

THE RESURGENCE OF ITALIAN UNIONS

Richard M. Locke
Lucio Baccaro

July 1998

SWP#: 4026-98-BPS

The Resurgence of Italian Unions

By

Richard M. Locke and Lucio Baccaro

Massachusetts Institute of Technology

1. Introduction

Over the last five years, Italian unions have experienced a remarkable resurgence. After more than a decade of declining political power, membership loss, and significant inter-and intra-union conflicts, Italy's three major union confederations, the Confederazione Generale Italiana del Lavoro (CGIL), the Confederazione Italiana dei Sindacati Lavoratori (CISL), and the Unione Italiana dei Lavoratori (UIL) have re-emerged as key actors in Italy's political economy. How did this turn-around occur and how stable is the new position of Italian labor? We argue that changes in Italy's political environment, specifically the demise of the old party system, and various strategic changes by the Italian unions themselves brought about this reversal of fortune, which promises to be much more stable than previous efforts at recasting Italian labor relations.

The Turn-Around

The 1980s were difficult years for Italy's labor movement. Following the demise of the Government of National Solidarity in 1979 and the defeat of the powerful metalworkers' union at the Fiat strike in 1980, Italian unions experienced an erosion of their political, economic, and organizational power. The center-left government coalitions of the 1980s were much less responsive to union demands and over the course of the decade promoted a series of policies (e.g., austerity, liberalization of the labor market, privatization of state-owned enterprises) which negatively impacted the unions. The collapse of tripartite bargaining in 1984 spelled the end to

both union participation in income policies and union unity as the three major confederations once again split (along partisan lines) over this issue.

Increased isolation in the political sphere was mirrored by growing weakness in the labor market as a result of the radical restructuring of the Italian economy in these years. National industry bargaining stagnated, local and/or regional deals proliferated, and some powerful employers' federations began demanding the replacement of collective bargaining with more individualized negotiations between employees and employers. Finally, the unions' organizational troubles were exacerbated by declining membership (going from 49.3% in 1980 to 38.8% in 1990) and growing competition from rival workers' organizations like the Sindacati Autonomi (autonomous unions) and the COBAS. In short, twenty years after the Hot Autumn struggles of 1969, Italian unions appeared to be once again organizationally weak and divided, having squandered much of their hard-earned political capital with few lasting gains to show for it.

Yet, since the early 1990s, Italian unions have bounced back. Membership has stabilized and unions enjoy renewed legitimacy among rank-and-file workers. Today, Italian unions once again participate in national economic policy-making (i.e., incomes policies) and bargain with employers both at the national level, through periodic national industry contracts, and at the company level. They have also been involved in major reform efforts (e.g., pension reform). This regained influence is the by-product of changes in Italy's political landscape, several legislative efforts to reform Italian industrial relations, and significant reforms in the unions' own organizational structures. For example, with the recent changes in Italy's party system (i.e., the disappearance of the Christian Democratic and Socialist Parties and the reform of the Italian Communist Party, now called the Party of the Democratic Left (PDS), the political cleavages and tensions among the three major union confederations, which in the past had undermined various

reform efforts, including past efforts to introduce neo-corporatist bargaining,¹ have been attenuated. In addition, several institutional reforms, including the 1990 law regulating the right to strike in essential public services, the 1992 “privatization” of public sector employment relations, and the 1993 reconfiguration of collective bargaining arrangements, have all enhanced the position of Italy’s unions vis-à-vis rival organizations and strengthened their position with regards to employers. Finally, the unions’ own organizational reforms, aimed at revitalizing their plant-level structures, democratizing their internal decision-making processes, and thus enhancing their ability to aggregate and represent diverse interests, have also re-energized the Italian unions.

Certainly, this is not the first time Italy has tried to reform its industrial relations arrangements. 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 CGIL, CISL, UIL, to forge a Swedish-like Basic Agreement through wage indexation in 1975, 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 long-standing process of chaotic and contradictory institutional reform. Nevertheless, we argue

that because these most recent reforms have been accompanied by significant shifts in both Italy's political system and the unions' own organizations, they stand a better chance of succeeding than previous reform projects.

The remainder of this chapter develops our argument by first, providing a highly stylized reconstruction of the shifts the Italian industrial relations system underwent between the late 1970s and the early 1990s. We then examine the changes in the unions' environment: changes in state policies affecting unions and the labor market; and changes in the employers' attitudes vis-à-vis both unions and collective bargaining. Then we analyze the unions' response to these changes.

We focus on the most recent efforts to redesign the framework for Italian industrial relations in the early 1990s. We conclude by speculating on how the composite of reforms recently introduced in Italy is likely to evolve when faced with future changes, both economic and political.

2. The Changing Portrait of Italian Unionism

Italian unions faced the same challenges that other labor movements described in this volume faced. But these challenges were exacerbated by Italy's overly politicized,² and poorly institutionalized³ system of industrial relations. Until the Hot Autumn, the period of intense social and labor mobilization that began with the student demonstrations and mass rallies over pension reform in 1968 and lasted until the 1970 contractual round,⁴ Italian unions were politically divided and weak. For example, until the late 1950s - early 1960s, Italian labor had no formal legal protection. The old fascist legal codes remained in force and prefects, judges, and magistrates interpreted them to the disadvantage of workers. Moreover, until the establishment of the Constitutional Court at the end of the 1950s, it was impossible to revise these fascist codes

since nobody was empowered to judge them unconstitutional. In this context, factories became a legal no-man's land with management free to persecute union activists, strikers subject to severe sanctions, and collective agreements not enforceable.

Employers took advantage of the unions' precarious legal standing in order to circumvent labor market regulation and undermine the unions' presence within their plants. In fact, unionization in industry decreased from 47% in 1950 to 19% in 1960,⁵ and remained concentrated primarily in large industrial enterprises in the north. Moreover, organized business used its power to pursue a low-wage, export-oriented growth strategy. This strategy not only generated enormous profits for individual firms but also created the conditions for Italy's postwar economic "miracle."⁶ For instance, during these years, Confindustria insisted on highly centralized collective bargaining since this worked to the advantage of employers. Confindustria would set wages and working conditions to the most backward and unproductive sectors of the economy (such as agriculture) and then generalize these terms to all of industry. Because the unions were themselves highly centralized and also weak in both the labor market and the political arena, they were unable to resist the low-cost, labor-sweating strategy.

All this changed with the Hot Autumn, which overturned almost all of the social, political, and economic patterns established in the postwar period. For example, increased collaboration among the three confederations led to partial reunification in 1972 in the form of the Federazione Unitaria CGIL-CISL-UIL. At the same time, factory councils – elected by and composed of union and non-union workers alike -- were established and gained substantial power in a number of large industrial enterprises. The unions used their newfound power to demand greater wages, eliminate overtime, regulate layoffs, restrict internal mobility and slow down the pace of work. These changes had substantial consequences for industrial output, profitability, productivity, and

labor costs. Between 1970 and 1974 unit labor costs increased 64.15%, as opposed to annual increases of 8.5% between 1963 and 1969. During the first half of the 1970s, the number of hours worked per employee decreased 12%.⁷

Turbulent industrial relations accentuated these problems as Italy experienced more strikes and strike days during these years than just about any other industrialized democracy.⁸ Finally, unions used their newly acquired power in the labor market to push for a number of social and political reforms (e.g., schools, pensions, housing, the South) as well.

Responding to this potentially explosive situation, a number of Italian political, business, and unions leaders began working on rebuilding Italian industrial relations by promoting a series of major institutional reforms in labor law and collective bargaining. By the end of the 1970s, it appeared as if Italy had truly remade itself. New or reformed institutions, such as the Statuto dei Lavoratori,⁹ the scala mobile, and the Cassa Integrazione Straordinaria¹⁰ had been introduced over the course of the decade and provided industrial workers as well as Italy's three major union confederations (CGIL, CISL, and UIL), with a set of legal rights and social benefits. All of these institutional reforms sought to institutionalize and stabilize Italian industrial relations. Moreover, between 1977-79 CGIL, CISL, and UIL also engaged in “concertative” bargaining with the Confindustria (the major employers' association) and the government on various industrial and labor market policies.¹¹ Italy's new industrial relations system appeared to be a radical break with the previous pattern of labor-management relations in Italy, characterized by union exclusion and managerial unilateralism.

All of these institutional reforms, 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,¹² 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 they had actually accentuated the long-standing fragmentation and decentralization of Italian industrial relations.¹³

Thus, by the end of the 1980s, Italy was still 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 in the service sector. Economic concertation had collapsed in 1984, and with its demise, ideological divisions among the confederal unions resurfaced. No clear architecture of collective bargaining existed so the same issues were often negotiated at more than one level. Moreover, the fortunes of the main confederal unions had declined considerably. The three confederal unions seemed no longer capable of representing entire segments of the labor force, their bargaining power in the political arena had diminished substantially, and new unions, particularly in the public sector, had emerged to contest their representational monopoly. These unions, called Sindacati Autonomi (Autonomous Unions) and Comitati di Base (COBAS) (Grass-root Committees), often succeeded in re-opening already negotiated collective agreements through frequent strikes. This, in turn, contributed to Italy's high rates of inflation – higher than all major international competitors¹⁴ -- and further augmented the anarchy of Italian industrial relations.

Why did the institutional reforms of the 1970s, which were clearly modeled after the supposedly more "mature" neo-corporatist systems of central and northern Europe, not only fail to produce their anticipated results, but also perhaps even contribute to the organizational fragmentation and political divisions already plaguing Italian labor relations? The answer lies, we

argue, in a particular combination of unintended consequences of the reform efforts and the changes provoked by the simultaneous globalization and segmentation of the Italian economy.

The new industrial relations system of the 1970s was conceived primarily as a response to an "internal shock," the Hot Autumn strikes and their consequences. Accordingly, the various reform projects of these years were based on a compromise between labor and management. The unions offered stability at the workplace and self-restraint in industrial conflict, while employers and the state assured income security from inflation and industrial restructuring, through a cost of living escalator (i.e. the scala mobile) that provided almost 100 percent wage protection against price increases, and a state-funded unemployment insurance scheme (the cassa integrazione) which guaranteed 80% of workers' wages in the case of lay-offs. In short, the various reform efforts were based on the assumption that Italy's political-economic problems derived mainly from the absence of a uniform and coherent "national model" of industrial relations. They thus tried to recreate in Italy the institutional preconditions for a new national model, inspired by neo-corporatism, which at the time appeared to be the most efficient regulatory system among the advanced industrial nations.

However, as the Italian economy began to change, these new institutions unraveled: the globalization of the economy decreased the relevance of national institutions, while decentralization provided employers with new strategic opportunities to challenge the unions' newly acquired rights and power, particularly at the company and plant levels. These changes led to a fundamental shift in the balance of power between labor and capital, thereby undermining the compromise on which the new industrial relations system had been erected.¹⁵ In the early 1980s the Italian economy went through a massive wave of industrial restructuring.¹⁶ The unions appeared unable to negotiate, let alone protect their membership against, the consequences of this

restructuring. Moreover, in this new economic environment, the various institutional reforms aimed at enhancing the efficiency and predictability of the industrial relations system either collapsed or provoked unintended but nonetheless negative consequences. As a result, inflation rates remained higher than all major international competitors; unit labor costs increased; capital accumulation decreased; unemployment grew (particularly among youth and Southerners), and the public debt ballooned.¹⁷

Now, Italy is once again attempting to construct a coherent "national system." A more activist state has recently passed a number of laws that regulate industrial conflict in the service sector and rationalize labor relations in the public sector. With the recent abolition of the scala mobile and introduction of a formalized structure for collective bargaining, the resuscitation of tripartite, neo-corporatist collective bargaining is being attempted. At the plant level, employers and unions collaborate on issues like restructuring, the introduction of new technology, training, and work reorganization. These developments are by no means entirely consistent. For example, although the majority of trade union cadres espouse responsibility and moderation, a sizable minority within the CGIL (the Essere Sindacato faction) and the COBAS still espouse a rhetoric of class conflict and political intransigence, and other non-confederal ("autonomous") unions defend the particularistic interests of small professional groups. Similarly, although most employers recognize the unions as partners in workplace management, some of them seek to exploit the changing balance of power with labor to restore managerial prerogatives and moderate union demands.

Yet, in spite of these inconsistencies, the preconditions for a new, more flexible and democratic industrial relations system may be emerging. Increased competition from rival organizations like the COBAS and other autonomous unions, and growing dissent from within,

have forced the confederal unions to re-examine several of their organizational strategies and become more responsive to the needs and interests of their membership. Recent changes in workplace representation structures (i.e. the Rappresentanze Sindacali Unitarie) promise not only to render the factory councils more democratic but also, by permitting participation of the COBAS and the autonomous unions in elections for the new councils, to eliminate a primary source of labor conflict in Italy.

In sum, although the evidence is still fragmentary and even ambiguous, a new approach to political-economic regulation seems to be emerging in Italy – one that avoids the usual trade-offs between centralization and standardization on the one side, and decentralization and flexibility on the other. Thus, the 1992-93 reforms that established a more centralized system of wage negotiations did not pre-empt the possibility for experimentation and democratic participation at the local level.

The next sections seek to document first how changes in the unions' environment contributed to undermine the economic viability of the Italian industrial relations system of the 1970s and then, how the unions developed a set of strategic responses to these challenges and re-launched themselves.

3. Fragmentation in a Turbulent World

In the 1980s, the simultaneous internationalization and decentralization of the economy, undermined the bases of the "class compromise" on which Italy's "new" industrial relations system had been erected. While technological innovations and industrial restructuring transformed the workplace, the locus of control over some of the major macroeconomic variables – for example, exchange rates, interest rates, and money supply – moved away from national economic

institutions and towards a supranational monetary regime, the European Monetary System (EMS).

