

**ITALIAN INDUSTRIAL RELATIONS: SEARCHING FOR
A NEW "NATIONAL MODEL"**

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Searching for a New “National Model”

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1. Introduction

At the end of the 1970s, Italy appeared to have finally joined the club of "advanced industrial nations". New or reformed institutions, such as the Statuto dei Lavoratori (comprehensive labor code), the scala mobile (wage indexation mechanism) and the Cassa Integrazione Straordinaria (unemployment insurance system) had been created during the decade which provided industrial workers as well as Italy's three major unions, i.e. the Confederazione Generale Italiana del Lavoro, (CGIL), the Confederazione Italiana dei Sindacati Lavoratori (CISL), and the Unione Italiana dei Lavoratori (UIL), with a set of legal rights and social benefits. All of these institutional reforms sought to institutionalize and stabilize Italian industrial relations. Moreover, between 1977-79 CGIL, CISL, and UIL also engaged in "concertative" bargaining with the Confindustria (the major employers' association) and the government on various industrial and labor market policies. Both these experiments with neo-corporatist bargaining and the new institutions reflected the newly acquired power that labor had gained through the Hot Autumn struggles of the late 1960s-early 1970s. As a result, Italy's new industrial relations system appeared to be a radical break with the previous pattern of labor-management relations in Italy, characterized by union exclusion and managerial unilateralism.

Ten years later, however, Italy appeared still to be coping with its long-standing woes of poorly formalized collective bargaining arrangements, politically divided trade unions, and high levels of industrial conflict, only this time in the service sector. Economic concertation had collapsed in 1984, and with its demise, ideological divisions among the confederal unions resurfaced. No clear architecture of collective bargaining existed and thus the same issues were often negotiated at more than one level of the economy. Moreover, newly-formed unions, particularly in the public sector,

contested openly the confederal unions' monopoly over workers' representation. These unions, called Comitati di Base (COBAS) (Grass-root Committees), often succeeded in re-opening already negotiated collective agreements through frequent strikes. This, in turn, further augmented the anarchy of Italian industrial relations, traditionally considered very high in comparative terms.¹ Why did the institutional reforms of the 1970s, which were clearly modeled after the supposedly more "mature" neo-corporatist systems of central and northern Europe, not only fail to produce their anticipated results, but also contribute to the organizational fragmentation and political divisions already plaguing Italian labor relations? The answer lies, we argue, in a particular combination of unintended consequences of the reform efforts and the economic changes provoked by what the editors of this volume refer to as "the double shift", the simultaneous globalization and segmentation of the economy.

The new industrial relations system of the 1970s was conceived primarily as a response to an "internal shock", the Hot Autumn of 1969. The various reform projects of these years were based on a compromise between labor and management. The unions offered stability at the workplace, in particular through self-restraint in industrial conflict, while management and the state, through a cost of living escalator (i.e. the scala mobile) that provided almost 100 percent wage protection against price increases, and a state-funded unemployment insurance scheme (the cassa integrazione) which guaranteed 80% of workers' wages in the case of lay-offs, provided income security in the face of rampant inflation and massive industrial restructuring. In short, the various reform efforts were based on the assumption that Italy's political-economic problems derived mainly from the absence of a

¹ Italian industrial relations are characterized as highly conflictual by Shalev (1983), as politicized by Lange and Vannicelli (1982), and as poorly institutionalized by Cella (1989).

uniform and coherent "national model" of industrial relations. As a result, they tried to recreate in Italy the institutional preconditions for neo-corporatism, which at the time appeared to be the most efficient regulatory system among the advanced industrial nations.

However, as the Italian economy began to change as a result of "the double shift", these new institutions unraveled. In fact, the globalization of the economy decreased the relevance of national institutions, while decentralization provided management with new strategic opportunities to challenge the unions' newly acquired rights and power, particularly at the company and plant levels. These economic changes led to a fundamental shift in the balance of power between labor and capital, thereby undermining the compromise on which the new industrial relations system had been erected.² In fact, in the early 1980s the Italian economy went through a massive wave of industrial restructuring (Barca and Magnani, 1989). As individual firms and entire industries restructured, the unions appeared unable to negotiate, let alone protect their membership against, the consequences of reorganization. In the 1980s, Italy's social and political actors tried repeatedly to increase the efficiency and predictability of the industrial relations system through institutional reforms. In particular, incomes policies were introduced in 1983-84 in order to reduce wage inflation and promote employment. These attempts, however, failed to solve Italy's economic problems: Inflation rates remained higher than all major international competitors; unit labor costs increased; rates of capital accumulation decreased; unemployment grew (particularly among youth and Southerners), and the public debt ballooned.

² For a similar, in many ways, example of "historical compromise" between labor and capital, see Walter Korpi, The Working Class in Welfare Capitalism: Work, Unions and Politics in Sweden, London: Routledge and Kegan Paul, 1978.

At present, Italy is once again attempting to construct a coherent "national system". On the one hand, a more activist state has recently passed a number of laws which regulate industrial conflict in the service sector and rationalize labor relations in the public sector. On the other hand, the recent abolition of the scala mobile and the introduction of a formalized structure for collective bargaining represent efforts by Italy's social partners to resuscitate tripartite, neo-corporatist bargaining. These recent developments are by no means entirely consistent. For example, although the majority of trade union cadres espouse a credo of responsibility and moderation, a sizable minority within the CGIL (the Essere Sindacato faction) and the COBAS still espouse a rhetoric of class conflict and political intransigence, and other non-confederal ("autonomous") unions defend the particularistic interests of small professional groups. Similarly, although most employers recognize the unions as partners in workplace management, some of them seek to exploit the changing balance of power with labor to restore managerial prerogatives and moderate union demands.

Yet, in spite of these inconsistencies, the preconditions for a new, more flexible and democratic industrial relations system may be emerging. Increased competition from rival organizations like the COBAS and other autonomous unions, and growing dissent from within, have forced the confederal unions to reexamine several of their organizational strategies and become more responsive to the needs and interests of their membership. Recent changes in workplace representation structures (i.e. the Rappresentanze Sindacali Unitarie) promise not only to render the factory councils more democratic but also, by permitting participation of the COBAS and the autonomous unions in elections for the new councils, to eliminate a primary source of labor conflict in Italy.

In sum, although the evidence is still fragmentary and even ambiguous, a new approach to political-economic regulation seems to be emerging in Italy -- one that avoids the usual trade-offs between centralization and standardization on the one side, and decentralization and flexibility on the other. In fact, the recent reforms of 1992-93 seek to establish a system in which the central negotiation of national guidelines does not pre-empt the possibility for experimentation and democratic participation at the local level.

The remainder of this essay is organized as follows. The next section examines the evolution of Italian industrial relations between the late-1970s and the late-1980s. Our aim in this section is to show that the reform efforts of the 1970s generated an array of unintended consequences that eventually increased the anarchy and fragmentation of Italian labor relations. The third section considers the particular manifestations of the "double shift" in Italy and analyzes state and employers' responses. In Italy, decentralization and economic fragmentation were more prominent than internationalization of business and/or capital flight. The fourth section of this essay describes how the Italian unions reacted to the political-economic changes underway, and the extent to which they have reconfigured their structures and strategies. We conclude by speculating about future developments for the Italian labor movement.

2. Building a "Mature" Industrial Relations System

The Hot Autumn of 1969³ produced dramatic changes in Italian industrial relations including extreme decentralization of collective bargaining, the emergence of a diffuse network of militant shop stewards (delegati),⁴ an impressive growth in strikes, and the open constestation of fordist forms of work organization in large firms.⁵ These developments contrasted sharply with Italy's traditional pattern of centralized, non-militant, and management-led industrial relations of the 1950s and 1960s.⁶

The consequences of the Hot Autumn for industrial output, profitability, productivity, and labor costs were substantial. Between 1970 and 1974 unit labor costs increased 64.15 percent, as opposed to annual increases of 8.5 between 1963 and 1969 (Rey, 1982). Moreover, unions used their new-found power to eliminate overtime, regulate layoffs, restrict internal mobility, and slow down the pace of work. Squeezed between higher wages, shorter work weeks, and more stringent labor regulation, firm profits dropped sharply.⁷

³ For more on the Hot Autumn, and in general on the wave of strikes of the years 1968-72, see Alessandro Pizzorno, ed., Lotte operaie e sindacato in Italia: 1968-72, 6 volumes, Bologna: Il Mulino, 1974-8.

⁴ On the origins of the delegati, see Ida Regalia, "Rappresentanza operaia e sindacato: mutamento di un sistema di relazioni industriali," in Pizzorno, Reyneri, Regini, and Regalia (1978): 179-287.

⁵ For more on unions' attempts to change the organization of work in fordist firms, see Marino Regini and Emilio Reyneri, Lotte operaie e organizzazione del lavoro, Padova: Marsilio, 1971.

⁶ For more on industrial relations in the 1950s and 1960s, see Umberto Romagnoli and Tiziano Treu, I sindacati in Italia dal '45 ad oggi: storia di una strategia, Bologna: Il Mulino, 1977; Sergio Turone, Storia del sindacato in Italia, Bari: Laterza, 1976; Aris Accornero, ed., Problemi del movimento sindacale in Italia 1943-73, Milan: Feltrinelli, 1976: 449-681.

⁷ For more on this profit squeeze and its impact on industrial strategies during this period, see Fabrizio Barca and Marco Magnani, L'industria fra capitale e lavoro: piccole e grandi imprese dall'autunno caldo alla ristrutturazione, Bologna: Il Mulino, 1989: 27-38.

Italy's competitiveness and foreign trade also deteriorated in the early 1970s. During the first half of the decade Italy's average annual growth rate of imports was substantially higher than growth of exports. According to OECD estimates, Italy lost 10 market share points in 1973 alone (OECD, 1984: 31). This loss in market share was even more remarkable given that the Lira had depreciated significantly since the collapse of the Smithsonian Agreements (Templeman, 1981: 312).

In the mid-1970s, there was a general consensus, shared by managers, politicians, and unionists alike, that union demands and industrial conflict were imposing unbearable costs on the Italian economy.⁸ The leaderships of the confederal unions were particularly worried that the unions' "Reform Strategy", adopted after the Hot Autumn of 1969 and based on grass-root mobilization within the factories and battles for social reforms in the political arena, was exacerbating Italy's economic woes (Lange and Vannicelli, 1982; Lama, 1980).⁹ As a result, with the worsening of Italy's economic crisis in the second half of the 1970s, the three major union confederations, CGIL, CISL, and UIL, which were committed to "unity of action" since 1972, began to develop a new strategy aimed at enhancing their participation in national economic policy, in exchange for wage moderation and self-restraint of industrial conflict. This strategic shift, known as the "EUR-policy", rested on important institutional innovations introduced during the 1970s: a comprehensive labor law reform (the Statuto

⁸ See for example, Luciano Lama (former general secretary of the CGIL), Intervista sul sindacato, Bari: Laterza, 1976: 83-149.

⁹ The Reform Strategy refers to the unions' attempt at using the power and legitimation acquired during and after the Hot Autumn to bring about social reforms. For more on the Reform Strategy, see Lange and Vannicelli, "Strategy Under Stress: The Italian Union Movement and the Italian Crisis in Developmental Perspective," in Peter Lange, George Ross and Maurizio Vannicelli, eds., Unions, Change and Crisis: French and Italian Union Strategy and the Political Economy, 1945-1980, Boston: Allen & Unwin, 1982: 125-142.

dei Lavoratori); a generous modification of the rules concerning eligibility for partial unemployment benefits (cassa integrazione straordinaria); and a major redefinition of the wage indexation mechanism (scala mobile).

These institutional reforms constituted the building blocks on which Italy's system of economic concertation was erected. In return for the scala mobile and the cassa integrazione, the confederal unions, which the Statuto had designated as the sole legitimate representatives of the workers,¹⁰ committed themselves to support the government's austerity policy (the "EUR-policy"), and thus engage in self-restraint in terms of both bargaining demands and industrial conflict. The following sections will examine these reforms in greater detail.

2.1. The Statuto dei Diritti dei Lavoratori

Labor law in the Italian Republic virtually did not exist until the late 1950s-early 1960s.¹¹ The old fascist legal codes remained in force and prefects, judges, and magistrates interpreted them to the disadvantage of workers. Moreover, until the establishment of the Constitutional Court at the end of the 1950s, it was impossible to revise these fascist codes since no body was empowered to judge them

¹⁰ For more on the attribution of special legal status to trade unions in neo-corporatist systems, see Claus Offe, "The Attribution of Public Status to Interest Groups: Observation on the West German Case," in Suzanne Berger, ed., Organizing Interests in Western Europe, Cambridge: Cambridge University Press, 1981: 123-58.

¹¹ For more on the evolution of Italian labor law, see Giovanni Contini, "Politics, law and shop floor bargaining in postwar Italy, in Shop floor bargaining and the State: Historical and Comparative Perspectives, eds., Steven Tolliday and Jonathan Zeitlin, (Cambridge, UK: Cambridge University Press, 1985), pp. 192-218; and Mario Napoli, "Il quadro giuridico-istituzionale," in Relazioni industriali. Manuale per l'analisi dell'esperienza italiana, eds., Gian Primo Cella and Tiziano Treu, (Bologna: Il Mulino, 1989), pp. 47-57.

unconstitutional. In this context, factories became a legal no man's land with management free to persecute union activists, strikers subject to severe sanctions, and collective agreements no longer enforceable.

With the establishment of the first Center-Left government in the early 1960s, things began to change. Legislation enforcing collective agreements, abolishing fascist legal codes, and requiring "just cause" for dismissals was enacted in these years. At the same time, leading jurists began working on a comprehensive labor code, the Statuto dei Diritti dei Lavoratori, which combined elements of French and American labor law.¹² This law, enacted in 1970, on the crest of the strike waves of the Hot Autumn, had two major components. Like the American Wagner Act, the first part consisted of a series of articles guaranteeing the freedom of workers as citizens: freedom of thought and expression were protected, job security was ensured, the roles of security guards and supervisors were strictly limited, and various surveillance techniques were curtailed. The second part provided institutional guarantees for unions. Black lists were prohibited, the right to join a union affirmed, and unions were authorized to constitute their own structures on the shop floor.

However, the American concept of "bargaining unit" could not be applied easily to the Italian context because typically Italian workplaces are not organized by single unions. Unions within Italian companies are not chosen directly by workers through free elections, nor do they possess exclusive representation and contractual rights. As a result, Article 19 of the Statuto embraced the French solution of automatically recognizing what were called the "most representative" unions as the

¹² For more on the Statuto dei Lavoratori, see Lord Wedderburn, "The Italian Workers' Statute - Some British Reflections," Industrial Law Journal, Vol. 119, No. 3, 1990: 154-91.

legitimate bargaining agents for employees within large and medium-sized firms. In other words, unions were given the authority to represent workers within a given workplace not through any direct vote by the workers, but rather by having already signed either a national or a provincial-level contract in the relevant industry. This, in turn, supported the confederal unions in their attempt to channel worker protest and demands away from the militant factory councils and toward traditional union structures.

Although some radical critics accused the Statuto of straight-jacketing worker protest during the Hot Autumn, almost everyone agreed that it was instrumental in supporting the unions at a time when they were facing severe dissent from the rank-and-file and continued intransigence from management. The aim of this legislation was clear. By granting almost exclusive recognition and support to the "most representative" unions, reformers hoped to institutionalize relations among the various actors within the labor movement and between the unions and management.

2.2. The Scala Mobile Accord of 1975¹³

As it became apparent to the employers that traditional repressive measures on the shop floor or a government-sponsored deflation of the economy were no longer viable strategies for reducing union power, especially since organized labor had legal protection through the Statuto and a passive, if not sympathetic government in office, Confindustria began searching for new ways of moderating labor conflict. In 1972, Confindustria began a series of meetings with the three union confederations in

¹³ This section draws heavily from Robert J. Flanagan, David W. Soskice, and Lloyd Ulman, Unionism, Economic Stabilization, and Incomes Policies: European Experience, (Washington, DC: The Brookings Institution, 1983), pp. 496-566.

which organized business proposed to swap employment guarantees for new regulations governing collective bargaining, greater formalization of union structures in the factories, and a system of wage coordination. Although the industrial unions, fearing that they would lose power under these new arrangements, blocked these initial negotiations, these early meetings nonetheless set the stage for a subsequent round of negotiations which culminated in the 1975 accord over wage indexation.

