

# Learning from past mistakes? recent reforms in Italian industrial relations

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*Since the early 1990s, major reform efforts aimed at reducing industrial conflict, rationalising public sector labour relations, restructuring collective bargaining arrangements, and re-establishing tripartite 'concertation' have transformed Italian industrial relations. This article argues that because these new reforms have been accompanied by significant shifts in both Italy's political system and the unions' own organisation, they stand a better chance of succeeding than previous reform projects.*

The 1980s were clearly a decade of crisis for national economic institutions in most, if not all, advanced industrial societies. Countries as diverse as Sweden, Germany, and the United States experienced a marked decline in their capacity to control, let alone direct, economic change[1]. In fact, in various countries the internationalisation of financial markets rendered impossible the adoption of discretionary monetary and fiscal policies[2]. Incomes policies and functional equivalent forms of wage regulation, which had previously guaranteed both low inflation and unemployment, collapsed in several Scandinavian countries. These changes had important consequences for labour unions. National-level, multi-employer collective bargaining declined and was substituted by

either a unilateral determination of wages and working conditions by management or decentralised collective bargaining[3]. Faced with industrial restructuring, more aggressive strategies by employers, and new bargaining demands put forward by both skilled workers and public employees—two groups that felt underappreciated and not fully protected by existing union representation strategies—trade unions in all advanced societies experienced membership decline and strategic disarray. These trends appear to have continued well into the 1990s.

Yet, there is also evidence of a reversal of these trends. Surprisingly, much of this evidence is manifest in Italy, a country with a historic propensity for institutional fragmentation and economic decentralisation[4]. Since the early 1990s, a series of major reform efforts have been undertaken in Italy to render the Italian political economy more efficient and quiescent. These reforms have focused primarily on industrial relations practices and include: the 1990 law regulating

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the right to strike in essential public services, the 1992 'privatisation' of public sector employment relations, the abolition of the *scala mobile* (wage indexation mechanism) in July 1992, and a radical reconfiguration of collective bargaining arrangements in July 1993. Taken together, these reform initiatives seek to reduce industrial conflict in the service sector, rationalise labour relations in the public sector, restructure collective bargaining arrangements at both the national and company levels, and re-establish tripartite, neo-corporatist 'concertation' between the social partners at the national level.

Initial evidence suggests that these reforms may be working. For example, the abolition of the *scala mobile* and the re-introduction of incomes policies permitted Italy's monetary authorities to engineer a massive devaluation of the Lira (which lost about 50% of its value vis-à-vis the D-Mark) while avoiding a renewed inflationary spiral. According to the OECD, Italian manufacturers have in recent years improved their cost competitiveness (defined as cost of labour per unit of industrial output) by 34%—a figure higher than that of all Italy's international competitors. This improvement was due not only to currency devaluations but also to wage moderation and productivity increases[5]. Other indicators of positive change can be detected in recent contract negotiations. For example, the 1994 renewal of the important metal-working industry contract represented an unheard-of event in Italian industrial relations. Not only did the agreement respect the guidelines established by the new national incomes policies—notwithstanding the considerable growth of profits in this sector—but also the contract was signed without any recourse to strikes. Similarly, various national contracts in the public sector—the source of much of Italy's labour conflict in recent years—also respected the limits established by the government[6].

How do we understand this recent shift in Italian industrial relations? How stable are these new institutional arrangements—especially given that similar practices are breaking down in a number of countries traditionally seen as more 'stable' or 'mature' than Italy?[7]. How do these recent changes differ from previous failed efforts to reform Italian industrial relations?

Certainly, this is not the first time Italian business, labour, and political leaders have come together to reform the country's indus-

