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MANUFACTURING BEYOND COVID-19

NEW INDUSTRIAL RELATIONS: HOW MANUFACTURING WILL CHANGE IN A POST-COVID WORLD

Relationships with governments,
trade unions, workers

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INTRODUCTION

This paper addresses the topic of the evolution of Industrial Relations (IR) with regard to the ongoing transformation of production models and work organization, which has been accelerated by the Covid-19 pandemic. Various perspectives from different areas of the world, namely, EU, China, Japan and USA, will be taken into consideration.

The goal of the paper is to analyze the possible role of IR in a post-Covid environment and, in this context, discuss the prospects and the possible evolution of collective bargaining in a worldwide perspective (even though taking account of the peculiarities of different areas and systems). The most relevant alternatives being, on the one hand, the increase of the role of collective bargaining vs. its further decline, and, on the other hand, the possible decentralization (at local/company level) of collective bargaining vs. the reassertion (at least, in countries where it has a consolidated tradition) of national/sectoral bargaining level.

A further issue which has been addressed concerns the ways in which health and safety at work has been managed during the Covid-19 crisis, in order to evaluate and discuss if there have been significant interactions with the IR systems in the different areas represented in the group, or if a company-centered approach has exclusively prevailed.

In connection to such issue, the paper finally addresses the point of how the need to limit the employer's liability in the event of a worker's contagion from Covid-19 has been solved in the mentioned countries.

The document contains an overview of the role of collective bargaining as perceived by each participant's Country/Region (e.g. for the EU). It then examines the factors that are impacting the evolution of IR in connection to the ongoing process of change of work organization models, mainly due to the spread of digitalization.

After this overview, the paper goes into a more detailed description of how the different levels of collective bargaining may possibly evolve in the pandemic scenario. Within this debate on the role/space of IR and on the basis of companies' experiences during the Covid-pandemic,

the paper addresses the issue of the management of health and safety at the workplace and of the limitation of the employer's liability in the case of a worker's contagion.

CONTEXT

The Covid-19 pandemic has brought uncertainty, at a global level, to all the world of work.

Depending upon the type of work and the roles/tasks being performed, employers, unions and governments have had to adapt quickly to changing and complex work arrangements. There were no plans or policies in place in preparation for a pandemic. As such, leaders (e.g. US) and governments, in collaboration with social partners (e.g. EU) have adopted measures as the disease was already propagating.

There are differing visions that have emerged with respect to the evolution of IR in the post-Covid environment. The participants' national perspectives for what is essential, is as follows:

- **China:** Collective bargaining is inevitably destined to a further decline, due to the progressive fragmentation of labour and to the inclination of employers to offshore their business activities. This dynamic will probably be confirmed and reinforced in the post-Covid phase.
- **Japan:** Collective bargaining will continue to play a relevant role in the national IR system, even though on a company-level basis. Although union density tends to decline in the long run, there is a growing trend of union membership for non-regular (e.g. part-time) workers. Therefore, decentralized collective bargaining is also expected to operate in the post-Covid phase.
- **EU (main source: Eurofound)** – Collective bargaining dynamics plays a historical strong role within the EU. Although patterns differ for each EU Country, some medium-term trends can be traced, with a growing role that has been played by company-level



bargaining in respect to the national/sectoral one. This trend will probably be confirmed by the pandemic, due to the growing complexity of the firm's governance (e.g. with regard to health and safety protection) in a Covid environment. That said, the future of collective bargaining, at whatever level it will develop, will depend much on the strength and representativeness of the bargaining parties and the capacity and willingness of social partners to coordinate strategies across bargaining units. The ongoing trend towards a decrease of union density can represent a problematic factor in this perspective.²

- The **Italian** system of collective bargaining can represent an interesting example of the mentioned trends. The national bargaining is still widespread almost in all the productive sectors, and its rate of coverage remains high compared to the European standards. However, in the meantime, and especially in the medium/large factories of Northern and Central Italy, the company-level bargaining is showing a growing importance in view of giving place to innovative practices of good governance of the workplaces. This trend will probably be further enhanced by the pandemic.
- By contrast, in the **United States**, at least since the 80's, IR play a less impactful role in the workplace as compared to EU. This has also to do with the dynamics concerning the workers themselves, who seek more independence than in the recent past, contributing to a further decline of collective bargaining. The fragmentation of global supply chains also has had a role in reinforcing this trend.

Looking at future developments of IR in manufacturing is a great challenge from all national perspectives.

As a common rule, several factors that can influence the IR dynamics have to be considered.

