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Molina Romo: *The Politics of Wage Bargaining Reform*

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**The Politics of Wage Bargaining Reform
in Italy and Spain 1991-2001**

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THE POLITICS OF WAGE BARGAINING REFORM IN ITALY AND SPAIN 1991-2001

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Abstract

This paper analyses the politics of changes in the structure of Collective Bargaining (CB) over wages from 1991-2001 in Italy and Spain. Explanations have for the most stressed the role of EMU as an exogenous factor, what corresponds to a market-accommodating and employer-led view of institutional change. Against this ‘mainstream’ approach, this article shows that changes in these two countries are better explained through factors endogenous to national systems, particularly, actors’ strategies and their interactions in the policy-making arena. The paper stresses the importance of unions’ strategic orientations: through policy concertation and the underlying political exchange unions have affected the ‘solution of the distributive conflict’, which has not pointed in the direction of higher decentralisation and individualisation of labour relations.

1 Collective Bargaining under stress: Convergence vs Divergence

During the 90s several reforms were introduced to the CB structures of Italy and Spain. These changes were a response to the interaction between endogenous and exogenous pressures to CB systems. During the last decade, need to comply with convergence criteria as well as adapt economies to new macroeconomic conditions has interacted with national systems (i.e., actors, institutions and their modes of interaction). The growing interest in the political economy of CB over wages has accordingly relied upon the consideration of EMU as a qualitatively different exogenous pressure, challenging symmetrically (following Hay 2000, EMU meant a convergence in the external ‘inputs’ for

change) diverse national contexts. Several scenarios have been depicted in the literature to explain the impact of this interaction.

First of all, some authors have argued that the strength and irremediability of exogenous pressures together with internal socio-economic developments would lead logically to convergent outcomes in systems facing similar endogenous pressures. Two possible scenarios were considered (Regini 2000). The first predicted higher de-regulation and de-centralisation through the substitution of collective by individual (market-based) regulation, thus corresponding to an employer-led view of the adjustment. Two factors provided support for this hypothesis: an increasingly weak trade union movement due to the so-called crisis of confederal unionism as well as the incapacity to introduce radical reforms in the CB system to organise and formalise it. The outcome of changes would be wage moderation triggered by the decentralisation of wage-setting and the gradual elimination of barriers to free individual bargaining between employers and workers, which would lead to higher wage differentials in the medium term. A second scenario claimed a convergence towards greater coordination within CB at the national-sector level (Pérez 2002; Herrmann 2003)¹. In this case, the outcome was co-ordination to improve competitiveness (Soskice 1990; Traxler 1999). In this view, consensus substituted pure employer-led explanations of change (Pérez 1999), and CB served to re-direct market pressures. The outcome was WB (Wage Bargaining) linked to productivity and, more generally, a greater sensitivity of wages to production conditions.

Both scenarios predicted convergence in the institutions and the outcomes of WB, due to the disciplining role played by EMU². Nonetheless, a critical

¹ According to some authors, this coordination was a first step towards an effective europeanisation of CB (Marginson and Sisson 2002).

² EMU would be one of the factors that would contribute to the inevitable convergence among systems of industrial relations (Kerr, Dunlop et al. 1960).

aspect omitted in these two scenarios, and more generally in studies of changes in CB in the run-up to EMU (Calmfors 1998; Kauppinen 1998; Martin 1999; Pochet 1998; Sörries 1998), is that institutional change is the result of a domestic process of confrontation between actors with distributive interests in this change. Hence, the de-centralisation scenario failed to take into account the capacity of unions to act strategically in the political arena, even when moving within adverse environments (Kochan et al. 1986; Rigby et al. 1999; Frege and Kelly 2003). The co-ordination scenario, on the other hand, assumed consensus as process convergence triggered by EMU. According to this, EMU would eliminate conflict by means of extending similar perceptions between economic actors around the need and direction of reforms. Existing evidence coming from assessments of the impact of EMU on IR systems does not seem to support outcome convergence. According to Kauppinen (1998) and Pochet (1998), the impact of EMU on the IR systems of different countries has depended to a large extent on their particular economic and political conditions.

Contrary to the convergence scenario, there are two approaches to the analysis of changes in CB systems that predict divergence, or less strongly, not across-the-board convergence. According to the ‘varieties of capitalism’ approach (Hollingsworth and Boyer 1997; Regini 2000; Crouch and Streeck 1997; Hall and Soskice 2001), differences in the modes of capitalist production as well as in economic performance are explained through complex systemic configurations of forms of governance and interest intermediation (Schmitter 1974; Lehmbruch 1977), industrial relations (Crouch 1993; Traxler 1999), welfare state regimes (Esping-Andersen 1990), labour market (Thelen 2001), corporate governance structures (Rhodes and Van Apeldoorn 1997), skill formation systems and other socio-economic institutions, that together determine the social modes of production. These institutional configurations are characterised by complementarity and functionality, thus providing a systemic,

quasi-functionalist approach according to which changes respond to institutional re-alignments within ‘system models’ in order to maintain effectiveness and positive inter-institutional externalities. It follows that change is most of times exogenously induced, costly, path dependent and because of its firm-centredness (Hall and Soskice 2001), employer-led. Hence, everything else being equal, we would expect coordinated systems to become more collectively or statutorily coordinated while less coordinated or disorganised systems would leave the market to gain terrain in the organisation of CB.

The other approach stresses the role of actors’ strategic choices (Kochan et al. 1986) guiding the path for reform and adjustment. According to this view, differences have to be traced back to particular configurations of power relations between actors with decision-making capacities. In the case of most Western European economies, we are talking of organized interests that participate in national-level public-policy making processes. In this case, institutional change results from interactions between actors and new institutional equilibria reflect changes in their balance of power. As a consequence, change and adjustment is mostly endogenously produced; radical transformations (led by strategic interactions between organized interests) are more likely to occur.

A ‘third way’ is provided by actor-centred institutional accounts, that focus on rational actor behaviour within the limits imposed by the ‘system’ or the institutional framework that determines not only feasible adjustment paths but actors’ strategies (Scharpf 1997). According to this approach, actors’ strategies are shaped not only by systemic characteristics (Crouch 2001), but also by the political and economic context. Contrary to the ‘varieties of capitalism’ approach, this view permits to explain differences in institutional change of a same institution between countries with similar ‘social systems of production’ (Hollingsworth and Boyer 1997) due to its focus on strategic interactions. On the

other hand, compared to the uncertainty latent in rational actor accounts of institutional change, it provides an additional element to understand and make sense of it, i.e., the institutional framework. All three approaches provide different answers to which are the mechanisms driving institutional change in CB institutions in Italy and Spain during the last decade.

The approach followed here detaches in three key aspects from existing works. From the point of view of the dependent variable, I analyse changes in CB systems in terms of their articulation (Crouch 1993). This is because this concept captures both vertical (centralisation vs de-centralisation) and horizontal (coordination vs disorganisation) dimensions of CB structure. Second, from the point of view of processes leading to changes in CB, I detach from existing works in two main respects. First, I stress actors' strategies and interactions (endogenous factors) instead of exogenous pressures as the motor of processes leading to institutional change. Second, I focus on exchange mechanisms underlying policy concertation to explain their direction.

Hence, contrary to mainstream analytical approach underlying most recent IR studies (i.e. institutions ---> actors' strategies) (Hyman and Ferner 1998; Martin and Ross 1999), I explain institutional change in CB systems as the result of union strategies (i.e. actors' strategies ---> institutional change). Reforms of CB in Italy and Spain have been characterised by the existence of policy concertation, as well as by changing and diverse patterns of interaction between organised collective actors and the state, thus making possible the existence of 'exchanges' (Pizzorno 1977). I stress the importance of unions' strategic orientations (Kochan et al. 1986) that have profited from the opportunities offered by policy concertation and the underlying political exchange to bargain a new configuration of CB structures in line with their strategic orientations. This change has not led to higher de-centralisation, but has neither been characterised

by the EMU-led consensus, the absence of conflict and convergence stressed by in the coordination literature. Instead, the analysis of processes of change in Italy and Spain will show not only the important role played by the unions, but also the existence of very divergent and conflicting views concerning the direction of reforms. This union-led perspective goes against some well-established views that consider the CB structure as mainly determined by employer strategies (Clegg 1976; Slomp 1996: 96).