The decentralization process was linked to the crisis of fordist forms of work organization in Italy's large firms.¹⁸ Already after the first oil shock, the introduction of new, flexible technologies considerably reduced the comparative advantage of these larger firms. Between 1971 and 1981, the shape of Italian industry changed significantly. The number of small- and medium-sized firms (up to 99 employees) increased by 21%, while employment within these firms rose almost 29%.¹⁹ These firms outperformed their larger counterparts in terms of growth of value added, investment, employment, productivity and even growth of income per employee.²⁰ Absenteeism and industrial conflict were also lower in small- and medium-sized firms.²¹ These trends continued well into the 1980s.²²

After the second oil shock, Italy's large firms began to restructure as well. This new phase of industrial adjustment was characterized by the further decentralization of production, increased capital intensity, and the radical reorganization of work.²³ During these years big companies regained the lead over smaller firms in terms of productivity, profitability, and ability to innovate, particularly by adopting flexible manufacturing systems.²⁴ Throughout the 1980s, the organizational structures of big companies like Fiat (autos), Olivetti (computers), Montedison (chemical products), Falck (steel) and Italtel (telecommunications) came to resemble closely that of smaller firms in industrial districts. These companies dismantled their bureaucratic and hierarchical administrative structures, transformed themselves into holdings surrounded by semi-autonomous profit and cost-centers, and restructured their supplier networks, retaining internally only certain critical phases of the production process and the development of key technologies.²⁵

In the early 1980s, Italy's large companies also increased their investments abroad. In the

first four years of the decade, Italy' stock of foreign direct investment (FDI) nearly doubled, growing from 6.9 billion US\$ in 1980 to 13.27 billion US\$ in 1984.²⁶ Although the degree of internationalization of the Italian economy remained negligible vis-à-vis other European economies of comparable size – for example, in 1984 Great Britain's FDI constituted 15.5 percent of world's total, as opposed to Italy's 2.1 percent – in the early 1980s Italy became a net capital exporter.²⁷ Italy's FDI was particularly concentrated in three sectors: engineering, including motor vehicles, rubber, and oil. Each of the sectors was dominated by single industrial groups: Fiat, Pirelli, and AGIP, respectively. A survey of Italian multinationals found that cost reduction was not the main determinant for their FDI. Other motivations, including market penetration, hedging against protectionism, and acquisition of international experience, were more prominent. However, 20 of the 75 companies in the sample declared that the need to reduce costs played an important role in their decision to invest abroad.²⁸

As a result of these various restructuring efforts by Italian companies, industrial employment fell,²⁹ and union membership declined from 49 to 39 percent throughout the 1980s. Between 1980 and 1986 employment in larger firms declined by 6.1%. In the same period, the number of workers supported through the state-funded redundancy fund (cassa integrazione guadagni) increased from 3.8% of the work force in 1981 to 10.1% in 1984.³⁰ Net real wages ceased to grow as they had done in the years immediately following the Hot Autumn, when they rose 24 percent between 1974-78. Instead, between 1978-85 net real wages remained constant.³¹ This, coupled with a considerable rise in labor productivity, led to a substantial growth of gross profits from 26.4% of value added in 1977 to 35.9% in 1985 – a figure even higher than those experienced during the so-called "economic miracle" of the 1950s.³²

3. State Policies

The Italian government tried to respond to the new challenges resulting from shifts in the economy through a variety of strategies including more rigorous and restrictive monetary and fiscal policies, privatization of state-owned enterprises, and a variety of labor market reforms.

3.1. Macroeconomic Reforms and European Monetary Union

Italy's shift in macroeconomic policy was marked by Italy's entry into the EMS in 1979. Before Italy entered into the EMS, the country had pursued a unique, "national" response to the supply shocks of the early 1970s – one considerably different from the standard stabilization policies pursued, for example, by the United Kingdom in the early 1980s.³³ Giavazzi and Spaventa³⁴ described this prior, unorthodox response as a "peculiar blend of supply side measures, inflation, and exchange rate depreciation." Unwilling or unable to deflate the economy *tout court*, Italy's economic authorities focused instead on first, restoring firm profitability, and then, slowly reducing the country's inflation rates.

Profits were increased through the subsidization of social security contributions paid by employers (the so-called fiscalizzazione degli oneri sociali), which decreased from 39.3% to 29.7% of gross wages from 1976 to 1980.³⁵ This was partly financed by fiscal drag resulting from steeply progressive marginal tax rates – introduced in 1974 with strong union support. Fiscal drag also raised the tax burden on industrial workers by almost 9% between 1974 and 1980. Frequent currency devaluations were also employed to prevent Italy's growing inflation from cutting into the international competitiveness of Italian exports as well as to assure that the reduction in demand by increased taxation was offset by exports. Exports grew at an average real rate of over 9% between 1976-80, GDP real growth was 4.3% per year in 1977-80, well above most international competitors, and the share of gross profits in manufacturing increased 7.9% in

1977-80.³⁶

This policy had costs in terms of higher inflation rates than other advanced industrialized nations, and a growing public debt.³⁷ Moreover, the use of fiscal drag to finance increased public expenditures was of clearly limited duration, because the unions began to demand indexation of tax brackets. Consequently, when inflation soared again in the late 1970s, Italy's government tried to curb inflationary expectations by joining the EMS. Basically, with this decision the Italian economic authorities hoped to gain credibility vis-à-vis domestic and international investors by binding Italy's monetary policy to Germany's – a country with a solid reputation for anti-inflationary monetary policies.

This shift from flexible to semi-fixed exchange rates implied that Italy as well had joined other industrial nations in adopting a new “macroeconomic regime” which privileged price stability over full employment. Restrictive monetary policies were accompanied by restrictive fiscal policies. To enhance the Central Bank’s control over money supply, a "divorce" was celebrated in 1981 between the Bank of Italy and the Italian Treasury. This freed the Bank from its requirement to purchase unsold state bonds, which had provided the government with unlimited financing,³⁸ and reasserted the central bank's autonomy and control over money supply. However, it was for many years an “Italian-style divorce” or a divorce among "separati in casa," (which means that both partners pretend they are divorced but continue to live together). In other words, by the time the Bank of Italy regained its autonomy, the secondary market for treasury bonds (which the Bank had helped create) was so well developed that bonds were practically as liquid as money and earned significant interest. As soon as the Bank stopped financing government spending with the creation of money, interest rates on treasury bonds increased in order to guarantee their sale on the market. Their high interest rates plus tax-free status (which

the government granted), suddenly made treasury bonds very attractive. As a result, the government easily continued to finance its deficits and was in no way constrained to reform its spending practices.

The consequences for Italian public finances, however, were disastrous. Since the growing stock of short-term treasury bonds expired at very short intervals (between 6 and 12 months), the government had to frequently refinance its debt through the issuance of even more bonds. Moreover, in order to sustain the market for treasury bonds, very high interest rates had to be paid. As a result, the government dug itself into an ever-deeper hole as its basic debt, and the costs of servicing it, continued to grow. In short, the Bank of Italy's regained independence actually contributed to the creation of a huge cumulated public debt which today continues to threaten Italy's macroeconomic stability and its place within the European Union.

Joining the club of European nations participating in the second phase of the EMU is today one of the Italian government's main political goals. To the surprise of many, this goal was achieved in May 1998. Italy succeeded in meeting 4 of the 5 qualifying criteria : An inflation rate lower than the average of the three most "virtuous" countries + 1.5 percent; long-term interest rates not exceeding the average of the three best performing nations + 2 percent; no currency devaluations for the past two years of permanence within the EMS; and finally (but by far most importantly) a ratio of public deficit to GDP not exceeding 3 percent. This last convergence criterion was the most difficult to reach given that public deficit was 10.2 percent of GDP in 1991 when the Maastricht Treaty was signed.

Italian efforts to catch the "European train" were far from linear. For quite a long time, in fact, there was debate among the country's political and economic elite over whether Italy should try to participate in the single currency and particularly, whether the country should go through

the severe process of fiscal consolidation needed to meet the convergence criteria. It was, to be sure, a covert debate, mostly taking place among economists and top level politicians – the Italian public being overwhelmingly in favor of the single currency. But as a result of this debate, Italy firmly embraced EMU relatively late (in the summer of 1996).

The Berlusconi government (which held power in 1994) was quite clearly Euro-skeptical. It had no intention of joining EMU from the very beginning because it believed the short-term costs to be too high. The Berlusconi government wanted to negotiate, instead, a delayed entry into a two-speed Europe together with other countries of the so-called “Club Med,” i.e. Spain, and Portugal. This position was in accord with the advice of key Christian Democratic politicians in Germany, including Karl Lamers and even Helmut Kohl, between 1994 and 1996. Lamberto Dini, the head of the technocratic government which followed the Berlusconi government, also made no attempt at joining EMU. Its Documento di Programmazione Economico-Finanziaria (DPEF), a three-year macroeconomic plan presented yearly by the government to Parliament, explicitly indicated that the 3 percent deficit/GDP ratio would be reached only at the end of 1998, i.e. too late for admission to EMU.

In 1996, the new Prodi government, at the beginning of its mandate, also sought to negotiate Italy’s delayed entry within EMU. Again, Prodi’s Documento di Programmazione Economico-Finanziaria (DPEF), presented in June 1996, specified that Italy would reach the 3% deficit/GDP ratio only at the end of 1998. In fact, as a result of this proposal, a verbal fight developed between Prodi and Mario Monti (Italy’s chief representative to the European Commission): Monti accused Prodi of deliberately keeping Italy out of Europe, and Prodi replied that his government intended to enter Europe but with a living as opposed to dead country. In the summer of 1996, something changed, quite unexpectedly, in Italian policy vis-à-vis the EMU.

The informed Italian public believes that this change has much to do with Prodi's visit to Spain to negotiate the terms of the delayed entry of both Italy and Spain into EMU. Aznar's response was that Spain had no intention of waiting for Italy. It was determined to join the first group of countries. This trip to Spain provoked a major turnabout in the Italian government's policy. A few weeks later, the Prodi government launched the so-called Euro-tax, aimed at reducing Italy's public deficit.

In accomplishing this shift to a pro-EMU policy, the Prodi government was supported by the union movement, which persevered with wage moderation and engaged in unpopular welfare state reforms, but not by organized business. In fact, the Confindustria never espoused a clearly pro-EMU line: One of the few people in Italy (apart from the leader of the Communist Refoundation Party, Fausto Bertinotti) to publicly take an anti-EMU stance was Cesare Romiti, i.e. the President of Fiat. Why did he do so? Probably because he feared the recessionary consequences of fiscal consolidation, since Fiat (like other big Italian companies) primarily operates on the domestic market. We will return to a more detailed examination of employer strategies below but now let's examine other government efforts to respond to the "double shift" of the Italian economy.

3.2. Privatization

In the early 1980s, after joining the EMS, the Italian government undertook another step towards the restoration of monetarist orthodoxy by privatizing various state-owned firms. Beginning in 1983, IRI and ENI (Italy's two major state holdings) privatized between four and five major firms per year, including well-known giants like Alfa Romeo and Lanerossi.³⁹ Privatization not only helped IRI and ENI emerge from their financial difficulties, but also helped the managers of these companies to increase their autonomy from the government. During the

1970s the state holding companies had placed themselves in a vicious cycle in which their growing dependence on government financing had forced them to give up much of their operational autonomy. In order to regain their independence and return to their original institutional mission, IRI and ENI sold off major components of their holdings.⁴⁰

Although privatization was beneficial in many respects, the Italian experience, when compared with other national efforts, appeared quite modest. For example, between 1980 and 1986, IRI privatized 25 companies with 50,968 employees. During roughly the same period, British firms employing 400,000 people were denationalized. Similarly, funds realized from the sale of state enterprises in Italy during the first half of the 1980s amounted to only a fifth of the income nine French privatizations generated in one year (1986-87).⁴¹ Moreover, because privatization efforts in Italy followed no set legislative or administrative guidelines, the state holding companies could not be assured that their intentions to sell off individual firms would be realized. Thus, although IRI successfully privatized Alfa Romeo, it was blocked in its efforts to sell off SME, a much smaller food business.⁴² Recently, however, the government has sought to reduce the sizes of IRI and ENI and has once again pushed for the privatization of several large entities including the ILVA (steel), TelecomItalia, and two of Italy's major banks, Credito Italiano and Banca Commerciale.

3.3. Labor Market Reforms

Alongside these privatization efforts, the Italian government also sought to restore market signaling in the allocation of resources through the gradual deregulation of the labor market. During the 1970s the confederal unions had pursued a strategy of rigid control over labor supply by abolishing apprenticeship programs, imposing a system of anonymous hiring from special, union-controlled, placement lists (liste di collocamento), and transforming all "atypical" labor

contracts (part-time, fixed-time, seasonal contracts, etc.) into full-time jobs.⁴³ As a result of this strategy, the degree of labor mobility, both "external," i.e. among different firms, and "internal," within single plants, was extremely low.

The trend was reversed in the 1980s. Hiring procedures were gradually liberalized, first by increasing the possibility of discretionary, individual hiring for the employers, and then by abolishing anonymous hiring altogether.⁴⁴ Various incentives to hiring younger workers were introduced, through the so-called job-training contracts (contratti di formazione-lavoro). These contracts (theoretically) provide for alternation of work and training activities for those aged 15-29. Hiring is discretionary, and the duration of employment is limited to 24 months. Social security contributions are partially subsidized, and this reduces labor costs on average by 30 percent (Guarna, 1989: 224)⁴⁵. Subsequent legislation further increased the financial incentives available for these types of contracts by introducing the so-called entry-level wage for younger workers, lower than normal wages, creating a de facto two-tier wage system.

Part-time contracts were introduced in another attempt to enhance employment flexibility. About 1.3 million part-time contracts were signed between 1984 and 1991. Of these, 75 percent of the new hires and 83 percent of those shifting from full-time to part-time jobs were women.⁴⁶ Legislative attempts to promote "solidarity contracts" (involving reductions of wages and working hours for all workers of a company) as alternatives to the cassa integrazione met with limited success. In contrast, between 1984 and 1991, almost 2.5 million young workers were employed under the training-job contracts. Of these, about 50% were retained as full-time employees following the expiration of their initial contracts.⁴⁷ Much more questionable, however, was the quality of training provided in these jobs.

Notwithstanding local successes, increased labor market flexibility failed to reduce the

number of unemployed, which continued to rise from 7.4 percent of the workforce in 1980 to well-above 12 percent in 1997. Moreover, the plague of high and persistent youth unemployment, particularly in the South, remained.

