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Coping with the crisis in Italy: Employment relations and social dialogue amidst the recession

Roberto Pedersini
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Foreword

This paper is part of a series of studies funded by the European Commission in the framework of a project of the International Labour Organization (ILO) on "Promoting a balanced and inclusive recovery from the crisis in Europe through sound industrial relations and social dialogue". The project falls under a recent partnership agreement between the ILO and the European Commission, which aims to study the impact of the crisis and crisis-response policies on national tripartite social dialogue, collective bargaining and labour law in the member States of the ILO and the European Union (EU), and the role of social dialogue actors and institutions in this context. The project builds on ILO research initiated since 2008 on best practices in the area of crisis responses, and the Global Jobs Pact adopted by the International Labour Conference in June 2009.

This study on Italy by Roberto Pedersini and Marino Regini (University of Milan, Italy) shows that the initial responses to the economic crisis in Italy were designed with the participation of the social partners and focused on supporting small and medium–sized enterprises (SMEs). At the local level, an agreement was concluded between the Government and the regional administrations to strengthen the Wages Guarantee Fund (CIG), a special public fund used to protect workers' income. The authors contend that the measures were successful in retaining employment and demonstrated the ability to address challenges through social concertation.

As the economic crisis persisted and the sovereign debt crisis emerged, structural adjustment measures were deemed necessary and social dialogue became less resilient. Substantial reforms were enacted under both the Berlusconi and Monti Governments, namely the pension and labour market reform. The reform of the collective bargaining structure was not driven by the economic crisis; however, it did significantly influence the implementation of the reform.

The industrial relations climate in Italy has been affected by the divergences between the major trade union confederations, the tougher stance of the employers' association, and the unilateral action taken by major companies such as Fiat. The authors argue that the declining role of national and industry-wide bargaining may significantly change the Italian industrial relations landscape in the years to come. This emerging trend of decentralized bargaining will most likely continue even when economic recovery has been achieved.

An earlier version of the paper was presented and debated at the ILO-EU research workshop on "The governance of policy reforms in Europe: Social dialogue actors and institutions in times of economic downturn and austerity" (28-29 May 2012, Geneva, Switzerland).

The responsibility for opinions expressed in this paper rests solely with its authors, and its publication does not constitute an endorsement by the Governance and Tripartism Department of the International Labour Office, or the European Commission.

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Acronyms

ABI	Associazione Bancaria Italiana (Italian Banking Association)
AGCI	Associazione Generale Cooperative Italiane (General Association of Italian Cooperatives)
ANIA	Associazione Nazionale fra le Imprese Assicuratrici (National Association of Insurance Companies)
CGIL	Confederazione generale italiana del lavoro (General Confederation of Italian Workers);
CISL	Confederazione italiana sindacati lavoratori (Italian Confederation of Workers' Trade Unions)
Confindustria	Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)
EU	European Union
FIOM	Federazione impiegati e operai metallurgici (Federation of White and Blue-Collar Metalworkers)
INPS	Istituto nazionale della previdenza sociale (National Institute of Social Security)
Istat	Istituto nazionale di statistica (Italian National Institute of Statistics)
OECD	Organisation for Economic Cooperation and Develoment
RSA	Rappresentanze sindacali aziendali
RSU	Rappresentanze sindacali unitarie
SME	Small and medium-sized enterprise
UGL	Unione Generale del Lavoro (General Labour Union)
UIL	Unione Italiana del Lavoro (Union of Italian Workers)

Introduction

This paper presents an overview of the impact of the recent economic crisis in Italy. It focuses on labour market developments since 2009, as well as on the responses to the economic downturn. These responses will be analysed from the point of view of collective bargaining (looking at both the structure and the content of collective agreements), social dialogue (bipartite and tripartite) and government policies.

The economic crisis became apparent in a period when the debate on the reform of the Italian industrial relations system was already advanced, making it difficult to disentangle the specific effects of the economic situation from longer-term trends. For instance, in January 2009, an important agreement on the experimental reform of the collective bargaining structure was signed by the social partners, with the exception of the General Confederation of Italian Workers (CGIL), but it was not driven by the economic cycle. However, the implementation of the agreement has been significantly influenced by the crisis and has shaped the framework for sectoral and company bargaining.

Similarly, collective bargaining in the public sector has been affected by significant reforms of certain aspects of the employment relationship in public administrations and by the reorganization of collective bargaining and later by the measures aimed at cutting public expenses. These actions included a three-year stop to collective bargaining in the period 2010-2012 and a wage freeze until 2013, which were implemented by the Berlusconi Government (in office from May 2008 until November 2011) and were eventually extended to 2014.

More generally, the industrial relations climate has been influenced in recent years by the divergences between the major trade union confederations on important aspects, as well as by the tougher stance taken by the employers' associations and by the unilateral action of major companies such as Fiat. In the metalworking industry, a separate sectoral agreement was signed in October 2009, without FIOM-CGIL (FIOM is the Federation of White and Blue-Collar Metalworkers). The recent shift made by Fiat towards company industrial relations outside the traditional framework provided by the industry-wide agreement also highlighted the conflicts between trade unions in the metalworking sector.

Finally, social dialogue has been affected by the approach and the stance of the Government. In particular, tripartite consultations under the Berlusconi Government were marked by a refusal to accept vetoes, which meant in practice that the Government adopted a rather unilateral approach and that any agreement was extremely difficult to attain. There were, of course, consultations with the social partners, but those were mainly carried out through bilateral social dialogue with the individual organizations, often of an informal nature, and the tensions with CGIL were an almost constant obstacle to implementing fully fledged social concertation.

The Monti Government, in office from mid-November 2011 until early 2013, somehow restored the tradition of formal consultations with all social partners, with a view to reaching inclusive agreements. However, because of its 'technocratic' nature, it also believed that vetoes were unacceptable, especially in the face of an international crisis that required quick action. Times of crisis were considered incompatible with the 'rites' of social concertation. The new Government, led by Enrico Letta, took office at the end of April 2013. Due to the lack of a clear majority between the centre-left and the centre-right, a 'grand coalition' Government was installed. The Government coalition consists of the Partito Democratico (Democratic Party, PD) and Il Popolo della Libertà (People of Freedom, PdL) – the two main opponents in the 2013 elections – as well as the Scelta Civica (Civic Choice, SC), the party led by former Prime Minister Mario Monti. Their short time in office, as well as the constant tension between the two main parties (PD and PdL), did not allow for any significant changes in the Government's approach to industrial relations and social dialogue. However, some labour law adjustments, including to the

recent labour market reform introduced by the Monti Government, were implemented with a view to addressing negative employment trends.

