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Liberalisation, Flexibility and Industrial Relations Institutions: Evidence from Italian and Greek Banking

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Abstract:

The article seeks to explain how institutions change within varieties of capitalism, focussing on an important institution for the world of work: wage bargaining. Although there was a widespread expectation that the markets' liberalisation and the firms' needs for flexibility would bring convergence to the Liberal Market model of decentralised industrial relations, recent literature emphasised that diversity persists and there was a range of different responses. The article contributes to this debate by applying a coalitional perspective to highlight the factors that influence divergent trajectories of change in wage bargaining. The case studies, of Italian and Greek banking, suggest that the existence of 'employer associability' may moderate decentralising tendencies and facilitate the reform of industrial relations institutions, while 'labour-state coalitions' are critical for the institutions' survival. Finally, the article discusses the findings in relation to wider debates in the comparative political economy of work.

Keywords: Flexibility; Industrial relations; Institutions; Liberalisation; Varieties of Capitalism.

Introduction

The ascendance of neoliberalism, in the last decades, fuelled the liberalisation of regulated sectors and the privatisation of state-owned enterprises. In parallel, competition intensified at a global scale, union membership declined, and firms continued vigorously their search for flexibility (Crouch, 2000). Those challenges led scholars to expect that institutional arrangements in industrial relations will converge to the Liberal market model of decentralised bargaining (Katz, 1993). However, these expectations were not borne out (Ferner & Hyman, 1998:xvi; Thelen, 2009:189-190). Despite globalisation and liberalisation, diversity across models of capitalism persists and there is a continued variety of institutional arrangements in both work organisation and industrial relations institutions (Marginson & Sisson, 2004; Smith, 2006).

The purpose of this article is to contribute to a better understanding of the dynamics that underpin wage bargaining change in the post-Fordist era. The main research question is how do we explain divergent trajectories of change in wage bargaining despite similar pressures? In other words, the aim is to uncover the process that may lead to the reform or the complete abandonment of the institution. The article suggests that a coalitional perspective is able to explain the different trends of change in industrial relations institutions. The plausibility of the argument is illustrated with two case studies of the banking sectors in Italy and in Greece.

The rest of the article proceeds as follows. The next section sets out the theoretical framework of the study, namely the debate around convergence, divergence and the

system-society-dominance (SSD) effects (Smith & Meiksins, 1995). These multi-directional dynamics are not only relevant for macro-varieties of capitalism, but also for the industrial relations sphere, with a focus on organised and disorganised decentralisation. The third section outlines the research design and methodology of the article. The following sections present the empirical material from the case studies in Italian and Greek banking. Liberalisation and flexibility put similar pressures to both sectors, yet, wage bargaining change followed different directions. It is argued that the different legacies in employer associability and the changing labour-state coalitions explain in large part the divergent outcomes. In the conclusion, I then provide an interpretation of the empirical material using the SSD framework.

Theoretical Framework

Since the early 1990s there was a widespread expectation that advanced capitalist countries will converge to a single model of Anglo-Saxon capitalism due to pressures from globalisation and liberalisation (Albert, 1993; Strange, 1997). Those pressures were manifested either top down or bottom up. The top down pressures were associated with what Mills *et al.* (2008) called ‘coercive convergence’, whereby supranational bodies effectively ‘force’ nations to follow similar directives. The bottom up pressures towards convergence were emphasised by scholars studying the behaviour of multinational firms. These pressures were associated with what Mills *et al.* (2008) called ‘mimetic convergence’ with intensified competition pushing firms to mimic best practice models of production (e.g. lean production). Therefore, divergent forms of business organisation were expected to converge to a single international model of the ‘lean enterprise’ (Berger, 1996:2-7).

The prospect of convergence towards Liberal Market model arrangements was especially strong in the industrial relations sphere (Katz, 1993; Thelen, 2009). The coercive and mimetic convergence pressures were observable in the process of markets liberalisation and in firms' search for flexibility. The liberalisation hypothesis drew attention to the external business environment of firms. As the protection of markets was removed, competition within sectors intensified and this was expected to weaken the logic of 'taking wages out of competition' through wage bargaining (Marginson, Sisson, & Arrowsmith, 2003:164). The prospect was even more likely in the context of European integration, where the completion of the single market in Europe would lead to 'Americanization' of national industrial relations systems (Marginson & Sisson, 2004:12-16).

