

THE OUTSOURCING “*PRINCE*”

Models of supply chain governance
in the Italian automobile districts

Serafino Negrelli (University of Brescia)

OUTSOURCING AND LAW IN ITALY

- Also possible for core activities?
- Senate approval of the Government proposal to abolish the clause of the “functional autonomy”:
 - Labor market break up (Treu)?
 - More union controls (Ichino)?
 - Better for SMEs with “staff leasing” (Castro)?
- “Patto per l’Italia” (5 July 2002): preservation of the “functional autonomy” clause; staff leasing; putting off to a new agreement on outsourcing.

OUTSOURCING IN ITALY: THREAT OR CHANCE?

- The experience of the anti-union “*decentramento produttivo*” in the 1970s, as an employer response to struggles of “Hot Autumn”;
- Institutional responsiveness towards SME in a country of “family capitalism”: proposal of the Ministry of Labour to extend the “*ammortizzatori sociali*” (social shock absorbers) to whole automobile supply chain interested by the recent Fiat Auto crisis.

OUTSOURCING AND SOCIAL REGULATION

hypothesis:

social risks of outsourcing will be reduced if
outsourcing is the subject matter and/or origin of
social regulation:

- industrial districts
- territorial pacts
- supply chain collective agreements and consortia

OUTSOURCING AND SOCIAL THEORY

- Outsourcing as a renewal of the market drive (“the market in the factory”);
- Outsourcing as a new and irreversible trend towards “productive specialization” (prosecution of the Durkheim social division of labor).

OUTSOURCING AND SOCIOLOGY OF WORK

- Between the anti-union hypothesis of the “decentramento produttivo” and the development and specialization of “industrial districts”;
- Flexibility managerial strategies irreversible or contingent? Flexibility of work as a “constraint” or a “resource” for collective bargaining? A “bridge” or a “trap” for workers?
- Small is or is not always beautiful? IR/HRM in SME “black holes”. At higher and lower levels of supply chain.

OUTSOURCING AND SOCIAL NETWORKS

It is important to verify if there are sources of harmonization or social regulation as:

- industrial groups
- industrial districts
- outsourcing social networks

LEVELS AND FORMS OF SOCIAL REGULATION

- *Transnational*: information and consultation practices in the EWC;
- *national*: by law, e.g. in Italy; in Europe (Euro);
- *collective bargaining*: inter-category; category; enterprise; territory;
- *local consortia*;
- *informal*.

MACRO AND MICRO SOCIAL REGULATION ON OUTSOURCING

- Social regulation at the macro level is important but without social regulation at the micro level is not much effective
- Social regulation at the micro level is the source of some variations in the responses to common trends.

The research on the Italian case of supply chain governance in the automotive Regions

- Definition of the two different territorial contexts with different economic development: *green field* (Basilicata) and *brown field* (Piedmont): common trends in the economic change; divergent institutional and social reactions;
- Practices in Industrial Relations and Human Resources Management in the two areas (previous researches),
- 9 case studies (5 in the South; 4 in the North);
- Survey on 80 enterprises in Piedmont (46 with less than 50 employees) and 19 in Basilicata.

HARMONIZATION BETWEEN LEAN PRODUCTION AND OUTSOURCING?

- Lean Production is the source of harmonization between OEM and Suppliers in technological innovation, organization of work and IR/HRM, both in *green field* and in *brown field* sites.
- Lean Production is better in *green field* sites and with individualized labor relations (Womack, Jones, Roos).

SUBCONTRACTING IN A *GREEN FIELD* AUTOMOTIVE DISTRICT (MELFI)

Dualism in local subcontracting areas:

- *Just-in-time area related to Fiat* (22 enterprises);
- *Out of the Melfi JIT “ring”* (3 groups):
 - a) too weak local new entrepreneurs;
 - b) local SMES already working for Fiat in the past;
 - c) new suppliers transferred from the North

SUBCONTRACTING IN A *BROWN FIELD* AUTOMOTIVE DISTRICT (TURIN)

Homogenous local subcontracting area:

- 50% Italian automotive suppliers;
- 40% employees;
- 1/3 total sales
- strong industrial and union traditions

SUBCONTRACTING, TERRITORIAL ECONOMIC DEVELOPMENT AND INNOVATION

Structural differences between the two local
areas of subcontracting...

...different approaches towards innovation.

