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CENTRALIZED COLLECTIVE BARGAINING AND THE PROBLEM OF “COMPLIANCE”: LESSONS FROM THE ITALIAN EXPERIENCE

LUCIO BACCARO*

According to the neo-corporatist approach to the “problem of compliance,” worker control over union policy is incompatible with centralized wage regulation, because only associations in which national leaders are insulated from their members are capable of delivering rank-and-file acceptance of wage moderation. This analysis of centralized collective bargaining agreements in Italy in the 1980s and 1990s provides a critical re-examination of the traditional neo-corporatist approach. The author, drawing on archival research and interviews, argues that centralization can be entirely compatible with decision-making procedures in which rank-and-file workers have ultimate decision-making power. In fact, the Italian labor movement’s adoption of more “democratic” decision-making procedures, he claims, was instrumental in generating and sustaining centralized collective bargaining arrangements in Italy in the early 1990s.

The 1990s witnessed a remarkable renaissance of centralized collective bargaining in various European nations. Centralized bargaining arrangements have re-emerged (or, in some cases, emerged for the first time) in countries as diverse as Finland, Ireland, Italy, Portugal, and Nor-

way (see ETUI 1996; EC 1996; Fajertag and Pochet 1997). Over the course of the decade, similar attempts at institutionalizing centralized regulation, in the form of so-called “social” or “employment” pacts, have also been launched (although less successfully, so far) in Belgium, Germany, and

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Spain (see Arcq 1997; Bispink 1997; Fraile 1999). In virtually all other European countries—the United Kingdom being the most notable exception—experiments involving bilateral or trilateral consultation among peak socioeconomic actors are under way (Fajertag and Pochet 1997). These centralized pacts seek to combine, in a period in which monetary and fiscal policies are highly restrictive (also due to the particular conditions in which European monetary unification is taking place), centralized control over nominal wage increases, with more supply-side policies aimed at creating new jobs and promoting investments and competitiveness.

This paper focuses on the (re-)emergence of centralized collective bargaining in Italy. Italy is, in fact, one of the countries in which centralized bargaining has proven most effective and resilient. Thanks to centralized bargaining, multi-year incomes policies (here defined as peak-level control over nominal wage growth) were implemented in Italy. This, in turn, allowed the Italian economic authorities to engineer a massive competitive devaluation of the Lira without “importing” inflation as a result (Modigliani et al. 1996).

Aside from this remarkable performance, there are other, more general reasons why the resurgence of centralized bargaining in Italy is interesting and worth investigating. Due to its fragmented and conflictual industrial relations system, Italy used to be considered the “least likely” case for centralized wage regulation (Flanagan et al. 1983; Tarantelli 1986). Hence, the Italian case provides an opportunity to critically re-evaluate the main theoretical paradigm in the literature on centralized bargaining arrangements—neo-corporatist theory (Schmitter and Lehmbruch 1979; Berger 1981; Lehmbruch and Schmitter 1982; Goldthorpe 1984). In particular, the process that led to the re-emergence of wage centralization in Italy appears to be at odds with the classic neo-corporatist approach to the “problem of compliance”—an approach based on the notion that membership control over union policy is incompatible with centralized wage regulation be-

cause only “oligarchic” associations, that is, associations in which decision-making power is concentrated in the hands of a limited number of national leaders and these leaders are effectively insulated from their constituents, are capable of promoting compliance with wage moderation (Schmitter 1979 [1974]; Streeck 1982; Wolfe 1985; Streeck 1994).

In Italy, centralization of collective bargaining was accompanied by organizational innovations aimed at increasing, not decreasing, the workers’ ability to influence collective bargaining policy. How do we account for this “anomalous” coexistence of centralized bargaining and “democratic” decision-making procedures? Do we need to reconsider, in light of the Italian case, our views of the most appropriate “institutional preconditions” for centralized wage regulation?

I seek to address these questions through a historical analysis, drawing on archival research and field interviews at both the national and local levels, of Italy’s centralized collective bargaining agreements in the 1980s and 1990s. I argue that in Italy, decision-making procedures, like union referenda, in which the rank-and-file formally have ultimate decision-making power, far from being incompatible with centralization, helped it along: the Italian labor movement’s adoption of these (and other) procedures was instrumental in *generating* and *sustaining* centralized bargaining arrangements in the early 1990s.

Centralized Bargaining and Internal Union Organization: The Received Wisdom

Centralized wage regulation dominated the economic policy debates of the 1970s through early 1980s. These were years in which all advanced industrialized countries sought to cope with the consequences of sudden and sharp rises in oil prices. Centralization of collective bargaining, or “concertation,” as it was often referred to, represented a classic neo-Keynesian response to the problem of rampant inflation—a response that promised almost pain-

less reduction of inflation rates with no need for sharp increases in unemployment (Tarantelli 1986; Bruno and Sachs 1985; Lindberg 1984; Flanagan et al. 1983).

Although virtually all advanced countries made attempts to improve the inflation/unemployment trade-off in these years, it soon became clear that some countries, like Austria and Sweden, were more successful than others (for example, Italy, France, and the United Kingdom) (Cameron 1984; Crouch 1985). Wage bargaining in these more successful countries was based on consensual, peak-level negotiations in which representatives of the social partners (interest groups representing labor and business), sometimes with the active intervention of government, sought to adjust their respective demands to the perceived macroeconomic consequences of their deals.

Exploration of the institutional preconditions for centralized wage regulation became the major task of a burgeoning "neocorporatist" literature. This literature devoted some scholarly attention to the party-composition of governments and to the strategic choices and organizational features of employers.¹ At least initially, however, its focus was overwhelmingly on labor unions. The key questions were two: What leads labor organizations to voluntarily agree to wage restraint? And once the decision to engage in wage moderation is

made, what explains its stability? In other words, why do rank-and-file members comply with their leaders' choices rather than rebel? The answers to both questions were sought in particular organizational characteristics of national labor movements (see Golden 1993).

Following Mancur Olson's path-breaking work (Olson 1965, 1982), most neocorporatist literature conceptualized price stability (the opposite of inflation) as a "public good" whose provision critically depended on the existence of actors large enough to be willing to pay for it (Crouch 1985; Tarantelli 1986). In brief, the argument was the following. Small (for example, craft- or company-based) labor organizations have little incentive to engage in wage restraint because, given their limited impact on overall price levels, they think they are in a position to reap the benefits of aggressive wage behavior (that is, obtaining higher wages for their constituencies) while bearing only a minimal part of the cost (a generalized increase in inflation). However, since this same reasoning applies to all actors with similar characteristics, the combined effect of these micro-rational decisions is an inflationary spiral. "Encompassing" interest associations, or, in other words, national associations representing a large proportion of wage earners, face different incentives that lead them to internalize the systemic consequences (for example, effects on inflation, unemployment, exchange rates, and interest rates) of their wage policies. Essentially, because encompassing organizations directly experience the negative consequences of disruptive economic behavior, wage restraint is in their own self-interest.

Once it was agreed that encompassing labor organizations were more conducive to wage moderation than were sectional, fragmented ones (Question 1), the problem became how one protected encompassingness from potentially disruptive centrifugal tendencies (Question 2). After all, these encompassing organizations were voluntary associations: although wage restraint might be in their *organizational* interests, it might very well conflict with the

¹The main conclusion was that successful wage restraint appeared to require the presence of social-democratic or at least "consociational" governments (Schmitter 1981; Crouch 1985)—the argument being that once labor parties were brought into government, not only did labor organizations cease to seek the overthrow of the capitalist system, but also employers ceased to seek the overthrow of unions (Crouch 1985:111). The organizational characteristics and strategic choices of business remained, with some notable exceptions (for example, Streeck 1984), outside the main focus of the analysis. It was only later, and especially after the decision of the Swedish metalworking employers to break the pattern of centralized negotiations in Sweden in 1983 (Pontusson and Swenson 1996), that employers were brought back into the picture (Swenson 1991; Soskice 1990).

interests of *individual* rank-and-file members, who might react to this discrepancy by either demanding a shift in union bargaining policy from moderation to more aggressiveness (voice option) or leaving the more responsible, encompassing organization and joining—or sometimes establishing *ex novo*—other, more sectional associations less concerned with the public interest, yet better able to satisfy their specific interests (exit option) (Hirschman 1970).