The main aspect of this accord was a 100 percent indexation¹⁴ of the scala mobile (Patriarca, 1986). 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.¹⁵ The CIG was therefore transformed from a temporary protection of workers' incomes, aimed at facilitating industrial restructuring, into a substitute for dismissals (Reyneri, 1989: 137).¹⁶ These two accords provided benefits for both sides. For the unions, they not only protected workers in their already established bastions, (primarily large, well-organized plants in the North) but also extended this bargain to workers in smaller, less organized

¹⁴ Indexation consisted in automatic wage increases related to changes in a union-controlled price index. Increases, however, were not related to existing wage levels but rather consisted of equal sums for all employees (the so-called punto unico di contingenza). As Italy experienced two-digit inflation rates in the late 1970s-early 1980s, these "egalitarian" adjustments provided full protection of wages for workers in the lower job classifications but eroded the real wages of higher skilled workers. As a result, wage differentials were drastically reduced.

¹⁵ For more on the Cassa Integrazione, see Tiziano Treu, "Italy," in Roger Blainpain, ed., The International Encyclopedia of Labor Law and Industrial Relations, 11th Edition, Deventer, The Netherlands: Kluwer: 80-1.

¹⁶ In 1991, a law (Law 223/1991) limited the duration of the special short-time compensation benefits available in case of industrial restructuring (cassa integrazione straordinaria) to one year, and imposed a ceiling of two years on other special benefits.

plants. Together with the inquadramento unico (unification of blue and white collar job classifications), the scala mobile agreement defined Italian union strategy for over a decade. Major Italian firms gained as well. Since compensation for price increases would be paid by large firms in any event (because of strong unions within their plants), little was lost by imposing automatic compensation on smaller, potential competitors. Moreover, by rendering wage increases semi-automatic, this accord would eliminate an essential motivation for collective bargaining and conflict within large plants, therefore reducing the power of the factory councils as well.

But there was also an ideological component to the 1975 accord (Accornero, 1992). For the unions, the scala mobile accord, like the inquadramento unico, allowed them to satisfy the "egalitarian" demands of their more militant industrial federations. Yet for Giovanni Agnelli, the head of Fiat and president of Confindustria who had negotiated the accord, the aim was to create a privileged class of industrial workers with job and wage security. Not only would these "guaranteed" workers see the long-term benefits of moderation in terms of increased real wages and better working conditions, but together, big business and organized labor would be able to fight the inefficient and bloated public sector.

In short, Confindustria hoped to accomplish several things with this one sweeping agreement. First, like its Swedish counterpart in the 1930s, it hoped that this agreement would simultaneously bring about the centralization and domestication of the Italian union movement.¹⁷ By shifting the

¹⁷ For more on the Swedish model of industrial relations, see Andrew Martin, "Trade Unions in Sweden: Strategic Responses to Change and Crisis," in Peter Gourevitch, Andrew Martin, George Ross, Christopher Allen, Stephen Bornstein, and Andrei Markovits, Unions and Economic Crisis: Britain, West Germany and Sweden, (London: George Allen and Unwin, 1984), pp. 192-218; and Peter Swenson, Fair Shares: Unions, Pay and Politics in Sweden and West Germany, (Ithaca, NY: Cornell University Press, 1989), pp. 42-60.

center of gravity of bargaining to the more moderate confederations, and by taking price increases and job security out of the bargaining arena, it hoped to restructure Italian industrial relations along more predictable and stable lines. Second, this centralization of wages would also, in the long-run, enhance the competitiveness of Italian exports by tying wages in the export-oriented industrial sector to moderate price increases in the Italian economy as a whole. Finally, by enlisting the industrial working class into a "producers alliance" against the public sector, Confindustria was sending clear signals to the state that it was prepared to do battle if the government continued to encroach on the private sector.¹⁸

2.3. The Federazione Unitaria's "EUR-Policy"

As Italy's economic crisis continued to worsen in the second half of the 1970s, the three confederal unions¹⁹ began to rethink their dualistic strategy of pushing for wage increases and changes in work organization and major institutional reforms at the national level.²⁰ As a result of this self-

¹⁸ During these years, parts of the dominant Christian Democratic Party sought to use their hold on government to take over (either through direct nationalization or by purchasing a controlling share of company stocks) a number of large, private firms. The take-over of Montedison through the secret purchase of the company's shares had alarmed many private business leaders. For more on this episode, see Giorgio Galli and Alessandra Nannei, Il Capitalismo Assistenziale, (Milan: SugarCo Edizioni, 1976).

¹⁹ In July, 1972, CGIL, CISL, and UIL agreed to constitute a unitary federation, the Federazione Unitaria CGIL, CISL, and UIL. For more on the establishment of the Federazione Unitaria, see Lange and Vannicelli, 1982: 133-5.

²⁰ Setting the stage for the shift in union strategy, Luciano Lama, general secretary of the CGIL, gave a well-publicized interview in which he claimed: "We have become aware that an economic system cannot sustain independent variables. The capitalists maintain that profit is an independent variable. The workers and their union, almost as a reflex, have in recent years sustained that wages are an independent variable and the size of the employed workforce another [...] one established a certain wage level and a certain level of employment and then one asked that all other economic quantities be fixed in such a way as to make possible those levels of salary and employment [...] It was an absurdity,

criticism, CGIL, CISL, and UIL embarked on a major reform of their strategy, involving a trade-off between wage moderation and greater labor mobility in return for influence over industrial and labor market policies aimed at restoring economic growth and sustaining employment. In 1976, the Italian union movement began moderating its wage demands in return for the right to bargain over private investment decisions.²¹ In 1977 the confederations signed an agreement with Confindustria that revised seniority bonuses and severance pay, eliminated seven paid holidays, gave management greater control over absenteeism, and increased labor mobility within plants and firms. By 1978 the Federazione CGIL-CISL-UIL officially adopted an austerity policy in the form of the EUR document.²²

This document proclaimed that the unions would exercise self-restraint in both plant- and industry-wide bargaining. Demands for investment and information about future company plans would replace claims for higher wages and better working conditions. In return for this 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

because in an open economy the variables are all dependent on one another [...] The imposition of excessive workers on firms is a suicidal policy. We retain that the firms, when it is determined that they are in a state of crisis, have the right to fire." See Luciano Lama, interview in la Repubblica, January, 24, 1978, reported in Lange and Vannicelli (1982): 169.

²¹ These rights were aimed at reducing information asymmetries regarding the introduction of new technology and the reorganization of work. These demands were included in certain 1976 national contracts (i.e., metalworkers) but were for the most part never implemented. For more on this experiment, see Tiziano Treu and Serafino Negrelli, eds., I diritti di informazione nell'impresa, Bologna: Il Mulino, 1985.

²² For more on union choices in this period, see Marino Regini, I dilemmi del sindacato, (Bologna: Il Mulino, 1981).

(Law 675) that included, among other things youth employment guarantees, vocational training initiatives, and pension reform (Lange and Vannicelli, 1982: 166-7).

The right to fire and increased labor mobility were seen as major concessions by the Italian union movement since they were considered among the key victories achieved by labor during the Hot Autumn. Initially, this turnabout in union strategy produced beneficial results: industrial conflict declined significantly in 1977-78, wage costs decreased, investments grew, and inflation was curtailed (Barca and Magnani, 1989; OECD, 1979: 21). Yet following the second oil shock and the demise of the government of national solidarity, industrial conflict and inflation resurfaced.

2.4. The Unintended Consequences of Reform Attempts

All the institutional reforms described above were designed to make the Italian industrial relations system more stable and efficient. All of them, to one degree or another, were inspired by other national systems, with the sole exception of the cassa integrazione, which is an Italian peculiarity. The Statuto was modeled after the American Wagner Act, the 1975 scala mobile accord after the Swedish Basic Agreement, and the various experiments with social concertation after analogous arrangements in central and northern Europe. Yet all of them failed to recast Italian industrial relations along the lines of these seemingly more "mature" and "stable" foreign systems. Instead, by the end of the 1980s, it was clear they had actually accentuated the long-standing fragmentation and decentralization of Italian industrial relations. For example, the Statuto dei Diritti dei Lavoratori sought to recast Italian labor relations along more procedural (and, it was hoped, less conflictual) lines. However, 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 worker organizations to provoke strikes and contest previously negotiated contracts simply as a way of gaining access to collective bargaining negotiations, and through that, to the legal protections made available by the new labor code.²³

Moreover, aside from limiting workplace representation to a clearly defined number of organizations, the Statuto did not specify in any detail how exactly firm-level representation should be established, how elections to these bodies would be regulated, and once constituted, what precise functions these workplace councils would perform. As a result, as relations among the three confederations deteriorated and challenges by non-confederal unions (i.e., the "autonomous" unions and the COBAS) increased, elections to these workplace councils in many firms were held either sporadically or not at all.²⁴

Similar developments characterized the other reform efforts as well. In fact, the cassa integrazione guadagni, which had originally been conceived as a means to assure temporary protection from industrial restructuring, was used instead as a permanent unemployment insurance system, of which only workers already employed could benefit. Given that firms were forced to keep on their pay-rolls the cassintegrati, and to take them back once restructuring was concluded, the employment of

²³ For more on the problems created by Article 19 of the Statuto, see Michael Terry, "Workplace Unions and Workplace Industrial Relations: The Italian Experience," Industrial Relations Journal, 24, 2, 1993: 138-50.

²⁴ For more on the decline of the Delegates' Councils, see Ida Regalia, Eletti e abbandonati, Bologna: Il Mulino, 1984.

younger workers became ever more difficult due to the growing diffusion of the *cassa integrazione*.²⁵

Likewise, the extensive use of the cassa contributed to the failure of alternative adjustment measures, less expensive for the public budget, like the "solidarity contracts", involving generalized reductions of working-time and wages for all workers in a given company (Guarna, 1989: 236).

Various unintended consequences were caused by the scala mobile as well. In fact, part of the aim of the scala mobile accord of 1975 was the recentralization of collective bargaining toward the more moderate confederations and the containment of prices by privileging industrial workers at the expense of public sector employees. Yet this effort at controlling price increases and moderating labor relations through indexation, backfired in several ways. First, public sector workers mobilized to protect their wages. On February 1, 1977, all categories of workers reached the maximum available protection against inflation (Cella and Treu, 1989: 178). Where established unions failed to articulate public employees' demands, new, competitive organizations (e.g. autonomous unions, COBAS) emerged during the 1980s to fill this representational void. As a result, not only did indexation spread to all sectors of the economy, thus mitigating Confindustria's plan to contain consumer prices, but also industrial conflict increased dramatically -- this time in the public and service sectors (Bordogna and Provasi, 1989).

Far from strengthening the central confederations, the 1975 *scala mobile* accord eventually delegitimated them in the eyes of their highly skilled industrial workers and their public sector

²⁵ Between 1979 and 1984, the total number of working hours subsidized by the *cassa integrazione* increased 272 percent. For more on the effects of the cassa integrazione, see Caterina Guarna, "The Extent and the Nature of Labour Policy in Italy: 1984-88, in Ministry of Labour and Social Security, Labour and Employment Policies in Italy. Report '89, Rome: Istituto Poligrafico e Zecca dello Stato, 1989, particularly pp. 241-4.

members. Because the *scala mobile* was calculated as a lump-sum amount, equal for all categories of workers, and given that indexation during the high inflation years of the late 1970s-early 1980s accounted for almost 70% percent of all wage gains (Di Gennaro, 1994: 22), wage differentials based on different skill levels were significantly reduced (See Figure 1). As a result, the unions found themselves increasingly attacked, if not simply abandoned, by their more skilled members who felt under-protected and insufficiently appreciated by the unions' leadership. Many of these workers defected from the unions and established their own associations (i.e., the Sindacato dei Quadri) (Gavagnin, Grillo, Mulas, 1988) while others mobilized against the unions in certain key industrial strikes (e.g., Fiat, 1980) (Baldissera, 1984).

Finally, the attempts at constructing an Italian variant of neocorporatism also failed. In fact, the EUR policy met with stiff opposition within the unions.²⁶ Essentially, industrial unions like the metalworkers saw these efforts as threats to their own organizational autonomy and power. As a result, they mobilized actively to revise, if not actually resist, these confederal-sponsored initiatives. In the first half of the 1980s various attempts were made to reestablish tripartite bargaining and incomes policies. These attempts had disastrous consequences for the Italian labor movement, including the reemergence of political divisions among CGIL, CISL and UIL. After the collapse of the Unitary Federation CGIL-CISL-UIL, tripartite collective agreements ceased for the rest of the 1980s. The three union confederations continued to cooperate informally at the industry and company levels, although growing differences among them persevered.

²⁶ For more on these oppositions, see Miriam Golden, Labor Divided. Austerity and Working Class Politics in Contemporary Italy, Ithaca, NY: Cornell University Press, 1988: 89-124.

In sum, at the end of the 1980s the fortunes of the Italian labor movement had declined considerably. The three confederal unions seemed no longer capable of representing entire segments of the labor force, their bargaining power in the political arena had diminished substantially, and new unions had emerged to contest their representational hegemony. These new unions, with their demands for steep wage increases, particularly in the public sector, contributed to Italy's inflationary spiral²⁷ and augmented the degree of anarchy and conflictuality of Italian industrial relations as a whole.

Many of these problems stemmed from the particular assumptions that stood behind the various attempts at reforming the Italian industrial relations system, namely that national borders largely coincided with the scope of the markets; that particular, national institutions were more successful than others at enhancing political-economic performance; and that it was possible to impose a centralized mode of regulation on a country as economically diverse and socio-politically heterogeneous as Italy.²⁸

As pointed out above, attempts at introducing standardizing mechanisms like the scala mobile, the Statuto, or neo-corporatist bargaining arrangements²⁹ in Italy produced various unintended consequences. These problems were exacerbated by the "double shift". In fact, on the one side, the

²⁷ For more on these developments, see Renato Brunetta and Leonello Tronti, "Italy: The Social Consequences of Economic and Monetary Union," Labour, Fall 1995, forthcoming.

²⁸ For more on Italy's localistic modes of regulation, see Arnaldo Bagnasco, Le tre Italie, Bologna: Il Mulino, 1977 and Richard M. Locke, Remaking the Italian Economy, Ithaca, NY: Cornell University Press, 1995.

²⁹ On the efficiency of neo-corporatist institutions, see in particular David Cameron, "Social Democracy, Corporatism, Labour Quiescence, and the Representation of Economic Interest in Advanced Capitalist Societies," and Peter Lange, "Unions, Workers, and Wage Regulation: The Rational Bases of Consent," in John H. Goldthorpe, ed., Order and Conflict in Contemporary Capitalism, Oxford: Clarendon Press, 1984. On Italy, see Marino Regini, "The Conditions for Political Exchange: How Concertation Emerged and Collapsed in Italy and Great Britain," Ibid.

internationalization of the economy reduced the capacity of national institutions to regulate the economy -- not only in Italy, but in many other advanced industrialized countries; on the other side, economic decentralization eroded the very bases upon which the new system had been erected. In fact, neo-corporatism and "political exchange"³⁰ rested on the assumption, shared by unionists, politicians and managers alike, that the confederal unions had total control over the Italian working class and thus, if they so desired, could paralyze the entire economy. As a result of this organizational strength, their consensus was required in order to modernize and restructure the Italian economy (Lange and Vannicelli, 1982: 152-165). However, in the early 1980s economic changes provided employers with new strategic opportunities to challenge the unions' newly-acquired power, particularly at the company level. The next section will examine these developments in greater detail.

3. The "Double Shift"

Between the late 1970s and the early 1980s, the "double shift", i.e. a paradigm shift from stable national markets to the simultaneous internationalization and decentralization of the economy, undermined the bases of the "class compromise" on which Italy's new industrial relations system had been erected. While technological innovations and industrial restructuring transformed the workplace, the locus of control over some of the major macroeconomic aggregates -- for example, exchange rates, interest rates, and money supply -- moved away from national economic institutions and towards a supranational monetary regime, the European Monetary System (EMS). As a consequence of these

³⁰ For more on the concept of "political exchange", see Alessandro Pizzorno, "Political Exchange and Collective Identity," in Colin Crouch and Alessandro Pizzorno, eds., The Resurgence of Class Conflict in Western Europe since 1968, Vol. 2, London: Macmillan, 1978.

changes, the Italian trade unions, which had gambled their organizational and political resources on trying to build a coherent national model, found themselves strategically confused and organizationally weakened.