trial relations system. Throughout the 1970s and 1980s, a variety of attempts aimed at remaking Italian labour relations in the image of other, supposedly more 'mature' national systems were promoted. The reform of Italian labour law through the *Statuto dei Diritti dei Lavoratori* (a comprehensive labour code modeled on the American Wagner Act) in 1970, the attempt by *Confindustria* (Italy's major business association) and the three major labour confederations, the *Confederazione Generale Italiana del Lavoro* (CGIL), the *Confederazione Italiana dei Sindacati Lavoratori* (CISL), and the *Unione Italiana dei Lavoratori* (UIL), to forge a Swedish-like Basic Agreement through wage indexation in 1975[8], 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 these initiatives failed. Instead of promoting greater centralisation, standardisation, and quiescence, these reform efforts unleashed a series of intra-organisational struggles that resulted in the further decentralisation and fragmentation of Italian labour 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 organisations, they stand a better chance of succeeding than previous reform projects. For example, with the recent disappearance of Italy's traditional governing political parties (particularly the Christian Democratic Party and the Socialist Party), the political cleavages among the three major union confederations, which in the past had contributed to undermining experiments with neo-corporatist bargaining, have been attenuated. Likewise Italy's three major labour confederations have reversed themselves on one of the most sticky political and economic issues of the last two decades: the *scala mobile* (system of wage indexation). Moreover, the demise of the *scala mobile* was accompanied by a major organisational reform aimed at revitalising their plant-level structures, democratising their internal decision-making processes, and thus enhancing their ability to aggregate and represent

diverse interests within the labour movement. These innovations are especially important given that previous reform projects were often undermined by internal dissent and organisational challenges from various groups of workers (especially skilled and professional workers) who felt their interests were ignored by the unions' leadership.

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

### **Building a 'mature' industrial relations system in the 1970s and 1980s**

During the 1970s and early 1980s, Italy's business, labour, and political elite sought to construct a new national model of industrial relations as a way of coping with the country's internal, distributive problems. The consequences of the Hot Autumn of 1969 had led to rapidly growing labour costs, a dramatic rise in industrial conflict, and the open contestation of traditional forms of work organisation in large firms[9]. Taken together, these factors seriously impaired the socio-economic stability of the country. Unions used their newfound power to eliminate overtime, regulate layoffs, restrict internal mobility, and slow down the pace of work. Squeezed between higher wages, shorter workweeks, and more stringent labour regulation, firm profits dropped sharply[10]. Italy's competitiveness and foreign trade also deteriorated in the 1970s. During the first half of the decade, Italy's average annual growth of imports was substantially

higher than growth of exports. Moreover, because of its extremely high dependence on imported raw materials, especially oil, and rapidly growing labour costs, Italy experienced in the 1970s and early 1980s one of the highest price-level increases among the OECD nations.

By the mid-1970s a general consensus emerged, shared by managers, politicians, and unionists alike, that union demands and industrial conflict were imposing unbearable costs on the Italian economy. The leaders of the three major confederal unions (CGIL, CISL, and UIL) were particularly concerned that the unions 'Reform Strategy', adopted after the Hot Autumn and based on grass-root mobilisation within the factories and battles for social reforms in the political arena, was exacerbating Italy's political-economic woes[11]. As a result, with the worsening of Italy's economic crisis in the second half of the 1970s, the three major union confederations began to develop a new strategy aimed at enhancing their participation in national economic policy in exchange for wage moderation and self-restraint in industrial conflict. This strategic shift, known as the 'Eur-policy', rested on important institutional innovations introduced during the 1970s: a comprehensive labour law reform (*the Statuto dei Lavoratori*); a generous modification of the eligibility rules for partial unemployment benefits (*cassa integrazione straordinaria*); and a major redefinition of the wage indexation mechanism (*scala mobile*).

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

The main aspect of the 1975 reform of the *scala mobile* was 100% indexation of

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\* The 'Reform Strategy' refers to the unions' attempt to use the power and legitimisation acquired during the Hot Autumn to bring about social reform.

industrial workers' wages. 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. The CIG was therefore transformed from a temporary protection of industrial workers' incomes into a substitute for dismissals.

Both the *Statuto dei Lavoratori* and the 1975 reforms of the *scala mobile* and *cassa integrazione* constituted the building blocks on which Italy's system of economic 'concertation' was erected. The three confederal unions (CGIL, CISL, and UIL), which the *Statuto* had de facto designated as the sole legitimate representatives of the workers, exchanged income protection for their commitment (through adoption of the so-called 'Eur-policy') to support the government's austerity policy, and thus engage in self-restraint in terms of both bargaining demands and industrial conflict. In fact, beginning in 1976, demands for investment and information about future company plans replaced claims for higher wages and better working conditions[12]. In 1977-79, the confederal unions began to bargain directly with the government as well. In return for wage moderation, the unions demanded substantial changes in the government's tax, energy, and agricultural policies; a reform of state finances; and a legislative package concerning industrial restructuring and reconversion (Law 675) that included, among other things, youth employment guarantees, vocational training initiatives, and pension reform[13].

