

Employment Relations in Italy

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Comments Welcome

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Introduction

The Italian employment relations system has traditionally baffled comparative scholars, who have had hard time placing it into cross-country classificatory schemes, both those issuing from the literature on corporatism and, more recently, those based on the Varieties of Capitalism literature (Hall and Soskice, 2001). Italy's seemed to lack the institutional and organizational features (e.g. social-democratic dominance of government, highly centralized interest associations) that were once considered conducive to corporatist policy-making, yet corporatist agreements were often attempted and sometimes surprisingly agreed upon. Also, while the Italian industrial relations system appeared to share several features with "coordinated market economies," e.g. centralized bargaining, the absence of a well-developed apprenticeship system specializing in the production of industry-specific skills and of cooperative institutions at the workplace level, like the German Works Councils, made it a mixed case which did not clearly fall into either the "liberal" or the "coordinated" camp (Thelen, 2001).

Within Italy, the tone of the academic debate has often been one of engaged critique, if not reproach. Italian industrial relations have appeared chaotic, poorly institutionalized, and not sufficiently mature when compared with those of other advanced countries. For a long time the main problem has been perceived to rest with the Italian unions' militancy and political divisions, and with their unwillingness to compromise on a much-needed policy of centralized wage moderation. The absence of a clear set of agreed-upon rules has also been frequently singled out as a significant factor.

The failure of national agreements in the early 1980s, and the decentralization of collective bargaining which ensued, provided empirical support for these critical views.

Beginning with the early 1990s the situation of Italian employment relations changed dramatically. With a series of centralized agreements, governments, unions, and (to a lesser extent) organized employers spearheaded a new era of social pacts and collaborative policy-making in Europe. The architecture of collective bargaining was thoroughly reformed in 1993 and the linkages across bargaining levels became much more rational and institutionalized than they had ever been.

The main argument of this chapter is that since the early 1990s the Italian industrial relations system has been evolving (by no means linearly) towards a new kind of corporatism (Rhodes, 1996; Streeck, 2000; Rhodes, 2001; Baccaro, 2007). The unions have been involved in all the major policy-making decisions of the last 15 years, even though they have sometimes disagreed among themselves about the desirability of specific measures. However, centralized negotiations have produced few of the redistributive and decommodifying outcomes which once characterized Scandinavian corporatism. The new corporatism that has emerged in Italy, as well as in other countries, has mobilized societal support for an austerity-based economic policy based on moderate wage growth and tightly controlled public expenditures, while economic inequality has been allowed to increase. While the recent Italian economic woes (stagnating economic growth, growing inequalities, and a widespread sense of economic insecurity) have many causes, the new Italian corporatism has possibly contributed to them by enforcing a multi-year policy of wage restraint. Additionally, the Italian corporatism has done nothing to stem the erosion of the union's organizational strength.

The unionization rate has steadily declined since the early 1980s, and current density rates in the private sector (estimated to be less than 20 percent) make one wonder whether, with labor so weak where it matters most, i.e. among the workers, corporatism will become an empty shell.

The remainder of this chapter is organized as follows: we begin with an historical reconstruction of Italian industrial relations until 1992, a year we regard as a watershed. We then examine the actors and the process of employment relations, respectively. We conclude with an overview of current and future challenges.

The Development of Italian Employment Relations until 1992

The trajectory of Italian employment relations after World War II was strictly linked to the evolution of the Italian political system as a whole. In 1944, union groups of different ideological orientations (Communists, Socialists, Catholics, and others), joined ranks and established a unitary union confederation, the Confederazione Generale Italiana del Lavoro (CGIL). The unions' organizational structures were reconstituted almost from scratch and were populated by party personnel who often lacked specific union experience (Romagnoli and Treu, 1981; Turone, 1992).

With the onset of the Cold War, the unity of anti-fascist forces vanished, both at the governmental and the union level. The left-wing parties (Communist Party, Socialist Party and the smaller Action Party) were pushed out of government in 1947, and a coalition of Christian Democrats and smaller centrist parties ruled. In 1950, both the catholic faction and the republican/socialdemocratic factions quit the CGIL to establish

independent union confederations: the Confederazione Italiana Sindacati dei Lavoratori (CISL) and the Unione Italiana dei Lavoratori (UIL), respectively.

In the 1950s Italian trade unions were particularly weak. Businesses took advantage of the slack labor market to purge their factories of union activists (Pugno and Garavini, 1974; Accornero, 1976). Unionization rates declined dramatically. In the metalworking sector, for example, the unionization rate collapsed from 60 percent in 1951 to 20.3 percent in 1960 (Pizzorno *et al.*, 1978, p.: 295).¹ Furthermore, collective bargaining was almost completely centralized at the national level.

The prevalence of centralized collective bargaining was the result of several factors. Centralization was in the interests of Confindustria, the major business association, because it tightly linked labor costs in the most dynamic industrial sectors to the economic conditions prevailing in more backward sectors, like agriculture. Also, trade unions lacked the organizational infrastructure needed for decentralized collective bargaining. Their plant-level representation structures were either weak or non-existent. Even where they were present, they were scarcely effective. Furthermore, the CGIL regarded organizational centralization with suspicion because it feared that decentralized structures would either develop into company unions or would become too autonomous and hence, endanger the Communist party's control on the working-class (Cella, 1976; Garavini, 1976).

The 1950s were instead golden years for organized business (Locke, 1995, p.: 71). Due to the centralization of collective bargaining, wages lagged below productivity in these years (Salvati, 1984). Strikes were rare, and when they occurred, their motivation

¹ The above unionization rates are solely based on union members affiliated to CGIL and CISL, and not also to UIL (due to lack of data).

was predominantly political (Bordogna and Provasi, 1989, pp.: 297-82). Wage moderation and labor quiescence contributed to create the preconditions for the low-cost, export-oriented strategy of economic growth from which emerged the economic miracle of the late 1950s-early 1960s.

Italian industrial relations changed dramatically in the 1960s. Labor market conditions became much more favorable to labor, especially in the North-Western parts of the country. Also, the political alliance between Christian Democrats and Socialists, which led to the emergence of a series of center-left governments, as well as theological innovations introduced by the Council Vatican II, which encouraged dialogue between Catholics and Marxists, eased many of the ideological tensions that had divided the labor camp in previous years. With the diffusion and consolidation of Fordist models of work organization in large firms, trade unions began devoting a greater deal of attention and resources to negotiating work conditions at the shopfloor level than it had previously been the case.

With the so-called “Hot Autumn,” a massive wave of strikes initiated by popular demonstrations over pension reform in 1968 and continued during the 1969-72 collective bargaining round, political divisions within the Italian labor movement were overcome from below (Pizzorno and Regalia and Regini and Reyneri, 1978; Sabel, 1982). In many industrial plants, especially in the metalworking industry, the three union confederations embraced unity of action. In 1972 there was a partial re-unification of the Italian labor movement with the establishment of the so-called *Federazione Unitaria CGIL-CISL-UIL*. This unitary federation did not replace the old union confederations. Rather, it sought to

create closer links among them through various coordination structures (Lange and Vannicelli, 1982).