The flexibility hypothesis entailed a more diverse list of factors, which are internal to firms' organisation. These include the adoption of new work organisation practices in response to changes in technology (Katz, 1993:14-15; Pontusson & Swenson, 1996:235), the introduction of variable pay systems (Arrowsmith, Nicholaisen, Bechter, & Nonell, 2010:2720; Brown & Walsh, 1991:51-53; Pontusson & Swenson, 1996:236-237), and the move to flatter management hierarchies (Brown & Walsh, 1991:49-51; Katz, 1993:15-16). Industry-wide bargaining agreements were regarded as too inflexible to accommodate these needs for flexibility, because of information asymmetries between higher and lower levels of bargaining (Zagelmeyer, 2005:1630). Thus, firms were expected to abandon centralised bargaining.

In response to these arguments, scholars from comparative political economy substantiated the alternative vision of 'persisting diversity' by highlighting the

surprising variety of institutional arrangements clustering into national models of capitalism (Berger, 1996; Crouch & Streeck, 1997) or national business systems (Whitley, 1999). Subsequently, scholarship turned to a more elaborate identification of Weberian ideal-types of capitalism grouping countries with similar configurations (Amable, 2003; Boyer, 2005; Hall & Soskice, 2001; Hancké, Rhodes, & Thatcher, 2007). Admittedly, there are notable differences in the underlying assumptions of these approaches (including the labelling and number of models). For instance, Hall and Soskice's VoC approach emphasised a firm-centred rational choice view and identified only two models of capitalism; whereas Amable's typology identified five models and was based on the French Regulation School. Still, the existence of 'institutional complementarities' between different institutional spheres was a key concept for both (Höpner, 2005:340-343). Despite different approaches, this literature casted strong doubt to the view that predicted convergence, and was also a 'necessary antidote' to analyses that 'simplistically attribute national differences to cultural values' (Ferner, Quintanilla, & Sánchez-Runde, 2006:1).

The VoC literature also attracted considerable criticism, especially regarding its capacity to deal with institutional change. A strong version of 'institutional complementarities' was understood as a very functionalist and static view of interlocking institutions with all external pressures tending to sustain the systems (Grimshaw & Rubery, 2007:83; Höpner, 2005; Thelen & van Wijnbergen, 2003:860). Additionally, the models proposed by Hall and Soskice (i.e. Coordinated and Liberal Market Economies) 'told a succinct story for the 1980s' (O'Reilly, 2006:735), however, by the 2000s the paradigm cases such as Germany were radically transformed. The debate is still on-going, and recent work suggested that different

varieties of capitalism responded to the crisis with context-specific routes in labour market adjustment (Lallement, 2011).

In the industrial relations sphere, Wallerstein *et al.* (1997) showed that there is little evidence of a generalised trend towards convergence across Western European countries, however, they qualified their argument, accepting that decentralisation may happen in the future. Still, evidence from several studies suggested that wage bargaining change took more nuanced forms than anticipated with a range of responses such as reform and abolition (Marginson & Sisson, 2004:163-172). The relevant conceptual differentiation is between ‘organised’ and ‘disorganised’ decentralisation (Traxler, 1995:7): ‘organised decentralisation’ meant that industry-wide agreements were not abolished altogether, but reformed so that sectoral agreements set only minimum standards across the sector, whereas flexibility-related issues (such as variable pay) moved to the firm level. This type of change was qualitatively different from the outright abolition of centralised bargaining, dubbed as ‘disorganised’ decentralisation (*ibid*).

Hence, the simplistic convergence that earlier literature assumed did not take place, instead, it was accepted that the dynamics of change are multi-directional. Katz and Darbishire (2000:13) argued that there is a trend towards ‘converging divergences’; convergence more likely across sectors and divergence within countries. Notably, Smith and Meiksins (1995) outlined a holistic framework to capture the dynamics associated with converging and diverging tendencies; the system-society-dominance (SSD) model. The ‘system effects’ (i.e. the mode of production) and the ‘dominance effects’ (i.e. the diffusion of best practices by the society-in-dominance) suggested the

pressures for convergence, whereas the ‘societal effects’ (i.e. effects of unique national institutions, cultures, and histories) suggested the sources of diversity.

Recent literature has highlighted aspects of the different dynamics associated with wage bargaining change, which link very well with the SSD model. For instance, Thelen and van Wijnbergen (2003) have shown that the breakdown of wage bargaining was avoided in the German metalworking sector, because decentralisation would likely jeopardise institutional complementarities with the training system (societal effects). Similarly, Doellgast *et al* (2009) suggested the importance of ‘societal effects’ in the form of state support for centralisation in the French telecommunications sector. Finally, Royle and Ortiz (2009) examined the Spanish retail super market sector, and found ‘dominance effects’ from local firms, which controlled the employers’ association (and the ‘yellow’ unions) and imposed centralised bargaining on foreign competitors.

Overall, the aim of this article is to build upon those insights and suggest a coalitional perspective to explain the different directions of change in wage bargaining institutions. The emphasis will be on the interactions between collective actors (state, labour, and business) but also on key individuals within those organisations. Thus, the article will also respond to a recent call in WES for a research agenda re-examining employers’ associations in light of changes in industrial relations systems (Barry & Wilkinson, 2011). The next section considers the methodology of the cases studies.