In 1979, as part of this strategic shift towards 'concertation', the three confederal unions also embarked on an organisational reform, the so-called *Riforma di Montesilvano*. The reform promoted the constitution of new organisational structures at both the regional and territorial levels and in the process weakened the national industry and provincial unions—two union structures which had become more powerful and autonomous during the 1960s and 1970s. It also mandated the merging of several national industry unions, especially in the transportation and public sectors. The confederations hoped that this more centralised structure would provide them with the organisational control and resources necessary to pursue their new strategy based on participation in national policy-making[14]. Initially, this turnabout in union

strategy appeared to produce beneficial results for the Italian economy: industrial conflict declined significantly in 1977-78, wage costs decreased, investments grew, and inflation was curtailed[15]. Yet, following the second oil shock and the demise of the governments of 'national solidarity',\* industrial conflict and inflation resurfaced.

The second attempt at 'concertation' took place in 1983 in the form of a tripartite agreement aimed at reducing the cost of labour, particularly through a revision of the *scala mobile*. In fact, due to Italy's high inflation rates, the *scala mobile* had gained massive weight in the determination of wages. By the early 1980s, it accounted for over 60% of annual wage increases[16]. This not only caused problems for management, which had to pay for these increases, but also for the unions, whose control over wage determination had been severely reduced by indexation. The government, too, wanted a reform of this system since it ostensibly blocked all measures aimed at fighting inflation. Disagreements over certain clauses of the 1983 accord subsequently broke out between labour and management and the agreement was not automatically renewed the following year. As a result, the government presented its own proposal to fix wage indexation for 1984, regardless of the actual rate of inflation. This attempt met with staunch opposition by the Communist component of the CGIL. The government implemented this policy through an executive order and the unions split along partisan lines. The CISL, UIL, and the Socialists in the CGIL, all supported the government position. The rest of the CGIL opposed it. Supported by the Communist Party (PCI), the Communists within the CGIL mobilised workers against the new modification of the *scala mobile*. In 1985, they also promoted an electoral referendum aimed at abrogating the government decree. The results of the referendum were favourable to the government and the moderate union forces that supported the 1984 accord[17]. Thus, only twelve years after the birth of the *Federazione Unitaria CGIL-CISL-UIL*, labour unity once again dissolved in Italy[18]. This not only eliminated the functional equivalent structures necessary for neo-corporatist bargaining in Italy,

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\* The governments of 'national solidarity' were supported by the parliamentary abstention of the Communist Party (PCI).

but also dashed many of the dreams of social reform associated with the Hot Autumn. After this episode, tripartite agreements ceased for the rest of the 1980s.

### The unintended consequences of reform

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

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

of workers, wage differentials based on different skill levels were significantly reduced[19]. As a result, the major union confederations found themselves increasingly attacked, if not simply abandoned, by their more skilled members who felt under-protected and insufficiently appreciated by the union leadership[20]. Many of these workers defected from the confederal unions and established new associations, the so-called *sindacati autonomi* ('autonomous' unions) and the *Comitati di Base* (COBAS). With their demands for steep wage increases and their frequent recourse to strikes, particularly in the public sector, these new, competitive labour organisations contributed to Italy's persistently high inflation and strike rates.

The *Riforma di Montesilvano*, in turn, contributed to the decline of grass-root union structures. In fact, consolidation and extension of the unions' plant-level organisational structures (the so-called *Consigli di Fabbrica*)[21], which constituted an important part of the reform project, was never accomplished. Nor were precise norms concerning the election and re-election of workers' representatives and the relations between these councils and external unions ever established. As a result, the responses given by the *Consigli di Fabbrica* to the wave of industrial restructuring of the 1980s were increasingly particularistic, thus rendering the emergence of a unitary union strategy even more difficult to achieve[22]. Faced with industrial restructuring, plant-level activists pursued different policies based on the degree of support which they enjoyed from the rank-and-file, on the level of recognition accorded to them by management, and, ultimately, on the particular sociopolitical features of the local economies in which they were embedded[23].

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

In sum, by the end of the 1980s, Italy appeared still mired in its long-standing woes: poorly formalised collective bargaining arrangements, politically divided trade unions, and high levels of industrial conflict, only this time concentrated primarily in the service sector. The three confederal unions, in turn, appeared no longer capable of representing entire segments of the labour force.