The Hot Autumn introduced a number of innovations in collective bargaining. Campaigns for the unification of blue- and white-collar job classification scheme, the abolition of territorial differences in wage levels, demands for equal wage increases for all workers regardless of skill levels, improvements in health and safety conditions, and reductions in the speed and duration of work were all promoted in these years.

In these years, the national industry federations were able to absorb and generalize the most innovative practices introduced in large industrial establishments, and consequently considerably increased their power (Romagnoli and Treu, 1981, pp.: 165-97; Santi, 1983). The metalworking federations of CGIL, CISL, and UIL, together with the unitary *Federazione Lavoratori Metalmeccanici* (FLM), acted as vanguards for the whole labor movement (Golden, 1988). They consistently practiced unity of action and used their power to push for higher wages, limit overtime, regulate layoffs, restrict internal mobility, and slow down the pace of work.

The Hot Autumn overturned virtually all the social, political, and economic patterns established in the post-war period. Its repercussions on the Italian strategy of export-led development were, however, disastrous. Between 1970 and 1974, unit labor costs increased 59.5 percent. Inflation rates jumped from 5 percent in 1970 to 21.2 percent in 1974, also due to the first oil shock. Italy became the advanced industrialized country with the highest levels of industrial conflict (Bordogna and Provasi, 1989, p.: 285). Squeezed between higher wage, shorter work weeks, and more stringent labor regulation, firm profits dropped sharply (Barca and Magnani, 1989, pp. 27-38).

Consequently, Italy's competitiveness on international markets deteriorated sharply. In just a few years, Italy's current balance turned from positive (3.1 percent in 1968) to negative (-1.7 percent in 1973). According to OECD estimates, Italy lost 10 market-share points in 1973 alone (OECD, 1984, p.: 31).

In the mid-1970s, a general consensus emerged among Italian political-economic elites that union demands and industrial conflict were imposing unbearable costs on the Italian economy. Even confederal union leaders began worrying that the unions' strategy of the preceding few years, based on simultaneous grass-root mobilization at the factory level and national mobilization for social reforms in the political arena, was undermining the viability of the Italian economy (Lama, 1976, pp.: 83-149). With the worsening of Italy's economic crisis in the second half of the 1970s, the three major union confederations, CGIL, CISL, and UIL, embraced a new strategy, which became known as the "EUR Policy." With it they accepted to moderate wage demands and limit industrial conflict in exchange for participation in national policy-making (Lange and Vannicelli, 1982).

In 1977 a first tripartite agreement entailing minor labor concessions was negotiated. In exchange for these concessions the unions obtained from government a series of legislative measures aimed at correcting sectoral imbalances through planning measures, promoting job creation, and (so it was hoped) rekindling the process of economic growth. The concrete results achieved by these legislative provisions were, however, minimal. Overall, this early combination of union moderation and industrial *dirigisme* failed to live up to expectations.

Notwithstanding this early failure, national level negotiations continued in the early 1980. In 1983 a tripartite agreement cut wage indexation (*scala mobile*), imposed a series of wage ceilings on sectoral collective bargaining negotiations, and banned plant-level wage negotiations for 18 months. In 1984 government proposed to renew and update the previous tripartite pact by cutting wage indexation again (Carrieri, 1985; Regini, 1985).

This government proposal met with a lot of opposition from within the Italian labor movement. Unions in some of the largest enterprises mobilized against it. In the end, the Italian unions split along partisan lines: CISL and UIL supported the agreement, while the CGIL refused to sign it. Faced with union division, the government implemented the accord through an executive order. One year later, the Communist Party promoted an electoral referendum to abrogate the government's decree. The Communists within the CGIL campaigned for the abolition, while the CISL and UIL, as well as the Socialists within the CGIL, stood by the government's side. The results of the referendum favored the pro-government factions but led to the demise of unity of action among the three union confederations. The Federazione Unitaria was dismantled.

The failed agreement of 1985 and the ensuing referendum seriously undermined relationships among the three confederations. The structure of collective bargaining was decentralized. Even industry agreements lost much of their previous role (Locke, 1992). The demise of centralized bargaining was only a temporary phenomenon, however. Indeed, this type of agreement returned to dominate the scene in the early 1990s. Before analyzing these more recent developments, however, the next section examines the actors of the Italian employment relations system.

The Parties in Employment Relations

Density Trends

Italy's interest representation system appears remarkably fragmented in comparative perspective, and organizations are divided both on functional and political lines. The most important employer association is Confindustria. This organization represents all kinds of enterprise interests. However, also due to a weighted system of voting, the interests of large enterprises generally predominate (Vatta, 2007).

Traditionally two different strategic orientations vie for power within Confindustria: on the one hand there are the interests of large firms, who often face strong and militant unions at the company level, and hence are generally not prejudicially against keeping some form of dialogue with unions at the national level. On the other hand there are small and medium enterprises, which generally face weaker unions at the workplace level, and hence favor a more muscular approach to industrial relations and labor market policy. In 2001 the President of Confindustria was elected on a platform emphasizing the need to strengthen the voice of small and medium enterprises. The result was a shift in the organization's policy away from national, tripartite negotiations and towards greater support for governmental attempts to introduce flexibility in hiring and firing, including through unilateral measures (Baccaro and Simoni, 2004).

Reliable data on representation and density are notoriously hard to come by for employer organizations. In 2002 Confindustria declared that the total number of workers employed by its affiliates was 4,280,085 (Vatta, 2007, p.: 218). In the same year, the total number of dependent employees in industry (including construction) and services was 15,398,000. This corresponds to a density rate of 28 percent. However, the density

rate would probably be much higher if one were to take into account only the employees of non-craft companies (Vatta, 2007).

Aside from Confindustria, there are in Italy other specialized employer organizations representing small enterprises, companies operating in the retail and service sectors, craft-based companies (which have a special legal status), and cooperatives. Organizations representing retail and service companies, craft-based companies, and cooperatives are divided along party lines, with one organization being closer to the left-of-the-center political camp, and the other leaning towards the other camp. While these additional employer associations increasingly participate in national negotiations, their ability to shape the strategy of the employer camp as whole in these negotiations is limited, and they generally follow the line dictated by Confindustria.

As far as unions are concerned, traditionally the attention of scholars has focused on the three major union confederations CGIL, CISL, and UIL. There are, however, several other organizations which claim to represent workers in particular sectors or skill categories. Data on these other organizations' membership are, however, sparse and often unreliable. If one were to take their self-reported membership figures at face value, the unionization rate in Italy would have to be doubled if not more.