2 The Political Economy of WB and EMU

Analyses of institutional change in labour markets during the last decade emphasised the role of globalization and EMU as the main exogenous forces aggravating endogenous carencies (Peters 1995; Berthold and Fehn 1998; Fritsche et al. 1999). It was also widely accepted that the emphasis put on wage evolutions under EMU would very likely lead to changes in the structures of wage bargaining in order to reduce nominal wage rigidity (Teague 1995; Ramsay 1995; Layard 1991; Van Poeck and Borghijs 2001). During the 80s, the literature on the political economy of collective bargaining and wages described two alternative paths for collective bargaining systems to attain low inflation and high employment: de-centralisation or centralisation (Calmfors and Drifill 1988). Evidence for Italy and Spain during the second half of the 80s seemed to support the trend towards de-centralisation. Nonetheless, this hump-shape hypothesis was punctuated at the begining of the 90s by Soskice (1990) who stressed the role of coordination. Several studies afterwards combined both views in the context of EMU, together with the analysis of interactions between monetary policy and wage bargaining institutions (Hall and Franzese 1998; Iversen 1999; Calmfors 1998).

All of them stressed the need for European economies to coordinate wage policy by means of linking wages to productivity (Horn et al. 1999; Fritsche et al.

1999; Frölich 1999). The existence of this type of competitiveness-oriented coordination required the solution of the two problems associated with the traditional bargaining problem (Traxler et al. 2001). First, the ‘horizontal’, i.e., the need to synchronize pay policy across different collective actors (e.g. cooperation between unions, employers’ associations and public authorities) at any functional or territorial level where collective actors enjoy bargaining power. This is also known as a problem of inter-associational coordination or external bargaining, and brings with it political bargaining as well as an exchange problem. Secondly, the ‘vertical’ problem, consisting in the need to make the rank and file observe higher level decisions on wage policy (intra-associational coordination, or internal bargaining, which can also be characterised as a collective action problem).

Accordingly, a necessary condition for low inflation without unemployment under EMU is wage flexibility that depends on a coordinated relationship between institutions and actors in the CB system, but also on the interaction between monetary policy and CB institutions (Iversen 1999; Pérez 2002); it is the type of interaction between different levels and institutions of the CB structure that determines the capacity of the system to be sensitive to changes in macroeconomic conditions. Adjustment policies during the 90s explicitly introduced changes into WB structures across EU countries, triggering three main generic transformations in national CB structures: changes in the predominant bargaining locus, changes in the relationship between different levels in the CB structure, and changes in the role of played by lower level structures (company level). According to EC (2001: 39), two trends are generally apparent in the development of CB in EU countries: the first is a trend towards releasing the decentralised levels from the standards and guidelines negotiated at more centralised levels. This is done by putting greater emphasis on company-level bargaining, limiting national sector agreements to framework guidelines, and

introducing exemption clauses to enable general provisions to be waived. The second is a trend towards increasing the scope of CB (Supiot 1999). The literature has made recourse to a series of analytical bi-polarisms to analyse these transformations: Europeanisation / re-nationalisation (Martin 1996; Pochet 1998b), centralisation / de-centralisation (Calmfors and Drifill 1988), coordination / disorganisation (Soskice 1990). The above mentioned changes have accordingly been interpreted very differently in the academic debate: from irreversible decentralisation during the late 80s in most western economies, many authors had to punctualise this position at the beginning of the 90s. Hence, some authors distinguished between organised and disorganised processes of decentralisation (Traxler 1996; 1998), whilst others rejected the existence of an across-the-board process of decentralisation and distinguished between cases of decentralisation and other cases where a process of re-centralisation has existed (Pochet 1998b, Martin 1999).

3 Policy Concertation, Political Exchange and the Reform of WB in Italy and Spain

Overall, analyses based on these dichotomies have performed poorly when it has come to explain the changes observed in CB structures during the 90s in Italy and Spain. There are two main reasons for this. The first, concerns the dependent variable. Most studies have restricted their focus on some elements of the CB structure, that is, the size and scope of the bargaining unit. As pointed out in Weber (1961: xv), the CB structure consists of four elements: the size of the bargaining unit, the scope of the bargaining unit, the distribution of decision-making power within and between unions and employers as well as the relationship between bargaining units. Accordingly, these dichotomies are too simplistic as to be able to explain changes in the CB structure, less so to capture the moves towards greater co-ordination. Instead, the concept of articulation (Crouch 1993) which stresses the vertical dimension of connections between

units and actors in the system provides a more analytically accurate picture of them, as it takes into account not only the size and scope, but also the connections between units³.

There are several variables affecting CB articulation, and manifold forms of classifying them (see Deaton and Beaumont 1980). Rodríguez (2000) distinguishes between factors exogenous and endogenous to actors. According to Rodríguez, exogenous factors are the existing structure of CB, the regulations concerning CB (the automatic extension of agreements, regulations of concurrence), the relationship between law and collective regulation, economic conditions, the macroeconomic framework and industrial structure. The endogenous factors are instead the contents of CB, i.e. the specific functions played by each level, CB policies of each actor and their organisational structure. In this view, not only do exogenous factors have an independent and direct influence on CB structure, but also affect it through their internalisation in actors' strategies.

The second reason deals with the sources of changes. The focus on exogenous factors led most authors to predict convergence in Italy and Spain towards two possible scenarios: greater co-ordination as a consequence of the pressures imposed by EMU, or greater decentralisation as a consequence of the greater bargaining power of employers, which would promote informal decentralisation. Nonetheless, evidence during the 90s led convergence towards decentralisation in Italy and Spain to be rejected. An alternative approach has interpreted changes in Italy and Spain in terms of co-ordination (Pérez 2002). According to Pérez, the excessive bargaining informality and fragmentation

³ An articulated organisation is one in which 'strong relations of interdependence bind different vertical levels, such that the actions of the centre are frequently predicated on securing the consent of lower levels, and the autonomous action of higher levels is bounded by rules of

characterising both the Spanish and Italian systems, together with a restrictive monetary policy, led to excessive wage increases and rising unemployment. This, together with the coming of EMU led actors to search for a means to re-organise the structure in order to attain greater internal co-ordination at the sector-national level, and greater external coherence between performance of systems and the policies of the new centralised monetary authority. Accordingly, Pérez predicted a convergence in the outputs of the process of reform caused by the existence of similar external and internal inputs for change, which would, her argument goes, challenge institutions in a similar way. These processes would favour a consensus-led process of change that would permit this to be the outcome of understanding and agreement between actors. Finally, she also pointed out a policy convergence, i.e., a convergence in the policies pursued or the paradigm informing policy-makers in different states (Hay 2000).

Evidence presented in this article rejects this seemingly parsimonious, symmetric and a-conflictual view, that can not explain observed developments in Italy and Spain. This article reconsiders this convergence view, introducing a) actors' (especially unions) CB strategies/policies, and b) the processes of interaction between them. This is because the structure of CB is, in most cases, the result of a political confrontation between organised collective actors. Actors' strategies and preferences are then weighted by the power of each, which is again re-dimensioned through the interaction or exchange between actors in the political arena.

I thus adopt a 'pizzornian' view on institutional change. In this vein, notwithstanding the existence of several economic, institutional and political variables that affect actors' strategies with respect to the configuration of CB, the

delegation and scope for discretion is ultimately controlled by successively higher levels' (Crouch 1993: 54-5).

final articulation adopted within a given national framework is endogenous to the underlying power distribution between actors, i.e., it is endogenous to the system itself (Villacencio Ríos 1998: 138), being the result of an interaction based on exchange between workers and their representatives as well as employers and their representatives. In this vein, institutions, economic and political conditions at a certain point in time 't' endow actors with a set of incentives to change the system, as well as a set of resources by which to affect it. Accordingly, the specific articulation that the structure takes in 't+1' will reflect differences in power between the actors that participate in the struggle for institutional change.