2. Main features of industrial relations in Italy and its most important players

The industrial relations system in Italy is traditionally based on industry-wide bargaining and supplementary decentralized agreements, mostly at company level. The exceptions are a few sectors where second-level bargaining takes place at territorial level, such as the agricultural, construction and tourism sectors (provincial) and crafts firms (regional). Pluralist representation systems are present in both trade unions and employers' associations. Political orientation has been an important factor in the Italian representation system, but its relevance has been significantly reduced by the transformation of the political landscape since the early 1990s, when the party system was completely overhauled.

2.1 Representation

The three largest union confederations are the:

- Confederazione Generale Italiana del Lavoro (General Confederation of Italian Workers, CGIL);
- Confederazione Italiana Sindacati Lavoratori (Italian Confederation of Workers' Trade Unions , CISL);
- Unione Italiana del Lavoro (Union of Italian Workers, UIL).

Despite their divergent political orientations, the three confederations have, since the mid to late 1960s and for a long time, formed a united front, except when substantial differences on specific issues emerged, especially in 1984-1985 (on the reform of the sliding-scale mechanism to align wages with inflation) and since the early 2000s (on the collective bargaining structure). Divisions among the unions have widened with CGIL's refusal to sign the agreement on the experimental reform of the collective bargaining structure in January 2009. However, the implementation of agreements at sectoral level narrowed the distance between labour organizations, as the great majority of the renewals since 2009 have been signed by the federations affiliated to all three confederations. Moreover, the agreement of 28 June 2011 between the Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry, Confindustria) and the three union confederations on representativeness and derogations from industry-wide agreements at decentralized level has been regarded as a significant step towards the closure of the split among the unions.

In addition to the unions represented by the three main confederations, there are several other confederations and some independent autonomous unions, particularly in the transport and public services sectors.

The most important employer confederation is Confindustria. Both artisans and farmers have several associations that were traditionally structured by political orientation. Employers' organizations in the commercial and tourism sectors were also structured by political orientation. The cooperative system is an important player in many sectors, including agriculture and fisheries, food, metalworking, construction, cleaning, social services and retail, and it is organized in different employers' organizations as well. The banking sector has its Associazione Bancaria Italiana (Italian Banking Association, ABI) and the insurance sector its Associazione Nazionale fra le Imprese Assicuratrici (National Association of Insurance Companies, ANIA).

As for the trade unions, in general the links between employer representation and the political system have significantly weakened over the past two decades. This period saw changes in the national political scene and a reconfiguration of the post-Second World War cleavages between the right, centre and left of the political spectrum. In this sense, there have been two recent important developments. First, in May 2010, RETE Imprese Italia was established. This is a coordination system of five crafts and commerce organizations – Casartigiani, the CNA (Confederazione Nazionale dell'Artigianato e della Piccola e Media Impresa (National Confederation of the Craft Sector and Small and Medium Enterprises)), Confartigianato (Confederazione Generale dell'Artigianato e delle Imprese (General Confederation of Craft Firms)), Confcommercio (Confederazione Generale Italiana delle Imprese, delle Attività Professionali e del Lavoro Autonomo (Italian General Confederation of Enterprises, Professional Occupations and Self-employment)), and Confesercenti (Confederazione Italiana Imprese Commerciali, Turistiche e dei Servizi (Italian Confederation of Trade, Tourism and Service Enterprises)) – which represents them in their relations with the Government and public authorities. In the future, it may also acquire some relevance in industrial relations. Secondly, a similar coordination effort, mainly in the area of relations with public authorities, started in January 2011 in the cooperative sector with the creation of the Alleanza delle Cooperative Italiane (Alliance of Italian Cooperatives) between AGCI, Confcooperative (Confederazione Cooperative Italiane (Confederation of Italian Cooperatives)), and Legacoop (Lega Nazionale delle Cooperative e Mutue (National League of Cooperatives and Mutual Associations)).

Trade union density in Italy is above the EU27 average. According to data provided by the three trade union confederations listed above, in 2012, some 37 per cent of employees were members of a trade union (retired employees excluded; in 1995, the net trade union density was 38.1 per cent). Employer organization density was estimated at 58 per cent in 2008 (Visser 2013b).

Employer confederations vary by sector of activity and company size. Until Italy's process of privatization of public utilities in the mid and late 1990s, business representation was also classified by type of ownership (publicly owned or privately owned companies).

2.2 Collective bargaining

Perhaps only a few countries have experienced the wide fluctuations between the centralization and the decentralization of collective bargaining that have characterized Italy over the years. Accounting for this is the fact that collective bargaining remained for a long time unregulated and largely dependent on shifting power relations between the social partners, which gave broad latitude for changes in practices and informal arrangements (Regalia and Regini 2004).

Over time, the bargaining system assumed a bipolar character centred around two main negotiating levels. The first is the national industry (or sectoral) level,[1] devoted to the periodic definition of pay and working conditions for an entire industry or sector. The second is the company or plant level, usually concerned with negotiations aiming to improve aspects of a specific workplace. The competencies and procedures pertaining to the two levels were not clearly specified until the tripartite agreement of 1993. Consequently, the balance between centralization and decentralization frequently changed according to circumstances.

This two-tier bargaining structure, based on industry-wide and decentralized agreements, allows for extensive bargaining coverage and comprehensive national standards through sectoral agreements. In addition, the second bargaining level, generally

[1] The categories of workers covered by agreements at this level vary greatly in size and have been repeatedly redefined. The metalworkers' agreement, for example, is in practice an extremely broad (multi-industry) sectoral contract, while the agreements for chemicals and textiles workers cover much more limited and well–defined industries.

within companies, helps to accommodate the differences between large and small enterprises, as well as between the country's North and South regions. Decentralized bargaining is more often present among large companies and in the North, thus contributing to diverging economic and normative conditions beyond the industry-wide minimum standards.

For a long time, the shifting balance between centralization and decentralization depended on power relations. Decentralized negotiations tended to take place in periods of economic growth, when labour had greater power to enforce its demands and it was in the interest of firms to seek agreement and make concessions in order to avert conflict. Conversely, bargaining tended to be centralized in periods of sluggish growth or crisis (Cella and Treu, 1998), when the unions' main concern was to define minimum terms of employment for workers in general.

In recent years, however, the reform of the bargaining structure has focused particularly on the redefinition of the relationships between sectoral and decentralized bargaining, with an emphasis on strengthening the latter. In order to balance the weakening of the general protection granted by sectoral agreements that this focus on decentralized bargaining would entail, trade unions have always stressed the importance of promoting second-level bargaining as a means of making collective agreements more flexible and adaptable to local conditions and of ensuring better worker protection. This should essentially take place by promoting company-level bargaining, although the unions, notably CISL, have also been seeking to widen the scope for territorial bargaining.