Figure 1 plots aggregate union density rates for the three major confederations against time from 1960 to 2006. It shows that after peaking at about 50 percent of the workforce in the late 1970s (after the Hot Autumn mobilizations), union density has been more or less steadily declining ever since. Despite falling density rates, union membership has grown constantly, thanks to the steady increase (until 2005) in the number of retired workers affiliated to the three confederations. Unionization of retired

members is favored by the presence of semi-public institutional arrangements, known as “*patronati*,” which process the workers’ applications for retirement and in exchange persuade workers to join the pensioners’ unions.

Self-reported membership data generally overestimate union density rates in a particular country, as it is revealed by comparing data based on administrative sources and on labor market surveys for those countries in which both are available.² According to self-reported membership counts, in 2006 the unionization rate for the three confederal unions was slightly below 33 percent (Giacinto, 2007). However, according to survey data, the estimated total union density rate among active workers in 2008 was lower: 29 percent (Table 1). This rate included union member affiliated to all union organizations, and not just the three major confederations CGIL, CISL, and UIL. These data are based on a representative sample of about 1,600 dependent workers 18 and older and retirees, stratified by labor market status (active/retired), gender, and geographical area of residence.³ The density rate among retired workers was estimated to be 28 percent. The three main confederations CGIL, CISL, and UIL organized an estimated 81 percent of all union members, and thus were by far the most representative organizations according to these data.

The union density rate by sector was estimated to be only 19 percent in the private sector in 2008 based on the above-mentioned survey data (Table 2). At 44 percent, the estimated density rate was instead considerably higher in the public sector (Table 3). Interestingly, the latter estimate was not very different from officially-certified data: 46.46 percent in 2002 according to ARAN, the public agency in charge of collective

² See the OECD database on Union Members and Employees in OECD.Stat (web access restricted).

³ The data are a courtesy of IRES-CGIL.

bargaining in the public sector (see *infra*).⁴ Incidentally, these official data make it clear that non-traditional confederations largely overstate their claims to representation.

The survey data also permit an evaluation of the unions' attractiveness among age cohorts (Table 4). Unsurprisingly, the estimated density rate for workers between 18 and 34 was only 19 percent, that is, considerably lower than the one for more mature workers.

It should be emphasized that the survey data should be taken with a pinch of salt, as they could be marred by sample error, as well as by various types of bias. However, they are in line with officially-certified data, and thus appear reliable. They paint a picture which is considerably bleaker than the one transpiring from previous scholarly work, including our own (Baccaro *et al.*, 2003). With a density rate of 19 percent in the private sector, a clear difficulty organizing young workers (also due to the diffusion of contingent work among these age cohorts), and a constant replacement of active with retired members within the union ranks, the prospect of unions ceasing to be significant labor market actors in the near future seems no longer far-fetched.

Organizational Structures

The organizational structures of employer and worker organizations match each other: both Confindustria and the three confederal unions have both vertical, industry-based organizational structures and horizontal structures. In the case of the CGIL the most important horizontal structure is the local *Camera del Lavoro* (Labor Chamber). The other confederations have similar entities. The *Camera's* jurisdiction approximately corresponds to that of Italian provinces. The unions' vertical structures link the enterprise level, provincial industry organizations, and national industry federations. In 2008 13 industry federations were affiliated to the CGIL (19 in 1985), 19 federations

⁴ Data available at <http://www.aranagenzia.it/> (accessed 15 January 2009).

were affiliated to the CISL (17 in 1985), and 18 to the UIL (28 in 1985). As in other countries over time there has been a tendency towards consolidation of the industry federations through mergers (Ebbinghaus, 2003). Aside from this trend, the organizational structure of the unions has remained more or less stable above the workplace level, while it has changed considerably at the workplace level itself. Indeed, this has been the area in which the most interesting organizational innovations have emerged over time.

The organizational model of the early post-war years was that of the *Commissione Interna* (internal commission). This had been the structure of workplace representation prevailing in the pre-Fascist period, and employers' and workers' representatives reintroduced in 1943 through a national agreement. Formally it was not a union body, had no bargaining prerogatives, and could not call strikes. It was instead a small parliament in charge of ensuring smooth relations between workers (both union and non-) and companies. Its functions ranged from consultation to monitoring the implementation of collective agreements signed by external trade unions. However, because in the early post-war years trade free trade unions had not yet been established, the internal commissions were in some cases assigned bargaining rights as well.

With the Hot Autumn wave of strikes workplace structures changed dramatically. The internal commissions were replaced by the *Consigli di Fabbrica* (factory councils), composed of workers' delegates elected by and directly accountable to small homogeneous worker groups. Simultaneously, a major legislative reform, the Workers' Statute (Law 300) of 1970, authorized the so-called "most representative" unions to set up workplace representation structures (*Rappresentanze Sindacali Aziendali* or RSA) and

benefit from a number of paid leaves for union activities. The Workers' Statute never defined how exactly "most representative" was to be determined and for a long time it was simply presumed that the three main confederations were to be considered as such.

The synthesis between the organizational model embedded in the Workers' Statute and the one emerging from the workers' struggles was reached pragmatically: the three confederations recognized the Factory Councils as their own and attributed to them the institutional benefits they were entitled to by virtue of their "most representative" status under the law. Thus, the Factory Councils became union structures but at the same time represented all workers in a workplace.

However, this synthesis had its own downside. In particular, the lack of boundaries between worker councils and trade unions made the model viable only in so far as the three union confederations shared the same strategic view and operated in unison. Also, the absence of clear rules concerning the election and re-election of representatives left the door open to a possible bureaucratic involution of the Councils. When in 1984 the three confederations broke up over the issue of wage indexation reform, relationships deteriorated both at the national and at the workplace level. In some cases the unitary Factory Councils were dismantled and each organizational established its own RSA. In other cases Factory Councils were not renewed for several years, thus jumpstarting a heated debate about the lack of union democracy in Italy (Baccaro, 2001).

Different reform initiatives were launched in the late 1980s and early 1990s. In 1993 the three union confederations and the employers settled on the so-called *Rappresentanze Sindacale Unitarie* (RSU). Like the Factory Councils the RSU were both union bodies and organs of general worker representation. Unlike the Factory Councils'

delegates, however, RSU members were elected by the workers at large, and no longer by homogenous groups. To ensure institutional continuity between external unions and internal workplace structures also at the request of employers it was established that 2/3 of RSU representatives were to be elected by all workers in a workplace, while 1/3 were to be appointed by the most representative unions, which would in this way be almost certainly assured control over these structures.

The creation of the RSU allowed the main union confederations to set workers' representation on a more solid and predictable footing, and to rely on a more reliable base to negotiate change and regulate employment relationships at the shop floor (Pulignano, 2006). The RSUs became the formal bargaining agents at company and local levels on issues explicitly referred to in national agreements; also the RSUs were attributed consultation and information rights, which concurred to identify them as formal bodies of employees' participation and therefore an important instrument for union democracy (Carrieri, 1995).