Uncertainty of the economic recovery

First, the pace of the possible recovery is still very uncertain and will probably be asymmetric across sectors,

territories and areas of the world. Moreover, it is still unknown for how long people's physical and psychological health will be at stake, threatening the welfare of workers and continuity of businesses.

The transformation of the work environment as a result of technological innovation is certainly influencing IR in the manufacturing sector. The Covid-pandemic has played a significant role in accelerating this process of change, also in connection, more broadly, with the dynamics of production systems.

Role of technology

Technological innovation will strongly impact on the trend of development of manufacturing. Digital technologies have already changed several aspects of society. This includes the way in which communication is carried out, deep changes in production processes, as well as new and emerging business models in the manufacturing sector.

Companies may have to examine and manage a complete modification of their production processes. In particular, they need to address a re-engineering of their entire plants, including work organization.

The way in which technology is adopted and implemented is highly significant. It prompts the need for effective human resources management approaches, which should involve worker representatives and/or trade unions.

To benefit from innovation, a strategic vision is needed. Within this context, a key element of successfully addressing these change processes is employee skills, knowledge and behaviors. In particular, "soft skills". Leaders need to establish the organization's ideal state, share this vision, and inspire followers to believe in the vision. This vision will be the case for change for employees and will support them to anticipate change, manage complexity, be passionate, and create innovative solutions to solve problems.

There are several health and safety issues, concerning the move towards a healthier and safer work environment, specifically in relation to specific automated and digitalized technologies in manufacturing. The outcomes and effects of which could be enhanced also in the context of collective bargaining.



Skills, HR sensible policies and reskilling are key words in this new work environment. Technological innovation will replace tasks within jobs and may also lead to a transformation (upskilling) of job profiles and enhanced productivity.

The effective impact will depend on the nature and degree of deployment of each specific technology as well as on the business activity considered. In general terms, in an ICT society, information (e.g. including basic labour rights) is more transparent than ever and therefore easier for employees to obtain. Technology allows for information transmissions and feedbacks very quickly and more effectively, and this dynamic will somehow impact on collective bargaining (e.g. Chinese perspective). In Japan, for example, during the lockdown, some companies have used technology (remote connections) for negotiations with the enterprise unions.

That said, technological competences in the productive process will be accompanied by a cultural change in workers' mindset. Workers will be required to have a new approach to work, one based on pro-active participation and collaboration with regard to company's dynamics. This new approach is aimed at overcoming old schemas of how the relationship with the company is mostly intended by workers, that is, limited to a mechanical exchange working activity-remuneration. As such, a cultural change should occur in this direction, requiring an investment in human capital with specific behavior competencies, intended to build on one's combination of knowledge, skills, and abilities.

Re-shoring of business activities

On the basis of the Covid-phase experience, the post-pandemic world is unveiling a general trend. This trend is the possibility of re-shoring or bringing the production of certain goods and services back to the respective Country. National production is now encouraged to keep strategic services and supply of goods guaranteed (EU), while in the US, government leaders are examining the need to bring manufacturing back home and offer both tax cuts for building and sustaining facilities and tax penalties for producing overseas.

These phenomena, if maintained, along with other emerging issues in trade, data ownership and technolo-

gy, will have consequences for global supply chains and employment in manufacturing.

Climate change adding pressure to manufacturing processes and outputs

Climate policies influence the organizational trends of change in manufacturing.

The efforts to create a climate-neutral economy in Europe by 2050, as embedded in the European Green Deal, imply long and dramatic transformations to happen in the manufacturing sector in the coming years.

IR and collective bargaining in the manufacturing sector should contribute to this enormous challenge. For example, addressing structural changes in automotive and other manufacturing activities.

Adaptability to change

The capacity to adapt to a changing environment will be fundamental for employers, unions and governments, regardless of the different economic and social models adopted.

The US, as well as the EU, will continue to adapt its people, processes, and technologies to the complexity of the transformed work environment. The pandemic has caused the employment/employer relationship to experience a tremendous change, shifting from an office/manufacturing/distribution centric physical environment to various work-at-home scenarios. The complex interrelations between employers and employees, labor/trade unions, and government officials and regulations have forced all stakeholders to adapt to several unpredictable outcomes from the pandemic.

The new scenario deriving from the Covid pandemic will also entail reframing discussions on "new work realities". For example, the effects of remote work ("smart work") on collective employment relations, union representativeness and business developments, with a key role played, has already been observed by collective bargaining at company level.



Increase of the role of collective bargaining vs. factor of further decline. Impact on the structure and articulation of collective bargaining - Local/company collective bargaining vs. national/sector level

The patterns of IR are very different according to the areas of the world taken into consideration (e.g. in EU, China, Japan, USA), as they result from the respective history, social and economic culture and models, traditions and practices.