4 Processes of Reform of Collective/WB Structures

At the end of the 80s, both the Italian and Spanish CB systems were subject to decentralising pressures. The absence of formal regulations concerning the articulation of CB structures in Italy, and lack of clarity in Spain, left both systems subject to pressures coming from changes in the bargaining power of collective actors. After the incomes policies experiences of the early 80s, the Spanish WB structure suffered from a formal de-centralisation due to the absence of inter-confederal agreements together with the increasing importance of the regional (provincial) level. In Italy, employers pushed during the decade to debilitate CCNL and to develop forms of firm-level bargaining. Trade unions in both countries expressed their willingness to reform the CB structure: first of all to establish clear rules and then to articulate it in a union-friendly way. Employers defended a simplification of the bargaining levels, regulations and procedures, preferably through the elimination of higher-level instances. Accordingly, by the beginning of the 90s, CB systems in Italy and Spain had generated incentives in both employers and employees to introduce changes. These incentives, a) differed between actors and b) were independent of EMU. The Processes of reform during the 90s must be analysed at the light of these two aspects.

The Process of Reform in Italy

At the end of the 80s, the Italian WB system had several shortcomings (Regini 1991). It was very informal, which rendered the system highly unpredictable and voluntaristic (Visser 1996; Regalia and Regini 1998). Secondly, there were several instances of bargaining without a clear distribution of tasks. The 1983 Protocol consacrated the principle of non-overlapping negotiations but bargaining continued taking place at three main levels (Mariucci 1985) without any clear pattern for the distribution of tasks. The same held for wages (Golden 1988; Dell'Aringa and Treu 1992a; Mariucci 1985: 51). This allowed for an employer-led process of disorganised de-centralisation during the 80s with the extension of forms of micro-corporatism; the strategic paralysis of national unions together with the informality of the system provoked a gradual shift from national sector contracts towards local union negotiations (Locke and Baccaro 1996). From 1988 on, the public sector assumed a wage leadership role, with disrupting consequences for the performance of the economy. On the other hand, the system generated an excessively compressed wage structure. Finally, the contents of collective agreements were very poor (Mariucci 1985: 60).

Together with these problems, aggravated by EMU, every corporate actor had incentives to reform the structure of CB. Unions conceived this reform as a form of a) avoiding further fragmentation within the trade union movement by means of introducing greater responsiveness of the system to demands and conditions of an increasingly heterogenous labour force, b) alleviating the crisis of rappresentativeness of confederal unionism (caused by the strong political role played at national level by union confederations without clear forms of coordination between micro and macro developments) by means of establishing an articulated structure that could link firm-level with national federations and c) strengthening firm-level presence and role of unions by means of extending the contents of negotiations.

Employers had also strong incentives to change the system. First of all, Confindustria considered the wage-setting system as too rigid and complicated to allow for an adequate fit with the increasingly differentiated wage requirements of Italian firms, as well as with the changes in demand conditions. On the other hand, the informality and lack of articulation between levels of the CB system, left Italian firms in a disadvantaged position compared to their European counterparts as it diminished the predictability of its outcomes. Finally, the increasing importance of SME's in Italian industrial structure contributed to demand changes in the structure of CB in order to made it more sensitive to local conditions. EMU extended the perception that the Italian system was ill prepared to face the new challenges and needed important changes.

The 1993 Incomes Policy pact: Competitive Decentralisation of WB

On year after the unilateral rejection of the Scala Mobile by Confindustria, the 1992 incomes policy agreement formalised its abolition, a one year moratorium in firm-level bargaining and the start of negotiations to reform the CB (Grandi and Rusciano 1993). After several months of meetings, by June 1993 there still were many points of disagreement (chart 1). These divergences obliged the government to intervene in order to 'force' the agreement. Given the critical economic juncture, the Ciampi government acted as the 'spoil' of both unions and employers (l'Avvenire 30-6-1993) to sign an agreement that would sustain the recovery. His intermediation was critical to reach an agreement. The exchange contained in its proposal was accepted by the two interlocutors, which were also constrained by political and economic conditions; whilst trade unions obtained the consolidation of a two-level bargaining system with wage increases negotiated at firm level as part of effective earnings, employers managed to obtain several financial incentives in order to reduce the social charges on labour costs as well as greater hiring flexibility. This is why Gottardi (1998) points out

that the system born from the 1993 pact was the result, not so much of truly tripartite negotiations, but from a government proposal to which organised collective actors adhered. This would explain why the system was so widely contested during the decade.

Chart 1 Actors' Positions in June 1993

	CONFINDUSTRIA	TRADE UNIONS (2)	GOVERNMENT (1)
Structure of CB	-Rejection of the two-level system of CB. Just one level of negotiation with the inter-confederal level establishing guidelines for this level -Exemption of firm-level CB for firms < 15 employees -Confapi: SMEs are subject to only one level of bargaining. Those who adhere to CCNL are exempt of firm-level CB and viceversa	-Consolidation and extension of a two level CB structure -No barrier to firm-level CB -Extension of a two level bargaining system	-Confirms the two levels of CB for all companies
Wage Increases at firm level	-Wage increases at firm level linked to benefits -Wage increases are exempted from social contributions	-Wage increases at firm level are equivalent to wage increases negotiated at CCNL	-The government will issue a law establishing a special contributory regime for wage increases negotiated at firm level
Labour Market Flexibility	-Extension of temporary contracts as well as of 'lavoro interinale' -Solidarity contracts with a special salario d'ingresso (reduced wage for new entrants in a company that would be gradually augmented)	-Against any further flexibilisation of entry mechanisms in the labour market	-Permits 'lavoro interinale' (despite with several restrictions) -Permits solidarity contracts

Source: Rapporto CESOS, several issues. La Stampa, 29-06-1993; Il Mattino, 30-06-93. (1) it corresponds to the 'ultimatum' launched by the executive to Confindustria and unions to reach an agreement (Avvenire 30-6-93). (2) Although unions strongly supported the proposal of the government (i.e., the two-level bargaining structure), there were still some differences between CISL and CGIL. According to the former, there should be an increase in firm-level collective bargaining and a reduction of the role played by CCNL (national industry bargaining). On the contrary, CGIL wanted an extension of collective bargaining at both levels.

Unions made the most of a) the rather exceptional political conditions of those years together with b) their restored unity of action to put pressure on the government, and to obtain a document favourable to their interests. Executive's fears of social unrest and the breakdown of consensus and concertation in a period of economic crisis and political instability increased the bargaining power of trade unions. This explains why the contents of the CB reform respond mainly

to the unions' views: unions set up a successful inter-temporal exchange between short-term wage moderation and the acceptance of an economic policy directed towards the adjustment of the economy in exchange for the introduction of long-term reforms favourable to their interests in the CB system⁴ as well as a more stable participation of trade unions and employers' organisations in national macroeconomic management (Alacevich 2000).

The importance of political exchange: the failure of the 1998 attempt

Tensions underlying the system created in 1993 became clear during negotiations for its revision in 1998. As seen above, the 1993 system did not reflect a balanced equilibrium between the positions of unions and employers. On the other hand, as argued by some authors (Carrieri 1997), the 1993 agreement had only changed the structure of the CB system formally, that was still characterised by permanent re-negotiation of labour conditions and wages. The negotiations for the 1998 renewal of the 1993 Social Pact showed the differences between union confederations, government and Confindustria with regards to the changes introduced in the bargaining structure and forms of workplace representation five years before. In particular, it served to highlight the importance of the rather exceptional political and economic conditions existing during negotiations for the 1992-3 agreements as a catalyst for reaching an agreement on the reform of the CB structure, notwithstanding the existence of divergent positions.