The introduction of the RSU spurred a wave of union elections in Italian workplaces. CGIL, CISL, and UIL obtained close to 95 percent of the workers' votes in most cases, except in the case of a limited number of well-identified skill groups (e.g. locomotive engineers). In 1997 the RSU was extended by law to the public sector. The so-called *Legge Bassanini* mandated the regular election of workplace representatives in the Italian public sector and imposed the official counting of membership data.⁵ The purpose of these dispositions was the measurement of union representation. Those unions that passed a threshold of five percent (calculated as the average between electoral

⁵ The official data on union density in the public sector presented in the previous sub-section are a result of this legal requirement.

votes and quota of membership cards) were designated as “representative” and were therefore allowed to participate in collective bargaining in the various public sector compartments (e.g. schools, ministries, municipalities, etc.) and sign collective bargaining agreements that were binding for all workers. The official data gathered by ARAN, the public agency in charge of public sector industrial relations, revealed that the fragmentation of trade union representation was in some cases extreme: for example in the health care sectors workers were affiliated to 68 different organizations. This fragmentation notwithstanding, CGIL, CISL, and UIL together organized 71 percent of all union members in the public sector. The number of votes that they obtained in the first RSU elections was slightly lower (68 percent), but still considerable.⁶

Notwithstanding several legislative attempts at institutionalizing the election of workplace representatives in the private sector as well, the RSU remained a private and voluntary affair in the private sector. Consequently, beginning with the mid-to late-1990s the RSU were found to display some signs of fatigue (Carrieri, 1997). At the core of their difficulties were lack of unity among the three main confederations, the limited diffusion of company bargaining, and non-renewal of the elected representatives.

Overall the results of the RSU elections bolstered the confederal unions’ claim to general representation of Italian workers and, for some time at least, contributed to re-legitimate and re-energize them (Carrieri, 1995, 1996). However, as examined above, they did not prevent a serious erosion of union density, so serious as to make it doubtful at this point whether the unions will continue to be an important private-sector actor in the future.

⁶ Own calculations on data available at <http://www.aranagenzia.it/> (accessed 15 January 2009).

The Process of Employment Relations

The National Level

Italy is a country in which peak-level neo-corporatist deals have for years been deemed particularly unlikely. This was not for lack of trying, however: beginning with the late 1970s there had been various attempts at national-level negotiations between government and the social partners.

The crux of the problem seemed to lie in the organizational and institutional structure of the Italian actors, which lacked – it was argued – the centralized organizational capacities needed for corporatism to succeed (Tarantelli, 1986; Cella and Treu, 1989). One element which, in retrospect, was especially important in determining the early failures had to do with strategy rather than structure: a sizeable portion of the Italian union movement was unwilling (and not just unable) to commit itself to a policy of wage restraint.

This situation was to change dramatically in the early 1990s. Two factors facilitated the re-emergence of centralized bargaining. The first was economic: in the early 1990s Italy found itself faced with a serious economic crisis. As a result of both constant nominal exchange rates (due to the fact that the Lira was tied to the EMS) and positive inflation differentials between Italy and all major international competitors, real exchange rate had experienced a constant appreciation since 1985. This dampened exports and increased import penetration, thus causing persistent current account problems. Eventually, speculative attacks spurred by perceptions of non-sustainability of the Lira's nominal parity vis-à-vis stronger EMS currencies pushed the Italian currency out the European Monetary System in September 1992 (Vaciago, 1993).

The second factor was political: the old political party system, which had both shaped and constrained relations among collective actors, disappeared in the space of a few years. The Italian Communist Party changed its denomination in 1989, officially pledged allegiance to parliamentary and reformist methods of action, and applied for membership in the Socialist International, i.e. the international association of socialdemocratic parties. In early 1992 a wave of corruption scandals, known as *Tangentopoli* (Bribeville) shook all major governmental parties including the Christian Democrats and the Socialists. Both parties went through a tremendous legitimization crisis and were dismantled. Their place was taken by a new coalition of center-right political party hegemonized by Silvio Berlusconi, a media tycoon.

The concomitance of both political and economic crisis provided the Italian confederal unions with a major opportunity to impose themselves on the national political sphere as the senior partners of “emergency” governments. Indeed, the governments of 1992, 1993, and 1995 were from the point of view of parliamentary support extremely weak governments, devoid of clear parliamentary majorities and (as in the case of the 1993 and 1995 executives) composed of independent “technicians” formally unaffiliated to any political party. At the same time, the range of tasks these governments had to perform was daunting. First, it was important to avoid that the nominal devaluation of the Lira sparked a new inflationary spiral. For this, wage moderation was indispensable. Second, since the state of the Italian public finances was disastrous (public deficit hovered around 10 percent of GDP between 1992 and 1993 and public debt peaked at 125 percent of GDP in 1994), the government could not use countercyclical (Keynesian) policies. Instead, Italy’s economic authorities needed to engage in fiscal consolidation –

a set of policies that is generally quite unpopular as it involves cuts in public expenditures and/or raises in taxes (in Italy it involved both) – while at the same time trying to preserve social cohesion and peace.

The three confederal unions were uniquely placed to provide the support and collaboration governments needed. First, unlike other major socio-political actors in Italy (e.g., the employers and the politicians), they emerged from the Tangentopoli wave of scandals virtually unscathed. Second, due to the deep transformations occurred in the political party structure, the unions' political sponsors either had disappeared or were for the first time in Italy's post-war history sitting together as partners in the same centre-left coalition. This political rapprochement contributed to generate close unity of action among the three confederations. Between 1992 and 1998, a series of peak-level bargaining agreements were negotiated by the three confederal unions and the Italian governments, with or without (as in the case of the 1995 pension reform agreement) the Confindustria.

In July 1992, in an ill-fated attempt to stave off expectations of a forthcoming devaluation of the Lira, a tripartite agreement brought about the abolition of wage indexation. In addition, enterprise-level bargaining was also temporarily banned. Another centralized agreement was signed in July 1993. This confirmed the abolition of wage indexation, linked industry-level wage increases to the government's macroeconomic targets, and introduced a two-tier structure of collective bargaining, at the industry and company level.

In 1995, government and unions (but not the employers) negotiated a comprehensive reform of the pension system. This introduced a simulated funded system

in the long term (with benefits proportional to paid contribution), but only marginally attacked acquired rights. The 1996 tripartite “Pact for Labor” introduced a moderate flexibilization of the rules regulating flexible and contingent forms of labor. In 1998 the so-called “Christmas Pact” confirmed the structure of collective bargaining on two levels established in 1993 and introduced a contractual obligation for government to consult with the social partners on all social policy issues and even to devolve decision-making authority to the social partners.

