

COLLECTIVE BARGAINING AND SOCIAL PACTS IN ITALY

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Italian chapter for the cross-national study of industrial relations systems:

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Tripartite Dialogue and Labor Policies: Essential or Irrelevant

1. The traditional features of the collective bargaining system

The development of an unstable bipolar system

Perhaps few countries have seen so many oscillations between the centralization and decentralization of collective bargaining as Italy. Accounting for this is the fact that, consistently with the substantial voluntarism of the Italian system and infrequent direct state intervention in industrial relations, collective bargaining remained long unregulated and largely dependent on shifting power relations between the social partners which left broad latitude for change in practices and informal arrangements.¹

Over time, besides a highly centralized level of negotiation – that of agreements between the union confederations and the employers' associations used when necessary to address very general issues – the bargaining system assumed a bipolar character centered around two main negotiating levels: the national industry (or sectoral) level – devoted to the periodic definition of pay and conditions valid for an entire industry or sector – and the company or plant level – devoted to negotiation (usually ameliorative) on aspects of the specific workplace. It was not until the tripartite agreement of 1993 (see below) that sufficiently clear and firm specification was given to the competences, procedures or issues pertaining to the two levels. Consequently, the balance between centralization and decentralization frequently changed according to circumstances and to power relations.

In the years immediately following the Second World War, bargaining was premised on strongly centralized and solidaristic coordination through agreements between the confederations and the employers on issues such as minimum wage levels or working hours for the economy as a whole, or at least at the national industry level. This feature was not unique to Italy, for it was during this period that there developed in many countries of continental Europe that combination between the centralized bargaining of wages and terms of employment and universalistic and egalitarian systems of labor protection which has been called the 'European model' of industrial relations (Streeck, 1993). However, whereas in other countries such centralized negotiation was accompanied by strong recognition of the unions by employers, in Italy it developed in a context of weak recognition and marginalization of the unions, fostered by the presence of a competitive and ideologically based trade unionism.

At the beginning of the 1960s, during the years of the 'economic miracle', an endeavor to diversify and decentralize collective bargaining accompanied the strengthening of the workers' market position: on the one hand, industry-wide agreements² became the central pillar of the bargaining system, replacing the inter-confederal bargaining that had predominated during the previous period; on the other, company-level bargaining developed to considerable proportions. These various developments corroborate a feature long distinctive of the Italian bargaining system and which differentiates it from highly institutionalized industrial relation systems: the tendency for negotiation to be decentralized in periods of economic growth, when labor has greater power to enforce its demands and when it is in the interest of firms to seek

¹For discussion of these features and more details, see Cella (1989), Ferner and Hyman (1992), Regalia and Regini (1995, 1998).

² The categories of workers covered by these agreements vary greatly in size and have been repeatedly redefined. The metalworkers' agreement, for example, is an extremely broad (multi-industry) sectoral contract, while the agreements for chemicals and textiles workers cover much more limited and well-defined industries.

agreement and make concessions in order to avert conflict; and the reverse tendency for bargaining to be recentralized in periods of sluggish growth or crisis (Cella and Treu, 1998), when the unions' main concern is to define terms of employment valid for workers in general.

Not by chance therefore, bargaining recentralization soon came about during the recession of the mid-1960s, and was then followed by decentralization in the period of economic recovery at the end of the 1960s, together with a strengthening of workers' market positions in the country's more developed regions. Bargaining decentralization in this case led to the long cycle of collective mobilization and greater union power at company level beginning in 1967-8, which spread and expanded during the 'hot autumn' of 1969 and thereafter affected workplaces for a large part of the 1970s. The maximum of bargaining decentralization was reached in this period, when company-level bargaining – concentrated mainly in the large industrial companies of the north – became the driving force of a system which was 'upside down' (Giugni, 1976) with respect to the previous one, given that the national agreement now performed the role of generalizing results obtained in the more innovative companies. In this case, the radical reversal of tendency cannot be explained solely in terms of changes in economic labor-market conditions.³ It is nevertheless beyond question that the development and unprecedented strength of decentralized mobilization between 1968 and 1972 further reinforced the equivalence between bargaining decentralization and trade-union power.

From the mid-1970s onwards, however, it was the unions themselves (albeit to different extents) that pushed for the recentralization of collective bargaining and union initiative; but this time they did so from a position of substantial strength rather than weakness. Admittedly, this was at the height of the economic crisis which hit all the Western economies in those years; but the three trade-union confederations had never before been so powerful, either in terms of organization and membership or in those of influence and capacity to apply pressure. Enrolments with Cgil, Cisl and Uil – now allied in a Unitary Federation – reached all-time record levels between 1977 and 1978; and the same applied to the spread in the private sector of the particular type of works council (the "factory council") introduced with union support during the period of collective mobilization (Regalia 1995). On the other hand, the unions were able to exert great influence on employers and the government. Particularly important in this regard was the 1975 agreement between the unions and Confindustria, the largest employers' association, on the *scala mobile* (wage-indexation system) - as well as on the *cassa integrazione guadagni* (earnings maintenance fund) and pensions - which revised and unified the mechanism of automatically inflation-linked pay rises and extended it to the economy as a whole. The agreement was rapidly converted into law. However, in a period of growing inflation, it had the undesired effects of flattening pay levels, reducing the space for collective bargaining, and itself fuelling inflation. Consequently, as we shall see, it became one of the most contentious issues in relations between the social partners during the 1980s, and thereafter until its abolition in 1992.

We shall not go into the reasons that induced the unions to press for the recentralization of bargaining and initiative: to regain control over rank-and-file initiatives; a solidarist extension of the results obtained; a willingness to moderate claims in order to deal with the crisis in a coordinated manner; to prevent the perverse

³ There is a large body of literature on the subject. In particular see Crouch and Pizzorno (197..), Tarrow (19..)

consequences of uncoordinated claims; and more generally to foster modernization and reforms, especially in a period when the main opposition party (the Communist Party), which was closely associated with the largest union confederation (Cgil),⁴ was moving towards government. We merely point out that in successive stages, and by means of various initiatives ranging from negotiation for social reforms (on housing, health, education, transport) with the government to the already-mentioned 1975 agreement with Confindustria on the welfare system, to a first attempt to come up with a tripartite social pact⁵ (based on a trade-off between wage restraint, on the one hand, and job creation, better regulation of the labor-market and of company restructuring processes, and development of the *Mezzogiorno*, on the other), efforts were made by the unions to reach central-level agreement separately or jointly with the employers' associations or the government.

In other words, the unions were moving towards a restructuring and redefinition of the relations between the social partners in which the central level of trade-union action acquired a powerful capacity to coordinate demands, but now in accordance with the 'European model' of industrial relations.

The unresolved problems of the early 1980s

However, the trade-union overtures of the late 1970s were either not reciprocated by employers and the government or they produced scant or unanticipated results, and they substantially failed. The wage restraint shown at the bargaining table in sectors where the unions were most powerful did not receive initiatives for reform in exchange. And the legislation introduced under union promptings to regulate restructuring processes and promote employment fell short of the objectives set. The result was frustration and disappointment, especially among the trade unionists that had pressed hardest for innovation (Cgil) and the rank-and-file militants in the most unionized large companies, who saw their power to apply pressure undermined. This outcome was exacerbated by the prolonged and largely inconclusive debate of the late 1970s and early 1980s on how to cope with the severe problems consequent on spiralling inflation and the perverse effects of reforming the wage-indexation system.

These various factors provoked differences of attitude among the unions and revived the traditionally adversarial nature of Italian trade unionism and industrial relations, both at the center and in the periphery, and especially among militants. As we shall see in the next two sections – the first of which traces the slow development of tripartism and the definition of rules for collective bargaining, and the second the trends and outcomes of collective bargaining – this nevertheless did not prevent the achievement of unexpected and in many respects surprising results.

However, before broaching these topics, further discussion is required of a pair of problematic aspects that characterized the industrial relations scenario at the beginning of the 1980s.

The first of these aspects concerned the relationship between workers and unions (especially the confederal unions).⁶ With the beginning of the 1980s this relationship deteriorated: union membership began to decline and employers were able to exploit

⁴ For details see Regini (1995).

⁵ Wanted mainly by Cgil and sanctioned by the so-called 'EUR turn' of 1978.

⁶ Besides the industrial unions affiliated to the three confederations, Cgil, Cisl and Uil, the Italian trade-union system is thronged with other kinds of union termed 'autonomous' in that they are not affiliated to any of the three main traditional organizations and may set up their own confederations (see below).

episodes of worker protest and displays of intolerance by militants. The so-called 'march of the forty thousand' Fiat middle managers and white-collar workers against the unions in 1980 – immediately interpreted by its leaders and by observers as signalling the 'defeat' of the unions (Baldissera 1988) – is perhaps the best-known of these episodes, but it was not the only one. It is perhaps surprising that the difficulties arose shortly after the membership peak of 1978, when the overall rate reached 48 per cent of the active labor force – a high level in a system of voluntary unionization and in an economy in which small and extremely small firms predominate.

Various phenomena were responsible for this deterioration in trade-union following: the negative effects of a prolonged crisis, to cope with which the unions were forced, as said, to recentralize their activity before a stable pattern of practices and rules could be defined at the decentralized level; the limited and disappointing effects of the wage restraint policy, which were even more apparent after a long period of successes and mounting expectations; the difficulty for workers of orienting themselves in the long debate among the confederations in search of a unitary position. These factors combined with cultural, generational and occupational changes taking place in the world of work, and in particular the labor-market entry of workers who had not lived through the years of collective mobilization, and who probably had little interest in trying to understand the debate in progress and the differences among the trade unions' positions.

Among the activists, instead, in a context of recentralization without clear rules on tasks to be performed in workplaces, frustration over dashed hopes sometimes gave rise to episodes of protest and, especially in sectors not exposed to market competition (public services), the development of forms of radical rank-and-file unionism (the Cobas). But, in the majority of cases where there was a consolidated trade-union presence, there instead arose an interest in creating space for action in the works councils, whose informal structure facilitated their adjustment to changing circumstances (Regalia, 1995).

Thus, while on the one hand uncertainty in interpreting the attitudes of the rank and file exacerbated the already difficult relationship among the confederations, so that in 1984 the Unitary Federation broke up over opposing views on how to reform the wage-indexation system, on the other, still open on the periphery of the industrial relations system was the ramified channel of the councils, which, at least in the most developed and unionized areas of the country, continued to function as worker representation structures with regard to both management and external unions. This was an important prerequisite for the widespread and covert company-level bargaining, or 'secluded micro-concertation' (Regini, 1995), which as we shall shortly see characterized collective bargaining Italy in the second half of the 1980s.