Methodology

The article applies the ‘similar cases/different outcomes’ comparative research design (Mahoney, 2004:86; Przeworski & Teune, 1970). Italian and Greek banking sectors are selected, because they were similar sectors experiencing common pressures due to liberalisation, privatisation, and the penetration of flexibility. Yet, wage bargaining change followed divergent trajectories; in Italian banking, one observes a trend towards ‘organised decentralisation’, whereas in Greek banking the process of change is towards ‘disorganised decentralisation’. The different timeframe of the case studies (between 1995 and 2000 in Italian banking, and between 2005 and 2010 in Greek banking) is due to the difference in the timing of the liberalisation and privatisation, which indicate when the destabilising pressures appeared. The difference in timing is methodologically speaking less significant, because institutions such as wage bargaining do not change quickly across time. Importantly, there is no sound theoretical basis to expect that these institutions will change at the same temporal period across countries, or even that were created at the same time. In fact, the sectoral-level bargaining in Italy was overhauled by the 1993 tripartite Accord, whereas in Greece by Law 1876 of 1990.

The data for the case studies were collected with interviews, as well as primary and secondary sources. Interviewing of key informants was chosen as the most appropriate data collection method to answer a research question that seeks to trace the process of change and unveil collective and individual actors’ roles and motives (Hall, 2006). Key informants were representatives from Italian and Greek banking trade unions, business associations, political parties, as well as experts who had knowledge of the sectoral developments. The total number of interviews was fifteen and the length of interviews ranged from one hour to three hours. The fieldwork was

carried out in Rome (May 2010 and November 2010) and in Athens (February 2010 and July 2010). Most of the interviews were tape-recorded with a commitment not to attribute quotes and to respect confidentiality. The interview instrument was a semi-structured protocol with open questions. Notably, the validity and credibility of informants' insights was cross-checked via triangulation (Denscombe, 2007:201) where possible. Hence, the case studies also rely on primary and secondary documents including *inter alia*: reports on sectoral developments from the European Industrial Relations Observatory (EIRO), the European Industrial Relations Review (EIRR), newspaper articles, and official announcements of the associations. The next section begins by presenting the destabilizing pressures for wage bargaining in both sectors.

The Common Pressures to Wage Bargaining Institutions

Market Liberalisation in Italian and Greek Banking

The progress in European market integration during the 1990s affected significantly the competitive pressures within European banking. The European Commission followed the principle of 'mutual recognition', so that a single European financial area is established. The second Banking Directive of 1989 removed obstacles for the further integration of national financial markets, and therefore, any bank licensed in one country was allowed to open a branch in any other member-state (Story, 2000:94). Legislation over the single market required the opening up of markets, but did not require a change in the ownership of firms (Featherstone, 2005:232). Nevertheless, Italian and Greek governments launched a series of privatisation programmes reducing the extent of public ownership in those sectors.

In Italy, privatisation went hand in hand with liberalisation since the mid 1980s. The banking system moved towards the ‘universal bank model’, in which deposits, loans and insurance could be provided by all banks (Pradhan, 1995). At the same period, the mergers and acquisitions (M&As) in the sector transformed the erstwhile regional banks into larger national players. However, the increase in competitive pressures did not only come from domestic banks, but also from foreign banks entering the sector. From 1992 onwards the entry flows of foreign banks in Italy increased dramatically compared to previous decades (Magri, Mori, & Rossi, 2005) and the competitive pressures in the sector intensified.

The process of liberalisation and privatisation began later in Greece. Liberalisation started in the early 1990s, but privatisation of banks took off since the mid 1990s, and was almost completed by the early 2000s (Pagoulatos, 2003). The opening up of the market and the removal of barriers to entry allowed the appearance of new players in the sector. Foreign banks entered the market by setting up branches (not subsidiaries) in the early 1990s (e.g. HSBC, Citibank) taking advantage of the ‘mutual recognition’ and competition intensified since the late 1990s (Mamatzakis & Remoundos, 2003).

The Search for Flexibility in Italian and Greek Banking

Banking has been a services sector organised along Fordist lines, and since the 1980s was challenged by post-Fordist pressures for greater flexibility. The transition was anything but smooth, as it clashed with the tradition of banks having internal labour markets based on job security, internal career ladders, and seniority-based pay (Grimshaw, Ward, Rubery, & Beynon, 2001:25-27). The introduction of new technology entailed an expansion of Automated Teller Machines (ATM) and more

recently Internet banking. These are classic examples of substitution of labour by capital; and the prospect of redundancies following automation hit this labour-intensive services sector. Additionally, changes in work organisation were deemed as necessary, since increased competition has pushed banks to try meeting customer demand by increasing opening hours (O'Reilly, 1992), while adopting increasingly variable pay systems (Arrowsmith et al., 2010). These developments clashed with standardised working schedules and the seniority-based pay structures of the earlier period. All the above international trends are also observable in both Italian and Greek banking.