At the end of the 1990s the newly-emerged corporatist system seemed well on its way to institutionalization and there was even talk of embedding it in the Italian Constitution (Carrieri, 1997). Also, the three main confederations seemed very close to merging into a single organization. However this opportunity was missed: the CGIL and the CISL, in particular, had different views on a number of key issues such as union democracy (with the CISL opposing widespread use of worker referenda and the CGIL favoring it), or the decentralization of collective bargaining (with the CISL being much more open than the CGIL). These differences had led in some cases to agreements signed only by the CISL and the UIL but not the CGIL.⁷

In turn Confindustria became increasingly disenchanted with tripartite negotiations and, on the eve of national elections in 2001, struck a strategic alliance with the center-right coalition. The new government’s labor program emphasized labor market deregulation, criticized concertation as a rite that blocked much-needed structural reform, and underscored the need to move from job protection to employability (Biagi *et*

⁷ This happened, for example, with the metalworking contract of 2001 and with the proposed “Pact for Milan” in early 2000, which was signed only by CISL and UIL. This was a local-level concertation agreement aimed at allowing municipal authorities a more flexible use of fixed-term contracts in exchange for employment creation.

al., 2002). In 2002, another tripartite agreement was signed. This time, however, the union front split. These tripartite negotiations started with the ambitious objective of boosting employment creation with a comprehensive reform both of employment protection legislation and economic shock absorbers. Eventually, however, the scope of the agreement shrank and the proposed text ended up exchanging the promise of tax reductions for a less rigid regulation of individual dismissals. The CGIL refused to sign this agreement and called for workers to mobilize in opposition. This call was largely heeded and the policy reform stalled. As a result, the government never implemented the new rules on dismissals it had negotiated.

Corporatist policy-making returned in full splendor in 2007. The opportunity was once again a pension reform. While the reform of 1995 had fundamentally altered the future structure of the system, it had had only a limited impact on the transition phase affecting workers who had matured pension rights under the old regime. To prevent a short-term increase in pension expenditures, in 2004 the center-right government unilaterally increased the minimum age for seniority-based pensions. However, it postponed the introduction of the reform to 2008 in order to avoid political problems with its base. The new center-left government abolished the unilateral reform and negotiated with the unions a gradual increase of the minimum age for seniority-based retirement. Leftist parties in the government opposed the agreement and appealed to Italian workers to reject it. As it had been previously done both in 1993 and 1995, the three confederations organized a massive campaign of information among the workers, followed by a binding referendum. The workers approved the agreement by an

overwhelming proportion and thus contributed to bolster both the unions and the government's credibility.

In 2008 the center-right coalition returned to power. Strategic divisions among the three confederations resurfaced and the unions split again. The crux of the matter was this time the updating of the 1993 agreement and the reform of collective bargaining structure. This was a topic which had been tabled repeatedly in the past, including during the 1998 negotiations, but which had never been dealt with due to the parties' inability to converge on a mutually-agreeable solution. The January 2009 agreement confirmed the 1993 articulation of collective bargaining on two levels (industry and company) but introduced some changes to the old regime. All the major employer organizations signed the agreement and so did CISL and UIL, but not the CGIL. The CGIL's refusal was motivated by the agreement's inadequate protection of the wages and salaries' purchasing power.

While the incisiveness of the early pacts is largely gone (Carrieri, 2008), the parties continue to negotiate national-level agreements well into the 21st century following what has become by now a predictable pattern: when the center-left coalition is in power all three confederations share responsibility for the final agreement; when the government is in the hands of the center-right coalition, CISL and UIL (as well as the other union confederations) sign, while the CGIL digs its heels in. The CGIL seems to find it difficult to negotiate agreements with a government it does not trust.

Retrospectively (and counterfactually) it could be argued that without the centralized agreements of the 1990s, Italy's political economic situation would be much worse than it currently is: the country would not have joined the single European

currency, inflation would be higher, the currency would be an easy target for speculative attacks, and the public deficit would have grown due to higher interest rates, thus adding further pressure to an already restrictive fiscal policy. This is probably true. At the same time the resurgence of tripartite negotiations did nothing to prevent continuous erosion of the unions' representation capacity among active workers, especially in the private sector. Also, and perhaps more importantly, by introducing and sustaining a multi-year policy of wage restraint, it may have contributed to what is currently being presented in the Italian public debate as a true and proper emergency: wage incomes which are insufficient to cover normal expenditures and basic needs of an average family, especially in large metropolitan areas.

The Industry Level

The industry-level contract has historically had a symbiotic relationship with enterprise bargaining, even though the two contracts have often vied for primacy. After the Hot Autumn, enterprise bargaining (in large firms) became the channel through which the most interesting collective bargaining innovations emerged, and the role of the industry contract was to generalize and diffuse them (Cella and Treu, 2009). In the 1980s there was a trend toward collective bargaining decentralization, which Italy shared with all other advanced countries (Katz, 1993; Katz and Darbshire, 2000), and the industry agreement lost some of its significance (Locke, 1992). However, with the tripartite agreement of 1993 it was restored to its focal place (Regalia and Regini, 1998).

The 1993 agreement introduced a clear division of labor across bargaining levels. Something similar had been attempted with the tripartite agreement of 1983, but had been short-lived. Collective bargaining was to be conducted at both the industry level (every

four years in the case of normative clauses, every two years as far as wage and salary conditions were concerned), and at the enterprise (or territorial) level (every four years). The role of the industry agreement was to homogenize the working conditions of the employees belonging to a specific productive sector. As far as remunerations were concerned, industry-level negotiations had the function of keeping inflation expectations in check by tightly linking wage increases distributed at the industry level with the expected inflation rates decided by the government.⁸ Also, they would guarantee purchasing power stability by compensating *ex post* for any positive difference between anticipated and actual inflation. Even in this case, the adjustment would be net of terms of trade changes. In other words, if the delta between predicted and actual inflation was caused by a rise in import prices, real consumption wages would be allowed to fall.

By its very institutional design the 1993 agreement had the potential to cause a decline of the wage share in Italy. Indeed, productivity increases were supposed to be no longer redistributed at the industry level, but only at the enterprise or territorial level. Hence, unless the coverage rate of enterprise bargaining increased dramatically, wages would grow less than productivity. To obviate to this situation, from 2006 on the metalworking contract began to include an additional (small) wage element to be paid to workers to whom only the industry contract applied.

The collective bargaining structure introduced in 1993 represented a delicate equilibrium among different interests and views (Mascini, 2000). This has made it very difficult to reform it notwithstanding repeated attempts. The employers have been in principle against collective bargaining at two levels, and have argued for a single

⁸ That of reducing inflation by predetermining wage increases was an old (and brilliant) idea of an Italian economist, Ezio Tarantelli (see Tarantelli, 1986), who unfortunately paid with his life for this innovative idea as he was murdered by the Red Brigades in 1985.

bargaining level. Initially their favor went to the industry contract but over time they have shifted to the enterprise contract. The unions have vocally defended the complementary nature of both the industry and the enterprise level of bargaining, and argued for the need to keep both. When push has come to shove, however, the CISL and the UIL have proven willing to experiment with institutional solutions increasing the weight and importance of decentralized levels, while the CGIL has cast itself in the role of defender of the industry contract.