Neo-corporatist theorists sought to address this problem of compliance by introducing, at this point in their analysis, a critical distinction between the choices and behavior of union leaders and those of regular union members. Essentially, union leaders were assumed to be more “clairvoyant” (that is, capable of seeing the systemic implications of union action) than their myopic rank-and-file members (Streeck 1982:32). Also, participation in peak-level, “political” negotiations was regarded as being in the leaders’ own self-interest because it allowed them to play important roles in national life, acquire visibility, and possibly prepare a shift to other promising careers, such as in politics (Sabel 1981:211).

One of the key insights of the neo-corporatist literature was that this “natural” alignment between the interests of the nation, the encompassing organizations, and individual union leaders could be used to promote macroeconomic stability. This required, however, organizational changes within labor unions aimed at deliberately accentuating some of the oligarchic tendencies already intrinsic in large secondary associations (Michels 1962). Decision-making power needed to be concentrated in the hands of a limited number of leaders. Also, and perhaps most important, these leaders needed to be effectively insulated from the disruptive influence of their base (Offe 1981; Panitch 1979). In other words, the rank-and-file’s capacity to influence union choices either “from within” (for example, through elections and worker referenda on collective bargaining agreements) or “from outside” (by joining alternative organizations better able to represent their demands) had to be curtailed.

Although these views on the optimal internal structure of union organizations were seldom expressed in terms as unequivocal as the ones I have used to describe them, they were clearly implicit in most, if not all, theoretical analyses of neo-corporatist developments. Consider, for example, Philippe Schmitter’s seminal definition of corporatism:

Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports. (Schmitter 1979[1974]: 13)

It is obvious that in organizations that were “compulsory,” “noncompetitive,” and “hierarchically ordered,” and in which the “selection of leaders and articulation of demands” were directly controlled by the state, the rank-and-file’s ability to shape union policy would be minimal. Among neo-corporatist theorists, Wolfgang Streeck explicitly articulated the inescapable trade-off between efficiency and (organizational) democracy and the consequent need for oligarchic labor organizations:

There can be no doubt that corporatists were willing, in the name of a general interest of collectively acting groups being discovered and effectively pursued, to accept barriers of access to political markets, compulsory or semi-compulsory membership, and internal discipline. “Too much” democracy—or, if one wanted to fudge the issue, the “wrong kind” of democracy—was shown to be detrimental to the collective interest. (Streeck 1988:312–13; emphasis mine).

What is liberal about liberal corporatism, and possibly about liberal democracy in general, is essentially freedom of entry and exit, *not of individuals vis-à-vis their associations, but rather of associations vis-à-vis state policies and attempts at implementing social concertation. For the difference between authoritarianism and democracy, freedom of collective action vis-à-vis the state appears more important than freedom of the individuals who participate in collective action vis-à-vis their associations.* (Streeck 1994; emphasis and translation mine)

These observations concerning the optimal internal structure of labor organizations engaging in concertative arrangements were much more prescriptive than descriptive. Empirical research found a clear tendency of labor unions to evolve in the direction indicated by neo-corporatist theory (that is, more bureaucratic and hierarchical and less democratic and vibrant) only in Germany, where opportunities for rank-and-file participation appeared to have substantially decreased over the course of the 1970s and where it had become increasingly difficult for union members to quit existing labor organizations and join alternative ones (Streeck 1982). The United Kingdom was also regarded as a classic example of the (presumed) incompatibility between efficient wage regulation and union responsiveness to rank-and-file demands. The instability and, ultimately, the collapse of incomes policies in the United Kingdom in the 1970s was in fact attributed to participatory/democratic arrangements within British unions, which "enabled the rank-and-file to shape a wage policy that exceeded the incomes policy limits and to determine industrial action in pursuit of that policy" (Wolfe 1985:421).

Other studies, however, found no systematic link between the success of centralized wage regulation and lack of internal democracy/responsiveness within national labor movements. In a comparative study of Sweden, Norway, Germany, Holland, and Great Britain, Peter Lange (1984) showed that two countries like the United Kingdom and Sweden, which scored equally on the union democracy scale (measured as the possibility of exercising the "exit" and "voice" options), had diametrically opposed experiences with incomes policies. Also, incomes policies appeared to be both successful and durable in Norway—a country in which rank-and-file members had ample opportunities to influence the choices of union leaders, including the right to ratify or reject collective bargaining agreements through binding referenda.

Most of the neo-corporatist literature solely focused on the *vertical* relationship between union leaders and members. Yet,

as some early critics (for example, Sabel 1981) observed, union organizations are not monolithic, and *horizontal* clashes of different groups of union leaders carrying competing conceptions of what is best for the workers are often as important (if not more so) in explaining the fate of centralized wage regulation. These groups fight internal battles that ultimately shape the unions' collective bargaining strategies. The legitimacy of union leaders and the perceived fairness of the decision-making process are often key in determining the outcome of these internal battles.

Issues of legitimacy and procedural fairness play an especially significant role in the Italian experience with centralized bargaining. Beginning in the late 1970s, essentially two union factions fought each other in Italy. They had fundamentally different visions of what a union is and what it should do. One believed that unions should act as agents of social and political dissent, the other that they should be partners in the process of economic change. The former faction included those sections of the Italian labor movement that had been most active during the Hot Autumn mobilizations of 1969–73, that is, the metalworker federations and the Factory Councils of some of Italy's largest industrial plants (Golden 1988; Mershon 1986; Pizzorno 1978b). The latter faction centered on the national union confederations. These were inter-sectoral organizational structures that sought to mediate among several industry federations characterized by different bargaining traditions and degrees of militancy.

The internal battle between these two opposing factions was not directly shaped by their respective sizes. In fact, it is unclear whether the more radical faction truly represented the attitudes of the majority of the Italian workers.² Yet, thanks to its supe-

²In 1981, when they were close to their peak, the metalworking federations had slightly over one million members, who represented 11.6% of total union membership in Italy (Romagnoli 1982:177). Even assuming that all 32,000 Factory Councils in the late 1970s shared a militant approach to collective bargaining—which is clearly not true for those in par-

rior mobilization capacity, for many years this faction exercised thorough-going hegemony over the rest of the Italian labor movement. The absence of mechanisms (like voting) aimed at systematically ascertaining the preferences of all workers contributed to the strength of the more radical faction. In fact, centralized wage regulation collapsed in Italy in 1984 essentially because one part of the Italian labor movement could credibly claim that incomes policy did not correspond to the "will of the (working) people" and was able, based on this legitimacy claim, to stir up a vast popular mobilization. This collective mobilization was, in turn, perceived as confirmation that the working population as a whole did not support bargaining moderation, and it led to a shift in union policy. The reason centralized wage restraint succeeded in 1993 was that various organizational innovations introduced in previous years boosted the legitimacy of confederal leaders. In particular, a binding referendum over the incomes policy agreement provided an unambiguous way to adjudicate among conflicting views of what the workers really wanted and demonstrated to the internal opposition that the choice to engage in wage restraint was not just an arbitrary decision of self-referential union bureaucrats (as was often argued by the more radical faction), but was actually supported by the majority of the Italian workers.

Centralized Bargaining in Italy: The Early Years

The Anti-Inflationary Pact of 1983

The first postwar national wage agreement in Italy was signed in 1983 by the *Confindustria* (employer association), the Italian government, and the three major confederal unions—the *Confederazione*

Generale Italiana del Lavoro (CGIL), the *Confederazione Italiana dei Sindacati Lavoratori* (CISL), and the *Unione Italiana dei Lavoratori* (UIL). The agreement sought to contain the cost of labor through a reform of the *scala mobile*, Italy's wage-indexation system.³

The negotiations that led to this agreement were quite long and drawn-out. The accord was preceded by extensive debate among the major union confederations and, most important, by two large-scale consultations of the rank-and-file workers in the spring and fall of 1982. The latter consultation in particular was instrumental in building consensus around the need to reform the *scala mobile* (Speranza 1984).

