

The ‘Dominance Effect’: Multinational Corporation Employment Practices in the Italian Quick Food Service Sector.

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Much cross-national organization theory still relies to some extent on some variant of the polarized concepts of convergence and divergence. Modern interpretations of the convergence concept are more sophisticated than the early and the somewhat discredited industrial society thesis of Kerr et al. (1960) and have since focused on the idea of a market driven convergence or ‘one best way’ model of employment and production practices, for example: ‘Japanization’ (Elger and Smith, 1994); ‘lean production’ (Womack et al, 1990); ‘functional flexibility’ (Mueller, 1992); and ‘just-in-time’ (Frenkel, 1994). These arguments suggest that such ‘one best way’ practices will act as a global solvent and could override differences in national industrial relations systems. The opposing divergence theses for example: ‘societal effects’ (Maurice et al., 1986); and ‘business systems’ (Whitley, 1999) suggest that such societal regimes cannot be overridden so easily due to their unique and enduring cultures and national institutions within which firms must operate. However, neither of these approaches adequately explain the complexity of practices within and across national systems, with the societal effects thesis in particular tending to neglect possible variations *within* national systems. Another model that can be used to analyze these processes is that put forward by Smith and Meiskins (1995). They propose a three way model incorporating ‘system effects’, ‘societal effects’ and ‘dominance effects’. In a similar manner to earlier convergence and divergence theses, they suggest that the ‘system effect’ of modern capitalism may tend to drive a convergence of practices across national borders, whilst the ‘societal effect’ of national systems will tend to filter such converging pressures so that practices are likely to be quite varied in different national contexts. Where their model differs considerably is in their concept of ‘dominance effects’. They argue that there has always been a hierarchy between economies and those in dominant positions have frequently evolved methods of production and work organization that become to be seen as ‘best practice’ and which often invite emulation, a process which has arguably been accelerated with the increasing integration of economic activity. This ‘dominance effect’ is likely to have considerable implications for the future of workplace employment practices and be strong in particular sectors, with globalized industries likely to be more subject to pressures to converge around the practices of dominant firms (Ferner, 1997). It is this more recent acknowledgement of the importance of the sector and the role of dominant firms in those sectors that is now receiving more attention. Roche (2000: 276) for example, also argues that societal effects are likely to reduce in force as sectoral effects and organizational

contingencies become more pronounced, leading to 'customized social regimes'. This argument once again raises the possibility of a form of 'convergence' of employment practices across national borders, but one that is attenuated to particular sectors and organizational contingencies. This paper is based on a larger comparative study, which draws on these arguments by focusing on the activities of one dominant multinational corporation in one globalized industry and comparing its employment practices with those of its main competitors in different countries. We attempt to provide a contextualised account of the processes of change and associated struggles that face these firms and assess their outcomes in terms of levels of unionization, effective independent employee representation and, the pay and the terms and conditions of work in those firms.

Research issues

The data presented in this paper derives from a larger study, which examines the labour relations practices of US multinational corporations and their European-owned competitors in the European quick food service industry. In this paper we provide a review of the findings from Italy, and examine the employment practices of the US-owned McDonald's Corporation and their main European competitor in Italy: Autogrill and its associated brands. In the context of the Italian system this means focusing on the interaction between organization-based employee relations practices and such issues as: statutory mechanisms of employee representation (union delegates); sector-level and company-level collective bargaining and their outcomes in terms of pay and working conditions. The findings presented here draw on a qualitative study based on almost fifty face-to-face semi-structured interviews and the analysis of documentary materials. These interviews were taped and semi structured and were between half an hour and two hours in length and were conducted on three separate visits to Italy in 1999, 2002 and 2003, these interviews have also been supplemented by more recent e-mail and telephone conversations with a number of respondents up to May 2004. Face to face interviews include managers, employees, union delegates at McDonald's and at Autogrill and their other operations Spizzico, Ciao, ACafe, and Burger Kingⁱ) together with trade union officials from the three main Italian union confederations (see below) and officials from the international trade secretariat the IUF.

The Dominant Firm and Global Quick Food Service Sector

Despite some recent financial setbacks (Walsh, 2003), the McDonald's Corporation is still the dominant player in the global quick food service industry, it is the largest food service system in the world: it has annual turnover of around \$40 billion and spends around \$2 billion a year on advertising; with over 30,000 outlets worldwide employing almost 2 million workers it is a major provider of employment and; it is still the market leader in most national economies where it operates. Its success in terms of its continued growth and size are unparalleled and there is no doubt that its system of work organization has attracted emulators since its early days in the 1950s, leading to a large number of other US-owned companies having arguably developed their business on some variation of the McDonald's fast-food system (Love, 1995). Its international expansion into other countries around the world is now well documented and suggests that wherever possible the corporation tries to impose its American system, epitomized by non-unionism, low wages, highly standardized work

organization and human resource policies, in every country, regardless of sometimes significant differences in national industrial relation systems. However, some adaptations have had to be made where national law is very stringent and national unions are well-organized and influential actors in society and this is particularly noticeable in the Netherlands, Norway, Sweden and Denmark. Nevertheless, even in these countries McDonald's has at some time or other been involved in conflicts with unions and/or there are persistent and continuing problems worker's rights to independent representation and terms and conditions of work (Royle, 2000). The general approach of McDonald's management is one that is union averse and revolves around a highly standardized system which makes it very difficult for workers to have any kind of independent and effective voice in its operations. This 'straightjacket' on employee relations also applies to its relations with its franchises, which as we have argued elsewhere, also leaves franchisees acting virtually as *de facto* employees of the company (Royle, 2000).