Another critical aspect of the industrial relations scenario at the beginning of the 1980s was the issue of regulating work in the vast area of public-sector employment. Traditionally, in this sector, which is not exposed to the market, the regulation of the employment relationship and industrial relations has followed a sort of 'parallel story' to the private sector. Until 1983, in fact, collective bargaining was not formally allowed, and conditions of employment were regulated by law and decree unilaterally imposed by the administration. Added to statutory and administrative regulation was the co-responsibilization of the unions in management of the rules – aptly called 'creeping co-

management' (Rusciano, 1990) – which had the effect of strongly consolidating the unions, both confederal and 'autonomous', in the sector.

But with the expansion and diversification of the services sector and of public-sector employment, on the one hand, and the general consolidation of the bargaining method on the other, the traditional normative system proved increasingly inadequate. During the tumultuous period of transition between the late 1970s and early 1980s, the traditional balance between statutory regulation and trade-union involvement broke down. Those years saw, in fact, the uncoordinated spread of the bargaining method, which in a sector not exposed to the market created space for wage drift, widespread conflict, and a militant opposition to the action of the trade-union confederations which later led, as said, to the creation of the 'Cobas'.

At the beginning of the decade, therefore, the confederal unions pressed for definition for a coherent system of union relations. The first result was the framework law on public-sector employment (no. 93/83) enacted in 1983 which formally recognized bargaining in the sector, defining its subjects, contents, levels and procedures according to an approach very different from the informality prevalent in the private sector. However, this attempt at rationalization did not have the outcomes expected, and, as we shall see, further intervention was necessary in the 1990s.

2. The development of tripartism and the regulation of collective bargaining in the 1980s and 1990s

From unstable political exchange in the 1980s to effective tripartism in the 1990s

In the early 1980s the relationships between unions, employers' associations and governments were characterized mainly by a search for an 'anti-inflation pact'. The outcome of this long and laborious negotiation was a tripartite agreement signed in January 1983. In exchange for a jointly-agreed revision of the *scala mobile* and a more flexible use of the labor force,⁷ the government offered state-financed benefits to the social partners: subsidies for social security contributions were offered to employers, and the neutralization of "fiscal drag"⁸, as well as an increase in family allowances to workers. The role of the government, therefore, was to compensate the social partners for the costs incurred by firms and workers in complying with the agreement, by drawing on public finances.

Although that agreement was hailed by many observers as marking a crucial stage in relations between industrial relations actors and the political system, it did not in fact give rise to stable concertation. An attempt was made the following year to repeat the experience, but this was less successful. Neither the government nor the unions could in fact replicate the role they had performed the previous year. After being widely

⁷ Under the agreement, the government pledged to reform the extremely rigid and restrictive legislation regulating the labour market. However, a general revision was not undertaken. Instead, a phase of 'creeping deregulation' (Reyneri, 1989) ensued, which began to give greater flexibility to the rules on hiring, seasonal work and part-time. Redefinition and relaxation of labour-market legislation continued throughout the 1980s and 1990s, and still is a hot issue in the political debate of the early years of the new century.

⁸ Namely, tax deductions were offered to offset the increase in the fiscal drawing stemming from a growth in nominal wages in a period of high inflation. Without this compensating mechanism, in a progressive fiscal system like the Italian, workers' real wages would have actually decreased.

criticized for using public expenditure to gain consensus, and faced with a huge public deficit, the government found it more difficult to offer compensation to the social partners for the 'sacrifices' required of them. The unions, for their part, had run into difficulties in their relations with the rank and file, and they were especially vulnerable to internal splits created, amongst other things, by the divergent policies pursued by the political parties with which they were associated. The center-left government sought to acquire social legitimation by means of a new tripartite agreement which the majority block of the Cgil, closely linked to the Communist Party (Pci), was unwilling to accept. The government's proposal, therefore, was accepted by the two minority unions but not by the majority one (Cgil). The outcome was a flawed agreement, which the government sought to remedy by issuing a decree law that set out its contents in full.

The importance that the parties attributed to the issues regulated by the agreement, and even more to its symbolic value, was made plain by the Pci's decision to promote a referendum against the decree. Although the result of the referendum, held in June 1985, proved to be a defeat for the Pci, it aborted any further attempt at an anti-inflationary pact for the rest of the decade. The economic content of such pacts was now seen as secondary to their symbolic function as an exchange of legitimation between organized interests and the government. And divergent political goals thus came to predominate again within trade-union cultures which grew increasingly unable to agree on the concrete issues to bring to the bargaining table. Moreover, the government's ability to offer compensatory measures was drastically restricted by the size of the public debt, which precluded any increase in welfare benefits, and also by a widespread practice of downsizing that made promises of increased employment hard to believe.

The attempted social pacts of the early 1980s can, with hindsight, also be viewed as a determined effort to finally institutionalize Italian industrial relations by means of a mix of associative and state regulation. Although, as said, the specific concern was with inflation, employment and welfare benefits, this method of political bargaining had the more general aim of replacing the adversarialism and informality that typified relationships among the social partners with rules for stable and centrally-institutionalized cooperation. The objective was thus to create a model that would be imitated by a 'knock-on' effect at more decentralized levels. These attempts indubitably failed even more markedly from this point of view than from that of the explicitly stated goals.

However, while relationships between unions, employers' associations and government were permeated by a sense of paralysis and adversarialism at the central level, in the periphery of the industrial relations system a practice of 'secluded micro-concertation' grew increasingly widespread, especially in large firms seeking to reorganize themselves and in small-firm areas (Regini 1995: 111-25). This was a voluntarist and negotiated solution to the problem of flexibilizing the rules governing the employment relationship; in many cases, even a genuine co-management - though secluded and informal - of the industrial adjustment that characterized the Italian economy during the 1980s. In several firms, in fact, industrial restructuring was carried forward, not in open conflict with the unions but in a sort of permanent discussion on the possible solutions to problems as and when they arose.

What arose in the 1980s, therefore, was tacit acceptance of the existence of two distinct spheres of action: that at the central and official level, which continued to be dominated by difficult and often adversarial relationships; and that at the local level of

the firm or the industrial district, where it was instead the search for joint regulation, if only informal and voluntaristic, that prevailed. Thus, the largely unstructured bipolarism of Italian industrial relations still persisted. This lack of institutionalization, however, which implied a certain amount of instability in relationships, and especially of uncertainty over rules and outcomes, gradually grew more problematic as the importance and extent of the matters to be regulated increased.

It was only in the 1990s that the search for social pacts - which had ceased after the failed tripartite agreement of 1984 - was resumed with vigor, and that a solution was at last found for the problem of the scant institutionalization of the relationships among the actors concerned. The most significant events of this re-emergence of concertation were the two tripartite agreements in 1992 and 1993, which concluded negotiation over income policy and the collective bargaining structure. They were followed by political negotiation over pension reform, which gave rise first to a very severe social conflict and then (in 1995) to an agreement between government and unions on a law which was strikingly innovative for the Italian system of policy-making; a "pact for employment" in 1996; and the "Christmas pact" of 1998, which ended a decade characterized by social pacts.

Incomes policies and collective bargaining reform: the new tripartite agreements

The absence of formal political bargaining in the second half of the 1980s did not signify that relationships among the three actors were entirely lacking. Governments continued the practice of consulting - separately - the social partners before they introduced important economic policy measures (in particular, prior to preparation of the annual *legge finanziaria*, or budget law). And they occasionally reached bilateral agreements, an example being the tax agreement signed with the unions in 1989. However, any genuine revival of tripartite concertation was obstructed by, besides the factors discussed above, the major and unresolved issue of the *scala mobile*. Although it effectively shielded wages from the risk of inflation (until the mid-1980s, wages were automatically adjusted to cover about 80% of the inflation rate), the *scala mobile* was the principal problem as regards not only firms' labor costs and competitiveness but also collective bargaining, given that it left very narrow margins to negotiate wage growth and differentials. For the unions, on the other hand, the *scala mobile* had great symbolic significance, since it was the outcome of previous waves of collective mobilization and the main indicator of their ability to resist change in power relations.

Hence, when negotiation over the cost of labor and the collective bargaining structure was resumed in 1989, the issue of the *scala mobile* seemingly blocked any possible progress. The two new tripartite agreements signed in 1990 and 1991 also acknowledged this deadlock by restricting themselves to declarations of principle while postponing reform of the indexation system. However, the political situation changed radically in 1992, the year in which the *Mani Pulite*⁹ investigation was launched, the April elections brought the collapse of the old political system, and the new 'technocratic government' headed by Amato found itself faced with a dramatic fiscal and monetary crisis. It was this climate of national emergency that enabled the government to mobilize the consensus necessary for the most drastic attempt to balance the state accounts since the late 1940s.

⁹ 'Clean Hands', the campaign conducted by the Milanese judiciary against political corruption.

The tripartite agreement reached in July 1992, which abolished the *scala mobile*, was also bred by this climate. The aim was to reduce the inflation rate from the current 5.4% to 3.2% in 1993, to 2.5% in 1994 and to 2% in 1995. For this purpose, not only was the *scala mobile* abolished, but also company-level bargaining on wages was frozen for the entire period 1992-93. The core of the agreement was therefore the curbing of wages growth without the compensatory measures that had traditionally accompanied the political trade-offs of the early 1980s. Despite the resignation (later withdrawn) by the leader of the Cgil, who had signed the agreement notwithstanding considerable pressure from his union members, and despite the numerous wildcat strikes mounted in the most unionized factories, the agreement was generally hailed as the first true, albeit incomplete, turning-point in the relationships between the industrial relations actors. Incomplete it was because it did no more than set a temporary halt on company-level bargaining, while failing to introduce rules and procedures into the overall collective bargaining system.

The problem was tackled the following year by the new ‘technocratic government’ led by Ciampi. In fact, the agreement signed by this government with the social partners in July 1993 was less obviously an emergency measure with short-term solutions. It instead delineated a stable architecture of incomes policies and of collective bargaining relations. First of all, as well as confirming the abolition of the *scala mobile*, the agreement set out an incomes policy based on the joint but autonomous commitment by the parties involved to conform their behavior to the expected inflation rate. For this purpose, two annual meetings were set up in order, respectively, “to define common objectives concerning the expected inflation rate, the growth of GDP and employment” and “to verify the coherence of behavior by the parties engaged in the autonomous exercise of their respective responsibilities”.