In preparation for negotiations with government and organized business, in fact, CGIL, CISL, and UIL elaborated a reform proposal, the so-called *piattaforma dei nove punti*, in which they announced their consent to a 10% cut in wage indexation. This document was extensively discussed among the rank-and-file. The three confederal unions organized almost 34,000 assemblies involving a total of 4.1 million rank-and-file workers. Approximately 69% of the voters approved the union document through a referendum (Speranza 1984:485–86).

This consultation gave the confederal unions the moral legitimacy they needed to sign a tripartite accord with government and organized business on January 22, 1983. This was hailed as a historic turning point in Italian industrial relations (see Treu 1984). With it, the unions agreed to a 15% cut in wage indexation. They also accepted the introduction of wage ceilings and an 18-month ban on plant-level wage bargaining. From a more procedural point of view, the 1983 agreement sought to introduce some elements of rationality into Italy's

ticular industrial sectors like textile/apparel or for those in the service and public sectors—the 5.5 million workers they represented (Regalia 1982:217) were only 27.5% of the 20 million workers in Italy during the same years.

³The 1983 tripartite agreement was preceded (and in many ways prepared as well) by a turnabout in union strategy in the late 1970s. With the so-called "EUR conference" of 1978, the Italian union confederations embraced a policy of "austerity" that traded wage restraint and greater labor mobility for various policy reforms (Golden 1988).

anarchic collective bargaining system by establishing that bargaining issues could only be negotiated at one bargaining level (the industry or the enterprise level) and no longer at all levels simultaneously (Ferri 1986:367-84).

The 1983 accord contained a re-opening clause: the social partners would meet at the end of each year to evaluate and renegotiate the tripartite accord. One year later, however, the new government led by the Socialist Bettino Craxi was determined not simply to renew the incomes policy agreement, but to deal much more decisively with inflation through a new reform of the *scala mobile*.

The "Dis-"Agreement of 1984

The government's proposal for 1984 centered on the concept of *predetermination* of the *scala mobile*. In other words, for a single period (initially planned as one year, and later changed to six months), the *scala mobile* increases would correspond to the amount of the targeted future rate of inflation, not to past inflation as had previously been the case. There would be a small cut in nominal wages and salaries as a result of predetermination, but this cut would only be in "money illusion": at the end of the period of predetermination, lower nominal wages would be compensated by a lower inflation rate so that real wages would remain unchanged.⁴

Particularly the CISL, but also the UIL enthusiastically embraced the predetermination proposal. The CGIL, however, resisted it. In the last stages of the negotiation process, a split took place within the union front: the Communists within the CGIL rejected the predetermination proposal, while the Socialist minority endorsed it. Simultaneously, the directive organs of

the CISL and UIL authorized their respective negotiators to sign the agreement. The Confindustria, after some initial complaints about insufficient cuts in the cost of labor, also agreed to sign. The 1984 tripartite agreement had, therefore, the support of government, organized employers, and part of the union movement. To give it *erga omnes* validity, on February 15, 1984, the government included the key parts of the tentative agreement (essentially, the parts concerning the predetermination of the *scala mobile*) in a government decree. With this agreement, four *scala mobile* points (corresponding to 27,000 lira) were cut (Faustini 1986:411).

The CGIL's final decision not to sign the 1984 tripartite agreement was clearly influenced by the Communist Party's opposition to the Craxi government. The CGIL's choice, however, cannot be solely attributed to political pressures. There were also union-specific differences of opinion. Interestingly enough, these differences did not so much concern the content of the 1984 agreement as the appropriate decision-making method.

Over the course of the negotiations, the respective positions of the CGIL and CISL on the new reform of the *scala mobile* had gotten closer and closer. After arguing initially that the era of concessions was over, the CGIL, for example, came to accept the need for a new round of centralized negotiation (focused once again on the *scala mobile*).⁵ In the final stages of the negotiations, the CGIL even accepted the idea that in order to slow inflation down, the payment of a few *scala mobile* points should be delayed for some time. In turn, the CISL also moved toward a compromise with the CGIL by demanding insurance that the workers' real wages would remain unchanged. This implied a confrontation between actual and programmed inflation

⁴The government's position was heavily influenced by a reform proposal formulated by the economist Ezio Tarantelli. In March 1985, Tarantelli was assassinated by the terrorist group Red Brigades for his economic prescriptions.

⁵The reconstruction of the parties' positions draws on "La storia della trattativa. Tutto comincio' quando ...," *Rassegna Sindacale*, No. 8, February 24, 1984, pp. 10-15.

at the end of the predetermination period and compensatory measures in case a gap emerged.

What acted as a stumbling block among these two confederations was a fundamental disagreement on the appropriate decision-making method. Since the beginning of the negotiation, in fact, the CGIL had argued that the rank-and-file workers should be an active part of the negotiation process and, in particular, that they should decide through a referendum whether the *scala mobile* reform should be implemented. For the CISL, instead, the ultimate decision-makers were the union leaders, not the workers.

Behind these differences, there were different conceptions of organizational legitimacy. For the CGIL, the unions' collective choices were legitimate if they corresponded to the will of the majority of all workers affected. For the CISL (and UIL), instead, collective decisions were legitimized by the (indirect) consent of union members only. Since union leaders had been elected by members in the various organizational conventions, they were fully empowered to sign collective bargaining agreements binding for both members and non-members with no need for further consultation with rank-and-file workers.⁶ The CGIL repeatedly requested a worker referendum on the 1984 incomes policy agreement. This referendum was, however, never organized due to the CISL and UIL's opposition. Luciano Lama (the Secretary General of the CGIL) incisively summarized why the CGIL decided not to sign the 1984 tripartite agreement:

The CGIL worked until the very last moment to avoid that rupture.... Were we wrong? *We were ready to accept the outcome of a referendum among the workers: had we been a "minority," as they tried to present us, at least this verification should not be denied to us.* (Lama 1996:60; emphasis mine)

The leadership of the CGIL was itself under attack by some internal groups. In fact, a few days before the official break-up in the union front, a few Factory Councils (plant-level representation structures) began mobilizing in northern Italy. These so-called *autoconvocati* (the "self-summoned") accused all of the confederal unions, including the CGIL, of violating the basic rules of union democracy by embarking on tripartite bargaining without prior consultation of the rank-and-file workers.

The Autoconvocati Movement

The *autoconvocati* were essentially plant delegates and employees of some of the largest industrial plants in northwest Italy (Vento 1986). The denomination of the movement signaled that this mobilization did not take place under the aegis of the official unions. Four major industrial cities were especially prominent in the *autoconvocati* movement: Brescia, Milan, Turin, and Genoa. The South was almost entirely absent from this mobilization (see Vento 1986:386).

Procedural demands for more union democracy figured prominently in the *autoconvocati* movement. The movement began at the initiative of the Factory Council of the OM Brescia, a 4,300-employee plant with a tradition of worker militancy. On February 10 (before the confederal unions broke up on the *scala mobile*), the assembly of the OM workers called for the general summoning (*convocazione*) of all Factory Councils in Northern Italy. In this same assembly, the OM workers approved a five-point "Constitution for Union Democracy" focused on the inalienable right of workers to regularly elect their representatives and approve/reject all collective bargaining agreements.⁷ On March 6, 1984,

⁶On the CISL's conception of organizational democracy, see the critical remarks of Bruno Trentin in "Crisi del sindacato: Come uscirne." *Rassegna Sindacale*, No. 9, March 2, 1984, pp. 10-13.

⁷This is based on an interview with Giorgio Cremaschi (Turin, July 8, 1997), then Secretary General of the CGIL metalworker union in Brescia and (his words) author of the document. See also Giorgio Cremaschi, "Democrazia sindacale: il sogno di un delegato," in *Rassegna Sindacale*, No. 15, April 13, 1984, pp. 18, 47.

the *autoconvocati* held a general assembly in Milan. This assembly approved another five-point document, which demanded a large-scale consultation of workers on the *scala mobile* cuts.⁸ To put pressure on government, the *autoconvocati* called for a national demonstration in Rome on March 24, 1984.

Although the *autoconvocati* only mobilized a minority of the workers affected by the 1984 accord on the *scala mobile*, their impact was quite impressive. The CGIL decided to sponsor the national protest organized by the *autoconvocati*. In Rome on March 24, 1984, one million people protested the *scala mobile* cuts. Most important, the *autoconvocati* gained the support of the powerful Communist Party (PCI).