The process of decentralization of the Italian economy was linked to the crisis of fordist forms of work organization in Italy's large firms.³¹ Already after the first oil shock, the introduction of new, flexible technologies considerably reduced the comparative advantage of these larger firms. In fact, between 1971 and 1981, the shape of Italian industry underwent significant change. The number of small- and medium-sized firms (firms with a maximum of 99 employees) increased by 21%. Employment within these firms rose almost 29% during these same years (Rey, 1989: 71). At the end of the 1970s, these same firms outperformed their larger counterparts in terms of growth of value added, investment, employment, productivity and even growth of income per employee (see Barca and Magnani, 1991: Table 1, p. 67). Absenteeism and industrial conflict were also lower in small- and medium-sized firms (Bellandi, 1989: 49). These trends appear to have continued well into the 1980s (Rey, 1989: 79; Barca and Magnani, 1989: 171-89)

After the second oil shock, Italy's large firms began to restructure as well. This new phase of industrial adjustment was characterized by the further decentralization of production, increased capital intensity, and the radical reorganization of work (Barca and Magnani, 1989). During these years big companies regained the lead over smaller firms in terms of productivity, profitability, and ability to innovate, particularly through the adoption of flexible manufacturing systems (Barca and Magnani,

³¹ For more on the crisis of Fordism, see Michael Piore and Charles F. Sabel, The Second Industrial Divide, New York: Basic Books, 1984.

1989: 225-85; Consolati and Riva, 1989; ISTAT, 1986). In fact, throughout the 1980s, the organizational structures of big companies like Fiat (autos), Olivetti (computers), Montedison (chemical products), Falck (steel) and Italtel (telecommunications) came to resemble closely that of smaller firms in industrial districts. These companies dismantled their bureaucratic and hierarchical administrative structures, transformed themselves into holdings surrounded by semi-autonomous profit and cost-centers, and restructured their supplier networks, retaining internally only certain critical phases of the production process and the development of key technologies.³²

In the early 1980s, Italy's large companies also increased their investments abroad. In fact, in the first four years of the decade, Italy' stock of foreign direct investment (FDI) nearly doubled, growing from 6.9 billion US\$ in 1980 to 13.27 billion US\$ in 1984.³³ Although the degree of internationalization of the Italian economy remained negligible vis-à-vis other European economies of comparable size -- for example, in 1984 Great Britain's FDI constituted 15.5 percent of world's total, as opposed to Italy's 2.1 percent -- in the early 1980s Italy became a net capital exporter (Viesti, 1988: 41, Table 2.7).³⁴ Italy's FDI was particularly concentrated in three sectors: engineering, including motor

³² For more on the transformations of the Italian big companies, see Marino Regini and Charles F. Sabel, Strategie di riaggiustamento industriale, Bologna: Il Mulino, 1989, particularly Marino Regini and Charles F. Sabel, "Le strategie di riaggiustamento industriale in Italia: uno sguardo d'insieme in chiave comparata," Ibid.

³³ Gianfranco Viesti, "Size and Trends of Italian Direct Investment Abroad: A Quantitative Assessment," in Fabrizio Onida and Gianfranco Viesti, eds., The Italian Multinationals, London: Croom Helm, 1988: 32, Table 2.3.

³⁴ The low degree of internationalization of Italian enterprises is due to long-standing structural characteristics of the Italian economy, particularly the predominance of small and medium-sized companies, and the overall specialization in traditional sectors like leather, textiles, clothing and footwear, wood and furniture, and ceramics, in which the comparative relevance of international location is limited. For more on these issues, see Fabrizio Onida, Patterns of International

vehicles, rubber, and oil. Each of the sectors was dominated by single industrial groups: Fiat, Pirelli, and AGIP, respectively (Schieppati, 1988: 60). According to a survey conducted on a sample of 75 Italian multinationals, cost reduction did not represent the main determinant for the internationalization of Italian companies. Other motivations, including market penetration, hedging against protectionism, and acquisition of international experience, were, in fact, more prominent. However, 20 of the 75 companies in the sample declared that the need to reduce costs played an important role in their decision to invest abroad.³⁵

As a result of both the decentralization and internationalization of Italian companies, industrial employment fell,³⁶ and union membership declined from 49 to 39 percent by the end of the 1980s. Between 1980 and 1986 employment in larger firms declined by 6.1%. In the same period, the number of workers supported through the state-funded redundancy fund (cassa integrazione guadagni) increased from 3.8% of the work force in 1981 to 10.1% in 1984 (Barca and Magnani, 1991: 72). Net real wages ceased to grow as they had done in the years immediately following the Hot Autumn, when

Specialization and Technological Competitiveness in Italian Manufacturing Industry, Fabrizio Onida and Gianfranco Viesti, op. cit.

³⁵ In some cases, international subsidiaries produced semi-products or components that the parent company reimported back to Italy, giving rise to considerable intra-firm trade. Among these groups there were Olivetti, Fiat, and SGS Microelettronica. For more on these issues, see Gianfranco Viesti, "International Strategies of Italian Multinationals," in Fabrizio Onida and Gianfranco Viesti, eds., op. cit.: 79.

³⁶ The same phenomenon of employment decline had already occurred in the first half of the 1970s. In that period, though, this loss of jobs had been more than compensated by a simultaneous reduction of per capita working hours. However, between 1981 and 1985 the reduction of 2.9% in total working hours was accompanied by an increase in per capita working hours of 0.6% (1.7% in 1984-85). See Barca and Magnani, 1989: 35 for more on this.

they had grown 24 percent in real terms between 1974 and 1978. Instead, between 1978-85 net real wages remained constant (Barca and Magnani, 1989: 35). This last phenomenon, coupled with a considerable rise in labor productivity, led to a substantial growth of gross profits from 26.4% of value added in 1977 to 35.9% in 1985 -- a figure even higher than those experienced during the so-called "economic miracle" of the 1950s (Barca and Magnani, 1989: 37).

As individual firms and entire industries restructured, the unions appeared unable to negotiate, let alone protect their membership against, the consequences of the reorganization. In fact, as the previous section of this chapter illustrated, the union confederations' strategy was focused upon participation in macroeconomic policy-making, and thus, they were incapable of elaborating a coherent response to the massive wave of industrial restructuring. Their attitude was passive, or at best reactive: In most cases they lacked the technical knowledge and internal competencies necessary to negotiate the reorganization of production.³⁷

³⁷ For more on the confederal unions' lack of internal resources needed to negotiate industrial restructuring, see Richard M. Locke and Lucio Baccaro, "Pedagogy and Politics in the Italian Union Movement: A Tale of Administrative Failure," MIT, Sloan School of Management, Working Paper No. , June 1994....

3.1. State Responses to Economic Change

The Italian government tried to respond to the new macroeconomic challenges resulting from rising inflation and repeated currency crises³⁸ through new, more rigorous and restrictive monetary and fiscal policies. Italian politicians and public officials hoped that by joining the EMS in 1979, Italy would be subject to the rigorous monetary control of the Bundesbank. This episode signals a shift in Italy's macroeconomic policy. In fact, before Italy entered into the EMS, the country had adopted a unique, "national" response to the supply shocks of the early 1970s -- one considerably different from the standard stabilization policies pursued, for example, by the United Kingdom in the early 1980s.³⁹ Giavazzi and Spaventa (1991: 45) describe this approach as a "peculiar blend of supply side measures, inflation, and exchange rate depreciation". Unwilling or unable to deflate the economy tout court, Italy's economic authorities focused instead on first, restoring firms' profitability, and then, slowly reducing the country's inflation rates.

Profits were increased through the subsidization of social security contributions paid by employers (the so-called fiscalizzazione degli oneri sociali), which decreased from 39.3% of gross wages in 1976 to 29.7% of gross wages in 1980 (Giavazzi and Spaventa, 1991: 53). Given the

³⁸ Between 1978 and 1980, inflation grew by almost 10 percentage points in two years, while at the beginning of 1976, due to continuous speculative attacks on the Lira, the exchange market had to be closed for over a month. For more on these developments, see Giavazzi and Spaventa, "Italy: The Real Effects of Inflation and Disinflation," Economic Policy, April 1989: 135-71, reprinted in Ministero del Lavoro e della Previdenza Sociale, Labour and Employment Policies in Italy. Report '89, Rome: Istituto Poligrafico e Zecca dello Stato, 1991: 45-64. Further citations from this article are from the reprint of 1991.

³⁹ For more on economic adjustment in Great Britain, see Peter Hall, Governing the Economy. The Politics of State Intervention in Britain and France, New York: Oxford University Press, 1986: chapter 5.

presence of steeply progressive marginal tax rates -- introduced in 1974 by a legislative reform that the unions had strongly supported -- the phenomenon of fiscal drag (higher real taxes due to inflation) helped finance the subsidization of profits. In fact, the tax burden on industrial workers grew almost 9% between 1974 and 1980 due to fiscal drag (Giavazzi and Spaventa, 1991: 53). Frequent currency devaluations were also employed to prevent Italy's growing inflation from cutting into the international competitiveness of Italian exports as well as to assure that the reduction in disposable income brought about by increased taxation was substituted by exports. In fact, exports grew at an average real rate of over 9% between 1976-80, GDP real growth was 4.3% per year in 1977-80, well above most international competitors, and the share of gross profits in manufacturing increased 7.9% in 1977-80 (Giavazzi and Spaventa, 1991: 46, 51-4).

However, this rather unconventional stabilization policy had costs in terms of higher inflation rates than other advanced industrialized nations, and a growing public debt.⁴⁰ Moreover, the use of fiscal drag to finance increased public expenditures was of clearly limited duration. In fact, in these same years the unions began to demand indexation of tax brackets. Consequently, when inflation soared again in the late 1970s, Italy's government tried to curb inflationary expectations by joining the EMS. Basically, with this decision the Italian economic authorities hoped to gain credibility vis-à-vis domestic and international investors by binding Italy's monetary policy to Germany's -- a country with a solid reputation of anti-inflationary monetary policies.

⁴⁰ Italy's primary deficit grew by 3.4 percent of GDP in 1981 alone (Giavazzi and Spaventa, 1991: Table 9, p. 58). However, in reconstructing the evolution of Italy's economic policies, Giavazzi and Spaventa argue that Italy's public debt does not depend solely on expansionary fiscal policies adopted in the late 1970s-early 1980s, but mainly on a structural increase in public expenditures accomplished in the years 1970-73, and never compensated for in the following years (see Giavazzi and Spaventa, 1991: 59-61).

With this shift from flexible to semi-fixed exchange rates, Italy, like other industrial nations, began its (re-)conversion to (monetarist) orthodoxy. In fact, the adoption of restrictive monetary policies was accompanied by restrictive fiscal policies as well. A "divorce" was celebrated in 1981 between the Bank of Italy and the Italian Treasury. This 1981 divorce freed the Bank from its requirement to purchase unsold state bonds, which had provided the government with unlimited financing,⁴¹ and reasserted the central bank's autonomy and control over money supply. However, the divorce was in many ways an Italian-style divorce, or what Italians call "separati in casa", which means that both partners pretend they are divorced but continue to live together. This is an apt comparison because by the time the Bank of Italy regained its autonomy, the secondary market for treasury bonds (which the Bank had helped create) was so well developed that bonds were practically as liquid as money and earned significant interest. In fact, as soon as the Bank stopped financing government spending with the creation of money, interest rates on treasury bonds increased in order to guarantee their sale on the market. Given their high interest rates (which the Bank maintained) and tax-free status (which the government granted), treasury bonds suddenly became very attractive for individuals and firms alike. As a result of this growing demand, the government easily continued to finance its deficits and was in no way constrained to reform its spending practices.

The consequences for Italian public finances, however, were disastrous. Since the growing stock of short-term treasury bonds expired at very short intervals (between 6 and 12 months), the government had to frequently refinance its debt through the issuance of even more bonds. Moreover,

⁴¹ For more on the so-called "divorce" between the Bank of Italy and the Italian Treasury, see Cotula 1984: 219-655; Padoa Schioppa 1987: 265-86; Epstein and Schor 1989: 147-66; and Goodman 1992: ch. 5.

in order to sustain the market for treasury bonds, very high interest rates had to be paid. As a result, the government dug itself into an ever-deeper hole as its basic debt, and the costs of servicing it, continued to grow. In short, the Bank of Italy's regained independence actually contributed to the creation of a huge cumulated public debt which today threatens Italy's macroeconomic stability and its place within the European Union.

In the early 1980s, the Italian government took another step towards the restoration of economic orthodoxy by undertaking the privatization of various state-owned firms. Beginning in 1983, IRI and ENI (Italy's two major state holdings) privatized between four and five major firms per year, including well-known giants like Alfa Romeo and Lanerossi.⁴² From sales realized between 1983 and 1986, 5,389 billion lire flowed into IRI coffers. Privatization not only helped IRI and ENI emerge from their financial difficulties, but also helped the managers of these companies to increase their autonomy from the government. During the 1970s the state holding companies had placed themselves in a vicious cycle in which their growing dependence on government financing had forced them to give up much of their operational autonomy. In order to regain their independence and return to their original institutional mission, IRI and ENI sold off major components of their holdings.⁴³

⁴² These and the following figures were taken from Patrizio Bianchi, Sabino Cassese, and Vincent della Sala, "Privatization in Italy: Aims and Constraints," West European Politics, vol. 11, no. 1 (January 1988): 87-100. For more on this process of privatization, see Patrizio Bianchi, "Privatization of industry : the Alfa Romeo case," in Italian Politics : A Review Volume II, Raffaella Y. Nanetti, Robert Leonardi, and Piergiorgio Corbetta, eds., (London: Pinter Publishers, 1988), pp. 109-125; and Giorgio Stefani, "Privatizing Italian State Holdings," Rivista Internazionale di Scienze Economiche e Commerciali, vol. 35, nos. 10-11 (1988): 935-950.

⁴³ For more on this, see Patrizio Bianchi, Sabino Cassese and Vincent della Sala, "Privatization in Italy: Aims and Constraints," p. 98.

Although privatization was beneficial under many profiles, the Italian experience, when compared with other national privatization efforts, appears quite modest. For example, between 1980 and 1986, IRI privatized 25 companies with 50,968 employees. During roughly the same period, British firms employing 400,000 people were denationalized. Similarly, funds realized from the sale of state enterprises in Italy during the first half of the 1980s amounted to only a fifth of the income nine French privatizations generated in one year (1986-87).⁴⁴ Moreover, because privatization efforts in Italy followed no set legislative or administrative guidelines, the state holding companies could not be assured that their intentions to sell off individual firms would be realized. Thus, although IRI successfully privatized Alfa Romeo, it was blocked in its efforts to sell off SME, a much smaller food business.⁴⁵ Finally, privatization of the single most important state-owned companies, like ENEL (energy), STET (telecommunications), Ansaldo (engineering), Alitalia (airlines), and Ilva (steel), were not even attempted. Only recently, in 1993, two of Italy's major banks, Credito Italiano and Banca Commerciale, have been denationalized.

Alongside these privatization efforts, in the early 1980s the Italian government also sought to restore market signaling in the allocation of resources through the gradual deregulation of the labor market. In fact, during the 1970s the confederal unions had pursued a strategy based on the rigid control over labor supply by abolishing apprenticeship programs, imposing a system of anonymous hiring from special, union-controlled, placement lists (liste di collocamento), and transforming all

⁴⁴ These figures are taken from Bianchi, Cassese, and della Sala, 1988:88.

⁴⁵ See Bianchi (1988), for a comparison of these two cases.

"atypical" labor contracts (part-time, fixed-time, seasonal contracts, etc.) into full-time jobs.⁴⁶ As a result of this strategy, the degree of labor mobility, both "external", i.e. among different firms, and "internal", within single plants, was extremely low (Dealessandri and Magnabosco, 1987).