Secondly, the bipolar character of the Italian collective bargaining system - consisting (as said) of a national industry level as well as of a company or local one - was confirmed. At the same time, however, the roles of the two levels were specified, and the relations between them better defined, in order to prevent the overlappings that had occurred in the past. The national industry contract (now of two-year duration as regards wages, four-year duration as regards other matters) was given the fundamental function of adjusting pay scales to the expected rate of inflation and possibly to average productivity increases in the industry. The company contract (for large firms) or the territorial contract (for small ones) were instead expected to redistribute further productivity increases, as well as to deal with the consequences of technological and organizational innovation, although they were not to overlap with concessions obtained at the national level (see the next section for an assessment of the results). In order to render this second level of collective bargaining viable, a reform of workplace representation was envisaged; a reform, in fact, that was later sanctioned by an agreement between the unions and the employers’ associations in the December of the same year (as we shall see below).

The negotiation over pension reform

Since the Second World War, the Italian pension system has grown rapidly, but in an incremental manner, with the progressive extension of coverage to different occupational categories, each with a diverse relationship between contributions and benefits and often with separately managed funds. Reform of this chaotic system had

long been on the policy agenda for reasons of cost cutting, rationalization and equity. The latter objective was an enduring component of the concertation practices of the 1970s and 1980s. For example, it oriented the bill negotiated by the government with the unions in 1978, during the period of ‘national solidarity’; a bill, however, which was blocked in Parliament by the pressure groups that it penalized (Regini 1984: 124-42).

In the 1990s, the problem of curbing expenditure on social security had grown especially dramatic. Although in Italy the percentage of overall social spending to GDP was (and still is) below the European average, the proportion of that spending allocated to pensions was far exceeding the average¹⁰. When this fact is set against the background of a huge public debt on the one hand, and of constant decline in the population and labor force on the other, it is evident why reform of the pension system had become the keystone of Italy’s economic recovery strategies and a central concern of the country’s policy-makers.

The first to get to grips with the problem with any degree of success was the Amato government (see table 1), which issued a decree in 1992 that raised the age of retirement and increased the minimum number of years of contributions necessary to qualify for a pension, made it more difficult to combine a pension with other work-related income, and introduced other changes. But a ‘structural’ reform which would replace earnings-related pensions with a contributions-related scheme, and abolish the ‘seniority pensions’ (which enabled employees to retire at any age as long as they had completed thirty-five years of contributions), was still lacking. These issues were closely bound up with the ‘acquired rights’ of many categories of workers who in the course of time had obtained more favorable conditions, as well as with the role and the power of the unions, since these held the majority in the board of directors of Inps (the institute that manages the pensions of wage- and salary-earners in the private sector). It was therefore extremely difficult to deal with these problems without gaining some consensus from the interest organizations.

Table 1. Social pacts and governments in office in the 1990s

1992, Amato “technocratic government”: tripartite agreement on the abolition of the wage indexation system

1993, Ciampi “technocratic government”: tripartite agreement on incomes policy and collective bargaining structure

1994, Berlusconi center-right government: failed negotiation on pension reform

1995, Dini “technocratic government”: negotiated pension reform

1996, Prodi center-left government: tripartite “pact for employment”

1998, D’Alema center-left government: tripartite “social pact for development”

The first Berlusconi government, installed in May 1994, seemed initially to comply with this unwritten law when it set up a committee of experts and representatives from

¹⁰ According to figures issued by the OECD and the European Commission, quoted in *La Repubblica Affari & Finanza*, XI, 15 (22 April 1993), pp. 1-3, in 1993 overall social spending excluding education in Italy was 25.8% of GDP compared with the 28.5% average in the European Union (12 countries). However, spending on pensions amounted to a high 15.4% of GDP compared with the average of 11.9% in the 12 countries of the EU.

the social partners with the task of formulating proposals for reform. However, given the inability of this committee to go beyond agreement on generic principles and suggest shared and specific measures, the government decided to act unilaterally by including provisions in the budget law that would effectively eliminate seniority pensions. The first center-right government of postwar years therefore tried to change the unwritten rules of the game that had hitherto regulated social security policy in Italy. The government decided, that is, to use the issue of pension reform - for which there was broad political consensus combined with strong pressure by the financial markets - to test what it perceived to be altered power relations. It also wished to verify whether it was possible to cut public spending without the consensus of the unions.

However, it was precisely the nature of this initiative as constituting a general test for the new mode of policy-making envisaged by the center-right government that gave especial impetus and incisiveness to trade-union mobilization. Although the reform proposals that the unions themselves drew up were not greatly dissimilar to those of the government, a general strike was immediately proclaimed, and it achieved notable success. The protest was vociferous and spread to every part of the country. Wildcat strikes were staged in many workplaces even prior to the general strike; nationwide demonstrations by pensioners had a major impact; and the bulk of public opinion apparently supported the mobilization. The protest culminated in a national rally in Rome organized by the unions in November. With a million and a half people taking to the streets in protest, this was one of the largest demonstrations in postwar Italian history, and its inevitable effect was to weaken consensus for the government's manoeuvre. Even *Confindustria* (the main employers' association), which had explicitly supported it, and some parties in the government coalition, watched these developments with disquiet. The result was a defeat for the government, which in an agreement signed with the unions was forced to remove the provisions on pensions from the budget law and postpone them until the following year.

At the beginning of 1995, the center-right Berlusconi government was replaced by one more 'technocratic government' led by Dini which included reform of the pension system among the four points of its program to be fulfilled before new elections were called. Although Dini had been Minister of the Treasury in the previous government and therefore one of the architects of the failed attempt at reform, his technocratic government was based on parliamentary support from the center-left. The new project to reform the pension system, therefore, had once again to search for consensus from the unions.

Actually, the government and the unions engaged in outright bargaining based on a project drawn up by the union experts. Agreement was reached in May 1995. Although the employers' associations were involved at various stages of the long and difficult talks, *Confindustria* was generally critical of the reform, deeming it not sufficiently radical while regarding the spending cuts envisaged as excessively diluted over time. The agreement was therefore signed only by the government and the unions. The government converted the text of the agreement into a bill submitted to Parliament, while the unions put it to referendum in the workplaces, where it obtained a hard-won but significant majority consensus.

The bill was finally approved by Parliament in July, and the new 'negotiated' law was hailed as one of the cornerstones, together with the tripartite agreements of 1992 and 1993, of Italy's economic recovery. There is no doubt that this was one of the most

radical reforms in the history of the Italian welfare state, in view of its capacity to rationalize the entire system, standardize treatments, abolish or at least reduce privileges, and prepare the way for change (albeit gradual) to a contributions-based system, although its immediate effects on curbing expenditure on pensions were not particularly pronounced. The key condition for obtaining trade-union consensus, in fact, was retention of the previous pension system as far as more elderly workers were concerned, with the introduction - total or partial - of the new and more rigorous system for workers with lower seniority. This obviously meant that savings would only accrue gradually. But, as said, it was the assent given to the reform by unions able to muster the labor force's more or less convinced approval that yielded a result opposite to the setback of the previous year (and also to the result obtained a little later by the Juppé government in France). In a policy-making system like Italy's, moreover, which is based on incrementalism (Lange and Regini 1989: 249-72), the reform of social security represented a quite unusual policy innovation.

The late 1990s: broadening the scope, decreasing the effectiveness of social pacts

A final important area of tripartite concertation has been employment policy. In September 1996, a 'Pact for employment' was signed to promote job creation, especially in the less developed areas of the country. The most significant points of this new tripartite agreement included reform of education and training systems, promotion of temporary work and working-time reduction and – perhaps more important – the notion of 'territorial pacts' to promote new investment in areas with lower rates of development. The provisions for employment creation of the 'Pact for employment' were implemented by the law 196/97 (the so called "*Pacchetto Treu*", after the name of the Minister of Labor), which for the first time formally introduced temporary agency work in Italy, addressed fixed-term employment and provided for a set of incentives for part-time work and the redefinition of working time schedules. New rules were also introduced to relaunch the apprenticeship system and to develop work/training contracts, training and continuing training.

'Territorial pacts', based on formal agreements among local authorities, unions and employers' organizations, and other important local actors – such as banks, universities and other private participants – were innovative forms of decentralized social dialogue or concertation, aimed at the consensual planning of local initiatives for economic and occupational development. Another form of territorial pacts introduced subsequently by legislation were the so-called "area agreements", especially targeted on depressed areas with higher unemployment, primarily though not exclusively in Southern Italy. While intended to mobilize local resources, these latter agreements should also involve a greater wage and labor market flexibility; however, sharp divisions among the trade unions have emerged on this sensitive issue¹¹. The record of these forms of decentralized bargaining at the territorial level is rather poor to date. While several case studies (Bolocan Goldstein, Pasqui and Perulli 2000; Ballarino *et al.* 2001; Barbera 2001; Regalia 2001) have shown stories of success, the overall attempt to decentralize tripartism and to broaden its scope has been hampered not just by divisions among

¹¹ Especially the Cgil has always been concerned that acceptance of substandard conditions as concerns wages and employment conditions, however targeted to the less developed areas and conceived as experiments of limited duration subject to monitoring and possible revocation, may end up being a "Trojan horse" fostering wider deregulation.

unions and by insufficient resources provided by local institutions. More importantly, employers have in most cases been lukewarm participants and have generally not cooperated actively to ensure success. The main reason is that they have in most cases seen territorial tripartism as yet another level of bargaining, at a time when they were becoming increasingly unhappy about the two-level structure of collective bargaining set by the tripartite agreement of 1993.

In fact, employers became convinced that the apparently careful distinction drawn by that agreement - between the issues to be negotiated at the sectoral level and the ones left to firm-level bargaining - was not enough to avoid confusion and overlappings. Curiously enough, in a period in which average real wages in Italy were growing less than in the other EU countries (largely an outcome of the incomes policy established by the 1993 agreement), shifting to a 'one level of bargaining only'¹² system became the most pressing demand by employers, together with higher flexibility in dismissals. The rationale was that the sharp drop in the inflation rate deprived sectoral bargaining of its main content, while distributional demands stemming from increases in productivity would be more appropriately dealt with by decentralized bargaining. While employers' associations demanded a shift to a 'one level of bargaining' system, however, not all employers could agree on which level was to be retained. Most of them, as said, favored decentralized bargaining (at firm level for the large and medium companies, or at the territorial level for the small-firm districts), but others seemed to prefer industry-level bargaining only.

The 'one level' demand set the agenda for the new tripartite agreement eventually signed in December 1998; but, largely because of the divisions among employers, the final text of that agreement did not even mention the structure of collective bargaining. Nor did it deal with the two other hot issues of Italian industrial relations in the late 1990s: namely, flexibility in exit¹³ from the labor market and the need for a further pension reform. This agreement did, on the other hand, set a very ambitious program that included a wide range of issues - from measures to foster growth and employment to education and other supply-side policies, which met with the usual difficulties of implementation and proved scarcely effective.