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

### The crisis of the confederal unions

With the end of the tripartite agreements of 1983–84, the enterprise level gained importance in the negotiation of collective agreements. Historically, master agreements (CCNLs), negotiated by the national industry unions every three years, had been the predominant source of regulation for most, if not all, firms in industry. Negotiations by union locals at individual firms were generally mere addenda to these more standardised national contracts and usually took place within one year of the signing of the national agreements.

During the 1980s this pattern broke down. Management launched a wave of industrial restructuring aimed at decentralising production, increasing capital density, and radically reorganising work. At the same time, unwilling to be limited by overly broad industry contracts (which lump together within a single 'category') extremely diverse economic realities—firms of different sizes and degrees of technological sophistication, engaged in different lines of business, and adopting alternative strategies), management engaged in decentralised bargaining with firm- and territorial-level unions. These more micro-level contracts focused on firm restructuring efforts, the introduction of new technology, and shifts in work organisation and working time[24].

These changes, in turn, provoked a series of political struggles between local and national unions over how best to respond to individual firm needs for flexibility while also preserving sufficient organisational solidarity at the national level to enforce standards and prevent whipsawing[25]. National industry unions experienced substantial difficulties in developing, let alone implementing, master agreements in a num-

ber of industries. In fact, the content of collective bargaining began to shift away from the national contracts. A 1986 study on collective bargaining in Italy revealed that contrary to past practice, local union contracts were the most innovative and important agreements covering workers in industry. While national agreements appeared quite generic, at most setting broad parameters on wages and working conditions, local unions were actually negotiating the most significant elements of the contract[26]. This trend was confirmed by a subsequent study which documented how negotiations over the pace and timing of work, bonuses and profit sharing, the introduction of new technologies and the management of redundancies were increasingly negotiated at the firm and/or local levels[27]. Even the sequencing of contract negotiations appeared to be shifting in favour of local unions. Whereas before, national agreements were negotiated first and local contracts later, often with a prescribed lag period, during the 1980s many local unions negotiated their own contracts first with the national agreement emerging later as an aggregation and ratification of these prior local deals[28].

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

The emergence of these new types of unions in Italian industrial relations occurred in two phases. First, during the 1970s, a myriad of so-called *sindacati autonomi* (autonomous unions) appeared as a response to the egalitarian, class-based strategy of representation adopted by the confederal unions. In fact, while the confederal unions targeted a particular category of worker, ie. the *operaio-massa* (semi-skilled assembly line worker), new professional unions endorsed the specific demands of white-collar workers, technicians and professional workers in the air transportation, banking, insurance, health care, and school sectors. In 1977, for example, the *Confederquadri* (representing lower management ranks) and the SNALS (representing secondary school teachers) were founded. These so-called 'autonomous' unions based

their success on the contestation of the confederal unions' bargaining policy, especially its concern with various political and ideological goals. Instead, they proposed a more 'bread and butter' focus to labour issues, such as the reopening of wage differentials, the negotiation of merit pay, and the introduction of new organisational structures through which skilled workers could express their 'voice'. A few years later, these unions adopted more stable organisational structures. In fact, during the 1980s new confederations, such as the CISAL, the CISAS, the CONFAL, and the CONFASAL, were instituted by various autonomous unions in different sectors.

Second, during the latter half of the 1980s, the *Comitati di Base* (COBAS) (grass-root committees) appeared in many of the same sectors in which the autonomous unions were already present. In many cases, the COBAS were established by previous members of the CGIL. This contributed even further to the erosion of the confederal unions' representational monopoly[29]. In fact, already in the 1970s, but increasingly in the 1980s, the egalitarian strategy adopted by the confederal unions created resentments among skilled workers, particularly in the public sector. Gross salaries fell 0.9% in real terms in the public sector between 1981 and 1986 while they increased slightly in the private sector[30]. More importantly, while in the private sector the flattening of wage differentials (the so-called *appiattimento salariale*) brought about by the joint action of egalitarian wage policies and the *scala mobile* was partially corrected by individual premia for key workers paid unilaterally by the employers, in the public sector wages and working conditions were rigidly regulated by law or national-level collective bargaining, and those informal adjustments were not an option[31]. Consequently, wage differentials across skill categories (expressed as ratios between highest and lowest pay levels) fell from 149/100 in 1975 to 129/100 in 1984[32].

