

**LEARNING FROM PAST MISTAKES? RECENT REFORMS IN  
ITALIAN INDUSTRIAL RELATIONS**

Richard M. Locke  
Lucio Baccaro

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Richard M. Locke\*

Lucio Baccaro\*\*

Massachusetts Institute of Technology

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\* Richard M. Locke is Associate Professor of Industrial Relations and Political Science at the Massachusetts Institute of Technology.

\*\* Lucio Baccaro is Ph.D. candidate in Industrial Relations at the Massachusetts Institute of Technology.

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**Abstract**

Italian industrial relations appear to have undergone a dramatic transformation in recent years. Since the early 1990s, a series of major reform efforts aimed at reducing industrial conflict in the service sector, rationalizing labor relations in the public sector, restructuring collective bargaining arrangements, and re-establishing tripartite “concertation” at the national level have been launched. Based on an historical reconstruction of recent industrial relations developments, this paper argues that because these new reforms are tied to a major organizational reform of the Italian labor confederations which revitalizes plant-level structures, democratizes internal decision-making, and enhances the unions’ ability to represent diverse interests, these recent reforms stand a better chance to succeed than previous reform projects of the 1970s and 1980s which were often undermined by internal dissent and defections. The paper suggests that perhaps the Italian unions’ efforts to redefine themselves both vis-à-vis their members and in the larger political economy could represent a model of reform for other labor movements faced with similar problems.

## **Learning from Past Mistakes ? Recent Reforms in Italian Industrial Relations**

Italian industrial relations, traditionally described as highly conflictual (Shalev, 1983), poorly institutionalized (Cella, 1989), and, more recently, “paradoxical” (Ferner and Hyman, 1992), appear to have undergone a dramatic transformation in recent years. Since the early 1990s, a series of major reform efforts have been undertaken to render Italian labor relations more efficient and quiescent. These reforms include the 1990 law regulating the right to strike in essential public services, the 1992 “privatization” of public sector employment relations, the abolition of the scala mobile (wage indexation mechanism) in July 1992, and a radical reconfiguration of collective bargaining arrangements in July 1993. Taken together, these reform initiatives seek to reduce industrial conflict in the service sector, rationalize labor relations in the public sector, restructure collective bargaining arrangements at both the national and company levels, and re-establish tripartite, neo-corporatist “concertation” between the social partners at the national level.

Initial evidence suggests that these reforms may be working. For example, the abolition of the scala mobile and the re-introduction of incomes policies permitted Italy's monetary authorities to engineer a massive devaluation of the Lira (which lost about 50 percent of its value vis-à-vis the D-Mark) while avoiding a renewed inflationary spiral. According to the OECD, Italian manufacturers have in recent years improved their cost competitiveness (defined as cost of labor per unit of industrial output) by 34 percent -- a figure higher than that of all of Italy's international competitors. This improvement was due not only to currency devaluations but also to wage moderation and productivity increases.<sup>1</sup> Other indicators of positive change can be detected in recent contract negotiations. For example, the 1994 renewal of the important metalworking industry contract represented an unheard-of event in Italian industrial relations. Not only did the agreement respect the guidelines established by the new national incomes policies -- notwithstanding the considerable growth of profits in this sector -- but also the contract was signed without any recourse to strikes. Similarly, various national contracts in the public sector -- the source of much of Italy's labor conflict in recent years -- also respected the limits established by the government.<sup>2</sup>

How do we understand this recent shift in Italian industrial relations ? How stable are these new institutional arrangements --especially given that similar practices are breaking down in a number of countries traditionally seen as more "stable" or "mature" than Italy ? (Lash, 1985; Martin, 1992; Pontusson and Swenson, 1993; Iversen, 1995) How do these recent changes differ from previous failed efforts to reform Italian industrial relations ?

Through an historical reconstruction of recent developments in Italian industrial relations, this paper seeks to address these questions and assess the stability of Italy's recent reform efforts. Although it is too early to pronounce a definitive judgment on the long-term viability of these initiatives, we argue that current reforms are qualitatively different from previous reform projects and thus have a better chance of succeeding.

This is not the first time Italian business, labor, and political leaders have come together to reform the country's industrial relations system. Throughout the 1970s and 1980s, a variety of attempts aimed at remaking Italian labor relations in the image of other, supposedly more "mature" national systems were promoted. The reform of Italian labor law through the Statuto dei Diritti dei Lavoratori (a comprehensive labor code modeled on the American Wagner Act) in 1970, the attempt by Confindustria (Italy's major business association) and the three major labor confederations, the Confederazione Generale Italiana del Lavoro (CGIL), the Confederazione Italiana dei Sindacati Lavoratori (CISL), and the Unione Italiana dei Lavoratori (UIL), to forge a Swedish-like Basic Agreement through wage indexation in 1975,<sup>3</sup> and experiments with neo-corporatist "concertation" in the late 1970s and again in 1983-84 were all designed to recast Italian industrial relations in the image of other, more "mature" national systems. Yet all of these initiatives failed. Instead of promoting greater centralization, standardization, and quiescence, these reform efforts unleashed a series of intra-organizational struggles that resulted in the further decentralization and fragmentation of Italian labor relations.

Given this record of repeated failure, caution is required in assessing whether recent reform efforts constitute a fundamental break with the past or merely a continuation of Italy's continuous and contradictory process of institutional reform. Nevertheless, we argue that because the most

recent reforms are tied to a major organizational reform of the Italian labor confederations themselves, aimed at revitalizing their plant-level structures, democratizing their internal decision-making processes, and thus enhancing their ability to aggregate and represent diverse interests within the labor movement, they stand a better chance than previous reform projects which were often undermined by internal dissent and organizational challenges from various groups of workers (especially skilled and professional workers) who felt their interests were ignored by the unions' leadership.