This seems to be the main lesson stemming from the more recent attempts at social pacts. As their scope broadens - in terms of both issues covered and levels of operation (national, regional, and even local), - their effectiveness seems to decrease. In fact, such objectives as employment creation, training, labor market and welfare reform, are far more complex and difficult to pursue in a concerted way than traditional incomes policies. In some cases a tentative solution to this difficulty may be found in enlarging the number of actors involved in political negotiation and the levels of negotiation (e.g. calling on local institutions to provide their own resources in a wider political exchange - as we have seen may happen with "territorial pacts"). But this solution may (and often does) bring new problems with it, since a game with several actors is harder to play and the outcome is more difficult to monitor. The contribution of each actor to the common goal may be less clear to the others, as is its responsibility for failure or its ability to advocate success and to capitalize on it.

¹² Namely, allowing for either industry-level collective bargaining or decentralized negotiation (the latter being the option preferred by most companies) but not for both.

¹³ I.e. the relaxation of rules that protect workers from individual firings.

The outcome of these trends has been a growing loss of enthusiasm by policy-makers and especially employers for the virtues of social pacts. It has not been difficult for the current center-right Berlusconi government to capitalize on this widespread feeling and to state that, while tripartite “social dialogue” remains the preferred method in Italian industrial relations, their “modernization” must be carried on even in the absence of trade unions’ agreement and indeed by overcoming their resistance.

3. Actors and processes in collective bargaining in the 1980s and 1990s

Between the central and peripheral level of interest representation

In the previous sector, when discussing trends in bilateral and trilateral agreements between the social partners and governments at the central level of industrial relations, we made almost exclusive reference, besides governments, to the confederal-level organizations of both the unions and the employers’ associations. The relevant actors were therefore the *Confederazione generale italiana del lavoro* (Cgil), the *Confederazione italiana sindacati lavoratori* (Cisl), and the *Unione italiana del lavoro* (Uil) on the unions’ side,¹⁴ and the *Confederazione generale dell’industria italiana* (Confindustria) on that of the employers. In effect, in the Italian industrial relations system ‘Cgil-Cisl-Uil’ is the generic label used for unions, while ‘Confindustria’ is used as shorthand for the employers’ association in the private sector of the economy.¹⁵

Turning now to more detailed discussion of trends in collective bargaining, here it is the vertical or industrial representation organizations (generally but not necessarily belonging to the main confederations) that are the main actors.

To start with the labor side, in Italy as in other European countries, when the unions were reconstituted in 1944, they were organizationally structured along two dimensions. The first was the ‘horizontal’ or geographical dimension which corresponded to the general, encompassing and political logic of representation typical of confederal unions; the second was the ‘vertical’ or industrial dimension corresponding to the articulation of sectoral differences in the economy, and more sensitive to market fluctuations, typical of the industrial federations.

This complex structure not only enabled trade union initiative to switch rapidly between the center and the periphery, and between more general strategies and more sectoral ones, thereby favoring change, but it also made it possible for different courses of action to be pursued simultaneously. Trends in collective bargaining (the protagonists of which are the industrial unions) have their own history, in fact, which does not necessarily replicate that of inter-confederal concertation and negotiation (the protagonists of which are the trade-union confederations); a history played out in more specific and diversified contexts (those of sectors or workplaces), where there has sometimes been significant space for action by small labor organizations (the ‘autonomous’ unions already mentioned) with almost no voice at the central level and in which workplace representation plays an important role.

¹⁴ Originally Cgil, Cisl and Uil were linked respectively to the Communists and Socialists, the Christian Democrats, and the small lay parties including the Republicans, the Social Democrats and the reformist wing of the Socialists.

¹⁵ As we point out below, the employers’ representation system is more complex than that of the unions. The predominant reference to Confindustria is due to the central role played by the organization, which used to be flanked by Intersind and Asap, representing publicly-owned industry.

To dwell briefly on the features and weight of these actors, first to be pointed out is that in the 1980s and 1990s the three main confederations (see Table 2) saw their memberships decline among the employed. Between 1980 and 1998, the total decrease amounted to more than 2 million members in employment, corresponding to a 28% reduction, and the overall unionization rate dropped from 49% to 35%. The decrease was not uniform, however: it was due mainly to employment growth in the sector (marketable services) in which confederal unionism has traditionally been less widespread (see Table 3), and to the shrinking of those sectors (agriculture, industry, non-marketable services) in which it has traditionally been greater. It should be added that, since 1998, there have signs of revival in membership, although it is still too early to interpret this as a reversal in the trend.

To be noted is that there was no decrease, instead, but continuing growth, in membership to the pensioners' unions affiliated to the three confederations:¹⁶ in 1998, the members of these unions accounted for 49% of total membership of Cgil, Cisl and Uil (the figure was less than 20% in 1980) (Cnel 2000: 316-31). This evidently helps to explain the particularly sensitive character of the pensions issue in Italian policy-making (as we saw in the previous section).

In terms of organizational strategy, in Italy as in other European countries (Streeck and Visser, 199), during the period considered there was a slow but steady tendency for industrial unions to merge or amalgamate, a process which therefore simplified the structure of confederal trade-unionism.¹⁷ The last years of the 1990s, however, saw the creation of new unions affiliated to Cgil, Cisl and Uil set up to represent contingent or 'atypical' workers (temporary or self-employed workers) (Regalia 2001; Ballarino 2002). Although enrolments are still numerically very low, this is a new development, which may signal the beginning of substantial renewal of the traditional bargaining strategy.

Table 2. Membership and unionization rates among wage earners (1980-1998)

	CGIL	CISL	UIL	Total	Union. Rate %
1980	3,484,004	2,507,641	1,145,9910	7,137,555	49.0
1981	3,387,040	2,371,471	1,142,756	6,901,267	47.6
1982	3,266,816	2,286,728	1,134,376	6,687,920	46.1
1983	3,134,011	2,224,112	1,121,054	6,479,177	45.2
1984	3,030,323	2,261,668	1,114,040	6,406,031	44.9
1985	2,939,370	2,055,663	1,064,110	6,059,143	42.0
1986	2,825,273	1,967,105	1,046,086	5,838,464	40.3
1987	2,768,384	1,951,994	1,069,024	5,789,402	39.9
1988	2,733,017	2,018,463	1,099,727	5,851,207	40.0
1989	2,717,567	1,993,706	1,104,166	5,815,439	39.4
1990	2,724,802	2,023,802	1,123,787	5,872,391	39.2
1991	2,706,214	2,070,880	1,136,175	5,913,269	39.1
1992	2,641,782	2,107,060	1,157,250	5,906,092	39.1

¹⁶ Pensioners in Italy have their own unions affiliated to the confederations. The members of these unions are obviously not included in the calculation of unionizations rates. Nevertheless, they contribute to the financial solidity of confederations, in which they constitute important pressures groups.

¹⁷ In 1998, there were 13 industrial unions (including pensioners' unions and excluding the new organizations for contingent or unemployed workers) affiliated to Cgil, 20 to Cisl, and 19 to Uil.

1993	2,528,565	2,007,015	1,138,404	5,673,984	38.6
1994	2,455,630	1,909,924	1,123,943	5,489,497	38.0
1995	2,387,267	1,853,610	1,100,305	5,341,182	37.2
1996	2,334,184	1,836,051	1,098,412	5,268,647	36.6
1997	2,287,477	1,776,424	1,078,349	5,142,250	35.5
1998	2,301,424	1,739,130	1,082,442	5,122,996	35.4
1980-98	-1,182,580	-768,511	-63,468	-2,014,559	
?%	-33.9	-30.6	-5.5	-28.2	

Source: CNEL (2000).

Table 3. Membership and unionization rates by sector (1997, 1990, 1987)

1997					
	CGIL	CISL	UIL	Total	Union. rate
Agriculture	249,581	196,88	121,587	568,048	86,7%
Industry	1,091,614	630,214	374,168	2,095,996	40,4%
Marketable Services	488,506	406,203	266,221	1,160,930	20,3%
Non-marketable Services	457,776	543,127	316,373	1,317,276	44,8%
Total Wage-earners	2,287,477	1,776,424	1,078,349	5,142,250	35,5%
Total self-employed	565	106,847	91,484	198,896	
Pensioners	2,875,459	1,909,832	418,437	5,203,728	
Non-employed	36,123	63,231		99,354	
Total	5,199,624	3,856,334	1,588,270	10,644,228	
1990					
	CGIL	CISL	UIL	Total	Union. rate
Agriculture	341,069	251,657	121,154	713,880	84.60%
Industry	1,336,881	715,517	407,078	2,459,476	41.70%
Marketable Services	531,130	461,099	270,807	1,263,036	24.10%
Non-marketable Services	515,722	595,529	324,748	1,435,999	48.20%
Total Wage-earners	2,724,802	2,023,802	1,123,787	5,872,391	39.30%
Total self-employed	14,898	168,175	93,895	276,968	
Pensioners	2,353,891	1,274,489	268,076	3,896,456	
Non-employed	56,785	41,925		98,710	
Total	5,150,376	3,508,391	1,485,758	10,144,525	
1981					
	CGIL	CISL	UIL	Total	Union. rate
Agriculture	519,028	485,229	166,310	1,170,567	100.06%
Industry	1,757,954	950,560	481,947	3,190,461	48.82%
Private Tertiary*	569,865	357,674	227,722	1,155,261	27.13%
Public Tertiary*	551,557	685,879	312,438	1,549,874	51.42%
Total Wage-earners	3,398,404	2,479,342	1,188,417	7,066,163	46.64%
Total self-employed	n.a.	n.a.	n.a.	n.a.	
Pensioners	1,186,207	509,471	168,873	1,864,551	
Non-employed	N.a.	N.a.	N.a.	N.a.	
Total	4,584,611	2,988,813	1,357,290	8,930,714	

* Non necessarily comparable with later years; private tertiary includes transportation as well.
Sources: Romagnoli (1982), Squarzon (1997), and CNEL (2000).

Until recently, there have been no reliable data on membership of the ‘autonomous’ unions not affiliated to the three large confederations. These have arisen almost exclusively in the services sector (banking, insurance, school, health, and civil service)

and in many cases have gained a significant following. According to ILO estimates, taking also into account membership in these autonomous organizations, the aggregate unionization rates in Italian industry and services were almost 48% in 1985 and 44% in 1994 (Baccaro, Carrieri and Damiano 2002).