The 1998 pact put into place a process of regional decentralisation of policy concertation, but negotiations failed to achieve consensus to reform the structure of CB. The only change made was at the interconfederal level, where the wage guidelines would follow the average inflation rate of the EU, instead of

⁴ In the words of an official of the employers' federation Confindustria, the government has unilaterally favoured unions: 'it is clear to me that the labour Ministry Mr. Giugni has stroken a

expected inflation. Two conditions determined the failure of negotiations: differences between trade unions and the end of the political and economic emergency. The positions defended during negotiations of the 1998 pact were thus very distant between the actors:

- Government proposals consisted in the homogenisation to four years of the length of contracts for both its formal and substantive parts, as well as the negotiation of all issues dealing with flexibility and labour organisation at firm level.
- Confindustria wanted to reduce the role of industry-level within the bargaining structure and to make all members of RSU's subject to elections, with no possibility for the most representative unions which had signed the sectoral agreement to directly appoint one-third of the total members. It criticised the fact that national sector agreements blocked flexibility and higher investment in depressed areas of the country (Contarino 2000: 189).
- Trade unions were divided. The CISL defended a revision of the 1993 structure of CB system, whilst the CGIL pushed for the maintenance of the status quo, or at least, the reinforcement of two trends in line with the 1993 system: on the one hand, an improvement in the regulatory character of CCNL by means of establishing sectoral productivity increases to guide wage negotiations at lower levels. On the other, they also wanted to extend firm-level bargaining as well as to improve regional bargaining (Bellardi 1997) as a form of compensation for the absence of firm-level bargaining in some areas.

The debate around the role of CCNL and the Reform of the CB system: 1999-2001

union biased mediating role during negotiations' (Il Giornale 1-07-1993).

The disagreement of Confindustria with the configuration of the CB structure inherited from the 1993 pact led it to re-open the debate in 1999 in order to alter the ‘doppio livello’ as well as to introduce greater flexibility. Contrary to 1993, when the main concern was firm-level bargaining, the emphasis was now put on re-dimensioning the role of the CCNL. Accordingly, new negotiations started on the reform of CB structure as well as the extension of CB to new sectors. The debate progressed, and from 2000 on, the voices supporting a new reform of the CB structure in Italy have increased. In particular, several actors have claimed the elimination of CCNL (Megale 2001). Even within the union movement, the consensus on the two-level bargaining structure has definitively broken down. Confindustria defends the gradual elimination of the normative tasks of CCNL, as well as the gradual individualisation of industrial relations. In particular, the CCNL should not have to enter into the regulation of wages, which have to be set at firm level, in order to guarantee their flexibility and variability. According to the CISL, the epicentre of the bargaining system should be shifted towards firm-level or regional negotiations, with a residual role left to CCNL, which should restrict its role to establishing minimum working conditions. Finally, the CGIL and UIL opposed the CISL and defended the two-level system. They wanted a reinforcement of the role played by CCNL, but admitted that there had to be a reduction in its number.

Outcomes: The formalisation and articulation of CB: Articulated decentralisation

The July 1993 Social Pact contained two main aspects regarding the articulation of the WB: the first, formalised the new workplace representation structures, the RSU (*Rappresentanze Sindacali Unitarie*), and established the links between sector- and firm-level bargaining institutions (Carrieri 1995). The second established new rules to govern CB structures and the relationships between levels. In this vein, the Pact provides for the consolidation of a two level

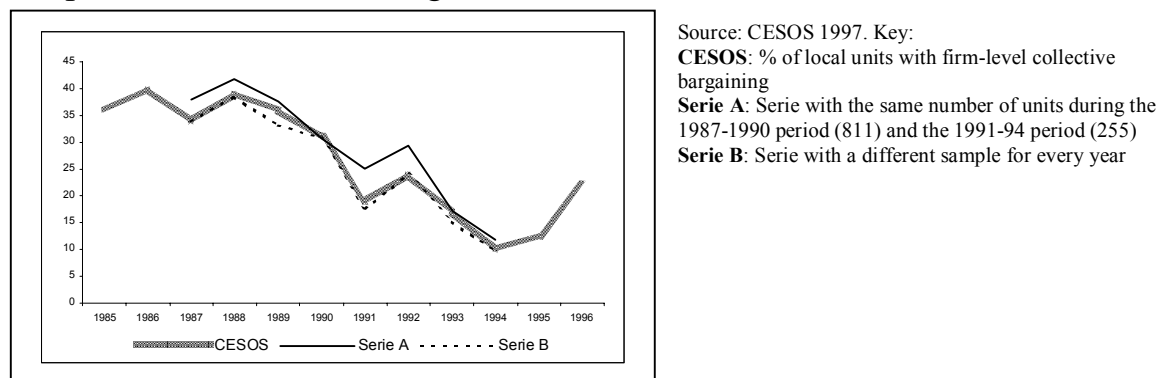
structure that tries to rationalise the previous fragmentation and established an articulated structure for two reasons. First, from a vertical point of view, the reform formalised certain clear and rational rules defining the way in which actors interact at the several bargaining levels contemplated in the accord. Secondly, from a horizontal point of view, the 1993 and 1998 pacts have established different mechanisms at national and regional level through which their interaction takes place (CB, concertation and consultation) and the role that each actor should play in each of these several locus of interaction (Alacevich 2000). The benefits for unions were multifarious,

- By setting national sector agreements (where unions enjoyed relatively strong positions compared to employer organisations) as a framework-setting locus, unions could affect and control more effectively the outcomes of the CB system, while at the same time guaranteeing some degree of uniformity.
- By creating new and strengthened company-level structures and establishing clear links with higher level instances of negotiation, unions simultaneously created a remedy for the crisis of representativeness, the loss of political power, and the dual and informal character of CB structures which had shown themselves to be so damaging for their interests in the previous decade.
- Finally, according to the 1993 Pact, the regional level of bargaining plays a substitutive role with respect to firm-level bargaining in those regions where economic units are mainly SMEs: both firm-based or regional contracts are to take place within the framework of, and according to the time-table laid down by national sectoral contracts. In this way, unions try to solve the problem of lack of coverage of CB and union presence in SMEs (Demekas 1995)

These changes have (at least formally) consolidated an articulated two-tier pattern of CB, which has struck a balance between the requirements for flexibility and solidarity of the system. Accordingly, it is difficult to characterise the Italian experience in terms of either centralisation or decentralisation (Ricciardi 1996:

408): these changes have simply brought together some ongoing tendencies which characterised the evolution of CB in Italy during the 80s (Bellardi 1997; Regini 2000a). Overall, we can say that they have pointed towards a process of articulated de-centralisation, i.e., the increase in importance of firm-level bargaining but within the regulatory framework set by national sector agreements (graph 1). Contrary to conventional wisdom, firm-level CB since 1985 followed a decreasing trend, which was only reversed in 1995, when the new CB structure became fully operative. From 1991-94, the reduction in the extension of firm-level CB was provoked by the limitations imposed by collective actors on this level of negotiation (CESOS 2000; Bordogna 1997), that agreed on a two year moratorium of CB at this level.

