

Fiat is at war, says Sergio Marchionne

by Francesco Garibaldi

Pomigliano, situated in the economically depressed region of Campania, is the second largest Fiat plant in Italy. An experiment aimed at redefining the Italian system of industrial relations is taking place at this plant. It started with an agreement designed out of the Italian labour relations law. According to Sergio Marchionne, Fiat's CEO, this is a necessary step to fight the war posed by global competition.

The Pomigliano agreement, signed by three of the four metalworkers' unions (FIM, UILM and FISMIC), with the exclusion of the most representative (FIOM), gave a strong impetus to the process, started in 2009, of the deconstruction of the social pact set up in July 1993.¹ The pact, similar to the European tripartite incomes negotiation system, was based on a dual system of bargaining: on one hand, a national contract for each sector with an upper limit to wage increases, defined by the government and dependent on national macroeconomic conditions; and on the other, the possibility of the bargaining company's agreements to redistribute the firm's specific productivity gain. The core of the system was the national collective agreement regulating the main features of the employment relation. The company-level bargaining was only designed to fine-tune secondary aspects, not to allow local actors to depart from the national contract's clauses. The system was ineffective in defending wages from inflation; as a result, in the past 10 years, there has been a shift of five points in the ratio of wages to profits in GDP.

Another negotiating system, replacing the 1993 system, was implemented in April 2009. Signed by three of the four union federations and Confindustria (the Italian employers' federation), it paved the way to a separate collective agreement in the metalworking sector, which signed in October 2009. The new sectoral agreement increased the role of company-level bargaining, at the expenses of the national sector contract. Moreover it introduced a three-year term for all aspects of sectoral collective agreement, whereas previously pay terms applied for two years and non-pay terms for four years.

In between, the government launched a white paper introducing a new concept for social policies. The new metal sector agreement and the white paper framed a general shift in the Italian system of industrial relations and of the welfare state from a two-level system centred on the national contract to a new system centred at the company level, allowing concessions bargaining through derogation on specific features. Alongside this, a new welfare system emerged, based

on the devolution of many public prerogatives to the private sector.

Cgil, the main Italian trade union, did not sign the April 2009 agreement and continued to support the centrality of the national contract, particularly relevant in Italy where almost 90 per cent of employees work in companies with fewer than 20 employees (and where bargaining at the company level would therefore produce uneven and unpredictable consequences). FIOM-CGIL, the metalworkers' union, did not sign the sectoral agreement of October 2009. Instead, FIOM asked for a referendum to ratify the new agreement, but FIM and UILM refused to do so. As a result, employees could not express their opinions on the new contract, signed by two of the three main unions – but not the biggest one.

From class conflict to workplace cohesion?

In the midst of a very difficult situation for most European car producers, mainly due to overcapacity of the automotive industry, Mr. Marchionne depicted the new fierce global competition in the sector as a "war" between people working in the same company and those working in other areas of the world. From this perspective, the difference of interests between workers and managers/capitalists, not to mention the class conflict, is irrelevant. Capitalists, managers and employees of a specific company have to fight, side by side, against all the other companies to survive. Of course, during "war", some rights cannot be guaranteed and multinationals must try to standardize employment relations. When a system such as the Italian one is less prepared for the war because it is too rigid and protective, it must be changed.

The problem is, therefore, not only to reach agreements with trade unions on flexibility and cost control, but also to change the nature of industrial relations; managers must be allowed to reshape the employment relation. Marchionne asked the workers to undergo a dramatic worsening of working conditions: the increase of the working week to 48 hours; the reduction of the breaks from two 20-minute to three 10-minute breaks; and the lunch break moved to the end of the shift. On top of these new conditions, aimed at increasing productivity, Marchionne has also requested a collective and individual liability clause over all contract terms; virtually every employee and union must accept all contract terms un-

der penalty of exclusion from the company. This particular clause firstly seeks an ultimate disciplining of the workforce and secondly the ousting of the most representative and combative metalworkers union from the plant and ostensibly from the whole sector: if FIOM were to refuse the new conditions of the contract, it would be automatically deprived of trade union rights. Moreover, from an individual point of view, the agreement forbids any strike against the new regulations. This new approach to industrial relations represented a shock for the Italian system for many reasons.