The PCI's analysis of the facts was, in fact, essentially the same as that of the *autoconvocati*. Like them, the PCI believed that the governmental decree on the *scala mobile* (and the preceding quasi-agreement) had violated the basic rules of democracy because it had not been preceded by a binding referendum among the workers and because it had been introduced against the will of the largest union, the CGIL. To heal this offense to procedural democracy, the Communists organized a legal referendum so that all citizens could express their views on the *scala mobile* reform.⁹

The referendum was held on June 9–10, 1985, and was favorable to government and its allies within the union movement: 54.4%

voted in favor of the *scala mobile* decree, 45.7% against. Interestingly enough, the number of votes against the decree was especially high in the South, a region left almost untouched by grassroots mobilizations. Conversely, it was surprisingly low in those areas of the country in which the *autoconvocati* had been most active (Agosta 1987). In Brescia, perhaps the capital of the *autoconvocati* movement, only 35.8% of the people voted against the decree (Agosta 1987, Table 9, p. 371).

The "dis-agreement" of 1984 and the subsequent referendum of 1985 had durable consequences for Italian industrial relations. Only twelve years after the partial re-unification of the Italian labor movement,¹⁰ labor unity dissolved once again in Italy. This not only eliminated the functionally equivalent structures necessary for concertation in Italy (Regini 1984), it also dashed many unions' dreams of participation in social reform. Tripartite collective agreements disappeared for the rest of the 1980s.

The Battle over Union Democracy

Besides changing the landscape of Italian industrial relations, the referendum over the *scala mobile* spurred a heated debate over the need to restore "union democracy" within the Italian labor movement.¹¹ This debate was as much a political debate about union *strategy* as a debate about the appropriate decision-making *procedures*. A sizable proportion of union leaders, particularly (but not exclusively) within the CGIL, disliked the accommodative, cooperative strategy that the confederal unions had adopted. With an impeccable Michelsian (and neo-corporatist) logic, these leaders argued that only non-demo-

⁸See Assemblée Nazionale *Autoconvocata* dei Consigli di Fabbrica, "Mozione conclusiva." Milan: Palalido, March 6, 1984, in *Rassegna Sindacale*, No. 11, March 16, 1984, p. 45.

⁹Like the *autoconvocati*, the PCI believed that the Italian labor movement had become less participatory and more oligarchic in the previous few years. This was due to "the progressive expropriation of the Factory Councils' autonomy, the growing centralization of all significant decisions, the marked narrowing down of union democracy, and the development of a legitimation and representation crisis within the labor movement." (Remarks of Piero Fassino, PCI member of Parliament, in CESOS 1986:468.)

¹⁰In 1972, following the Hot Autumn wave of strikes, the three confederal unions had constituted the so-called *Federazione Unitaria*.

¹¹See, for example, the series of articles/essays published by *Meta*, the official magazine of the CGIL metalworker union, between the end of 1986 and the beginning of 1987.

cratic worker organizations could engage in cooperation and wage moderation, or in other words, that the labor unions' voluntary assent to wage restraint was only possible because the unions betrayed their institutional role of representing the workers' interests and substituted for it the goal of promoting the personal interests of union bureaucrats (see Bertinotti 1992; Cremaschi 1993).

In response to these internal attacks, the Italian confederal unions engaged in organizational reforms aimed at increasing internal democracy. Beginning with the 1987 metalworking contract, they submitted all major collective bargaining agreements to the binding approval of the rank-and-file (Battisti and Accornero 1987). This was instrumental in re-legitimizing the confederal unions' role as bargaining agents in the eyes of both the employers and the rank-and-file workers. Also, they launched a series of organizational changes aimed at regularly electing workplace representatives. In May 1989, the three confederal unions signed a first inter-organizational agreement aimed at instituting new workplace representation structures, the so-called *Consigli Aziendali delle Rappresentanze Sindacali* (CARS). Each new structure, members of whom were to be re-elected biannually, consisted of a unitary council representing all three confederations.¹²

The peculiar combination of electoral choice and organizational designation in the composition of the CARS was, however, criticized by some sectors within the CGIL as overly concerned with the balance of power among the three union confederations and not attentive enough to the real problems of organizational democracy. In 1993, therefore, the CGIL proposed a law

aimed at revising Article 19 of the *Statuto dei Lavoratori* (Italy's labor code)—an article that granted special organizational privileges to the confederal unions. This law proposed the substitution of "presumed" representativeness of the major confederal unions with "effective" representativeness established through regularly held elections. Differently from the CARS proposal, this proposal did not include any reserved quota for the confederal unions. In this way, the CGIL sought to terminate the legal monopoly over firm-level representation that the CGIL, CISL, and UIL had enjoyed for over twenty years.¹³ This legislative proposal, however, did not meet with the consent of the other two union confederations and, as a result, never saw the light of day in Parliament.

These efforts at organizational innovation culminated with the July 1993 protocol on incomes policies (see *infra*). This protocol, in fact, included a thorough reform of the unions' plant-level representation structures. On the basis of this reform, the existing *Rappresentanze Sindacali Aziendali* were to be replaced by unitary union structures, the so-called *Rappresentanze Sindacali Unitarie* (RSU). Unlike in the past, elections for the new RSU could be contested by any organization capable of gaining the support of at least 5% of the work force. However, only two-thirds of the representatives in these new firm-level structures were to be elected, whereas the remaining one-third were appointed directly by the confederal unions (Carrieri 1995). Thanks to the RSU, workers in sectors such as public employment, public utilities, and agriculture, who had very rarely had a chance to elect their own representatives, were given an opportunity to vote. The results of the elections confirmed the representativeness and legitimacy of the established confederal unions. Not only was participation in the elections remarkably high (72%), but the three major union confederations

¹²This agreement combined two criteria for the constitution of the CARS: 50% of the representatives would be directly designated by the organizations; an additional 50% would be elected among all workers. On the CARS, see "Consigli anno zero," *Nuova Rassegna Sindacale*, No. 23, June 12, 1989, pp. 16–18.

¹³The text of this legislative proposal is published in *Meta*, No. 4, April 1993, pp. 39–43.

managed to obtain more than 95% of all valid votes.¹⁴

Attacked from both within and without for their lack of democracy, Italy's confederal unions responded by engaging in organizational reforms. Some of these reforms (for example, regular elections of workplace representatives and institutionalization of worker referenda) strengthened the workers' "voice" option; others (such as the abolition of organizational privileges for the established union confederations) reduced the costs of the "exit" option. One would expect, based on neo-corporatist theory, that these reforms would further diminish the Italian unions' capacity to engage in centralized wage negotiations. This did not happen, however. The reforms, and particularly a final, binding referendum over the incomes policy agreement, acted to strengthen, not weaken, centralized wage regulation in Italy. The workers' vote adjudicated among competing legitimacy claims (articulated by different union groups) about who best interpreted the workers' will. Also, the vote gave workers an opportunity to directly express their preferences toward wage policy—preferences that turned out to be more moderate than many union leaders expected. The next section discusses these issues in greater detail.

Centralized Bargaining in Italy: The 1990s

The 1992 Abolition of the Scala Mobile

Italy's social partners began discussing the need to engage once again in incomes policies in the early 1990s. Italy's macro-economic conditions had deteriorated considerably. As a result of both constant nominal exchange rates (the Lira was, in fact, tied to the EMS) and positive inflation differentials between Italy and all other

major international competitors, Italy's real exchange rate experienced a constant appreciation beginning in 1985 (see Modigliani et al. 1996, Fig. 2.2, p. 38). This dampened exports and increased import penetration (thus provoking balance-of-payment problems). On July 31, 1992, the social partners were pushed by government to sign an agreement abolishing the scala mobile. Other features of the agreement included a one-year moratorium on both firm-level wage negotiations and public sector collective bargaining and a freeze on industrial wages and salaries, government rates, and administrative fees for the rest of 1992.