However, the question that is raised here is not focused on McDonald's itself - although for our purposes it will be necessary to provide a comprehensive and up to date analysis of McDonald's employment practices and their outcomes in Italy, so that we can understand the broader context in which its European-owned competitors operate - we are primarily interested in comparing McDonald's operations with those of Autogrill and trying to ascertain whether McDonald's is having some influence over its main European-owned competitors in continental Europe. Earlier research on the sector in countries such as the US, Canada and the UK suggests that McDonald's still provides the most successful and sophisticated model for human resource practices in the sector and that in terms of union antipathy, employment relations practices and systems of work organization and terms and conditions of work there are few differences between McDonald's and its British and Canadian-owned competitors in those countries (Tannock, 2001; Leidner, 2002; Reiter, 2002; Royle, 2002). This, it could be argued, is because in terms of employee relations matters, these Anglo-Saxon countries are not all that culturally distant, have less well organized or less influential trade union movements and offer a less supportive level of regulation as far as unions are concerned than in most countries of continental Europe. Would working conditions and employee relations be different in European-owned companies in Italy, or would the findings suggest, that despite considerable 'cultural distance', more stringent labour law and stronger union rights, Italian companies do try to emulate the US-style employee relations model epitomized by McDonald's; following what is arguably the 'best practice' logic of the sector, or do they remain considerably different in terms of their employee relations practices? We begin with a brief review of the Italian industrial relations system and then an analysis of the Italian sector, followed by an analysis of employee relations practices at McDonald's and Autogrill.

The Italian Industrial Relations System

Italian industrial relations have been shaped by the contradictory combination of state interventionism and weakness in government, with a series disparate and unstable coalitions making policy consensus very difficult. With the exception of the 1970s Worker's Statute, which radically expanded employee rights, the Italian labour market has evolved piecemeal and with most developments in the Italian system being achieved by some form of compromise, which has had to be acceptable to both unions

and employer organizations. From 1944 to 1949 Italian trade unions were organized under one union confederation: CGIL (Confederazione Generale Italiana del Lavoro). However, after the onset of the Cold War, CGIL became increasingly divided along ideological lines and two additional confederations were established: CSIL (Confederazione Italiana Sindacati dei Lavoratori), which was connected to the Social Democratic party and UIL (Unione Italiana del Lavoro) which was connected to the Republicans and Social Democrats and some small lay parties. There are other groupings of trade unions outside the main three confederations, these include the neo-fascist confederation UGL (which used to be known as CISNAL - Confederazione Italiana dei Sindacati Nazionali Lavoratori); CISAL which claims to have 1.7 million members in 'autonomous unions', particularly in the public and finance sectors; and CONFSAL. There are also some unions unattached to any confederation such as FABI (banking) and groups of employees known as 'cobas' (rank and file committees) who work in specific areas such as the railways and airlines and who have frequently been involved in industrial action. Italian unions derive their rights from the concept of 'most representative union', which provides the basis for appointment to tripartite administrative agencies. Although this status lacks precise statutory definition, in practice the three main confederations and their affiliated sectoral organizations and, on occasions CISNAL, are considered to be the 'most representative unions', with CGIL still the largest in terms of union members. Ideological differences between the three main confederations narrowed during the 1970s but re-emerged again in the 1980s. Since the major changes that took place in the Italian political structure in the early 1990s, the old party-political affiliations no longer exist in their old form. Despite the confederations working more closely together in the 1990s, they have been split once again over the 'Pact for Italy' the 2002 Berlusconi reforms aimed at weakening the 1970 Worker's Statute, which provides rights in areas such as employment security, job definitions, disciplinary procedures and prohibited various forms of surveillance (Regalia and Regini, 1998; EIRR, 2003a). However, the political divisions have been much more significant at the national and central level than in everyday union activity at the workplace (Lecher, 1994).

The extent and type of influence that Italian unions have enjoyed since the war has changed considerably. From 1950 to 1969 union membership fell from 50 per cent to 29 per cent reflecting a growing worker-dissatisfaction with working conditions and a weak union movement. In the late 1960s unions were able to capitalize on the severe industrial conflicts of that period, which culminated in the 'hot autumn' of 1969 and the establishment of the 1970 Worker's Statute. These changes revitalized the union movement with union membership increasing again to 49 percent of the active labour force between 1977 and 1980. After the international oil crisis, employers were once again holding the upper hand in the 1980s, but the accompanying reduction in union membership in that period appeared to be due to the consequences of economic restructuring rather than dissatisfaction with the unions. Indeed membership of the active labour force has remained respectable compared with the European average, currently standing at 37 percent (LRD, 2004).

Collective bargaining

Although the level of workplace representation may have reduced to some extent over the last two decades, unions have retained and perhaps increased their political

influence over the national economy through tripartite multi-industry agreements. At their height in the late 1940s and 50s, multi-industry agreements were established to cover an entire sector of the economic system (industry, commerce agriculture) on matters such as individual dismissals and redundancy and works committees. In effect the Italian government has intervened at various times in the negotiating stage between the unions confederations and the main employers association (*Confindustria*)ⁱⁱ as a bargaining party itself, in what could be seen as a form of social concertation. These agreements have at times replaced and sometimes supplemented sector level bargaining, corresponding to periods of lesser or greater periods of centralization of the bargaining structure. This form of bargaining diminished in the 1960s but re-emerged in the 1970s, culminating in the 1983 Scotti Agreement, which aimed to control wage demands and labour market conditions at a time of economic crisis. The significant political role of unions is typified by the 1993 tripartite multi-industry agreement on incomes and policies. The 1993 agreement reformed the collective bargaining and employee representation system and reintroduced, on a more stable basis, the concertation that had largely failed in the 1970s and 1980s (Regalia and Regini, 1998), this agreement has since been reaffirmed in the 2002 Pact for Italy.

Collective bargaining in Italy is therefore carried out within the framework of these national agreements at two levels, firstly, at national sectoral level (*Contratto Collettivo Nazionale di Lavoro*) which supplements any multi-industry agreement and lasts for two years on pay issues and also deals with issues such as working hours, information rights and work organization. Secondly bargaining at either company or territorial/local level depending on the usual practice in each sector and normally covering a period four years. Although there is no minimum wage in Italy, sector level agreements apply to all employees in the industry regardless of whether regardless of whether or not the company concerned has taken part in the negotiations itself. Sector level agreements are supposed to make sure that pay keeps pace with prices and the forecast inflation rate. In recent years prices have risen faster than inflation forecasts pay levels suggesting that pay is falling behind. There are some 350 national sectoral agreements in Italy and because there are two and four year renewal periods there is always some negotiating activity most of the time. Bargaining at company level is meant to take into account company-level issues such as improved productivity or the risk of job losses. It is estimated that only 30 to 40 percent of companies actually bargain at company level, meaning that most companies make unilateral decisions on any local pay increases (EIRR, 2003a).