In the 1980s the Italian banks were characterised by the pattern of 'internal labour markets', and the state ownership and long employment tenures contributed to the development of a 'civil service culture' among bank employees (Regini, Carpo, Colombo, & Trentini, 1999). After the opening up of the market, employers used comparisons of labour costs and efficiency with German, British and French banks to support their agenda for restructuring (*Corriere della Sera*, 26 June 1992). Their agenda included downsizing to reduce labour costs and introducing working time and pay flexibility to improve productivity. Importantly, the 1994/95 agreement which was signed on 16 November 1994 constitutes a *turning point* for the sector (Regini et al., 1999:161,174), because it represents the first significant step towards the reform of the wage bargaining institution. The previous agreement provided for a 'productivity bonus' across the sector (irrespective of the bank's profitability) and this was replaced by 'company bonuses' to be negotiated at the level of individual banks, while seniority-based pay decreased in importance (EIRR, December 1994).

Similarly, the Greek banks in the 1980s were characterised by the pattern of internal labour markets (Petrinioti, 1998). However, after the liberalisation and privatisation of the sector, the strong internal labour markets weakened, and a dualism emerged between permanent employees and new staff on more flexible contracts. Additionally, the employers' side pursued an extension of banks' opening hours, but this went against trade unions' demand for shortening the working week. However, the conflict over flexibility was not sufficient to lead to the breakdown of wage bargaining. With the help of centre-right and centre-left governments, the sectoral union reached successive compromises with the employers and the formula entailed increasing opening hours in line with the employers' demand, but reducing slightly weekly working hours (EIRO, June 2002; June 2004). In other words, work reorganisation squeezed the time for 'back office' operations (clearance, settlements, etc.) extending the 'front office' time. Finally, the introduction of variable pay systems was also part of firm-level agreements during the 1990s, which introduced bonuses by business product unit (Business Representative 1, Interview). The next section considers the representation of business and labour, before examining the divergent trajectories in the industrial relations institutions.

The Representation of Business: Different Legacies

The Strengthening of Employer Associability in Italian Banking

Until the early 1990s, the associational representation of Italian banks was fragmented. *Associazione Sindacale fra le Aziende di Credito* (Assicredito) represented the majority of large public sector banks; *Associazione fra le Casse di Risparmio Italiane* (Acri) represented the smaller savings banks; and *Associazione Nazionale Aziende Ordinarie di Credito* (AssBank) was representative for private

banks. Although Assicredito and Acri possessed the legal competence to negotiate wage contracts for their members, Assbank did not, and Assicredito was negotiating on its behalf. Finally, *Associazione Bancaria Italiana* (ABI) operated as a trade association with the aim to influence regulatory issues. The liberalisation process reduced the differences between different categories of banks and the necessity to have different associations to represent them. Simultaneously, the privatisation and increased competition put pressures to make redundancies, and the restructuring was hard to negotiate with a fragmented representation. Thus, the operation ‘*Grande ABI*’ was set in motion under the leadership of Tancredi Bianchi, who was elected as president in both Assicredito and ABI in 1992 (*Corriere della Sera*, 26 June 1992), and set out to transfer the legal competence of negotiation to ABI. This transformation was not easy or without obstacles. The smaller savings banks of Acri, were rather reluctant to be subsumed in a ‘Confindustria of banks’, fearing that larger banks would dominate the decision making process. To convince the reluctant banks, Tancredi Bianchi passed an amendment in the statute of ABI so that smaller banks’ interests are better represented, and altered the criteria for the Executive Board and the Executive Committee participation (*Corriere della Sera*, 18 January 1994). By June 1997, the legal competence of negotiating labour relations issues was transferred from Acri and Assicredito to ABI (*La Repubblica*, 31 May 1997; *La Stampa*, 1 June 1997). ABI became the sole representative of the industry in the negotiations with the unions and employer associability strengthened in Italian banking.