Since industry-level collective bargaining in Italy takes place every three to four years, protest against the representational strategies of the three major union confederations exploded in 1986–87, when all major contracts in the public sector were under renewal. School teachers contested the collective agreement that the CGIL, CISL, UIL, and the professional union SNALS, had just negotiated. On March 25, 1987, 40,000 people

demonstrated in Rome against both the confederal unions and the government. Most of them refused to provide end-of-year student reports[33]. During the summer of 1987, engine drivers contested the contract signed by the CGIL, CISL, UIL, and the autonomous union FISAFS, and organised a wave of wild cat strikes which paralysed railway transportation. Participation in the strikes was as high as 78% in some cases. Finally, in Autumn 1987, ground personnel at Alitalia (Italy's major airline company) rejected the new contract and forced the company to reopen bargaining. In all these cases, protests were organised by the COBAS.

As a result of these developments, the confederal unions experienced growing disaffection from within their own ranks and a weakening bargaining position vis-à-vis management which became increasingly concerned that the established unions could not control their own rank-and-file. Unionists and politicians alike began to wonder aloud whether the legal 'representativeness' that the Statuto dei Lavoratori had conferred on the confederal unions actually corresponded to effective levels of representation[34]. In fact, in an increasing number of sectors and among numerous professional groups, the confederal unions appeared to have lost their hegemony over union representation[35].

In the late 1980s–early 1990s, the confederal unions' crisis of representation contributed to undermine Italy's economic performance. In fact, the appearance of the COBAS spurred a wave of aggressive bargaining demands (eg. wage increases well above productivity gains) within the public sector. These inflationary pressures were generalised and extended to the more open sectors of the economy through the *scala mobile* (nation-wide indexation mechanism). These developments had, in turn, dire consequences for the viability of the manufacturing sectors. Essentially, for Italian producers to maintain their cost competitiveness at a time when the Lira was tied to the European Monetary System, wage increases in the sectors exposed to international competition needed to remain within the limits of international inflation rates plus domestic productivity gains. However, the productivity of the industrial sectors declined in the late 1980s, while the country's inflation rates were consistently higher than most international competitors throughout the 1980s. As a result of these developments, Italy's manufacturing companies found

themselves facing the unpleasant alternative between either accepting a loss of market share or reducing their profits. These problems were further complicated by Italy's high social security expenditures, which contributed to render Italy's labour costs among the most expensive in Europe.

Faced with a rise in public sector strikes, declining competitiveness, and a more fragmented industrial relations system, Italy's social partners reacted in essentially two ways[36]. First, they increased the legal regulation of industrial relations by promoting the passage in the early 1990s of two important laws regulating strikes in essential public services and employment relations in the public sector[37]. Second, they once again engaged in neo-corporatist 'concertation' in an effort to relaunch the Italian economy. Both of these reform efforts were accompanied by a major organisational reform of the confederal unions.

### Building a new industrial relations system: two legislative reforms

Both the law on strikes and the reform of the public sector aimed at rationalising industrial relations in the service and public sectors, where the COBAS were promoting systematic industrial conflict, and demanding very large wage increases for their own constituencies. Thus, aside from the deleterious effects this behaviour produced for Italy's growing public deficit, developments in the public sector were also undermining the credibility of the confederal unions as bargaining agents. The explosion of industrial conflict in the public sector in the late 1980s and the COBAS' continuous blockage of crucial services such as railways, airlines, health care, and schools created a general consensus among Italy's economic and political actors that legal regulation of strikes was required[38]. The confederal unions had long opposed legal interventionism in the realm of industrial relations, arguing that it represented an unwarranted limitation of the unions' bargaining power. In order to guarantee the provision of minimal services in case of strikes, CGIL, CISL, and UIL had earlier promoted the so-called *codici di autoregolamentazione* (codes of self-regulation). However, since the COBAS refused to adopt

these codes, or rather systematically violated them, the confederal unions eventually came around to support legal intervention. As a result, a law was approved in 1990 to curtail the unlimited exercise of the right to strike and to guarantee the provision of certain 'essential' services in the case of strikes.