Employee representation

The 1993 tripartite agreement also ended the system of pay indexation 'scala mobile' and reorganized the existing systems of employee representation and created a single body in all workplaces, the unified trade union committee or RSU (*rappresentanze sindacali unitarie*). The name was chosen to emphasize that this was a single institution recognized by the unions. Like earlier workplace representation RSUs were intended to be bodies of both general and trade union representation, they continued to be elected by the whole workforce but with unions having priority in nominating candidates, in effect they are predominantly union committees and are still based on trade union rights acquired under the 1970 Workers' Statute. After a national-level agreement on RSUs in early 1994, the unions held elections for RSUs to an extent

unknown since the end of the 1970s, revitalizing their relationship with workers and leading to a renewal of rank and file unionism (Regalia and Regini, 1998). RSUs are employee-only bodies and can be created in any company employing more than 15 people. The whole workforce directly elects two thirds of the 'seats' on the RSU but only the unions can nominate them. The remaining third of the representatives are elected or appointed by the unions. The trade unions themselves agree the rules governing the operation of the RSU, but it is normally chaired by the leading figure in the largest union in the workplace. However, employers and unions at industry level need to reach agreement before the process can start. The key function of the RSU is to negotiate with the employer at workplace level and they have the power to negotiate binding company or local-level agreements. Most of the issues on which the RSU has to be informed and consulted by the employer depend on the agreement reached either at industry or company level. However, by law employers must inform and consult RSU representatives on matters such as health and safety, the use of public funds for industrial restructuring, large-scale redundancies and business transfers (IDS, 1996; Regalia and Regini, 1998). In theory at least, in every private sector company with 15 employees (5 or more in agriculture), the 1970 Worker's Statute provides for unhindered union activity, including time-off for union duties and allows for office space, the right to call meetings which may take place during working time and, in addition union delegates are protected against transfer and dismissal except in cases of serious misconduct.

Employer organization and collective bargaining in the Italian sector

The Italian food service sector is made up of a large number of small businesses, but the main quick food service operators are McDonald's, Autogrill, Gruppo Cremonini, Chef Italia, Brek Ristoranti, and Gemeaz Cusin. Of these Autogrill and McDonald's are by far the biggest players in terms of turnover and numbers of outlets. In 2003 McDonald's had some 330 outlets in Italy and employed around 15,000 people, whilst Autogrill has around 450 outlets and employing about 10,000 people. The main union activity in the quick foods service sector is undertaken by the affiliated unions of the three main confederations for the broader hospitality sector (CGIL-FILCAMS; CISL-FISASCAT; UIL-TUCS). Both Autogrill and McDonald's belong to FIPE (*Federazione Italiana Pubblici Esercizi*), which is the employers federation for restaurants, catering, bars, cafés and clubs. FIPE is in turn part of the larger employers federation CONFCOMMERCIO (*Confederazione Generale Italiana del Commercio, del Turismo e dei Servizi*), the employers federation for the broader hospitality and tourism sector. There are also four other employer federations in CONFCOMMERCIO: these are FAITA (camping and leisure complexes), HORECA (hotels), FIAVET (travel agents) and Federalberghi (hotels; hostels). Although FIPE alone represents some 230,000 businesses and 750,000 employees, McDonald's and Autogrill are by far the largest employers in the federation. Furthermore, FIPE is the dominant partner in CONFCOMMERCIO with the result that McDonald's and Autogrill have a huge influence over CONFCOMMERCIO policy and especially in national bargaining rounds with the unions. This is clearly illustrated in the make up of employer representatives in CONFCOMMERCIO during bargaining rounds, whilst FAITA, HORECA, FIAVET and Federalberghi have only one representative each, FIPE has four, two representatives from Autogrill and two from McDonald's. Operating within broader multi-industry agreements, sector level bargaining is the probably the most significant level of bargaining activity in this industry, although

there have also been a number of both company-level, regional and plant level agreements established, some of which are continuing and some which have been in place for only short periods of time. The role of labour law in the Italian context should not be underestimated. CONFCOMMERCIO agreements have not been able to significantly raise wage minimums in recent years, but they have at least been able to provide Autogrill and McDonald's workers with additional protections that would otherwise not be available: payments for overtime, guaranteed weekly minimum hours; proper notice for changes in shift patterns; training; health and safety; extra payments for unsociable hours, Sundays and national holidays.

McDonald's in Italy

McDonald's entered the Italian market in 1985, but did not expand all that quickly until 1996, when it took over 80 outlets from the Burghy chain of restaurants. Reflecting the average for most other countries, approximately 70 percent of the 330 McDonald's outlets are operated as franchises.

Union membership and employee representation

When compared with most other countries the Italian unions have had a reasonable amount of success in gaining union members, estimated at around 20 percent of the workforce in 1999 (Royle, 2000). Of course the relatively high level of labour turnover in this sector means it is always difficult to provide exact membership figures and it also means that such figures are likely to fluctuate considerably over time. Indeed in 2003 the main three Italian confederations suggest that union membership at McDonald's has reduced somewhat and is now closer to 15 percent, nevertheless this is still quite a high figure compared with most other countries (Royle, 2000). On the one hand, this relatively high level of union membership may be explained by the fact that many of the outlets were acquired from the Burghy chain, which already had a relatively high level of union membership. On the other hand, the supportive nature of Italian labour law has allowed unions access to workplaces that would simply be impossible in the US or UK context. As Terry (1993) points out, Article 19 of the 1970 Worker's Statute aims to guarantee, protect and favour employee representation even in workplaces where the level of union representation is likely to be very low. It enables workers whether unionized or not, to establish an RSU even when the employer is opposed to it; prohibits a range of anti-union actions; it allows the right to hold referenda to ascertain worker's views; the right to display union notices and; the right to promote unions and collect union subscriptions at the workplace. In practical terms it means that unions have a much better chance of gaining access to workers, recruiting members and establishing workplace representation than in other countries. Establishing RSUs and union delegates in outlets is important for recruitment, once a union delegate is appointed union membership usually increases in that outlet.