The latter half of the decade, however, witnessed a reversal of this trend. Hiring procedures were gradually liberalized, first by increasing the possibility of discretionary, individual hiring for the employers, and then by abolishing anonymous hiring altogether.⁴⁷ Various incentives were introduced to encourage the hiring of younger workers, through the so-called job-training contracts (contratti di formazione-lavoro). These contracts (regulated by art. 3 of Law 863/1984) are based on the (theoretical) alternation of work and training activities for young people, aged 15-29. Hiring is discretionary, and the duration of employment is limited to 24 months. Social security contributions are partially subsidized, and this reduces labor costs on average by 30 percent (Guarna, 1989: 224). Subsequent legislation further increased the financial incentives available for these types of contracts by introducing the so-called entry-level wage for younger workers, which is lower than normal wages and creates a de facto two-tier wage system within various companies.

Another attempt to enhance employment flexibility was represented by the introduction of part-time contracts. About 1.3 million part-time contracts were signed between 1984 and 1991. Of these, 75 percent of the new hires and 83 percent of those shifting from full-time to part-time jobs are women

⁴⁶ On the unions' labor market policies, see Emilio Reyneri, "The Italian Labor Market: Between State Control and Social Regulation," in Peter Lange and Marino Regini, eds., State, Market, and Social Regulation: New Perspectives on Italy, Cambridge MA, Cambridge University Press, 1989: 129-45.

⁴⁷ In 1991, Law 223 (Article 25) generalized the principle of discretionary hiring for all categories of workers.

(Guarna, 1992: 233). Legislative attempts to promote "solidarity contracts" (involving reductions of wages and working hours for all workers of a company) as alternatives to the cassa integrazione have met with limited success. Only in very few cases have they been adopted. In contrast, job-training contracts were quite popular.⁴⁸ Between 1984 and 1991, almost 2.5 million young workers were employed under these contracts. Of these, about 50% were retained as full-time employees following the expiration of their initial contracts (Guarna, 1992: 227). Much more questionable, however, was the quality of training provided in these jobs. Notwithstanding successes of particular initiatives and programs, increased labor market flexibility failed to reduce the overall number of unemployed, which continued to rise from 7.4 percent of the workforce in 1980 to 12 percent in 1994. Moreover, the plague of high and persistent youth unemployment, particularly in the South, remained.⁴⁹

In sum, in the late 1970s Italy's economic authorities reacted to the supply-side shocks through a shift in macro-economic policy. Essentially, by joining the EMS Italy's government relinquished the autonomous exercise of control over major macroeconomic indicators like exchange rates, interest rates, and money supply, and accepted the discipline of an international monetary regime. Although this discipline was never particularly stringent, since for many years after joining the EMS the Lira benefited from the larger oscillation band of 6 percent, it provoked an overall redefinition of economic policy. While the Italian government had sought to respond to the economic crisis which followed the first oil shock by avoiding harsh deflationary measures, and boosting firms' profits through

⁴⁸ For an evaluation of these labor market programs, see Guarna, 1989; Guarna, 1990; and Guarna, 1992.

⁴⁹ In 1990, youth unemployment (less than 25 years old) represented 48.4% of total unemployment in Italy (OECD, Historical Statistics, 1991: 45).

subsidization instead, following the second oil shock, Italy adopted a more standard stabilization packet, involving more rigorous monetary and fiscal policies, privatization, and labor market deregulation. The results of this orthodox policy were mixed. Although inflation was gradually brought under control -- after peaking at 21.2% in 1980, it reached 4% at the end of 1994 -- restrictive monetary policies provoked a constant appreciation of real interest rates, contributing to the depression of investments and employment.⁵⁰ Spurred by growing costs of debt servicing, public debt increased throughout the 1980s, so that by the early 1990s it largely exceeded the country's GDP. The Lira experienced also constant real appreciation throughout the 1980s, subject as it was to the combined effect of an inflation-fueling mechanism like the scala mobile, and semi-fixed nominal exchange rates. In the early 1990s, it was targeted by speculative attacks, and was substantially devalued in the fall of 1992.

Perhaps most important for our concerns, the new monetary regime also impaired the economic viability of the new industrial relations system based on the institutional reforms of the 1970s. In fact, a mechanism of wage indexation like the scala mobile needed exchange rate flexibility to keep real exchange rates constant. Instead, Italy's real exchange rates appreciated throughout the 1980s, reducing the cost competitiveness of Italian goods on international markets and squeezing profit margins. As a result, Italian employers were forced to restructure their companies to regain competitiveness, and they did so in many cases through an attack on the unions' rigid control over the pace and content of work. We now turn to an examination of employers' strategies during this period.

⁵⁰ For more on the causes of Italian and European unemployment, see Franco Modigliani, "The European Unemployment Crisis: A Monetarist-Keynesian Approach and Its Implications," Goethe Universitaet, Frankfurt am Main, Working Paper, December 1994.

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

The reactions by Italian employers to the various economic changes described above were quite varied.⁵¹ Some employers' federations affiliated with the Confindustria, the metalworking federation Federmeccanica for instance, adopted an aggressive stance vis-à-vis the unions. In the early 1980s, the director of Federmeccanica explicitly theorized about the end of trade unionism and the establishment of direct relations between companies and workers, modeled after the US non-union model of human resource management (Mortillaro, 1984).⁵² Other employers' federations, however, like the associations of chemical and textile companies (i.e. Federchimica and Federtessile), adopted a more participative approach aimed at involving local unions in negotiations over redundancy plans and workplace restructuring.⁵³ Public enterprises also sought to develop a more negotiated approach to industrial restructuring. In December 1984, a model of participatory industrial relations (the so-called Protocollo IRI) was formally adopted by IRI, Italy's major state holding company. Agreed to initially as a two-year experiment, but renewed and extended in February, 1986, the Protocollo IRI between Italy's largest state holding company and the three major union confederations established new institutions aimed at enhancing union participation in firm restructuring efforts. Essentially, the accord

⁵¹ For more on the different strategies adopted by Italian employers, see Marino Regini, "Employers' Reactions to the Productivity Drive: The Search for Labour Consensus," Labour, 6, 2, 1992: especially pp. 38-44.

⁵² The Federmeccanica was founded in 1969, as a reaction to the so-called Pirelli reform, a proposed strategic and organizational reconfiguration of Confindustria aimed at favoring negotiations with labor, and the construction of a new, more stable system of industrial relations. For more on the origins of Federmeccanica, see Becchi Collida', 1989: 146-7. For more on different models of business representation in Italy, see Chiesi and Martinelli, 1989: 193-203.

⁵³ See Locke (1995) for more on these developments.

established a number of bilateral committees of "experts" at various levels (firm, territory, corporate) of the holding company. These bilateral committees were composed of equal numbers of union and management representatives and were empowered to discuss all issues concerning the investment, restructuring, and employment policies of IRI-affiliated firms. In this way, unions would be able to influence strategic decisions in the early stages of their formulation. As differences in opinion were expected from both sides, the agreement also set up procedures to promote consensus. Arbitration and conciliation processes were created and a "cooling-off" period was required before either side took action. A number of manpower programs aimed at shedding redundancies, retraining workers and enhancing internal mobility were also included in this agreement.⁵⁴

Although the Protocollo-IRI formally affected only state-owned companies, some private companies as well adopted similar models of union-management cooperation. Conversely, certain state-owned companies sought to restore managerial discretion tout court. Thus, differences in the strategic choices pursued by employers cut across the private vs. public divide, and appeared to be shaped by the particular socio-economic characteristics of the local contexts in which the actors were embedded (Locke, 1995). For example, while in the early 1980s management at Fiat sought to marginalize unions within its plants, another of Italy's leading private firms, Pirelli (tires), concluded a process of negotiated restructuring and work transformation during these same years. Both companies were in deep financial crises when restructuring began, and both had to face strong and militant unions.

⁵⁴ IRI's attempt to promote neocorporatist-like arrangements within state-owned firms built on IRI's early legacy as an innovative employer and pacesetter in industrial relations (for more on this, see Walter Kendall, "Labor Relation," in Holland, 1972, and Martinelli, 1981: 94), but was highly influenced by central European experiences with comanagement as well (Treu, 1986).

The styles of restructuring were, however, very different in the two cases.⁵⁵ Likewise, although various IRI-affiliated companies like SIP and Italtel (telecommunications) established quite articulated arrangements for union-participation in work reorganization efforts,⁵⁶ the management of Alitalia (Italy's state-owned airline company) adopted a more confrontational bargaining strategy to force the confederal unions representing its ground personnel to grant various concessions.⁵⁷ Interestingly enough, the model of participatory management envisaged by the Protocollo IRI was most coherently implemented by a private company, Zanussi (domestic appliances), which is controlled by the Swedish multinational Electrolux. Beginning from 1984, Zanussi implemented a model of labor relations which stands out vis-à-vis similar experiments conducted in other large companies (Regini and Sabel, 1989; Negrelli, 1991) for its explicit recognition of the role played by the unions in assuring the independent expression of workers' "voice", and for its refusal to engage in non-union forms of workers' representation.⁵⁸ This model was articulated at different geographic and hierarchical levels. At the national level, top management and the leaders of the national metalworkers' unions constitute a permanent committee (instituted by a 1990 accord) in which all major strategic guidelines (product

⁵⁵ On restructuring at Fiat, see Locke and Negrelli, 1989; on restructuring at Pirelli, see Serafino Negrelli, *La società dentro l'impresa*, Milan: Franco, 1991: chapter 4.

⁵⁶ See Negrelli, 1991: chs. 5 and 7 on SIP and Italtel.

⁵⁷ This took place in 1987 and proved disastrous for industrial relations at Alitalia. In fact, the confederal unions, which had initially agreed to certain concessions, were later bypassed by more militant grass-root structures (COBAS). On this episode, see Negrelli, 1992.

⁵⁸ For more on the characteristics of union-management cooperation at Zanussi, see Maurizio Castro, "Orizzonti d'impresa nuova e itinerari di partecipazione: il caso della *civitas* zanussiana," manuscript, 1995.

strategies, new technologies, investments, alliances, etc.) are discussed. Collective bargaining is shaped by the strategic guidelines set by this committee. At the grass-root level, various joint committees deal with issues like health and safety, new technologies, job classifications, equal opportunity, sexual harassment, training, organizational innovations, and contingent pay schemes. In 1994, a company-wide forum for dispute resolution, consisting equally of union and management representatives plus a neutral mediator, was established. The unions agreed to resort to strikes only if this conciliation process fails.

If at the beginning of the 1980s, the employers' strategies oscillated between managerial unilateralism and union-management cooperation, with time even companies like Fiat realized that the introduction of innovative, flexible work systems, necessary to face the imperatives of the "new competition" (Best, 1990), required a form (albeit weak) of union involvement in workplace management. Thus, the evolution of Fiat's industrial relations during the 1980s and early 1990s can be considered as representative of a general strategic shift towards more consensual labor relations.

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

In the late 1970s, Fiat, like most automobile producers in Western Europe and the United States, was experiencing very serious organizational and financial problems. In many ways, Fiat's troubles were related to the more general crisis of the auto industry. A variety of factors, including increased international competition, rising fuel costs, changing consumer tastes, more stringent government health, safety, and environmental protection regulations, and increased labor costs, all contributed to the crisis of the automobile industry in the West (Altshuler, Anderson, Jones, Roos and

Womack 1984). Yet, because of insufficient capital investments and extremely conflictual and rigid industrial relations practices throughout the 1970s, Fiat's productivity, profitability, and plant utilization rates were all lower than those of its major competitors.

As a result, the firm launched a restructuring process which included the massive introduction of new process and product technologies, a reorganization of its supplier and sales networks, and a reassertion of managerial control over the shop floor. As part of its reorganization plan, Fiat proposed to place 24,000 workers (out of about 139,000) in cassa integrazione during the Fall of 1980.

The local union rejected this reorganization plan and broke off relations with the firm. Claiming it was suffering from economic duress (which permits Italian firms to dismiss workers permanently and not merely lay them off temporarily), Fiat, in turn, declared its intention to dismiss 15,000 workers, beginning on October 6. Things heated up as the union blockaded the firm and Fiat sent out letters of dismissal. The ensuing strike lasted 35 days, but rank-and-file participation was low.

Finally, on October 14, Fiat foremen and supervisors organized a successful demonstration calling for a return to work. 40,000 people marched against the union, among them many blue-collar workers (Baldissera, 1984). That very night an agreement completely embracing management's position was signed. The agreement met with resistance from the more militant factions of the local union but was signed and pushed through for approval by the national industry federations. Despite initial attempts by the local union and the local branch of the Communist Party to claim victory in the strike, it marked a major defeat from which the union never recovered.

With the union out of the way, Fiat embarked on a major reorganization of its production process. This reorganization proved positive for the firm. Profits rose, productivity improved, and

market shares grew. However, the consequences of restructuring were disastrous for the unions. Immediately following the rupture in relations with the union in 1980, the firm took a hard line with the labor movement. Within the factories this new policy translated into the recreation of traditional hierarchies and managerial control on the shop floor, the discriminatory use of layoffs to rid the factories of union activists (see Collida' and Negrelli, 1986: 167), and the near-halving of the active work force. Whereas in the 1970s factory delegates in many ways controlled the flow of work on the shop floor, after the defeat of the union in 1980 foremen reasserted their traditional roles and determined all these policies unilaterally. At most, they would merely inform shop floor delegates of their prior decisions.⁵⁹

In the following years, Fiat adopted a manufacturing strategy based on what has been called "computer-aided neo-taylorism", i.e. the integration of flexible automation technologies and fordist work systems (Bonazzi, 1993). In 1985 the new plant of Termoli 3 in the south of Italy began assembling the new FIRE automobile engine. Product, plant and work organization were designed jointly. The automation rate of the new plant was extremely high (85%), but in contrast to earlier experiments with flexible automation in various northern facilities -- i.e. the Robotgate at the Rivalta plant or the LAM at the Mirafiori plant⁶⁰ -- the robots were placed sequentially and product variation was quite limited. Semi-skilled, blue-collar labor, almost absent from the new plant, was substituted by indirect, maintenance labor. New categories of highly skilled workers capable of performing a variety of tasks -- the so-called "system conductors" (conduttori di sistema) -- were introduced in this

⁵⁹ For more on these developments, see Locke, 1995: ch. 4.

⁶⁰ For more on these plants, see Locke and Negrelli, 1989.

new plant and were responsible for technological development in different areas of the production process (Cattero, 1992).

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

The Cassino plant adopted highly sophisticated flexible manufacturing systems. However, the high number of different models being assembled at Cassino rendered coordination of the various production phases very difficult to manage.⁶¹ Consequently, in December 1988 actual production levels stood at 760 cars per day, as opposed to the 1,800 cars per day that had originally been planned. In many parts of the assembly process, flexible machines remained idle and manual operations were reintroduced (Paltrinieri, 1991). In 1989 automated operations constituted only 22 percent of the total production process performed at the Cassino plant, as opposed to 50 percent originally planned.⁶²

⁶¹ In particular, coordination of the "appointments" between chassis and various macro-components assembled off-line, for example doors, proved problematic (Camuffo and Volpato, 1993: 13).

⁶² In the second half of the 1980s, Termoli 3, too, began experiencing serious organizational problems. Consumers' demand had become both more sophisticated and diversified; therefore the plant had to produce three different models of the Fire engine for a total of 36 versions. This created several problems, particularly in logistics. The production process was obstructed by a series of jams: malfunctioning of the automated inventory systems, low quality, machine break-outs. Consequently, like at Cassino, at Termoli 3, too, daily production of engines was much lower than expected (Bonazzi, 1993: 82).

Frequent jams in the automated systems of production occurred and could be resolved only through the flexible use of labor. However, since work organization was still modeled along fordist lines, this flexibility was limited. In many cases, work teams and employees had to "breach the rules" and redefine informally their job assignments if they wanted to reach production goals (Paltrinieri, 1991).