In sum, Italy's economic authorities reacted to the supply-side shocks of the late 1970s-early 1980s with a shift in macro-economic policy, the privatization of public sector companies, and various efforts to “flexibilize” the labor market. Essentially, by joining the EMS Italy's government relinquished the autonomous exercise of control over major macroeconomic variables like exchange rates, interest rates, and money supply, and accepted the discipline of an international monetary regime. Although this discipline was never particularly stringent, since until the late 1980s the Lira benefited from the larger oscillation band of 6 percent, it provoked an overall redefinition of economic policy. While the Italian government had sought to respond to the economic crisis which followed the first oil shock by avoiding harsh deflationary measures, and boosting firms' profits through subsidization instead, following the second oil shock, Italy adopted a more standard stabilization packet, involving more rigorous monetary and fiscal policies, privatization, and labor market deregulation. During the 1980s, the Italian government sought repeatedly to reduce the degree of wage indexation guaranteed by the scala mobile, in an effort to bring inflation down (described later in this chapter). The results of these policies were mixed. Although inflation was gradually reduced, restrictive monetary policies provoked a constant appreciation of real interest rates during the 1980s, contributing to the depression of investments and employment.⁴⁸ Spurred by growing costs of debt servicing, public debt increased throughout the 1980s, so that by the early 1990s it largely exceeded the country's GDP. The Lira experienced also constant real appreciation throughout the 1980s, subject as it was to the combined effect of an inflation-fueling mechanism like the scala mobile, and semi-fixed nominal

exchange rates. As a result of these developments, in the fall of 1992 the Lira was targeted by speculative attacks which forced the Italian monetary authorities to first, leave the EMS and then substantially devalue their currency. These speculative attacks were, in turn, spurred by the diffuse perception among international speculators that the Lira was much overvalued vis-à-vis other leading currencies like the US Dollar and the D-Mark and that a devaluation was imminent.

Although they did not suffice to restore macroeconomic stability, the new macroeconomic policies (most important for our concerns) decisively impaired the economic viability of the industrial relations system based on the institutional reforms of the 1970s. A mechanism of wage indexation like the scala mobile needed exchange rate flexibility to keep real exchange rates constant. Instead, Italy's real exchange rates appreciated throughout the 1980s, reducing the cost competitiveness of Italian goods on international markets and squeezing profit margins. As a result, Italian employers were forced to restructure their companies to regain competitiveness, and they did so in many cases through an attack on the unions' rigid control over the pace and content of work. We now turn to an examination of employers' strategies during this period.

4. The Employers: Union "Busting" or Labor Inclusion ?

Italian employers had quite varied reactions to the various changes just described above. Differently from employers in countries like the United Kingdom and Sweden, Italy's organized employers made no consistent attempt at dismantling national, industry-based collective bargaining. They sought to exploit the changing balance of power with labor to reduce the power of unions at the local level, and thus, have a free hand in restructuring their companies. But even here, their attitudes were mixed. Some employers' federations affiliated with the Confindustria (e.g. the metalworking federation Federmeccanica), adopted an aggressive stance vis-à-vis the

local unions. In the early 1980s, the director of Federmeccanica explicitly theorized about the end of trade unionism and the establishment of direct relations between companies and workers, modeled after the US non-union model of human resource management.⁴⁹ Other employers' federations, however, like the associations of chemical and textile companies (i.e. Federchimica and Federtessile), adopted a more participative approach aimed at involving local unions in negotiations over redundancy plans and workplace restructuring.⁵⁰ Public enterprises also sought to develop a more negotiated approach to industrial restructuring. In December 1984, a model of participatory industrial relations (the so-called Protocollo IRI) was formally adopted by IRI, Italy's major state holding company. Agreed to initially as a two-year experiment, but renewed and extended in February, 1986, the Protocollo IRI between Italy's largest state holding company and the three major union confederations established new institutions aimed at enhancing union participation in firm restructuring efforts. It established a number of bilateral committees of "experts" at various levels (firm, territory, corporate) of the holding company, composed of equal numbers of union and management representatives and empowered to discuss all issues concerning the investment, restructuring, and employment policies of IRI-affiliated firms. In this way, unions would be able to influence strategic decisions in the early stages of their formulation. The agreement also set up procedures to promote consensus. Arbitration and conciliation processes were created and a "cooling-off" period was required before either side took action. A number of manpower programs aimed at shedding redundancies, retraining workers and enhancing internal mobility were also included in this agreement.⁵¹

Although the Protocollo-IRI formally affected only state-owned companies, some private companies adopted similar models of union-management cooperation. Conversely, certain state-owned companies sought to restore managerial discretion tout court. Thus, differences in the

strategic choices pursued by employers cut across the private vs. public divide, and appeared to be shaped by the particular socioeconomic characteristics of the local contexts in which the actors were embedded.⁵² For example, while in the early 1980s management at Fiat sought to marginalize unions within its plants, another of Italy's leading private firms, Pirelli (tires), concluded a process of negotiated restructuring and work transformation during these same years. Both companies were in deep financial crises when restructuring began, and both had to face strong and militant unions. The styles of restructuring were, however, very different in the two cases.⁵³ Likewise, although various IRI-affiliated companies like SIP and Italtel (telecommunications) established quite articulated arrangements for union-participation in work reorganization efforts,⁵⁴ the management of Alitalia (Italy's state-owned airline company) adopted a more confrontational bargaining strategy to force the confederal unions representing its ground personnel to grant various concessions.⁵⁵ Interestingly enough, the model of participatory management envisaged by the Protocollo IRI was most coherently implemented by a private company, Zanussi (domestic appliances), which is controlled by the Swedish multinational Electrolux. Beginning in 1984, Zanussi implemented a model of labor relations which stands out vis-à-vis similar experiments conducted in other large companies⁵⁶ for its explicit recognition of the role played by the unions in assuring the independent expression of workers' "voice," and for its refusal to engage in non-union forms of workers' representation.⁵⁷ This model was articulated at different geographic and hierarchical levels. At the national level, top management and the leaders of the national metalworkers' unions constituted a permanent committee (instituted by a 1990 accord) in which all major strategic guidelines (product strategies, new technologies, investments, alliances, etc.) were discussed. Collective bargaining at plant- and divisional levels was shaped by the strategic guidelines set by this committee. At the grass-root level, various joint

committees were to deal with issues which required detailed knowledge and local monitoring like health and safety, new technologies, job classifications, equal opportunity, sexual harassment, training, organizational innovations, and contingent pay schemes. In 1994, a company-wide forum for dispute resolution, consisting equally of union and management representatives plus a neutral mediator, was established. The unions agreed to resort to strikes only in case this conciliation process failed.

If at the beginning of the 1980s, the employers' strategies oscillated between managerial unilateralism and union-management cooperation, with time even companies like Fiat which had adopted an arms' length approach vis-à-vis the unions modified their attitude. Realizing that it was unable to purge its factories from union activists altogether, FIAT decided that some form (albeit weak) of union involvement in workplace management was preferable to outright confrontation to manage the introduction of innovative, flexible work systems, necessary to face the imperatives of the "new competition" (Best, 1990)⁵⁸. Thus, the evolution of Fiat's industrial relations during the 1980s and early 1990s can be considered as representative of a general strategic shift towards more consensual labor relations.

4.1. The Evolution of Employers' Strategy in Italy: A Case Study of Fiat Auto

In the late 1970s, Fiat, like most automobile producers in Western Europe and the United States, was experiencing very serious organizational and financial problems. In many ways, Fiat's troubles were related to the more general crisis of the auto industry. Yet, because of insufficient capital investments and extremely conflictual and rigid industrial relations practices throughout the 1970s, Fiat's productivity, profitability, and plant utilization rates were all lower than those of its major competitors.

As a result, the firm launched a restructuring process, including massive introduction of

new process and product technologies, reorganization of its supplier and sales networks, and reassertion of managerial control over the shopfloor. As part of its reorganization plan, Fiat proposed to place 24,000 workers (out of about 139,000) in cassa integrazione during the Fall of 1980. The local union rejected this reorganization plan and broke off relations with the firm. Claiming it was suffering from economic duress (which permits Italian firms to dismiss workers permanently and not merely lay them off temporarily), Fiat, in turn, declared its intention to dismiss 15,000 workers, beginning on October 6. Things heated up as the union blockaded the firm and Fiat sent out letters of dismissal. The ensuing strike lasted 35 days, but rank-and-file participation was low. Finally, on October 14, Fiat foremen and supervisors organized a successful demonstration calling for a return to work. 40,000 people marched against the union, among them many blue-collar workers.⁵⁹ That very night an agreement completely embracing management's position was signed, it marked a major defeat from which the union never recovered.

With the union out of the way, Fiat embarked on what proved to be a successful reorganization of its production process. Profits rose, productivity improved, and market shares grew. However, the consequences of restructuring were disastrous for the unions. Immediately following the rupture in relations in 1980, the firm took a hard line with the labor movement. Within the factories this new policy translated into the recreation of traditional hierarchies and managerial control on the shop floor, the discriminatory use of layoffs to rid the factories of union activists,⁶⁰ and the near-halving of the active work force. In the 1970s factory delegates in many ways controlled the flow of work on the shop floor, but after 1980 foremen reasserted their traditional roles and ran things unilaterally. At most, they would merely inform shop floor delegates of their prior decisions.⁶¹

In the following years, Fiat adopted a manufacturing strategy based on what has been called "computer-aided neo-taylorism," i.e. the integration of flexible automation technologies and fordist work systems.⁶² In 1985 the new plant of Termoli 3 in the South of Italy began assembling the new FIRE automobile engine. Product, plant and work organization were designed jointly. The automation rate of the new plant was extremely high (85%), but in contrast to earlier experiments with flexible automation in various northern facilities – i.e. the Robotgate at the Rivalta plant or the LAM at the Mirafiori plant --⁶³ the robots were placed sequentially and product variation was quite limited. Semi-skilled, blue-collar labor, almost absent from the new plant, was replaced by indirect, maintenance labor. New categories of highly skilled workers capable of performing a variety of tasks – the so-called "system conductors" (conduttori di sistema) – were introduced in this new plant and were responsible for technological development in different areas of the production process.⁶⁴

The principal long-term goal of this effort was to create an "unmanned factory" in which the problems of labor conflict and *anomie* would be completely absent. At first, it appeared as if the Termoli 3 plant was a big success. Its extremely rigid but very efficient production system allowed Fiat to cut the price of its best-selling car, i.e. the Uno by 10 percent. Given the success of Termoli 3, Fiat engineers started to study how they could apply the lessons learned at Termoli to final assembly as well. With this plan in mind, in 1987 the Cassino assembly plant in central Italy was radically restructured.

The Cassino plant adopted highly sophisticated flexible manufacturing systems. However, the high number of different models being assembled at Cassino rendered coordination of the various production phases very difficult to manage.⁶⁵ Consequently, in December 1988 actual production levels stood at 760 cars per day, as opposed to the 1,800 cars per day that had

originally been planned. In many parts of the assembly process, flexible machines remained idle and manual operations were reintroduced.⁶⁶ In 1989 automated operations constituted only 22 percent of the total production process performed at the Cassino plant, as opposed to 50 percent originally planned.⁶⁷ Frequent jams in the automated systems of production occurred and could be resolved only through the flexible use of labor. However, since work organization was still modeled along fordist lines, this flexibility was limited. In many cases, work teams and employees had to "breach the rules" and redefine informally their job assignments if they wanted to reach production goals.⁶⁸

The debacle at Cassino convinced Fiat management that technological innovation alone could not guarantee production flexibility and product quality, and that these objectives were to be pursued primarily through organizational changes. Consequently, the new assembly plant of Melfi, also in the South of Italy, implements various organizational innovations modeled after the lean production model described by Womack, Jones, and Roos (1990).⁶⁹ Work is organized into Unita' Tecnologiche Elementari (UTE) (Minimal Technological Unities), in which multi-functional teams operate. However, only technical workers enjoy real job enrichment and teamwork.⁷⁰ Hierarchy has been reduced and workers' skills have been given particular attention. Furthermore, all employees receive on-the-job training, albeit of very different durations: from two years for technical and supervisory staff to two weeks for manual workers. Finally, the unions have been relegitimated as workplace partners by management. They are involved in various joint committees and are informed regularly about various production plans and career development programs.

In sum, the evolution of industrial relations at Fiat illustrates how even those employers who had vehemently attacked the unions at the beginning of the 1980s, came to realize

throughout the decade that they needed a form of union involvement to manage the new, flexible work systems introduced in their companies. Faced with industrial restructuring, internal chaos resulting from previous (failed) reform efforts, and more aggressive, if not outrightly hostile, strategies by both the employers and the government, how did the Italian unions respond ? The next section traces the strategic evolution of the Italian union movement in the 1980s and early 1990s.

5. The Evolution of Union Strategy

Throughout the 1980s, the unintended consequences of the various institutional reforms of the previous decade combined with the dramatic changes in the Italian economy (both at the macro- and micro-economic levels) to augment the traditional fragmentation of Italian labor relations. In the early 1990s, however, things began to change as a result of three factors : the demise of Italy's traditional party system and its effects on union autonomy; the passage of major legislation in two critical areas – the regulation of strikes in essential public services, and the privatization of public sector employment, which strengthened the unions vis-a`-vis rival organizations like the COBAS; and the internal organizational reform of the unions themselves, which enhanced their ability to organize and represent different categories of workers.

Although Italian labor relations continue to be characterized by fragmentation and internal dissent, nonetheless, it appears as if a slow, if at times inconsistent, transformation in the self-perception of the unions from agents of political and social dissent to parties in the process of economic change and governance, has occurred. This section illustrates this process of transformation by examining the most significant changes in the unions' various strategies.