Divisions on the proper role of the industry level do not just pit different organizations against one another but often also reflect specific sectoral traditions and peculiarities. For example, the chemical sector agreement of May 2006 attributed greater autonomy to company-level bargaining and even introduced an opting-out clause for companies in distress. Very different was the January 2008 metalworking contract, which in many ways recentralized labor relations at the industry level. A significant innovation was introduced only for craft-based companies in March 2004. For these companies the role of compensating differences between anticipated and actual inflation was moved from the national to the regional level of bargaining. This reduced the importance of the industry agreement.

After years of fruitless discussion and failed negotiations, the January 2009 national agreement explicitly set out to reform the architecture of Italian collective bargaining. Hailed as a historic event, it did not fundamentally alter the existing system. Rather, it confirmed the dual structure introduced by the 1993 accord, increased the duration of industry-level agreements from two to three years, linked industry-level wage increases no longer to Italy's expected inflation but to an EU-wide predictive index,

reiterated that decentralized bargaining should take place only on issues explicitly delegated by the industry contracts and should not concern topics already negotiated at other levels, and affirmed the need for government to increase the diffusion of decentralized bargaining by introducing special tax advantages. Given the vagueness of some commitments, and given that the largest union confederation (the CGIL) did not sign it, this accord is unlikely to have ended the debate on collective bargaining reform in Italy.

The Company Level

In this domain, too, the 1993 social protocol represented a landmark. It did two key things: 1) it established the RSU, i.e. a new system of workplace representation which, at least for some time, reinvigorated and relegitimized the Italian confederal unions; 2) it introduced for the first time in Italian history a series of rules regulating decentralized bargaining. These were contractual rather than legal rules, thus institutionalization was weaker than it could have been. However, compared with the previous situation, when decentralized bargaining had depended on voluntary recognition and on the balance of power between the parties, the 1993 accord was an important step forward.

As argued above, the 1993 protocol attributed an important role to enterprise-based bargaining and was in many ways premised on greater diffusion of enterprise bargaining than the *status quo ante*. Did company bargaining really become more prevalent?

The answer to this question is somewhat speculative: some studies are available, but they are based on specific sectors and/or geographic areas, are limited to enterprises

of a particular size (e.g. with at least 50 employees), or lack a longitudinal dimension. Their results are often not comparable. A survey conducted in 1995-1996 by the Italian statistical agency based on a representative sample of private-sector enterprises with at least 10 employees estimated that company bargaining involved only 10 percent of relevant enterprises and covered 39 percent of private-sector employees (ISTAT, 2002). Based on various sources of data, Rossi and Sestito (2000) concluded that company bargaining in 1995-1997 had been less diffuse than in 1988-1989 and approximately as diffuse as in 1985-1986. There had been a peak of enterprise-based bargaining in 1996, presumably as a result of the 1993 accord, but it had not been sufficient to bring the coverage rate back to previous levels. Overall the time trend was negative. The propensity to negotiate at the enterprise level was strongly positively correlated with company size (see also Bordogna, 1997, 1999) and company-specific union density. Hence, the decline in decentralized bargaining appeared due both to a decline in average size and to a decline in union density. This analysis also showed that there had been no increase in the relative importance of wage increases negotiated at enterprise level. Instead, increases decided unilaterally by management had become more important. However, the type of wage increases negotiated seemed to have changed in the direction indicated by the 1993 agreement. Wage bargaining at the enterprise level had concerned mostly the so-called “variable wage” and had been linked to the company’s productivity or profitability (Pulignano, 2007). Overall, in those companies in which there had been negotiations, enterprise bargaining had been used to negotiate more flexible working conditions and to establish workplace partnerships.

A more recent analysis of decentralized bargaining trends confirmed the findings reported above and revealed that bargaining propensity had declined between 1998 and 2006 for a sample of private enterprises with at least 100 employees. The decline had been greater for companies of smaller size (CNEL, 2007). Thus it looks as though institutionalization of enterprise negotiations in 1993 did not increase the diffusion of this form of bargaining. Two forces possibly operated at cross-purposes: on the one hand the 1993 protocol provided unions with a “right to access”, so to speak, that was previously unavailable; on the other hand, due to the decline of density rates, unions were increasingly unable to act on such right.

Labor Relations in the Public Sector

The year 1993 was crucial for employment relations in the public sector as well. A 1993 union-government agreement, translated into law (Law 29/1993), introduced the principle of autonomy in collective bargaining. The main goal was to “privatize” public sector employment relations, i.e. make them more similar to the private sector ones. In accordance, employment relations in the public sector are currently formally regulated via collective agreements. Before this reform, there had been informal collective bargaining, especially after the introduction of a previous reform in 1983, the so-called *Legge Quadro* (Framework Law). However, the agreements needed to be translated into law to be valid.

The reform created an autonomous agency: the *Agenzia per la Rappresentanza Negoziabile delle Pubbliche Amministrazioni* (ARAN). ARAN is a technical organ with organizational and managerial autonomy, reporting directly to the central government. It is legally responsible for all national collective bargaining in the public sector. Also, it

oversees the equal application of the collective employment contracts and, upon request, assists with specific needs of the administration involved.

The impetus for the establishment of an independent agency came from the perceived need to correct some of the unintended consequences of the 1983 reform. This had *de facto* introduced collective bargaining in the public sector, but had created little incentives for the employer not to give in easily to union demands. In the public sector, it was argued, there was a situation of “pluralism without market” (Bordogna, 1994): the parties were more or less free to negotiate the terms of the employment relation; however, due to the multiple protections enjoyed by public sector employees and the particular electoral constraints of the public sector employer, they had little incentives to settle on reasonable terms. In particular, unlike the private sectors, unions that pushed their demands too far did not risk seeing their members lose their jobs to the competition and managers that settled too generously faced little risk of demotion. In the mid- to late-1980s public sector collective bargaining had contributed to both wage inflation and growing public sector deficits because politicians had been unable to resist the explosive wage demands put forward by small and extremely militant professional unions, the so-called *Comitati di Base* (Grassroots Committees) or COBAS, particularly in the school and railway bargaining units. With the creation of ARAN, public sector collective bargaining was constrained by tight budget limits imposed by the government.

In 1997 another law, the so-called *Legge Bassanini*, integrated the previous legislative reform. It further extended contractualization by abolishing some remaining constraints to decentralized negotiations. Currently, the structure of public sector collective bargaining is similar to the one obtaining in the private sector (regulated by the

1993 protocol). Accordingly, decentralized bargaining takes place under the coordination and within the limits indicated by national industry agreements, which are different for the various branches of the public administration (e.g. schools, health care services, central government, etc.). Administrative units are, at least in theory, allowed to use their own funds in second-level negotiations to reward and motivate their personnel. However, the adding of a new layer of decentralized collective bargaining does not seem to have had appreciable effects on the productivity of the administrations involved and the quality of the services provided (Bordogna, 2007).