This law (Legge 146/90) regulates strikes in essential public services through a peculiar combination of legal and contractual tools[39]. In fact, it delegates to collective bargaining the definition of a list of basic services whose provision is to be assured even in case of strikes. The law also established particular criteria that a union must meet in order to gain access to the bargaining table. For example, only those unions that had already adopted a code for the self-regulation of strikes were admitted to the bargaining process. This clause *de facto* excluded most of the COBAS. Substantive restrictions concerning the length and timing of strikes were also included in the law. For example, strikes have to be announced at least ten days prior to their initiation. Moreover, in the case of illegal strikes, workers can be forced back to work through an executive order (the so-called *precoettazione*). The law also created a Commission of Experts (*Commissione di Garanzia*) which seeks to mediate conflict, assure the provision of 'essential' public services in case of strikes, and discipline unions when they violate these rules.

So far, Law 146/90 has proved instrumental in reducing the number of strikes in the service sector[40]. 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[41]. However, in some sectors like railways and airline transportation, the new law has not proved especially effective. In certain cases, it has even enhanced the bargaining power of the COBAS. For example, since the law required that strikes be publicly announced in advance, the *Comitato Macchinisti Uniti* (COMU) (the engine-drivers' COBAS organisation) has often threatened strikes only to call them off at the very last moment. As a result, the law has paradoxically provided the COBAS with a way of pursuing their objectives but at little or no cost.

Another attempt to restore order and predictability in Italian industrial relations through legal regulation was represented by



the reform of labour relations in the public sector, accomplished through Law 421 of 1992 and legislative decree No. 29 of 1993. This reform aimed at producing a major overhaul of human resource practices in the public sector. In particular, the main goal of the reform was to eliminate a web of clientelistic work practices which were rampant in the public sector. As a result, 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[42].

In the public sector, a tradition of particularistic and informal collective bargaining, involving the presence of various autonomous, professionally-oriented unions predominated[43]. In fact, for much of the post-war period complacent politicians treated the public sector as a reservoir of partisan support, passing legislation which guaranteed special pension regimes, differentiated working conditions, status demarcations, and wage allowances to various professional groups within the civil service. In 1983, a legislative reform introduced collective bargaining into the public sector. This reform sought to produce uniformity in wages and working conditions. Once again, however, it produced paradoxical results. Since the law of 1983 rigidly designated which issues were to be regulated through collective bargaining and which were to be left to legal regulation, a peculiar interpretation of the law prevailed, according to which union consensus was required on all issues for which legal regulation was not explicitly contemplated. Consequently, as an unintended consequence of this reform, a clientelistic version of codetermination emerged in which unionists and public officials agreed to mutually beneficial bargaining outcomes at the expense of the public good (and national treasury).

To restore efficiency and equity in public sector employment relations, the reform of 1992–93 established that unilateral decisions by public managers could legally constitute a possible alternative to collective bargaining. Like in the private sector, union consensus was no longer necessary to regulate various aspects of the employment contract. In fact, one of the major innovations was to relaunch the role of the public manager. The law accorded public managers exclusive responsibility for the deployment of both human and physical resources, increased

their remuneration (depending on performance), and augmented their capabilities through investments in training. For example, Art. 16 of the legislative decree No. 29 of 1993 attributed to public managers the power to decide the organisation of work in their offices, the articulation of working-time schedules, and the introduction of flexible pay schemes. In other words, public managers were not 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 to an autonomous agency, called the *Agenzia per la Rappresentanza Negoziabile* (ARAN), composed of experts and therefore, at least in theory, insulated from political pressures.

### **The reconfiguration of collective bargaining and the re-establishment of 'social concertation' in Italy**

The recent reform of public sector employment relations is part of a wider reconfiguration of collective bargaining arrangements in Italy, involving the elimination of wage indexation, the introduction of clear institutional links among different bargaining levels, and the re-establishment of incomes policies at the national level. All these measures play a fundamental role in the implementation of Italy's new economic policy in that they seek to strike a delicate balance among different, perhaps even divergent, policy goals. On the one hand, Italy's policy makers are attempting to reduce the country's inflation rate, budget deficit, and public debt to levels compatible with the so-called 'Maastricht parameters' so that Italy could join the second phase of the European Monetary Union. On the other hand, they are simultaneously trying to increase business profits in the hope that this will increase investments and reduce the country's unemployment rate—which is now around 12% (national average) but much higher among youth, women, and Southerners. In other words, Italy's new economic policy seeks to implement an export-led recovery in which the joint

effects of currency devaluations and wage moderation will help relaunch the competitiveness of Italian exports on international markets and boost profits, while restrictive monetary and fiscal policies will keep domestic demand and inflation low, and reduce government expenditures.

