

Performance-Related Pay or Pay for Participation ? The Case of Emilia Romagna*

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Abstract

The income policy agreement of July 1993 – the so-called *Accordo di Luglio* – has strongly changed the industrial relations framework in Italy. As a matter of fact, the adoption of company agreements, linking the workers compensation with the company performance, has opened a new phase of bargaining activity increasing the extension of decentralised negotiating between workers' trade union organisations and companies. Previous empirical investigations have mainly analysed this phenomenon at national level, focussing on the factors behind this practise. Less attention has been devoted to the investigation of the diffusion of these negotiating practises at local level. The aim of this paper is to contribute with new evidences to the analyses of this phenomenon at this level, investigating decentralised bargaining carried out in Emilia Romagna, one of the most industrialised and unionised region of Italy. In particular, in this study company bargaining on performance-related pay (PRP) and/or pay for participation (PFP) are analysed during the period 1994-1997 within this region. First of all, forms of agreement on PRP/PFP are investigated in order to find out the incentive, risk-sharing, and participation mechanisms suggested by economic theory and embodied within each contract. Secondly, an econometric investigation is carried out in order to identify the variables which can explain their introduction.

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