Graph 1: Firm-level Coverage of CB

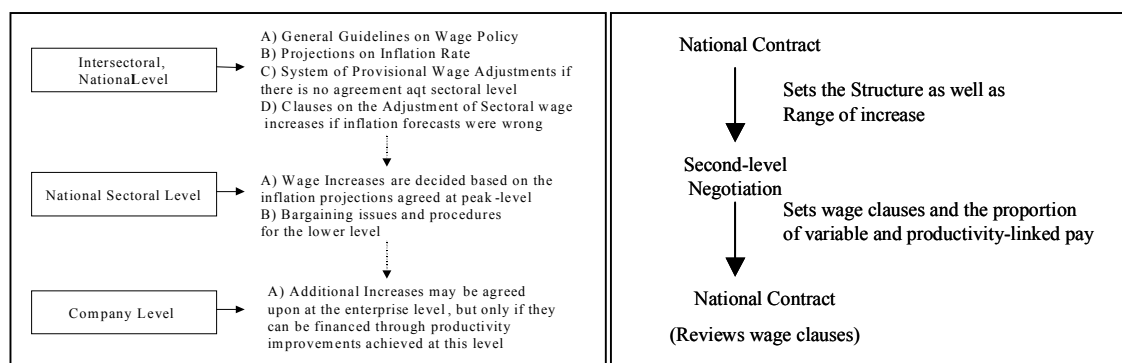


Similarly, these changes have re-defined two balances underlying the Italian WB system. First, a new balance between the requirements for higher wage flexibility and the need for stability and predictability. The former has been achieved through the re-inforcement of company-level bargaining (through forms of positive wage discrimination [salario d'ingresso] and extension of variable pay, Origo 2000), whilst stability and predictability derive from the guidelines for wage increases issued by national sector and intersectoral negotiations. In this vein, wage evolutions in the new context are the result, on the one hand, of the need for the competitiveness of firms, which obliges them to look for wage increases in line with long-term productivity trends, and on the other, of the

maintenance of low inflation levels and the compatibility of earnings evolution with other macroeconomic goals (Baglioni 1992).

Secondly, the new system has created a new equilibrium between flexibility and solidarity of wage policies. Hence, while there has been a real extension of performance and productivity-related wage clauses at company level (which, *ceteris paribus*, would lead to increasing wage differentials), the increases have been set equal for all categories of employees in most firms, due to the uniformising role played by national sector agreements. Rossi and Sestito (1999) interpret this evidence as a price paid by employers for the formal introduction of performance-related pay.

Graph 2: The Structure and Phases of WB after 1993



The Process of Reform in Spain

With the democratic transition there was a shift from an statist IR system to a voluntaristic one, granted by the constitutional recognition to act, negotiate and decide on matters concerning the economic and social interests of workers. The Workers' Statute approved in 1980 confirmed the new direction taken by Spanish Industrial Relations. It defined the basic traits of the CB system whose key principle was the autonomy of the negotiating partners (Valdés Dal-Ré 1995; Bentolila and Jimeno 2002).

During the 80s, the CB system in Spain was characterised, first by its lack of articulation and excessive informal decentralisation (Valdés Dal-Ré 2001). Bargaining took place at several levels, but the main bargaining locus consisted in sectoral negotiations at provincial level. This multiplicity of levels concealed an intermediate centralised system where framework sector agreements reached at national or provincial level set the basis for the rest of negotiations taking place at lower levels. But the main problem lied in the limited extension of firm-level bargaining: first because negotiations at the regional- or national-sector level only occasionally affected workers in SMEs. Secondly, because the issues discussed were, with few exceptions, limited to pay and working time. Coverage of CB was very high compared to the low levels of union density due to the mandatory extension of collective agreements. Overall, the CB system contained in the Workers' Statute established a structure that was very sensitive to changes in the strategies or preferences of actors (Valdés Dal-Ré 1995), hence lacking stability and becoming a source of permanent conflict.

Wage-setting was characterised by the rigidity of legal regulations and the lack of articulation: statutory minimum wages set every year by the government. Sectoral collective agreements had to set the base minimum wage over the figure established by the government. These sectoral minimum wages served as a floor for subsequent negotiations. Nonetheless, bargaining at firm level was most of times restricted to the negotiation of fringe payments, as sectoral (either provincial or national) agreements mainly determined all the components. On the other hand, the wage structure was determined (till its abolition in 1994) by Decree 2380/1973 as well as art. 26.3 of the Workers' Statute. At the beginning of the 90s, the system underwent few changes (Goerlich 1997) and still presented most of the same drawbacks and shortcomings it had under the Franco regime: lack of articulation and formalisation together with excessive informal decentralisation (Valdés Dal-Ré 2001). The complexity of the system, lowered

the effectiveness of its outcomes thus making a shift towards improved articulation necessary (Miguélez and Rebollo 1999). Accordingly, at the beginning of the 90s both unions and employers were strongly motivated to introduce changes, though with different views on them.

The process of reform: Unilateral Intervention of the government in 1994

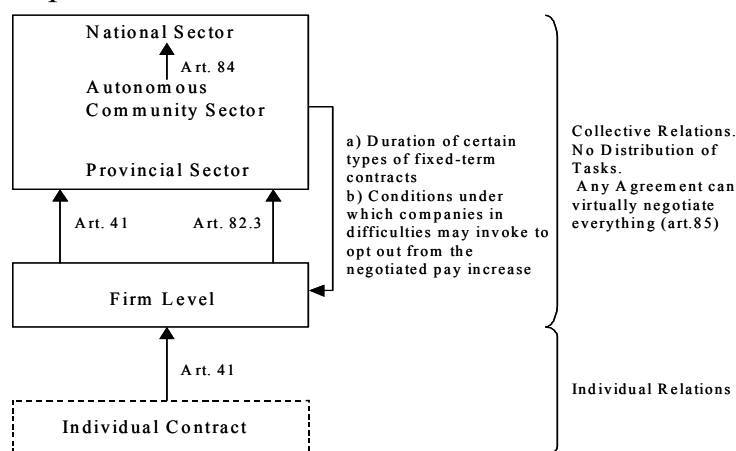
The first reform of CB legislation after the 1980 Workers' Statute occurred in 1994 (Casas 1994; Del Rey 1998). In 1993 the Socialist government presented a law proposal for changes in the labour market to promote employment creation before the Social and Economic Council. This project was presented after several failed attempts of the government to reach a social pact with unions and employers. According to it, the main problem affecting CB and wage-setting in Spain was the lack of clear connections between units as well as their 'de facto' independence. The project tried to solve part of these deficiencies, but the weakness of the Socialist executive (which succumbed during the elaboration of the law to political pressures from regional-nationalist parties) together with the opposition of unions rendered it ineffective and a source of additional problems for the performance of CB. The reform responded to two main motivations (Villanecio Ríos 1998): a) (economic), to increase the flexibility of the CB system by means of introducing some clauses favouring decentralisation and conferring a greater role onto CB as a form of regulating working conditions (AARRII 1994a: 1305); b) (political), to facilitate the consolidation of CB frameworks at the level of the *Comunidades Autónomas* through the modification of art. 84 Workers' Statute.

Outcomes: Disorganised Decentralisation, Fragmentation and Individualisation

The 1994 reform 'favoured the extension of a differentiating micro-corporatism' (Sanguinetti 1999), with two main implications. First, it strengthened CB as main regulatory source for labour relations and increased the bargaining

autonomy of collective actors (López Terrada 2000: 154). Trade unions reacted by trying to occupy the spaces left by the retrenchment of law in the regulation of labour relations as the only way to avoid further de-regulation and des-organisation. Nonetheless, there was an inherent contradiction in the fact that, whilst the government explicitly expressed its intention to open new spaces to CB, it regulated the way in which CB had to be structured, which had been the exclusive competence of collective actors since the 1980 Workers' Statute. Accordingly, there has been a 'de facto re-statalisation' of the faculty to structure the CB system which has to a large extent reduced its external autonomy (Villacencio 1998: 98; Valdés 1995: 285-6). Secondly, it changed the rules connecting units within the system (Casas Baamonde 1995; Valdés Dal-Ré 1995). In particular, it introduced measures leading to the consolidation of the de-regulatory process in industrial relations and its gradual non-articulated decentralisation, which Aragón (1993: 107) saw as a continuation of the trend already initiated during the late 80s, directed to the enhancement of adaptability of working conditions to changes in the market, that has led instead to de-regulation (Martínez 1995:222). Overall, we can characterise this reform as one of decentralisation without articulation, substituting rigidity by disorder (González 1994: 394).