In contrast, CGIL, a major Italian union confederation, has been quite cautious, if not critical, about decentralizing collective bargaining. CGIL has always maintained that, in order to ensure nationwide standards, sectoral agreements should remain at the centre of the bargaining system.

CGIL did not sign the experimental reform of the bargaining system of January 2009, nor the November 2012 agreement on productivity bargaining at the decentralized level. However, it signed in late June 2011 an important agreement which defines the rules for representativeness at national level (implemented with a further agreement on 31 May 2013) as well as for the implementation of second-level agreements which can derogate from the provisions of industry-wide deals. In the debate over the decentralization of the bargaining structure, the Fiat breakaway from the Confindustria's representation system and the metalworking industry-wide agreement have represented a significant turning point.

As no data is available on collective bargaining coverage, the figures given in this paragraph are estimates. According to Visser (2013a), coverage of sectoral agreements was 85 per cent in 2010. Similarly, the Organisation for Economic Co-operation and Development (OECD 2004) estimates collective bargaining coverage in Italy for 1980, 1990 and 2000 at about 80 per cent. Coverage is considered to be at the lower end of the scale in the textiles and clothing industry and at the higher end in metal manufacturing.

2.3 Tripartite concertation

Since the late 1970s and until recently, Italian industrial relations have been characterized by the important role played by tripartite concertation or social pacts (Regini and Colombo 2011). In general, social pacts in Italy were reached in situations featuring:

a) rather poor economic conditions: high inflation and state deficits until 1993, wide unemployment and declining competitiveness afterwards, accompanied by a general feeling of national economic emergency;

b) weak governments: either unstable political coalitions or technocratic, i.e. non-electorally legitimated, cabinets;

c) moderately strong unions: centralization and unitary action were rather high in the agenda until 1993. Since then, Rappresentanze Sindacali Unitarie (Unitary Workplace Trade Union Structures, RSU) have been established, but unity of action has become more problematic.

Social pacts were very successful in the 1990s, but since the beginning of the 2000s the social partners went through a period of difficult interactions. Concertation on economic issues could no longer be taken for granted. The Berlusconi Government did not perceive concertation as an effective method and it stated this position in a white paper on labour market reform published in October 2001 (Ministero del Lavoro e delle Politiche Sociali 2001). Whereas Confindustria indicated its intention to support unilateral action by the Government, CGIL reacted to the white paper by rallying against the proposed policies. CISL and UIL remained amenable to dialogue.

After a general strike in April 2002 against government measures, especially those aimed at reforming the rules on individual dismissals, the Government decided to open negotiations with CISL and UIL. In July 2002, the "Pact for Italy" was signed without the support of CGIL. The negotiation outcomes were biased towards the Government and Confindustria. This can largely be interpreted as a consequence of the breakdown of the unions' unity. Unions did not implement unitary strategies and the return of interorganizational fragmentation diminished their bargaining power.

Since the early 2000s, the main issues of contention between the social partners and the Government have been reforms of the labour market, bargaining structure and pensions. These issues are still at the centre of the public debate, despite the important developments[2] that have taken place in the meantime.

With the victory of Prodi in the 2006 elections, the social partners had strong expectations. The Government was politically weak but was oriented toward social dialogue. A new tripartite agreement was signed in July 2007 by the Government, CGIL, CISL, UIL and Confindustria on pensions, the labour market and competitiveness. In the autumn of 2007, a referendum among workers and pensioners was held, in which over 80 per cent of the voters endorsed the July agreement. Opposition occurred mainly in metalworkers' factories and in call centres. This was the last tripartite agreement signed by all the social partners in Italy. Since then, social pacts became more difficult to conclude under both the Berlusconi and the Monti Governments.

An analysis of change over time should take into consideration the fact that the range of issues that were subject to tripartite negotiations widened dramatically in the late 1990s because of the diffusion of 'territorial pacts' alongside the national social pacts. Territorial pacts, based on formal agreements among local governments, workers' and employers' organizations, and other important local actors – such as banks, universities and various private participants – were innovative forms of decentralized social dialogue, aimed at the consensual planning of local initiatives for economic growth and employment creation.

Territorial pacts also took the form of the so-called 'area agreements', especially targeted on less developed areas with higher unemployment, primarily but not exclusively in Southern Italy. While intended to mobilize local resources, the area agreements should have targeted greater wage and labour market flexibility as well. However, sharp divisions among trade unions emerged on that sensitive issue.

The record of these forms of decentralized bargaining at the territorial level is less impressive than was originally expected. While several case studies (Bolocan, Pasqui and Perulli 2000; Ballarino et al. 2001; Barbera 2001; Regalia 2003) present success stories, the overall attempt to decentralize tripartism and to broaden its scope has been hampered not just by the divisions among unions, but also by insufficient resources from local institutions. More importantly, employers seem to not have been always fully committed

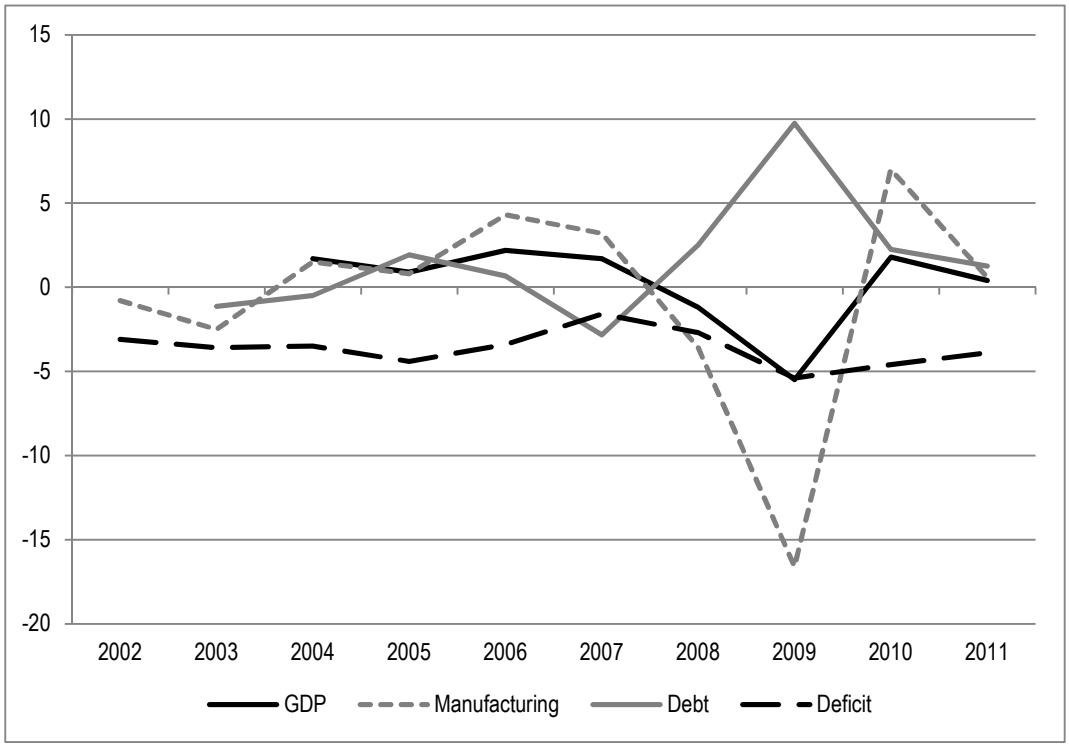
[2] Among these developments were the 2009 agreement on the experimental reform of the bargaining structure, the 2011 pension reform, and the 2012 labour market reform.