5.1. Political Strategies: The End of "Transmission Belts" ?

Italian unions have historically had close ties to political parties, often acting as their “transmission belts” or agents in the economic sphere.⁷¹ In the early 1980s, the confederal unions tried to assume a position of relative autonomy vis-à-vis their long-term political allies. The issue of "union autonomy" from the party system was particularly strong within the CISL. In fact, the leadership of the CISL became convinced that the labor movement needed to contribute to a general reform of the country's institutions, especially existing collective bargaining arrangements, if Italy was to successfully pull itself out of the political-economic crisis. The CISL argued that that the unions' previous bargaining strategy had exacerbated this crisis, and thus was particularly supportive of the government's attempt to relaunch neo-corporatist economic concertation. This effort also resonated with various elements of the CISL's ideological heritage, i.e. the union's long-rooted concern with economic growth, productivity, and profitability.⁷² Moreover, drawing on the CISL's own self-conception, nourished especially after the Hot Autumn, as an independent "political subject,"⁷³ the CISL's leadership considered the tripartite accords of 1983 and 1984 as qualitatively different from the previous experiments of 1977-79. Whereas in 1977-79 the unions' shift towards concertation had been spurred by a political shift, i.e. the inclusion of the Communist Party (PCI) in the governments of "national solidarity"; in 1983-4 the unions claimed to be dealing with government as “direct representatives” of the workers, circumventing completely any form of party mediation.⁷⁴

In other words, for the CISL, the tripartite accords of the early 1980s were intended to produce more than just anti-inflationary policies. Instead, the union hoped that through tripartite negotiations over macroeconomic policy and institutionalized participation of the unions in company decision-making, it could construct a new, more concertative model of economic governance.⁷⁵ Through their control over wage determination, the unions would assure the

progressive reduction of inflationary expectations; and through their control of the Fondo di Solidarieta' (Solidarity Fund),⁷⁶ the unions planned on contributing directly to new productive investments. As Pierre Carniti (General Secretary of the CISL) articulated on a number of occasions, the CISL was aware that the unions' "political" role would be compromised if industrial restructuring were unilaterally decided and implemented by management.⁷⁷ Moreover, given that the political parties had proven incapable in the previous years to promote economic reform, the CISL believed that only a "social contract" between the unions and organized business could stimulate growth and pull Italy out of its recession.

Notwithstanding these ambitious goals, the tripartite agreements of the early 1980s focused almost entirely on reducing the cost of labor, particularly through reform of the scala mobile (wage indexation mechanism).⁷⁸ Due to Italy's high inflation rates, the scala mobile had gained massive weight in the determination of wages, accounting for over 60 percent of annual wage increases by the early 1980s.⁷⁹ This not only caused problems for management, 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 government measures aimed at fighting inflation.

Although bargaining over this agreement took place at separate tables, with labor leaders in one room and business representatives in another and government officials racing back and forth between them, all three actors signed the January 22, 1983 agreement. The agreement eliminated bracket creep, improved family allowances, established the Fondo di Solidarieta' (Solidarity Fund) to raise money for investment, reduced coverage provided by wage indexation by 15%, and banned plant-level bargaining for 18 months.⁸⁰ Disagreements over certain clauses of the agreement 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.⁸¹ 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's position. The rest of the CGIL staunchly opposed it. Supported by the PCI, the Communists within the CGIL mobilized workers against the new modification of the scala mobile.⁸² In 1985, they also promoted a referendum aimed at abrogating the government decree. The results of the referendum, held on June 9, 1985 were favorable to the government and the moderate union forces that supported the 1984 accord.⁸³

Thus, only twelve years after the birth of the Federazione Unitaria, labor unity once again dissolved in Italy. This not only eliminated the functional equivalent structures necessary for concertation in Italy,⁸⁴ but also dashed many of the dreams associated with the Hot Autumn. After this episode, tripartite collective agreements ceased for the rest of the 1980s.⁸⁵ The three union confederations continued to cooperate informally at the industry and company levels, although differences among them persisted and the old political cleavages reopened. In many cases, the unitary Consigli di Fabbrica were replaced by Rappresentanze Sindacali Aziendali, which were divided according to affiliation to different confederations.

In the aftermath of the recent corruption scandals known as Tangentopoli, however, many of Italy's traditional political parties collapsed, contributing considerably to reducing the political differences among the three main union confederations. Indeed, all confederal unions support the current left-of-center coalition government. This political rapprochement has on the one hand, favored the resumption of centralized collective bargaining and on the other, spurred efforts to re-

unite the three major confederations (CGIL, CISL, and UIL) into one single labor confederation. It is still too early to know where these efforts at rapprochement will lead but one thing is nonetheless clear: the demise of the traditional political parties may have finally given the unions the space they need to develop their own autonomous political strategies.

5.2. Legislative Strategies

Another significant change in the unions' strategies was reflected in their legislative efforts. In the early 1990s, the Italian unions encouraged the Italian government to pass two important laws regulating strikes in essential public services⁸⁶ and employment relations in the public sector, respectively. Both the 1990 law on strikes and the 1993 reform of the public sector sought to rationalize industrial relations in the service and public sectors, where the COBAS were imposing their role as bargaining agents through a systematic recourse to industrial conflict.⁸⁷ The COBAS used the so-called "contractualization" of public employment relations, introduced into a law in 1983, to obtain very large wage increases for their own constituencies -- increases much higher than productivity gains. These wage gains were, in turn, generalized to the rest of the economy, including the sectors exposed to international competition, by the economy-wide wage escalator, i.e. the scala mobile. Thus, leaving aside the deleterious effects these behaviors had for Italy's growing public deficit, collective bargaining in the public sector was contributing to both undermine Italy's international competitiveness (due to its inflationary consequences) and erode the credibility of the confederal unions as bargaining agents.

The explosion of industrial conflict in the public sector in the late 1980s⁸⁸ and the COBAS' continuous blockage of crucial social services such as railways, airlines, health care, and schools created a general consensus among Italy's key economic and political actors that legal regulation of the right to strike 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, the CGIL, CISL, and UIL promoted the adoption of the so-called codici di autoregolamentazione (codes of self-regulation) in the latter half of the 1980s. 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 guarantee the provision of certain "essential" services in case of strikes.

This law (Legge 146/90) regulated strikes in essential public services through a peculiar combination of legal and contractual tools.⁸⁹ In fact, it delegated to collective bargaining the definition of a list of basic services whose provision was to be assured even in case of strikes. The law also defined particular criteria that a union had to meet in order to gain access at 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 the strike were also included in the law. For example, strikes had to be announced at least ten days prior to their initiation. Moreover, in case of illegal strikes workers could be forced back to work by Prefects and Ministers through executive orders (the so-called precettazione). The law also introduced a Commission of Experts (Commissione di Garanzia) which acted as mediator in the definition of the essential public services and was provided with a certain number of disciplinary and legal tools in case of violations.

So far, Law 146/90 has proven instrumental in reducing the number of strikes in the service sector, while avoiding at the same time authoritative interventions.⁹⁰ 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.⁹¹ However, in some sectors like railways, the COBAS have been able to exploit certain provisions of the new law to maintain intact, perhaps even enhance their bargaining power. For example, since the law requires that strikes be publicly announced in advance, the Comitato Macchinisti Uniti (COMU) (the engine-drivers' version of the COBAS) has often proclaimed strikes only to call them off at the very last moment. As a result, the law has sometimes 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 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 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.⁹²

In the public sector, a tradition of particularistic and informal collective bargaining, involving the presence of various autonomous, professionally-oriented unions,⁹³ predominated. In fact, for much of the postwar period complacent politicians treated the public sector as a reservoir of party consensus, passing legislation which guaranteed special pension regimes, differentiated working conditions, status demarcations and wage allowances to various professional groups within the civil service.⁹⁴ In 1983, a legislative reform introduced collective bargaining into the

public sector. The reform sought to produce uniformity in wages and working conditions. However, like other, previous attempts at reforming Italian industrial relations, 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 the 1983 reform, a clientelistic version of codetermination emerged in which unionists and public officers 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. This re-launched the role of the public managers by according them 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. Public managers were given the power to decide the organization of work in their offices, the articulation of working-time schedules, and the introduction of flexible pay schemes. In other words, public managers were no longer legally required to reach an agreement with the trade unions on these issues, but needed only to inform, or alternatively consult, union representatives. Other 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 with the unions to an autonomous agency, called ARAN (Agenzia per la Rappresentanza Negoziabile), composed of experts and therefore, at least in theory, isolated from

political pressures. Reforms in public sector bargaining were mirrored by major shifts in both the structure and strategy of private sector bargaining.

5.3. The Evolution of Bargaining Strategies : From Fragmentation to Concertation

Historically, master agreements (CCNL's) negotiated by the national industry unions were predominant and structured the contracts of most, if not all, firms in the industry. As in the United States, leading firms were targeted by the unions for a particular year's bargaining round and the national contract was usually little more than the diffusion of that company's agreement to the rest of the industry. These contracts were negotiated every three years and renewals were essentially automatic.⁹⁵ Negotiations by union locals at individual firms were mere addenda to these more standardized national contracts and usually took place within one year of the signing of the national agreements.

5.3.1. Fragmentation

During the 1980s this pattern broke down. Essentially, the national industry agreements were squeezed between confederal-level tripartite agreements and local- or firm-level bargaining.⁹⁶ Attempts by the peak-level confederations to engage in macro-concertative deals over the cost of labor, the scala mobile, fiscal reform, and the annual budget increasingly constrained national industry unions as they sought to negotiate their own contracts covering many of these same issues. 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 employing alternative strategies),⁹⁷ firm- and territorial-level unions engaged in decentralized collective bargaining. These more micro-level contracts usually focused on firm

restructuring efforts, the introduction of new technology, and shifts in the organization and timing of work. National industry unions, as a result, experienced substantial difficulties in developing, let alone implementing, master agreements in a number of industries.

The content of collective bargaining also 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 union agreements appeared to be quite generic, at most setting broad parameters on wages and working conditions, local unions were actually negotiating the most significant elements of the contract.⁹⁸ Thus, 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. In the Italian textile industry, for example, the national contract established a 36-hour work week, but local unions decided whether to concentrate the work week in three or four long days or spread it out in the form of six shorter days, according to the needs and desires of the local workforce. In more agricultural areas, having shorter workdays permitted textile workers to also tend their fields. In more urban areas, fewer but longer days gave workers longer weekends or larger blocks of time to dedicate to a second job.

Even the sequencing of contract negotiations shifted 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 prior local deals.⁹⁹ Similar phenomena of decentralization could be observed in the implementation of laws regulating hiring and firing,¹⁰⁰ the use of redundancy funds (*cassa integrazione*),¹⁰¹ and union relations with local governments¹⁰² and business associations.¹⁰³

5.3.2. Economic Crisis and the Relaunching of Concertation

After this phase of decentralized collective bargaining, the economic and financial crisis of the early 1990s focused the attention of both political and social actors on the need for a more radical restructuring of both bargaining arrangements and the scala mobile.

Introduced initially in the national contracts of 1945 and 1946, the scala mobile was a cost-of-living adjustment escalator aimed at safeguarding workers' real wages against inflation. Price increases were periodically calculated in relation to an "average" working-class family's "shopping basket" of goods. An increase in the cost of the basket translated automatically into a proportional rise in workers' wage. In the early postwar years, the scala mobile was calculated as a lump-sum amount equal for all workers. In 1951, however, the scala mobile was modified so that payments were more differentiated by age, gender, skill levels, and geographical locations.¹⁰⁴

In 1975, in an attempt to moderate labor conflict, control inflation, and recast Italian industrial relations along more predictable lines, Confindustria, and the major union confederations (CGIL, CISL, and UIL) negotiated an accord which enhanced benefits provided by the scala mobile, especially for lower paid semi-skilled workers. The main aspects of this accord were a 100 percent indexation and a secondary agreement guaranteeing 80 percent of workers' wages in the event of lay-offs. The wage increases linked to the scala mobile consisted, like in the early postwar period, of equal sums for all employees (the so-called punto unico di contingenza). These measures would provide industrial workers in Italy with significant wage guarantees against both inflation and industrial restructuring. The Confindustria hoped that this accord would also shift the center of gravity of bargaining to the national level, and, in so doing, transfer power away from the militant industrial unions to the more moderate peak-level confederations.¹⁰⁵

Yet this effort at controlling prices and moderating labor relations through indexation backfired in several ways. Due to Italy's double-digit inflation rates in the late 1970s and early 1980s, the scala mobile gained massive weight in the determination of wages¹⁰⁶ and became perhaps the major determinant of Italy's high inflation rates during the 1980s. This caused problems not only for employers, who particularly after Italy joined the European Monetary System in 1979 could no longer directly transfer greater labor costs into price increases, but also for the national unions, which lost control over wage determination through collective bargaining.

Thus, the early 1980s saw repeated attempts at reforming the scala mobile through centralized, tripartite agreements. In 1983, the three confederal unions agreed to a 15 percent reduction in the degree of coverage against inflation. In 1984, the government proposed to limit the amount of wage increases linked to the scala mobile, as a way of breaking inflationary expectations.¹⁰⁷ As we saw earlier, although the CISL, the UIL, and the Socialists within the CGIL all supported the agreement, the Communist majority of the CGIL opposed it.

Negotiations over the reform of the scala mobile began again in the late 1980s. Initially, the objective of both the Confindustria and the unions was not to reform the scala mobile but rather to reduce indirect costs (such as social security payments and taxes), which, when added to wages, rendered Italian workers among the most expensive in Europe. In January 1990, the unions and the Confindustria jointly tried convincing the government to reduce social security payments for employers and payroll taxes for salaried workers (i.e., the core of the unions' membership) but to no avail. Instead, in July 1990, the social partners signed an agreement to continue working together to reach a new accord over labor costs and the structure of collective bargaining by June 1991.

The 1991 negotiations were quite drawn out and (not surprisingly) no accord was signed

by June. But in December 1991, a new, partial agreement was finally signed by the unions and the Confindustria committing them to a comprehensive overhaul of the collective bargaining system by June 1992, and in the meantime, "superseding" the current system of wage indexation (i.e., the scala mobile). As Italy's macroeconomic situation deteriorated steadily over the course of 1992, they were pushed by the Amato government to sign a new agreement on July 31, 1992.