The Weakness of Employer Associability in Greek Banking

The only association that historically represented the interests of banks in Greece has been the Hellenic Bank Association (EET). EET was established in 1928, as a trade

association providing input into the regulatory process, and was never involved in sectoral bargaining. When Law 1876 of 1990 -which provided a framework for the wage bargaining system in Greece- was under preparation, the banking trade union managed to insert a provision, that in the absence of an employers' association, the banks would bargain sectoral agreements with representatives from banks covering 70 per cent of employment (usually covered by the three larger banks). After the voting of the law, the response of EET was to stipulate clearly in its statute that it was *not* an employers' association (Business Representative, Interview). Nevertheless, the 'labour-state' coalition at the time managed to create a weak *employer associability* with this legal provision, and sectoral wage agreements were signed uninterrupted throughout the 1990s (Government Representative 2, Interview). The larger banks, and especially the National Bank of Greece, were strongly against transforming EET into an employers' association. They were unwilling to mix 'apolitical' regulatory issues with 'political' labour relations issues (Business Representative 2, Interview). The decision making process within the bankers' association was and remains skewed, favouring larger banks. The majority of important decisions are taken by a five-member *presidium*, whose members come always from the larger banks (Business Representative 2, Interview). Overall, the decision making process in the association was 'certainly not meant to be democratic'; instead, market power determined weight in the decisions and the smaller banks had little say in EET (Business Representative 1 & 2, Interviews).

The Representation of Labour: 'Single Voice' despite Fragmentation

The structures of trade unionism differ sharply between Italian and Greek banks; there are multiple sectoral federations in Italy and only one unitary federation in Greece.

The most representative unions in the Italian banking are the following: *Federazione Italiana Sindacato Assicurazione Credito* (FISAC), which is affiliated with the ex-communist/socialist CGIL; *Federazione Italiana Bancari Assicurativi* (FIBA), which is affiliated with the Catholic/Christian-democratic CISL; and *UIL Credito Essatorie e Assicurazioni* (UILCA) lies in between (Regini et al., 1999). Independent unions such as *Federazione Autonoma Bancari Italiani* (FABI) are also very strong in terms of membership. In Greece, the *Greek Federation of Bank Employees* (OTOE) is unitary; however, there is internal fragmentation along ideological lines between competing factions. The dominant faction is affiliated with the socialist party, the second most important is affiliated with the right-wing party, and other smaller factions are either independent or associated with small leftist parties. In sum, inter-union ideological divisions in Italian banking are parallel to intra-union divisions in Greek banking.

One might reasonably expect that the organisational and ideological fragmentation sketched out above, would pose a severe threat to unions' ability to speak with a 'single voice'. Surprisingly, this is not the case. Divisions in either case have *not* been a hindrance to the negotiations of sectoral wage agreements. Instead, the unions managed to come up with common platforms in negotiations, and a broader consensus is achieved as regards the sectoral agreement. In Italy, no less than nine unions signed the 2007 wage agreement. While the lead in negotiations belongs to the strongest unions in the sector, the agreement is approved by a larger pool. The system of '*competitive collaboration*' sets clear boundaries in Italy: unions compete among themselves for members, but collaborate for the representation of sectoral interests at the workplace (Labour Representative 3 & 4, Interview). Similarly, in Greece, the

lead in negotiations belongs to the two stronger factions, but the approval of wage agreements in the 1990s and early 2000s received also support from smaller independent and leftist factions. The next section turns to the critical periods of interest when the changes in wage bargaining took different directions.

Divergent Changes in Wage Bargaining in Italian and Greek Banking

Organised Decentralisation in Italian Banking

In the bargaining round for the 1996/97 agreement, the effects of the increased competition surfaced in the negotiations between the unions and the employers. The larger trade unions (FISAC-CGIL, FIBA-CISL and UILCA) approved a draft agreement in May 1996; however, a split appeared on the employers' side. Acri was willing to accept a higher increase in wages, but Assicredito considered that this settlement was too costly and rejected it. The deadlock in the negotiations between the unions and the employers was resolved only after the mediation by the Minister of Labour, Tiziano Treu. The compromise was on the 'lowest common denominator' with affordable increases for both smaller and larger banks (EIRR, June 1996) which ensured cost-standardisation and a level-playing field for the sector. However, the most pressing problem for employers was the means to make redundancies in overstaffed banks.

The need to 'converge' to European standards in labour costs was considered as a *conditio sine qua non* for Italian banks to survive the liberalisation of the market (EIRR, June 1996). Although there were divisions and disagreements on how to best adjust to the pressures, these faded out, when the banks united under the banner of ABI. ABI announced plans for job cuts to the level of 12 per cent of the whole

banking workforce (EIRR, March 1997) and the president of ABI, Tancredi Bianchi, stressed the need to completely reform the national wage contract in order to have ‘new forms of flexibility and mobility’ (*La Repubblica*, 17 February 1997). These announcements spurred the conflict between the unions and the employers and blocked the negotiations.