Graph 3: The structure of CB after the 1994 reform



As far as wage-setting is concerned, this reform institutionalised most of its defining features nowadays (Fina Sanglás et al. 2001: 63). The determination of the wage structure through CB, the simplification of wage complements, the inclusion of firm performance as one of the criteria for wage-setting and the requirement that above firm collective agreements have to establish the conditions for opting out. Additionally, the reform served to consolidate the trend consisting in an increase in the variable part of the wage linked to productivity increases at firm level.

The 1994 reform was strongly criticised by trade unions, which viewed it as an attack to their power and role in the CB system⁵. First of all, by changing the structure of CB in a desorganised and unilateral way, trade unions were forced to follow these changes and to re-organise their structures in order to adapt them to a new framework. In addition, it strengthened the activities of autonomous forms of unionism, in particular of regional trade unions, due to the higher capacities offered by the new system to affect working conditions independently from what is negotiated between confederal unions and employers' associations (Valdés Dal-Ré 1995: 286). Finally, it empowered employers to modify the conditions negotiated through CB unilaterally⁶.

In the weeks prior to its approval in parliament, unions called for a general strike. Nonetheless, the campaign of the Socialist government to extend the irremediable perception of the reform in order to converge with EU member countries and join the single currency was very effective (Chari 2001: 66). This provoked the general lack of response to calls for a general strike (AARRII 1994a). Unions then decided to show their opposition during its implementation

⁵ For unions' criticisms to the reform, see Diario de Sesiones del Senado, Comisión de Trabajo y Seguridad Social, num. 95, 19-4-94.

in order to make it ineffective. In this vein, the real and more effective opposition of unions consisted in not applying the contents of the reform as far as CB was concerned.

Employers' associations supported the proposal of the government and recommended its full implementation CB negotiations. Nonetheless, in the face of the threat of wage escalation raised by unions, as well as the risks of higher fragmentation and thus conflict, trade unions and employers reached some kind of tacit agreement to: a) not apply some of the more damaging elements of the reform (in particular, the modifications introduced in the art. 84 LET which allowed for any collective agreements to change the conditions in upper level agreements) and b) work together to impose greater order in the CB structure. In exchange for the non application of most clauses of the reform (at least, of those concerning the new structure of CB) trade unions moderated the wage increases and tried to reduce conflict (Bentolila and Jimeno 2002: 10). Accordingly, notwithstanding the strong decentralising potential contained in this reform, the results did not move in this direction, because as noted by Villacencio Ríos (1998: 114) and Del Rey Guanter (1996: 109-110), the disorganising consequences depended on the opposition and solidity of the internal organisation of unions. Evidence has confirmed the meagre effects of the reform due to its inapplication by unions and employers' organisations (Villacencio Ríos 1998: 119).

WB after the 1994 reform did not structurally change (Martínez Moreno 1995: 1304-5). Trade unions decided not to include most of the contents of the reform but they moderated wage increases in order not to worsen economic conditions (AARRII 1995: 1308). On the other hand, in order to avoid open

⁶ As argued by a member of PSOE, (...) Accordingly, the reform rescues the unilateral management power of the entrepreneur, which is another requirement of the crisis' (Diario de

conflict employers associations decided to apply only gradually the contents of the reform. This opposition to the reform explains also why the strongly decentralising wage opting-out clause, did not produce the expected results in terms of pegging wages to productivity (Casas 1995: 26). Accordingly, the 1994 reform has not achieved the two objectives contained in the law proposal, i.e., a rationalisation of the components of wages, and the increase of wage flexibility through the increase in the variable part of wages and an extension of opting-out clauses.

The 1997 Reform: Policy Concertation and Political Exchange

With the center-right PP in power, trade unions, employers' organisations and the new executive initiated in 1997 a process of social dialogue for the preparation of a labour market reform. The process of tripartite social dialogue ended up with three accords⁷. The AICV and AINC contained the most interesting implications for articulation and co-ordination. The AICV helped to speed up and give greater coherence to the substitution of the Francoist Labour Ordinances by collective agreements (Aramendi 1994), but it also dealt with the order and structure of CB. The 1997 AINC focused exclusively on the reform of CB processes and structure.

The negotiating attitude adopted by the new executive was crucial to reach an agreement for three main reasons. First of all, because the executive demonstrated considerable apprehension about the potential reaction of unions to its economic policy (Soto 2000: 71). Secondly, because of the moderate stance adopted by the new labour minister, who initiated negotiations on the basis of a pre-agreement reached between unions and employers and left an autonomous

Sesiones del Congreso, Sesión Plenaria, num 42, 20-1-94, p. 1976).

⁷ The three accords were: AIEE (Inter-confederal agreement on Employment Stability), AICV (Inter-confederal agreement on the extension of collective bargaining) and AINC (Inter-confederal agreement on CB).

space for negotiations to them. Finally, the negotiation around several aspects of the labour market offered the possibility to exchange, as will be seen below.

The positions of unions and employers regarding the direction of the reform in the CB system were very different (AARRII 1996a: 1269). On the one hand, unions wanted to improve articulation, that is, to achieve a rational distribution of tasks between the different levels and locus of negotiation in such a way as to avoid permanent re-negotiation as well as informal de-centralisation. This re-organisation had to gravitate around national-sector negotiations. On the other hand, employers did not want to modify the CB system in spite of its being very conflict-prone. The flexibility introduced by the 1994 reform provided a strong instrument for employers to maintain the weakness of unions.

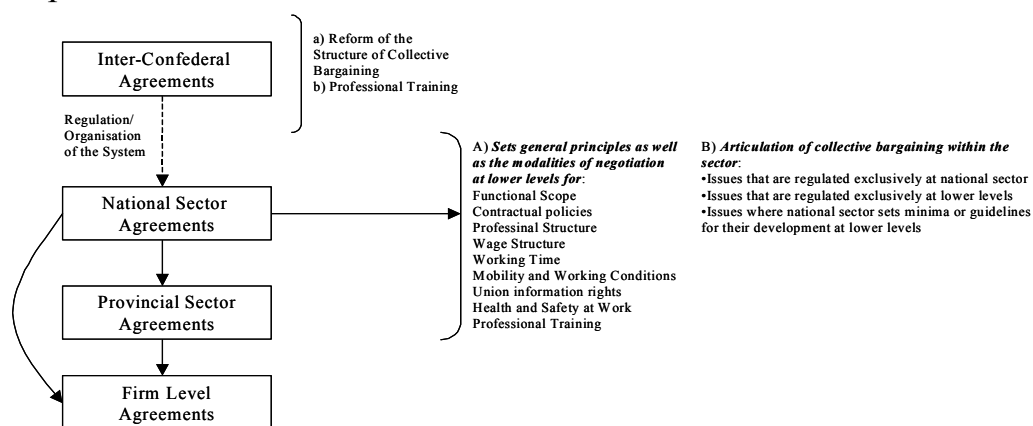
The exchange underlying the contemporaneous negotiation of the AIEE and the AINC allowed an agreement to be reached: trade unions accepted less stringent firing conditions, in exchange for a reform of the CB system, that came more into line with union demands as well as a limitation in the use of fixed-term and temporary contracts and stronger incentives for indefinite contracts. The agreement was important for the government not only a way of gaining legitimacy, but also, coinciding with unions' and employers' positions, as a way to avoid the type of centrifugal territorial movements that had occurred as a consequence of the 1994 labour market reform: it was therefore in the interests all three social partners to reach an agreement that would bypass the regional veto (AARRII 1996c:1228).

Effects of the 1997 Reform: Articulated Re-Centralisation

Contrary to what happened in 1994, the 1997 reform rationalised and improved the articulation of the CB system. The starting point for the reform was similar to that existing before 1994: negotiations remained extremely complex

since it involved negotiations at various levels and still lacked a clear definition of the responsibilities at each level, often resulting in cascading negotiations and inconsistencies (UGT 1998)⁸. The 1997 accord focuses on reserving to the national sector agreement a series of issues which cannot be (re-) negotiated at lower levels, but it goes one step further and increases the competencies of national sector agreements through a reduction in the competencies of lower levels. This is because trade unions wanted to retain and guarantee their control over a series of issues where uniform regulation was indispensable for the maintenance of employment (Iglesias 1997: 56).