Seen as a revolutionary break with recent industrial relations practices, the July 31, 1992 "Protocol on Incomes Policy, 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 the document. The main features of the agreement included the abolition of the scala mobile; a one year moratorium on firm-level wage negotiations; a lump-sum (20,000 Lire) wage increase to be paid in lieu of indexation; a freeze in industrial wages for the rest of 1992; and a freeze in government rates, administrative fees, and salaries.¹⁰⁸

The July 1992 accord was a central element in the Italian government's radical reorientation of economic policy. The new policy sought simultaneously to lower inflation rates, reduce government expenditures, and improve the country's trade balance. In return for the unions' concessions, the government committed itself to three major reforms. The first reformed the pension system by 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). The second "privatized" public sector employment relations, as pointed out earlier. Finally and perhaps most important, was 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 a major crisis within the Italian unions, especially within the CGIL. Sergio D'Antoni, Secretary General of the CISL, and Bruno Trentin, Secretary General of the CGIL, were both assaulted by protesters at open rallies, and Bruno Trentin was harshly criticized by a large share of the CGIL's leadership. Notwithstanding the CGIL's commitment to "codetermination" and the democratic governance of the economy following its 12th National Congress in 1991,¹⁰⁹ a significant minority within the confederation, closely linked to the left-wing faction Essere Sindacato, opposed the July 31, 1992 accord. Because of this internal organizational turmoil, Trentin offered (but later retracted) his resignation. Trentin claimed that he was compelled to sign the agreement, both out of a sense of "responsibility" towards the nation, and because he did not want to see a repetition of the 1984 split among the unions fostered by an analogous austerity package.¹¹⁰

The following autumn witnessed numerous demonstrations against the accord. Various factory councils in the North even established a movement of the so-called "autoconvocati" to contest the July 1992 accord. Interestingly enough, prominent within these demonstrations were not only members of the militant metalworkers unions but also large numbers of chemical workers, often seen as more moderate union members. Moreover, several local business owners in the North defected from the agreement and signed firm-level contracts providing wage increases, preferring to pay higher wages to persistent industrial conflict.

Between July 1992 and July 1993 there was much debate between the Confindustria and the 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 (Contratti Nazionali di Categoria). The unions, however, wanted wage bargaining to take place at both the industry and company levels (or territorial level for small and medium-sized companies). After a series of delays, due in part to the replacement of the Amato government by a government of "technicians" headed by Ciampi, a new agreement over the structure of collective bargaining was reached on July 3, 1993. As with the July 1992 accord, 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 accord explicitly devoted to industrial relations included the following provisions:

- The agreement confirmed the abolition of the scala mobile but left space for some indexation (the equivalent of 30% if the national industry contract has expired for over three months; and 50% if the national industry contract has expired for over six months).
- Wage guidelines and the rate of increases in nominal wages are to be determined through periodic tripartite consultations (in May and September) and should be consistent with the government's macroeconomic predictions as stated in its yearly budget.
- The structure of national industry contracts was modified so that the contracts resemble those in Germany: The normative clauses, i.e., those clauses of the national contract that govern hiring and firing practices, job classifications, career trajectories, etc., are to be negotiated every four years, whereas more strictly economic (wage) clauses will be renewed every two years.
- Bargaining will take place at both the industry and company (or territorial, in the case of small companies) levels. This clause represents an important victory for the union movement, since the employers had pushed for a single locus of collective bargaining at the national level. The

Accord also specified that company bargaining could take place on issues not already regulated by the national contract. Moreover, wage increases deriving from company-level bargaining were to be financed through productivity increases or performance improvements. 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.

- Employees are to pay a greater share of their benefit contributions, hence reducing indirect labor costs for employers.

Other aspects of the accord include increased labor market flexibility, including provisions for paying slightly lower wages to new entrants, and a restriction in the use of Cassa Integrazione Guadagni (the government-financed redundancy fund). With this accord, the unions gave up what was once seen as a major victory of the Hot Autumn era – extensive indexation and protection from inflation. Giving up the *scala mobile* also implies a reversal in the unions' egalitarian policies and a recognition of wage inequalities for differently skilled workers.¹¹¹ At the same time, by agreeing to participate in trilateral negotiations over wage increases, the unions are committing themselves to working with organized business and the government on containing wage growth and thus stimulating demand for Italian goods on world markets.

It is important to note that the 1992-93 accords are not merely a repetition of the 1983-84 tripartite agreements. First, the unions' commitment to wage moderation was not counterbalanced by favorable welfare legislation, as it was in the early 1980s. Second, the 1992-93 accords were accompanied by a major reform of public sector employment relations, which means that wage moderation was extended to the public sector as well. Third, the collapse of the traditional party system eliminated possible partisan conflicts among the unions over these reforms. Finally, the

July 1993 agreement included an organizational reform of the unions, aimed at revitalizing plant-level structures and eliminating conflict with the COBAS. Interestingly enough, the future destiny of Italy's new architecture of collective bargaining and incomes policy depends upon the success of this organizational reform. If the new plant-level structures, the Rappresentanze Sindacali Unitarie (RSU), are able to aggregate the interests and gain the loyalty of diverse kinds of workers, then the "non-overlapping" and "functional specialization" clauses of the July 1993 accord will hold. Otherwise, if these new plant-level structures fail to gain legitimacy and the unions continue to suffer from a crisis of legitimacy, then the accord and its elaborate bargaining structure will collapse as a result of renewed labor conflict. Because of their importance, we now turn to a more detailed discussion of the unions' organizational reforms.

5.4. Organizational/Representational Strategies

The organizational structure of the Italian union movement reflects its tumultuous and uncoordinated development. Each confederation has both vertical (industry-based) and horizontal (territorial) structures. During the 1950s, when the union movement was fragmented, weak, and politically isolated, the horizontal structures, especially the so-called Camere del Lavoro, were predominant. With the increase in collective bargaining at the industry and firm levels during the 1960s, however, the national industrial unions became ascendant.¹¹² Following the Hot Autumn struggles and the federative pact in 1972, factory councils – elected by and composed of union and non-union workers alike – were established at the shop floor.¹¹³ These became the official workplace organs of the three confederations, replacing the earlier Commissioni Interne (factory grievance committees).¹¹⁴

In the late 1970s, while the strategic shift towards concertation was being pursued, the

Italian unions embarked on an organizational reform aimed at developing a clear, mutually agreeable division of labor among the various levels of the union hierarchy. This organizational reform (referred to as the Riforma di Montesilvano) was formally embraced by the Federazione Unitaria CGIL-CISL-UIL in 1979, but had already begun, with the 1975 reform of the scala mobile which had severely curtailed the scope of decentralized wage bargaining.

The initial goals of the Reform of Montesilvano were quite different from its results. The reform sought to decentralize union structures to better match recent changes in the administrative structure of the Italian state.¹¹⁵ New zonal, departmental and regional confederal union structures were to replace the old provincial unions. At the company and plant levels, the Reform envisaged the consolidation and institutionalization of the Factory Councils, and their extension to the service sector, where they had not spontaneously emerged. Besides creating new structures for inter-industry coordination, the Reform also mandated the merging of several national industry unions, especially in the transportation and public sectors.¹¹⁶

Although the three Confederations differed on specific aspects of the Reform,¹¹⁷ the project was essentially unitary. Through organizational decentralization and the encouragement of mass participation, the unions sought to strengthen their "political role" in Italian society. By merging together various smaller industrial unions, they also hoped to block the emergence of more particularistic demands within some of these smaller unions which had previously hindered the development and the implementation of an united approach to social and political reform.¹¹⁸

Instead of territorial decentralization, however, the Montesilvano Reform resulted in a recentralization of the unions' structures. For example, the introduction of departmental union structures was, at best, incomplete.¹¹⁹ Moreover, the "reform" actually weakened the national industry and provincial unions – two union structures which had become more powerful and

autonomous during the late 1960s and 1970s – by restricting the bargaining power of the former and by reallocating the resources and responsibilities of the latter to the new regional and departmental structures. The confederations hoped that this more centralized structure would provide them with the organizational control and resources necessary to pursue their strategy of concertation.

This did not materialize either. Since various organizations within the union movement fought hard to protect their autonomy, the reform's result was to dilute rather than rationalize the unions' structures. For example, at a time of shrinking resources, the various unions significantly increased their staff (20% by the CGIL, 17% by the CISL).¹²⁰ Within the transportation, health care and education sectors, previously characterized by an array of smaller, more professionally-oriented unions only loosely tied to the confederations, the reform was even more damaging. In these sectors, workers felt that the central confederations were imposing on them an inappropriate, industrial union model of organization -- which failed to recognize their particular needs and interests.¹²¹ Not surprisingly, it was within these same sectors that alternative labor organizations like the Sindacati Autonomi and the Comitati di Base (COBAS) emerged a few years later.

In reality, this process of internal fragmentation of the Italian union movement occurred in two phases. During the first phase (1970s), in response to the unions' egalitarian bargaining strategy, a myriad of so-called sindacati autonomi (autonomous unions) appeared 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 succeeded by contesting the confederal unions' bargaining policy, especially its concern with various political and

ideological goals. Instead, they proposed a more “bread and butter” focus, such as the re-opening of wage differentials, the negotiation of merit pay, and new organizational structures through which skilled workers could express their “voice.” A few years later, these unions adopted more stable organizational structures.¹²² During the 1980s they established new confederations, such as the CISAL, the CISAS, the CONFAL, and the CONFSAI in different sectors.

During the latter half of the 1980s, the more innovative and intransigent Comitati di Base (COBAS) (grass-root committees) appeared, often in the same sectors in which the autonomous unions were also present. In many cases, the COBAS were established by previous members of the CGIL, contributing further to the erosion of the confederal unions’ representational monopoly.¹²³

Protest against the representational strategies of the three major union confederations exploded in 1986-87, when all major contracts in the public sector were up for 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.¹²⁴ 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.¹²⁵ Finally, in Autumn 1987, ground personnel at Alitalia (Italy’s major airline company) rejected the new contract and forced the company to re-open bargaining.¹²⁶ In all of these cases, the COBAS took the lead in organizing these protests.

These developments faced the confederal unions with growing disaffection from within and a weakening in their bargaining position vis-à-vis management, increasingly concerned that

the established unions could not control their own rank-and-file. In an increasing number of sectors and among numerous professional groups, the confederal unions appeared to have lost their hegemony over union representation. In sum, twenty years after the Hot Autumn, “egalitarianism” which had once contributed to bring about organizational cohesion within the Italian labor movement, now appeared to be causing internal defections and fragmentation. Skilled workers in the public sector came to perceive the egalitarian wage policies pursued by the three major union confederations as a violation of basic equity norms, i.e. that remuneration should be in proportion to capacity and effort, and thus responded with a new wave of wild-cat strikes, similar in many ways to that of the Hot Autumn but this time aimed at increasing (rather than reducing) wage differentials between different groups of workers.

Besides impairing the representation of skilled workers in the public and service sectors, the Riforma di Montesilvano had another unintended consequence: the decline of grass-root union structures in the industrial sectors. In the early 1980s, while the unions were pursuing a strategy focused on macroeconomic concertation, political exchange, and organizational centralization, grass-root representation structures sank into oblivion.¹²⁷ The consolidation and extension of the Factory Councils was never accomplished, although it constituted an important part of the Montesilvano Reform.¹²⁸ Nor were precise norms concerning the election and re-election of workers' representatives and the relations between employee councils and external unions ever established. As a result, the responses given by the Factory Councils to the wave of industrial restructuring of the early 1980s were increasingly particularistic, making the emergence of a unitary union strategy more difficult. 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 socio-political features of local

economies in which they were embedded.¹²⁹ As a result, industrial employment fell, net real wages and salaries stagnated, and union membership declined. Union membership, which had doubled between 1969 and 1980¹³⁰, fell from 49% to 39.3% between 1980 and 1990.¹³¹

5.4.1 Relaunching Internal Democracy

In the late 1980s, increased competition from rival organizations like the COBAS and the autonomous unions, and growing dissent from within, forced the traditional unions to reexamine several of their organizational practices. In 1991, the CGIL proposed revision of the Statuto dei Lavoratori that would transform the Factory Councils into more democratic and vibrant organizations. It would replace the “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. It would not only terminate the legal monopoly over firm-level representation that CGIL, CISL, and UIL enjoyed for over twenty years but also ensure that elections to these worker councils occurred regularly.

But the proposal went nowhere. Instead, the tripartite agreement of July 1993 provided for the replacement of existing plant-level union structures, the so-called Rappresentanze Sindacali Aziendali (RSA), with unitary union structures, the Rappresentanze Sindacali Unitarie (RSU). Unlike in the past, elections for the new RSU could be contested by any organization capable of gaining at least five percent of the workforce.¹³² 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 employers federation in order to establish an institutional link between bargaining agents at the national and plant levels.¹³³

In other words, the 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.

The confederal unions hoped this would revitalize their plant-level union structures, eliminate a major source of shopfloor conflict (recall that the COBAS and other competitive union organizations contested previous collective agreements because they were excluded from negotiations) and more importantly, relegitimize their role 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 the “most representative” clause 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.¹³⁴

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 which is less than 6 percent of all workers in the overall transportation sector.¹³⁵

In short, recent RSU election results indicate that the “representativeness” of the CGIL, CISL, and UIL is being confirmed. The “one-third” clause thus appears 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.

As stated earlier, the confederal unions’ ability to relegitimize themselves as representatives of different categories of workers is key to the stability of Italy’s new industrial relations system. 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 was the case with an analogous reform effort of the 1960s -- the so-called clauseole di rinvio -- which were swept away by the "Hot Autumn" wave of strikes.

6. Concluding Remarks

During the 1970s, Italy tried to build a new industrial relations model as a way of coping with its internal, distributional problems. Following the Hot Autumn of 1969, growing union

militancy and rising labor costs seriously impaired the socioeconomic stability of the country. Italy's reformers looked at other national systems as sources of inspiration on how to remake their country. In particular, they tried to adapt the northern-European model of neo-corporatist policy-making. Thus, the Statuto dei Lavoratori of 1970s attributed special organizational privileges to the so-called "most representative" unions, i.e. the confederal unions CGIL, CISL, and UIL. The reforms of the scala mobile and the cassa integrazione of 1975 guaranteed protection of workers' wages against inflation and industrial restructuring, thus eliminating two major sources of labor conflict. Finally, the tripartite agreements of 1977-79 sought to co-opt the confederal unions into a comprehensive system of political-economic concertation.

These various reform projects failed, however, to produce their anticipated results. For example, since the Statuto defined "most representative" as the ability to sign a provincial or national collective bargain, it provided strong incentives for competitive, non-confederal unions to resort to industrial conflict in order to gain recognition as legitimate bargaining agents. Similarly, given the way the scala mobile was calculated, i.e. as a lump-sum payment equal for all categories of workers, it led to the flattening of wage differentials and the emergence of discontent among the most educated and skilled segments of the workforce.