as participants and have generally not cooperated actively to ensure success. The main reason is that, in most cases, they have been seen territorial tripartism as yet another level of bargaining.

3. The economic crisis and the labour market

Figure 1 and table 1 illustrate the impact of the economic crisis on some important economic and public finance indicators. In Italy, as in most of the other EU countries, the downturn started in 2008 and was particularly severe in 2009, with a 5.5 per cent drop in gross domestic product (GDP) and a fall in manufacturing output of 16.6 per cent. At the same time, the deficit reached 5.4 per cent of GDP and the government consolidated gross debt rose to 116 per cent of GDP, a jump of almost 10 per cent from the previous year.

Figure 1. The economic crisis: GDP, manufacturing, public deficit and debt (2002–2011, percentage change over previous year, percentage of GDP)



Notes: GDP and manufacturing = percentage change over previous year of gross domestic product at market prices (GDP) and basic prices (manufacturing).
Deficit = surplus/deficit as percentage of GDP – net lending (+)/net borrowing (–) under the Excessive Deficit Procedure (EDP).
Debt = percentage change over previous year of government consolidated gross debt as percentage of GDP.

Source: Eurostat (2012), http://epp.eurostat.ec.europa.eu

In 2010, there was a recovery of both GDP and manufacturing output, a reduction in the public deficit and a slower increase in the gross debt, which topped 120.1 per cent of GDP in 2011. However, this was only a short-lived recovery, since in the second half of 2011, GDP started to fall again by –0.1 per cent (third quarter) and –0.7 per cent (fourth quarter), so that annual growth was limited to +0.4 per cent. In the subsequent year, the drop continued. In 2012, the fall in GDP compared to 2011was 2.5 per cent.

Table 1. The economic crisis in selected EU countries: Public deficit, GDP, manufacturing (2007–2011, percentage of GDP, percentage change over previous year)

	Deficit (percentage of GDP)					GDP (annual percentage change)					Manufacturing (annual percentage change)				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
EU27	–0.9	–2.4	–6.9	–6.5	–4.5	3.2	0.3	–4.3	2.0	1.5	4.0	–2.4	–14.4	7.7	4.9
DE	0.2	–0.1	–3.2	–4.3	–1.0	3.3	1.1	–5.1	3.7	3.0	5.0	–2.8	–22.3	11.3	8.2
ES	1.9	–4.5	–11.2	–9.3	–8.5	3.5	0.9	–3.7	–0.1	0.7	0.3	–2.9	–12.2	0.5	2.4
FR	–2.7	–3.3	–7.5	–7.1	–5.2	2.3	–0.1	–3.1	1.7	1.7	2.3	–4.2	–7.4	3.8	0.8
EL	–6.5	–9.8	–15.6	–10.3	–9.1	3.0	–0.2	–3.3	–3.5	–6.9	–1.3	–12.6	5.8	–5.3	–9.6
IE	0.1	–7.3	–14.0	–31.2	–13.1	5.2	–3.0	–7.0	–0.4	0.7	6.0	–1.1	5.5	12.6	5.2
IT	–1.6	–2.7	–5.4	–4.6	–3.9	1.7	–1.2	–5.5	1.8	0.4	3.2	–3.6	–16.6	7.0	0.6
PT	–3.1	–3.6	–10.2	–9.8	–4.2	2.4	0.0	–2.9	1.4	–1.6	2.7	–1.3	–9.7	2.4	0.3
UK	–2.7	–5.0	–11.5	–10.2	–8.3	3.5	–1.1	–4.4	2.1	0.7	0.8	–2.6	–9.7	3.9	1.3

Source: Eurostat (2012), http://epp.eurostat.ec.europa.eu

With regard to labour market performance, mirroring differences in economic systems, the North of the country shows high labour market participation and employment rates for both men and women, while the South presents a significantly worse picture, especially for women. In recent years, when the Italian unemployment rate reached particularly low levels (with monthly levels around 6 per cent in 2007), unemployment rates in the South and among younger cohorts remained significantly higher (see section 3.1 and table 5). According to monthly labour force data (Istat 2013b), the recent economic downturn pushed the monthly unemployment rate to 8.7 per cent in the first half of 2010 (figure 2). After a decline to around 8 per cent in the first half of 2011, the unemployment rate considerably increased to over 11 per cent in the last half of 2012. Youth unemployment was particularly high, reaching nearly 38 per cent at the end of 2012. From December 2007 to December 2012, there was a substantial drop in employment (–3.2 per cent or –758,000 workers). The decrease affected only male workers (–6 per cent or –841,000 workers), contrasting with female employment which increased (+0.9 per cent or 83,000 workers).

This significant divergence in female and male employment reflects the sharp rise in the number of female workers entering employment in 2010 and 2011 (+267,000 female workers), after a two-year contraction (–86,000 female workers). In 2012, female employment experienced another decline (–98,000 female workers). By contrast, male employment has consistently dropped after December 2007, with a slight slowdown of the tendency in 2010 and 2011 (figure 3).

The most striking aspect is the increase in unemployment to more than 2.9 million workers (+78.8 per cent), as male unemployment has doubled and female unemployment has risen by almost 60 per cent since the end of 2007. This common trend is explained by two different underlying tendencies: while the male labour force has remained substantially unchanged (–0.4 per cent), so that the decrease in employment results in more unemployed men, the female labour force has substantially increased (+5.7 per cent or 582,000 women) and this more than outweighed the rise in the number of employed women (Istat 2013b).