In the EU, the different patterns of collective bargaining are closely connected to trade union strength.

Challenges in collective bargaining may differ for each of the EU countries. For example, collective bargaining will be challenged by digitalization, the phasing out of coal and other transition costs, such as in the automotive industry's transformation to e-mobility. These transformations will likely eliminate jobs, though the aggregate effects of digitization technologies on employment in terms of job creation and destruction are not clear. Studies on the deployment of technological innovation suggest rather a shift in tasks and the transformation of existing jobs profiles as well as the creation of new ones.³

Differences in patterns can be observed, also depending on national institutional features - as legal frameworks, eventual extensions mechanisms, articulation and rounds of negotiations, general applicability (*erga omnes*) or binding effects, wage-setting norms, etc. which influence the collective bargaining coverage rate.

Collective bargaining in the EU has come under pressure over the past decades.

In particular, the financial and economic recession of 2008 sped up the decentralization of bargaining processes in specific countries.

This has been driven by most governments and employer organizations, which advocated increased flexibility in the labor market and especially more local bargaining, enabling businesses to adapt and deviate from higher-level agreements to respond better to intensified global competition. This tendency might produce very interesting effects on the management of various aspects of IR, such as e.g., the management of shared models of health and safety at the workplace.

Collective bargaining in large companies and in some

mature manufacturing sectors in the EU are implementing technological transformation at both company and workplace levels. This is being implemented step by step through a combination of working time measures and re-skilling policies. Apprenticeship systems in manufacturing needs to be reoriented in line with these changes, and collective bargaining at all levels can play an important role in anticipating and managing change by establishing agreed training and skills policies.

The continued steady decrease in trade union membership rates and density are closely related to structural changes in the economy and business organization.

Overall tendencies show that the share of (less unionized) white-collar jobs has increased in relation to blue-collar jobs. The increase of flexible and atypical work contracts is another factor, which contributes to the erosion of trade unions' representativeness (e.g. in Japan, the trend is inverted, in particular for part-time workers).

Low levels of membership and the decline in trade union density are weaknesses that trade unions must face in many countries. In some of them, fragmentation and competition in the trade union landscape is also a common feature.

The development and implementation of “shared models” for the management of health and safety at work: lessons from the Covid

The different visions on the possible implementation of “shared models” of action for managing health and safety at work reflect the diversity of national approaches to IR.

According to the US perspective, shared models can only be effective if management and unions jointly agree on the same mission. Moreover, the values of the working model must be aligned for collaboration between the parties to progress. During the pandemic, each stakeholder was held to a higher level of integrity in their decision-making, as life and death were at the core of the relevant decisions. Although traditional union values such as seniority remained in play, when job eliminations occurred, animosity level and threats of retaliation by the unions remained low. The unions and management have worked together to bring safety



to the workplace for employees during COVID. In some cases, management brought plans to the unions and in other cases, unions have suggested plans to management. With the actors (in the US) influencing health and safety in a COVID world, it is employers who maintain the decision power for their workers. Workers will need to heed to the direction of the employer, unless they collectively seek action through protest.

EU countries show a different experience on the issue, often promoting joint actions between employer organizations' and trade unions. The EU legislation on health and safety, implemented in all Member States, provides a framework approach favoring cooperation between workers and management in the workplace.

Due to the urgent and unprecedented scale of the impact of the health crisis, there have been not many bipartite initiatives or agreements between the social partners themselves addressing measures to support businesses and the society in the response to the social and economic emergency. Though governments have taken the policy initiative, social partners in several countries as France or Denmark were involved in the elaboration or set up of Health and Safety Guides and good practices to prevent the spread of the virus or protocols for companies to safely ensure a return to work.

Particularly, during the management of the Covid-crisis, Italy has represented a good example of joint collaboration between parties on the issue of health and safety at the workplace.

In March 2020, an innovative system of collaboration was put in place between employers organizations, unions and the Government, which has allowed to undersign a shared Protocol providing for the adoption of protective measures for combating and containing the spread of the Covid-19 virus within the workplace.

The Protocol is a "framework" agreement, to be implemented at local/company level by each single company/business.

As a general rule, companies, have unilaterally adopted this instrument after consultation of trade unions, whilst only in few cases, company-level agreements have been adopted.

This solution has been adopted in consideration of the

fact that the legal obligations on health and safety, contained in the Protocol, are binding according to the Italian criminal law provisions.

In other words, the continuation of manufacturing activities can only take place under the conditions set out in the Protocol, that ensure adequate levels of protection for the workforce.