The July 1992 accord stirred deep turmoil within the Italian union movement. For almost 20 years, the scala mobile had represented the symbol of union power (Locke and Thelen 1995). Given the importance of the scala mobile for union identity, the Italian confederal unions came very close in 1992 to replicating their 1984 split. Similar to events in 1984, the CISL, UIL, and the Socialist faction within the CGIL were all favorable to the accord. The CGIL, however, opposed it. A significant faction within the CGIL, the so-called *Essere Sindacato* faction, even theorized that it was impossible for the Italian union movement to engage in "concession bargaining" with government (Trentin 1994:166). The Amato government, in turn, announced that it would resign if the unions refused to sign the accord. Unwilling to bear responsibility for both political instability and renewed union division, Bruno Trentin, the Secretary General of the CGIL, signed the agreement but simultaneously offered his resignation (which he later withdrew).

Trentin's *beau geste* was not sufficient to prevent the emergence of both internal dissent and a wave of grassroots demonstrations. As in 1984, protesters focused their complaints not so much on the content of the agreement (which, of course, they rejected) as on the decision-making process, mainly because—again as before—the union leadership had failed to consult the workers. Immediately following Trentin's decision to sign the July 1992 agreement,

¹⁴I would like to thank Carla Ricci, of the Organizational Department of the CGIL, for making these data available to me.

the Direction of the CGIL (a restricted executive body) rejected the agreement, with nine votes against, five in favor, and one abstention. From a purely procedural point of view, this rejection had little meaning, since, based on the CGIL's bylaws, only the Directing Committee (a larger body) could sanction the actions of the bargaining committee. It had, however, very important symbolic significance, because this time those who lined up against the CGIL's peak leadership consisted of not only the usual internal opposition, but also some (usually friendlier) middle-range leaders. For example, the CGIL regional secretaries of Piedmont, Lombardy, and Emilia-Romagna (Italy's largest regions) were all against the accord.¹⁵ The internal opposition demanded a binding consultation of the workers and, in the event of rejection, the withdrawal of the unions' signatures from the 1992 accord.

Fausto Bertinotti, the leader of the internal faction "Essere Sindacato," clearly articulated why the agreement was both substantially wrong and (most important) procedurally illegitimate:

It has taken from the workers, *without their mandate*, a right and a power: these have to be given back to them. In any case, workers have to be offered at least the possibility of declaring their opinion, in a manner that is binding for the union, on an accord that has such consequences for them. The decision whether or not to organize a democratic consultation among all workers on the accord of end-July is, at this point, an issue that touches on the democratic organization of the country... If it is not done, it will be a disaster, an abrupt acceleration of the union's tendency to cut its ties with the workers and become [one with the] state.¹⁶

Another leader of the internal *fronde*, Gianpaolo Patta, expressed in another newspaper article his certainty that if consulted,

the workers would reject the *scala mobile* accord.

It is necessary that the CGIL's signature be withdrawn from the agreement ... a mass consultation, *whose result can be taken for granted*, is both useful and necessary to organize the fight for changing the accord and launch a massive campaign of plant bargaining.¹⁷

Protest against the July 1992 accord soon extended to various industrial plants. The timing of the accord, signed on July 31—the day before the beginning of summer holidays in most industrial factories—was perceived as especially offensive by many workers, and even as a "trick" designed to pre-empt rank-and-file opposition. In September, protest exploded in several northern factories and at public rallies. Trentin was attacked and hit by demonstrators in Florence; other union leaders were also violently confronted in other northern cities. These protests soon led to the renaissance (eight years after its first appearance in 1984) of the *autoconvocati* movement.

The Return of the *Autoconvocati*

Like the previous *autoconvocati* mobilization, this one was initiated by several Factory Councils in the Milan and Brescia areas (for example, Pirelli, Italtel, Alfa, Maserati, Corriere della Sera, and OM).¹⁸ At the end of October 1992, following several local strikes, the *autoconvocati* organized a general strike in Milan to protest both the abolition of the *scala mobile* and the restrictive economic policy adopted by the government.¹⁹ Most participants in the

¹⁵Interview with Paolo Lucchesi (Rome, April 17, 1997).

¹⁶Fausto Bertinotti, "Una firma non autorizzata," in *Il Manifesto*, August 12, 1992, pp. 1, 7 (my emphasis).

¹⁷Gianpaolo Patta: "Le ragioni per un congresso straordinario della CGIL," in *Il Manifesto*, August 23, 1992, p. 7 (my emphasis). Patta was even more explicit when I interviewed him (Rome, April 29, 1997): "We were sure we were going to win the referendum. We had had confirmation of this from the strikes of the Fall and the bolts to Trentin" (Trentin was attacked by protesters in Florence; see *infra*).

¹⁸See "Consigli in movimento," *Meta*, No. 11, November 1992, p. 28.

¹⁹See "L'unità generalizzata," *Nuova Rassegna Sindacale*, No. 4, November 9, 1992, pp. 8–10.

movement were members of the CGIL, although some union delegates and workers affiliated with the CISL and UIL also took part in the demonstrations. The protest was even secretly sponsored by some territorial and regional structures of the CGIL.²⁰

Once again, many of *autoconvocati*'s demands were purely procedural: their primary goal was contributing to a democratic re-foundation of the Italian union movement, which included institutionalizing the workers' right to regularly elect their plant representatives and to approve/reject both bargaining platforms and agreements through referenda.²¹ Also, the *autoconvocati* believed that the confederal unions unduly benefited from special legal protection, which, in turn, reduced the space for union democracy. To address this issue, they began gathering workers' signatures to promote the abolition, through a political referendum, of Article 19 of the *Statuto dei Lavoratori*.²²

As in 1984, the *autoconvocati* were quite successful in capturing political attention and influencing the strategic posture of several union organizations, particularly the CGIL. Following the first grassroots mobilizations, in fact, the CGIL decided to officially support the *autoconvocati*, thus creating friction with other groups, the CISL especially. Most important, the CGIL de-

cided to uphold one of the *autoconvocati*'s key demands, that is, that the ban on plant-level collective bargaining included in the July 1992 accord be considered invalid. This turnaround in the CGIL's bargaining strategy was accompanied by similar strategic shifts in the metalworking federations of CISL and UIL.²³ Hence, some local unions (especially in the Brescia and Milan areas) managed to break the block on plant-level collective bargaining—which the Confindustria sought desperately to enforce—and signed plant-level agreements with management. Finally, responding to the *autoconvocati*'s demand for more democracy, the CGIL launched a legislative proposal aimed at institutionalizing elections in Italian workplaces, and at establishing as praxis the consultation of the workers on all bargaining agendas and agreements (see *supra*).

The mobilization of the *autoconvocati* went on until the spring of 1993. In the meantime, CGIL, CISL, and UIL continued their negotiations with government and Confindustria. After a long and often complicated bargaining process, the parties finally reached an agreement in July 1993.

The July 1993 Agreement

As with the previous accord of July 1992, this agreement contained a number of policy measures concerning vocational training, technological innovation, government fees, and various labor market policies. The parts of the 1993 agreement explicitly devoted to industrial relations confirmed the abolition of the *scala mobile* and established tripartite consultations (in May and September), which would link wage increases to the government's macroeconomic targets as stated in its yearly budget. It was also decided that bargaining should take place at both the industry and company (or territorial) levels—in the lat-

²⁰This statement is based on several interviews with union leaders in the Milan area and particularly with Tino Magni (Milan, June 3, 1997), Edoardo Bano (Bergamo, June 5, 1997), Giorgio Roilo (Milan, June 9, 1997), and Savino Pezzotta (Milan, June 10, 1997).

²¹The final document approved by the National Assemblies of the (Self-Summoned) Delegates in Milan on November 2, 1992, stated this last goal very clearly: "It is necessary to establish a set of rules which put workers at the center of all decisions on contracts or agreements. Workers must be allowed to decide through assemblies and referenda." (See "L'assemblea del 2 novembre," *Meta*, No. 11, November 1992, p. 32.)

²²This referendum was held in June 1995, and it was favorable to both the "abolitionists" and their political allies (interestingly enough, mostly on the right of the political spectrum) (Ulesì and Fideli 1996).

²³See "I metalmeccanici entrano in gioco," *Meta*, No. 9, September 1992, pp. 2-4.

ter case, every four years. This clause represented an important victory for the union movement, since the employers had pushed for a single locus of collective bargaining.