SUBCONTRACTING AND INNOVATION IN BASILICATA

- organizational innovation more than technological innovation
- different strategies by JIT enterprises and by the other three different groups of enterprises (and size)

SUBCONTRACTING AND INNOVATION IN PIEDMONT

- new technologies more than innovative organization of work
- organizational innovation is important anyway, as a result of more autonomy and specialization of regional suppliers (in particular for Fiat strategies towards supplier of first and second level)
- adaptation to local context of IR: more difficult to combine and implement innovations in work organization as in the South

INDUSTRIAL RELATIONS ALONG THE SUPPLY CHAIN IN MELFI (1)

- New unions and a new IRS!
- Not a Fiat Collective Agreement, but an Agreement of the new plant with a new name: SATA
- Territorial harmonization of IR inside and outside Fiat-Sata: the same working hours system, wages and union rights
- Harmonization with Fiat-Sata lean production:
 - Sata Collective Agreement 11 June 1993
 - Acm Collective Agreement 28 July 1993 (covering the 22 enterprises of the Jit “ring”)

INDUSTRIAL RELATIONS ALONG THE SUPPLY CHAIN IN MELFI (2)

- Renewal of Acm Collective Agreement (25 May 1998), as an extension of Fiat Sata Collective Agreement (18 March 1998): bilateral commissions.
- *Territorial harmonization of IR by Fiat “Prince”*
- Participation without collective bargaining?
- Formal and bureaucratic participation without a real involvement of workers?

INDUSTRIAL RELATIONS ALONG THE SUPPLY CHAIN IN PIEDMONT

- Innovative agreements on:
 - outsourcing;
 - EWC;
 - territorial shop stewards (“*Delegati di sito*”);
 - territorial joint observatories (“*Osservatorii di bacino*”)
- ***Territorial harmonization of IR by union
“Prince”***
- More collective bargaining than participation?

HRM ALONG THE SUPPLY CHAIN IN PIEDMONT

- *Less managerial strategies of HRM*, felt as anti-union or setting a limit to the collective bargaining;
- *Some innovations* in individual flexibility of work (hours of work, pay by results, labor contracts).

HRM ALONG THE SUPPLY CHAIN IN MELFI

More managerial strategies of HRM, with specific tools:

- team working, with competency based activities;
- informal direct labor relations;
- skill formation and training (by Acm Services and Isvor-Fiat);
- selected workers;
- evaluation of individual performance;
- performance-related pay;
- path developments of career.

Case studies in MELFI Jit “ring”

- strong orientation towards organizational innovations for the new production systems among the Jit suppliers, e.g. team working (*Ute*);
- strong links between participative model of IR and lean production and less conflict vulnerability (harmonization: *Lear Corporation* Italia Sud, seats);
- bilateral commissions for introducing technological innovations (*Complasint*, dashboard);
- less workers’ involvement in small business with less than 100 employees (*Commer Tgs*, seats stuffing).

Case studies outside MELFI

- Less harmonization between lean production and IR;
- paternalism, pragmatic and opportunistic managerial behaviors, free-unionism;
- IR strongly influenced by constraints of the single buyer (*Bruzia Monti* in Cosenza working for Lear);
- non union systems (*Fgl* Lavello, Potenza, working for Commer at the third level)
- more competition between IR and HRM.

Case studies in Piedmont

- *Lear*, Grugliasco: technological and organizational innovations as in the South but with less workers' active involvement (no bilateral commissions; limited HRM);
- *Cor Tubi*, Asti (150 employees; catalytic converters): disclosure of information without bilateral commissions (only about health and safety);
- *Magneti Marelli*, Venaria (catalytic converters and driving mirrors): leader in product and technological innovations. But from team working to a traditional assembly line;
- *Pesce*, Beinasco (80 employees, working for Lear): “good” industrial relations, limited hrm.

SURVEY

- In Piedmont, practices of disclosure of information and joint consultation are not developed (more than 2/3);
- in the South, employers evaluated labor relations as “good” or “normal” (80% against less than 50% in Piedmont);
- strikes only for renewals of national agreements (1/4 in Piedmont; against 5% for plant level bargaining);
- limited union representation in all SME suppliers (only 37,5% also in Piedmont);
- collective bargaining more diffused among suppliers in Piedmont, in particular on wages.

SUPPLY CHAIN GOVERNANCE IN THE ITALIAN AUTOMOTIVE REGIONS: COMMON TRENDS

- 1. innovative effects of Fiat lean production on economic and social change along the line of SME suppliers;*
- 2. territorial harmonization of IRS and HRM: working conditions; hours of work; performance-related pay; team working; union rights; individual active workers' involvement;*
- 3. less conflicts and more participation*

SUPPLY CHAIN GOVERNANCE IN THE ITALIAN AUTOMOTIVE REGIONS: DIVERGENT LOCAL RESPONSES

1. Innovative “*technological capacities*” in Piedmont versus innovative “*organizational capacities*” in Basilicata;
2. IR/HRM territorial harmonization: employer-led in Melfi (*the Fiat “Prince”*) or union-led in Piedmont (*the Shop steward “Prince”*);
3. More “*individual*” participation in Melfi (joint-commissions, HRM practices) versus more “*collective*” participation in Piedmont (essentially through collective bargaining).

SUPPLY CHAIN GOVERNANCE IN THE ITALIAN AUTOMOTIVE REGIONS: CONCLUSIONS

- **Common trends show the common strategies of the social actors to reach the goals and to get the advantages of lean production systems also among the SME suppliers.**
- **Divergent responses point out some limits and the different territorial capabilities along the way to realize these common strategies.**