The remainder of this paper develops our argument by first providing a highly stylized reconstruction of various attempts to reform Italian industrial relations in the 1970s and early 1980s. We describe both the institutional designs and unintended consequences of these previous reform projects. We then examine the most recent efforts to redesign the framework for Italian industrial relations in the early 1990s by analyzing the new laws on strikes and public sector employment relations, the abolition of the scala mobile, the reconfiguration of bargaining relations at both the national and firm- levels, and the internal reform of the unions' own organizational structures. We conclude by considering whether the composite of reforms recently introduced in Italy constitute a model of reform for other industrial relations systems suffering from many of the same political and economic problems.

### Building a "Mature" Industrial Relations System in the 1970s and 1980s

During the 1970s and early 1980s, Italy's business, labor, and political elite sought to construct a new national model of industrial relations as a way of coping with the country's internal, distributive problems. The consequences of the Hot Autumn of 1969 had led to rapidly growing labor costs, a dramatic rise in industrial conflict, and the open contestation of traditional forms of work organization in large firms (Pizzorno, 1974-8; Rey, 1982; Regini and Reyneri, 1971). Taken together, these factors seriously impaired the socio-economic stability of the country. Unions used their newfound power to eliminate overtime, regulate layoffs, restrict internal mobility, and slow down the pace of work. Squeezed between higher wages, shorter workweeks, and more stringent

labor regulation, firm profits dropped sharply (Barca and Magnani, 1989: 27-38). Italy's competitiveness and foreign trade also deteriorated in the 1970s. During the first half of the decade, Italy's average annual growth of imports was substantially higher than growth of exports (OECD, 1990: 189-90). Moreover, because of its extremely high dependence on imported raw materials, especially oil, and rapidly growing labor costs, Italy experienced in the 1970s and early 1980s one of the highest price-level increases among the OECD nations (OECD, 1992).

By the mid-1970s a general consensus emerged, shared by managers, politicians, and unionists alike, that union demands and industrial conflict were imposing unbearable costs on the Italian economy (Lama, 1976: 84-149). The leadership of the three major confederal unions (CGIL, CISL, and UIL) were particularly concerned that the unions' "Reform Strategy," adopted after the Hot Autumn and based on grass-root mobilization within the factories and battles for social reforms in the political arena, was exacerbating Italy's political-economic woes (Lange and Vannicelli, 1982; Lama, 1978).<sup>4</sup> As a result, with the worsening of Italy's economic crisis in the second half of the 1970s, the three major union confederations began to develop a new strategy aimed at enhancing their participation in national economic policy in exchange for wage moderation and self-restraint in industrial conflict. This strategic shift, known as the "Eur-policy," rested on important institutional innovations introduced during the 1970s : a comprehensive labor law reform (the Statuto dei Lavoratori); a generous modification of the eligibility rules for partial unemployment benefits (cassa integrazione straordinaria); and a major redefinition of the wage indexation mechanism (scala mobile).<sup>5</sup>

The Statuto dei Diritti dei Lavoratori was enacted in 1970, on the crest of the strike waves of the Hot Autumn. It had two major components. Like the American Wagner Act, the first part consisted of a series of articles guaranteeing the freedom of workers as citizens : freedom of thought and expression were protected, job security was ensured, the roles of security guards and supervisors were strictly limited, and various surveillance techniques were curtailed. The second part provided institutional guarantees for unions. Black lists were prohibited, the right to join a union affirmed, and

unions were authorized to constitute their own structures on the shop floor (Lord Wedderburn, 1990).

The main aspect of the 1975 reform of the scala mobile was 100 percent indexation of industrial workers' wages.<sup>6</sup> This reform was accompanied by another important agreement over the cassa integrazione guadagni (CIG), which extended the duration of state-funded partial unemployment benefits and guaranteed 80 percent of workers' wages in the event of lay-offs (Treu, 1986: 80-1). The CIG was therefore transformed from a temporary protection of industrial workers' incomes into a substitute for dismissals (Reyneri, 1989: 137).

Both the Statuto dei Lavoratori and the 1975 reforms of the scala mobile and cassa integrazione constituted the building blocks on which Italy's system of economic "concertation" was erected. The three confederal unions CGIL, CISL, and UIL, which the Statuto had de facto designated as the sole legitimate representatives of the workers,<sup>7</sup> exchanged income protection for their commitment (through adoption of the so-called "Eur-policy") to support the government austerity policy, and thus engage in self-restraint in terms of both bargaining demands and industrial conflict (Regini, 1981). In fact, beginning in 1976, demands for investment and information about future company plans replaced claims for higher wages and better working conditions.<sup>8</sup> In 1977-79, the confederal unions began to bargain directly with the government as well. In return for wage moderation, the unions demanded substantial changes in the government's tax, energy, and agricultural policies; a reform of state finances; and a legislative package concerning industrial restructuring and reconversion (Law 675) that included, among other things, youth employment guarantees, vocational training initiatives, and pension reform (Lange and Vannicelli, 1982: 166-7).

In 1979, as part of this strategic shift towards "concertation," the three confederal unions CGIL, CISL, and UIL also embarked on an organizational reform, the so-called Riforma di Montesilvano. The reform promoted the constitution of new organizational structures at both the regional and territorial levels and in the process weakened the national industry and provincial unions -- two union structures which had become more powerful and autonomous during the 1960s and 1970s. It also mandated the merging of several national industry unions, especially in the



transportation and public sectors. The confederations hoped that this more centralized structure would provide them with the organizational control and resources necessary to pursue their new strategy based on participation in national policy-making (Regalia, 1986). Initially, this turnabout in union strategy appeared to produce beneficial results for the Italian economy : industrial conflict declined significantly in 1977-78, wage costs decreased, investments grew, and inflation was curtailed (Barca and Magnani, 1989; OECD, 1979: 21). Yet, following the second oil shock and the demise of the governments of “national solidarity,”<sup>9</sup> industrial conflict and inflation resurfaced.