Graph 4 The Structure of CB after the 1997 Reform



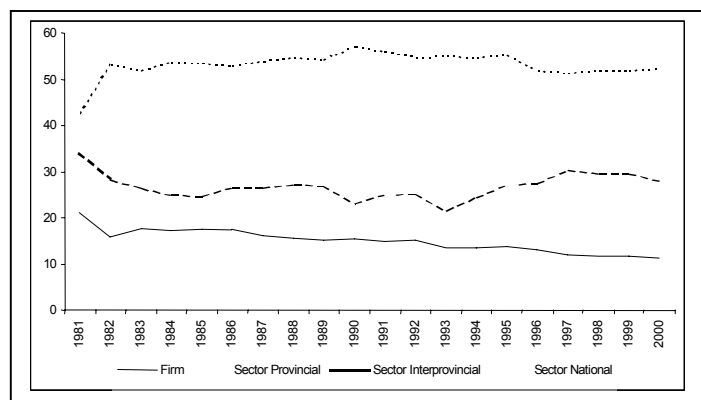
The two main contributions to CB have consisted in, first of all, allowing a real and effective increase in the regulatory space left to CB. The AINC has empowered and increased the autonomy of sector federations in CB vis-à-vis national confederations, and regional organisations (Casas 1997: 99). The accord defines the national-sector as the ‘ordinary unit of bargaining’ (Valdés Dal-Ré 2001). Secondly, it has allowed an improvement in the articulation of the system through the development of a CB model based on sectoral negotiations at national level. The objective of the re-centralisation and top-bottom articulation

⁸ As pointed out in a study of CEOE (1998, Assessment of Collective bargaining in 1997), the archetypical sector in terms of collective bargaining, would be regulated through: two national level agreements, 71 agreements at the level of the Comunidad Autónoma and 31 provincial agreements with no clear distribution of tasks nor hierarchy between them.

introduced, is to decrease labour market fragmentation whilst at the same time maintaining and improving competitiveness of firms.

Nonetheless, unions have come across several difficulties to fully apply it. First of all, weakly structured employers' organisations have neither contributed to nor supported this process. A second problem was internal to the organisational structure of trade unions. Due to the traditional importance of this level, provincial branches gained a lot of power vis-à-vis national federations. Accordingly, the effectiveness of this reform critically depended on the capacity to re-distribute bargaining powers within unions: provincial-sector collective agreements have traditionally been extremely insensitive to legal reforms. A final impediment for the application of the reform was that many of its contents entered into conflict with what was legally established in 1994, and which had not yet been abolished (Baylos Grau 2002: 212).

Graph 5: The evolution of the Collective Bargaining Structure in Spain



Source: Anuario de Estadísticas Laborales, Several years. The graph shows the percentage of workers covered by collective agreements at a certain level over the total of workers covered by collective agreement.

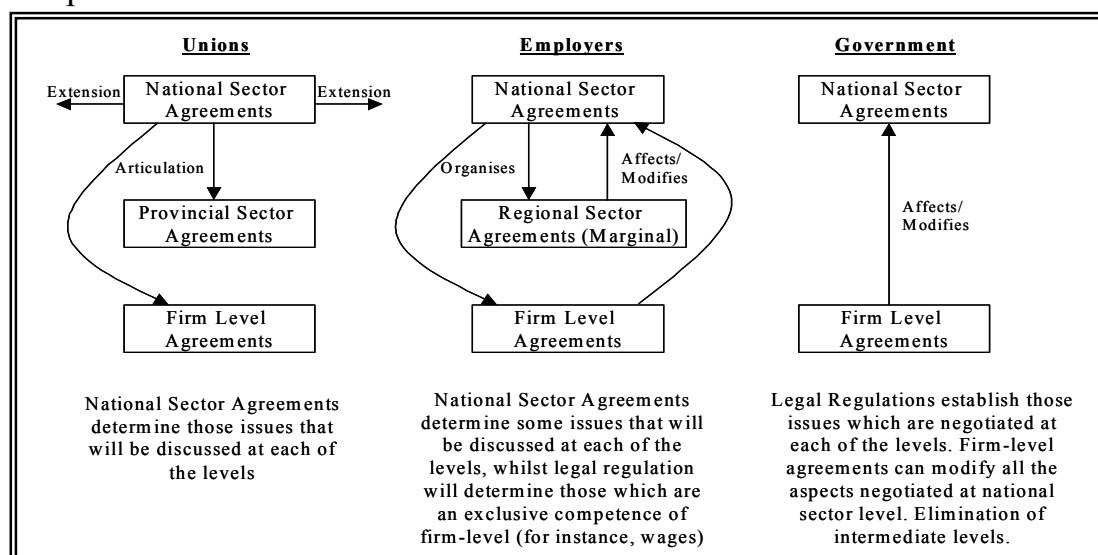
The 1997 reform had important implications for WB in two directions (Goerlich Peset 1997: 112). On the one hand, unions accepted the inclusion of more criteria to compute variable wage in exchange for their clear delimitation within national sector agreements. On the other, there was a re-organisation of WB around sector agreements at national level. According to the new articulation of CB, these agreements establish a) a minimum wage or minimum threshold for

successive negotiations taking place at lower levels as well as b) the definition of the wage structure. The AINC establishes that national sector agreements have to restrict to the definition of the concepts and components of the wage structure for each sector. Wage increases for each component of total wage cost have to be set at lower levels (Iglesias 1997: 98).

The Revision of the 1997 agreement. The failure of the 2001 attempt

According to the 1997 agreement, an assessment and revision of the contents of both the AIEE and AINC would be made in 2001. Negotiations started just after the re-election of the center-right PP with its absolute majority. The government initiated negotiations with unions and employers to set the agenda. After the failure of negotiations to reach an agreement about the reform of the labour market, and the unilateral intervention of the government, it proposed that unions and employers keep on negotiating the reform of CB. Contrary to what happened in 1997, the government not only initiated the reforms, but threatened to introduce the reform unilaterally if collective actors did not reach an agreement.

Graph 6: The Three ‘Models’ of CB discussed in 2001



As far as the reform of the CB system was concerned the positions of unions and employers were different. Unions wanted to reach an agreement that would further weaken some of the effects brought about by the 1994 reform. At the same time, both confederations agreed over the problems in applying the AINC, given their difficulties over acting at firm level. Accordingly, their priority was to resolve this problem.

Chart 4: Positions of Unions, Employers and the government in the 2001 Reform of the CB

	UGT-CCOO (1)	CEOE-CEPYME (2)	GOVERNMENT
Structure of CB	<ul style="list-style-type: none"> Organise through national sector agreements Strengthen national sector agreements Maintain regional level agreements in order to cover SME's without firm-level CB 	<ul style="list-style-type: none"> Increase the role of firm-level CB and reduce that of national level sector agreements To set normatively those issues that have to be discussed at national sector level Eliminate intermediate levels (eliminate regional levels of bargaining) 	<ul style="list-style-type: none"> To establish legally those issues that can be negotiated at each level Reduce the role of the provincial level
Main Features of the CB Process	<ul style="list-style-type: none"> Extend CB and the duty to bargain to new sectors of the economy Maintain automatic extension of collective agreements (Ultraactividad) 	<ul style="list-style-type: none"> Opposition to a mandatory extension of the duty to negotiate Elimination of ultraactividad 	<ul style="list-style-type: none"> Elimination of ultraactividad Extension of opting-out clauses for firm level CB

(1) UGT and CCOO presented separated proposals and negotiated separately, but there was a great coincidence in most points of their proposals. For UGT, see UGT (2001, 'Estructura, Articulación y Concurrencia de la Negociación Colectiva'); for CCOO see CCOO (2001, Cuadernos de Información Sindical num. 20). (2) CEOE 2001, 'Propuesta de CEOE-CEPYME ante la Reforma de la Negociación Colectiva'. Also, El País 25-6-2001 and 20-2-2001.