In addition to the various internal contradictions contained within these early reform efforts, the simultaneous globalization and decentralization of the economy severely undermined the stability of institutional arrangements which assumed that the scope of markets still largely coincided with the extent of the national territory. Italy's decision to join the EMS in 1979 reduced national policy-makers' capacity, let alone discretion, to use important macroeconomic variables like exchange rates and money supply to govern economic relations. At the same time, the decentralization of production and industrial restructuring provided management with new,

more powerful tools to challenge union power at the workplace level and thus the political balance of power undergirding the institutional reforms of the 1970s.

Following the initial failure to remake Italian industrial relations along the lines of a coherent national model, Italy's social actors engaged in a series of experiments throughout the 1980s. Some of these efforts sought to revitalize previous reforms; others intervened on political-economic spheres left untouched by the reforms of the previous decade. The tripartite agreements of 1983-84, for example, restored briefly economic concertation as a conjunctural measure against rising inflation and unemployment. The introduction of collective bargaining in the public sector in 1983 sought to equalize wage and working conditions across private and public sectors. Finally, in these same years new laws tried to partially deregulate the labor market, in the hope that this would increase employers' demand for labor.

Once again, the results of these ad hoc, sometimes internally inconsistent attempts to recast the Italian industrial relations system did not live up to expectations. Writing in the latter half of the 1980s, the industrial sociologist Gian Primo Cella observed that almost 20 years after the Hot Autumn Italy's labor relations were still suffering from informality and underinstitutionalization.¹³⁶ The confederal unions CGIL, CISL, and UIL were particularly hardly-hit by the crisis of the 1980s. The appearance of new unions, the so-called sindacati autonomi and the COBAS, gave voice to the malcontent of highly-skilled and white collar workers against the egalitarian wage policies pursued by the confederal unions. The COBAS organized a series of frequent, intermittent strikes which virtually paralyzed sectors like air and rail transportation, schools, and health care. Even in the industrial sectors, the unions were in dire straits. They seemed incapable of elaborating a coherent response to the massive wave of industrial restructuring. While national collective bargaining stagnated, local unions responded to

companies' reorganizations in very different ways, based on the particular socio-economic features of the local economies in which they were embedded.¹³⁷ This rendered the development of a unitary union strategy even more difficult to achieve, but also facilitated the emergence of innovative experiments with union-management cooperation and negotiated restructuring both in large firms and industrial districts.¹³⁸

In the early 1990s Italy's economic situation worsened, partly due to the crisis of industrial relations. Faced with growing labor costs, increasing public debt and trade deficits, rising unemployment, and a resurgence of industrial conflict in the service sector, the Italian government, along with the confederal unions and the Confindustria, engaged in new institutional reforms. In 1990 a new law limited the right to strike in essential public services; in 1992 the scala mobile was abolished; in 1993 the government accomplished a major overhaul of public sector employment relations. None of these reforms was explicitly planned as part of a comprehensive institutional redefinition of Italian industrial relations. Each constituted, on the contrary, a pragmatic response to specific problems: the law on strikes curtailed the COBAS's capacity to proclaim sudden, and highly destructive strikes; the abolition of the scala mobile eliminated the major source of Italy's persistently high inflation; the "privatization" of public employment sought once again to equalize wages and working conditions across private and public sectors. However, notwithstanding their ad-hoc introduction, these new institutions, and with them the July 1993 reform of collective bargaining arrangements, might prove to constitute the building blocks of a new, innovative and coherent "national model" of industrial relations – one which promises to reconcile the country's desperate need for macroeconomic stability with decentralization and local flexibility through the establishment of clear institutional links between national negotiations over pay increases and decentralized bargaining over issues like work

reorganization , contingent pay schemes, and flexible working hours.

In sum, ten years after what can now be considered as the first phase of Italian neo-corporatism, Italy's social partners try again to institutionalize a variant of neo-corporatist concertation. In the meanwhile, however, many things have changed. The confederal unions 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. Consequently, they have modified their organizational structures in order to relaunch internal democracy, particularly at the plant level. Furthermore, the disappearance in the early 1990s of most traditional parties, due to the wave of scandals known as mani pulite (clean hands) eliminated one of the major sources of division among CGIL, CISL, and UIL. Finally, and perhaps more importantly, the confederal unions have also considerably modified their self-perception. Perhaps the clearest example of this shift in the unions' identity from agents of social dissent to partners in processes of economic change came from the 1991 National Congress of the CGIL. In fact, in that congress the majority of the union delegates approved a new strategy involving the end of class struggle, the "demise" of the "centrality" of industrial workers' bargaining demands, the adoption of bargaining demands compatible with the firms' ability to pay, the pursuit of codetermination, and the dissolution of political factions within the union.¹³⁹

It is ironic that at a time when the fortunes of neo-corporatism are declining due to its supposed lack of flexibility and responsiveness to the needs of a post-fordist economy, when incomes policies are being abandoned even in their Scandinavian homeland, they are being revived in Italy – a country which was understood to have none of the institutional supports and legacies once deemed necessary for these kinds of arrangements to work.

It is still too early to evaluate the stability and performance of Italy's new national system

of industrial relations. The new industrial relations system has contributed to the revitalization of the Italian economy, permitting a radical reduction in the rate of inflation without a large increase in unemployment. This system has lived through various political and economic vicissitudes in the 1990s. It survived both the collapse of the traditional party system and the election of Berlusconi's center-right coalition. The new industrial relations system has also proven itself to be quiescent as well. The 1994 renewal of the pattern-setting metalworkers' contract was signed after five days of negotiations and no recourse to strikes. In 1995, participatory policy-making was extended to welfare reform as well. For the first time since 1968, the government and the three confederal unions negotiated a structural reform of the pension system which reduced state expenditures on pensions and thus, contributed to the reduction of Italy's budget deficit.¹⁴⁰ The 1996 renewal of the metalworkers' contract was slightly more conflictual than the 1994 negotiations but in the end, it too conformed to the guidelines established by the national income policies. Similarly, various national contracts in the public sector – the source of much of Italy's labor conflict in recent years – also respected the wage limits established by the government and social partners. All of this can be interpreted as signs of resilience for Italy's new system of industrial relations and economic governance.

Clearly, the future of this system does not depend solely on the Italian unions' strategic choices. As demonstrated by the brief Berlusconi government's experience, concertation depends heavily on the governments acceptance of it as a method of policy-making. The center-left government of Romano Prodi continues to pledge its allegiance to this concertative approach but nobody can exclude that in the future, a new center-right government will come to power and adopt a completely different approach to policy-making. In addition, as the Swedish case shows clearly, organized employers have to be committed to this kind of centralized consultation as well.

Italian employers benefited tremendously from wage restraint in the early 1990s. The business sector's rate of return on capital grew from 13.8% in 1993 to 15.9% in 1995 and is still, as of this writing, higher than it has ever been in the 1970s and 1980s.¹⁴¹ During the 1994 general elections (when Berlusconi triumphed), Confindustria advanced a formal request to both political coalitions that incomes policies continue in future years.¹⁴² In more recent years, however, dissenting views within Confindustria – especially among the federation of metalworking employers – have arisen. These employers argue for a return to unfettered collective bargaining and the elimination of incomes policies. Clearly, we can not rule out the possibility that this position could become predominant within Confindustria, thus provoking a Swedish-like dismantling of incomes policies. Stranger things have been known to happen in Italy. However, at the moment, this possibility appears slim and the Italian unions' resurgence appears quite strong.

Endnotes

¹ See Cella, Gian Primo. 1989. "Criteria of Regulation in Italian Industrial Relations: A Case of Weak Institutions." In Peter Lange and Marino Regini, eds., State, Market and Social Regulation: New Perspectives on Italy. New York: Cambridge University Press.

² See Lange, Peter, and Maurizio Vannicelli. 1982. Unions, Change, and Crisis: French and Italian union Strategy and the Political Economy, 1945-1980. London: George Allen and Unwin.

³ See Cella, "Criteria of Regulation in Italian Industrial Relations."

⁴ See Merli Brandini, Pietro. 1975. "Italy: Creating a New Industrial Relations System from the Bottom." In Solomon Barkin, ed., Worker Militancy and its Consequences, 1965-75. New York: Praeger; Pizzorno, Alessandro; Emilio Reyneri; Marino Regini; and Ida Regalia. 1978.

Lotte operaie e sindacato: Il ciclo 1968-1972. Bologna: Il Mulino; and Sabel, Charles. 1982. Work and Politics. New York: Cambridge University Press.

⁵ Golden, Miriam Anna. 1988. Labor divided: Austerity and Working Class Politics in Contemporary Italy. Ithaca: Cornell University Press: 47.

⁶ Salvati, Michele. 1975. Economia e politica in Italia dal dopoguerra a oggi. Milan: Garzanti Editore.

⁷ For more on this see Locke, Richard M. 1995. Remaking The Italian Economy. 1995: Cornell University Press. Ithaca and London: 5-10.

⁸ Golden, Labor Divided: 16.

⁹ The Statuto dei Diritti dei Lavoratori, Italy's first comprehensive labor code, combined elements of French and American labor law. This law, enacted in 1970, on the crest of the strike waves of the "Hot Autumn", 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.

¹⁰ The main aspect of this accord was a 100 percent indexation of the scala mobile (see Patriarca, Stefano. 1986 La nuova scala mobile. Rome: Ediesse.). 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% of workers' wages in the event of lay-offs (see Treu, Tiziano. 1986. "Italy." In Roger Blainpain, ed. The International Encyclopedia of Labour Law and Industrial Relations. 11th edition. Deventer, The Netherlands: Kluwer: 80-1). The CIG was therefore transformed from a temporary protection of workers' incomes, aimed at facilitating industrial restructuring, into a substitute for dismissals (see Reyneri, Emilio. 1989. "The Italian Labor Market: Between State Control and Social Regulation." In Peter Lange and Marino Regini, eds., State, Market and Social Regulation: New Perspectives on Italy. New York: Cambridge University Press: 137).

¹¹ Due to Italy's economic crisis of the second half of the 1970s, the three confederal unions began to rethink the dualistic strategy of pushing for wage increases and changes in work organization and major institutional reforms at the national level which they had adopted after the Hot Autumn. As a result of this self-criticism, CGIL, CISL, and UIL embarked on a major reform of their strategy, involving a trade-off between wage moderation and greater labor mobility in return for influence over industrial and labor market policies aimed at restoring economic growth and sustaining employment. By 1978 the Federazione CGIL-CISL-UIL officially adopted an

austerity policy in the form of the EUR document (see Regini, Marino. 1981. I dilemmi del sindacato. Bologna: Il Mulino).

¹² Swenson, Peter. 1989. Fair Shares : Unions, Pay, and Politics in Sweden and West Germany. Ithaca, NY: Cornell University Press, 1989.

¹³ For example, the Statuto dei Diritti dei Lavoratori sought to recast Italian labor relations along more procedural (and, it was hoped, less conflictual) lines. However, the Statuto limited workplace representation to the "most representative" unions and defined this in such a way that actually created a very strong incentive for non-confederal worker organizations to provoke strikes and contest previously negotiated contracts. (See Terry, Michael. 1993. "Workplace Unions and Workplace Industrial Relations." Industrial Relations Journal. 24, 2: 138-50.)

¹⁴ Brunetta, Renato and Leonello Tronti. 1995. "Italy: The Social Consequences of Economic and Monetary Union." Labour, Fall.

¹⁵ For a similar "historical compromise" between labor and capital, see Korpi, Walter. 1978. The Working Class in Welfare Capitalism: Work, Unions and Politics in Sweden, London: Routledge and Kegan Paul.

¹⁶ Barca, Fabrizio, and Marco Magnani. 1989. L'industria fra capitale e lavoro. Bologna: Il Mulino.

¹⁷ Locke, Remaking Italian Economy: Ch. 1.

¹⁸ On the crisis of Fordism, see Piore, Michael and Charles F. Sabel. 1984. The Second Industrial Divide, New York: Basic Books.

¹⁹ Rey, Guido. 1989. "Small Firms: Profile and Analysis, 1981-85." In Edward Goodman, Julia Bamford, and Peter Saynor, eds., Small Firms and Industrial Districts in Italy. London: Routledge: 71.

²⁰ Barca, Fabrizio, and Marco Magnani. 1991. "Industrial Development and Work Organization: From Restructuring to Capacity Expansion." In Ministero del Lavoro e della Previdenza Sociale: Labour and Employment Policies in Italy. Report '89. Rome: Istituto Poligrafico e Zecca dello Stato: Table 1, p. 67.

²¹ Bellandi, Marco. 1989. "The Role of Small Firms in the Development of Italian Manufacturing Industry." In Edward Goodman, Julia Bamford, and Peter Saynor, eds., Small Firms and Industrial Districts in Italy. London: Routledge: 49.

²² Rey. Small Firms: 79. Barca and Magnani, L'industria fra capitale e lavoro: 171-89.

²³ Barca and Magnani, L'industria tra capitale e lavoro.

²⁴ Barca and Magnani, L'industria tra capitale e lavoro: 225-85. Consolati, Luciano, and Alberto Riva. 1989. "Crescita e riposizionamento della grande industria italiana negli anni '80 (1981-1986)." In Pier Carlo Padoan, Andrea Pezzoli, and Francesco Silva, eds., Concorrenza e concentrazione nell'industria italiana. Bologna: Il Mulino.

²⁵ For more on the transformations of the Italian big companies, see Regini, Marino and Charles F. Sabel, eds. 1989. Strategie di riaggiustamento industriale, Bologna: Il Mulino.

²⁶ Viesti, Gianfranco. 1988. "Size and Trends of Italian Direct Investment Abroad: A Quantitative Assessment." In Fabrizio Onida and Gianfranco Viesti, eds., The Italian Multinationals, London: Croom Helm: 32, Table 2.3.

²⁷ The low degree of internationalization of Italian enterprises is due to long-standing structural characteristics of the Italian economy, particularly the predominance of small and medium-sized companies, and the overall specialization in traditional sectors like leather, textiles, clothing and footwear, wood and furniture, and ceramics, in which the comparative relevance of international location is limited. For more on these issues, see Onida, Fabrizio. 1988. "Patterns of International Specialization and Technological Competitiveness in Italian Manufacturing Industry." In Fabrizio Onida and Gianfranco Viesti, The Italian Multinationals.