The second attempt at “concertation” took place in 1983 in the form of a tripartite agreement aimed at reducing the cost of labor, particularly through a revision of the scala mobile (Regini, 1985).<sup>10</sup> In fact, due to Italy’s high inflation rates, the scala mobile had gained massive weight in the determination of wages. By the early 1980s, it accounted for over 60 percent of annual wage increases (Di Vezza, 1987). This not only caused problems for management, which had to pay for these increases, but also for the unions, whose control over wage determination had been severely reduced by indexation. The government, too, wanted a reform of this system since it ostensibly blocked all measures aimed at fighting inflation. Disagreements over certain clauses of the 1983 accord subsequently broke out between labor and management and the agreement was not automatically renewed the following year. As a result, the government presented its own proposal to fix wage indexation for 1984, regardless of the actual rate of inflation. This attempt met with staunch opposition by the Communist component of the CGIL. The government implemented this policy through an executive order and the unions split along partisan lines. The Socialists in the CGIL, and the CISL and UIL, all supported the government position. The rest of the CGIL opposed it. Supported by the PCI, the Communists within the CGIL mobilized workers against the new modification of the scala mobile (Golden, 1988). In 1985, they also promoted an electoral referendum aimed at abrogating the government decree. The results of the referendum were favorable to the government and the moderate union forces that supported the 1984 accord (Lange, 1986). Thus, only twelve years after the birth of the Federazione Unitaria CGIL-CISL-UIL,<sup>11</sup> labor unity once again dissolved in Italy. This not only eliminated the functional equivalent structures

necessary for neo-corporatist bargaining in Italy (Regini, 1984), but also dashed many of the dreams of social reform associated with the Hot Autumn. After this episode, tripartite agreements ceased for the rest of the 1980s.

### The Unintended Consequences of Reform

The reform projects described above were designed to make the Italian industrial relations system more stable and efficient. All of them, to one degree or another, were inspired by other national systems, with the sole exception of the cassa integrazione which is an Italian peculiarity. The Statuto was modeled after the American Wagner Act, the 1975 scala mobile accord after the Swedish Basic Agreement, and the various experiments with “social concertation” after analogous arrangements in central and northern Europe. Yet all of them failed to recast Italian industrial relations along the lines of these seemingly more “mature” and “stable” foreign systems. Instead, by the end of the 1980s, it was clear that they had actually accentuated the long-standing fragmentation and decentralization of Italian industrial relations. For example, the Statuto dei Lavoratori sought to recast Italian labor relations along more procedural (and, it was hoped, less conflictual) lines. However, because of the way Article 19 of the Statuto limited workplace representation to the “most representative” unions and defined “most representative” as the ability of the union to negotiate a national and/or provincial-level industry contract, the Statuto actually created a very strong incentive for non-confederal organizations (e.g. COBAS and “autonomous” unions, see *infra*) to provoke strikes and contest previously negotiated contracts simply as a way of gaining access to collective bargaining, and through that, to the legal protections made available by the labor code.

Similar developments followed from the other reform efforts as well. The extensive use of the cassa integrazione during the 1980s, for example, contributed to the failure of alternative adjustment measures, which were less expensive for the public budget and perhaps more equitable as well. Likewise, the scala mobile accord of 1975 contributed to the delegitimation of the three major union confederations in the eyes of their highly skilled industrial workers and their public sector members. Because the scala mobile was calculated as a lump-sum amount, equal for all categories of

workers , wage differentials based on different skill levels were significantly reduced (Di Gennaro, 1994: 33, figure 11B). As a result, the major union confederations (CGIL, CISL, and UIL) found themselves increasingly attacked, if not simply abandoned, by their more skilled members who felt under-protected and insufficiently appreciated by the union leadership.<sup>12</sup> Many of these workers defected from the confederal unions and established new associations, the so-called sindacati autonomi (“autonomous” unions) and the Comitati di Base (COBAS). With their demands for steep wage increases and their frequent recourse to strikes, particularly in the public sector, these new, competitive labor organizations contributed to Italy’s persistently high inflation and strike rates.

The Riforma di Montesilvano, in turn, contributed to the decline of grass-root union structures. In fact, consolidation and extension of the unions’ plant-level organizational structures (the so-called Consigli di Fabbrica),<sup>13</sup> which constituted an important part of the reform project, was never accomplished. Nor were precise norms concerning the election and re-election of workers’ representatives and the relations between these councils and external unions ever established. As a result, the responses given by the Consigli di Fabbrica to the wave of industrial restructuring of the 1980s (Barca and Magnani, 1989) were increasingly particularistic, thus rendering the emergence of a unitary union strategy even more difficult to achieve (Locke and Baccaro, 1994). Faced with industrial restructuring, plant-level activists pursued different policies based on the degree of support which they enjoyed from the rank-and-file, on the level of recognition accorded to them by management, and, ultimately, on the particular sociopolitical features of the local economies in which they were embedded (Locke, 1995; Vento, 1987).<sup>14</sup>

Finally, the attempts at constructing an Italian variant of neo-corporatism met with stiff opposition within the unions themselves and eventually collapsed. As we saw, their demise provoked the reemergence of old political divisions among CGIL, CISL, and UIL.

In sum, by the end of the 1980s, Italy appeared still to be coping with its long-standing woes of poorly formalized collective bargaining arrangements, politically divided trade unions, and high levels of industrial conflict, only this time concentrated primarily in the service sector. The three confederal unions CGIL, CISL, and UIL, in turn, appeared no longer capable of representing entire

segments of the labor force. Their bargaining power in the political arena had diminished substantially, and their exclusive representation was contested by newly-formed unions. As a result of these developments, during the second half of the 1980s, they experienced both strategic and organizational disarray, best illustrated by two developments : the decline of their role as national bargaining agents, and the end of their hegemony as representatives of various segments of the workforce.

### The Crisis of the Confederal Unions

With the end of the tripartite agreements of 1983-84, the enterprise became the major locus of collective bargaining. Historically, master agreements (CCNL's), negotiated by the national industry unions every three years, had been the predominant source of regulation for most, if not all, firms in industry. Negotiations by union locals at individual firms were generally mere addenda to these more standardized national contracts and usually took place within one year of the signing of the national agreements.

