.

### 3.5 Social partners comments and remarks

The day after the entry into force of the 9.2% adjustment to domestic workers' wages, the national press headlined the news as another "sting" for families. Already affected by high inflation and therefore by the increase in energy bills (electricity, gas, petrol), families who make use of domestic assistants of some kind, will find themselves having to bear a new increase in costs of over €1,500 year.

For Lorenzo Gasparri, General Secretary of the employers' association Domina: *"The impact of the increases is nil for those who have agreed on sums higher than the new wage limits, as happens in most hourly employment relationships, while it will be quite significant for live-in workers"* (Sole24Ore, 17/01/2023). The employers' associations complained about *"the total closure shown during the negotiation by the social partners, with respect to the needs of the families who use domestic work"*. Andrea Zini, Fidaldo President of Assindatcolf (the employers' association in this sector), told the press that: *"inflation affects employer families, in turn made up of workers and pensioners, called to support many sacrifices, to which unfortunately another one is being added today"* (La Repubblica, 17/01/2023). The employers' associations did not ask for the non-payment, or a partial payment of the increases, but for their postponement. *"Our proposal was to start from March 2023, and not from January, to give families some breathing room. This proposal was not accepted. There was a total closure"*. According to the calculations of the employers' association, from 2014 to 2023, the minimum wages of metalworkers increased by €131, those of trade workers by €85, while in the same period, considering the increase in January 2023, for domestic workers, the increases amount to €170 for live-in caregivers and €183 for babysitters with 40 hours a week.

The fear is that now many families, unable to bear this further increase in their expenditure, might choose to shift their domestic workers into undeclared work, gray or black. And this in a sector where, as we said, around half of the employees are already employed partially or totally unlawfully. Many domestic workers could be made redundant, but only on paper, or be employed with fewer officially declared hours, in order to save on social security contributions. *"In view of the renewal of the national sector contract, which expired in December 2022 – is what the President of Assindatcolf now promises – we will be more rigid and intransigent"*.

Sectoral trade union federations, on their side, see these increases from another point of view. First of all, they recall how they are simply due on the basis of an agreement sealed by the national agreement of 2020-22. Article 38 mentioned above is very clear in this regard. Therefore, trade unions deny that *"there was no agreement"*, as the press announced, emphasising rather that here it was a matter of *"simple and correct application of the national agreement, without exceptions that would have penalised the workers"*. Furthermore: *"The principle that only for this sector, due to its specific characteristics and the involvement of families as employers, the work cannot be paid decently, cannot be accepted. There is complaint of excessive alarmism on the part of employer family associations"* (Emanuela Loretone, FILCAMS-CGIL)<sup>24</sup>.

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<sup>24</sup> Interview in presence, Rome, 23/2/2023

“The farsighted parties have created a contractual mechanism to adjust wages, capable of preserving the purchasing power of family assistants” (Aurora Bianca, FISASCAT-CISL). On the other hand: “the harmful effects of inflation also affect home helps, caregivers and babysitters and their families. We sought mediation but were unable to reach a reasonable agreement for everyone” (Mauro Munari, UILTUCS-UIL).

All the unions point out that domestic workers are among the categories of workers with the lowest level of wages in Italy, and inflation is also having a heavy impact on them and their families.

On one thing, however, trade unions and employers agree: “The government must intervene quickly with concrete measures to support families, not only with tax cuts to encourage regular hiring, but also with targeted economic aid” (Andrea Zini; employers). The trade unions are pushing for tax relief and are asking the government to discuss the resources of the *National Recovery and Resilience Plan* (PNRR), “to support the need for care and assistance for children and the disabled who, to date, all fall on the “shoulders of families” (Loretone; trade unions). In fact, the PNRR provides for a contribution to families of €1,500 to combat undeclared work in this sector, which is already highly at risk.

In a joint platform already presented by the main social partners associations to the former Prime Minister Draghi in June 2022, the Government was asked to support the sector, by respecting the 20 points of the *European Pillar of Social Rights*, adopting and extending rights on issues like illness, maternity, migrant inclusion, to combat irregular work. For the wage issues, and their costs for the employing families, they asked that employers be entitled to deduct from their income all the remunerations paid to their domestic workers, with the welfare contributions.