The debacle at Cassino convinced Fiat management that technological innovation alone could not guarantee production flexibility and product quality, and that these objectives were to be pursued primarily through organizational changes. Consequently, the new assembly plant of Melfi, in the South of Italy, implements various organizational innovations modeled after the lean production model described by Womack, Jones, and Roos (1990). Work is organized into Unita' Tecnologiche Elementari (UTE) (Minimal Technological Units), in which multi-functional teams operate. However, only technical workers enjoy real job enrichment and teamwork (Camuffo and Volpato, 1993). Hierarchy has been reduced and workers' skills have been given particular attention. Furthermore, all employees receive on-the-job training, albeit of very different durations: from two years for technical and supervisory staff to 2 weeks for manual workers. Finally, the unions have been relegitimated as workplace partners by management. They are involved in various joint committees and are informed regularly about various production plans and career development programs.

In sum, the evolution of industrial relations at Fiat illustrates how even those employers who had vehemently attacked the unions at the beginning of the 1980s, came to realize throughout the decade that they needed a form of union involvement to manage the new, flexible work systems introduced in their companies. Faced with industrial restructuring, internal chaos resulting from previous (failed) reform efforts, and more aggressive, if not outrightly hostile, strategies by both the

employers and the government, how did the Italian unions respond? The following sections trace the strategic evolution of the Italian union movement in the 1980s and early 1990s.

4. The Evolution of the Union Strategy

Viewed retrospectively, the Italian unions' strategy might appear to possess a high degree of strategic coherence since we begin our analysis in 1983-84, with attempts at institutionalizing economic concertation, and conclude in 1992-93, with efforts to reestablish neo-corporatist arrangements in the wake of Italy's macroeconomic crisis of the early 1990s. On closer inspection, however, this impression of uniformity withers away. Throughout the 1980s, the unintended consequences of the various institutional reforms of the previous decade combined with the effects of the "double shift" in the economy to augment the traditional fragmentation of Italian labor relations (Locke, 1995: ch. 3). For example, the tripartite collective bargaining rounds of the early 1980s never undermined the rich web of workplace and company-level collective bargaining that had developed in Italy during the 1960s and 1970s (Baglioni and Milani, 1990). As a result, when the neo-corporatist experiments of 1983-84 collapsed, various, more localistic patterns of labor-management relations reemerged. In the latter half of the 1980s, the confederal unions' established policies of collective bargaining and representation unraveled, in part due to failed reform projects, in part, because of broader shift in the political economy. In other words, following the failure of the 1983-84 incomes policies, CGIL, CISL, and UIL went through a phase of strategic uncertainty as they appeared incapable to respond with coherent strategies to various challenges -- the decline of national, industry-wide collective bargaining, increased competition from non-confederal unions, and growing dissent from within -- which seriously

threatened their bargaining role and organizational strength. Yet, by the early 1990s, the three confederal unions regained strategic initiative. They pursued a legislative strategy in the sense that they supported major legal reforms in two critical areas, the regulation of strikes in essential public services, and the ‘privatization’ of public sector employment relations. They also reformed their organizational structure, seeking to become more democratic and revitalize their relations with their base. Finally, they engaged once again in ‘political exchanges’ with the government and Confindustria.

Although these efforts appear quite promising, the Italian unions’ response to the ‘double shift’ is far from coherent or uniform. For example, although all three major confederations have recently abandoned the old models of politicized and conflictual industrial relations, a sizable minority within the CGIL (the Essere Sindacato faction), various Delegates' Councils (the so-called "movimento degli autoconvocati"), and the COBAS still espouse a program of class struggle and political intransigence.⁶³ These groups have gained considerable support among the industrial workers in cities like Turin and Milan. Nonetheless, it is possible to point to a slow, albeit at times inconsistent, transformation in the self-perception of the unions from agents of political and social dissent to partners in the process of economic change. As the next section illustrates, perhaps the critical moment in this transformation was the 1985 defeat of the Communist Party (PCI) and the CGIL in the referendum over the scala mobile. Through that referendum, the CGIL had sought to repoliticise industrial relations in an effort to restore various union prerogatives which were being undermined by economic changes and management strategy. After the referendum, the confederal unions began to

⁶³ For more on the COBAS' program of political opposition, see Piero Bernocchi, Dal sindacato ai Cobas. La ribellione del lavoro dipendente e l'autoorganizzazione tra "pubblico" e privato, Rome: Erre Emme edizioni, 1993.

accommodate, perhaps even support the employers' "search for flexibility" (Regini, 1988) at both the workplace level through negotiated restructuring, and at the national level with the re-emergence of macroeconomic concertation in the early 1990s.

4.1. Unions as "Political Subjects" : The 1983-84 Tripartite Agreements

In the early 1980s, the confederal unions tried to assume a position of relative autonomy vis-à-vis their long-term political allies. The issue of "union autonomy" from the party system was particularly deeply-felt within the CISL. In fact, the leadership of the CISL became convinced that the labor movement needed to contribute to a general reform of the country's institutions, especially existing collective bargaining arrangements, if Italy was to successfully pull itself out of the political-economic crisis of the early 1990s. The CISL argued that that the unions' previous bargaining strategy had contributed to exacerbate this crisis, and thus was particularly supportive of the government's attempt to relaunch neo-corporatist economic concertation. This effort also resonated with various elements of the CISL's ideological heritage, i.e. the union's long-rooted concern with economic growth, productivity, and profitability (Baglioni, 1980). Moreover, drawing on the CISL's own self-conception, nourished especially after the Hot Autumn, as an independent "political subject",⁶⁴ the CISL's leadership considered the tripartite accords of 1983 and 1984 as qualitatively different from the previous experiments of 1977-79. Whereas in 1977-79 the unions' shift towards concertation had been

⁶⁴ For more on the ideological heritage of the CISL, and on the role of "autonomy", see Tiziano Treu, "La CISL degli anni '50 e le ideologie giuridiche dominanti," in Materiali per una storia della cultura giuridica, Giovanni Tarello, ed., Bologna: Il Mulino, 1973; and Guido Baglioni, Il sindacato dell'autonomia, Bari: De Donato, 1975.

spurred by a political shift, i.e. the inclusion of the Communist Party (PCI) in the governments of "national solidarity"; in 1983-4 the unions claimed to be dealing with government as "direct representatives" of the workers, circumventing completely any form of party mediation.⁶⁵

In other words, for the CISL, the tripartite accords of the early 1980s were intended to produce more than just anti-inflationary policies. Instead, the union hoped that through tripartite negotiations over macroeconomic policy and institutionalized participation of the unions in company decisionmaking, it could construct a new, more concertative model of economic governance (Carniti, 1985: 175-202). Through their control over wage determination, the unions would assure the progressive reduction of inflationary expectations; and through their control of the Fondo di Solidarieta' (Solidarity Fund),⁶⁶ the unions planned on contributing directly to new productive investments. As Pierre Carniti (General Secretary of the CISL) articulated on a number of occasions, the CISL was aware that the unions' "political" role would be compromised if industrial restructuring were unilaterally decided and implemented by management.⁶⁷ Moreover, given that the political parties had proven incapable in the previous years to promote economic reform, the CISL believed that only a

⁶⁵ That the Federazione Unitaria's "EUR-Policy" was to be considered primarily as the unions' response to a major political shift, i.e. the inclusion of the PCI in the governmental majority, was articulated by Luciano Lama, General Secretary of the CGIL, in various occasions. See Luciano Lama, Intervista sul sindacato, Bari: Laterza, 1976; and Luciano Lama, Il potere del sindacato, Rome: Editori Riuniti: 1978: 16.

⁶⁶ The Solidarity Fund resembled the proposal of risparmio contrattuale, advanced by the CISL in the 1950s. The fund would be financed by 0.5% of wage bills.

⁶⁷ On the importance of a two-pronged union strategy, focused both on the enterprise and the political sphere, see Carniti, 1985: 186.

"social contract" between the unions and organized business could restimulate growth and pull Italy out of its recession.

Notwithstanding these ambitious goals, the tripartite agreements of the early 1980s, in fact, focused almost entirely on reducing the cost of labor, particularly through reform of the scala mobile (wage indexation mechanism) (Ragini, 1985). Due to Italy's high inflation rates, the scala mobile had gained massive weight in the determination of wages. By the early 1980s it was estimated that the scala mobile accounted for over 60 percent of annual wage increases (Di Vezza, 1984). 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 government measures aimed at fighting inflation.

Although bargaining over this agreement took place at separate tables, with labor leaders in one room and business representatives in another and government officials racing back and forth between them, all three actors signed the January 22, 1983 agreement. The agreement eliminated bracket creep, improved family allowances, established the Fondo di Solidarieta' (Solidarity Fund) to raise money for investment, reduced coverage provided by wage indexation by 15%, and banned plant-level bargaining for 18 months.⁶⁸ Disagreements over certain clauses of the agreement subsequently broke out between labor and management and the agreement was not automatically renewed the following year. As a result, the government presented its own proposal to fix wage indexation for

⁶⁸ For more details of the agreement, see Miriam Golden, Labor Divided : Austerity and Working-Class Politics in Contemporary Italy, Ithaca, NY: Cornell University Press, 1988: 82-84.

1984, regardless of the actual rate of inflation.⁶⁹ This attempt met with staunch opposition by the Communist component of the CGIL. The government implemented this policy through an executive order and the unions split along partisan lines. The Socialists in the CGIL, and the CISL and UIL, all supported the government's position. The rest of the CGIL staunchly opposed it. Supported by the PCI, the Communists within the CGIL mobilized workers against the new modification of the scala mobile (Golden, 1988). In 1985, they also promoted an electoral referendum aimed at abrogating the government decree. The results of the referendum, held on June 9, 1985 were favorable to the government and the moderate union forces that supported the 1984 accord (Lange, 1986). Thus, only twelve years after the birth of the Federazione Unitaria, labor unity once again dissolved in Italy. This not only eliminated the functional equivalent structures necessary for concertation in Italy (Regini, 1984), but also dashed many of the dreams associated with the Hot Autumn. After this episode, tripartite collective agreements ceased for the rest of the 1980s.⁷⁰ The three union confederations

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

⁷⁰ On December 18, 1985, the three major confederal unions CGIL, CISL and UIL, and Intersind, the business association representing state-owned companies, signed an accord to reform the scala mobile. The new wage escalator was divided in two parts: one (580,000 lire) was fully indexed, while the difference between total remuneration and this fixed part was indexed furtherly at 25 percent. This new mechanism had an important symbolic component: It recognized the principle that protection against inflation had to be differentiated across skill categories. For more on this reform, see Stefano Patriarca, La nuova scala mobile, Rome: Ediesse, 1986. With the implicit assent of the Confindustria, the new scala mobile was also extended to the private sector through a law (Law 38/1986) which limited its duration until 1989.

continued to cooperate informally at the industry and company levels, although differences among them persevered.⁷¹ Following the demise of “social concertation” and the reopening of old political divisions, in the latter half of the 1980s the three confederal unions experienced both strategic and organizational crisis, best illustrated by two developments, the decline of the confederal unions’ role as national bargaining agents and the end of their hegemony as representatives of various segments of the workforce.

4.2. The Decline of National Collective Bargaining

With the end of tripartite agreements and the reopening of old political divisions, the company level became the major locus of collective bargaining. Historically, master agreements (CCNL's)

⁷¹ On the demise of the 1983-84 neo-corporatist experiments various interpretations have been advanced : Some argue that concertation had lost momentum after the failure of the 1977-79 accords (Marino Regini, ‘Relazioni industriali e sistema politico: l’evoluzione recente e le prospettive degli anni ‘80,’ in Mimmo Carrieri and Paolo Perulli, eds., Il teorema sindacale. Flessibilita’ e competizione nelle relazioni industriali, Bologna: Il Mulino, 1985). Others stress the lack of resources necessary to support this political exchange (Gino Giugni, ‘Concertazione sociale e sistema politico in Italia,’ Giornale di diritto del lavoro e relazioni industriali, Vol. 8, No. 25, 1985). Still others emphasize the strong opposition to these policies within the unions themselves (Pietro Kemeny, ‘Le politiche di concertazione: storia di una rinuncia,’ Prospettiva Sindacale, XXI, No. 77, Sept. 1990). All these arguments capture important elements, but perhaps not the decisive factor in determining the 1984 break-down of economic concertation, i.e. the opposition of the Communist Party and the influence it exerted on the leadership of the CGIL (This reconstruction is based on interviews with Giorgio Benvenuto, former secretary of the UIL, and Pierre Carniti, former secretary of the CISL, Rome, March 1995; see also Gian Primo Cella, ‘Criteria of Regulation in Italian Industrial Relations: A Case of Weak Institutions.’ in Peter Lange and Marino Regini, eds., State, Market, and Social Regulation: New Perspective on Italy, New York: Cambridge University Press, 1989). After the collapse of incomes policies the CISL re-established its historical ties with the Christian Democratic Party (DC) -- ties that the Hot Autumn first, and then the Reform Strategy of the 1970s had weakened. For more on the political strategies of the CISL in the second half of the 1980s, see Gian Primo Cella, "Sul futuro dell'autonomia," and Mario Zoccatelli, "Verso la terza CISL," both in Prospettiva Sindacale, 77, XXI, Sept. 1990.

negotiated by the national industry unions were predominant and structured the contracts of most, if not all, firms in the industry. As in the United States, leading firms were targeted by the unions for a particular year's bargaining round and the national contract was usually little more than the diffusion of that company's agreement to the rest of the industry. These contracts were negotiated every three years and renewals were essentially automatic.⁷² Negotiations by union locals at individual firms were mere addenda to these more standardized national contracts and usually took place within one year of the signing of the national agreements.

During the 1980s this pattern broke down. Essentially, the national industry agreements became squeezed between confederal-level tripartite agreements and local- or firm-level bargaining (Baglioni and Milani, 1990: 37-56). Attempts by the peak-level confederations to engage in macro-concertative deals over the cost of labor, the scala mobile, fiscal reform, and the annual budget increasingly constrained national industry unions as they sought to negotiate their own contracts covering many of these same issues. At the same time, unwilling to be limited by overly broad industry contracts (which lump together within a single "category" extremely diverse economic realities -- firms of different sizes and degrees of technological sophistication, engaged in different lines of business, and employing alternative strategies)⁷³, firm- and territorial-level unions engaged in decentralized collective bargaining. These more micro-level contracts usually focused on firm restructuring efforts, the introduction of new technology, and shifts in the organization and timing of work.

⁷² Often, new contracts were approved and signed before the expiration of the previous ones.

⁷³ In the metalworkers category, for example, firms as different as Fiat (autos), Olivetti (computers), Ansaldo (engineering) and Ilva (steel) are lumped together.

National industry unions, as a result, experienced substantial difficulties in developing, let alone implementing, master agreements in a number of industries. Moreover, even when national contracts were negotiated, they appeared progressively emptied of contents. Tables 1 and 2 list all national contracts signed between the textileworkers and metalworkers unions and Confindustria during the last two decades. Increased vacancy periods (periods without a valid contract) signal the difficulties both these national unions faced in maintaining patterned bargaining within their sectors.

The content of collective bargaining also began to shift away from the national contracts. A 1986 study on collective bargaining in Italy revealed that contrary to past practice, local union contracts were the most innovative and important agreements covering workers in industry. While national union agreements appeared to be quite generic, at most setting broad parameters on wages and working conditions, local unions were actually negotiating the most significant elements of the contract (Nacamulli, Costa, Manzolini, 1986). This trend was confirmed in a subsequent study (Baglioni and Milani, 1990) which documented how negotiations over the pace and timing of work, bonuses and profit sharing, new technologies and redundancies were increasingly negotiated at the firm and/or local levels.

In the Italian textile industry, for example, the national contract established a 36-hour work week, but local unions decided exactly how to implement and regulate this agreement. Thus, in certain localities, the work week was concentrated in three or four long days whereas elsewhere, it was spread out across the week in the form of six shorter days. This variation in arrangements reflected the needs and desires of the local workforce. In more agricultural areas, having shorter workdays permitted

textile workers to also tend their fields. In more urban areas, fewer but longer days gave workers longer weekends or larger blocks of time to dedicate to a second job.

Even the sequencing of contract negotiations appeared to be shifting in favor of local unions. Whereas before, national agreements were negotiated first and local contracts later, often with a prescribed lag period, during the 1980s many local unions negotiated their own contracts first with the national agreement emerging later as an aggregation and ratification of these prior local deals (Guidotti, 1986). Similar phenomena of decentralization can be seen in the implementation of laws regulating hiring and firing (Reyneri, 1989), the use of redundancy funds (*cassa integrazione*) (Reyneri and Semenza, 1990), and union relations with local governments (Regalia 1985; 1986; Nanetti, 1988) and business associations (Chiesi and Martinelli 1989; Baglioni 1989).