These organizations are by no means homogeneous. A distinction can be drawn among the ‘classic’ autonomous unions (more traditional and generally moderate organizations, which increased their followings during the years of collective mobilization and egalitarian claims of the 1970s, but which subsequently saw their memberships eroded), the ‘Cobas’ (rank-and-file bodies, taking various names, which arose during the 1980s in reaction to the wage-restraint policies of the confederal unions: characterized by the radical use of conflict. they organized themselves in more stable form in the 1990s), and the professional unions (often with long histories behind them, but which renewed themselves in the 1980s and unscrupulously pursue benefits for their members) (Cnel 2000: 767-74). These are therefore organizations with diverse traditions and orientations, which distinguish themselves by default with respect to the confederal unions, and which over time have given rise to fragmented and dispersed representation.¹⁸ Mainly in the 1980s, they were successful in obtaining higher benefits in favor of specific groups able to apply great pressure in areas sheltered from market competition (train drivers, for example) (Bordogna 1994). Indeed, it was to restrict and regulate the frequent and unpredictable recourse to conflict by these unions that a law on strike action in essential public services was passed in 1990, thereby breaking with the tradition of legislative non-interference in industrial relations.

The figures on membership to the autonomous unions long tended to be inflated because they were compiled by means of self-declarations without control (Baccaro, Carrieri and Damiano 2002). To impose order on collective bargaining in the public sector (see below), for the first time ever in the history of Italian industrial relations the so-called Bassanini Law of 1997 fixed a threshold of union representativeness for access to negotiation. In the public sector (ministries, municipalities, health services, schools, etc.), therefore, now eligible to sit at the bargaining table are only organizations which exceed the representativeness threshold of 5% (temporarily 4%) calculated as the average between the average membership (which must be certified) and the results of the elections to the workplace unitary representation bodies (RSUs).

In organizational terms, this produced a tendency – opposite to the previous one – for small unions to merge together and for unionism in the public sector to be simplified, albeit not yet to a satisfactory extent. On the basis of data collected on the occasion of the public sector elections held in 1998 (in 2000 for schools), the total unionization rate was 44.9% (39.5% in schools), with 37.5% accounted for by the three confederal unions (25.5% in schools) and the rest by the ‘autonomous’ unions (32% of the total). At the elections, 70% of votes went to the confederal unions, and a significant 30% to the non-confederal unions.

Overall, the Bassanini Law has enabled more accurate assessment of the effective magnitude of non-confederal unionism (albeit only in the public sector, where for that matter it is most widespread) and therefore more precise quantification of the confederal unions’ memberships (for details see Cnel 2000: 767-74). And it has also helped to simplify representation, thereby improving governance in the civil service.

¹⁸ One gains an idea of the organizational dispersion from the fact that fully 714 autonomous unions have been censused (Bordogna 1999).

We shall now consider the question of company-level representation in more general terms, given that it is one of the most crucial issues in Italian industrial relations. As already said, at the beginning of the 1980s the private sector of the economy, and especially medium-to-large companies in the most developed regions, comprised a relatively extensive network of works councils set up during the period of collective mobilization. According to trade-union data, at the beginning of the 1980s around 5 million workers were represented by more than 32,000 councils composed of 206,336 delegates: which means that, excluding the public sector and agriculture, around 50% of the labor force employed in industry and private services was represented by councils. And because in Italy a very large proportion of employees work in small firms, in which worker representation bodies are not required by law, or are particularly difficult to organize, the percentage was in reality even greater (Regalia 1995). These councils (named *consigli di fabbrica*, or *consigli d'azienda*) were unitary representative bodies elected by all workers (and not only by union members) and which also represented the trade-union organizations, in that they recognized them as their grass-root organizations and with time acquired priority in nominating candidates. In firms where councils were not created, the unions were allowed to organize their own separate representative bodies. However (outside the civil service and other branches of services), this solution was regarded as less satisfactory and found little support among workers.

This wide diffusion of councils, however, was associated with a marked informality in their creation and renewal which accorded with the substantially voluntarist nature of Italian industrial relations. From this point of view, the councils were organizationally fragile structures because their creation and renewal depended excessively on the unions. On the other hand, their strength resided in the large followings that they continued to enjoy among workers. In the absence of official figures, therefore, it is not surprising to find it widely claimed that the councils progressively disappeared or were radically scaled down after the break-up of the Cgil-Cisl-Uil Unitary Federation in 1984. However, results from research in the 1980s and 1990s reveal a very different picture: albeit with some exceptions, like Fiat for a certain period of time, councils continued to be active in companies with trade-union traditions, and they were sometimes introduced in areas of only recent unionization.

It was indeed the persistence of these bodies, with their ability to act as a single interlocutor within companies that enabled the development in the second half of the 1980s of the 'secluded' micro-concentration discussed in the previous section. From this point of view, one may say that whereas initially – in the 1970s – the councils were mainly a way to organize labor representation successfully in factories based on mass production, with time they became a way to mediate between workforce and management in firms seeking flexible alternatives to that rigid form of work organization. And it is again the persistence of these bodies that helps explain why the split among the unions at the center of the industrial relations system was not matched by a breakdown in the unity of action on its periphery (and more generally in the collective bargaining performed by the industrial unions).

However, there still remains the fact that the main shortcoming of the system lay in the harmful consequences of its high degree of informality. The poorly institutionalized nature of this form of representation meant that it developed in a haphazard manner largely dependent on power relations or the specific strategies of the industrial relations actors. In particular, it impeded solution of the problem of the space to be allocated to

the autonomous or rank-and-file unions which, as we have seen, had developed in the 1980s. Moreover, the vagueness of the rules regulating the constitution, legitimization and competences of councils reduced the visibility and importance of their role, despite the range, variety and, in general, effectiveness of the functions that they performed. The outcome was that their reliability in the eyes of management sometimes diminished. But the main effects were that the represented increasingly perceived them as distant and undemocratic, while the representatives lost self-esteem and satisfaction with their role.

Faced with the problem of an inadequate union presence in workplaces, and in order to deal with the difficulties caused by the division and competition among trade-union organizations that followed the breakdown of the *Federazione Unitaria* in 1984, in March 1991, after several previous attempts, the three main confederations finally managed to reach an important agreement on rules of reciprocal behavior and on a new pattern of workplace organization for which the name of *Rappresentanza sindacale unitaria* (Rsu, unitary union structure) was coined.

But this agreement among the unions, like its predecessors,¹⁹ would perhaps not have been implemented if the government and social partners had not sponsored reform of the workplace representation system in 1993. Under the tripartite agreement of July 1993, in fact, all the actors agreed that a single pattern of workplace representation was to be introduced throughout the economy, taking the name of *Rappresentanza sindacale unitaria* (Rsu) that had been proposed by Cgil, Cisl and Uil in their 1991 agreement in order to stress their formal commitment to establishing a unitary body in workplaces. Actually, like the ‘old’ works councils, this was a representative body elected by all workers (and not only by union members), which also represented the trade-union organizations, as they had priority in nominating candidates. The novel features were that, following the reorganization of the collective bargaining system established by the tripartite agreement of July 1993, the employers realized that it was also in their interest to place in-company representative bodies on a sounder footing, so that they might have a reliable partner for decentralized bargaining, and that for the first time the same representative system was to cover all economic sectors, including public employment. Accordingly, in December 1993 the employers’ associations and the confederations signed a national-level interconfederal agreement on the Rsu, the first to regulate such matters after thirty years of informal arrangements. Not approved, however, was the proposal put forward by the then minister of labor Gino Giugni to give statutory definition to the Rsu (this came later, in 1997, but only for the public sector, as we have seen), due to the inflexible opposition of Confindustria and the doubts raised by some of the confederal unions. Still today, this failure is responsible for the marked weakness of the system, as demonstrated by recent figures, which show the still unsatisfactory spread of Rsu in the private sector of the economy (Cnel 2000: 335-48).

However, in 1994 and 1995, owing to public interest in the agreement, although ambiguities in interpretation and the resistance of those who feared electoral losses still persisted, the workplace representative bodies were finally renewed to an extent unknown since the early 1980s, and thus also the relationships with the workers were revitalized. The results were striking. According to data from the “National Observatory on Rsu”, more than 70% of those entitled to do so turned out to vote. Everywhere

¹⁹ In fact, there had been various attempts to introduce a single representative body in the 1980s, with limited success. For a general discussion of the problem see Regalia 1995: 217-41; Carrieri 1995.

elections were held, confederal unionism obtained large majorities of votes and of representatives (95% and 96% respectively).²⁰ This led to a broad, and perhaps unexpected, turnover of workplace representatives. In Milan alone, 5,000 new delegates, i.e. without previous experience, were elected in 1994-1995. Although this raised not a few organizational problems for the unions, which had to make major investments in training programs for the new workplace delegates, it was interpreted as a strong sign of democratic renewal. These new bodies, or better these old bodies in new form, could therefore be viewed by the workers and unions respectively as efficient channels for voice (from below) and for consultation initiatives (from above), as evidenced on the occasion of the pension reform in May 1995. This is all the more significant if one bears in mind that, after an interval of many years, the Rsu elections regained wide coverage in the press, which helped to enhance the public image of the confederal unions.

In this new context, even the results of the referendum of June 1995, which abolished some of the statutory provisions (regarding dues checkoff and the attribution of 'union representativeness') particularly favorable to the confederal unions, did not have the damaging effects that one might have expected in other circumstances. This depends in part on the fact that these matters were also regulated by collective bargaining, which the referendum did not affect. But it is certainly significant that the employers have not seized this opportunity to launch a campaign on the low level of popular support enjoyed by the large unions.

Overall, after the period of centralization and social pacts of the 1990s, as regards all the aspects touched upon, the unions, and in particular the confederal ones, seem stronger – or not as weak – and better organized in the early 2000s than they were at the end of the 1980s. The decline in their memberships seems, if not halted, at least slowing down; the organizational structure of the industrial unions affiliated to the main confederations has been streamlined; the 'autonomous' unions are undergoing processes of simplification and institutionalization, and now that their weight can be measured the greater representativeness of the confederal unions has been confirmed; defined for the first time, albeit still not in entirely satisfactory manner, is a system of workplace union representation which applies to the economy as a whole; experiments are under way for the organization and representation of contingent workers, for whom new claimant strategies are being developed.

The dilemmas of the employers' associations. Between laissez-faire pressures from small firms and strategic interest in keeping the unions' consensus

As already mentioned, the system of employers' representation developed in even more haphazard manner than union representation, and it was highly compartmentalized (by sector, size, legal/institutional nature, political affiliation). Above all it lacked one or more organizations which, like the union confederations, though differentiated according to a logic of competitive pluralism, were able to represent all the sectors of the economy. This function was instead generally performed by Confindustria.²¹

²⁰ The figures, which refer to February 1995, are quoted in Carrieri 1995: 46-8. Similar results have been confirmed in subsequent elections. It should be added, however, that even with introduction of the new system, which has made electoral procedures clearer, the creation of Rsu still depends on agreement between the parties and on the unions' intentions. At present, only in the civil service are the creation and election of Rsu independent of the good will of the parties.