**Table 3: Domestic work - The last national industry-wide collective agreement's outcomes at a glance**

| Outcome  | Details                                | Brief description/ figures   |
|--|--|--|
| <b>new mechanism agreed in wage-setting different from the previous collective agreement</b> |  | No new mechanism on wage-setting but considerable use of the previous one, since January 2023<br>+ 80% of the cost of living for family and workers, recorded by ISTAT in previous November of each year<br>+ 100% of the board and lodge for live-in employees. |
| <b>Duration of the agreement and implementation timeline</b>                                 |  | 3 years, from 01/10/2020 to 31/12/2022, still in force until it is replaced by the next version, currently under negotiation   |
| <b>Collective wage increase agreed</b>   | Nominal (average) wage increase agreed | <ul style="list-style-type: none"> <li>➤ €85 per month for a live-out caregiver working 30 hours</li> <li>➤ €95 for a caregiver working 40 hours, or live-in,</li> <li>➤ From €1,026.34 to €1,120.76, monthly.</li> </ul>  |

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|---|--|---|
|   |  | ➤ From €17,177 to €18,752, annually   |
|   | Details  | The monthly increase will vary between a minimum of €61.10 gross for the lowest classification level (A), with a monthly minimum of €725.19 per month, €83.31 gross for a typical domestic worker (B), with a monthly wage of €988.90 up to €116.64 gross for the highest (D Super), or for family assistant for non-self-sufficient persons, with a monthly minimum which in this case rises to €1,384.46. |
| <b>4. Specificities</b>   | By group/ or (occupational) categories of workers (e.g. white and/or blue collar workers)                                    | In the case of assistance to non-self-sufficient persons, the maximum value rises to €10.09. To this may be added allowances for meals and lodging, i.e. €2.26 for lunch and/or breakfast; €2.26 for dinner; €1.95 for accommodation. Total daily allowance: €6.48, 100% indexed.   |
|   | Minimum wage (provide details, if relevant)  | For the lowest level of the job classification pay scale (Lev. A), the hourly minimum wage is equal to €5,57, and €725 monthly.<br>For the most common, average job profile (Lev. CS), respectively: €7,79 and €1.120,76  |
|   | Specific arrangements (e.g., flat-rate amount) to protect purchasing power of the lower-paid groups covered.                 | No specific arrangement; the indexation mechanism is for all groups covered.  |
|   | Additional extra forms of variable pay (bonuses or rewards linked to results or performance,...) if proportionally relevant. | Individual super-minimum bonuses, released spontaneously by the family employers  |
| <b>Estimated real wage increase by both negotiating parties</b> |  | + 9,2%  |
| <b>Other outcomes related to unit labour costs</b>              | Working time (reduction)   | No  |
|   | Training, upskilling, reskilling financed or co-financed by the company  | Right to education attending school courses for the achievement of the mandatory  |

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|--|---|--|
|  |   | <p>school diploma or specific professional title (art. 23). Full-time and permanent employees, with at least 6 months of service, can benefit for an annual total of 40 hours of paid time off for the attendance of specific vocational training courses for domestic help or family carers (art. 20)</p>       |
|  | <p>Social benefits such as bonus for transport, energy costs, schooling, daily meal, etc...</p>         | <p><i>Cassa Colf</i>, the sectoral bilateral fund, provides benefits and services for workers and employers, including health care and insurance treatments, additional to public provisions (art. 50). The contribution due for services and health care benefits is doubled from 0.3 to 0.6 euro per hour.</p> |
| <p><b>Specific aspects related to the twin transition</b></p>  | <p>Technological change or digital transformation</p>   | <p>Guidelines for reducing risks in the workplace, including telematics and robotics tools.</p>  |
|  | <p>Green transition: decarbonisation policies or any other related initiative /programme/investment</p> | <p>No</p>  |
| <p><b>Measures addressing potential skills shortages in the sector, if any</b></p>                                 |   | <p>A National bilateral body, called EBINCOLF, carries out analysis and studies about, training needs, among other things. It promotes initiatives at different levels in the field of training, professional qualification and certification of skills.</p>   |
| <p><b>Employment level (expected increase or reduction in workforce)</b></p>                                       |   | <p>More than a reduction or increase, some expect currently lawful employment relations will make a significant return to the undeclared black economy (fire and re-hire, to circumvent law and contracts), as a consequence of the increase in labour costs, after the recent revaluation.</p>                  |
| <p><b>New worker rights or prerogatives agreed both individual or collective (for workers representatives)</b></p> |   | <p>Guidelines for reducing risks in the workplace, including telematics and robotics tools.</p>  |