During the 1980s this pattern broke down. Essentially, the national industry agreements became squeezed between confederal-level tripartite agreements and local or firm- level bargaining (Baglioni and Milani, 1990: 37-56). At the same time, unwilling to be limited by overly broad industry contracts (which lump together within a single "category" extremely diverse economic realities -- firms of different sizes and degrees of technological sophistication, engaged in different lines of business, and adopting alternative strategies), firm- and territorial- level unions engaged in decentralized bargaining. These more micro-level contracts focused on firm restructuring efforts, the introduction of new technology, and shifts in work organization and working time (Regini and Sabel, 1989; Locke, 1990; Negrelli, 1991).

National industry unions, as a result, experienced substantial difficulties in developing, let alone implementing, master agreements in a number of industries. In fact, the content of collective bargaining began to shift away from the national contracts. A 1986 study on collective bargaining in Italy revealed that contrary to past practice, local union contracts were the most innovative and

important agreements covering workers in industry. While national agreements appeared quite generic, at most setting broad parameters on wages and working conditions, local unions were actually negotiating the most significant elements of the contract (Nacamulli, Costa, and Manzolini, 1986). This trend was confirmed by a subsequent study (Baglioni and Milani, 1990) which documented how negotiations over the pace and timing of work, bonuses and profit sharing, new technologies and redundancies were increasingly negotiated at the firm- and/or local levels. Even the sequencing of contract negotiations appeared to be shifting in favor of local unions. Whereas before, national agreements were negotiated first and local contracts later, often with a prescribed lag period, during the 1980s many local unions negotiated their own contracts first with the national agreement emerging later as an aggregation and ratification of these prior local deals (Guidotti, 1986).

These trends towards the decentralization of collective bargaining and the strategic paralysis of the national unions were accompanied, perhaps even spurred by, a process of internal fragmentation of the three major confederations. In fact, throughout the 1980s, new “competitive” unions increased both their membership and bargaining power and contested the confederal unions’ claim to represent various categories of workers.

The emergence of these new types of unions in Italian industrial relations occurred in two phases. First, during the 1970s, a myriad of so-called sindacati autonomi (autonomous unions) appeared as a response to the egalitarian, class-based strategy of representation adopted by the confederal unions (Accornero, 1992). In fact, while the confederal unions targeted a particular category of worker, i.e. the operaio-massa (semi-skilled assembly line worker), new professional unions endorsed the specific demands of white-collar workers, technicians and professional workers in the air transportation, banking, insurance, health care, and school sectors. In 1977, for example, the Confederquadri (representing lower management ranks) and the SNALS (representing secondary school teachers) were founded. These so-called “autonomous” unions based their success on the contestation of the confederal unions’ bargaining policy, especially its concern with various political and ideological goals. Instead, they proposed a more “bread and butter” focus to labor issues, such as the reopening of wage differentials, the negotiation of merit pay, and the introduction of new

organizational structures through which skilled workers could express their “voice.” A few years later, these unions adopted more stable organizational structures (Armeni, 1988). In fact, during the 1980s new confederations, such as the CISAL, the CISAS, the CONFAIL, and the CONFISAL, were instituted by various autonomous unions in different sectors.

Second, during the latter half of the 1980s, the Comitati di Base (COBAS) (grass-root committees) appeared in many of the same sectors in which the autonomous unions were already present. In many cases, the COBAS were established by previous members of the CGIL. This contributed even further to the erosion of the confederal unions’ representational monopoly (Bordogna, 1994: chs. 2-4; Lombardi, 1989). In fact, already in the 1970s, but increasingly in the 1980s, the egalitarian strategy adopted by the confederal unions created resentments among skilled workers, particularly in the public sector. Gross salaries fell 0.9 percent in real terms in the public sector between 1981 and 1986 (Bordogna, 1992) while they increased slightly in the private sector (Barca and Magnani, 1989). More importantly, while in the private sector the flattening of wage differentials (the so-called appiattimento salariale) brought about by the joint action of egalitarian wage policies and the scala mobile was partially corrected by individual premia for key workers paid unilaterally by the employers (Di Gennaro, 1994: 32-3), in the public sector wages and working conditions were rigidly regulated by law or national-level collective bargaining, and those informal adjustments were not an option. Consequently, wage differentials across skill categories (expressed as ratios between highest and lowest pay levels) fell from 149/100 in 1975 to 129/100 in 1984 (Carrieri, 1992).

Since industry-level collective bargaining in Italy takes place every three to four years, protest against the representational strategies of the three major union confederations exploded in 1986-87, when all major contracts in the public sector were under renewal. School teachers contested the collective agreement that the CGIL, CISL, UIL, and the professional union SNALS, had just negotiated. On March 25, 1987, 40,000 people demonstrated in Rome against both the confederal unions and the government. Most of them refused to provide end-of-year student reports (Bordogna, 1988). During the summer of 1987, engine drivers contested the contract signed by the

CGIL, CISL, UIL, and the autonomous union FISAFS, and organized a wave of wild cat strikes which paralyzed railway transportation. Participation in the strikes was as high as 78 percent in some cases (Bordogna, 1992). Finally, in Autumn 1987, ground personnel at Alitalia (Italy's major airline company) rejected the new contract and forced the company to reopen bargaining (Negrelli, 1992). In all of these cases, protests were organized by the COBAS.

As a result of these developments, the confederal unions experienced growing disaffection from within their own ranks and a weakening bargaining position vis-à-vis management which became increasingly concerned that the established unions could not control their own rank-and-file. Unionists and politicians alike began to wonder aloud whether the legal "representativeness" that the Statuto dei Lavoratori had conferred on the confederal unions actually corresponded to effective levels of representation (Terry, 1993). In fact, in an increasing number of sectors and among numerous professional groups, the confederal unions appeared to have lost their hegemony over union representation.