Tripartite negotiations started in June 2001. The antagonism in the positions defended by all three actors (chart 4), made clear the difficulties to reach an agreement and the government threatened corporate actors to intervene unilaterally. Accordingly, unions and employers initiated a new process of bipartite negotiations. In December of that year, an agreement was signed (AINC 2002). This agreement failed to introduce reforms into the structure of CB, simply establishing joint criteria for CB in 2002 for wage moderation,

employment creation and firm competitiveness. Even though it did not change the structure of CB (Rodríguez-Piñero et al. 2002), this agreement is important because for the first time since 1984, an agreement on wage moderation was signed. Secondly, because the agreement tries to neutralise some of the nocive implications regarding employment contracts introduced in the 2001 unilateral labour market reform. According to CCOO (Cuadernos de informacion sindical, Enero 2002), an exchange was made between greater employment stability and the introduction of negotiated forms of flexibility. Finally, because it prevented the unilateral intervention of the government. WB retained the features it took in 1997 (Alarcón 2001; Palomeque 2001).

5 Conclusions

This paper has shown that changes in the structure of collective bargaining over wages during the last decade in Italy and Spain have been the outcome of a confrontation between unions, employers' associations and executives. Contrary to most of the predictions on the evolution of collective bargaining under EMU made at the beginning of the decade, the structure of collective bargaining in Spain and Italy nowadays does not respond to a model of pure decentralisation nor to the individualisation of industrial relations. Political exchange has played a key role in determining the direction of reforms. In particular, through policy concertation and the underlying exchange, trade unions in Italy and Spain have managed to formalise the collective bargaining system and to consolidate structures that provide more favourable ground for the development of union tasks as bargaining partners, on the one hand, and as legitimate representatives of the labour force on the other.

Confederal unions in these two countries faced with more risks than opportunities the economic adjustment of the 90s. The problems derived from their politicization, weakening representativeness and fragmentation within these

weakly formalised and structured collective bargaining systems. This informality had during the 80s allowed a process of informal decentralisation that was damaging to union power. Accordingly, unions realised that the only way out of this was to participate in and promote a reform of collective bargaining which as a first condition, would establish clear, formalised and articulated rules. Then, they would try to push the reforms in a direction that would to some extent help to remedy some of the problems that had affected them during the previous decade.

	Reform of CB Structure	Character of the reform	Exchange	Outcome
Spain 1994	Yes	Unilateral government imposition	Ex-post implicit bipartite exchange: unions accept wage moderation in exchange for the non application of some of the clauses of the reform	Disorganised Decentralisation, Fragmentation and Individualisation
Spain 1997	Yes	Tripartite Agreement on the Reform of the labour market	Unions accept lower restrictions on firing and (implicitly) wage moderation in exchange for a CB structure based on sector-national collective agreements as well as measures to reduce temporary employment	Articulated Re-centralisation
Spain 2001	No: failed negotiations	Bipartite InterConfederal Agreement on CB		Consolidates the 1997 agreement Common guidelines for CB in 2002
Italy 1993	Yes	July 1993: Tripartite Social Pact	Unions accept wage moderation, an austere economic policy and the abolition of the Scala Mobile in exchange for a reform of CB that formalises the doppio livello, the consolidation of new firm-level structures of union representation and the institutionalisation of policy concertation	Articulated Decentralisation
Italy 1998	No: failed negotiations	Patto di Natale: Tripartite Social Pact on Economic Growth		Consolidates the structure negotiated in 1993

Contrary to events during the early 80s, policy concertation in both countries in the 90s turned out to be a resource in the hands of unions in order to achieve precisely this. During the 1980-1986 period in Spain and 1983-84 in Italy, tripartite social pacts reached a short-term exchange that further weakened the position of the confederal unions. Wage moderation, the central piece of these

exchanges, was compensated with measures that did not resolve the problems that unions faced as representatives of the labour force in a changing society. Instead, unions accepted short-term compensations that strengthened their role as political actors, and paid more attention to the confederal level than to base structures. This, together with the weakly formalised CB systems that allowed informal processes of de-centralisation, placed confederal unions in a critical situation at the beginning of the 90s.

Policy concertation during the 90s was thus different, both in its modalities and in the underlying exchange, especially in Spain. Here, trade unions tried to escape from grand tripartite social pacts where the costs are immediate and easily perceptible while the benefits are dispersed and effective over a longer time span. Instead, they tried to pursue targeted and specialised social dialogue focused upon the negotiation of institutional reforms. The reform of the collective bargaining system was one of the core issues within this strategy, and three main goals were pursued: an extension of the regulatory capacity of collective bargaining, a formalisation of the rules connecting levels within the system and the consolidation of the sector-national level as the predominant bargaining level. The opposition of unions to incomes policies which were not accompanied by a change in the economic policy as well as to a grand social pact which would include negotiations on several issues, led them to abandon discussions in 1993, what obliged the government to reform the CB structure unilaterally. To the contrary, in 1997 unions could reached a successful and favourable exchange thanks to the independent but contemporaneous negotiation of a reform of the labour market consisting of three agreements. Finally, the opposition of unions and employers opposition to a new unilateral intervention of the government left the structure untouched in 2001 as no agreement on institutional reform was reached.

In Italy, the 1993 reform of the collective bargaining structure came about as a result of an inter-confederal tripartite social pact. Unions pursued the formalisation of collective bargaining structures as well as the establishment of formal and strong links between higher and lower level units of negotiation within the system. Trade unions managed to profit from the rather peculiar economic and political conditions when the 1993 pact was signed to formalise and consolidate a two-level collective bargaining structure, which not only reformed firm-level structures of union representation but established a clear distribution of tasks between levels within the CB system, as well as clear procedures for the participation of organised collective actors in policy making. In exchange, trade unions accepted wage moderation, a restrictive economic policy and the abolition of the Scala Mobile (announced one year before by employers' organisations).

	Predominant Bargaining Unit	Form of Distribution of decision-making power and Relationship between bargaining units
Spain 80s	Sector-Provincial level	No clear articulation: informality. Two clauses solve conflicts between agreements: prior in tempore and most beneficial agreement
Spain 1994	Firm level	Legally regulated: Mutual bottom-top and top-bottom affectation between levels
Spain 1997	Sector-National level	Autonomously regulated: unions and employers at national-sector level decide the distribution of tasks across levels
Italy 80s	Sector-National level	No clear articulation: informality
Italy 1993	Sector-National level / Firm-level	Legally regulated: clear distribution of tasks across levels in the system

As a consequence of these processes of policy concertation and political exchange, both the Italian and the Spanish structure of wage bargaining are now more formalised and articulated, though there still persist important differences. Hence, in Spain the attempts at increasing the articulation of the CB structure have tended to shift the predominant bargaining locus to the sector at national level. The 1997 reform has permitted the recovery of the bargaining power to national sector federations, but has at the same time preserved the capacity of firms to adapt the conditions set at higher levels to their particular circumstances. Accordingly, nowadays the collective bargaining structure is characterised by

greater articulation, where sector-level negotiations set the path to be followed by negotiations in lower-level instances. All the reforms have extended the regulatory power of collective bargaining. Accordingly, the specific distribution of tasks across levels within a certain sector is after the 1997 reform a task left to national sector federations, which means that there is no one single unique form of articulation, but that each sector has its own according to its conditions. In Italy, we have seen the formalisation of a two-tier pattern of collective bargaining, with national sector level and firm level being the centre of the system. The distribution of tasks across levels is legally sanctioned in the 1993 Social pact, what diminishes the autonomous sphere of regulation of unions and employers compared to Spain.

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