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|--|--|---|
| <b>Governance and implementation of the collective agreement</b>                                     |  | The Parties will meet at the end of the 1 <sup>st</sup> period of validity of the contract to consider the advantage of applying any changes (art. 54).   |
| <b>Possibility of derogation (opt-out) or deviation at lower level by companies (or territories)</b> |  | Second-level bargaining between the signatory Parties of the NCLA may, as a rule, refer to regional (or provincial level for Bolzano and Trento), but also to metropolitan cities. Such agreements, taking place at the bilateral body EBINCOLF, will cover only board and lodging allowances and hours of time off for study and/or vocational training (art. 49).<br>De facto derogations/deviations are extremely common at the individual level (overtime; allowances; holidays), beyond real control by any external authority |

Source: elaborated by Leonardi

### 3.5. Negotiating parties' expectations for the next round of bargaining

The theme of wages is destined to become fundamental in the year that has just begun. What is the point of view of the major social partner organisations? For the President of Confindustria, Carlo Bonomi, what is needed above all is a drastic cut in the tax wedge and a lowering of taxes on labour, among the highest in the OECD. Two-thirds should benefit workers, in his view, and one-third benefit employers. In an interview with the press (*Il Messaggero*, 02/01/2023), he declared that: *“Work is no longer the old Fordist exchange between hours and wages. It is an activity that must be measured on the result, regardless of the place where it is performed and the time. The national sector agreement remains virtuous to safeguard for minimum wages and workers' rights. However, we need a leap forward in the diffusion of company-level bargaining. It is there that the optimal remuneration for qualifications, the rewarded productivity metrics, the corporate welfare are decided. Furthermore, we need a wage that is also commensurate with the real costs of living at the local level. That of Milan is not that of other cities, but while this seem to be understood by the unions in companies, at a national level in politics, and in some of the unions, it still is not understood”*. Therefore, in summary, for the largest of the Italian employers' associations, the objective is threefold: a) cutting the tax wedge (and finding the resources to do it), b) wages commensurate to performance c) recognition of the growing weight of individual territorial realities.

It is worth underlining that wages and salaries are already very different across the Country; and not only – as one might expect – according the traditional North-Centre and South divide. According to a study published by “Unioncamere” (*Unione delle Camere di Commercio*) in February 2023, even between apparently similar and wealthy cities, from a geographical and economic point of view – such

as Milan and Turin or Trieste – the average gap between wages can be the double: €30,000 against €15,000<sup>25</sup>.

Confindustria is also very skeptical about the wisdom of negotiating a large anti-inflationary social pact, like the historic one of 1993, as repeatedly proposed by the CISL leader, Luigi Sbarra. *“The Ciampi pact was for wage moderation. Now the problem is the opposite; inflation comes from raw materials and eats up wages in real terms”* (Carlo Bonomi, La Stampa; 10/10/2022).

With regard to the national agreements signed between 2021 and 2022, both Confindustria and the major associations of both small artisan, businesses and cooperatives, declare that they have introduced wage rises higher than those envisaged with the HICP index. In this way, from the point of view of the employers, the union request to recover the purchasing power eroded by inflation has been answered. Confartigianato, the largest of the artisan associations, underlines that the periods of contractual vacancy, have been covered in extra-activity through the disbursement of a one-off amount, paid by the companies.

The employers' associations agree with the principle that the HICP, for wage setting adjustments, must exclude the costs of energy goods. *“It's a way to redistribute the risk between capital and labour. As the enterprises have seen their energy bills growing by three and even four times in recent months, also the wage earners have to assume a part of the burden. Companies cannot pay firstly their own bills and, at the same time, their workers'. Not all employers can and want to transfer their electricity costs into their goods prices. Not entirely, in any case. There's a problem of competitiveness, behind the lagging behind of Italian wages. This can be solved only if and when the firms' size finally grows to that of our competitors. 95%, in our sector, are Small and Medium Enterprises with under 50 employees. 75% have under 10. Without a certain critical mass, in terms of size and employees, companies cannot invest in innovation, new technologies, lifelong learning. That's why the public authorities should enhance and facilitate mergers among companies and small businesses. A key role could be played by the public-owned investment bank”* (Cassa Depositi e Prestiti) (Int. Federmeccanica).