Faced with a decline in their bargaining role, growing challenges to their representational monopoly, and internal dissent, the three major confederal unions reacted in essentially two ways. First, they abandoned their traditional hostility towards legal regulation and actively promoted the passage in the early 1990s of two important laws regulating strikes in essential public services<sup>15</sup> and employment relations in the public sector. Second, they once again engaged in neo-corporatist "concertation" with Confindustria and the government in an effort to play a more constructive role in the economy. These renewed reform efforts were accompanied by a major organizational reform of the confederal unions' own structures.

### Two Legislative Reforms

Both the law on strikes and the reform of the public sector aimed at rationalizing industrial relations in the service and public sectors, where the COBAS were promoting systematic industrial conflict, and demanding very large wage increases for their own constituencies. Thus, aside from the deleterious effects this behavior produced for Italy's growing public deficit, developments in the

public sector were also undermining the credibility of the confederal unions as bargaining agents.

The explosion of industrial conflict in the public sector in the late 1980s (Bordogna and Provasi, 1989) and the COBAS' continuous blockage of crucial services such as railways, airlines, health care, and schools created a general consensus among Italy's economic and political actors that legal regulation of strikes was required. The confederal unions had long opposed legal interventionism in the realm of industrial relations, arguing that it represented an unwarranted limitation of the unions' bargaining power. In order to guarantee the provision of minimal services in case of strikes, CGIL, CISL, and UIL had earlier promoted the so-called codici di autoregolamentazione (codes of self-regulation). However, since the COBAS refused to adopt these codes, or rather systematically violated them, the confederal unions eventually came around to support legal intervention. As a result, a law was approved in 1990 to curtail the unlimited exercise of the right to strike and to guarantee the provision of certain "essential" services in the case of strikes.

This law (Legge 146/90) regulates strikes in essential public services through a peculiar combination of legal and contractual tools (Treu, 1994a). In fact, it delegates to collective bargaining the definition of a list of basic services whose provision is to be assured even in case of strikes. The law also established particular criteria that a union must meet in order to gain access to the bargaining table. For example, only those unions that had already adopted a code for the self-regulation of strikes were admitted to the bargaining process. This clause *de facto* excluded most of the COBAS. Substantive restrictions concerning the length and timing of strikes were also included in the law. For example, strikes have to be announced at least ten days prior to their initiation. Moreover, in the case of illegal strikes, workers can be forced back to work through an executive order (the so-called precettazione). The law also created a Commission of Experts (Commissione di Garanzia) which seeks to mediate conflict, assure the provision of "essential" public services in case of strikes, and discipline unions when they violate these rules.

So far, Law 146/90 has proven instrumental in reducing the number of strikes in the service sector. In most cases, the bargaining parties have been able to reach agreements over the list of



services to be guaranteed. Strikes of limited or intermittent duration have almost disappeared, while wild-cat strikes have become very rare (Treu, 1994: 482-3). However, in some sectors like railways and airline transportation, the new law has not proven especially effective. In certain cases, it has even enhanced the bargaining power of the COBAS. For example, since the law required that strikes be publicly announced in advance, the Comitato Macchinisti Uniti (COMU) (the engine-drivers' COBAS organization) has often threatened strikes only to call them off at the very last moment. As a result, the law has paradoxically provided the COBAS with a way of pursuing their objectives but at little or no cost.

Another attempt to restore order and predictability in Italian industrial relations through legal regulation was represented by the reform of labor relations in the public sector, accomplished through Law 421 of 1992 and legislative decree No. 29 of 1993. This reform aimed at producing a major overhaul of human resource practices in the public sector. In particular, the main goal of the reform was to eliminate a web of clientelistic work practices which were rampant in the public sector. For this purpose, the reform introduced techniques of human resource management generally adopted in the private sector, and increased the power and autonomy of the public managers vis-à-vis their bargaining counterparts (Treu, 1994b; 1993).

In the public sector, a tradition of particularistic and informal collective bargaining, involving the presence of various autonomous, professionally-oriented unions (see Codara, 1987) predominated. In fact, for much of the postwar period complacent politicians treated the public sector as a reservoir of partisan support, passing legislation which guaranteed special pension regimes, differentiated working conditions, status demarcations, and wage allowances to various professional groups within the civil service (Accornero and Visco, 1978). In 1983, a legislative reform introduced collective bargaining into the public sector. This reform sought to produce uniformity in wages and working conditions. Once again, however, it produced paradoxical results. Since the law of 1983 rigidly designated which issues were to be regulated through collective bargaining and which were to be left to legal regulation, a peculiar interpretation of the law prevailed, according to which union consensus was required on all issues for which legal regulation

was not explicitly contemplated. Consequently, as an unintended consequence of this reform, a clientelistic version of codetermination emerged in which unionists and public officials agreed to mutually beneficial bargaining outcomes at the expense of the public good (and national treasury).

To restore efficiency and equity in public sector employment relations, the reform of 1992-93 established that unilateral decisions by public managers could legally constitute a possible alternative to collective bargaining. Like in the private sector, union consensus was no longer necessary to regulate various aspects of the employment contract. In fact, one of the major innovations was to relaunch the role of the public manager. The law accorded public managers exclusive responsibility for the deployment of both human and physical resources, increased their remuneration (depending on performance), and augmented their capabilities through investments in training. These innovations also sought to strengthen the bargaining power and autonomy of public officials vis-à-vis their political counterparts. To avoid political interference in collective bargaining, the reform assigned the task of negotiating collective agreements to an autonomous agency, called the Agenzia per la Rappresentanza Negoziabile (ARAN), composed of experts and therefore, at least in theory, insulated from political pressures.