²⁸ In some cases, international subsidiaries produced semi-products or components that the parent company reimported back to Italy, giving rise to considerable intra-firm trade. Among these groups there were Olivetti, Fiat, and SGS Microelettronica. For more on these issues, see Viesti, Gianfranco. 1988. "International Strategies of Italian Multinationals," in Fabrizio Onida and Gianfranco Viesti, eds. The Italian Multinationals: 79.

²⁹ The same phenomenon of employment decline had already occurred in the first half of the 1970s. In that period, though, this loss of jobs had been more than compensated by a simultaneous reduction of per capita working hours. However, between 1981 and 1985 the reduction of 2.9% in total working hours was accompanied by an increase in per capita working hours of 0.6% (1.7% in 1984-85). See Barca and Magnani. 1989. L'industria tra capitale e lavoro: 35 for more on this.

³⁰ Barca and Magnani. 1991. "Industrial Development and Work Organization.": 72.

³¹ Barca and Magnani. 1989. L'industria fra capitale e lavoro.: 35.

³² Barca and Magnani. 1989. L'industria fra capitale e lavoro.: 37.

³³ For more on economic adjustment in Great Britain, see Hall, Peter. 1986. Governing the Economy. The Politics of State Intervention in Britain and France, New York: Oxford University

Press: Chapter 5.

³⁴ Giavazzi, Franco, and Luigi Spaventa. 1989. "Italy: The Real Effects of Inflation and Disinflation." Economic Policy. No. 9: 133-171. Reprinted in Ministero del Lavoro e della Previdenza Sociale. 1991. Labour and Employment Policies in Italy. Report '89. Rome: Istituto Poligrafico e Zecca dello Stato: 45.

³⁵ Giavazzi, and Spaventa. 1991. "Italy: The Real Effects of Inflation and Disinflation.": 53.

³⁶ Giavazzi, and Spaventa. 1991. "Italy: The Real Effects of Inflation and Disinflation.": 46, 51-4.

³⁷ Italy's primary deficit grew by 3.4 percent of GDP in 1981 alone (Giavazzi and Spaventa. 1991. "Italy: The Real Effects of Inflation and Disinflation.": Table 9, p. 58). However, in reconstructing the evolution of Italy's economic policies, Giavazzi and Spaventa argue that Italy's public debt does not depend solely on expansionary fiscal policies adopted in the late 1970s-early 1980s, but mainly on a structural increase in public expenditures accomplished in the years 1970-73, and never compensated for in the following years (see Giavazzi and Spaventa. 1991. "Italy: The Real Effects of Inflation and Disinflation.": 59-61).

³⁸ For more on the so-called "divorce" between the Bank of Italy and the Italian Treasury, see Cotula, Franco. 1984. "Financial Innovation and Monetary Control in Italy." Banca Nazionale del Lavoro Quarterly Review, 37: 219-655; Padoa Schioppa, Tommaso. 1987. "Reshaping Monetary Policy." In Rudiger Dornbusch, Stanley Fischer, and John Bossons, eds. Macroeconomics and Finance: Essays in Honor of Franco Modigliani: Cambridge, MA: MIT Press: 265-86; Epstein, Gerald and Julet Schor. 1989. "The Divorce of the Banca d'Italia and the Italian Treasury: A Case Study of Central Bank Independence." In Peter Lange and Marino Regini, eds., State, Market, and Social Regulation. New York: Cambridge University Press: 147-66; and Goodman, John. 1992. Monetary Sovereignty: The Politics of Central Banking in Western Europe. Ithaca: Cornell University Press: Ch. 5.

³⁹ These and the following figures were taken from Bianchi, Patrizio, Sabino Cassese, and Vincent della Sala. 1988. "Privatization in Italy: Aims and Constraints," West European Politics, vol. 11, no. 1 (January): 87-100. For more on this process of privatization, see Bianchi, Patrizio. 1988. "Privatization of industry : the Alfa Romeo case." In Raffaella Y. Nanetti, Robert Leonardi, and Piergiorgio Corbetta, eds. Italian Politics : A Review. Volume II. London: Pinter Publishers: 109-125; and Stefani, Giorgio. 1988. "Privatizing Italian State Holdings," Rivista Internazionale di Scienze Economiche e Commerciali, vol. 35, nos. 10-11: 935-950.

⁴⁰ For more on this, see Bianchi, Cassese and della Sala. 1988. "Privatization in Italy: Aims and Constraints.": 98.

⁴¹ These figures are taken from Bianchi, Cassese, and della Sala. 1988: 88.

⁴² See Bianchi. 1988. "Privatization of Industry: The Alfa Romeo Case." for a comparison of these two cases.

⁴³ On the unions' labor market policies, see Reyneri. 1989. "The Italian Labor Market. Between State Control and Social Regulation." In Peter Lange and Marino Regini, eds., State, Market, and Social Regulation: 129-45.

⁴⁴ In 1991, Law 223 (Article 25) generalized the principle of discretionary hiring for all categories of workers.

⁴⁵ Guarna, Caterina. 1989. "The Extent and Nature of Labour Policy in Italy: 1984-88." In Ministero del Lavoro e della Sicurezza Sociale, Labour and Employment Policies in Italy. Report '88. Rome Istituto Poligrafico e Zecca dello Stato: 224.

⁴⁶ Guarna, Caterina. 1992. "Labour Policy Measures in the 1990s." In Ministero del Lavoro e della Sicurezza Sociale, Labour and Employment Policies in Italy. Report '90-91. Rome Istituto Poligrafico e Zecca dello Stato: 233.

⁴⁷ Guarna. 1992. "Labour Policy Measures in the 1990s.": 227.

⁴⁸ For more on the causes of Italian and European unemployment, see Modigliani, Franco. 1994. "The European Unemployment Crisis: A Monetarist-Keynesian Approach and Its Implications," Goethe Universitaet, Frankfurt am Main, Working Paper, December.

⁴⁹ The Federmeccanica was founded in 1969, as a reaction to the so-called Pirelli reform, a proposed strategic and organizational reconfiguration of Confindustria aimed at favoring negotiations with labor, and the construction of a new, more stable system of industrial relations. For more on the origins of Federmeccanica, see Becchi Collida', Ada. 1989. "Le Associazioni Imprenditoriali." In Gian Primo Cella and Tiziano Treu, eds. Relazioni Industriali: Manuale per l'analisi dell'esperienza italiana. Bologna: Il Mulino: 146-7. For more on different models of business representation in Italy, see Chiesi, Antonio M. and Alberto Martinelli. 1989. "The Representation of Business Interests as a Mechanism of Social Regulation." In Peter Lange and Marino Regini, eds. State, Markets and Social Regulation. Bologna: Il Mulino: 193-203.

⁵⁰ See Locke. 1995. Remaking the Italian Economy, for more on these developments.

⁵¹ IRI's attempt to promote neocorporatist-like arrangements within state-owned firms built on IRI's early legacy as an innovative employer and pacesetter in industrial relations (for more on this, see: Kendall, Walter. 1972. "Labor Relations." In Stuart Holland, ed., The State as Entrepreneur. London: Weidenfeld and Nicholson; and Martinelli, Alberto. 1981. "The Italian Experience: A Historical Perspective." In Raymond Vernon and Yair Aharoni, eds. State-Owned Enterprises in Western Economies. New York: St. Martin's Press: p. 94), but was highly influenced by central European experiences with co-management as well. See Treu. 1986. "Italy."

⁵² Locke. 1995. Remaking Italian Economy.

⁵³ On restructuring at Fiat, see: Locke, Richard and Serafino Negrelli. 1989. "Il caso Fiat Auto." In Marino Regini and Charles Sabel, eds., Strategie di riaggiustamento industriale. Bologna: Il Mulino; on restructuring at Pirelli, see Negrelli, Serafino. 1991. La societa' dentro l'impresa. Milan: Franco: Chapter 4.

⁵⁴ See Negrelli. 1991. La societa' dentro l'impresa: Chs. 5 and 7 on SIP and Italtel.

⁵⁵ This took place in 1987 and proved disastrous for industrial relations at Alitalia. In fact, the confederal unions, which had initially agreed to certain concessions, were later bypassed by more militant grass-root structures (COBAS). On this episode, see Negrelli, Serafino. 1992. "Costi e benefici delle relazioni di lavoro nel trasporto aereo." In Carlo dell'Aringa and Tiziano Treu, eds. Nuove relazioni industriali per l'Italia in Europa. Bologna: Il Mulino.

⁵⁶ On these other experiments, see Regini and Sabel. 1989. Strategie di riaggiustamento industriale; Negrelli. 1991. La societa' dentro l'impresa.

⁵⁷ For more on the characteristics of union-management cooperation at Zanussi, see Castro, Maurizio. 1995. "Orizzonti d'impresa nuova e itinerari di partecipazione: il caso della civitas zanussiana," manuscript.

⁵⁸ Best, Michael. 1990. The New Competition. Cambridge, Mass.: Harvard University Press.

⁵⁹ Baldissera, Alberto. 1984. "Alle origini della politica della disuguaglianza nell'Italia degli anni '80: La marcia dei quarantamila." Quaderni di sociologia, 31, No. 1: 1-78.

⁶⁰ Becchi Collida', Ada and Serafino Negrelli. 1986. La transizione nell'industria e nelle relazioni industriali: L'auto e il caso Fiat. Milan: Franco Angeli: 167.

⁶¹ For more on these developments, see Locke, Remaking Italian Economy: ch. 4.

⁶² Bonazzi, Giuseppe. 1993. Il tubo di cristallo. Modello giapponese e fabbrica integrata. Bologna: Il Mulino.

⁶³ For more on these plants, see Locke and Negrelli. 1989. "Il caso Fiat auto."

⁶⁴ Cattero, Bruno. 1992. "Inseguendo l'integrazione. Il percorso verso la fabbrica integrata alla Fiat di Termoli." Politiche del Lavoro. 17: 185-208.

⁶⁵ In particular, coordination of the "appointments" between chassis and various macro-components assembled off-line, for example doors, proved problematic (Camuffo, Arnaldo and

Giuseppe Volpato. 1993. "Making Manufacturing Lean in the Italian Automobile Industry: The Trajectory of Fiat." Manuscript, Department of Business Economics and Management, University Ca' Foscari, Venice, November: 13.

⁶⁶ Paltrinieri, Andrea. 1991. "Fiat: innovazione tecnologica ed emergenza dell'organizzazione reale nel montaggio della Tipo allo stabilimento di Cassino." In Oscar Marchisio, ed. Galassia Auto. Milan: Franco Angeli.

⁶⁷ In the second half of the 1980s, Termoli 3, too, began experiencing serious organizational problems. Consumers' demand had become both more sophisticated and diversified. Therefore the plant had to produce three different models of the Fire engine for a total of 36 versions. This created several problems, particularly in logistics. The production process was obstructed by a series of jams: malfunctioning of the automated inventory systems, low quality, machine break-outs. Consequently, like at Cassino, at Termoli 3, too, daily production of engines was much lower than expected (Bonazzi. 1993. Il tubo di cristallo: 82).

⁶⁸ Paltrinieri, 1991. "Fiat: innovazione tecnologica ed emergenza dell'organizzazione reale."

⁶⁹ See Womack, James, Daniel T. Jones, and Daniel Roos. 1990. The Machine That Changed the World. New York: Rawson Associates.

⁷⁰ Camuffo and Volpato, 1993. "Making Manufacturing Lean."

⁷¹ Weitz, Peter R. 1975. "Labor and Politics in a Divided Movement: The Italian Case." Industrial and Labor Relations Review, 28, No. 2, January: 226-42; Golden. Labor Divided. 1988.

⁷² Baglioni, Guido, ed. 1980. Analisi della CISL. 2 Volumes. Rome: Edizioni Lavoro.

⁷³ On the ideological heritage of the CISL, and on the role of "autonomy", see Treu, Tiziano. 1973. "La CISL degli anni '50 e le ideologie giuridiche dominanti." In Giovanni Tarello, ed., Materiali per una storia della cultura giuridica, Bologna: Il Mulino; and Baglioni, Guido. 1975. Il sindacato dell'autonomia, Bari: De Donato.

⁷⁴ That the Federazione Unitaria's "EUR-Policy" was to be considered primarily as the unions' response to a major political shift, i.e. the inclusion of the PCI in the governmental majority, was articulated by Luciano Lama, General Secretary of the CGIL, in various occasions. See Lama, Luciano. 1976. Intervista sul sindacato, Bari: Laterza; and Lama, Luciano. 1978. Il potere del sindacato, Rome: Editori Riuniti: 16.

⁷⁵ Carniti, Pierre. 1985. Remare controcorrente. Rome: Edizioni Lavoro.

⁷⁶ The Solidarity Fund resembled the proposal of risparmio contrattuale, advanced by the CISL in the 1950s. The fund would be financed by 0.5% of wage bills.

⁷⁷ On the importance of a two-pronged union strategy, focused both on the enterprise and the political sphere, see Carniti, Remare controcorrente: 186.

⁷⁸ Regini, Marino. 1985. "Relazioni industriali e sistema politico: l'evoluzione recente e le prospettive degli anni '80." In Mimmo Carrieri e Paolo Perulli, eds. Il teorema sindacale. Flessibilita' e competizione nelle relazioni industriali. Bologna: Il Mulino.

⁷⁹ Di Vezza, Luigi. 1987. "Retribuzioni: andamento e struttura." In CESOS, Le relazioni sindacali in Italia. Rapporto 1985-86. Rome: Edizioni Lavoro.

⁸⁰ For more details of the agreement, see Golden. 1988. Labor Divided: 82-84.

⁸¹ The predetermination of the scala mobile was based on the assumption that reducing inflation would relaunch employment. For a theoretical justification of this assumption, see Tarantelli, Ezio. 1986. Economia Politica del Lavoro, Turin: UTET. However, between 1983 and 1984 employment decreased 5.1 percent. For more on the results achieved by incomes policies in 1983-84, see Patriarca, Stefano. 1985. "Caratteristiche e risultati della politica dei redditi in Italia," in Mimmo Carrieri and Paolo Perulli, eds., Il teorema sindacale. Flessibilita' e competizione nelle relazioni industriali italiane, Bologna: Il Mulino: 66-69.

⁸² Golden. 1988. Labor Divided.

⁸³ Lange, Peter. 1986. "The End of an Era: The Wage Indexation Referendum of 1985." In Robert Leonardi and Raffaella Y. Nanetti, eds., Italian Politics: A Review, vol. 1. London: Pinter.