On the trade union side, all three main confederations agree on the need and urgency to immediately increase the purchasing power of the wages of all workers. The CGIL speaks of a *“wage pandemic”*; the CISL and the UIL of a big *“wage issue”* as a real national emergency. The ways indicated are various but essentially attributable, as foreseeable, to tax reform and collective bargaining. On the tax side, the burden of taxes on workers remains too high, among the highest in the EU. The first request is therefore to reduce the tax wedge by five points, immediately, and all on the part of the workers' wage. The cut of only two or three points, introduced by the Meloni government, with the latest budget law, is therefore judged inadequate. For the unions, this measure should be financed with a robust increase in the tax levy on the gigantic extra profits made in the last year by the large multinationals in the energy sector, but also in the digital and pharmaceutical sectors. In this way, there would be more resources to be allocated to families, to counter the energy price rises of gas and electricity household bills.

Then, there is the crucial issue of wages setting and collective bargaining. In many sectors, national agreements are not renewed yet. The manufacturing industry has renewed almost all of them. In the tertiary sector, instead, many including some of great importance (trade and retail, tourism; approx.

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<sup>25</sup> *Stipendi. Milano doppia Torino*, in *“La Stampa”*, 19/2/2023

4 million workers together) have long since expired. This serious delay condemns workers in this broad sector, often paid less than in manufacturing, not just to low wages, but to wages negotiated several years ago. They had been agreed well before last year's inflation exploded, with just a "bridging economic agreement" in December 2020 to slightly cushion the new situation, while the sector agreement is still waiting to be renewed.

For the CGIL, the growth in inflation has exceeded once and for all the HICP parameter, adjusted for energy goods costs, as a reference point for the recovery of purchasing power in national sector agreements. *"Not recognising this change – reads the congress document "Work creates the future" – would mean planning the structural reduction of wages, already among the lowest in Europe"*. The objective of the next contract renewals must be the growth of total wages, *"starting from the recognition of real inflation, and not just that related to the adjusted HICP, to fully protect purchasing power, to which must be added other indicators that the negotiation will identify"*. To beat super-inflation and stem the recession *"it is necessary to recover an extra month's salary, acting on the contribution wedge, fiscal drag and prompt renewals of national contracts"* (Gen. Secr. CGIL; M. Landini, La Stampa; 9/1/2023). The so called *"Fiscal drag"* consists of the mechanism of tax erosion of wage increases, due for example to a renewal of the collective agreement, with consequent transition to a higher tax rate. To give an example, if today a worker with an income of €14,500 falls within the tax rate of 23%, an adjustment of his/her wage to an inflation of 8% would entail passing into the higher rate of 25%, nullifying the nominal increase. For this reason, the CGIL proposes to restore a system in force in 1992, i.e. index dependent workers' deductions.

For the UIL, which largely shares this approach: *"We need to increase wages to avoid the collapse of demand, the closure of companies and further unemployment. We need tax relief on the 13<sup>th</sup> monthly pay and national agreements' renewals, with a cut – here too – of the tax wedge, entirely to the benefit of workers. The increase in extra profits taxation should concern the pharmaceutical sector, as well as the oil sector. The tax reduction of fringe benefits, proposed by the Meloni Government, cannot be enough, because they concern a very small part of the workers and risk calling second-level bargaining into question. It is necessary to introduce conditionality in support of businesses, avoiding indiscriminate aid even for companies that fire or do not respect collective agreements"* (Bombardieri, Gen. Secr. UIL). On 16 December 2022, CGIL and UIL jointly called a national general strike, with demonstrations at regional level, against the economic policy of the Meloni government, in which the CISL did not participate.

For Giulio Romani, CISL National Secretary with the responsibility for collective bargaining: *"We need to tackle inflation in scientific terms, understand what the point of no return is both to avoid the price-wage-price spiral and to avert a recession. The HICP at 4.7%, as indicated this year (2022) by ISTAT, cannot be good. And even ISTAT admits an impasse in assessing an increasingly significant gap between the lower cost of gas imports and fixed on the basis of contracts, and the consumer cost to which the tariffs communicated by the national authority are applied. The HICP net of the energy component is thus an inadequate index and much lower than the inflation paid by workers"* (La Repubblica, 07/11/2022). For the CISL, a new social pact is considered the only way to face this difficult and complicated phase. The model indicated by its General Secretary, Luigi Sbarra, is the tripartite Protocol of July 1993. Furthermore, the CISL is very insistent on de-taxing all the outcomes of collective bargaining. In an interview Sbarra said: *"We need to renew public and private CLAs, with a 100% tax exemption of the outcomes of collective bargaining. Again, we must reduce the tax wedge by at least 5 points in the labour part, return the resources drained by the fiscal drag and promote productivity"*