### The Reconfiguration of Collective Bargaining and the Re-establishment of “Social Concertation” in Italy

The recent reform of public sector employment relations is part of a wider reconfiguration of collective bargaining arrangements in Italy, involving the elimination of wage indexation, the introduction of clear institutional links among different bargaining levels, and the re-establishment of incomes policies at the national level. All of these measures play a fundamental role in the implementation of Italy’s new economic policy, aimed at reaching a delicate balance among different, perhaps even divergent, policy goals. On the one hand, Italy’s policy makers seek to reduce the country’s inflation rate, budget deficit, and public debt to levels compatible with the so-called “Maastricht parameters,” so that Italy could join the second phase of the European Monetary Union. On the other hand, they are trying to increase business profits in the hope that this will increase

investments and reduce the country's unemployment rate -- which is now around 12 percent (national average) but much higher among youth, women, and Southerners. In other words, Italy's new economic policy seeks to implement a model of export-led recovery in which the joint effects of currency devaluations and wage moderation will help relaunch the competitiveness of Italian exports on international markets and boost profits, while restrictive monetary and fiscal policies will keep domestic demand and inflation low, and reduce government expenditures.

In the late 1980s-early 1990s, a combination of monetary and exchange-rate factors and industrial relations problems undermined the competitiveness of Italy's manufacturing sectors. Essentially, for Italian producers to maintain their cost competitiveness at a time when the Lira was tied to the European Monetary System, wage increases in the sectors exposed to international competition needed to remain within the limits of international inflation rates plus domestic productivity gains. However, the productivity growth of the industrial sectors declined in the late 1980s (Di Gennaro, 1994: 24) while the country's inflation rates were consistently higher than most international competitors throughout the 1980s (OECD, 1992). This was due in part due to the public sector unions' demands for wage increases well above productivity gains. These inflationary pressures were generalized and extended to the exposed sectors of the economy through the economy-wide indexation mechanism, the scala mobile. As a result of these developments, Italy's manufacturing companies found themselves facing the unpleasant alternative between either accepting a loss of market share or reducing their profits. These problems were further complicated by Italy's high social security expenditures, which contributed to render Italy's labor costs among the most expensive in Europe.

The country's major social partners and government officials were all aware of the need to reduce labor costs. Negotiations between Confindustria and the three major confederal unions began in the late 1980s but initially made little progress. Yet, by the early 1990s they underwent a marked transformation. As Italy's macroeconomic situation deteriorated steadily over the course of 1992, the social partners were pushed by the Amato government to sign an agreement on July 31, 1992, which abolished the scala mobile.

Seen by many at the time as a revolutionary break with recent industrial relations practices, the July 31, 1992 “Protocol on Incomes Policies, the Struggle against Inflation, and the Cost of Labor” was not strictly speaking a collective agreement but rather a document in which the Italian government outlined its future economic policies. The “social partners” were called upon to underwrite this document and to conduct themselves within the parameters established by it. The main features of the agreement included the abolition of the *scala mobile*, a one year moratorium on firm-level wage bargaining and on public sector collective bargaining, and a freeze in industrial wages and salaries, government rates, and administrative fees for the rest of 1992 (Locke, 1994).

In return for the unions’ concessions, the government committed itself to three major policy reforms. First, the government reformed the pension system by progressively raising the minimum retirement age (from 60 to 65 for men and from 55 to 60 for women) and eliminating certain benefits for public sector employees (e.g. the so-called “baby pensions” in which public sector workers became eligible for retirement after only twenty years of service). Second, the government “privatized” public sector employment relations, as already discussed in the previous section. Finally, and perhaps more important, the Amato government sponsored an important tax reform aimed at eliminating various inequalities and reducing tax evasion through the introduction of the “minimum tax” to be paid by all independent workers and small business owners.

The July 1992 accord provoked internal turmoil within the Italian confederal unions, especially within the CGIL. In fact, numerous demonstrations against the accord took place the following Autumn. A significant minority within the CGIL, closely linked to the left-wing faction *Essere Sindacato*, opposed the tripartite agreement abolishing the *scala mobile* (Trentin, 1994: ch. 9). Various factory councils in the North even established a movement of the so-called *autoconvocati* to contest the July 1992 accord. Moreover, several business owners in the North defected from the agreement and signed firm-level contracts providing wage increases since they preferred to pay higher wages rather than endure persistent industrial conflict.

Between July 1992 and July 1993 there was much debate between the Confindustria and the confederal unions over the final terms of the agreement. The debate centered less on the demise of

the scala mobile (which appeared to be certain) and more on the future structure of collective bargaining. According to the Confindustria, wage levels and salaries should be determined only through the national industry agreements. The unions, however, wanted wage bargaining to take place at both the industry and company levels (or for small and medium-sized companies at the territorial level). After a series of delays, due in part to the fall of the Amato government and the formation of a new government of "technicians" headed by Ciampi, a new agreement over the structure of collective bargaining was reached on July 3, 1993. As with the previous accord of July 1992, this agreement contained a number of policy measures concerning vocational training, technological innovation, government fees, and various labor market policies. The parts of the 1993 agreement explicitly devoted to industrial relations confirmed the abolition of the scala mobile, and established periodic tripartite consultations (in May and September) which would link wage increases at the national level to the government's macroeconomic goals as stated in its yearly budget.

The agreement also modified the structure and timing of national industry contracts so that they now resemble more closely German contracts. The normative clauses, i.e. those clauses of the national contract that govern hiring and firing procedures, job classifications, and career trajectories, are negotiated every four years, whereas more strictly economic (wage) clauses are renewed every two years.

Finally, it was decided that bargaining should take place at both the industry and company (or territorial) levels -- in the latter case every four years. This clause represents both an important victory for the union movement -- since the employers had pushed for a single locus of collective bargaining at the national level -- and a key element for the future stability of the new collective bargaining arrangements. In fact, the July 1993, agreement specified that company (and territorial) bargaining could take place only on issues not already regulated by the national contracts. Moreover, wage increases deriving from company-level bargaining were to be financed through productivity increases or performance improvements. By closely linking local wage increases to profit and gain sharing schemes, the July 1993, accord sought to reduce the inflationary potential associated with local wage drift.<sup>16</sup> To create incentives for flexible forms of remuneration, social

security taxes paid by the employers were partially subsidized, provided that contingent pay schemes were negotiated with the unions.