The July 1993 agreement introduced an interesting structure of "nested" collective bargaining in Italy—one that sought to avoid the usual tradeoffs between centralization and standardization on the one side, and decentralization and flexibility on the other, and combined the central negotiation of national guidelines with the possibility of adjustments at the local level. In fact, the agreement specified that on issues explicitly detailed in the national contracts, bargaining could also take place at the company or territorial level. Wage increases deriving from company-level bargaining were to be financed through productivity increases, performance improvements, or both. The confederal unions hoped that these institutional innovations would increase the diffusion of collective bargaining at the peripheral levels. What they expected does not seem to have materialized, however. The percentage of establishments engaging in collective bargaining declined from 23.7% in 1992 to 10.1% in 1994. In 1995 and 1996, this percentage increased to 12.2% and 22.1%, respectively. Despite this growth, the 1996 figure was slightly below that of 1992 (see Bordogna 1997, Table 3, p. 75, and Bordogna 1998, Table 7, p. 254).

The July 1993 tripartite accord was followed by a binding referendum among the workers—a first in the history of the Italian labor movement. Remembering the grassroots mobilizations that had followed the accord of July 31, 1992, the confederal leaders asked for and obtained from their bargaining counterparts sufficient time to organize a consultation of the rank-and-file workers. In fact, although the tentative agreement between government, employers, and union leaders was reached on July 3, 1993, the actual agreement was not signed until July 23. In the intervening 20 days, the confederal unions set up approximately 30,000 assemblies in all major plants and offices throughout the country (CGIL 1993).

These assemblies followed a three-part procedure: a union "cadre" member explicated the content of the accord, a debate followed, and, finally, a vote was taken.²⁴ The initial presentation at all assemblies was based on an outline emphasizing three points. (1) The accord represented a victory of the labor movement over the employer front. Over the course of the negotiation, in fact, the employers "had sought to impose a reduction of the negotiating power of both workers and unions, especially with regard to decentralized collective bargaining."²⁵ (2) The purpose of the accord—to contain inflation—was instrumental in promoting both employment growth and a more equitable distribution of incomes. (3) Thanks to the new union representation structures (RSU) introduced by the agreement, the long-standing problem the Italian union movement had had in trying to find a way to regularly renew factory councils was resolved.

About 1.5 million workers participated in the vote and 68% of them approved the deal (see Table 1). The referendum proved to be a powerful legitimating device for the union confederal leadership. It was not, to be sure, a model of procedural democracy. In fact, although the agreement affected all of Italy's "dependent workers" (*lavoratori dipendenti*), who numbered 15,612,700 in 1993,²⁶ only 23% (3,650,861) were actually reached by the consultation. This was due in part to the mismatch between the composition of the Italian economy, in which small enterprises predominate, and the organizational structure of the Italian unions, in which medium and large enterprises prevail. Even within those work sites that were actually reached by the consultation, only a minority of workers participated in the vote: the participation rate was

²⁴See "Procedura per la consultazione," *Nuova Rassegna Sindacale*, No. 27, July 19, 1993, p. 6.

²⁵The text of the outline presented in the assemblies is published in "L'appello dei sindacati," *Nuova Rassegna Sindacale*, No. 27, July 19, 1993, pp. 4–7. (The quote reported above is from p. 4.)

²⁶Source: ISTAT (<http://www.istat.it>).

Table 1. Results of the Referendum on the July 3, 1993, Accord (by Region).

<i>Region</i>	<i>Participation^a (%)</i>	<i>Voters</i>	<i>Yes's (%)</i>	<i>No's (%)</i>	<i>Abstentions (%)</i>
Valle d'Aosta	19.19	2,909	80.03	13.51	6.46
Piedmont	45.34	173,784	57.63	37.54	4.84
Liguria	26.40	43,962	64.73	29.51	5.76
Lombardy	39.72	333,299	56.45	36.86	6.69
Veneto	35.33	117,105	72.01	20.83	7.16
Friuli Venezia Giulia	40.50	30,942	64.29	29.04	6.67
Trentino	26.85	9,187	46.85	43.59	9.56
Alto Adige	21.99	4,654	55.11	27.08	16.29
Emilia Romagna	36.67	179,846	73.68	20.16	6.16
Tuscany	31.99	108,838	65.34	27.21	7.45
Marche	40.67	39,167	76.66	17.47	5.87
Umbria	37.29	22,924	74.83	19.21	5.96
Lazio	31.21	102,427	69.34	25.50	5.16
Abruzzo	38.78	24,343	72.38	21.53	6.09
Molise	35.68	4,191	77.57	19.14	3.29
Campania	34.95	77,376	76.86	20.15	3.00
Puglia	35.59	47,156	80.55	14.10	5.35
Basilicata	41.65	16,954	85.56	9.21	5.23
Calabria	57.08	17,573	91.81	5.52	2.64
Sicilia	39.70	85,295	90.93	5.52	3.55
Sardegna	24.12	14,674	74.68	16.41	8.91
Italy	36.76	1,456,606	67.93	25.78	6.83

^aEmployees reached by consultation / employees participating in the polls.

Source: Courtesy of the CGIL, Organizational Department.

in fact 36.8%. Hence, only about 8.5% of Italian workers (who were in theory all eligible to vote) actually voted in the referendum.

Out of 50 sectors, only 3 (automotive, air transportation, and universities) rejected the incomes policy accord (CGIL 1993). Geographical differences mattered, even within the same sector. The percentage of favorable votes was, in general, higher in the South than in the North. In the metal-working sector, support for incomes policies was, not surprisingly, much lower than the national average (58.9% vs. 67.9%). However, while 79.7% of the metalworkers approved the July 1993 accord in Calabria, only 47.9% of the metalworkers in Lombardy did so (see Table 2). Clearly, the main message articulated by the confederal leadership to justify the accord, that is, that it was a necessary step if employment was to be revived, was more persuasive in a region like Calabria, in which the unemployment rate was 20.2%, than in Lombardy, a region

that, with an unemployment rate of 5.7%, was close to full-employment.²⁷

The consultation saw the emergence of the usual, and by now largely expected, pockets of dissent. The employees of some historic automotive plants, like Alfa Aresé near Milan, Fiat Mirafiori in Turin, and OM Iveco in Brescia, voted (sometimes overwhelmingly) against the accord. Two of the strongholds of the *autoconvocati* movement, the cities of Milan and Brescia, rejected the accord (CGIL 1993). In Milan, the incomes policy agreement was voted down not only by industrial workers, but also by the white-collar employees of the Milanese City Hall and of the Palace of Justice.

This time, however, the *autoconvocati* did not mobilize. Their inaction did not

²⁷Data are from Istituto Tagliacarne (<http://www.tagliacarne.it>).

Table 2. Results of the Referendum on the July 3, 1993, Accord in the Metalworking Sector (by region).

Region	Participation ^a (%)	Voters	Yes's (%)	No's (%)	Abstentions (%)
Valle d'Aosta	34.1	952	82.7	15.0	2.5
Piedmont	53.5	66,996	56.1	39.5	4.4
Liguria	44.1	13,994	53.7	42.7	3.6
Lombardy	50.7	120,100	47.9	45.6	6.5
Veneto	59.5	30,944	69.2	23.9	6.8
Friuli Venezia Giulia	48.5	10,924	49.9	45.1	4.9
Trentino	45.7	2,812	28.9	61.5	9.6
Alto Adige	26.0	1,492	43.5	54.6	1.9
Emilia Romagna	51.7	54,772	71.1	24.0	4.8
Tuscany	62.4	18,786	63.2	31.2	5.6
Marche	63.8	9,581	69.2	25.1	5.6
Umbria	62.0	5,715	66.1	29.3	4.3
Lazio	51.4	19,542	57.6	36.9	5.4
Abruzzo	56.1	7,167	59.9	35.8	4.2
Molise	36.5	1,245	63.8	35.1	1.1
Campania	57.2	27,074	67.3	30.4	2.2
Puglia	61.6	14,595	66.4	29.0	4.6
Basilicata	64.9	1,447	72.0	16.5	7.7
Calabria	56.6	271	79.7	9.6	10.7
Sicilia	65.7	8,152	78.5	16.3	5.2
Sardegna	55.7	3,760	75.2	13.8	11.0
Italy	53.5	420,032	58.9	35.7	5.4

^aEmployees reached by consultation / employees participating in the polls.