Figure 2. Monthly unemployment rates, 2005 – December 2012

Source: Istat (2013b), http://www.Istat.it/

Figure 3. Male and female employment, 2005–2012 (thousands, monthly data series)

Source: Istat (2013b), http://www.istat.it/

As regards the most recent developments covered in this paper (Istat 2013a, fourth quarter 2012), a number of elements help to clarify the impact the economic crisis and the 2011–2012 reform, in particular the Monti Government's pension reform, has had on the labour market.

Overall, employment declined by 0.6 per cent (148,000 workers) in the last quarter of 2012 compared to the same period in 2011. Female employment increased by 0.5 per cent

(48,000 workers) and male employment diminished by 1.5 per cent (196,000 workers), thereby confirming a divergent trend since the outset of the crisis. In terms of differences across industries, the fourth quarter of 2012 recorded a steady decline in employment in manufacturing compared to the same quarter of 2011(–2.5 per cent or 117,000 workers), whereas services continued the upward trend that started at the end of 2010, although at a slower pace (+0.5 per cent or 76,000 workers). Employment creation occurred mainly in trade, hotels and catering services as well as in collective and personal services. The construction sector remained the most severely affected industry with a drop in employment of 4.6 per cent (81,000 workers) in the fourth quarter of 2012 compared to the same period in 2011; it has been experiencing a continuous decline since the end of 2010. Significant decreases took place in the banking, insurance and public administration sectors. Regarding income-support measures, in the fourth quarter of 2012, some 322,000 workers (1.9 per cent of all employees) who declared reduced working hours were covered by the Wages Guarantee Fund (48 per cent higher than in the fourth quarter of 2011).

The number of full-time workers on open-ended contracts continued to fall (–2.8 per cent or 361,000 workers). The number of part-time workers was significantly higher in the fourth quarter of 2012 than in the same period in 2011 (+7.9 per cent or 293,000 workers); this rise was due almost exclusively to involuntary part-time work, which rose to almost 60 per cent of the total by the last quarter of 2012. The number of fixed-term workers remained stable, but fixed-term part-time positions recorded a steady increase (+7.1 per cent or 46,000 workers).

Labour market participation increased by 1.1 per cent, especially for women (+1.6 per cent) and the elderly (between 55 and 64 years, + 2.7 per cent). The rise for the elderly is probably the most notable short-term effect of Monti's pension reform which raised the retirement age.

According to the data, the economic crisis seems to have had the greatest impact on men employed in the manufacturing and construction sectors. The creation of new jobs, consisting especially of fixed-term and part-time positions, has occurred mainly in the services sector, as mentioned earlier. While women and young people have been taking up most of these jobs, young people are increasingly finding it difficult to enter employment. Such difficulties, in the current unfavourable labour market situation, have somehow been amplified by the postponement of retirement entailed by the recent pension reform.

3.1 Dealing with a dualist labour market and welfare regime

Although the Italian welfare regime follows the traditions of the conservative-corporatist model, some scholars have pointed out that it has some specific features that make it resemble the welfare regimes of other Mediterranean countries such as Greece, Portugal and Spain (Paci, 1987; Ferrera, 1996). Thus, it has been observed that in Italy neither the standard of welfare nor the types of social coverage are homogenous.

Overall, the amount of social spending as a percentage of GDP has been relatively limited in Italy (see table 2) and remains below the European average. This is despite the observed increase in welfare measures between the 1950s and the 1970s, especially concerning pensions and health care. During the 1980s and then the 2000s, social spending expanded substantially, to approach the EU15 average in the early 2000s and practically closed the gap by the end of the decade.

Table 2. Public social expenditure as a percentage of GDP

	1980	1985	1990	1995	2000	2005	2007	2008	2009
Italy	**18.0**	**20.8**	**19.9**	**19.8**	**23.1**	**24.9**	**24.7**	**25.8**	**27.8**
France	20.8	26.0	25.1	29.3	28.6	30.1	29.7	29.8	32.1
Germany	22.1	22.5	21.7	26.6	26.6	27.3	25.1	25.2	27.8
Spain	15.5	17.8	19.9	21.4	20.2	21.1	21.3	22.9	26.0
Sweden	27.1	29.5	30.2	32.0	28.4	29.1	27.3	27.5	29.8
UK	16.5	19.4	16.7	19.9	18.6	20.5	20.4	21.8	24.1
OECD	**15.5**	**17.2**	**17.6**	**19.5**	**18.9**	**19.7**	**19.2**	**19.9**	**22.1**
EU15	**–**	**–**	**–**	**27.4**	**26.8**	**27.6**	**26.8**	**27.6**	**30.4**

Sources: OECD (2012), http://stats.oecd.org/, and Eurostat (2012), http://epp.eurostat.ec.europa.eu/, for data on EU15. While the two series are not strictly comparable, they can be used to provide indications of general levels).

However, the different items of welfare expenditure are characterized by a deep territorial divide. The largest amount is spent on social security (for pensions, unemployment benefits, occupational accidents, maternity leave and sick leave), with more than 60 per cent covering old-age and survivor pensions in 2010 (Eurostat, 2013b). The next largest item is the National Health Service, with more than a quarter of all expenditure going to sickness benefits and health care (Eurostat, 2013b). In both programmes, public resources are sometimes used for private purposes because of a 'double deficit of state authority' (Ferrera, 1996, 2000) – namely, poor institutional control over the distribution of welfare expenditure and over recipients; this is especially true in the South.

This 'state authority deficit' is particularly significant as far as pensions are concerned, not so much in regard to the amount of pensions paid but more in regard to the number of recipients. The welfare regime in the South has been – and, in part, still is – characterized by patronage in the payment of pensions. This has in effect been a hidden means of redistributing income to the population in many Southern regions, as has been the practice of exempting employers from paying social security contributions (Boeri, 2000).

Until the 1980s, the South's social security market (Ferrera, 1984) was mainly based on disability pensions. In 1984, the criteria for receiving these pensions were tightened and the social security market shifted to civilian disability pensions (i.e. the pensions are no longer based on previous employment, thus making it even easier to obtain them). Table 3 shows that most of these welfare pensions are paid in the South. The data on civil disability pensions in particular are revelatory of their heavy concentration in the South.

Table 3. Pensions paid by type and geographic area as percentage of total, 2011

	Old age, seniority, survivors	Occupational illness, accidents	Public welfare (social and civilian disability pensions)
North	56.4	31.0	33.4
Centre	19.0	21.4	20.7
South	24.5	47.6	45.9
Italy	100.0	100.0	100.0

Source: National Institute of Social Security (INPS) (2012a)

Despite this welfarist orientation, Italy's social expenditure can barely provide adequate support to the poorest segments of the population (Boeri, 2000). Eurostat (2005) estimated that in 2003 the risk of poverty did not significantly decrease after social transfer payments (social security and welfare). As shown in table 4, most poor families and poor persons live in the South of Italy.