### Union Organizational Reconfiguration

The July 1993, accord also formalized a new structure for firm-level worker representation, aimed at relaunching union internal democracy. In fact, beginning in the late 1980s, increased competition from rival organizations like the COBAS and the autonomous unions, and growing dissent from within, forced the confederal unions to re-examine several of their organizational strategies. In 1991, the CGIL proposed a law aimed at revising Article 19 of the Statuto dei Lavoratori in a way that would transform the Factory Councils into more democratic and vibrant organizations. This law proposed the substitution of “presumed” representativeness of the major unions with “effective” representativeness established through regularly held elections. Any organization that collected the signatures of at least three percent of the employees in a given production unit was allowed to stand for election to the proposed new enterprise council. This proposal sought to not only terminate the legal monopoly over firm-level representation that CGIL, CISL, and UIL have enjoyed for over twenty years but also ensure that elections to these worker councils occurred regularly.

With the tripartite agreement of July 1993, a different reform from the one outlined above was implemented. On the basis of this reform, existing plant-level union structures, the so-called Rappresentanze Sindacali Aziendali (RSA), were to be replaced by unitary union structures, the Rappresentanze Sindacali Unitarie (RSU), elected with the proportional method by all workers in a given production unit from slates presented by those union organizations that can obtain the support of at least five percent of the workforce.<sup>17</sup> However, only two-thirds of the representatives in these new firm-level structures are elected, whereas the remaining one-third is appointed directly by those unions which have signed the national industry contract. Interestingly enough, this clause of the July 1993 agreement was requested by the Confindustria in order to establish an institutional link between bargaining agents at the national and plant- levels (Mania and Orioli, 1993: 62). In other words,

Confindustria wanted to avoid engaging in collective bargaining at the plant-level with union organizations which were not bound by the provisions established in the national industry contracts.

The RSU are both organizational structures of the trade unions and representational structures of all workers. They are to be elected every two years. Differently from previous workplace structures, they have been recognized by the three major union confederations as legitimate bargaining agents at the company and plant- levels. They have also inherited the information and consultation rights previously exercised by union structures.

Through this organizational reform, the confederal unions hope to revitalize their plant-level union structures, to eliminate a major source of grievance and conflict by various competitive union organizations -- whose representatives are theoretically electable to the new representation structures -- and, more importantly, to relegitimize their rôle as representatives not only of sectional interests but of the labor movement as a whole. Yet the COBAS and other "autonomous" unions vehemently contested these new structures, particularly the "one-third" clause. They argue this is just an astute repackaging of "most representative" clause as created by Article 19 of the Statuto dei Lavoratori. For example, on the basis of the existing rules, if the three major confederal unions (CGIL, CISL, and UIL) won only 18 percent of all votes, they would still obtain the majority of seats in the new councils because 33 percent of seats is automatically assigned to them.<sup>18</sup>

The results of the recent elections for the RSU have belied these cynical interpretations. Not only was participation in the elections remarkably high (around 75 percent of all workers) but the three major union confederations managed to obtain an overwhelming majority : about 90 percent of all votes in more than 4,000 elections. In fact, the COBAS have been forced by these results to reconsider their claim to represent specific categories of workers. For example, in the railroad transportation sector, where they are strongest, they represent only 40 percent of all engine-drivers -- less than 6 percent of all workers in the sector (Carrieri, 1995: 41-51).

Although the elections to the RSU are still in the process of being completed, early results indicate that the "representativeness" of the CGIL, CISL, and UIL will be confirmed. Thus, the

“one-third” clause appears *ex-post* more as a “majority premium” intended to consolidate an already clear and stable majority of votes rather than an attempt to cheat on democratic rules.

The confederal unions’ ability to re-legitimize themselves as representatives of different categories of workers is also very important for the stability of Italy’s new industrial relations system. In fact, the future destinies of the new plant-level representation structures and of the new collective bargaining arrangements, including incomes policies, appear to be strictly intertwined. Only if the major confederal unions are capable of aggregating the interests and gaining the loyalty of different categories of workers at the plant level, can they enforce their pledge to abstain from bargaining demands already covered by national industry contracts or from wage increases not immediately tied to productivity increases or company performance. Otherwise, the confederal unions will continue to suffer a crisis of representation, as they did throughout the 1980s, and the elaborate new architecture for collective bargaining and “political exchange” introduced in the early 1990s will collapse as it was the case with an analogous reform effort of the 1960s -- the so-called clausole di rinvio which were swept away by the "Hot Autumn" wave of strikes.

### Conclusion

Faced with growing labor costs, increasing public debt and trade deficits, rising unemployment and a resurgence of industrial conflict in the service sector, Italy’s social partners in the early 1990s engaged in a process of institutional and organizational reform. In 1990 a new law restricted the right to strike in essential public services; in 1992 the scala mobile was abolished and the government accomplished a major overhaul of public sector employment relations; in 1993 new collective bargaining arrangements were introduced and incomes policies were re-established; finally, the three major confederal unions (CGIL, CISL, and UIL) completed a reform of their plant-level structures aimed at revitalizing union democracy.

As we pointed out in the introduction to this paper, the composite of reforms can be interpreted in two contrasting ways. On the one hand, they might be viewed as a continuation of Italy’s never-ending, ad hoc and sometimes inconsistent institutional reform process. On the other



hand they can be considered a fundamental break with the past, planting the seeds of renewal for labor relations in Italy.