These trends towards the decentralization of collective bargaining and the strategic paralysis of national unions were accompanied, perhaps even spurred by, a process of internal fragmentation of the three major union confederations CGIL, CISL, and UIL. In fact, throughout the 1980s, new "competitive" unions like the *sindacati autonomi* and the COBAS increased both their membership and bargaining power and contested the confederal unions' claim to represent various categories of workers. In many cases, the COBAS were established by previous members of the confederal unions, in particular by previous members of the CGIL. We analyze these developments in the following section.

4.3. The End of the Confederal Unions' Hegemony

The emergence of new, competitive types of unions in Italian industrial relations occurred in two phases. First, during the 1970s, a myriad of so-called sindacati autonomi (autonomous unions) appeared as a response to the egalitarian, class-based, strategy of representation adopted by the confederal unions (Accornero, 1992). In fact, while the confederal unions targeted a particular category of worker, i.e. the operaio-massa (semi-skilled assembly line worker), new professional unions endorsed the specific demands of white-collar workers, technicians and professional workers in sectors like air transportation, banking, insurance, health care, and schools. In 1977 the Confederquadri (representing lower management ranks) and the SNALS (representing secondary school teachers) were founded. These unions based their success on the contestation of the confederations' bargaining policy. For example, they proposed to leave aside political and ideological objectives to focus instead on more "bread and butter" issues such as the re-opening of wage differentials, the negotiation of merit pay, and the introduction of new organizational structures through which skilled workers could express their "voice".

A few years later, these unions adopted more stable organizational structures.⁷⁴ During the 1980s new confederations were instituted by various autonomous unions in different sectors. For example, the CISAL (Confederazione Italiana Sindacati Autonomi Lavoratori) coordinates 63 industry federations including railways, civil navy, health care and others. In 1988 it declared a membership of 1.9 million people, more than the UIL's total membership and almost two-thirds of the CISL's. The

⁷⁴ For more on these organizations, see A. Armeni, Gli extraconfederali, Rome: Edizioni Lavoro, 1988.

CISAS (Confederazione Italiana Sindacati Addetti ai Servizi) includes 39 federations in sectors such as health care, flight control and others. In 1988 it declared a membership of 810,000 workers. Other important confederations are CONFAIL (1 million members in 1988) and CONFISAL (800,000 members in 1988).

Second, during the second 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, thus contributing even further to the erosion of the confederal unions' representational monopoly.⁷⁵ Already in the 1970s, but increasingly in the early 1980s, the egalitarian strategy adopted by the confederal unions created resentment among skilled workers, particularly in the public sector. Gross salaries fell 0.9 percent in real terms in the public sector between 1981 and 1986 (Bordogna, 1992) while they increased slightly in the private sector (Barca and Magnani, 1989). More importantly, while in the private sector the flattening of wage differentials (appiattimento salariale) brought about by the joint action of egalitarian wage policies and the scala mobile was partially corrected by individual premia for key workers paid unilaterally by the employers (Di Gennaro, 1994: 32-3), in the public sector wages and working conditions were rigidly regulated by law or national-level collective bargaining, and those informal adjustments were not an option. Consequently, wage differentials across skill categories fell from 149/100 to 129/100 between 1975 and 1984 (Carrieri, 1992).

⁷⁵ For more on the emergence of the COBAS, see Lorenzo Bordogna, Pluralismo senza mercato. Rappresentanza e conflitto nel settore pubblico, Milan: Franco Angeli, 1994: particularly chs. 2-4; see also Emanuele Lombardi, COBAS: una spina nel fianco, Rome: Sovera Multimedia, 1989.

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 to be renewed. School teachers contested the collective agreement that CGIL, CISL, UIL and the professional union SNALS had just negotiated. On March 25, 1987, 40,000 people demonstrated in Rome against the confederal unions, government ministers, and politicians. Most of them refused to provide end-of-year student reports (Bordogna, 1988). During the summer of 1987, engine drivers contested the contract signed by CGIL, CISL, UIL, and the autonomous union FISAFS, and organized a wave of strikes which paralyzed railway transportation. Participation in the strikes was as high as 78% in some cases (Bordogna, 1992). In Autumn 1987, ground personnel at Alitalia rejected the new contract and forced the company to reopen bargaining (Negrelli, 1992). In all cases, protest was organized by the COBAS.

As a result of these developments, the confederal unions experienced growing disaffection from within their own ranks. Unionists and politicians alike began to wonder aloud whether the legal representativeness that the Statuto dei Lavoratori had conferred on the confederal unions really corresponded to effective levels of representativeness (Terry, 1993). In fact, in an increasing number of sectors and among numerous professional groups, the confederal unions appeared to have lost their hegemony over union representation.

Faced with decline in their bargaining role, growing challenge to their representational monopoly, and internal dissent, the three major union confederations reacted in three ways : 1) They abandoned their traditional hostility towards legal regulation and actively promoted the passing of two

important laws in the early 1990s, regulating strikes in essential public services⁷⁶ and employment relations in the public sector, respectively. 2) They launched an organizational reform aimed at revitalizing internal democracy. 3) They engaged again in neo-corporatist concertation with Confindustria and the government. We now turn to an examination of the new laws on strikes and public sector employment relations.

4.4. Two Legislative Reforms

Both the law on strikes and the reform of the public sector aimed at rationalizing industrial relations in the service and public sectors, where the COBAS were imposing their role as bargaining agents through a systematic recourse to industrial conflict.⁷⁷ Likewise, the COBAS used the recent so-called "contractualization" of public employment relations, introduced into a law in 1983, to obtain very large wage increases for their own constituencies. Thus, leaving aside the deleterious effects these behaviors had for Italy's growing public deficit, collective bargaining in the public sector was contributing to undermine the credibility of the confederal unions as bargaining agents.

The explosion of industrial conflict in the public sector in the late 1980s (Bordogna and Provasi, 1989) and the COBAS' continuous blockage of crucial social services such as railways, airlines, health care, and schools created a general consensus among Italy's economic and political actors that legal regulation of the right to strike was required. The confederal unions had long opposed

⁷⁶ The law on strikes was even drafted by a union-promoted commission of experts. For more on this, see Treu, 1994:469.

⁷⁷ For more on the characteristics of the strike in the tertiary sector, where users of services are damaged rather than the bargaining counterparts alone, see Accornero, 1985.

legal interventionism in the realm of industrial relations, arguing that it represented an unwarranted limitation of the unions' bargaining power. Guaranteeing provision of minimal services in case of strikes, CGIL, CISL, and UIL promoted the adoption of the so-called codici di autoregolamentazione (codes of self-regulation) in the latter half of the 1980s. However, since the COBAS refused to adopt these codes, or rather systematically violated them, the confederal unions eventually came around to support legal intervention. As a result, a law was approved in 1990 to curtail the unlimited exercise of the right to strike and guarantee the provision of certain "essential" services in case of strikes.

This law (Legge 146/90) regulates strikes in essential public services through a peculiar combination of legal and contractual tools.⁷⁸ 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 defines particular criteria that a union must meet in order to gain access at the bargaining table. For example, only those unions that had already adopted a code for the self-regulation of strikes were admitted to the bargaining process. This clause de facto excluded most of the COBAS. Substantive restrictions concerning the length and timing of the strike are also included in the law. For example, strikes have to be announced at least ten days prior to their initiation. Moreover, in case of illegal strikes workers can be forced back to work by Prefects and Ministers through executive orders (the so-called precettazione). The law also introduces a Commission of Experts (Commissione di Garanzia) which acts as mediator in the definition of the essential public services and is provided with a certain number of disciplinary and legal tools in case of violations.

⁷⁸ For more on the content of the law, see Tiziano Treu, "Strikes in Essential Services in Italy: An Extreme Case of Pluralistic Regulation," Comparative Labor Law Journal, Vol. 15, No. 4, Summer 1994: 461-87.

So far, Law 146/90 has proved instrumental in reducing the number of strikes in the service sector, while avoiding at the same time authoritative interventions. In most cases, the bargaining parties have been able to reach agreements over the list of services to be guaranteed. Strikes of limited or intermittent duration have almost disappeared, while wild-cat strikes have become very rare (Treu, 1994: 482-3). However, in some sectors like railways, the new law has not proven very effective. In certain cases, it has even enhanced the bargaining power of the COBAS. For example, since the law requires that strikes be publicly announced in advance, the Comitato Macchinisti Uniti (COMU) (the engine-drivers' version of the COBAS) has often proclaimed strikes only to call them off at the very last moment. As a result, the law has paradoxically provided the COBAS with a way of pursuing their objectives but at little or no cost.

Another attempt to restore order and predictability in industrial relations through legal regulation was represented by the reform of labor relations in the public sector, accomplished through Law 421 of 1992 and legislative decree No. 29 of 1993. This reform aimed at producing a major overhaul of human resource practices in the public sector. In particular, the main goal of the reform was to eliminate a web of clientelistic work practices in the public sector. For this purpose, the reform introduced techniques of human resource management generally adopted in the private sector, and increased the power and autonomy of the public managers vis-à-vis their bargaining counterparts.⁷⁹

⁷⁹ For more on the major features of the reform, see Tiziano Treu, "La contrattazione collettiva nel pubblico impiego: ambiti e struttura," Giornale di diritto del lavoro e relazioni industriali, No. 61, 1994: 1-52. See also, Tiziano Treu, "Verso la riforma del pubblico impiego," Aggiornamenti Sociali, 9-10, 1993: 641-52.

In the public sector, a tradition of particularistic and informal collective bargaining, involving the presence of various autonomous, professionally-oriented unions (see Codara, 1987), predominated. In fact, for much of the postwar period complacent politicians treated the public sector as a reservoir of party consensus, passing legislation which guaranteed special pension regimes, differentiated working conditions, status demarcations and wage allowances to various professional groups within the civil service (Accornero and Visco, 1978). In 1983, a legislative reform introduced collective bargaining into the public sector. The 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 the 1983 reform, a clientelistic version of codetermination emerged in which unionists and public officers agreed to mutually beneficial bargaining outcomes at the expense of the public good (and national treasury).

To restore efficiency and equity in public sector employment relations, the reform of 1992-93 established that unilateral decisions by public managers could legally constitute a possible alternative to collective bargaining. 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 of the recent reform was to relaunch the role of the public manager. The law accords public managers exclusive responsibility for the deployment of both human and physical resources, increases their remuneration (depending on performance), and tries to augment their capabilities through investments in training.

These innovations also sought to strengthen the bargaining power and autonomy of public officers vis-à-vis their political counterparts. To avoid political interference in collective bargaining, the reform assigned the task of negotiating collective agreements with the unions to an autonomous agency, called ARAN (Agenzia per la Rappresentanza Negoziabile), composed of experts and therefore, at least in theory, isolated from political pressures.

Furthermore, the reform tied wage increases for public sector employees both to productivity and performance measures and to the inflation and budget constraints targeted by the government. Finally, it promoted a general reconfiguration of the unions' organizational structures at the local levels based on the Rappresentanze Sindacali Unitarie (RSU) (Unitary Union Representations).⁸⁰ The RSU are based on a peculiar combination of elected representatives and direct appointees by the "most representative" trade unions, i.e. the confederal unions and the major autonomous unions in each sector (on the RSU, see below). This recognition of the primacy of the "most representative" trade unions seems to be justified by the need to assure congruence between national and plant-level collective bargaining (Treu, 1994). In fact, as the experience of the past years amply demonstrates, imposing budget constraints on public sector national collective bargaining is of little use if public officials and union leaders at the local level are left free to negotiate the mass promotion to higher classification levels (and hence pay) for their constituencies. By establishing an organizational link between union negotiators at different levels of the collective bargaining system, the reform hopes therefore to achieve the implementation of nationally-negotiated guidelines.

⁸⁰ For more on the RSU in the public sector, see Carmine Russo, "Le Rsu nel pubblico impiego: contrattazione e partecipazione," in Massimo De Sanctis, ed., Il sindacato nei luoghi di lavoro. Le rappresentanze sindacali unitarie, Rome: Edizioni Lavoro, 1994: 155-64.

However, the introduction of the RSU does not aim solely at achieving wage moderation. In fact, as the next section will illustrate, this reform of union representational structures in the public sector is part of a larger project of organizational reconfiguration through which the confederal unions hope to increase democratic participation of the work force and enhance union representativeness.

4.5. Union Organizational Reconfiguration

The organizational structure of the Italian union movement reflects its tumultuous and uncoordinated development. Each confederation has both vertical (industry-based) and horizontal (territorial) structures. During the 1950s, when the union movement was fragmented, weak, and politically isolated, the horizontal structures, especially the so-called Camere del Lavoro, were predominant. With the increase in collective bargaining at the industry and firm levels during the 1960s, however, the national industrial unions became ascendant (Santi, 1983). Following the Hot Autumn struggles and the federative pact in 1972, factory councils -- elected by and composed of union and non-union workers alike -- were established at the shop floor (Regalia, 1978). These became the official workplace organs of the three confederations, replacing the earlier Commissioni Interne⁸¹ (factory grievance committees). Figure 2 depicts the organization of the Italian union movement.

In the late 1970s, as part of the strategic shift towards concertation then being pursued, the Italian unions embarked on an organizational reform aimed at developing a clear, mutually agreeable

⁸¹ For an interesting historical reconstruction of the Commissioni Interne, see Guido Baglioni, "L'istituto della Commissione Interna e la questione della rappresentanza dei lavoratori nei luoghi di lavoro," in Annuario del Centro Studi CISL, Vol. 8, (1968-69): 35-64.

division of labor among the various levels of the union hierarchy. This organizational reform (referred to as the Riforma di Montesilvano) was formally embraced by the Federazione Unitaria CGIL-CISL-UIL in 1979, but had already begun a few years before, with the 1975 reform of the scala mobile which had severely curtailed the scope of decentralized wage bargaining.

The initial goals of the Reform of Montesilvano were quite different from those that were eventually achieved. At the beginning, the reform sought to decentralize union structures to better match recent changes in the administrative structure of the Italian state.⁸² New zonal, departmental and regional confederal union structures were to replace the old provincial unions. At the company and plant levels, the Reform envisaged the consolidation and institutionalization of the Factory Councils, and their extension to the service sector, where they had not spontaneously emerged. Beside creating new structures aimed at inter-industry coordination of union activity, the Reform also mandated the merging of several national industry unions, especially in the transportation and public sectors.⁸³

Although there had been differences among the three Confederations on specific aspects of the Reform,⁸⁴ the project was essentially unitary. Through organizational decentralization and the

⁸² For more on these changes, see Robert Putnam, Making Democracy Work, Princeton, NJ: Princeton University Press, 1992.

⁸³ The CISL, for example, reduced the number of industry federations from 37 to 17, while the CGIL also consolidated its 39 industry federations into 18. For an interesting analysis of the inconsistencies of the organizational reform, see Mario Napoli, "Osservazioni attorno ai rapporti fra relazioni collettive e modelli organizzativi del sindacato", in Prospettiva Sindacale, 63, XVIII, March 1987.

⁸⁴ The most controversial issue was the role of the departments. The CGIL wanted them to have only a coordination role between the regional and zonal level. The CISL, on the other hand, wanted them to inherit the same powers and responsibilities as the old provincial unions. For more on these differences, see Rinaldo Scheda, Il sindacato che cambia. Intervista sulla riforma organizzativa a cura di Corrado Perna, Rome: ESI, 1979: in particular pp. 7-48 and 222-229. Interestingly enough, the CISL,

encouragement of mass participation, the unions sought to strengthen their "political role" in Italian society. By merging together various smaller industrial unions, the Reform also hoped to block what appeared to be the emergence of more particularistic demands within some of these smaller unions. These demands had previously hindered the development and the implementation of a united union approach to social and political reform.⁸⁵

Notwithstanding these initial intentions, but in line with the unions' strategic shift towards economic concertation, the Montesilvano Reform resulted instead in a recentralization of the unions' structures. For example, the introduction of departmental union structures was, at best, incomplete.⁸⁶ Moreover, the "reform" actually weakened the national industry and provincial unions -- two union structures which had become more powerful and autonomous during the late 1960s and 1970s -- by restricting the bargaining power of the former and by reallocating the resources and responsibilities of the latter to the new regional and departmental structures. The confederations hoped that this more centralized structure would provide them with the organizational control and resources necessary to pursue their strategy of concertation.

which was born as a federation of industry unions, proposed the strengthening of the departmental level, to "consolidate solidarity links above and beyond the industry level". See again Mario Napoli, "Osservazioni attorno ai rapporti tra relazioni collettive e modelli organizzativi del sindacato," *op. cit.*: 198.