It is not clear what effects the various reforms have had. The wage spirals that were observed in the late 1980s have disappeared, but this may be due to the fact that the macroeconomic situation of the country is now considerably different. Some important progress has been made with regard to the qualitative aspects of negotiations (Ricciardi, 1994): for example the number of job classifications has been cut and now wage increases are more strictly tied to tasks and responsibility, as opposed to being simply linked to automatic career progression. Moreover, new forms of labor flexibility have been introduced, such as part-time, fixed-term contracts, and tele-working.

One clear benefit of the new regime has been the sorting out of the system of union representation. As argued above, the *Bassanini Law* introduced clear criteria for the determination of the unions' representation, based on a mix of electoral results and membership. The official data on membership and electoral support made available by ARAN have made it clear that the claims put forward by the grassroots committee and other professional unions in the late 1980s-early 1990s, that they were the true representatives of Italian workers, were largely overstated. There is indeed a crisis of

union representation in Italy, but it manifests itself in a general decline, not in the substitution of established organizations with new ones.

Current and Future Issues

This chapter has argued that the main trend in Italian employment relations has been the emergence since 1992 of a new type of corporatism, one that involves the social partners in virtually all major economic policies, but produces few, if any, of the redistributive, egalitarian, and decommodifying outcomes of the classic Scandinavian corporatism of the old days. Indeed, and more controversially, the chapter has argued that the Italian corporatism may have contributed to the current economic crisis (stagnating growth rates, more dispersed wage and income distributions, and a pervasive sense of economic insecurity) by introducing and enforcing a multi-year policy of wage restraint.

Specifically, this outcome has been the result of the particular way in which the crucial tripartite agreement of 1993 regulating collective bargaining structure has been implemented. This agreement was very important, and commentators were right to call it an historic event. The new system attributed a new role to the industry-level contract, that of guaranteeing purchasing-power stability, and established that productivity increases should be distributed at the enterprise level. This made eminent sense in a country used to very high inflation rates and highly inertial inflationary expectations (Tarantelli, 1986). The problem was that most private sector workers were only covered (directly or indirectly) by the industry contract, and that the second level of bargaining became less, not more pervasive over time. In these circumstances, the institutional

structure of collective bargaining created a situation in which wages were highly likely to grow more slowly than productivity.

To illustrate that the argument is at least plausible, Figure 2 plots the wage in efficiency units over time. This is (roughly) a measure of unit labor costs keeping factor proportions (labor/capital) constant. A growth in the index indicates that wages grow faster than (technologically-warranted) labor productivity, and vice versa. The graph shows that between 1973 and 1991, the wage in efficiency units first grew and then returned more or less to the same level. From 1992 on, i.e. with the abolition of wage indexation and the onset of the new Italian corporatism, there was a sustained period of decline, which was not simply a cyclical phenomenon. In the early 2000s, wages began to grow faster than productivity again.

Figure 3 plots wage shares of GDP over time for the four largest European economies. In 1992, Italy's wage share was the same as Germany's and larger than France's. Between 1992 and 2000, the wage share in Italy declined much faster than elsewhere. Both graphs suggest that something in the Italian system of wage determination built a gap between wage and productivity dynamics in the 1990s.

Wages that grow less than productivity, i.e. falling unit labor costs, may not necessarily be a bad thing, as they imply that cost competitiveness improves. For example, wage moderation did wonders for the Irish economy, and was a key factor in bringing the "Celtic Tiger" about (Baccaro and Simoni, 2007). However, there is a fundamental difference between an economy like the Irish and the Italian economy. In the Irish economy foreign demand is much more important than domestic demand; in Italy the opposite holds. In an economic like the Italian, as in every large country, the

export-benefiting effects of cost competitiveness may be dominated by the recessionary effects of shrinking domestic demand (Carlin and Soskice, 2009).

Obviously not all Italian problems stem from the employment relations system. Riccardo Faini and André Sapir (2005) have offered an interesting analysis focusing on comparative advantage and sectoral specialization. Italy – goes their argument – has been hit in the face by globalization, which implies greater economic integration with developing countries, particularly China. Unlike other European countries, Italy is specialized in labor-intensive sectors, and thus competes head-to-head with China and other developing countries. Also, while other European countries have upgraded their productive structure in the 1990s and moved towards higher value-added markets, Italy is the only country to have become even more specialized in traditional sectors. This phenomenon points to some historic weaknesses of the Italian economy: e.g. low investments in R&D, prevalence of small firms, inefficient public services. However, it also hints at a role that the employment relations system could have played and did not play: that of acting as a “beneficial constraint” (Streeck, 1997). If unit labor costs fall dramatically, if the low road is not sealed off, managers and entrepreneurs have fewer incentives to upgrade.

The main present and future challenge for the Italian employment relations system, as well as for the Italian economy as a whole, is that of addressing the current wage emergency, and associated with it the sense of insecurity currently prevailing. In Italy’s public discourse it is often argued that wages cannot grow if productivity does not grow. This is true, but as the analysis above has shown, wages have grown considerably less than productivity throughout the 1990s. Addressing this fundamental distributive

issue will require a reform of collective bargaining institutions. Current reform projects focus on strengthening the second bargaining level. This is unlikely to lead to an equitable distribution of productivity gains short of a dramatic boost in company-level bargaining. This boost is unlikely to happen because one of the key determinants of decentralized bargaining is the local strength of the union, and that has been declining for several years. Additional institutional mechanisms will probably be necessary.

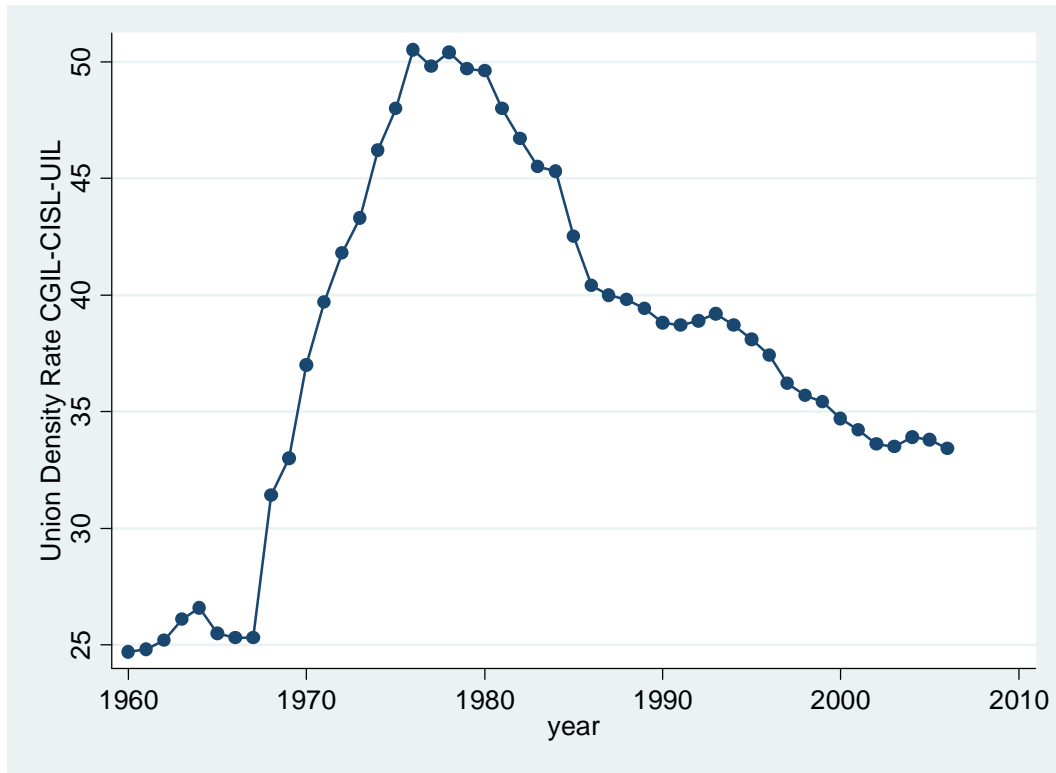
There is then the microeconomic problem of rekindling productivity growth. This will require reforms of the educational system, the skill development system, and (is one allowed to use the word?) industrial policy. Upgrading the Italian productive structure to enable it to weather the challenges of globalization is unlikely to happen through the invisible hand: it will require the targeting of particular sectors and the deliberate building of capacities. Employment relations can contribute to this policy mix particularly by addressing inefficiencies in the public sector and by increasing the quality of public services.