²¹ The marked segmentation of the representation system was matched however by its low level of functional specialization. Unlike the situation in other European countries, the various general

For the employers' associations, too, the 1980s and early 1990s continued the pattern of marked segmentation among organizations and of diversification of strategies characteristic of their tradition. In these years, the emergence of new associations in the service sector, together with a widespread tendency by industry-level employers' associations to sign uncoordinated agreements with the unions, confirm the impression of a pluralist system of representation devoid of efficient coordination (Ferner and Hyman 1992: 524-600).

However, the strong external constraints (stemming from the turbulence of the international markets, as well as the increasingly stringent requirements of European unification) set common pressures on firms as well as common objectives for collective action by entrepreneurs, which cut across sectoral divisions. Common to all firms was the crucial problem of mounting labor costs (increasingly difficult to shift onto prices). Common was the concern to curb public spending, to alleviate the fiscal burden, or at least to distribute it in a manner more favorable to firms. Also, commonly shared was a call for the improvement and rationalization of the public services, aligning public- and private-sector employment practices. Finally, there was a unanimous demand for a flexibilization of the labor market, albeit flanked by adequate social shock absorbers. These shared demands provided the basis for a process of simplification and rationalization of the representation of employers' interests, at least in negotiations or in alliances with unions and governments, which ran counter to traditional practices.

The principal choice for the employers concerned their relationship with the unions: whether and to what extent to gear their strategies of action to consensus and involvement of the trade unions - the strategy preferred by the large and innovative firms - or whether to claim a more *laissez-faire* strategy of relaxing external restraints on firms, which the small ones preferred.

Initially, the positions taken up tended to replicate the traditional standoff between Confindustria and the public employers' associations (Intersind and Asap).²² In 1990, both Confindustria and Intersind sought an alliance with the unions against the government in order to obtain a reduction in the welfare contributions paid by employers and their partial transfer to taxation; also, both of them, albeit separately, signed undertakings with the union confederations to conform to the macro-economic parameters set by the government. Nevertheless, in June, faced with a bill to defer abolition of the wage indexation system until the end of 1991, and faced by union demands for the renewal of labor contracts which it deemed excessive and contrary to the understanding reached a few months previously, Confindustria declared its withdrawal from the 1986 agreement on the *scala mobile*; an action which led to major deterioration in industrial relations. Intersind, however, did not follow suit, since, as an association of mostly large firms, it believed that maintaining good relationships with

organizations were responsible for representing employers' interests in both the economic arena and the industrial relations system. This factor tended to reinforce the political character of representation at the central level.

²² Confindustria is the principal organization for privately-owned firms. It has an extremely heterogeneous base in which small firms came to exert increasing influence over time. Intersind and Asap were much more homogeneous and comprise state-owned industrial - and mainly large - firms. Following the process of privatization of the public sector of the economy in the 1990s, in 1998 they merged into Confindustria.

the unions was preferable.²³ Similar distinctions emerged in the same year during the renewal of the engineering workers' contract, when the private industrialists, unlike their public counterparts, adopted an intransigent posture which led to acrimonious confrontation, the proclamation of several strikes and difficult intervention by the Labor Minister. Only in 1993-94, as the outcome of the government's program for the privatization of public enterprises, did Intersind and Asap enter the orbit of an expanding Confindustria, initiating the process, which led to their joining the private enterprise organization in 1998. More than previously, therefore, the diversification of interests moved internally to Confindustria.

After the tripartite agreement of 1993, the priority aim of the new "*grande Confindustria*" - now representative of an increasingly heterogeneous base - became the coordination and harmonization of the bargaining policies of its members.²⁴ During negotiations over the renewal of the many contracts that lapsed in 1994, in fact, conformity to the principles enshrined in the 1993 agreement was the acid test for the success of concertation. A central body was set up to monitor the progress of collective bargaining, although its direct intervention did not prove necessary. With implementation of the new rules, in fact, negotiations over the contract renewals of 1994 proceeded rapidly and smoothly, within agreed-upon parameters, and without the outbreak of the traditional rituals of conflict. Emblematic of this was the most important industrial contract, that of the engineering workers, which for the first time in its history was renewed in five days and without strikes.

On the other hand, in those years Confindustria found itself having to deal with the tensions provoked first by the corruption scandals, and then by the entry into the political arena of Berlusconi, i.e. of an entrepreneur with markedly *laissez-faire* leanings and unlikely to sympathize with the principles of concertation. The strategy chosen was one of explicit autonomy from the parties and from politics in general. As a consequence of this choice, Confindustria took up a neutral position during the electoral campaign of 1994, and then a pragmatic one of case-by-case critical appraisal of decisions taken by the Berlusconi government. Despite numerous difficulties and tensions, both internally and in its dealings with the government, Confindustria pursued this strategy in order to hold together a highly heterogeneous entrepreneurial front, and at the same time in order not to damage its cooperative and stable relationship with the unions, the importance of which it repeatedly stressed.

In the mid-1990s the employers' associations were organizationally more cohesive and stronger than they had been at the beginning of the decade. In the metaphorical balance sheet of Confindustria's activities in the area of labor relations during the previous years, presented at its general meeting held in October 1995, numerous items appeared in the credit column. These concerned reform of industrial relations and the containment of labor costs, the satisfactory results of collective bargaining, and the positive outcomes and stabilizing effects of the new pattern of workplace representation.

However, many problems still remained. The most problematic area, one in which government intervention (and trade-union support) was repeatedly urged, was the labor

²³ Significantly, Intersind defended itself against the charge of free riding by explaining - in a statement by its chairman - that its "logic is that of a large firm because [its] associates are large", and that there is no doubt that "the large private firms understand very well indeed". See Intersind 1990: 8-9.

²⁴ On the difficulties of this period see Mascini 1995: 199-207.

market, in particular as regards instruments to give flexibility to labor entry and exit. From the firms' point of view, a number of positive aspects could be stressed, such as the first measures introduced to facilitate hirings and dismissals in the early 1990s, and the interconfederal agreements of 1993 and 1995 on work-and-training contracts. Subsequent legislative innovations, especially the law 196/1997 implementing the tripartite Pact for Employment of 1996, addressed important issues. As already mentioned in the previous section, temporary agency work was introduced; fixed-term employment was partially reorganized; incentives for part-time work and for the redefinition of working time schedules were set; further rules to give flexibility to labor entry – through reform of the apprenticeship system, of work/training contracts, of vocational and continuing training – were defined. Another important innovation was the start of the reform of job placement services, which led to the abolition of the state monopoly in this area.

In the late 1990s, however, the employers' associations still denounced excessively tight constraints as regards labor market regulation, which prevented the matching of labor demand with supply. In May 2000 the newly elected Confindustria's president – the first to come from the South of Italy, especially supported by small firms – stressed in his presidential program the need for radical reforms, including a deregulation of the labor market, as well as a substantial cut in tax rates and a thorough transformation of the welfare system. It is not surprising therefore that in 2001, in a very different economic and political context with respect to 1994, Confindustria and leading industrialists gave open support to the second Berlusconi center-right government that won the national elections in April, thus opening a new phase in the relations between the employers' associations and the government.

Between industry-wide and company-level bargaining: before and after the tripartite agreement of July 1993

In the 1980s, when the bargaining system was still relatively under-institutionalized, its industry-wide level displayed however a substantial level of standardization (three-year duration, relatively well established negotiating procedures and contents). With time it came to perform the role of unifying the employment conditions of workers in the same industry (or sector with several industries) and of furnishing minimum protection: the industry-wide contract, in fact, established minimum contractual levels (which could subsequently be integrated by decentralized bargaining). In other words, it came to perform the role fulfilled in other countries by minimum wage setting (Cella-Treu 1998: 217 ff).

Negotiation of the industry-wide agreement also provided an occasion to select, aggregate and harmonize demands, while simultaneously building and verifying union consensus in each industry/sector by means of debate and consultation with the workers concerned on the platform and possibilities for agreement.²⁵ But there was no formalized and explicit system for coordinating demands among industries/sectors, although a certain amount of coordination was achieved by means of informal contacts. Following the period of bargaining recentralization of the late 1970s and early 1980s, a

²⁵ These consultations usually took place rather informally during worker assemblies. From the contract renewals of 1986, which followed the break-up of the Unitary Federation in 1984, the practice spread of using more formal consultation procedures consisting of referendums held among all the workers concerned.

certain harmonization of bargaining contents came about as a result of the greater influence of the decisions taken and agreements reached by the confederal unions, as discussed in the previous section.

If among the many important aspects dealt with,²⁶ we concentrate on pay levels and working hours arrangements, from both points of view industry-level bargaining in the 1980s generated significant tendencies towards the flexibilization of the rules, a process which continued in the 1990s.

The pay structure in Italy has always been highly complex (the basic wage is supplemented by a wide variety of allowances and bonuses) and characterized by a large amount of deferred components (end-of-service allowances, pension benefits) and automatic pay rises (seniority increments, *scala mobile*). The process that led to the abolition of the wage-indexation system has already been discussed. It should be added that, in 1982, a bargained law had scaled down the end-of-service allowance, while automatic seniority increments were progressively reduced by means of industry-wide bargaining. The overall result was an increase in the variable, and negotiable, part of pay and a widening during the 1980s of pay differentials (among sectors, among companies of different sizes, and among jobs). As for working hours, the most significant feature of industry-wide bargaining in the 1980s was the tendency, as in other European countries, for contractual hours to diminish, but with reference not to weekly hours but to the annualized amount. This had the effect of facilitating in Italy, earlier than elsewhere, a considerable flexibilization of working hours schedules which catered to the needs of the firms then restructuring. Not by chance, working time issues were at the top of the agenda for the company-level bargaining, which grew increasingly common in the second, half of the decade.

Owing to its greater informality and lesser visibility, company-level bargaining has traditionally been more autonomous and less externally constrained than bargaining at the industry level. And for these reasons it has always been more difficult to quantify: in fact, systematic information on its frequency is not available. According to the results of sample-based surveys conducted in various years, however, one may estimate that company-level bargaining takes place in 25-35% of firms with between 15 and 50 employees, 40-50% of those with between 50 and 150 employees, and 60-75% of larger companies (Cella and Treu 1998: 240-1). To these figures should be added those concerning the broad area where reliance is placed on solely informal understandings (i.e. without a written agreement), which according to the case may add to formal ones or act as a weak substitute for them.²⁷

It should be emphasized that these estimates of formal agreements concern private unionized sectors. But more importantly, and somewhat surprisingly, they suggest that there has been a substantial stability in the spread of company-level bargaining in the past twenty years (Cella and Treu 1998: 240-1). By contrast, the relative importance of and the substantive role performed by the level have varied. In the second half of the 1980s, when its role became qualitatively more important in the negotiation of industrial restructuring (Regini and Sabel 1989), it was mainly the issues of functional and temporal flexibility that were covered by decentralized agreements.