Source: *Nuova Rassegna Sindacale*, No. 29, August 2, 1993, p. 9.

reflect approval of the agreement: the Essere Sindacato faction within the CGIL, for example, declared well before the conclusion of the negotiation that the forthcoming compromise looked "awful" and that "it would be a mistake to reach an agreement,"²⁸ and the Labor Chamber of Brescia publicly expressed its opposition to the agreement and promised "a new Hot Autumn."²⁹ They chose not to mobilize, I argue, because of the peculiar mix of wage restraint and union democracy that was delivered to them with the 1993 accord. The agreement contained, in fact, two im-

portant responses to the "methodological" criticisms previously raised by the autoconvocati movement and other dissident union factions. First, one of its essential parts was the establishment of the so-called *Rappresentanze Sindacali Unitarie* (RSU)—a reform that institutionalized the regular re-election of plant representatives. Second, it was accompanied by the promise of binding consultation with the workers. Although they clearly frowned on the agreement's content, the dissident groups within the Italian labor movement concentrated their energies not on organizing grassroots protest but rather on dissuading the workers in the assemblies from approving the agreement.

Some of these groups had, in the end, something to say about the process—a few, for example, complained that "in the assemblies, only union leaders who were in favor of the agreement [were] allowed to

²⁸See "Costo del lavoro, Ciampi stringe," *Il Sole-24 Ore*, June 18, 1993.

²⁹See *Il Manifesto*, July 10, 1993, p. 10. The quote on the new Hot Autumn is from "Costo del lavoro: le fabbriche votano 'sì' all'accordo," *Il Sole-24 Ore*, July 9, 1993.

speak."³⁰ Yet, none contested the outcome of the consultation, that is, the clear endorsement of the July 1993 agreement on incomes policies by the majority of Italian workers. This was explicitly and publicly recognized by Giorgio Cremaschi, one of the leaders of the internal protest, in a newspaper article published immediately after the referendum. After listing all the procedural and substantive pitfalls of both the accord and the consultation, he admitted, "There is no doubt that (CGIL, CISL, and UIL) have obtained the consensus of the majority of workers who participated in the vote."³¹

Following approval of the July 1993 incomes policies accord, the Italian confederal unions persevered with their "anomalous" mingling of centralized agreements and worker referenda. In 1995, for example, they negotiated with the government a structural reform of the Italian pension system: pension benefits were no longer to be set as a function of past income, but rather were to be determined in accordance with accumulated social security contributions. This reform aimed at reducing pension expenditures and, thus, reducing Italy's budget deficit.

Like incomes policies, this new centralized agreement met with widespread internal opposition. Although the pension reform was approved by 64% of 4.5 million workers consulted, it was rejected by the majority of employees in Lombardy (Italy's richest and most industrialized region) and by two important worker categories: the metalworkers and the school teachers. In previous years, opposition from the metalworkers alone, not to mention the Lombard employees and the school teachers, would have spelled the demise of reform (see Golden 1988). This time, however, because the decision-making process was perceived as open and procedurally fair, even the dissenting groups went along with the

majority's decision to support the reform (Baccaro 1999a, Chap. 4).³²

While the 1995 pension reform introduced a structural change in the way in which future pension benefits would be calculated, this reform would only become fully effective after a long transition period. In the meantime, various "acquired rights" (*diritti acquisiti*) would be maintained. Among these rights were the so-called "seniority pensions." In other words, although the 1995 reform had made the requirements for seniority pensions more stringent, at least until the year 2006 workers would still be allowed to retire before they reached the legal retirement age. The year 1997 was, however, decisive for the future of Italy, because in that year it would be decided whether Italy would qualify for the second phase of the European Monetary Union (EMU). One of the criteria the country needed to satisfy was a public deficit no greater than 3% of GDP. This required new cuts in public expenditures, some of which had to come from pensions. The confederal unions did not oppose this new reform. In fact, they were disposed to concede even more than they eventually agreed to (for example, a "solidarity contribution" to be paid by all early pensioners).³³ As in 1993 and 1995, the three confederal unions organized a consultation with the workers before they signed the accord. The outcome of this consultation could almost be taken for granted this time, since the reform only affected 35% of the work force (exclusively white-collar workers). The results of the referendum

³²This is consistent with social psychological research that emphasizes the importance of procedural legitimacy in explaining why individuals willingly comply with unfavorable collective decisions. For more on this subject, see Lind and Tyler (1988).

³³One of the parties that composed the government coalition, *Rifondazione Comunista* (RC), threatened to withdraw its support if the government's budget law for 1997 contained pension cuts. RC's opposition considerably watered down the 1997 pension reform. RC, in fact, asked that eligibility rules for blue-collar workers be left unaltered, a request that was granted.

³⁰See "Costo del lavoro, ultimo atto—Oggi sarà firmato l'accordo," *Il Sole-24 Ore*, July 23, 1993.

³¹See *Il Manifesto*, July 23, 1993, p. 7.

were, nevertheless, quite interesting. Voting in favor of the 1997 pension reform were not only predominantly blue-collar groups like the metalworkers (76%), but also white-collar-dominated sectors like banking and insurance (70%), schools (55%), and the public sector (73%) (Baccaro 1999a, Chap. 4).³⁴

Concluding Remarks

For many years, scholars and policy-makers alike have argued, based on neo-corporatist theory, that centralized collective bargaining and workers' direct control over union policy are basically incompatible. Neo-corporatist theory assumed that union members have systematically more "extreme" preferences than their leaders; for example, whereas leaders are inclined to compromise, members favor collective mobilization, and whereas leaders favor wage moderation, members want to push for more aggressive wage demands. The best way to secure wage moderation is, therefore, by providing "enlightened" and "responsible" union leaders with institutional and organizational resources designed to control their constituents.

³⁴In December 1998, the three confederal unions, government, and Confindustria signed a so-called "Christmas Pact." This pact confirmed and extended the system of social concertation. Government now has a contractual obligation to consult with the "social partners" on all social policy issues and, in some cases, even to devolve decision-making authority to the social partners so that they can directly regulate certain issues with no need for government involvement. Concertation is also extended to the regional levels. This pact also confirmed the structure of collective bargaining that had been agreed upon in the 1993 accord. Nominal wage increases at the national level may not exceed targeted inflation (the new inflation target is now the expected European rate), while wage increases at the company level need to be financed through increases in productivity/profits. Because this pact did not alter the status quo, it was more or less peacefully accepted by all groups and factions within the Italian labor movement. Thus, although the pact was extensively discussed through plant-level assemblies, the three union confederations felt no need to organize a binding referendum this time. For more on the Christmas Pact, see Baccaro (2000).

The evidence presented in this paper suggests that this traditional argument is not always correct. The absence of clear mechanisms for ascertaining what the workers want (for example, voting) may alter the internal balance of power within trade unions in favor of factions pursuing more militant agendas. Suppose there are two factions in the union. One prefers a moderate bargaining policy, the other a more militant one. The moderate faction truly represents the majority of the workers, but it is not sure of that because its claim to "representativeness" has not been validated through a worker vote. The more extreme faction organizes a protest movement against the moderate policies pursued by the other. Accusations of illegitimacy (that is, claims that the other party does not truly represent the "will of the working people") are themselves instrumental in making this collective mobilization possible (Snow et al. 1986; Moore 1978). Workers with more intense preferences (a minority of the working population) participate in the protest, while the others (a majority) stay at home, choosing not to act on their preferences. This collective mobilization is, in turn, perceived as itself a confirmation that the working population as a whole does not support bargaining moderation. Union policy is changed.

This is exactly what happened in the Italian case: one portion of the Italian labor movement was able to claim that there was "not enough" democracy and, based on this legitimacy claim, stir up protest among the rank-and-file. This led to the collapse of centralized collective bargaining in the mid-1980s. When centralized bargaining re-emerged in the early 1990s, it was accompanied by several organizational innovations that strengthened the legitimacy of confederal union leaders. Perhaps more important, adoption of a decision-making mechanism like majority rule provided a clear reference point from which the "representativeness" of confederal leaders and the legitimacy of their moderate bargaining policy could be unambiguously evaluated.