Finally there is the problem of labor's organizational strength. At present, Italy's organized labor is in the enviable position of being granted access to all major policy-making tables. However, its capacity to push its own goals at these bargaining tables may be waning because density rates have been falling for the past 30 years or so. Institutional access without social power may amount to little. The trajectory of second-level bargaining provides an illustration: the 1993 agreement gave unions, for the first time, an opportunity to negotiate regularly every four years. However, because there were fewer unionized workers around to act on it, this opportunity went largely unheeded.

A dramatic reversal in union density is unlikely. Unions are declining everywhere, liberal and coordinated market economies, possibly for structural reasons (e.g., crisis of Fordist organizations, fragmentation of the productive structure, deindustrialization, diffusion of new typologies of contract). The only countries that manage to buck the trend are the Ghent ones. The recent literature on union revitalization notwithstanding, so far no recipe has produced consistently good results.

The Italian unions still maintain remarkable mobilization capacities, their density rates are still considerable (especially in comparative perspective), and their legitimacy is bolstered by their generally good performance in workplace elections. Nonetheless, with less than 20 percent coverage among private sector workers, they seem on their way to becoming a marginal labor market actor. If these trends continue, and at this point there are all sorts of reasons to think they will, employment relations scholars are well advised to start reflecting on what a world without unions would look like, and which new institutions and social forces will emerge to take up the crucial role – embedding a market economy – they have historically played.

Figure 1: Union Density Rate CGIL-CISL-UIL



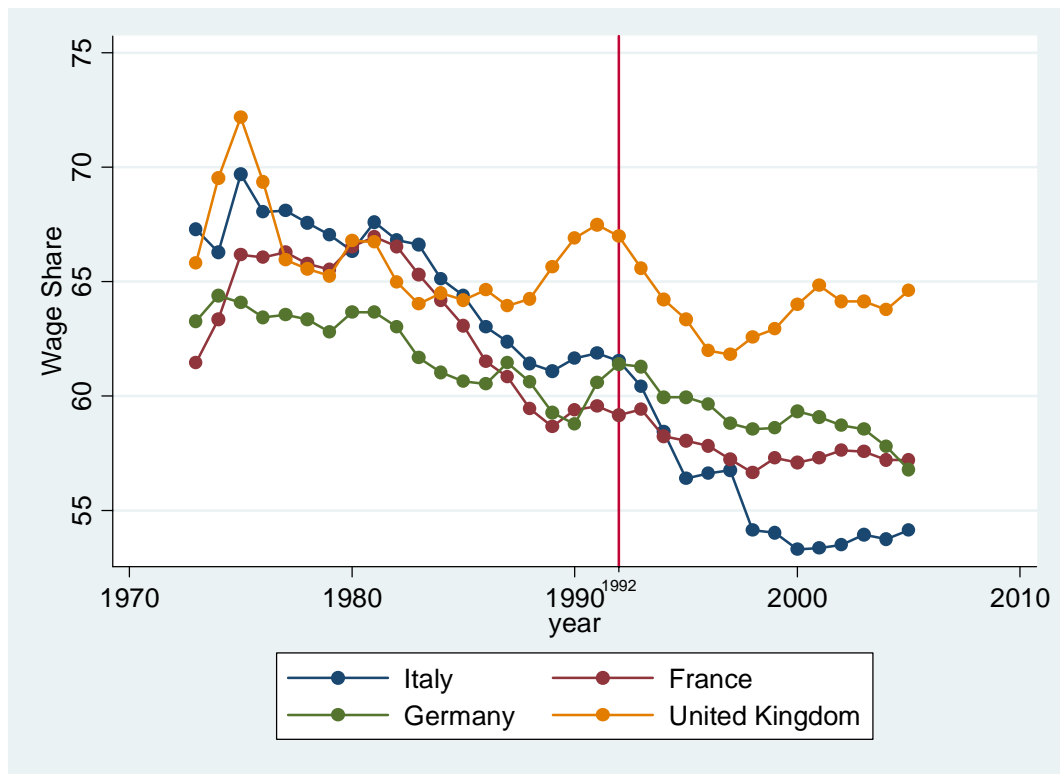
Source: Courtesy of Jelle Visser, University of Amsterdam

Figure 2: Wage in Efficiency Units (1973=100)



Source: AMECO Database of the European Commission, DG ECFIN

Figure 3: Wage Shares of GDP in Large European Economies



Source: AMECO Database of the European Commission, DG ECFIN

Table 1: Estimates of Union Density Rates by Labor Market Status (2008)

	Non- Members	Members
Retired	0.72	0.28
Active	0.71	0.29
Total	0.71	0.29

Row proportions; n = 1,525

Source: own calculations on unpublished survey data, courtesy of the IRES-CGIL

Table 2: Estimates of Union Density Rates – Private Sector (2008)

	Non- Members	Members
Retired	0.65	0.35
Active	0.81	0.19
Total	0.74	0.26

Row proportions; n = 948

Source: own calculations on unpublished survey data, courtesy of the IRES-CGIL

Table 3: Estimates of Union Density Rates – Public Sector (2008)

	Non- Members	Members
Retired	0.80	0.20
Active	0.56	0.44
Total	0.68	0.32

Row proportions; n = 577

Source: own calculations on unpublished survey data, courtesy of the IRES-CGIL

Table 4: Estimates of Union Density Rates by Age Profile (2008)

	Non- Members	Members
up to 34	0.81	0.19
35<age<54	0.66	0.34
More than 54	0.71	0.29
Total	0.71	0.29

Row proportions; n = 1,525

Source: own calculations on unpublished survey data, courtesy of the IRES-CGIL

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