⁸⁵ For more on the excessive autonomy of some industry federations and its consequences on the reform strategy, see Pierre Carniti (confederal secretary of CISL in the early 1980s), *Il sindacato dell'autonomia*, Milan: Coines, 1977: especially pp. 37-8.

⁸⁶ There were essentially three reasons why the introduction of departmental structures was incomplete: i) lack of resources; ii) opposition by the provincial leadership; iii) absence of analogous State and employers' structures. In fact, the departments did not have clear counterparts, both in collective bargaining and at institutional level. For more on these issues, see Alessandro Castegnaro, "La struttura orizzontale del sindacato," in *Prospettiva Sindacale*, 63, XVIII, March 1987.

However, these anticipated results did not materialize. Since various organizations within the union movement fought hard to protect their autonomy, this organizational reform -- ostensibly aimed at rationalizing the unions' structures -- resulted in diluting them instead. For example, at a time of shrinking resources, the various unions significantly increased their staff (20% by the CGIL, 17% by the CISL).⁸⁷ Within the transportation, health care and education sectors, characterized before the reform by an array of smaller, more professionally-oriented unions with only loose ties to the three major confederations, the impact of this reform was even more damaging. In these sectors, workers felt that the central confederations were imposing on them an inappropriate, industrial union model of organization -- one that failed to recognize their particular needs and interests.⁸⁸ Not surprisingly, it was within these same sectors that the Comitati di Base (COBAS) emerged a few years later.⁸⁹

One of the unintended consequences of the Riforma di Montesilvano was the decline of grass-root union structures. In fact, in the early 1980s, while the unions were pursuing a strategy focused on macroeconomic concertation, political exchange, and organizational centralization, grass-root

⁸⁷ Andrea Gandini, "La divisione del lavoro nel sindacato," Prospettiva Sindacale, 63, XVIII, March 1987: 118.

⁸⁸ In fact, in these sectors the merging of industry unions met with tremendous internal resistance. For more on the merging of industry unions, see Lino Codara, "Accorpamenti: una decisione difficile. Il faticoso cammino dei nuovi inquadramenti categoriali," Prospettiva Sindacale, 63, XVIII, March 1987.

⁸⁹ For an interesting analysis of how the substitution of professionally-oriented representation structures (called raggruppamenti) with horizontal structures subjugated to the provincial unions, sparked the emergence of COBAS among engine drivers, see Francesca Bignami, "The Resurgence of Old Patterns of Representation in Contemporary Italy: The Engine Drivers' Movement," Unpublished Dissertation, University of Oxford, September 1992.

representation structures sank into oblivion.⁹⁰ The consolidation and extension of the Factory Councils was never accomplished, although it constituted an important part of the Montesilvano Reform.⁹¹ Nor were precise norms concerning the election and re-election of workers' representatives and the relations between employee councils and external unions ever established. As a result, the responses given by the Factory Councils to the wave of industrial restructuring of the early 1980s were increasingly particularistic, thereby rendering the emergence of a unitary union strategy more difficult to achieve. 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 socio-political features of local economies in which they were embedded.⁹² As a result of this restructuring process, industrial employment fell, net real wages and salaries stagnated, and union membership declined. Union membership, which had doubled between 1969 and 1980,⁹³ fell from 49% to 39.3% between 1980 and 1990.⁹⁴

⁹⁰ For more on the decline of the Consigli dei Delegati, see Ida Regalia, Eletti e abbandonati. Modelli e stili di rappresentanza in fabbrica, Bologna: Il Mulino, 1984.

⁹¹ For more on the historical evolution of the Factory Councils, see Regalia 1992.

⁹² For more on these issues, see Salvatore Vento, "Le rappresentanze sindacali di base," Prospettiva Sindacale, 63, XVIII, March 1987: in particular pp. 72-6, and Richard M. Locke, Remaking the Italian Economy, Ithaca, NY: Cornell University Press, 1995.

⁹³ Between 1969 and 1980, the unionization rate grew from 29.4% to 49.0%.

⁹⁴ Besides membership decline, two additional changes in union representation took place in the 1980s: 1) a process of substitution between active and retired workers. In fact, retired workers, which constituted 15.1% of the total confederal membership in 1980, became 38.4% in 1990. In 1989, retired workers represented 45.6% of the CGIL's total membership; 2) a process of sectoral redistribution between industrial workers and service workers. While some industry federations like the metalworkers and the textileworkers lost about 40% of their memberships, other federations in the service and public sectors maintained or even increased slightly their membership. For more on current

In the late 1980s, increased competition from rival organizations like the COBAS and the autonomous unions, and growing dissent from within, forced the traditional unions to reexamine several of their organizational strategies. In 1991, the CGIL proposed a law aimed at revising Article 19 of the Statuto dei Lavoratori in a way that would transform the Factory Councils into more democratic and vibrant organizations. This law proposed the substitution of "presumed" representativeness of the major unions with "effective" representativeness established through regularly held elections. Any organization that collected the signatures of at least 5 percent of the employees in a given production unit was allowed to stand for election to the proposed new enterprise council. This proposal aimed not only at terminating the monopoly that the CGIL, CISL, and UIL have enjoyed for over twenty years over firm-level representation, but also at ensuring that elections to these worker councils took place regularly.

With the tripartite agreement of July 23, 1993, a different reform from the one outlined above was implemented. On the basis of this reform, the existing plant-level union structures, the so-called Rappresentanze Sindacali Aziendali (RSA) are to be replaced by unitary union structures, the Rappresentanze Sindacali Unitarie (RSU), formed by any union organization that can obtain the support of at least 3% of the workforce. Two-thirds of the representatives in these new firm-level structures will be elected, whereas the remaining one-third will be appointed directly by the "most representative" trade unions, i.e. by those unions that have signed the relevant national or provincial

trends in unionization, see Corrado Squarzon, "La sindacalizzazione," in CESOS, Le relazioni sindacali in Italia. Rapporto 1990-91, Rome: Edizioni Lavoro, 1992: 83-93.

contracts.⁹⁵ Through this reform, the social partners hope both to revitalize the plant-level union structures and to eliminate a major source of grievance and conflict by the COBAS. More importantly, these new plant-level structures of representation have been recognized by the three major confederations as legitimate bargaining agents at the company and plant levels, although in collaboration with the provincial unions. No previous plant-level structure, not even the Delegates' Councils of the Hot Autumn, had ever received such official investiture.

This recent organizational reform of the Italian trade unions is part of a wider reconfiguration of collective bargaining arrangements. The following section illustrates how negotiations between Confindustria and the three confederal unions over reducing the cost of labor and thus restoring the competitiveness of Italian goods on export markets in the early 1990s led to a new institutional framework for Italian industrial relations -- one that seeks to reconcile macroeconomic concertation at the peak-level with local-level experimentation and democratic participation on the shop floor.

4.6. Neo-Corporatism Again ?

After a phase of decentralized collective bargaining, the economic and financial crisis of the late 1980s focused the attention of both political and social actors on the need for a more radical restructuring of the wage indexation mechanism, the scala mobile. Negotiations started in the late 1980s, but initially made little progress. However, by the early 1990s they underwent a marked

⁹⁵ Interestingly enough, this clause of the July, 1993 accord concerning the "most representative" unions was requested by the Confindustria, in order to establish an institutional link between bargaining agents at the national and plant levels. See Roberto Mania and Alberto Orioli, L'accordo di San Tommaso. I segreti, la storia, i protagonisti dell'intesa sul costo del lavoro, Rome: Ediesse, 1993: 62.

transformation. Initially, the objective of both the Confindustria and the unions was not to reform the scala mobile but rather to reduce indirect costs (such as social security payments and taxes), which, when added to wages, rendered Italian workers among the most expensive in Europe. In January 1990, the unions and the Confindustria began to collaborate on a proposal aimed at convincing the government to reduce social security payments for employers and payroll taxes for salaried workers (i.e., the core of the unions' membership). Few major changes emerged from these negotiations. Instead, in July 1990, the social partners signed a letter of intent in which they agreed to continue to work together to reach a new accord over the cost of labor and the structure of collective bargaining by June 1991.

The 1991 negotiations were quite drawn out and (not surprisingly) no accord was signed by June. But in December 1991, a new, partial agreement was finally signed by the unions and the Confindustria that committed the social partners to a comprehensive overhaul of the collective bargaining system by June 1992, and in the meantime, declared "superseded" the current system of wage indexation (i.e., the scala mobile). As Italy's macroeconomic situation deteriorated steadily over the course of 1992, the social partners were pushed by the Amato government to sign a new agreement on July 31, 1992.

Seen by many at the time as a revolutionary break with recent industrial relations practices, the July 31, 1992 "Protocol on Incomes Policy, the Struggle against Inflation, and the Cost of Labor" was not strictly speaking a collective agreement but rather a document in which the Italian government outlined its future economic policies. The "social partners" were called upon to underwrite this document and to conduct themselves within the parameters established by it. The main features of the agreement included the abolition of the scala mobile; a one year moratorium on firm-level wage negotiations; a lump-sum (20,000. Lire) wage increase to be paid in lieu of indexation; a freeze in industrial wages for the rest of 1992; and a freeze in government rates, administrative fees, and salaries.⁹⁶

The July 1992 accord was a central element of the Italian government's new economic policy. The new policy sought simultaneously to lower inflation rates, reduce government expenditures, and improve the country's trade balance. In return for the unions' concessions, the government committed itself to three major reforms. First, the government reformed the pension system by raising the minimum retirement age (from 60 to 65 for men and from 55 to 60 for women) and eliminating certain benefits for public sector employees (e.g., the so-called "baby pensions" in which public sector workers became eligible for retirement after only twenty years of service). Second, the government "privatized" public sector employment relations, as already discussed in section 4.4. Finally and perhaps most 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.

⁹⁶ For more on the July 31, 1992 accord, see Locke, 1994.

The July 1992 accord provoked a major crisis within the Italian unions, especially within the CGIL. Sergio D'Antoni, Secretary General of the CISL, and Bruno Trentin, Secretary General of the CGIL, were both assaulted by protesters at open rallies, and Bruno Trentin was harshly criticized by a large share of the CGIL's leadership. Notwithstanding the CGIL's commitment to "codetermination" and the democratic governance of the economy following its 12th National Congress in 1991 (Mershon, 1992), a significant minority within the confederation, closely linked to the left-wing faction Essere Sindacato, opposed the July 31, 1992 accord. Because of this internal organizational turmoil, Trentin offered (but later retracted) his resignation. Trentin claimed that he was compelled to sign the agreement, both out of a sense of "responsibility" towards the nation, and because he did not want to see a repetition of the 1984 split among the unions fostered by an analogous austerity package.⁹⁷

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

⁹⁷ For more on this episode, see Bruno Trentin, Il coraggio dell'utopia, Milan: Rizzoli, 1994: ch. 9.

According to the Confindustria, wage levels and salaries should be determined only through the national industry agreements (Contratti Nazionali di Categoria). The unions, however, wanted wage bargaining to take place at both the industry and company levels (or territorial level for small and medium-sized companies). After a series of delays, due in part to the fall of the Amato government and the formation of a new government of "technicians" headed by Ciampi, a new agreement over the structure of collective bargaining was reached on July 3, 1993. As with the previous accord of July 1992, this agreement contained a number of policy measures concerning vocational training, technological innovation, government fees, and various labor market policies. The parts of the 1993 accord explicitly devoted to industrial relations included the following provisions:

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

employers had pushed for a single locus of collective bargaining at the national level. The Accord also specified that company bargaining could take place on issues not already regulated by the national contract. Moreover, wage increases deriving from company-level bargaining were to be financed through productivity increases or performance improvements. To create incentives for flexible forms of remuneration, social security taxes paid by the employers were partially subsidized, provided that contingent pay schemes were negotiated with the unions.

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

* Other aspects of the accord include increased labor market flexibility, including provisions for paying slightly lower wages to new entrants, and a restriction in the use of Cassa Integrazione Guadagni (the government-financed redundancy fund).

As pointed out in the previous section, the July accord also outlined a new structure for firm-level worker representation. Existing plant-level union structures (Rappresentanze Sindacali Aziendali) were to be reformed and replaced by unitary union structures, Rappresentanze Sindacali Unitarie, (RSU) consisting of any union organization that can obtain the support of at least 3% of the workforce.

The July, 1993 Agreement can be interpreted in two contrasting ways. On the one hand, it might be viewed as a continuation of Italy's never-ending, ad-hoc institutional reform process. On the other, it can be considered as a fundamental break with the past -- planting the seeds of the renewal of labor relations in Italy. In this accord, the unions have given up what was once seen as a major victory following the Hot Autumn struggles -- extensive wage indexation and protection from inflation.

Giving up the scala mobile also implies a reversal of their egalitarian policies and a recognition of wage inequalities for differentially skilled workers. At the same time, by agreeing to participate in trilateral negotiations over wage increases, the unions are committing themselves to working with organized business and the government on containing wage growth and thus (they hope) restimulating demand for Italian goods on world markets.

Only time will adjudicate between these two conflicting interpretations of the July, 1993 reform of collective bargaining. However, it is important to highlight here that the 1992-93 Accords are not simply a mere repetition of the 1983-84 tripartite agreements. First, the confederal unions' commitment to wage moderation was not counterbalanced by favorable welfare legislation as it was in the early 1980s. Second, the 1992-93 accords were accompanied by a major reform of public employment relations which extends their provisions to the public sector as well. Third, with the recent collapse of most traditional parties (particularly the Christian Democratic Party and the Socialist Party), the political differences among the three major confederations CGIL, CISL, and UIL, which played an important (if not the most important, see Cella, 1989) role in undermining the mid-1980s experience with incomes policies, have been attenuated. Finally, the July 1993, Agreement included an organizational reform of the unions, aimed at revitalizing plant-level structures and at eliminating a major grievance by and source of conflict among the autonomous unions and the COBAS.⁹⁸ The agreement also included the recognition and "codification" of company-level and territorial collective bargaining.

⁹⁸ As a sign of commitment to union democracy, the confederal leadership of CGIL, CISL, and UIL subordinated ratification of the accord, which had been reached on July 3, 1993, to the rank-and-file's approval. Therefore, the accord was formally signed after a referendum, on July 23, 1993.

Due to these organizational changes, the new architecture of collective bargaining promises to represent more than the sheer reenactment of a formula -- national-level economic concertation among peak-level actors -- that historically has proven so poorly suited to the highly differentiated reality of Italian industrial relations. Perhaps, the July 1993, accord can reconcile Italy's vibrant local experiments with the country's need for macroeconomic stability. Interestingly enough, the future destiny of this accord and of the new collective bargaining arrangements will depend upon the success of the new organs of worker representation at the local levels. If the RSU are able to aggregate the interests and gain the loyalty of diverse kinds of workers, then the "non-overlapping" and "functional specialization" clauses of the July 1993 accord will hold. Otherwise, if these new firm-level union organs fail to gain legitimacy and the confederal unions continue to suffer a crisis of representation, then the accord and its elaborate new architecture for collective bargaining will collapse, due to labor unrest, as was the case of an analogous reform, the "clausole di rinvio" of the early 1960s.⁹⁹

5. Conclusion

During the 1970s, Italy tried to build a new industrial relations model as a way of coping with its internal, distributional problems. In fact, following the Hot Autumn of 1969, growing union militancy and rising labor costs seriously impaired the socio-economic stability of the country. Italy's reformers looked at other national systems as sources of inspiration on how to remake their country.