Responding to this breakdown, representatives from the centre-left Prodi government sought to mediate the conflict. Notably, the Minister of Labour, Tiziano Treu, the Minister of Finance, Carlo Ciampi, and the Secretary to the Prime Minister, Enrico Micheli, were involved in the talks with the unions and ABI. The government would not support the breakdown of sectoral bargaining, as long as unions did not agree with such a path (EIRO, April 1997). The unions were of course against any discussion to abandon sectoral bargaining and employers faced a strong labour-state coalition that blocked a path towards ‘disorganised decentralisation’. Although the government was willing to facilitate compromises to increase banks’ competitiveness, however, it was not willing to provoke the unions, which were too important electorally (Labour Representatives 3 & 5, Interview). Indeed, the most impressive evidence that the institution was supported by a labour-state coalition was that the Minister of Labour drafted a draft agreement together with the trade unionists (Labour Representative 10, Interview).

ABI signed the Accord with the unions on 4 June 1997 adopting the government’s plan. The Accord entailed *inter alia*: introduction of variable pay at firm-level bargaining; stock-ownership plans; part-time working; continue privatisation as a way to improve banks’ efficiency; and the establishment of a fund to provide income

support and training for redundant employees (EIRR, July 1997). Following this Accord, negotiations over ways to tackle the reduction of labour costs continued in September, but they soon broke down. The unions accused the employers' side of being overly focused on labour costs reduction, ignoring the framework of the Accord (*La Stampa*, 19 September 1997). The Minister of Labour intervened again to mediate the conflict (*La Stampa*, 4 December 1997) and saved the institution from collapsing. ABI agreed to extend the 1996/97 agreement for 1998, because the unions needed more time to agree on a common platform for bargaining. Eventually, their platform was responsive to employers' requests for labour cost containment and increasing flexibility. As a business representative commented, the trade unions were 'becoming more pragmatic because they could see that competition in the banking sector was intensifying' (EIRR, April 1998). However, the unions' platform entailed a very clear *quid pro quo*. They accepted an extension of opening hours and reduction in labour costs, in exchange for reduced weekly working time and cushioning redundancies through a 'Redundancy Fund' (*Fondo Esuberi*). Crucially the financing of the Fund would burden mainly employers (2/3) and to a lesser extent employees (1/3), while the state budget would not be burdened at all (EIRR, November 1998). Finally, the unions accepted to reduce the importance of seniority-based pay for new recruits, but not for older employees. Labour costs containment was envisaged to be gradual, including a pay freeze for two years and an overhaul of the job classification system. Finally, the unions embraced the proposals in the Treu legislation of June 1995 on labour market flexibility (EIRR, November 1998).

Despite the above concessions, the employers joined the bargaining table at the start of 1999 dismissing the unions' platform as 'inappropriate and unsuitable' (EIRR,

March 1999) and the negotiations over a new contract broke down. The unions were outraged; they accused the employers of ‘flexing their muscles’ and having made a preordained decision to leave the bargaining table (*La Stampa*, 4 February 1999). They responded with a strike and asked the Minister of Labour to intervene again (*La Stampa*, 4 February 1999). Indeed, by the end of March, a tripartite meeting took place with government representatives, employers, and the major sectoral unions. The final agreement entailed a compromise between unions’ demands for security and firms’ needs for flexibility. Crucially, the labour-state coalition held out well, and the government sided with the unions on the hot topic of *Fondo Esuberi* (*La Stampa*, 31 March 1999). Employers accepted it not only because of the pressure from the government, but also because it was a vital tool in the process of restructuring and catered their shared interests. The government was interested in supporting the unions in their demands not only for electoral reasons, but also because they helped implement the labour market reform agenda by accepting flexible forms of work in their agreements. Finally, the government encouraged ‘*billateralismo*’, the development of semi-public social support institutions (*Fondo Esuberi*), because they had zero-cost for the state (Labour Representative 3 & 4, Interview). Overall, the reform of the institution of wage bargaining towards ‘organised decentralisation’ was facilitated by both employer associability and the labour-state coalition.

Disorganised Decentralisation in Greek Banking

The uninterrupted sequence of signing sectoral wage agreements in the 1990s broke in the early 2000s, when the initial tensions over working time changes appeared. However, as mentioned above the compromises were only reached after the mediation by the Ministers of Labour -in 2002 of the socialist party, and in 2004, of the centre-

right party (*Ta Nea*, 18 June 2004). By 2005, the privatisation in the majority of banks was completed, and the leading employers revealed their preference to abolish the sectoral bargaining institution.