In 1999 union officials from the three confederations estimated that they had RSUs in nearly 30 percent of McDonald's outlets. In 2003 unions estimate that this had fallen somewhat to nearer 25 per cent. The majority of RSUs are in the North and/or in the large cities such as Milan, Rome, Florence and Bologna where unemployment is lower and union activism is higher. In Rome for example, McDonald's has 42 outlets, 20 of these have RSUs. There is also a *coordinamento* (coordinating committee,

similar to a company-level works council) at McDonald's, which as its name implies coordinates several RSUs from different workplaces. RSUs send delegates to the committee, which normally meets with union officials and feeds information into bargaining rounds. However, the coordinamento has been limited in its ability to pass on information about conditions in outlets, because union delegates do not exist in the majority of McDonald's outlets. Neither has the fairly reasonable level of union membership, the RSUs or the coordinamento been translated into representation on the McDonald's European Works Council (EWC). Despite continuous requests that the EWC employee representative should be appointed by the unions in accordance with the Italian interpretation of the EWC directive, McDonald's have simply refused to allow a union-supported employee representative on to the EWC, something which has been a problem for a number of European unions in the McDonald's EWC (Royle, 1999). It is interesting to note that one of the key amendments, which is being sought by the European Trade Union Confederation (ETUC) under the current review of the EWC directive, is for unions to have the guaranteed right for union representatives from the main unions to take part in the establishment and operation of EWCs (EIRR, 2004).

Working conditions, worker's resistance and the sectoral agreement

In theory at least, the CONFCOMMERCIO sectoral agreement provides McDonald's workers with a number of rights and protections that otherwise would not be available, ranging from more generous additional payments for unsociable hours and holidays, health and safety protections, overtime payments, guaranteed minimum weekly hours and adequate notice of changes to work schedules. However, in practice various aspects of this agreement are violated on a regular basis and various forms of union busting activity are commonplace in most McDonald's outlets, and especially in franchise operations. As a result there have been a large number of walkouts and strikes by workers over the last few years and particularly towards the end of the 1990s and the beginning of the millennium. In October 2000 for example, twenty McDonald's workers walked out of an outlet in Florence to protest about what they described as an 'intimidating work climate'. On 31st December 2000 and 1st January 2001 unions estimate that some 1200 workers walked out from 40 restaurants and demanded improvements in pay and working conditions. Some of these actions have also coincided with larger protest marches aimed at challenging McDonald's continued expansion in the country, one of which took place in the Autumn of 2000 and was organized by a coalition of left wing radicals, unions and family-run bars across twenty Italian cities and had the motto '*Better one day of tortellini than 100 days of hamburgers*' (Carroll, 2000: 5). Whilst these protests may have been organized to confront broader concerns about the impact of McDonald's on Italian eating habits and life in Italian society, the strikes and walkouts reflect worker's continuing concerns about their pay and conditions. In an interview with an Italian newspaper in 2001, a CGIL-FILCAMS spokesman stated that (Sciotto, 2001: 10):

McDonald's anti-union attitude has resulted in a workplace dominated by the company's culture of silence and ignorance ...in which union bargaining power barely exists and employees fear to denounce management's unfair employment practices.

Workers interviewed in this study working in McDonald's outlets across a number of cities from Florence, Bologna, Rome and Milan all made similar complaints about poor working conditions, low pay and continued violations of the sectoral agreement, with violations particularly marked in the franchise outlets. Union officials, workers and one franchise operator suggested that franchisees were under greater pressure than McDonald's directly-owned outlets to reduce labour costs. In fact in March 2002 a number of McDonald's franchise operators established the Italian Franchise Association (*Associazione Licenziatari Franchisee Italiani*) in order - amongst other things - persuade their franchisors (particularly McDonald's) to reduce the percentage of rents payable. One McDonald's franchisee accused the corporation of cannibalizing their own franchisees to improve the Corporation's profitability.

The outcomes of this downward pressure on costs are evident across all McDonald's outlets: frequent health and safety violations, for example refusing to provide protective clothing for handling hot oils, dangerous chemicals and freezer work, often resulting in frequent and sometimes serious burns; air conditioning being switched off in the summer to reduce electricity bills; inadequate fire exits; extractor fans not working properly leading to workers having breathing difficulties and; slippery floors. Other violations included: failure to pay social contributions; incorrect allocation to lower pay groupings and incorrect and/or misleading pay slips; electronic alteration of workers hours by shift managers in order to reduce labour costs on their shifts; non-payment of overtime for hours worked in excess of 130 hours per month; insisting that workers clean toilets when this is prohibited under the collective agreement; days off regularly missed due to inadequate staffing; inadequate or no notice of shift changes and the frequent occurrence of 'off-the clock' workⁱⁱⁱ. In some restaurants in Rome and Milan where unions enjoy a higher level of organization than elsewhere, RSUs and their union delegates have been able to curb some of the worst health and safety violations, but even here delegates claim to be fighting a constant battle to assert their rights under the sectoral agreement and that laid down by national and European labour law. Even many of McDonald's own regulations set out in its staff handbook (such as reflective clothing for outdoor working) are simply ignored by restaurant management in practice. Where there is no union delegate at all in the outlet, such violations are a frequent occurrence.

Pay, conditions and company-level bargaining

One option for unions is to try to persuade companies like McDonald's to negotiate a company-level agreement. In fact ex-Burghy employees taken over by McDonald's in 1996 do enjoy the benefits of a company-level agreement negotiated in 1989. These long-serving employees have better wages and conditions than new McDonald's employees. McDonald's has tried to override this agreement, by disputing its legality in the courts. However, a labour court decision upheld the agreement in favour of the employees. It seems that the failed court action has not stopped McDonald's from trying to remove this 'anomaly'. Ex-Burghy employees report that they have been under continual pressure from McDonald's management to leave the company, those remaining estimate that more than half of the original Burghy employees have left McDonald's over the last eight years. These workers state that promotion has become impossible for them, their shifts are frequently changed without adequate notice, managers refuse to talk to them directly unless it is unavoidable and managers consistently remind newer employees that they are earning less money than their

unionized ex-Burghy colleagues. All of which, workers claim, creates a very difficult and unpleasant working atmosphere.