²⁶ For details see Cella and Treu (1998).

²⁷ See on this the results of the Ires Lombardia periodic survey on company industrial relations (Regalia and Ronchi 1988-92).

We have already said that the agreement of July 1993, confirmed by the Christmas Pact of 1998, reformed the architecture and logic of the bargaining system, consolidating both the level of the industry-wide agreement and that of decentralized bargaining, on the basis of the principle of the specialization of negotiating levels. From this point of view, it is not possible to talk simply of tendencies towards either the centralization or the decentralization of the collective bargaining system.

The industry-wide contract was given greater capacity for coordinated regulation of pay and conditions within each industry or multi-industry sector. Its duration was therefore extended from 3 to 4 years, but with a two-yearly revision of pay enhancements; it was given exclusive competence for both adjustment of pay levels according to the inflation rate and definition of the general rules on conditions of employment, although it was relieved of the task of specifying their details, this being increasingly transferred to decentralized bargaining. Introduced for the first time, moreover, was a formalized system for coordinating demands among industries/sectors by means of periodic meetings held by government and the social partners to discuss the state of the economy.

Decentralized or second-level bargaining was instead given a greater capacity to take account of variations in productivity and the specific features of companies and local areas, so that solutions negotiated at the central level could be suitably differentiated.

On balance, the reorganization of the bargaining system undertaken by the government and social partners to reduce and control labour costs and to improve employment levels has been a success. At the level of the system's general performance, a recent study of wage dynamics and various macroeconomic indicators (Birindelli and D'Aloia 2001) reports as follows (see table 4): first that the July agreement contributed to wage restraint by helping to rebalance the economic accounts; second that, at the same time, the agreement made it possible to defend the purchasing power of wages;²⁸ third that the pay differential between the manufacturing sector and protected ones like the public services and the public utilities (electricity, gas, water) has tended to diminish; fourth that business profitability tended to increase in the 1990s and was particularly high in 1998 and 1999, also because of modest increases in the cost of labor which increased less than productivity; and finally that wage restraint contributed to the stability of employment during the first half of the 1990s and subsequently to its growth (Trentini 2001). And in fact, according to the National Statistics Institute, in March 2001 the unemployment rate finally returned to below the 10% threshold.

Table 4. Trend of real contractual wages and macroeconomic indicators (average percentage changes)

	1976-82	1983-92	1993-2000	1996-2000	1999	2000
- Real contractual wages*						
Total economy	2.3	0.7	-0.3	0.6		
Industry in the strict sense	2.5	0.5	0.0	0.5		
- Gross domestic product at 1995 prices	3.3	2.3	1.7	1.9	1.6	2.9
- Public debt (stock)	22.6	16.7	5.3	2.1	1.7	1.4
- Productivity	2.2	1.8	1.7	1.1	0.8	1.4

²⁸ Or at least it did so until 2000, when the resumption of inflation widened the gap between the real and planned inflation rates on the basis of which wage increases had been fixed by sectoral-level collective bargaining since the 1993 agreement.

- Productivity-wages differential	0.0	1.0	1.5	0.5	0.0	0.6
**						
- Dependent employment	0.6	0.5	0.2	1.0	1.3	1.5
- Total employment	1.0	0.6	0.0	0.8	0.8	1.5

* Blue- and white-collar household deflator

**Pay levels deflated with the same deflator as production (GDP defl.)

Source: IRES calculations on ISTAT and Bankitalia data (Birindelli and D'Aloia 2001)

In somewhat more detail, owing to its extremely broad coverage the level of the industry-wide agreement has not only confirmed itself as the one best suited to guaranteeing basic conditions of employment, but it has also proved able to augment and innovate the capacities of centralized coordination. From this latter point of view, to be emphasized first are tendencies to harmonize/unify agreements and to reduce their fragmentation. The former tendency is tied to the processes of liberalizing markets and privatizing the monopolistic publicly-owned enterprises which took place in the 1990s and made it pointless to maintain separate agreements for private and public companies and gave rise to the drafting – in truth a difficult and tortuous process – of new and broader agreements which redefined and harmonized conditions of employment. One of the most noteworthy cases is that of the new agreement for the telecommunications industry intended to impose order on a particularly unruly sector; others concerned the transport sector and the public utilities. But tendencies towards simplification are apparent independently of privatization processes, an example being the unification of three previous agreements which applied in the banking sector.

Secondly to be stressed is the tendency to create agreements to regulate employment conditions in new sectors. One of these is the collective agreement for temporary work agencies signed in 1998; another is the national agreement for the market research sector signed in 2001 with the newly-formed union of atypical workers (see above), which can be regarded as the first national labor contract for non-dependent workers in Italy (Ballarino 2002).

Turning to second-level or decentralized bargaining, a distinction must first be drawn between in-company bargaining and territorial bargaining.

Although systematic data are not available, company-level bargaining seems to have grown to a larger extent than was envisaged at the time of the July 1993 agreement, when it was thought that the limits imposed on decentralized bargaining as regards pay (with only bargaining on productivity being allowed, which requires more competences on both sides,) would have discouraged it.

However, the main limitation on company-level bargaining has been its scant diffusion. This has been largely due to the fragmented structure of the Italian productive system, in which small firms predominate in quantitative terms. ISTAT²⁹ data on agreements signed during the biennium 1995-96 in a national sample of 8000 firms with more than 10 employees indicate a coverage of 10% of firms, corresponding to which were around 40% of employees in the relevant sectors. As to be expected, this bargaining was closely correlated with firm's size: the percentage of firms that had bargained in the two years surveyed ranged from 3.3% in the 10-19 employee size class to 61% in firms with more than 500 employees. In general, moreover, such bargaining was less frequent in the southern regions than in those of the Centre-North, and in service firms compared to manufacturing ones. There were high levels of bargaining in

²⁹ ISTAT is the National Statistics Institute.

the small industrial firms of the North-East, reaching 32% in the 29-49 employee size class, while the national average for firms of this size was 19%, falling to 3% in the South.

Estimates markedly more substantial than ISTAT's have been furnished by a survey conducted in 1997 by Federmeccanica (the employers' association in the metalworking sector). This survey estimated that 45% of a sample of more than 2500 firms operating in the sector had company-level agreements, and that 90% of firms with more than 200 employees engaged in company-level bargaining. The Federmeccanica survey also furnishes data on the more sensitive issue of the 1993 reform – the one which set limits on pay negotiations in second-level bargaining – finding that in only 18.4% of firms which negotiated pay rises were the latter not linked, as provided by the reform, with company economic performance parameters (these were small firms); in 32% of them pay rises were partly linked with such parameters; and in 50% they were entirely so (Federmeccanica 1997).³⁰

More in general, the data available from sample-based surveys suggest that the development of company-level negotiation on pay has largely followed the guidelines set out by the 1993 agreement. However, the incidence on pay levels is still very modest. A study by the Bank of Italy (on a sample of manufacturing firms with more than 50 employees) found that, in manufacturing industry, 85% of pay levels was determined by items decided at the national level, or by the industry-wide agreement, while the remaining 15% depended on decisions previously taken at company level and only 3% was linked with the company's economic performance (Casadio 1999). The same survey also highlighted that company-level bargaining continued to be – at least in the more developed areas of the country, where the unions are longest-established – a quite widespread practice for the solution of problems as and when they arose. Not by chance, agreements of recent years had paid closer attention to the themes of employment, the labour market, and 'atypical 'jobs' – on which lively debate had been sparked by the 1996 Employment Pact and the laws of 1997 which increased labor market flexibility (Lizzeri 2002).

There remains the fact that company-level bargaining is still too rare in smaller firms in order that the unions may be willing to make it the main (if not only) level of the bargaining system, as repeatedly requested by employers since the end of the 1990s.

Also part of decentralized or second-level bargaining are the two types of coordinated bargaining that take place in small firms: territorial bargaining (widespread in the crafts sector and in numerous industrial districts), and provincial bargaining (widespread in agriculture and the construction industry). Also belonging to it are finally the already-mentioned experiments in territorial concertation for local development and employment creation (territorial pacts, area contracts).

Whilst in the case of territorial or provincial bargaining, the main aim of second-level negotiation is to improve the conditions established by national agreements, or to implement contractual rules by defining arrangements appropriate to the local context (in terms of working hours, the organization of work, etc.), in the case of territorial concertation for development, the main purpose of bargaining is to agree on derogations from the norms set out in the national agreements (as regards pay, job classifications,

³⁰ Estimates substantially similar to those by Federmeccanica have been produced by other local surveys: see Fabbri and Pini (1999) relatively to Emilia Romagna; Lizzeri (2002) to Lombardy; Giaccone (2001) to Veneto.

working hours, employment contracts, use of the workforce, etc.) in exchange for assurances on job creation by specific projects involving all the social actors and local institutions concerned. It has been pointed out that these are practices similar to the 'opening clauses' of German industry-wide agreements which allow – in the case of company crisis or threats to employment – derogation from contractual minimum levels within defined parameters, on the basis of an agreement with the unions concerned (CNEL 2000: 266). This possibility to derogate from the standards set by national agreements explains why, in certain cases, not all the unions did sign a pact on the ground that objective circumstances did not warrant its acceptance of conditions worse than the general standards – as happened in the case of the Milan Employment Pact of 2000 (Bolocan Goldstein 2000).³¹

Studies and estimates of the diffusion of territorial bargaining are extremely few in number, which means that a data-based balance cannot be drawn up. However, it seems that this bargaining level has not received satisfactory development. An interesting exception is a study of decentralized bargaining in Veneto, a region with a high incidence of small firms, which provides estimates of the degree of coverage by second-level bargaining (see table 5), combining company-level bargaining with territorial bargaining. Notwithstanding variations among bargaining periods which in part depend on contingent factors (in particular a delay in territorial bargaining by crafts firms in the early 2000s), the data show that territorial bargaining may offer a level of coverage comparable to that of company-level bargaining, especially in the services sector (Giaccone 2001).

Tab. 5 – Dynamic of the coverage rate of second-level bargaining in Veneto*

	<i>Industry and agriculture</i>		<i>Services</i>		<i>Total</i>	
	<i>1994-97</i>	<i>1998-01</i>	<i>1994-97</i>	<i>1998-01</i>	<i>1994-97</i>	<i>1998-01</i>
Company-level agreements	27.8	23.8	17.1	16.0	22.3	19.7
Territorial agreements	41.4	19.4	7.7	19.6	24.3	19.5
Other decentralized agreements	3.2	3.8	7.7	8.3	5.5	6.2
Total second level	72.4	47.0	32.5	43.9	52.1	45.4

*Also included for 1998-01 are employees covered by platforms on which negotiations were in progress at the time of the survey.