*increases to be redistributed in wages. An anti-inflation pact between the government and the social partners is needed, in order to re-establish full inflation-indexation of pensions and wages"* (Il Tempo, 19/2/2023). The idea of a new anti-inflation social pact, which the CISL leader had already launched during the Congress of his organisation (May 2022), is not however welcomed by the President of Confindustria. Even the CGIL is rather skeptical on this point, emphasising the urgency of solutions, rather than methods and pacts.

## 4. Concluding remarks

For some observers, such as the Confindustria Study Centre, things are going to improve. In February, an outlook was published, with encouraging data on the Italian economy, which appears to be doing better than expected, with inflation destined to be reabsorbed soon<sup>26</sup>. Sectors of the trade union movement express a different view. For the CGIL Study Centre – the Fondazione Di Vittorio – there is an on-going slowdown in the economy. *“Many, flaunting optimism, try to hide it, but 2023 will be a difficult year. In addition to the problems associated with the drama of war and high inflation, this is also the result of a drop in domestic demand, which reflects the impoverishment of the population and lack of confidence in the future”*<sup>27</sup>.

From EUROSTAT data, the wage gap between Italy, on the one hand, and France and Germany, on the other, has further widened in the comparison between the average annual gross wage of 2021, compared to 2019. The level of the average Italian annual gross wage is affected by both the strong discontinuity of work and the greater presence of the lowest qualifications in pay scales. In 2021, for example, the share of temporary employees out of total number of employees reached 16.6% (lower only than the Spanish figure) and the percentage of involuntary part-time employees stood at 62.8%; a level far higher than other European countries and the Eurozone average.

In December 2022, the CGIL carried out a poll survey on the perception that workers have of their pay. For 59% of the sample, Italian wages do not allow them to fully cover the cost of living. 86% of the interviewees do not consider wages aligned with the "normality" of EU averages. A lack of expectations for the immediate future prevails. *“The main cause of the misalignment between wages and the cost of living - explain the surveys’ analysts - is due to a lack of regulations to sufficiently protect workers”*.

Meanwhile, the IMF expects inflation to remain above 6% in 2023 and that the ongoing increase in interest rates will take its toll in the medium term. The first confirmation comes from the January inflation data, which drops from 11.6% to 10.1%, exclusively due to the decrease in energy prices. However, this is an unsustainable level for people to tolerate for much longer. This drop, in fact, is offset by the simultaneous increase in the prices of consumer goods such as unprocessed food, housing services, fuel, etc.: that is, increases that weigh mainly on less well-off families. In January, the inflation already reached for 2023 is +5.3% and therefore the IMF forecast will probably be exceeded.

In conclusion, the government does not seem to be addressing these priorities, while the situation requires new measures to correct the inadequate budget law. State support for the population must be long-term and be better directed towards those most in difficulty. Investments and incentives are needed, mainly linked to stable employment and environmental sustainability objectives, canceling or redirecting many of the already existing ones. Public welfare must have a role as a social and productive engine. Real industrial and development policies are needed for the South. Urgently required are immediate tax interventions in favour of workers and retirees, a more favorable

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<sup>26</sup> Confindustria ora è più ottimista. L'Italia ha evitato la recessione, in “Il Corriere della Sera”, 19/2/2023

<sup>27</sup> F. Fammoni, *L'ottimismo di maniera e la realtà dei dati*, Fondazione Di Vittorio, February 2023, <https://www.fondazionedivittorio.it/it/lottimismo-maniere-e-realt%C3%A0-dei-dati>

mechanism for lower incomes and the tax exemption of contractual pay rises. In particular, more specifically related to our subject, in this context the HICP forecast net of imported energy, fails to deliver answers consistent with people's conditions and does not resolve the overall issue of labour income poverty.

These are some of the priorities on which the production forces and the world of associations must confront each other, find ways of sharing and demand answers from the government, thus reaffirming their fundamental role in the economic and social future of the country, one of the few remaining, binding society and the State.

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WPEF23034

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