Collaboration among Italy's social partners, which eventually led to the re-establishment of social concertation, was initially motivated by the need to reduce labour costs. Negotiations between Confindustria and the three major confederal unions on this issue began in the late 1980s but initially made little progress. Yet, by the early 1990s they underwent a marked transformation. As Italy's macroeconomic situation deteriorated steadily over the course of 1992, the social partners were pushed by the Amato government to sign an agreement on July 31, 1992, which abolished the *scala mobile*.

Seen by many at the time as a revolutionary break with recent industrial relations practices, the July 31, 1992 'Protocol on Incomes Policies, the Struggle against Inflation, and the Cost of Labour' was not strictly speaking a collective agreement but rather a document in which the Italian government outlined its future economic policies. The 'social partners' were called upon to underwrite this document and to conduct themselves within the parameters established by it. The main features of the agreement included the abolition of the *scala mobile*, a one year moratorium on both firm-level wage negotiations and public sector collective bargaining, and a freeze in industrial wages and salaries, government rates, and administrative fees for the rest of 1992[44].

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

tax' to be paid by all independent workers and small business owners.

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

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

The agreement also modified the structure and timing of national industry contracts so that they now resemble more closely German contracts. The normative clauses, ie. those clauses of the national contract that govern hiring and firing procedures, job classi-

fications, and career trajectories, are negotiated every four years, whereas more strictly economic (wage) clauses are renewed every two years.

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

### Union organisational reconfiguration

The July 1993 accord also formalised a new structure for firm-level worker representation, aimed at relaunching union internal democracy. In fact, beginning in the late 1980s, increased competition from rival organisations like the COBAS and the autonomous unions, and growing dissent from within, forced the confederal unions to re-examine several of their organisational strategies. In 1991, the CGIL proposed a law aimed at revising Article 19 of the *Statuto dei Lavoratori* in a way that would transform the Factory Councils into more democratic and vibrant organisations. This law proposed the substitution of 'presumed' representativeness of the major unions with 'effective' representativeness established through regularly held elections. Any organisation that collected the signatures of at least 3% of the employees in a given production unit was allowed to stand for election to the proposed new enterprise council. This proposal sought not only to terminate the legal monopoly over firm-level

representation that CGIL, CISL, and UIL have enjoyed for over twenty years but also ensure that elections to these worker councils occurred regularly.

With the tripartite agreement of July 1993, a different reform from the one outlined above was implemented. On the basis of this reform, existing plant-level union structures, the so-called *Rappresentanze Sindacali Aziendali* (RSA), were to be replaced by unitary union structures, the *Rappresentanze Sindacali Unitarie* (RSU). Unlike in the past, elections for the new RSU could be contested by any organisation capable of gaining at least 5% of the workforce[45]. However, only two-thirds of the representatives in these new firm-level structures are elected, whereas the remaining one-third is appointed directly by those unions which have signed the national industry contract. Interestingly enough, this clause of the July 1993 agreement was requested by the *Confindustria* in order to establish an institutional link between bargaining agents at the national and plant levels[46]. In other words, the *Confindustria* wanted to avoid engaging in collective bargaining at the plant-level with union organisations which were not bound by the provisions established in the national industry contracts.

The RSU are both organisational 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 recognised by the three major union confederations as legitimate bargaining agents at the company and plant-levels. They have also inherited the information and consultation rights previously exercised by union structures.

Through this organisational reform, the confederal unions hope to revitalise their plant-level union structures, to eliminate a major source of shopfloor conflict (recall that the COBAS and other competitive union organisations contested previous collective agreements because they were excluded from negotiations), more importantly, to re-legitimise their role as representatives not only of sectional interests but of the labour 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 (ie. Article 19) of the *Statuto dei Lavoratori*. For example, on the basis of the existing

rules, if the three major confederal unions (CGIL, CISL, and UIL) won only 18% of all votes, they would still obtain the majority of seats in the new councils because 33% of seats is automatically assigned to them[47].