Table 4. Poor persons (relative poverty) by geographic area, 2010

	North	Centre	South	Italy
Poor persons	1 617 000	1 015 000	5 641 000	8 272 000
Total persons	27 380 000	11 823 000	20 802 000	60 005 000
% poor	5.9	8.6	27.1	13.8

Source: Istat (2011a)

One of the main causes of the unusually high rate of youth unemployment has been the peculiar family regime of the Italian welfare state. Italy is the European country that spends the least on public policies in favour of first-time job seekers and the least generous in providing unemployment benefits. This situation exerts a certain pressure on those who have lost their jobs. They are usually adults who are impelled to find new employment in order to prevent a sharp decline in family income. In contrast, those who are just entering the job market are young people who are still living at home. Since they can often count on their parents' financial support, they have more time to look for a job.

Table 5. Labour market indicators, 2012

	NW*	NE*	Centre	South	Italy	EU27
Activity rate (total, 15–64 age group)	69.9	70.9	67.5	53.0	63.7	71.8
Female activity rate (women aged 15–64 years)	62.0	62.9	58.8	39.3	53.5	65.6
Elderly activity rate (total, 55–64 age group)	42.3	45.4	46.2	39.2	42.6	52.8
Unemployment rate (total, 15–64 age group)	8.1	6.8	9.7	17.4	10.8	10.6

	NW*	NE*	Centre	South	Italy	EU27
Female unemployment rate (women aged 15–64 years)	9.3	7.7	11.1	19.4	12.0	10.6
Youth unemployment rate (total,15–24 age group	28.4	24.1	34.7	46.9	35.3	22.0

Notes: * NW: Northwest Italy, NE: Northeast Italy.
Source: Istat (2013c), Forze lavoro. Media 2012, and Eurostat (2013a)

The South has also traditionally been characterized by the large number of irregular jobs in the main sectors of the economy[3] (excluding public administration): almost four out of 10 workers have an irregular job. This deep-rooted situation is due to various factors: the widespread existence of small family businesses, the high rate of poverty, the lower educational level and lower civic pride (Reyneri 2005).

However, the territorial divide between the South and the Centre-North is not the only type of dualism that affects the Italian labour market. A number of scholars have highlighted the fact that a high job and income security for core workers and their families (the 'insiders') can be contrasted to a relatively high dependence on the market and on residual forms of welfare for the others (the 'outsiders'). Also, trade union strategy has focused heavily on protecting the core membership and tripartite concertation has often tended to operate as an exclusive 'club' in which the outsiders' demands are not represented.

Table 6 provides data on the size of the Italian workforce that can be considered core, in the sense that it enjoys strong protection from market forces. "Strong protection" (i.e. a high level of both job and income security) is provided by law to about 46 per cent of the Italian workforce (the insiders, mostly employees in medium-large companies and in public administration), while about 54 per cent (the outsiders) enjoy far lower security.

Table 6. Workers enjoying strong protection in the labour market, 2010

Total workers	**24,643,100 –**
Irregular and undeclared workers	2,548,600 =
Regular workers	22,094,500 –
Regular self-employed	5,326,400 =
Regular employees	16,768,100 –
Employees on temporary contracts	2,182,000 –
Regular employees of private firms < 15 employees)[a]	3,197,000 =
Workers who enjoy "strong protection"	**11,389,100**

Note: a) Drawn from 2001 census of industry and services.
Sources: Istat (2011b, 2012)

In the 1990s, the OECD considered the Italian labour market one of the most rigid in Europe. In 2004, the OECD revised its estimate because its analysis of the costs of dismissing a worker was based on a serious calculation mistake. Italy is now regarded as one of the countries with intermediate rigidity.

[3] Compared to the Centre-North, there are fewer atypical and temporary jobs in the South.

The last column of table 7 shows the overall EPL (Employment Protection Legislation) index of the main European countries as a synthetic measure of the rigidity of their labour markets. In 2008, Italy had an intermediate level of rigidity as far as the regulation of temporary employment was concerned. This is the only item where Italy shows a reduction in the protection level since the mid-1990s, thereby confirming the partial and selective approach to the deregulation of the labour market the country has pursued since the late 1990s. However, the index remains rather high if one considers the measures regulating collective dismissal. It is in the protection against individual dismissal of workers with regular employment where Italy appears to have the 'more flexible' situation – this is quite interesting, as the flexibilization of individual dismissals has been the issue at the centre of the public debate on labour market reform since the early 2000s.

An examination of the regulation and deregulation trends in the Italian labour market in recent years shows that, over time, interventions regarding dismissals (including the regulation of social shock absorbers and active policy measures) have virtually been non-existent. However, there have been numerous interventions aiming to regulate entrance into the labour market (with increasingly less stringent restrictions) that culminated in the Law of 2003, further expanding the scope of atypical work.

This situation paved the way for attempts at a major labour market reform, first under the Berlusconi Government and then under the Monti Government. These are discussed in section four.

Table 7. Summary indicators of the strictness of employment protection legislation (EPL)

	Regular employment			Temporary employment			Collective dismissals		Overall EPL	
	1995	2005	2008	1995	2005	2008	2000	2008	1995	2008
Denmark	1.63	1.63	1.63	1.38	1.38	1.38	3.88	3.13	1.50	1.50
France	2.34	2.47	2.47	3.63	3.63	3.63	2.13	2.13	2.98	3.05
Germany	2.68	3.00	3.00	3.5	1.25	1.25	3.75	3.75	3.09	2.12
Ireland	1.60	1.60	1.60	0.25	0.63	0.63	2.38	2.38	0.93	1.11
Italy	**1.77**	**1.77**	**1.77**	**5.38**	**1.88**	**2.00**	**4.88**	**4.88**	**3.57**	**1.89**
Netherlands	3.08	3.05	2.72	2.38	1.19	1.19	3.00	3.00	2.73	1.95
Portugal	4.33	4.17	4.17	3.38	2.75	2.13	2.88	1.88	3.85	3.15
Spain	2.77	2.46	2.46	3.25	3.50	3.05	3.13	3.13	3.01	2.98
Sweden	2.86	2.86	2.86	2.08	1.63	0.88	3.75	3.75	2.47	1.87
UK	0.17	0.17	0.17	0.25	0.25	0.25	2.88	2.88	0.60	0.75
OECD	**–**	**2.12**	**2.11**	**–**	**1.78**	**1.77**	**2.98**	**2.96**	**–**	**1.94**

Source: OECD (2012), http://stats.oecd.org/

4. Policy measures and social concertation

Italy's responses to the economic crisis included the following:

- utilization and strengthening of traditional tools, of which the Cassa Integrazione Guadagni (Wage Guarantee Fund) is the prime example;
- efforts at introducing support measures for firms as well as the financial sector (notably in the first phase of the financial crisis, i.e. 2008-2010) with a view to

reducing the impact of the credit crunch, especially on SMEs, and to cushion the effects of bad credits on the banks' financial structure;

- implementation of significant cost-cutting measures affecting public sector employment; and
- the latest broad ranging reforms of the pension system and the labour market.