In 1997, in the light of the court success with the Burghy agreement, the unions led by CGIL, began trying to persuade McDonald's to negotiate a company-level agreement for all its restaurants (both franchise and non-franchise) in order to raise basic wages. However, McDonald's has continued to refuse to any wage agreement and especially one that would include its franchise operations. Whilst it has proved impossible to improve basic wages in this way, the unions have had some success in negotiating two national company-level agreements with McDonald's in other areas, firstly, in May 2002 regards the use of cameras and secondly, in July 2002 regarding health and safety matters. Significantly, both of these agreements include the 70 percent of outlets operated as franchises. Whilst many problems remain with the policing of these agreements and the sectoral agreement, union officials suggest that the 'camera agreement' has been something of a 'Trojan Horse' for the unions, gaining them more access to workplaces. It came about in 2002 when McDonald's announced that it wanted to introduce cameras inside and outside its restaurants, because it was concerned about the possibility of terrorist attack. While the use of cameras is common practice in McDonald's outlets in the UK and USA, the Worker's Statute prohibits the filming of workers unless the use of such cameras is negotiated and agreed with the unions and the workforce. The result of the agreement is that every time a franchise or company-owned outlet wants to install a camera, the unions have to meet with the entire workforce to discuss its installation. In one instance this resulted in the recruitment of workers in a previously non-union outlet and the establishment of an RSU.

In the meantime the unions have come to the conclusion that the only way to try to increase wage levels in the short term is to focus on trying to negotiate 'plant-level' collective agreements with individual franchise owners. They have had some limited successes with some franchise operators, three agreements were set up in Rome, two in Florence and two in Milan. However, these agreements have not improved working conditions nor wage levels for any significant length of time.

The only franchise-level agreement that managed to raise pay above that provided in the sectoral agreement was established in Florence and was in force for a few months in 2000. The franchise agreement was supposed to give workers the right to discuss how long they should work on each station (grill, till, tables etc) and encouraged employees to learn a larger variety of tasks in return workers were to be paid 20 percent more pay and be entitled to an end of year bonus of between 150 and 200 Euros depending on sales turnover. This agreement came about at about the same time as the October 2000 strikes and protests and at the same time as an attempt to improve relations between McDonald's and the unions by the Florence county council (*Provincia di Firenze*). The Florence county council urged the unions to sign an agreement that would 'normalize' company-union relations in Florence, because it would also bring with it the promise of 150 new jobs in the area. However, in practice the agreement made no concrete promises about specific measures that would be adopted and no promise to extend this 'goodwill' to its franchises. Indeed over the following months little changed as far as the working conditions and the pay of most McDonald's workers was concerned and, at the end of 2000, after a number of unionized workers left the franchise with the improved pay agreement, the franchise

operator once again began harassing remaining union members and refusing to apply the agreement. The result was that by early 2001 most unionized workers were removed from the outlet and the agreement was no longer applied. Ex-workers from this franchise claim that most of their jobs were replaced with foreign workers, mostly those reliant on their employment for their work permits. The whole county council initiative now began to look as though it had been 'captured' as a clever public relations exercise, which fit nicely with McDonald's normal expansion policy. One other franchise-level agreement established in Rome - with the UIL union and the local RSU - actually allowed for lower conditions than that stipulated in the sectoral agreement. The rationale behind this agreement appeared to be that if McDonald's and its franchisees frequently violate the sectoral agreement, perhaps they might adhere to a lower set of standards? Both CISL and CGIL officials argue that this approach will not solve the problems they face.

It is worth noting that the trend towards the increasing employment of foreign workers at McDonald's is also evident in other Italian cities. In one McDonald's outlet in Milan for example, workers from the Philippines account for over 50 percent of the workforce. Most of them are female, many of them had originally come to Italy on au-pair visas and, many of them have worked illegally at McDonald's when they started work there. In one case, in Milan in 2002, McDonald's inadvertently published the name and picture of a worker (for an employee of the month award) who turned out to be an illegal immigrant. A number of these workers report that they were specifically warned not to join a union when employment was offered. They also complained that that it was McDonald's normal practice to phone them at home and (in effect) force them to come to work at short notice on their day off.

All in all, the unions have had some successes in recruiting new union members and therefore stemming the otherwise inexorable reduction in union membership that often occurs due to usual problems of labour turnover and management antipathy in this company. Indeed union officials were optimistic that McDonald's had made a strategic error in negotiating the 'camera agreement' as far as union recruitment was concerned. However, there has been no major success in raising basic wages for McDonald's workers through company-level bargaining and although a few temporary improvements have been achieved with one or two franchise level agreements most of these appear to have fallen by the way side. Any improvements in pay have only come through bargaining at sectoral-level. As we point out, however, the continuing violations of the sectoral agreements and the company-level health and safety agreement recently established, continue to be a major problem. Whether future campaigns to recruit union members and union delegates in more outlets will help to reduce these violations remains to be seen. At the same time it seems that the harassment of union workers will continue in the outlets and especially in the franchise operations. Although Italian society and Italian workers appear to be more prepared to take action against the company by one form of protest or another, little has been achieved in stopping McDonald's from treating workers as a variable cost as it does in many other countries. In one sense the logic of this approach is undeniable and it seems clear that the corporation has by and large been successful in imposing its normal mode of operation in Italy. Would its main European-owned competitors feel obliged to compete with McDonald's on similar terms? How would this situation compare with conditions at Autogrill?