Source: Giaccone (2001: 113)

Changes in the public-sector collective bargaining system

In the area of public employment, changes in regulation of the context and in definition of the actors have tended more to anticipate than to accompany the turning-point represented by the tripartite agreement of July 1993; indeed they have constituted one of its preconditions. June 1990 saw, in fact, enactment of the law regulating the right to strike in 'essential' public services. In October 1992, another law empowered the government to begin the so-called 'privatization' of the public employment relationship. Accordingly, the following year, the government issued a decree implementing the privatization process, as a consequence of which the tripartite agreement of July 1993 has become the 'first ever' agreement simultaneously applying to both private-sector workers and public employees (Barbieri 1995: 295-307; Garofalo

³¹ For another case with different features, that of the Gioia Tauro area contract, see Cnel 2000: 579-609.

1994: 163-95. Furthermore, the law on privatization, like the one regulating the right to strike in the public services, is one of the factors to have facilitated the July agreement. These laws provide some sort of guarantee by the government to the other parties (the representatives of the private sector) of the possibility and the intention to reduce the public employees' disruptive power, and the consequent difficulty of curbing public spending.

In both cases, the changes have come about following systematic consultation/negotiation with the unions - which is almost inevitable in sectors with high levels of unionization (as said, confederal unions alone organize over 50% of employees) and with a powerful presence of 'autonomous' and rank and file unions.

The jointly-agreed legislation on the 'privatization' of the employment relationship in the public sector stems from proposals made by a group of legal experts appointed by the unions, and which was harshly critical of the previous law reforming the sector (the already mentioned "framework law" of 1983), the effects of which proved extremely disappointing. This latter law, in fact, had to some extent introduced collective bargaining alongside the traditional mechanism of regulation by decree. But it had done so in a manner that simultaneously encouraged the uncontrolled growth of expectations and demands, pushed public spending up to excessive levels, created grievances among the categories of public-sector workers most able to apply pressure, and provoked these categories into rebellion against confederal unionism.

Under the new system, civil servants find their employment relationship entirely regulated by collective bargaining, rather than by law or by provisions unilaterally imposed by administrations. This bargaining freedom, however, has been constrained within a legal framework that places controls on public spending and redefines the bargaining subjects, on both the workers' and the government's side. The greatest innovation from this point of view has been the creation of the *Agenzia per le relazioni sindacali* (Aran), a technical agency with legal status which takes the place of the traditional committees nominated by the ministries involved to represent the government as employer. Thus pursued, therefore, has been the twofold objective of centrally coordinating negotiations and of separating political from administrative responsibilities in order to reduce clientelism and curb public spending.

The privatization process begun in 1993 was completed in 1997-98 with further legislative measures which backed the administrative decentralization promoted by the Bassanini laws of 1997, to which we have already referred with regard to the election of worker representatives and verification of union representativeness in the public sector. The legislative provisions of 1997-98 - which have been called a "second privatization" of public employment after that of 1993 (D'Antona 1998) - besides extending the principle of the 'privatization' of the employment relationship to management also, for the first time gave the Italian bargaining system a clear and certain way to extend the validity of collective agreements in the public sector. They provided in fact that the Aran could only sign an agreement when it had verified that the trade unions endorsing the draft agreement represented the majority of workers in the sector or contractual area concerned. And finally they strengthened the bipolar model in the public sector as well, generalizing recourse to decentralized supplementary bargaining.

New features and possible destabilizing factors ten years after the tripartite agreement of 1993

As well-informed observers have pointed out (Damiano and Giaccone 2001), at the beginning of the 2000s, after the transformations that took place during the 1990s in both the private and public sectors, it is possible to identify four principal variants of the bipolar bargaining model redefined by the tripartite agreement of 1993. These four variants differ according to how the second level – the decentralized one – performs and combines with that of the industry-wide agreement, which is the constant component of the system.

A first variant, called ‘decentralized’, has been characterized by the development of company-level bargaining led by the Rsu together with the territorial industry unions (mainly in manufacturing enterprises) or of territorial bargaining usually conducted by the territorial trade unions (industrial districts, crafts). This is the variant that corresponds most closely to the model devised by the agreement.

A second variant, this too ‘decentralized’, with a significant role played by the Rsu and a strong concertative orientation, is typical of the public services delivered by autonomous local agencies (hospitals, for example).

A third variant, characterized by centralized second-level bargaining and supervised by the national industry unions, is that used by large organizations with numerous small and medium-sized local units distributed across the country, whether private (banks, telecommunications, large retailers, car manufactures) or public (ministries).

A final variant is the one in which the second level is excluded or almost entirely constrained by the national agreement, as in the case of collective agreements for extremely small firms (professional offices, cleaning firms, or in certain respects construction firms or farm businesses).

On the basis of these multiple patterns, one may conclude that the model has proved itself able to adapt to the competitive and structural changes in the economy and in the composition of the labour force (Damiano and Giaccone 2001: 58).

It should also be pointed out, however, that new features have recently emerged externally to the bargaining system that may upset its equilibrium. Two of them in particular may have major effects in the medium-to-long period, although for the moment they are not the subject of cultural and political debate. One is the transposition of European Union directives on aspects of work and employment. The other is the recent constitutional law on federalism, which gives the regional administrations concurrent legislative powers on measures regarding employment protection.³²

The case of EU directives – which have concerned themselves with working hours, overtime and part-time, parental leave and, more recently, fixed-term contracts – is significant because it has given rise to legislation which has enabled experimentation and the definition of norms directly at the company level, thereby jumping the level of national agreements, which, given that they are renewed at four-yearly intervals, have not always been able to keep pace with normative innovations. The effect has been a downward redistribution of bargaining powers and initiative, but also a certain “disorientation among union officers (officials and Rsu) in company-level regulation, accustomed as they are to take their bearings from the national agreement” (Damiano and Giaccone 2001: 62).

As for the constitutional law no. 1/01 on federalism, which defines the matters to be reserved to the state and those on which concurrent legislation may be introduced on the

³² On this see again Damiano and Giaccone (2001: 61-71). On federalism see also the special issue of *Lavoro e Diritto* (2001 ...).

initiative of the regional administration, it has been called a “veritable revolution” which has introduced a “complete reversal of perspective” in which the regions become the protagonists (Biagi 2001). Although the state has competence on fundamental principles (besides specific matters like compulsory social security), at least in principle differences among regions are possible on numerous important issues, which may further reduce the role and significance of national agreements. It is too early to draw firm conclusions. But it is certain that the prospects are not simply those of a further consolidation of the bargaining model born from the tripartite pact of 1993.

4. Conclusions: what can we learn from the Italian experience? The future of tripartism in comparative perspective

The emergence of social pacts in some European countries has often been equated to centralizing tendencies in wage bargaining and in industrial relations, that would go counter to the previous trend towards decentralization, a trend still very visible in other countries (European Commission 2000). However, closer inspection shows that centralization processes are not involved in most national experiences of social pacts. This conclusion is fully supported by the important tripartite agreement of July 1993 in Italy. This paradigmatic social pact does not envisage recurrent top-level bargaining as in the classical Scandinavian experience. It establishes rules and procedures for the conduct of collective bargaining, but does not fundamentally constrain industry- and company-level negotiation; nor does it prevent firms from designing different incentive structures. Although the institutional mechanisms differ, the logic of incomes policy which has inspired this key social pact is rather similar to that of the Austrian system. The central level of bargaining does indeed influence the overall wage dynamics, but at the same time assigns the task of determining the relative wage levels to decentralized negotiation. Franz Traxler (1996) has conceptualized this trend as “organized decentralization”, thereby contrasting it with the “disorganized decentralization” of the collective bargaining system characteristic of countries like Britain, the United States and New Zealand.

Moreover, the way in which bargaining decentralization is realized should be considered jointly with the existence, or otherwise, of different informal mechanisms to co-ordinate wage dynamics. These mechanisms place Italy, along with other European countries, in the category of “co-ordinated market economies”, which, according to Soskice (1990), respond to the common challenges in sharply different ways from the “uncoordinated market economies”. From this point of view, the incomes policy devised by the tripartite agreement of 1993 is nothing but an instrument to reinforce the central co-ordination of wage dynamics. In comparative perspective, we may observe that, while in the 1980s bargaining decentralization was a generally uniform trend, in the last ten years it has moved in two very different directions. In a first group of European countries, industry- and company-level negotiation has increasingly taken place within the framework of an overall co-ordination of the collective bargaining system. We have showed that this was the case in Italy, while other authors have detected similar trends in The Netherlands, Ireland, Greece, Portugal and Spain (Fajertag and Pochet 1997). On the other hand, in other countries the trend towards

decentralization of wage bargaining has in no ways been steered by the center, nor counter-balanced by the strengthening of existing co-ordination mechanisms.

Why have social pacts become the dominant form of bargaining in Italy and in a few other European countries? And why have they been successful in the 1990s, whereas they generally failed in the previous decade, and they are again questioned and less effective in the last few years? These are major questions that would require separate discussion of alternative hypotheses. A tentative answer, which especially fits the Italian case, focuses on the process of monetary unification in Europe. In the early and mid-1990s, the key economic policy requirement for several European countries became to converge on some common parameters, namely inflation rate, public deficit, etc. – that will later be known as the Maastricht parameters – in order to qualify for admission to the Euro zone. The countries that were more marginal to a European integrated economy (Ireland, Greece, Portugal) or that were further away from the convergence criteria (Italy, Spain) could only fill the gap by mobilizing their citizens, interest groups, institutions towards a nationally-shared goal. Social pacts, in their various forms, were the main instrument that governments could use to face this emergency (Fajertag and Pochet 2000). The more the policy-makers needed and were able to mobilize national consensus by advancing the idea of a national emergency that could only be faced through cooperative efforts, the more a recourse to social pacts was possible and their success was likely.

Why, then, have social pacts been questioned and have become increasingly ineffective in the last few years in Italy? Probably the main reason is that the objective to meet the convergence criteria has been reached: hence the Italian policy-makers' ability to mobilize the social partners towards a shared objective, which involves mutual restraint, has decreased. Also, as inflation appears definitely under control in the Euro zone, the need for an incomes policy that dominated not just tripartite agreements but more generally collective bargaining in the previous decade becomes less stringent for both governments and companies. The new imperative for advanced political economies like the Italian is to increase their competitiveness in globalized markets. To what extent will policy-makers be able to translate this imperative into a new national emergency that again requires cooperative efforts on the social partners is difficult to predict. Increased competitiveness of an economy is an aggregate outcome of several factors, only few of which are under the direct control of the social partners and stem from negotiation between them.

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