The social partners participated widely in the debate on the economic and social measures to be introduced and they were crucial players in regard to some of the most important tools addressing the recession (for instance, the Wage Guarantee Fund and restructuring processes at company level). However, social concertation could not produce any specific and clear-cut contribution to the solution of the problem. This was mainly due to the political climate and the divisions between the major trade unions, particularly in the metalworking sector and within the Fiat group, and their disagreements with succeeding Governments, especially during Berlusconi's term.

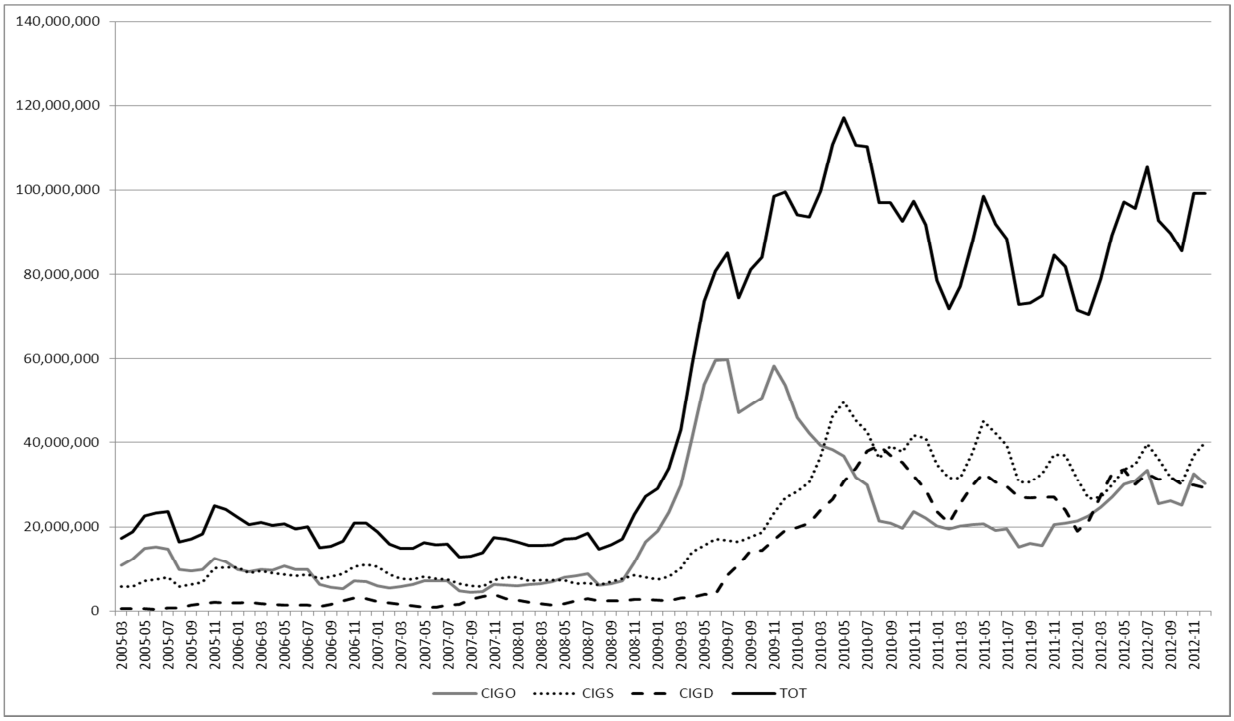
4.1 The Wage Guarantee Fund

When the economic downturn started in 2008, the Wage Guarantee Fund confirmed its central role in cushioning the social impacts of the recession. Of particular importance was the integration into standard schemes of funds such as the Cassa Integrazione Guadagni in deroga (Exceptional Wage Guarantee Fund) for firms (SMEs) and types of employees (atypical workers) not covered by the ordinary and special Wage Guarantee Funds (Cassa Integrazione Guadagni Ordinaria, CIGO, and Cassa Integrazioni Guadagni Straordinaria, CIGS). This system was designed in late 2008 and implemented at the regional level as a result of a pact between the Government and the regional administrations. Signed in February 2009, the pact made it possible to use the EU funds to jointly support the income of workers employed by companies hit by the economic recession and to enrol them in training and requalification programmes. The involvement of social partners at the regional level was central to this scheme, because its implementation had to be defined through tripartite regional agreements and the activation of the Exceptional Wage Guarantee Fund required a specific company-level agreement.

In 2009, almost 1 billion hours of Wage Guarantee Fund were authorized (576 million CIGO hours and 337 million CIGS hours, the latter including the utilization of the Exceptional Fund), 301 per cent higher than in 2008. In 2010, there was a further overall rise of 31 per cent to 1.2 billion hours authorized, with a shift from CIGO (which in 2010 accounted for less than 30 per cent of the total) towards CIGS, which involves the start of a restructuring process. In 2011, authorized hours fell by 19 per cent but remained above the 2009 level, with a further drop in the share of CIGO to less than 25 per cent. In 2012, the total rose again to above 1 billion hours and the use of CIGO slightly increased to almost one third of the authorized hours.

The actual utilization rate of the hours of Wage Guarantee Fund authorized in 2009 reached almost 65 per cent in August 2011, thereby involving the effective suspension of the employment relationship (INPS 2011). Up to October 2012, some 52 per cent of the hours authorized in 2010 and 54 per cent of those authorized in 2011 were actually used by firms (INPS 2012b).

Figure 4. Wage Guarantee Fund, number of authorized hours, 2005–2012, 3-month moving average



Notes: CIGO = Ordinary Wage Guarantee Fund; CIGS = Special Wage Guarantee Fund; CIGD = Exceptional Wage Guarantee Fund.
Source: INPS (2012c)

4.2 Other measures, wage freeze and suspension of collective bargaining in public administrations, and broad-range reforms

In the early phase of the crisis, a number of measures to support companies were introduced. These included new provisions to ensure that public administrations pay their suppliers faster (these basically failed and were reinforced in May 2012 by special decrees to establish new rules and procedures to ensure that firms are paid on time by the public sector); exclusion from the tax base of investments; and implementation of fiscal incentives for banks and financial firms.