Only time will adjudicate between these two contrasting interpretations. However, it is important to highlight here that these reform efforts appear to be qualitatively different from previous attempts of the late 1970s and early 1980s. Fundamental changes in the “boundary conditions” of “political exchange” have taken place. For example, with the recent disappearance of most traditional political parties due to the wave of scandals known as mani pulite (clean hands) the political differences among the three major union confederations, which contributed to undermine previous experiments with neo-corporatist bargaining, have been attenuated. Also, the 1992-93 tripartite agreements were accompanied by an important reform of public sector employment relations which extends their provision to the public sector as well. Perhaps more importantly, fundamental changes have taken place within the unions as well. In particular, increased competition from rival organizations like the COBAS and the sindacati autonomi, and growing dissent from within their own ranks have forced the three major confederal unions (CGIL, CISL, and UIL) to re-examine several of their organizational strategies of the past few years. In this light, the demise of the scala mobile can be seen as a reversal of their previous egalitarian wage policies and a recognition of the need for wage inequalities for workers with different skills. Likewise, by agreeing to participate to trilateral negotiations over various policy issues, the unions have committed themselves to working with organized business and government to render the Italian economy more efficient and competitive. Finally, the confederal unions appear to have come to realize that their “representativeness” is by no means automatic, nor does the legal recognition provided by the Statuto dei Lavoratori suffice to guarantee it. Recent changes in the workplace representation structures, i.e. the Rappresentanze Sindacali Unitarie, promise to render the unions more democratic and vibrant organizations, to enhance their capacity to aggregate diverse interests, and to relegitimize the confederal unions’ role as representatives of labor at large. Due to these organizational changes the reforms of the early 1990s may prove to constitute the building blocks of a new, innovative and coherent system of political-economic regulation.

What lessons can other advanced industrialized countries draw from the Italian case ?

Certainly, Italy's attempt to combine centralization and standardization with decentralization and flexibility through the establishment of clear institutional links between various collective bargaining levels resonates with analogous needs in all industrial countries. However, the novelty of the Italian solution does not reside in the ingeniousness of its institutional design, but rather in the recognition that national collective bargaining arrangements and incomes policies can only be sustained by the unions' capacity to aggregate and represent the often diverging needs of different categories of workers (Baccaro, 1995). The Swedish labor movement, for example, usually considered the polar opposite to the Italian, is beleaguered by many of the same problems which plagued the Italian confederal unions in the 1980s, i.e. the emergence of multiple cleavages between blue-collar and white-collar, skilled- and semi-skilled, private sector and public sector workers.<sup>19</sup> New cleavages appear to be emerging in the German and American labor movements as well (Locke and Thelen, 1995). Perhaps the Italian unions' attempt to relegitimize themselves through adoption of formal democratic rules of decision-making could represent a model for Sweden and other union movements as well.

## NOTES

<sup>1</sup> See Il Sole - 24 Ore, July 11, 1995: 18.

<sup>2</sup> Until recently, Italy's public sector, characterized by labor conflict and "leapfrogging," was considered one of the major causes of Italy's high inflation --persistently higher than all major international competitors. (For more on this, see Brunetta and Tronti (1995)). It is therefore noteworthy that the important national contract for school teachers renewed in 1995 was able to contain wage increases within the limit of 6 percent established by government authorities.

<sup>3</sup> For more on the Saltsjöbaden Basic Agreement of 1938 between the Swedish private sector business association (SAF) and the blue-collar union confederation (LO), see Swenson (1989:42-60).

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<sup>4</sup> The “Reform Strategy” refers to the unions’ attempt to use the power and legitimation acquired during the Hot Autumn to bring about social reform. For more on the “Reform Strategy,” see Lange and Vannicelli (1982: 125-42).

<sup>5</sup> For a more articulated analysis of various attempts at reforming Italian industrial relations, see Locke (1995: 76-82).

<sup>6</sup> For more on the reform of the scala mobile, see Flanagan, Soskice, and Ulman (1983: 496-566).

<sup>7</sup> For more on the attribution of special legal status to trade unions in neo-corporatist systems, see Offe (1981).

<sup>8</sup> These demands were included in certain 1976 national contracts (i.e. metalworkers) but were for the most part never implemented. For more on this, see Treu and Negrelli (1985).

<sup>9</sup> The governments of “national solidarity” were supported by the parliamentary abstention of the Communist Party (PCI).

<sup>10</sup> For more on the contents of the 1983 tripartite agreement, see Golden (1988: 82-4).

<sup>11</sup> In 1972, increased collaboration among the three confederations led to the signing of a “federative pact” and the establishment of the Federazione Unitaria CGIL-CISL-UIL. Within the Federazione Unitaria each confederation retained its autonomy at all levels of the union hierarchy, but new joint structures aimed at coordinating decisions among the existing organizations were also created. For more on the Federazione Unitaria CGIL-CISL-UIL, see Lange and Vannicelli (1982: 132-5).

<sup>12</sup> For more on the “egalitarian” connotations of the scala mobile accord of 1975 and, in general, on the consequences of egalitarianism for the Italian union movement, see Accornero (1992):

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<sup>13</sup> The Consigli di Fabbrica (Factory Councils) were established during the wave of strikes of the Hot Autumn. For more on the origins of these organizational structures, see Regalia (1978). For more on their historical evolution, see Regalia (1992).

<sup>14</sup> As a result of this restructuring process, in the first half of the 1980s industrial employment fell, and net real wages and salaries stagnated. Partly due to these economic changes, union membership, which had nearly doubled between 1969 and 1980 from 29.4 to 49 percent, also fell to 39.3 percent in 1990. For more on trends in unionization, see Squarzon (1992: 83-93).

<sup>15</sup> The law on strikes was even drafted by a union-promoted commission of experts. For more on this, see Treu(1994: 469).

<sup>16</sup> For more on the problems associated with local wage drifts in the Nordic countries, and in particular on the role that wage drift played in causing the demise of centralized collective bargaining, see Elvänder (1990).

<sup>17</sup> The Rappresentanze Sindacali Unitarie (RSU) were formally introduced already in March 1991 by an inter-organizational accord among CGIL, CISL, and UIL. However, only in July 1993 the Confindustria recognized their role. Consequently, before 1993 their implementation had been virtually nil (Accornero, 1995: 8).

<sup>18</sup> Based on interviews with several leaders of the COBAS, Rome, March 1995.

<sup>19</sup> Besides Sweden, other “neo-corporatist” labor movements in various Scandinavian countries seem to be facing similar problems of internal fragmentation, see Iversen (1995).

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