Labour rights under attack

The main formal issue raised against Marchionne's new approach is that, according to the Italian constitution, the right to strike is not a trade union right but an individual right. For instance, a group of employees, even if they are a minority, can strike against an agreement signed by the trade union. A union, on the other hand, must be legitimated by the employees it claims to represent, meaning they cannot impose a dramatic worsening of workers' rights without consulting them. The right to strike can be limited by the law for the sake of the public interest, as happens in certain areas of the public sector (e.g. hospitals and transport), but this discipline does not change the constitutional nature of the right: trade unions cannot sign an agreement limiting the right to strike without the explicit consent of members.

A second issue is the nature of the national contract and its relation with company-level bargaining. In its original form, the contract used to allow minor derogation at the company level. The possibilities for derogation increase in the revised form of the contract; nevertheless, what is reached in a specific company cannot be applied to the sector as a whole. To achieve such a sector-wide derogation is clearly what Fiat seeks to do.

The third issue is that the separate contract for the metalworkers did not legally replace the previous contract, which included FIOM, and will be formally valid until the end of 2011. It follows from the fact that the FIOM has not agreed to replace the old contract. This is important for all social actors, as in Italy contracts have a continuation clause, so if a new contract is not signed by all the signatories, the old one remains in force.

However, Fiat decided to press ahead with the new contract for the Pomigliano plant. Commenting on the possible result of the referendum among the workers, Fiat's CEO stated openly that in case of a negative vote, the investment of Fiat to relaunch the plant would be cancelled.

The Pomigliano agreement was signed against the background of this threat, and the workers were asked to ratify it in a referendum. FIOM did not refuse to bargain on flexibility but it refused to sign the agreement and to endorse the use of a referendum in this case because the agreement altered the conditions under which an individual right – the right to

strike – could be exercised. Such an alteration cannot be decided by trade unions, let alone employers, because this right is not theirs. The positive vote in the referendum was, however, fully endorsed by the other unions because they feared that employees would be made redundant by Fiat. While all the unions and the press were convinced that the referendum would be a landslide victory for Marchionne, nearly 40 per cent of employees – and the majority on the assembly lines – refused the agreement. Marchionne reacted very angrily because, although Fiat technically won the referendum, it found itself in the uneasy situation of having to operate a factory facing serious opposition and collective action from a large part of its workforce.

It was because of this result that Marchionne decided to "up the stakes" and to condition further investment in Pomigliano to an alignment of the national branch contract for metalworkers to the one adopted in Pomigliano. This would require changing the national branch contract with the agreement of Confindustria (the employers association) as well as FIM and UILM. Only if this condition were fulfilled would Fiat implement its commitment to invest. This would extend some of the most shocking concessions made in Pomigliano to all Italian metalworkers, starting with the curtailment of the right to strike, with the threat of monetary and disciplinary retaliations for each employee and for trade unions should a strike nonetheless take place.

This goal was achieved in September 2010 with an alteration of the separate collective agreement in the metalworking sector signed in October 2009, extending the clauses valid for Pomigliano to the sector as a whole. To add insult to injury, Fiat decided to shift the production of higher value added products from Pomigliano to Tychy in Poland, while transferring a product with lower added value from Tychy to Pomigliano (namely the new Panda). However, should the management not feel certain that it can exercise strict control over the plant, Fiat decided to create a new company from scratch, firing all the employees and rehiring only those who fully accept the new collective agreement.

The result is that investment in Pomigliano is still uncertain, but metalworkers have surely seen their rights shrinking dramatically and their solidarity becoming fragmented.

¹ See <http://www.eurofound.europa.eu/eiro/1998/03/feature/it9803223f.htm>

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