Autogrill

Until 1995, Autogrill was operated as a state industrial holding company (IRI – *Istituto per la Ricostruzione Industriale*) and was formed from a merger of three Italian motorway food and beverage brands in 1977. In 1995 Autogrill was privatized, with Edizione Holding - the holding company owned by the Benetton family - becoming the major shareholder. Since that time it has undergone serious international expansion and is now a large multinational corporation in its own right, operating a number of quick food service and catering brands in a number of European countries, the USA and Canada. In Italy the main quick food service brands it operates in towns and city centres are Ciao, Spizzico, Acafe and Burger King, whilst the Autogrill brand itself is mostly found in motorway service stations. In addition through its ownership of Host Marriott Services (catering division of the Host Marriott Group) it also operates a number of other fast-food brands in Italian airports, including Pizza Hut and Sbarro.

Unionization and employee representation at Autogrill

Up until 1995, unionization at the company's outlets was very high for this kind of industry (reasonably close to the national average at around 35 per cent) and relations with the unions were good. This included the Ciao outlets first opened in 1982 and the Spizzico outlets first opened in 1989. There was a well-established system of workplace representation with union delegates in around 60-70 percent of the various Autogrill outlets. After 1995, work organization changed, traditional job classifications were done away with and a McDonald's style hierarchy and McDonald's style uniforms were introduced into its Autogrill, Spizzico and Ciao outlets. In 1999 when Autogrill took over the Italian Burger King operations - which are often found close to Spizzico outlets - the McDonalds approach now adopted at Spizzico, meshed neatly with their new Burger King acquisitions.

Before privatization all Autogrill and Spizzico employees had been full-time, by 2003 only ten percent were full-time. After privatization management attitudes gradually became increasingly anti-union. In 2003 union officials estimate that union density, although still higher than that at McDonald's, has reduced considerably to something like 25 percent and with RSUs now present in about 40 percent of Autogrill and Spizzico and Burger King outlets. Most of the RSUs and union membership is in outlets with larger proportions of long serving employees and particularly in the older Autogrill outlets. Representation in the newer format outlets such as Acafe and Ciao tended to be lower than in Autogrill, Spizzico, and Burger King largely because outlets tended to be newer, workers were younger on average, smaller number of workers are employed in each outlet and they were therefore much more difficult to organize. In Milan for example Autogrill (all brands) has some 284 members and 12 RSUs, at McDonald's union membership is closer to 50 with 10 RSUs. Union officials state that Autogrill has increasingly begun to emulate the non-union approach of McDonald's, although they also suggest that Autogrill managers are not quite 'as good at it' as McDonald's managers.

Like McDonald's workers Autogrill workers also have a *coordinamento* representing the RSUs in the company. Once again the problem with the *coordinamento* is that many outlets do not have RSUs (especially the smaller format coffee and sandwich

shops). Nevertheless, the higher proportion of union membership and higher number of RSUs per outlet suggests that the Autogrill coordinamento is more effective than the one at McDonald's. One other area in which this is also more effective is in the Autogrill European Works Council, unlike McDonald's the Autogrill employee representatives are mostly union-supported. In fact whereas the McDonald's EWC has only one non-salaried employee representative per country and makes no distinction regarding the number of workers employed in each country, the Autogrill EWC (which has most of its employees in Italy) has six employee representatives for Italy and at least one of these is from the coordinamento. In this sense Autogrill still enjoys a higher formal level of employee representation than McDonald's workers. Although as we will see in the following sections, both union representation and union membership are continually being undermined by Autogrill management.

De-unionization, working conditions and the long-serving employee

The problem for unions is that long serving workers are the core of union activism and are central to retaining union density, and it is these employees, which are being increasingly targeted by management in an attempt to squeeze them out of the company. Most Autogrill workers (all in all the brands) are now on 2-3 month contracts, the few long serving employees that have remained with the company enjoy more protections and higher levels of pay because their employment is based on permanent contracts established before privatization. Virtually all workers on permanent contracts are also union members. In some of the long established restaurants some employees have been employed for as much as 20 years. In these outlets it is much more difficult for management to ignore these workers or catch them out in terms of violations of their employment contract, partly because these contracts are more secure and include more protections than new contracts, but also because most of these workers are well versed in their employment rights.

There is an important distinction between those employed at the Autogrill brand in motorway service stations and those that work for other parts of the Autogrill empire (for example Spizzico, Ciao, ACafe, Burger King). It seems that so far, Autogrill has been able to protect its market in its motorway service operations and the unions have been able to bring pressure to bear to establish a 'plant'-level collective agreement for these workers. This agreement provides Autogrill motorway workers with 150 Euros per month more than in other Autogrill operations, in addition motorway workers are also entitled to a productivity bonus of between 700-1000 Euros per annum. This agreement has been possible because the majority of workers employed in motorway service stations are long-term employees, with a high level of union membership and well-versed in their employment rights.

Nevertheless, these long-term employees have come under considerable pressure to leave the company. In what could be seen as a 'divide and conquer' approach, Managers frequently try to stigmatize older workers and separate them from their younger (usually non-union) colleagues. Long serving workers state that they are regularly and often unfairly blamed for problems in the workplace, with younger workers being constantly reminded that older workers belong to those 'terrible unions' and earn more money than they do. Managers also refuse to talk to union members unless it is unavoidable. Autogrill and Spizzico workers in particular gave numerous examples of typical McDonald's style union-busting tactics: promoting

workers or giving pay rises in return for them leaving their trade union; reducing the working hours of others who refused to leave their union and; changing worker's hours to unsuitable times for workers who refused to leave their union. In this way, union representation and membership are slowly being eroded as more and more long term employees are gradually squeezed out and new restaurants are being opened with a non-union workforce. Simultaneously, time-off for union delegates to carry out union duties used to be a normal occurrence, now management restrict any such time-off as much as possible and try to obstruct union work in the outlets, either by making excuses to refuse the use of office space or stating that the restaurant is too busy to release workers for union duties.