⁸⁴ Regini, Marino. 1984. "The Conditions for Political Exchange: How Concertation Emerged and Collapsed in Italy and Great Britain." In John H. Goldthorpe, ed., Order and Conflict in Contemporary Capitalism. Oxford: Clarendon Press.

⁸⁵ On December 18, 1985, the three major confederal unions, CGIL, CISL and UIL, and government signed an accord to reform the scala mobile. The new wage escalator was divided in two parts: one (580,000 lire) was fully indexed, while the difference between total remuneration and this fixed part was indexed at 25 percent. This new mechanism had an important symbolic component: It recognized the principle that protection against inflation had to be differentiated across skill categories. For more on this reform, see Patriarca, Stefano. 1986. La nuova scala mobile, Rome: Ediesse. With the implicit assent of the Confindustria, the new scala mobile was also extended to the private sector through a law (Law 38/1986) which limited its duration until 1989.

⁸⁶ The law on strikes (Law 146/90) rubber-stamped a preliminary draft elaborated by a union-sponsored commission of experts; see Treu, Tiziano. 1994. "Strikes in Essential Services in Italy An Extreme Case of Pluralistic Regulation." Comparative Labour Law Journal, Vol. 15, No. 4, Summer: 469.

⁸⁷ On the characteristics of the strike in the tertiary sector, where users of services are damaged rather than the bargaining counterparts alone, see Accornero, Aris. 1985. "La 'terziarizzazione' del conflitto e i suoi effetti." In Gian Primo Cella and Marino Regini, eds. Il conflitto industriale in Italia. Bologna: Il Mulino.

⁸⁸ See Bordogna, Lorenzo and Gian Carlo Provasi. 1989. "La conflittualita'." In Cella and Treu, eds. Relazioni Industriali.

⁸⁹ For more on the content of the law, see Treu, "Strikes in Essential Services in Italy: An Extreme Case of Pluralistic Regulation.": 461-87.

⁹⁰ For example, the average number of workdays lost for strikes in the transportation sector in 1991-1992 was 80 percent lower than the 1987-90 average.

⁹¹ Treu. 1994. "Strikes in Essential Services in Italy: An Extreme Case of Pluralistic Regulation.": 482-3.

⁹² On the major features of this reform, see Treu, Tiziano. 1994. "La contrattazione collettiva nel pubblico impiego: ambiti e struttura," Giornale di diritto del lavoro e relazioni industriali, No. 61: 1-52. See also Treu, Tiziano. 1993. "Verso la riforma del pubblico impiego," Aggiornamenti Sociali, 9-10: 641-52.

⁹³ Codara, Lino. 1987. "Accorpamenti: una decisione difficile. Il faticoso cammino dei nuovi inquadramenti categoriali." Prospettiva Sindacale, 63, XVIII, March.

⁹⁴ Accornero, Aris and Vincenzo Visco. 1978. La selva degli stipendi. Politica e sindacato nel settore pubblico. Bologna: Il Mulino.

⁹⁵ Often, new contracts were approved and signed before the expiration of the previous ones.

⁹⁶ Baglioni, Guido, and Rinaldo Milani. 1990. La contrattazione collettiva nelle aziende industriali in Italia. Milan: Franco Angeli: 37-56.

⁹⁷ In the metalworkers category, for example, firms as different as Fiat (autos), Olivetti (computers), Ansaldo (engineering) and Ilva (steel) are lumped together.

⁹⁸ Nacamulli, Raul, Giovanni Coasta, and Luigi Manzolini. 1986. La razionalita contrattata. Bologna: Il Mulino.

⁹⁹ Guidotti, Daniela. 1986. Strategia generale e azione decentrata: I precontratti dei tessili in Lombardia nel 1983. Milan: Franco Angeli.

¹⁰⁰ Reyneri. 1989. "The Italian Labor Market."

¹⁰¹ Reyneri, Emilio, and Renata Semenza. 1990. "Strategie di adattamento dei lavoratori espulsi dalle grandi imprese." In Collana "Ricerche." Milan: IRES Lombardia.

¹⁰² Regalia, Ida. 1985. "Sindacati e governi periferici." Democrazia e Diritto, 5; Regalia, Ida. 1986. "Centralization or Decentralization? An Analysis of Organizational Changes in the Italian Trade Union Movement." In Otto Jacobi et al. Technical Change, Rationalization, and Industrial Relations. London: Croom Helm; Nanetti, Raffaella Y. 1988. Growth and Territorial Policies: The Italiana Model of Social Capitalism. London. Pinter.

¹⁰³ Chiesi and Martinelli. 1989. "The Representation of Business Interests as a Mechanism of Social Regulation"; Baglioni, Mirella. 1989. Regions and Business Interests: The Italian Case. Parma: Istituto di Scienze Economiche, Università degli Studi di Parma.

¹⁰⁴ Lungarella, Roberto. 1981. La scala mobile 1945-1981. Padova: Marsilio Editori: 41-54.

¹⁰⁵ Flanagan, Robert J., David W. Soskice, and Lloyd Ulman. 1983. Unionism, Economic Stabilization, and Income Policies: European Experience. Washington, D.C.: Brookings Institution. The 1975 accord appeared to provide benefits for both sides. For the unions, it not only protected workers in their already established bastions (primarily large, well-organized plants in the North) but also extended this bargain to workers in smaller, less organized plants. Perhaps more importantly, given the way the scala mobile was calculated, it also provided the union confederations with a means to satisfy the egalitarian demands of their more militant industrial federations while containing at the same time rank-and-file mobilization. Major Italian firms gained as well. Since compensation for price increases would be paid by large firms in any event, because of strong unions within their plants, little was lost by imposing automatic compensation on smaller, potential competitors. Moreover, by removing disputes over price increases, this accord would eliminate a primary source of conflict within large plants, therefore reducing the power of the factory councils as well.

¹⁰⁶ See Regalia, Ida and Marino Regini. 1995. "Between Voluntarism and Institutionalization: Industrial Relations and Human Resource Practices in Italy." In Richard Locke, Thomas Kochan, and Michael Piore, eds. Employment Relations in a Changing World Economy. Cambridge, Mass.: MIT University Press: Table 5.3., p. 148.

¹⁰⁷ See Tarantelli. 1986. Economia Politica del Lavoro.

¹⁰⁸ For more on the July 31, 1992 accord, see Locke, Richard. 1994. "Eppure si Tocca: The Abolition of the Scala Mobile." In Carol Mershon and Gianfranco Pasquon, eds., Politica in Italia, vol.9. Bologna: Il Mulino.

¹⁰⁹ Mershon, Carol Anne. 1992. "The Crisis of the CGIL: Open Divisions in the 12th National

Congress.” In Stephen Hellman and Gianfranco Pasquino, eds. Italian Politics: A Review. Vol. 7, New York and London: Pinter.

¹¹⁰ For more on this episode, see Trentin, Bruno. 1992. Il coraggio dell'utopia, Milan: Rizzoli: ch. 9.

¹¹¹ See Baccaro, Lucio and Richard M. Locke. 1998. “The End of Solidarity? The Decline of Egalitarian Wage Policies in Italy and Sweden.” European Journal of Industrial Relations, Fall, forthcoming.

¹¹² Santi, Ettore. 1983. “L’evoluzione delle strutture di categoria: Il caso CISL.” Prospettiva sindacale, 48.

¹¹³ Regalia, Ida. 1978. “Rappresentanza operaia e sindacato: mutamento di un sistema di relazioni industriali.” In Alessandro Pizzorno et al., Lotte operaie e sindacato.

¹¹⁴ For an interesting historical reconstruction of the Commissioni Interne, see Baglioni, Guido. 1969. “L’istituto della Commissione Interna e la questione della rappresentanza dei lavoratori nei luoghi di lavoro,” in Annuario del Centro Studi CISL, Vol. 8: 35-64.

¹¹⁵ On these changes, see Putnam, Robert. 1992. Making Democracy Work, Princeton, NJ: Princeton University Press.

¹¹⁶ The CISL, for example, reduced the number of industry federations from 37 to 17, while the CGIL also consolidated its 39 industry federations into 18. For an interesting analysis of the inconsistencies of the organizational reform, see Napoli, Mario. 1987. “Osservazioni attorno ai rapporti fra relazioni collettive e modelli organizzativi del sindacato.” In Prospettiva Sindacale, 63, XVIII, March.

¹¹⁷ The most controversial issue was the role of the departments. The CGIL wanted them to have only a coordination role between the regional and zonal level. The CISL, on the other hand, wanted them to inherit the same powers and responsibilities as the old provincial unions. For more on these differences, see Scheda, Rinaldo. 1979. Il sindacato che cambia. Intervista sulla riforma organizzativa a cura di Corrado Perna, Rome: ESI, in particular pp. 7-48 and 222-229. Interestingly enough, the CISL, which was born as a federation of industry unions, proposed the strengthening of the departmental level, to “consolidate solidarity links above and beyond the industry level”. See again Napoli, “Osservazioni attorno ai rapporti tra relazioni collettive e modelli organizzativi del sindacato”: 198.

¹¹⁸ On the excessive autonomy of some industry federations and its consequences on the reform strategy, see Carniti, Pierre (Secretary General of CISL in the early 1980s). 1977. Il sindacato dell'autonomia, Milan: Coines: especially pp. 37-8.

¹¹⁹ They were essentially three reasons why the introduction of departmental structures was incomplete: i) lack of resources; ii) opposition by the provincial leadership; iii) absence of analogous State and employers' structures. In fact, the departments did not have clear counterparts, both in collective bargaining and at institutional level. For more on these issues, see Castegnaro, Alessandro. 1987. "La struttura orizzontale del sindacato." In Prospettiva Sindacale, 63, XVIII, March.

¹²⁰ Gandini, Andrea. 1987. "La divisione del lavoro nel sindacato," Prospettiva Sindacale, 63, XVIII, March: 118.

¹²¹ In fact, in these sectors the merging of industry unions met with tremendous internal resistance. For more on the merging of industry unions, see Codara. 1987. "Accorpamenti: una decisione difficile."

¹²² Armeni, Ritanna. 1988. Gli extraconfederali. Rome: Edizioni Lavoro.

¹²³ Bordogna, Lorenzo. 1994. Pluralismo senza mercato. Milan: Franco Angeli: Chs. 2-4. Lombardi, Emanuele. 1989. 1989. Cobas: una spina nel fianco. Rome: Sovera Multimedia.

¹²⁴ Bordogna, Lorenzo. 1989. "The Cobas: Fragmentation of Trade Union Representation and Conflict." In Robert Leonardi and Piergiorgio Corbetta, eds. Italian Politics: A Review. Volume 2. London: Pinter.

¹²⁵ Bordogna, Lorenzo. 1992. "Il caso delle Ferrovie." In Giuliano Urbani, ed. Gli attori: I sindacati, le associazioni imprenditoriali, lo Stato. Turin: Giappichelli/

¹²⁶ Negrelli. 1992. "Costi e benefici delle relazioni di lavoro nel trasporto aereo."

¹²⁷ On the decline of the Consigli dei Delegati, see Regalia, Ida. 1984. Eletti e abbandonati. Modelli e stili di rappresentanza in fabbrica, Bologna: Il Mulino.

¹²⁸ On the historical evolution of the Factory Councils, see Regalia, Ida. 1992. "Works Councils in Italy." Mimeograph: IRES Lombardia.

¹²⁹ On these issues, see Vento, Salvatore. 1987. "Le rappresentanze sindacali di base," Prospettiva Sindacale, 63, XVIII, March: in particular pp. 72-6, and Locke, Remaking Italian Economy.

¹³⁰ Between 1969 and 1980, the unionization rate grew from 29.4% to 49.0%.

¹³¹ Besides membership decline, two additional changes in union representation took place in the 1980s: 1) a process of substitution between active and retired workers. In fact, retired workers, which constituted 15.1% of the total confederal membership in 1980, became 38.4% in 1990. In 1989, retired workers represented 45.6% of the CGIL's total membership; 2) a process of

sectoral redistribution between industrial workers and service workers. While some industry federations like the metalworkers and the textileworkers lost about 40% of their memberships, other federations in the service and public sectors maintained or even increased slightly their membership. For more on trends in unionization, see Squarzon, Corrado. 1992. "La sindacalizzazione." In CESOS, Le relazioni sindacali in Italia. Rapporto 1990-91, Rome: Edizioni Lavoro: 83-93.

¹³² 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; see Accornero, Aris. 1995. "Introduzione. Le rappresentanze sindacali di base nei luoghi di lavoro." In Mimmo Carrieri, L'incerta rappresentanza. Bologna: Il Mulino: 8.

¹³³ Mania, Roberto and Alberto Orioli. 1993. L'accordo di San Tommaso. I segreti, la storia, i protagonisti dell'intesa sul costo del lavoro. Rome: Ediesse: 62.

¹³⁴ Based on interviews with several leaders of the COBAS, Rome, March 1995.

¹³⁵ Carrieri, Mimmo. 1995. L'incerta rappresentanza. Bologna: Il Mulino: 41-51.

¹³⁶ Cella. "Criteria of Regulation." In Lange and Regini. 1989. State, Market, and Social Regulation.

¹³⁷ Locke. 1995. Remaking Italian Economy.

¹³⁸ Locke. 1995. Remaking Italian Economy; Regini and Sabel, eds. 1989. Strategie di riaggiustamento industriale. Bologna: Il Mulino.

¹³⁹ For more on the 1991 Congress of the CGIL, see Mershon. 1992. "The Crisis of the CGIL : Open Divisions in the 12th National Congress." For more on the recent strategic evolution of the CGIL, see Trentin, Bruno. 1994. Il coraggio dell'utopia, Milan: Rizzoli: particularly pp. 55-89 and 205-16.

¹⁴⁰ Baccaro, Lucio and Richard M. Locke. 1996. "Public Sector Reform and Union Participation: The Case of the Italian Pension Reform." MIT Sloan School of Management Working Paper, September.

¹⁴¹ OECD Economic Outlook, 1997: Annex Table 25.

¹⁴² Regini, Marino and Ida Regalia. 1996. "Italia anni '90: rinasce la concertazione?" Milan: IRES Lombardia Working Papers: 19.