In early 2006 six identical letters were mailed from the heads of the 'Big 6' banks to the sectoral union (OTOE), and stated that 'the firms would no longer be willing to bargain an industry-wide agreement', but they would only sign separate agreements with company unions (*Kathimerini*, 1 February 2006). Their motive to abandon sectoral bargaining alluded to the pressures from liberalisation and increased needs for flexibility. Indicatively, the letters to OTOE mentioned that:

'You have failed to grasp that market conditions have changed, competition has increased, and customer needs differentiated, while individual banks have very diverse business plans.' (*Eleftherotypia*, 1 February 2006)

Clearly, the destabilizing pressures to sectoral bargaining were strong. Unlike their Italian counterparts, the Greek bankers were not interested in ensuring a level-playing field in competition and standardisation of costs across the sector (Government representative 2, Interview), while restructuring was dealt separately in each bank. Instead, cut-throat competition was very much welcome, even if that led to greater concentration, with larger banks pushing smaller banks out of the market (Business Representative 1, Interview).

The reaction from OTOE was swift and ferocious. The challenge to the institution of wage bargaining 'threatened the existence of the sectoral union' (Labour Representative 1, Interview) and a sense of a crisis mobilised the union officials to take action. The strategic response of OTOE was decided by consensus between the

different political factions, especially the socialist and the centre-right (Labour Representative 1, Interview). The union leaders pursued meetings with opposition parties' leaders to gain their support, since 'forging wider political coalitions' was a very conscious strategy to stem the employers' offensive (Labour Representative 1, Interview). The peak labour confederation (GSEE) issued statements of support towards OTOE, condemning the bankers' refusal to bargain as a 'Thatcherite union-busting strategy' (*Kathimerini*, 18 February 2006).

In the following weeks, OTOE mustered the valuable allies among opposition parties. George Papandreou, the socialist party leader, met with OTOE representatives and extended his support to the union's mobilisation. He criticised the centre-right Karamanlis government for 'attacking a basic social right, the right to bargain collectively; undermining social peace; and making Greece a cheap-labour country' (*Kathimerini*, 18 February 2006). The issue attracted considerable publicity amidst strikes and protests and climbed high up in the political agenda. Although the centre-right government initially preferred not to intervene, the pressures from the party's backbenchers and centre-right unionists altered the government's stance. The Minister of Labour, Savvas Tsitouridis, was charged with ending the conflict, taking initiatives for tripartite meetings between the Ministry, the bankers, and OTOE representatives. The final wage agreement was a flimsy compromise facilitated by an even more reluctant support from the government.

The flimsiness of the 2006/7 sectoral agreement, and the fragility of the 'labour-state coalition' on which it rested, was unveiled in the next bargaining round. This time there was a clear split on the employers' side. The larger banks (National Bank, Alpha

Bank and Eurobank) refused to authorise a joint representative to bargain with the unions, but the smaller banks (Agricultural, Piraeus, Commercial, and Marfin) were willing to bargain (*To Vima*, 17 April 2008). Therefore, the requisite percentage of banks authorisations covering 70 per cent of employees was not reached. The banks' rationale was unaltered from the arguments used two years earlier. Only difference perhaps was that the 2007 global financial crisis made their desire to 'loosen the straightjacket' of industry-wide agreements even stronger (Expert 2, Interview). To back up their resolve to go all the way towards the decentralisation of bargaining, the two leading banks, National Bank of Greece and Alpha Bank, announced unilateral wage increases, bypassing sectoral and firm level bargaining.

This development only infuriated the trade unions and OTOE announced 'rolling strikes' (EIRO, July 2008) targeting the large banks, which refused to bargain. Additionally OTOE requested from the new Minister of Labour of the centre-right government, Fani Petralia, to intervene. However, this time the government was resolved not to intervene. Although the Minister of Labour met with OTOE representatives, and made some 'window dressing' statements of support to wage bargaining, there was not a single initiative to meet with the bankers to mediate the conflict as in the past (Labour representative 1; Expert 2; Government Representative 2, Interviews). Unlike the previous years, the government no longer needed 'room for manoeuvre' in the government agenda. It had completed its privatisation programme and banks' pension fund reform, while the next elections seemed far away (Expert 2; Government Representative 2, Interviews).

Given government unwillingness to intervene, OTOE altered its strategy, turning to the Organisation of Mediation and Arbitration (OMED), inviting not only individual banks, but also EET and the peak employers' association (SEV). However, the bankers were resolved to go all the way with the break-up of sectoral bargaining and decided to defect from the peak employers' association. SEV did have the legal competence to represent its members on labour relations issues, and thus banks would be compelled to join the bargaining table as part of the conciliation and mediation process (Business Representative 2, Interview). Thus, when the independent mediator called both sides to join the bargaining table, the bankers were no longer members of the peak employers' association, and the EET had no legal competence to represent them in labour relations. This led to the issuing of an arbitration decision setting wages for 2008 in the absence of bankers (*Ethnos*, 17 June 2009). However, the most striking development –backing up bankers' resolve to go ahead with decentralisation– was that the larger banks challenged the validity of the arbitrators' decision to the courts. A storm of lawsuits burst out, creating a bitter climate and making the political settlement of the dispute even more unlikely. Since the break-up of the Greek sovereign debt crisis, the sectoral wage bargaining institution in banking is broken down, leading to a trajectory of change towards 'disorganised decentralisation'.