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% of all workers) but the three major union confederations managed to obtain an overwhelming majority: about 90% 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% of all engine-drivers—less than 6% of all workers in the sector[48].

Although the elections to the RSU are still in the process of being completed, early results indicate that the 'representativeness' of the CGIL, CISL, and UIL will be confirmed. Thus, the 'one-third' clause appears *ex-post* more as a 'majority premium' intended to consolidate an already clear and stable majority of votes rather than an attempt to cheat on democratic rules.

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

## Conclusion

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

As we pointed out in the introduction to this article, the composite of reforms can be interpreted in two contrasting ways. On the one hand, they might be viewed as a continuation of Italy's never-ending, ad hoc and sometimes inconsistent institutional reform process. On the other, they can be considered a fundamental break with the past, planting the seeds of renewal for labour relations in Italy.

Only time will adjudicate between these two contrasting interpretations. However, this article has argued that the most recent reforms have perhaps better chances of succeeding than previous reform attempts. Various, fundamental changes in the 'boundary conditions' of 'political exchange' have taken place[49]. For example, the recent dismantling of traditional political parties has contributed to reduce the political and ideological cleavages among Italy's three major labour confederations which played an important role in undermining previous experiments with incomes policies. Also, the 1992–93 tripartite agreements were accompanied by an important reform of public sector employment relations which extends their provision to the public sector as well. Perhaps more importantly, fundamental changes have taken place within the unions as well. In particular, increased competition from rival organisations like the COBAS and the *sindacati autonomi*, and growing dissent from within their own ranks have forced the three major confederal unions (CGIL, CISL, and UIL) to re-examine several of their organisational strategies of the past few years and particularly, to dismiss their

previous staunch commitment to egalitarian wage policies which provoked the rebellion of skilled and professional workers, particularly in the public sectors. Likewise, by agreeing to participate to trilateral negotiations over various policy issues, the unions have committed themselves to working with organised business and government to render the Italian economy more efficient and competitive. Finally, the confederal unions appear to have come to realise that their 'representativeness' is by no means automatic, nor does the legal recognition provided by the *Statuto dei Lavoratori* suffice to guarantee it. Recent changes in the workplace representation structures, ie. the *Rappresentanze Sindacali Unitarie*, promise to render the unions more democratic and vibrant organisations, to enhance their capacity to aggregate diverse interests, and to relegitimise the confederal unions' role as representatives of labour at large. All these changes may provide the building blocks for a new, innovative and coherent system of political-economic regulation.

What lessons can other advanced industrialised countries draw from the Italian case? Certainly, Italy's attempt to combine centralisation and standardisation with decentralisation and flexibility through the establishment of clear institutional links between various collective bargaining levels resonates with analogous needs in all industrial countries. However, the novelty of the Italian solution does not reside in the ingeniousness of its institutional design, but rather in the recognition that national collective bargaining arrangements and incomes policies can only be sustained by the union's capacity to aggregate and represent the often diverging needs of different categories of workers. The Swedish labour movement, for example, usually considered the polar opposite to the Italian, is beleaguered by many of the same problems which plagued the Italian confederal unions in the 1980s, ie. the emergence of multiple cleavages between blue-collar and white-collar, skilled- and semi-skilled, private sector and public sector workers[50]. Beginning in the 1970s, Swedish public sector unions organising both blue- and white-collar workers increasingly contested the role of wage leaders traditionally exercised by the private sectors exposed to international competition, and like in Italy, demanded wage increases well above productivity. These developments, in turn, spurred the reaction

of the skilled workers in manufacturing, who came with time to resent the public sector living off their hard-won (productivity-based) wage gains. In 1983, the metalworker union *Metall* struck a separate deal with the corresponding employer association, thus breaking for the first time after almost thirty years the rule of centrally-coordinated industry bargaining. These cleavages among different sections of the Swedish labour movement, once considered a model of internal cohesion, continued to grow in the 1980s and early 1990s[51]. In Germany as well, the 1980s and early 1990s witnessed the emergence of a clear-cut divide within the union movement between a 'core' of protected and a 'periphery' of unprotected workers including immigrants, women, and East Germans[52]. Perhaps the Italian unions' attempt to relegitimise themselves through adoption of formal democratic rules of decision-making could represent a model for Sweden and other union movements as well.

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