Part of the drive to remove unionized Autogrill employees appears to be (where possible) firstly, to replace them with younger workers with no previous work or union experience who are likely to remain non-union and, secondly, (reflecting the trend at McDonald's) employ increasing numbers of foreign workers. Autogrill workers state that Italian workers are less willing to work unsociable hours for low pay, whereas foreign workers on work permits are keen to take up any employment, indeed a recent change in Italian labour law means that non-EU workers now require the signature of their employer if they are to remain in the country. CGIL and CSIL union officials suggest that the proportion of illegal foreign workers in the hospitality industry in general has also been increasing. Both union representatives and union officials argue that fast-food operators employ illegal workers from time to time when it suits their needs and then retrospectively sort out their work permits. Of course the problem of the 'shadow' or 'black' economy in Italy is well documented, it is estimated that the irregularly employed, illegal immigrants and other groups account for 16 percent of national employment, in the North of the country much of this activity is focused on illegal immigrants (Regalia and Regini, 1998; EIRR, 2003a). As we have already suggested elsewhere foreign workers (especially those dependent on the goodwill of the employer for their work permits) are likely to 'acquiescent' (Royle, 2000) that is, unlikely to resist management prerogative in any way. Indeed this was clearly evident from interviews with both foreign McDonald's and Autogrill workers who were not only reticent about talking to 'strangers' about their jobs but also complained about being at the beck and call of their employer.

As far as worker's grievances are concerned, workers reported that since privatization the number of health and safety violations at Autogrill, Spizzico and Ciao have also risen considerably, failure to provide protective clothing when working in the freezer, or for working with hot oil or chemicals, slippery floors and a considerable increase in the numbers of workers being burnt and scarred. Indeed the number of general complaints are remarkably similar to those made by McDonald's employees: work 'off-the-clock' is now part of normal policy, but whereas younger workers will do this kind of work, older workers usually refuse to do so; management refusing to give adequate notice of shift changes, despite the fact that the existing sectoral agreement states that two weeks notice must be given before any changes, in practice workers face changes in shifts with little or no notice; days off missed due to inadequate staffing; incorrect and misleading pay slips and mistakes made with pay and; insisting that workers clean toilets (again something prohibited for food workers under the sectoral agreement).

On final grievance for workers was the company's use of the Italian government's youth employment policy. The Italian government subsidizes employers who take on young workers between the ages of 18 and 23 (and 18 and 26 in the south of Italy) the government pays their national insurance contributions and also allows employers to employ such people on an 'apprenticeship' contract with lower wages (75 per cent of the normal wage). However, workers argue that such an apprenticeship is hardly appropriate in this kind of industry, where the skills required can be learnt in a relatively short period of time. Autogrill workers argue that Autogrill (and McDonald's who also use this option) are merely abusing the system to exploit young workers and this is particularly evident when young workers reach the age of 24. Workers cite a number of cases (particularly in Spizzico and Burger King outlets) where Autogrill management have then begun to change workers shifts, reduce working hours and make it difficult for workers to stay with the company.

Autogrill, strikes and labour market reforms

Not only does Autogrill appear to be emulating McDonald's employee relations practices since privatization but union officials argue that in recent years Autogrill has begun to work more closely with McDonald's both in lobbying government for changes in labour law, but also in sectoral collective bargaining negotiations through FIPE and CONFCOMMERCIO. The reforms and proposals to amend Article 18 of the worker's statute, some of which were agreed in the Pact for Italy July 2002 and which came into force in July 2003, have once again brought long standing ideological differences between the three main union confederations to the surface, whilst UIL and CSIL agreed to sign up to the new reforms CGIL has refused. The reforms allow employers to unilaterally modify the working hours of part-timer workers and allow work on call (*contratto a chiamata*). One of the most controversial aspects of the debate on the proposed labour market reforms that have carried on since July 2002 has revolved around the reinstatement for workers who have been unfairly dismissed. However, whilst differences do exist between the union confederations at the top of these organizations, the employers have not been able to radically undermine inter-union working relationships at the local level in this sector nor have they significantly affected the three confederations approaches to sectoral bargaining, where the three main unions have managed to adopt a similar line and working relationships are still good.

In 2002 the existing 1999 sectoral agreement on pay and conditions was due for re-negotiation. This also came about at a time when the proposed amendments to the Worker's Statute were on the table. Autogrill and McDonald's these companies used their influence in CONFCOMMERCIO to stop bargaining talks and make several demands. On 9th December 2002, Autogrill workers (representing the brands Spizzico, Ciao, Autogrill and Burger King) went on strike along with workers from McDonald's and workers from the hotel sector to complain about employer violations of existing contract rights and their opposition to employer proposals. The unions wanted to defend their right to a guaranteed minimum of 15 hours per week for part-time employees (the employees wanted to reduce it to ten hours per week) and a five per cent pay rise over 2 years to cover the cost of inflation (this amounted to about 85 Euros per month (the employers offered 62 Euros per month over three years).

Immediately before the strike Autogrill (Spizzico and Burger King) quickly employed 20 new workers in the Milan restaurant where the strike protest was to take place (Duomo Square in Milan), in order to ensure the outlet remained open during the action. The police were also called in an attempt to move the strike away from the Spizzico and Burger King outlets and stop strikers or union officials from talking to employees who were keeping the outlets open. Indeed one of the demands of the hospitality employers during the negotiations was that strike action should be stopped unless negotiations had first taken place at three levels: RSUs, local union officials and national level officials. Under normal circumstances strikes can be called once negotiations had broken down with RSUs and local union officials. Furthermore, employers were demanding that even if 100 per cent of the workforce voted for strike action only a proportion be actually allowed to withdraw their labour, in their view the remainder would have to work to keep the restaurant open. However, the unions were never likely to agree to this proposal, as it would be a clear violation of the right to strike enshrined in the 1948 Constitution. It is nevertheless interesting to note, that subsequent governments have failed to enact specific legislation in this area (Regalia and Regini, 1998).