⁹⁹ So far, the confederal unions CGIL, CISL, and UIL have managed to obtain an overwhelming majority in the elections for the Rappresentanze Sindacali Unitarie (RSU). They have received 95 percent of the votes in 3,692 companies. However, the companies in which the elections were held include only 15 percent of the total workforce; see Nuova Rassegna Sindacale, February, 20, 1995: 13.

In particular, they tried to adapt the northern-European model of neo-corporatist policy-making. Thus, the Statuto dei Lavoratori of 1970s attributed special organizational privileges to the so-called "most representative" unions, i.e. the confederal unions CGIL, CISL, and UIL. The reforms of the scala mobile and the cassa integrazione of 1975 guaranteed protection of workers' wages against inflation and industrial restructuring, thus eliminating two major sources of labor conflict. Finally, the tripartite agreements of 1977-79 sought to co-opt the confederal unions into a comprehensive system of political-economic concertation.

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

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

and industrial restructuring provided management with new, more powerful tools to challenge union power at the workplace level and thus the political balance of power undergirding the institutional reforms of the 1970s..

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

Once again, the results of these ad hoc, sometimes internally inconsistent attempts to recast the Italian industrial relations system did not live up to expectations. Writing in the latter half of the 1980s, the industrial sociologist Gian Primo Cella observed that almost 20 years after the Hot Autumn Italy's labor relations were still suffering from informality and underinstitutionalization (Cella, 1989). The confederal unions CGIL, CISL, and UIL were particularly hard-hit by the crisis of the 1980s. The appearance of new unions, the so-called sindacati autonomi and the COBAS, gave voice to the malcontent of highly-skilled and white collar workers against the egalitarian wage policies pursued by the confederal unions. The COBAS organized a series of frequent, intermittent strikes which virtually paralyzed sectors like air and rail transportation, schools, and health care. Even in the industrial

sectors, the unions were in dire straits. They seemed incapable of elaborating a coherent response to the massive wave of industrial restructuring. While national collective bargaining stagnated, local unions responded to companies' reorganizations in very different ways, based on the particular socio-economic features of the local economies in which they were embedded (Locke, 1995). This rendered the development of a unitary union strategy even more difficult to achieve, but also facilitated the emergence of innovative experiments with union-management cooperation and negotiated restructuring both in large firms and industrial districts (Locke, 1995; Regini and Sabel, 1989).

In the early 1990s Italy's economic situation worsened, partly due to the crisis of industrial relations. Faced with growing labor costs, increasing public debt and trade deficits, rising unemployment, and a resurgence of industrial conflict in the service sector, the Italian government, along with the confederal unions and the Confindustria, engaged in a new process of institutional reform. In 1990 a new law restricted the right to strike in essential public services; in 1992 the scala mobile was abolished; in 1993 the government accomplished a major overhaul of public sector employment relations. None of these reforms was explicitly planned as part of a comprehensive institutional redefinition of Italian industrial relations. Each constituted, on the contrary, a pragmatic response to specific problems : The law on strikes curtailed the COBAS's capacity to proclaim sudden, and highly destructive strikes; the abolition of the scala mobile eliminated the major source of Italy's persistently high inflation; the "privatization" of public employment sought once again to equalize wages and working conditions across private and public sectors. However, notwithstanding the ad-hoc nature of their formulation, each of these new institutions, and with them the July 1993 reform of collective bargaining arrangements, may prove to be the building blocks of a new, innovative and

coherent “national model” of industrial relations -- one which promises to reconcile the country’s desperate need for macroeconomic stability with decentralization and local flexibility. In other words, the composite of new reforms seeks to establish clear institutional links between national negotiations over wages and decentralized bargaining over issues like work reorganization, contingent pay schemes, and flexible working hours.

In sum, ten years after what can now be considered as the first phase of Italian neo-corporatism, Italy’s social partners are once again trying to institutionalize a variant of neo-corporatist concertation. In the meanwhile, however, many things have changed. The confederal unions have come to realize that their “representativeness” is by no means automatic, nor does the legal recognition provided by the Statuto dei Lavoratori suffice to guarantee it. Consequently, they have modified their organizational structures in order to relaunch internal democracy, particularly at the plant level. Furthermore, the disappearance in the early 1990s of most traditional parties, due to the wave of scandals known as mani pulite (clean hands) eliminated one of the major sources of division among CGIL, CISL, and UIL. Finally, and perhaps more importantly, the confederal unions have also considerably modified their self-perception. Perhaps the clearest example of this shift in the unions’ identity from agents of social dissent to partners in processes of economic change came from the 1991 National Congress of the CGIL. In fact, in that congress the majority of the union delegates approved a new strategy involving the end of class struggle, the “demise” of the “centrality” of industrial workers’ bargaining demands, the adoption of bargaining demands compatible with the firms’ ability to pay, the pursuit of codetermination, and the dissolution of political factions within the union.¹⁰⁰

¹⁰⁰ For more on the 1991 Congress of the CGIL, see Carol A. Mershon, “The Crisis of the CGIL : Open Divisions in the 12th National Congress,” in Stephen Hellman and Gianfranco

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

It is still too early to evaluate the stability and performance of Italy's new national system of industrial relations. Its future will, however, depend crucially on government choices. In 1994, for example, the center-right government led by Silvio Berlusconi provoked a major political conflict with the confederal unions over pension reform. The need to cut public expenditures brought once again to the fore the necessity of structural reform of the debt-ridden public pension system. The confederal unions, which administer the national pension agency (INPS), declared that they favored moderate cuts in pension allowances, and a progressive increase in the age of eligibility. The unions' proposal also included the elimination of inequalities among different pension regimes corresponding to different categories of workers, and distinguished between social security expenses to be financed through social security contributions paid by employees and employers, and expenses for social assistance (like, for example, unemployment insurance) to be paid for by general taxation. However, the government, backed by the Confindustria, ignored the unions' suggestions and included in the Budget Law (Legge Finanziaria) for 1995 a reform of the pension system which entailed substantial reductions of payments. Unwilling to raise taxes to reduce the budget deficit, it proposed cuts in public expenditures almost

Pasquino, eds., Italian Politics : A Review, Vol. 7, New York and London: Pinter, 1992. For more on the recent strategic evolution of the CGIL, see Bruno Trentin, Il coraggio dell'utopia, Milan: Rizzoli, 1994: particularly pp. 55-89 and 205-16.

solely focused on pensions. Although the unions did not oppose reform of the pension system per se, the government deliberately tried to marginalize them. The symbolic valance of this decision was clear. The government intended to send a message to the international business community about its ability to deal promptly and decisively with Italy's economic problems and to once and for all domesticate Italy's unions, in the hope that this "decisionistic" attitude would improve the ailing fortunes of the Lira on international markets.

However, this episode had the paradoxical effect of strengthening the Italian confederal unions. In fact, CGIL, CISL, and UIL mobilized a widespread social protest against the new government. On October, 14, 1994 more than three million people demonstrated in various cities against the new Budget Law. One month later, on November, 12, 1994 more than one million workers marched against the proposed governmental reform in Rome. Not since the Hot Autumn had there been so much mobilization by labor unions in Italy. It seems that faced by a hostile government, CGIL, CISL, and UIL rediscovered their common role as representatives of the broader labor movement, and not just their own members. As a result of these massive demonstrations, the government was forced to drop its legislative reform of the pension system.¹⁰¹

It is certainly too early to talk of the renaissance of Italian unions around the defense of social concertation, which the Berlusconi government sought to break unilaterally.¹⁰² The massive

¹⁰¹ After Berlusconi's resignation from prime minister in December 1994, CGIL, CISL, and UIL engaged in negotiations with the new government led by Lamberto Dini over a comprehensive reform of the pension system. On May 1995 an accord was finally signed and sent to the parliament for approval.

¹⁰² After the July, 1993 accord, the confederal unions have demonstrated a remarkable sense of responsibility and far-sightedness that contrasts starkly with the myopic behavior of both the government and the Confindustria. For example, the renewal in 1994 of the major industry-level collective agreement, i.e. the metalworking contract, represented an unheard-of event in Italian

mobilizations of October and November, 1994 may well, in fact, represent contingent events, the unintended consequences of the government's myopia. But stranger things have been known to happen in Italy, and only time will tell whether or not the attempt to rekindle the Italian union movement along the lines of economic concertation will succeed. If it does, we will be forced to rethink our (often) outdated views of what is and is not possible in Italy.

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industrial relations. Not only did the agreement respect the guidelines of incomes policy, although profits were growing considerably, it was also signed without any recourse to strikes. For more on this agreement, see Patriarca (1994).

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Table 1

Metalworkers National Contract Renewal Dates (1973-1990)

Signature	Date of Contract's Initiation	Date of Contract's Expiration	Vacancy Period ¹ Months
01 08 70			
04 19 73	01 01 73	12 31 75	
05 01 76	05 01 76	01 01 79	5
07 16 79	07 16 79	12 31 81	7
09 01 83	09 01 83	12 31 85	21
01 18 87	01 01 87	12 31 89	13
12 14 90	01 01 91	06 30 94	12

Based on a review of national and firm-level contracts made available by Fiat Auto and the CGIL.

1 Vacancy period refers to number of months which elapsed between the expiration of the prior contract and the start of the subsequent contract.

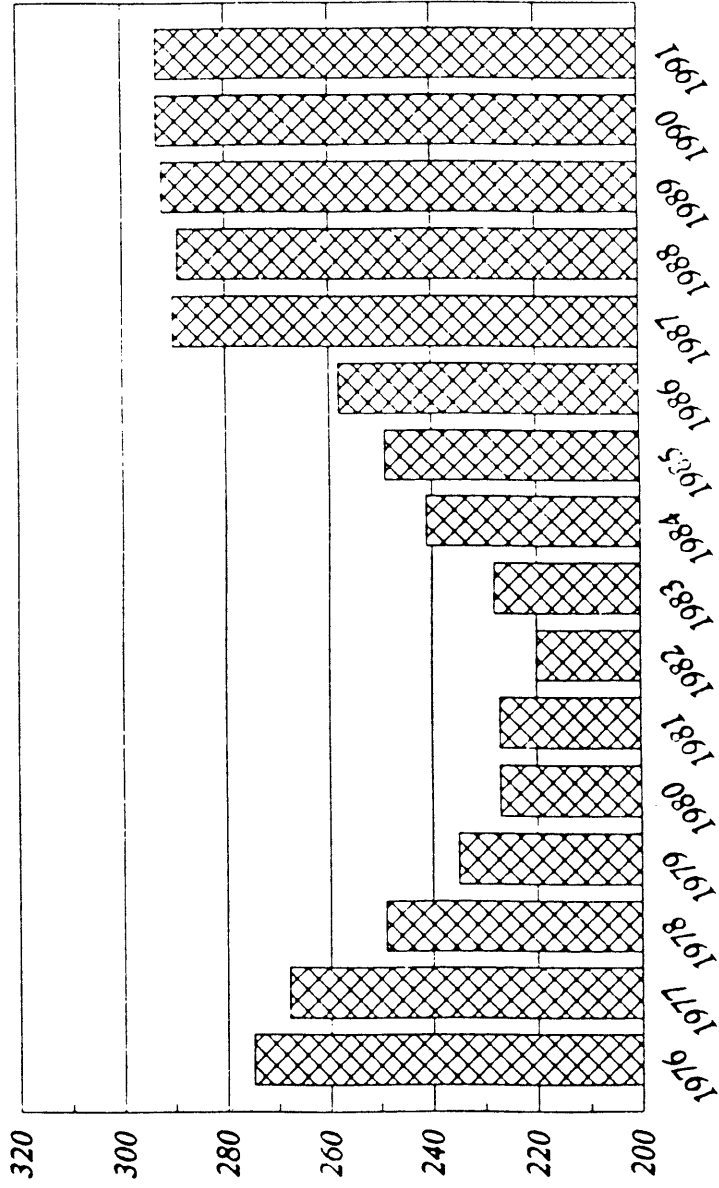
Table 2

Textileworkers National Contract Renewal Dates (1973-1990)

Signature	Date of Contract's Initiation	Date of Contracts Expiration	Vacancy Period Months
07.20.73	01.01.73	06.30.76	
09.23.76	01.01.76	06.30.79	3
12.17.79	07.01.79	05.31.82	6
01.12.83	07.01.83	05.31.86	8
02.22.87	04.01.87	12.31.90	9
05.20.91	07.01.91	06.30.95	5

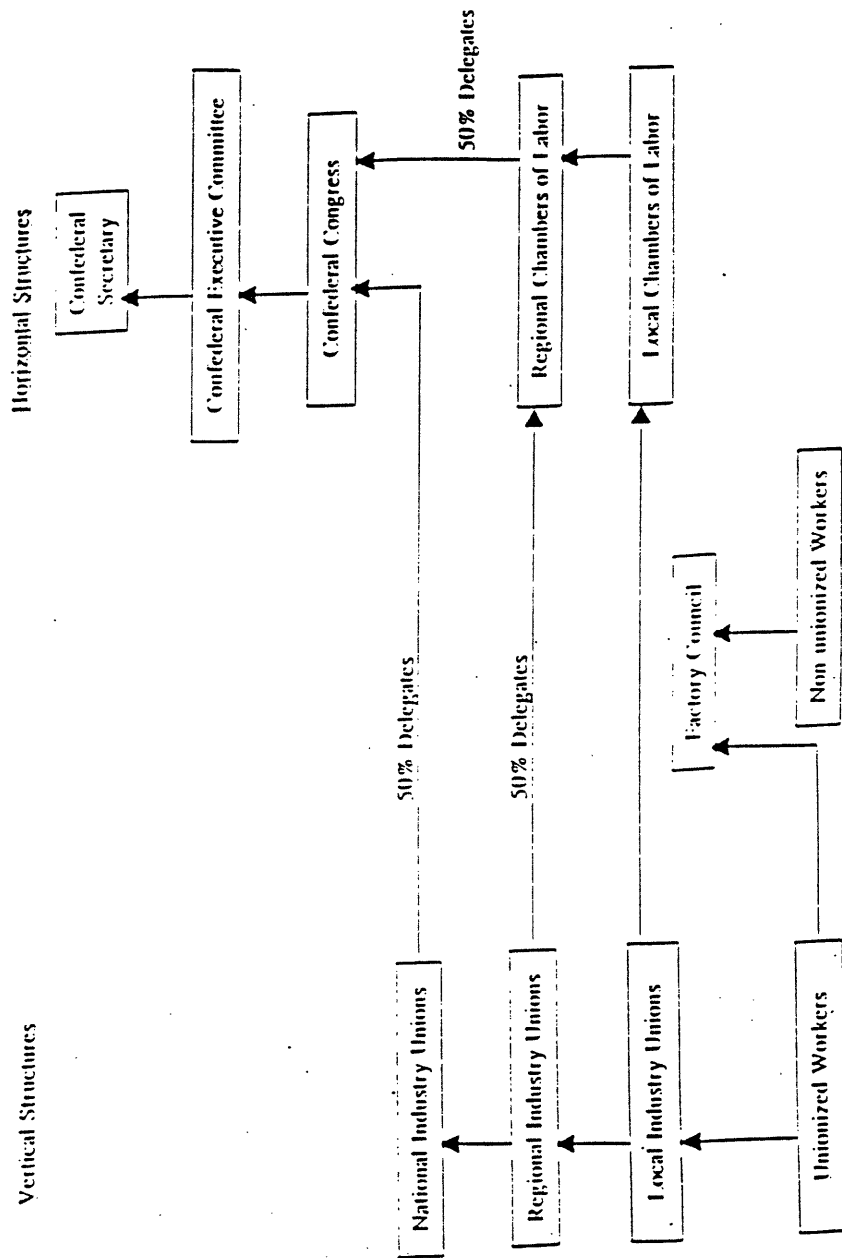
Based on a review of national and firm-level contracts made available by CGIL.

Figure 1. Wage differentials (highest pay/lowest pay * 100) (1976-1991).



Source : Di Gennaro (1994): 33.

Figure 2. The Organizational Structure of the Italian Labor Movement.



Adapted from Guido Romagnoli and Giuseppe Rotta, "Il sindacato," in Gian Primo Cella and Tiziano Treu, eds., *Relazioni industriali: Manuale per l'analisi dell'esperienza italiana*, second edition. (Bologna: Il Mulino, 1989): 91.