The agreement has provided a number of detailed safety measures to be complied by the employers as long as they allow their employees (or other people) to enter and stay in the workplaces, or to come back to them after periods of closure. These measures, further specified at company level, have been very decisive to give a joint and effective direction to the employers and to the employees during and after the lockdown.

In Japan, even though they work within a different framework, there has been room for labour and management cooperation on health and safety issues, in general, to overcome difficult situations, also during the Covid-emergency.

Differently, the Chinese perspective has stressed the circumstance that, being Covid-19 a whole new challenge for all, the health emergency has not left room/time for consultations with social partners. Nonetheless, China has performed better than other Continents in managing the pandemic, as regards the speed of reply of governments and policy implementation ability, due to a strong central governance power.

[How has your Country addressed the need to limit the employer's liability for the cases of the worker's contagion from Covid-19? Has there been room for any industrial relations dynamic?](#)

The need to find solutions to limit the employer's liability, in case of the worker's contagion from Covid-19, is commonly seen as a central issue from all national perspectives.

The objective to conciliate, on the one hand, the prevention of the contagion and, on the other hand, the need to quickly re-start productive activities and business, was not easy to match, and has required legislative intervention, in some cases, with previous consultation of social partners.



It is important to note that – as the virus is currently (Sept. 2020) still circulating - the Protocol maintains its effectiveness also during the recovery phase, as it contains the rules to ensure the protection against contagion also for the post-emergency phase.

The Covid-contagion represents a generic risk, not ascribable to the employer's liability. Nonetheless, the contagion has been qualified as an accident at work, and this circumstance has given rise to the risk of a criminal liability of the employer.

In order to prevent such risk, the Italian Government has issued a decree, converted into law (no. 40/2020) by the Parliament, according to which employers who comply with the agreement's provisions are supposed to fulfill their legal duty to protect workers' health and safety, and therefore cannot be found legally responsible in the event of a contagion.

Other countries have also addressed the problem of employers' liability in the following ways:

In the US, on July 30, 2020, the U.S. House of Representatives introduced legislation as part of the HEALS Act, that focuses on liability protection for businesses. The Act provides businesses, schools and other institutions with favorable presuppositions of good faith compliance with safety standards and guidance, and requires plaintiffs to prove gross negligence or willful misconduct to establish liability, providing an immense challenge for plaintiffs alleging coronavirus-related injury.

Looking at the regulation of the new forms of work, in particular remote working (smart working in Italy) and/or platform work, do you think that collective bargaining should be given a decisive role, or that regulation should be left to individual agreements or even to the employers' discretion?

The pandemic has forced the employment/employer relationship to experience a tremendous change, shifting from an office/manufacturing/distribution centric physical environment to various work at home, work spaced apart scenarios. The complex interrelations between employers and employees, labor/trade unions, and government officials and regulations have been

strongly conditioned by the pandemic.

In Italy, employers have been given the possibility to resort to smart working irrespective of an individual agreement with the employee. A right to smart working in favor of employees with parental duties or in bad conditions of health has also been introduced.

However, the dramatic increase in recourse to smart working has often occurred without the necessary preparation, both by the employers and the employees.

In the post-Covid phase, the same philosophy of smart working will have to be re-examined. It should not simply become a form of work performed from home, but it should be accompanied by a transformation of the logic of dependent work, making it less hierarchical and more goal-oriented.

There will also be pressure to changing the rules of the smart work employment contract. But, in this case, the challenge in companies' perspective will be not to ascribe this topic to collective bargaining, but keeping its regulation within individual agreements, although a "one-size-fits-all" approach does not apply, and different solutions could still occur.



OPPORTUNITIES & RECOMMENDATIONS

In a rapidly changing context, all actors – institutional, social and economic – will have to rapidly adapt to the new reality, so as to effectively manage the huge transformations that societies are undergoing globally. Governments, employers and employees will all have a role to facilitate this process.

In this context, IR systems can still play an important role in addressing solutions to face the new economic and social challenges, such as work transformation (e.g. new forms of work), although a decline in union membership is occurring at global level.

This trend of decline represents a challenge to sector and local/company collective bargaining coverage but there is no unique approach to face it, as the different geographical areas involved address these dynamics in different ways.

Specifically, the different approaches can be reflected in the following Recommendations, according to the different geographical areas considered in this paper:

Recommendations 1: EU Area

In the EU, collective bargaining at sector level - combined with industrial democracy and with a more articulated evolution of workers' participation at workplace level – can play an important role in times of unprecedented change in the manufacturing sector.