The outcome of the December strike was stalemate, it was clear the employers (particularly Autogrill and McDonald's) were trying to position themselves to take advantage of the proposed changes to the Worker's Statute, whilst the unions were equally concerned to show employers that they would envisage any major changes in the sectoral agreement regardless of any changes in labour law. Very little happened after the December strike, the 1999 agreement was still in place with both sides refusing to back down. The amendments to the Statute were due to come into force in July 2003, so with this in mind the unions organized a second strike in May 2003. Negotiations began again and a new collective agreement was agreed in 2003. Despite the amendments to the Worker's Statute unions were been able to gain a better pay offer than first put forward by the employers (but admittedly over a year late) and have been able to protect the 15 hours per week minimum guarantee. Although the unions are for the time being satisfied that they have assuaged the worst affects of the amendments to the Worker's Statute, the agreement does little to improve basic wages in this sector, which although slightly better than in the US and some other countries (Royle, 2000) are still low for the bulk of employees. Neither does the new agreement address the fundamental problems of union busting activity, health and safety and pay and conditions violations, which appear to be taking place on a regular basis in both companies.

Conclusion and discussion

In summary, the considerable differences in ownership patterns between Autogrill and McDonald's appears to be having less and less influence over employment relations as time goes by. There are some similarities in that McDonald's, bought a large number of unionized outlets from the Italian Burghy chain in 1996 and, at around the same time Autogrill, which was already unionized, was privatized and bought by the Benetton chain. The two companies have begun working closer together in collective bargaining rounds and clearly dominate collective bargaining in their own and the broader hospitality industry through their employers association FIPE and the broader hospitality employer's association CONFCOMMERCIO in recent rounds of negotiations. Of the two it seems that McDonald's has been more effective in

reducing union influence than Autogrill. Nevertheless, within a short period after privatization Autogrill began adopting very similar employee relations practices, to McDonald's: changing its work organization, uniforms and hierarchy along the same lines as McDonald's and adopting an anti-union approach in the outlets. Union officials state that whilst relations with Autogrill are still not as negative as they are at McDonald's, relations have become much more negative, representing a significant change in management culture. Autogrill's approach to de-unionizing its outlets also appears to be similar to McDonald's, in that they are both trying to remove (more expensive and usually unionized) long-serving employees from the company wherever possible. McDonald's ex-Burghy employees (still on Burghy contracts negotiated by collective agreement in 1989) and particularly Autogrill motorway service workers (who earn more than Spizzico and Autogrill-Burger King employees because of the 'plant'-level agreement for Autogrill motorway workers) report increasing cases of harassment at the workplace. These union busting practices have been more overt and extreme at McDonald's than at Autogrill and have resulted in large numbers of ex-Burghy workers leaving the company in the last few years. Nevertheless, long-serving Autogrill workers also report much more aggressive management and increasingly difficult and unpleasant working conditions for any one who is still a union member. In addition worker's general grievances about their pay and conditions of work, and particularly concerns about health and safety violations are on the increase in most Autogrill, Spizzico and Burger King outlets. In both companies workers report that as older workers leave many of the jobs are being taken by non-EU workers who are likely to be much more acquiescent to managerial prerogative, because they are more desperate to find employment and because they need the consent of their employer to retain their work permits. In addition Autogrill is opening more smaller format outlets (café and sandwich shops) with smaller workforces and predominantly staffed by young and foreign workers who are much more difficult to organize, with the result that an increasing number of Autogrill operations (of all brands) are becoming non-union.

The dominance effect and the five lane low road

The findings suggest, that not only in the Anglo-Saxon countries of the USA, Canada and the UK (Leidner, 2002; Reiter 2002; Royle, 2002) but also in the Italian quick food service sector, McDonald's has been able to undermine or avoid some elements the Italian industrial relations system and impose its own system of employee relations practices. In addition, McDonald's appears to be having a strong influence in determining the 'one best way' of conducting business for other firms in this sector. These findings are also supported by the conclusions of an earlier paper in which we report on German-owned and Spanish-owned quick food service firms in Germany and Spain (Royle, 2004). Those findings also suggest similar behaviour patterns amongst McDonald's Spanish and German-owned competitors. What is particularly significant from those findings was that companies with historically quite different ownership patterns to McDonald's - for example Nordsee, which had been previously part of UK/Dutch Unilever group - had been strongly unionized with an effective system of works councils and had positive relations with unions, had become increasingly anti-union, had reduced pay levels and working conditions and adopted a McDonald's style work organization and hierarchy after it became a German-owned company. In both Spain and Germany we concluded that these European employers were driven by the 'dominance effect' the competitive pressure to adopt to the 'one

best way' logic of the sector, emulating the McDonald's approach to employee relations in what we termed a 'five lane low road': *increasing rationalization and standardization* of products and work organization, with the consequent emphasis on *low skills* and *low wages* and pressure to keep them low, *low trust* and increasing *union antipathy*. As Roche (2000) suggests, national systems are likely to become increasingly attenuated by sectoral characteristics and organizational contingencies that are likely to shape social regimes along either union inclusive or union exclusive lines.

The 'dominance effect' in this sector therefore appears to be undermining the effectiveness of national societal arrangements, leading to more union antipathy and encouraging a downward trend in worker's pay and conditions. The findings do not, however, suggest a broader 'convergence' of European industrial relations systems, but they do support the notion of a continuing *variation* within national industrial relations systems (Locke and Kochan, 1995; Katz and Darbishire, 2000) suggesting both converging and diverging trends within national systems. So whilst national systems may be undermined in this sector, they may remain nationally distinct and potent in others, where work may be more skilled and unions more influential. This is precisely why many recent studies emphasize a *divergence* of employment practices across countries in other sectors (see for example Ortiz, 2002; Colling and Clark, 2002; Barton and Turnbull, 2002). Above all our findings emphasize the importance of considering the role of dominant firms and organizational contingencies and, the distinct nature of sectoral characteristics when trying to understand MNC cross-border employment practices.

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Notes

ⁱ Autogrill has had exclusive rights to operate Burger King in Italy since 1999.

ⁱⁱ Confindustria – Confederazione Generale dell'Industria Italiana: General Confederation of Italian Industry.

ⁱⁱⁱ 'Off-the-clock' work is unpaid work usually carried out in small segments of time, e.g. working through breaks, working before shifts start or after they finish, being told to wait in rest areas unpaid and then clocking on when the restaurant is busy.