Discussion and Conclusion

The article suggested that a coalitional perspective sheds light on the role of collective and individual actors, who may shape the direction of wage bargaining change. The coalitional perspective is not entirely new in the comparative political economy. Indeed, it has been fruitfully applied to explain change or inertia in institutional spheres such as corporate governance (Cioffi & Höpner, 2006); regulatory institutions

(Thatcher, 2007) and industrial relations (Swenson, 2002). The contribution of this article was to synthesise insights from recent studies on wage bargaining institutions, under a coalitional perspective. In particular, the divergent trajectories in Italian and Greek banking were explained in large part by two factors: employer associability and labour-state coalitions. A strong employers' association in Italy was able to reform wage bargaining institutions and get the 'best of both worlds' for its members: control of labour costs and restructuring at the sector-level and increased flexibility at the firm-level. Such a path was not possible in Greece because of the weakness in employer associability. However, the government in both Italy and Greece mediated the conflict over institutional change. As long as unions were able to speak with a 'single voice' and government agenda prioritised social peace with the unions, the institution survived. When the labour-state coalition broke down in Greek banking, the drive towards disorganised decentralisation was let loose.

The concept of employer associability entails not only the existence of an employer's association with the legal competence to negotiate labour relations issues, but also a decision making process that takes into account divergent firms' interests. Most commonly, the divide between firms in a sector is based on market power, i.e. between large and small firms (Barry & Wilkinson, 2011:157). Either group may have divergent interests and preferences *vis-à-vis* wage bargaining (cf. Ulman, 1966:37-42), and the relative preferences will depend on several factors: e.g. the intensity of competition and relative market shares, the unionisation in small and large firms, and the level of wages that the industry agreement sets. Nevertheless, the concept of employer associability means that -irrespective of relative preferences- an association is able to carve out compromises that cater the collective interests of its members,

without one group dominating the process. This was evident only in the Italian case with the strengthening of ABI that facilitated the direction of change towards ‘organised decentralisation’. By contrast, the skewed representation of banks in the Greek case (and the subsequent split between larger and smaller banks) meant that employer associability was weak, and accelerated the trajectory of change towards ‘disorganised decentralisation’.

The concept of a ‘labour-state coalition’ was also used to shed further light on the coalitional dynamics that underpin wage bargaining change, and included union capacity and government receptivity. In both Italian and Greek cases sectoral unions were able to speak with a ‘single voice’, despite organisational or ideological fragmentation. Thereby, they had the capacity to steer the interest of the state, while the state was receptive and interested in a coalition with labour. The governments’ motivation did not only include electoral benefits, but also tactical policy trade-offs to advance its agenda. This was evident especially with the agenda for privatisation and labour market reforms in Italy; and the agenda for pension reform and privatisation in Greece. This perspective may inform conventional accounts of union power, which simplistically associate declining union power with the decline in union membership. Instead, the empirical material provides support to existing arguments in the literature (Doellgast et al., 2009) which suggest that ‘societal effects’ such as the role of the state are crucial factors for wage bargaining, even in very low union-density countries such as France. Thus, the ‘political pressure’ to firms *via* government intervention complements the ‘market pressure’ that is exerted to firms *via* strikes. In this respect power relations seem to be very much at the core of the process. In countries with legacies of political unionism, the government may still be interested in supporting

the unions, despite reductions in membership, and what still makes unions strong is their capacity of mobilization.

Furthermore, the argument put forward here suggests that convergence pressures may be moderated in countries which are usually considered as ‘institutionally incoherent’ (e.g. Mediterranean capitalism), because they lack the strong ‘institutional complementarities’ (Höpner, 2005). In both instances we observed pressures for ‘coercive convergence’ (Mills et al., 2008) in terms of liberal deregulation, which was a ‘system effect’. In addition to that, the introduction of flexibility was common to both cases (although the types of flexible practices varied) signifying a pressure for ‘mimetic convergence’ (Mills et al., 2008) in work organisation or ‘dominance effects’.

Overall, the ‘societal effects’ appeared strong as regard industrial relations institutions especially in Italian banking, and until the mid-2000s in Greek banking. The sectoral bargaining rested on the tradition of a labour-state coalition, which moderated the pressures for convergence. A sizeable body of literature has shown that simplistic convergence is not happening and there is a range of responses at national level across Europe (Marginson & Sisson, 2004). In line with these works, the article elaborated further on the coalitions of actors that may influence different directions of change.

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