Sub-recommendations

1. In the UE Countries with a strong tradition of fruitful social dialogue, collective bargaining can be considered at the core of a balanced IR system and relies on the interplay of the context (political, economic, legal), and the **actors at different levels**.
2. **Business organizations and representative trade unions** should engage in realistic and future-oriented negotiations reaching protective agreements for workers and business competitiveness, helping to effectively manage transition periods, supporting companies and sectors to restructure and adapt accordingly.

3. **Manufacturing companies** could lead a new wave of collective agreements managing digital transformation through working time flexibility, reskilling and upskilling, work-life balance and introducing new approaches to workers' health and safety.
4. In this direction, increasing the “quality” of collective bargaining in manufacturing with well-balanced output for both employers and employees will be essential to cope with the enormous challenges in manufacturing stemming from structural and technological change.
5. Significant investments in skills at all levels are essential in future-oriented negotiations. As future jobs will be constantly evolving, continuous and life-long training should be at the core of companies and unions' strategies to address technological change. Global competition in manufacturing (bounding services and supply chains in the sector) requires talent and knowledge retention as well as supporting the adaption of workers whose jobs might be lost or substantially changed.
6. In the EU area, the different level of bargaining - that is, the degree of centralization or decentralization - must be seen in the context of the strength and representativeness of the bargaining parties, the rules governing the relationship between different levels of bargaining (which define the degree of freedom for local actors to derogate from higher-level agreements), and the capacity and willingness of social partners to coordinate strategies across bargaining units.
7. It is the combination of these elements which determines whether systems with higher-level bargaining are truly centralized, or whether they accommodate flexibility of “organized decentralization”; and whether negotiations taking place at lower levels are fragmented and a sign of “disorganized decentralization”, or whether coordination takes place within the and between social partners.



Recommendations 2: USA + others

In the US Unions will need to modify their approach to doing business and offer a value proposition that serves both the employee and employer.

The waning interest in participation in national unions has paved the way for independent local company bargaining units to form and prosper.

Sub-recommendations

1. As Unions continue to lose influence upon American workers, the leaders of the manufacturing plants have an opportunity to reengineer their human capital management processes to performance management based systems instead of the union based seniority-centered systems.
2. The US will continue to adapt its people, processes and technologies to the complexity of the transformed work environment, with the involvement of all stakeholders (employers, employees, labor/trade unions, government officials), as it has done until today.

In other areas of the world such as **Japan**, collective bargaining will continue to play a relevant role in the IR system, but on a company-level basis. A decentralized collective bargaining will be operating also in the post-Covid phase.

In **China**, collective bargaining will further decline and collective negotiations in small scale will become more and more relevant, with a greater focus on individual negotiations.

CONCLUSIONS

The future developments of IR in manufacturing are a great challenge in a global perspective.

There are some different common factors that can influence the IR dynamics, such as the uncertainty of the economic recovery, the role of technologies, climate policies, adaptability to change, re-shoring of business activity. The concurrence of all these factors interre-

lations requires for manufacturing companies a long-term and strategic vision integrating the implications for both human capital and work reorganization processes driven by competition at company level.

It must be reminded that the complex interrelations between employers and employees, labor/trade unions, and government officials and regulations have been strongly conditioned by the Covid pandemic.

When coming to examine the **patterns of IR** system at a global level, these are very different according to the different areas of the world, as they result from historical values, social and economic culture and models, traditions and practices, so a unique direction of IR evolution cannot be traced.

Within IR dynamics, the role of collective bargaining depends on the strength and representativeness of the bargaining partners. As mentioned, the last years have recorded - as a general trend - a decrease in trade union membership rates and density and this is closely related to structural changes in the economy and business organization.

Within the debate on the IR's role in a rapidly changing context, a final remark can be made with regard to the effects of the Covid pandemic. The crisis has put a great attention to **health and safety aspects** and to how the employers' liability has been/is regulated, with respect to the possibility of the worker's contagion from Covid-19 at the workplace.

In Italy, for example, since the relevant law provisions derive from criminal law rules, the employer cannot stipulate agreements recognizing his liability for not having fully complied with the criminal law provisions.

In conclusion, the direction to be taken for the post-Covid phase is that **business organizations and representative trade unions**, where possible, should engage in realistic and future-oriented negotiations, taking into account the need to face the huge changes in work organization, which have been accentuated by the Covid-pandemic.

In this process, human resources policies will play a central role, as they are increasingly expected to be able to ease the challenges raised by the health crisis and technological change through people management.



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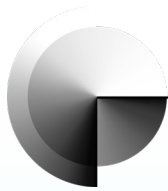
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