How generalizable is the Italian case? Is

it always the case that worker control over union policy leads to compliance with centralized wage restraint? No, not always. If, as neo-corporatist theory implicitly assumed, workers are truly more short-sighted, passionate, or militant than their leaders, then decision-making procedures in which the rank-and-file are granted ultimate decision-making power can obviously lead to undesirable socioeconomic consequences like higher inflation, higher unemployment rates, and higher levels of industrial conflict. This rather extreme scenario is, however, far from representing the rule (Baccaro 1999b). When, as in Italy, union movements are divided into moderate and militant factions, and when the more militant faction, while smaller than the other in size, has greater capacities for collective mobilization, the adoption of democratic decision-making mechanisms like a worker vote on collective agreements may very well serve the cause of "responsible" unionism.

Use of organizational referenda to stabilize centralized wage regulation may not just be an Italian peculiarity. Peter Lange noted a few years ago that internal democratic procedures within labor unions in Norway appeared to increase the likelihood that workers would accept centralized wage agreements (Lange 1984:69–71). In other words, because rank-and-file workers in Norway had ample opportunities to influence the outcome of collective bargaining, including the right to reject accords through referenda, those agreements that were approved by the majority of them benefited from considerable legitimacy and, hence, organizational support at the grassroots level.³⁵

This paper does not argue that "democratic" decision-making procedures caused the emergence of centralized wage bargaining in Italy. Several factors have to be in place for centralization to succeed, and two are particularly salient: government has to be supportive of centralization, or at least not diametrically opposed to it; and, as the Swedish case clearly shows (Pontusson and Swenson 1996), organized employers have to be willing to engage in centralized wage regulation. Both of these conditions were present in Italy.³⁶ In particular, notwithstanding some recent signs of fragmentation within Confindustria—with the federation of metalworking employers sometimes talking about the need to return to "free" collective bargaining—organized employers have supported centralized wage regulation throughout the period. This paper makes the more circumscribed claim that "democratic" decision-making procedures were instrumental in sustaining centralized collective bargaining in Italy by helping with the so-called "problem of compliance," that is, by preventing rank-and-file mobilization.

Italian politics underwent several changes between the mid-1980s and the early 1990s. Italy's political party system, for example, changed considerably: the Communist Party (PCI) was dismantled in 1989 and replaced by two competing parties, the *Partito Democratico della Sinistra* (PDS) and *Rifondazione Comunista* (RC). The PDS was more willing to cooperate with government than the PCI had been in the 1980s, and this may have helped soften some of the political differences among the three major labor confederations that had played an important role in undermining previous attempts at tripartite concertation.

³⁵It is unclear, however, how truly "democratic" decision-making procedures like worker referenda are. Workers participating in these referenda often rely heavily on their leaders to make sense of the alternatives they are faced with. Thus, these referenda might provide leaders with ample opportunities to engage in strategic manipulation of their constituents. I thank an anonymous reviewer for pointing out the dubious normative stance of these practices.

³⁶The Italian employers benefited tremendously from wage restraint. The rate of return on capital in the business sector grew from 13.8% in 1993 to 15.9% in 1995, and it is now higher than it ever was in the 1970s and 1980s (OECD, *Economic Outlook*, p. 61 [Paris: OECD, June 1997], Annex Table 25; see also Fajertag and Mermet 1999).

It is difficult to assess what impact, if any, these political changes had on the resurgence of centralized bargaining in Italy, and a detailed analysis of recent political change in Italy is beyond the scope of this paper.³⁷ Yet, Italy's centralized accords reveal an interesting pattern of *internal* differentiation. In fact, two of Italy's four centralized wage agreements (1984 and 1992) met with internal dissent and rank-and-file mobilization, while the other two (1983 and 1993) were more or less pacifically implemented. This pattern seems difficult to explain through "environmental" variables only (for example, shifts in the political, economic, and cultural landscape), while it appears to fit well with the sequence of decision-making procedures adopted by the Italian labor movement: each of the two successful centralized wage agreements (in 1983 and 1993) was accompanied by a consultation of the work force. Conversely, both times such consultation was omitted (that is, in 1984 and 1992), this perceived violation of procedural rules spurred rank-and-file mobilization.

I have argued in this paper that particular decision-making procedures increased the Italian unions' capacity to engage in

centralized wage regulation. The analysis has left unclear, however, exactly what "causal mechanisms" (Little 1991) these procedures set in motion. Why did the Italian workers vote in favor of the 1993 agreement—an agreement that confirmed the abolition of the *scala mobile* and tied the unions' wage policy to government-established wage targets? One possible interpretation is that the majority of Italian workers were more moderate than at least a portion of their leaders. There is some evidence that this might be the case: in 1986, (that is, two years after the 1984 battle over the *scala mobile*), a representative sample of the Lombard metalworkers was asked whether the unions' bargaining agenda should (a) respect the government-established inflation-target (6%) or (b) disregard that target. Only 36% of the interviewees chose option (b).³⁸ Since the Lombard metalworkers are perhaps the most militant, it is likely that already in 1986 a majority of the Italian rank-and-file workers favored a moderate wage policy. Perhaps the vote itself had no effect on workers' policy preferences, and simply registered them. The sheer counting of votes was, however, important because it delegitimated various dissenting groups claiming to represent "the will of the (working) people." One of the key features of majority rule is, in fact, that only the "sign" of preferences counts, not their "intensity" (Dahl 1956). In the 1993 referendum, the vote of a metalworker from Brescia or Milan counted as much as the vote of a (much more quiescent) southern public sector employee.

Another possible interpretation (that complements rather than contradicts the one described above) is that the process of debate preceding the vote brought about changes in preferences or attitudes (see de Montmollin 1984; Petty and Cacioppo 1981; Moscovici and Doise 1994). In other words, principled argument *convinced* at least some

³⁷Two brief comments in this regard: (1) Union moderation is not the result of the disappearance of the Communist Party. Beginning by at least the late 1970s, there was widespread awareness among the confederal union leadership of the need to moderate wage demands (see Lama 1976, 1978). (2) In the past twenty years, Italian unions have often pursued their own strategies, independent of political parties, and they have often influenced the choices of, particularly, the Communist Party. In 1977, for example, the metalworkers were key in provoking the demise of the "historical compromise" strategy embraced by the PCI in the early 1970s (Galli 1997). Consider the following remarks by one of the protagonists: "The Northern metalworkers were the social reference point for Berlinguer [secretary general of the PCI]. The theme of 1983—there was even a congress on this issue—was union democracy. The argument was: 'If the union movement were democratic it would not accept this. Because it is not democratic they can carry it wherever they like.'" (Interview with Paolo Brutti, Labor Affairs, Democratici di Sinistra, Rome, May 19, 1999.)

³⁸See Giampiero Castano, "Opinioni metalmeccaniche," *Meta*, No. 4, April 1986, p. 14.

workers that incomes policies were in their "best interests" by spurring reconsideration of issues from a long-term as opposed to short-term perspective and, possibly, from the point of view of collectivities as opposed to that of individuals (Habermas 1996; Cohen 1996).

The evidence presented in this paper can only be suggestive that this alternative mechanism played a role in the Italian case. As illustrated above, the Italian workers did not just ask workers to vote, but also spent a considerable amount of time and resources before the vote setting up assemblies and trying to persuade the workers to approve the 1993 accord. Some dissenting groups complained that they had not had sufficient room to articulate their views in these assemblies. Clearly, there was a diffuse perception among the Italian actors that the process of debate preceding the

vote mattered.³⁹ More fine-grained, micro-focused investigation is required to sort out the precise mechanisms through which participation in organizational decision-making shapes the process of preference-formation at the individual level and hence influences collective choice.⁴⁰ If this paper has been convincing, however, you will see the potential benefits, both theoretical and practical, of research that explicitly problematizes the process of preference-formation.

³⁹One of the interviewees said that union assemblies have the capacity to change about 20% of the workers' preferences. (Interview with Carlo Spreafico, Milan, June 16, 1997.)

⁴⁰For an example of this kind of analysis, see Baccaro (1999, Chap. 5).

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