Severely hit by the economic crunch, SMEs have also benefited from special schemes to ease their situation. An agreement was reached in February 2012 between the Government, ABI (the banking sector employer association), Confindustria, Rete Imprese Italia and other employer organizations, with a view to establishing favourable credit conditions for SMEs with a good credit record.

An important element in the interventions aimed at limiting public expenses was a set of measures to control the personnel costs of public administrations (Aran 2011). Decree No. 78 of 31 May 2010, in consideration of the "extraordinary necessity and urgency to enact provisions for the limitation of public expenditure" introduced a number of measures affecting public employment as well as collective bargaining in the public sector.

First, a wage freeze was introduced to block individual wages at the 2010 level from 2011 until the end of 2013. The wage freeze can be extended to 2014 in accordance with Decree No. 98/2011. Second, a wage cut of 5 per cent for salaries above 90,000 euros and 10 per cent for those above 150,000 euros was established for the 2011-2013 period (but the Constitutional Court declared this intervention illegitimate in late 2012, ruling 223/2012). Third, a suspension of collective bargaining for 2010-2012 was imposed. Finally, public administrations are allowed to replace the outgoing workforce only by

recruiting one person for every five workers leaving during the 2011-2013 period; again, this period can be extended to the end of 2014.

Legislative developments in 2011 were marked by several interventions with a two-fold objective: to reduce the public deficit, through both cuts in public expenses and higher taxes, and to promote economic growth. The Berlusconi Government passed four pieces of legislation in these fields, whereas the Monti Government introduced in December 2011 further economic measures, including a substantial reform of retirement benefits and rules.

In May 2011, the Berlusconi Government issued a Decree that included the "first urgent measures for the economy". The Decree finally approved in early July 2011 includes economic incentives for employment creation in the South (Law No. 106 of 12 July 2011).

Also in July 2011, a Decree on "urgent measures for financial stabilization" was enacted and approved by Parliament (Law No. 111 of 15 July 2011). The law seeks a complete reduction of the public deficit over four years and the achievement of a balanced budget in 2014. These measures consist of an intervention on pensions, with the reduction of automatic inflation-related pension; an increase in the retirement age starting from 2013 to take into consideration the growth in life expectancy; a postponement of retirement; and a temporary tax on obligatory pensions above 90,000 euros (5 per cent) and 150,000 euros (10 per cent) (as the measure regarding wages, the Constitutional Court declared this provision illegitimate in 2013, ruling 116/2013).

In August 2011, a third Decree was issued with "further urgent measures for financial stabilization and economic growth". Parliament passed the law in September (Law No. 148 of 14 September 2011). The main measure with an impact on industrial relations makes it possible to derogate from industry-wide agreements and legislation through decentralized bargaining at company and local level (described by the new legislation as 'proximity bargaining').

Law No. 148 also provides that decentralized agreements are generally binding if they are signed by the most representative trade unions at national level or territorial level in the case of territorial agreements, and by representative structures at company level for company deals, and provided that the signatories represent the majority of workers in the relevant bargaining unit. This provision is important because it sets out rules for the *erga omnes* extension of second-level agreements whenever there are dissensions among trade unions and in the case of the so-called 'separate' agreements (agreements not signed by the three major confederations or their affiliates).

The social partners expressed mixed positions on the measure, with CGIL being the most critical. In general, there was a common acceptance of the priority of the role of social partners in defining the rules of collective bargaining, but Confindustria, CISL and UIL found that the new rules did not substantially differ from the 28 June 2011 intersectoral agreement. CISL invited CGIL and UIL to agree that they would not use the derogations in matters involving individual dismissals, which make up one of the most controversial issues that may be covered by derogatory deals.

Finally, the 2012 Stability Law (Law No. 183 of 12 November 2011), the last act of the Berlusconi Government, introduced new measures for the promotion of youth employment in micro firms. These included a three-year full exemption from social contributions for apprentices who started working in the period 2012-2013 and a public subsidy for the required training; female employment through labour-entry contracts (contratti di inserimento), in areas where women have a particularly difficult position on the labour market; and part-time and telework, especially for women workers involved in collective dismissals (mobilità) and for disabled workers.

The Monti Government issued the so-called "Save Italy Decree" in early December 2011. Passing into law within the same month (Law No. 214 of 22 December 2011), it covers "urgent provisions for economic growth, equality and the consolidation of public

finance". It anticipates the achievement of a balanced budget by 2013 through the early introduction and strengthening of a number of measures. These include a new municipal tax on real estate property (Imposta Municipale Propria, IMU), a hike in the value added tax (VAT) by two percentage points and a cut in public expenditure. The law also includes measures to support economic growth and employment creation such as tax and economic incentives for hiring women and young people (up to 35 years of age) on open-ended contracts. Moreover, it provides for a significant revision of the rules on retirement and the calculation of pension benefits, with the postponement of retirement and a shift to defined-contribution schemes for all workers, on a pro-rata basis, starting from 1 January 2012.

The Government, under economic and financial pressure, drew up the Decree, and particularly the major reform of the pension system, unilaterally. Furthermore, it disclosed its content to the social partners at a general meeting only a day before its enactment.

The trade unions were particularly critical of both the method of promulgation and the content of the Decree. They opposed the interventions on pensions, which basically amounted to a significant increase in the actual retirement age, and the abolition of seniority pensions, which would be replaced by 'anticipated' retirement with a parallel penalization of the pension check.

The three major trade union confederations called for a three-hour strike against the Decree. However, it was quite clear that the economic and financial situation did not allow substantial changes to be made and that negotiations were possible only on specific issues.

Slight adjustments were in fact made to correct some aspects of the reform during the parliamentary debate, at the Government's initiative, to take into consideration some of the social partners' remarks. There was also the thorny question of workers involved in collective dismissals. Under the old rules, the duration of the 'mobility allowance', which is granted in case of collective dismissals, would have covered the period until they achieve their pension entitlement. However, the postponement of retirement age excluded this 'soft' transition to retirement and would mean they would find themselves in unemployment just a few years before retirement. Since shielding these workers (commonly known as '*esodati*' in the Italian debate) would require substantial economic resources, negotiations were launched which eventually resulted in the protection of some 65,000 workers under the pre-reform rules. However, this was not considered a proper agreement and the trade unions were critical of an outcome which they regarded as not entirely satisfactory, as it left many other people unprotected. Interestingly, after the meeting with the Minister of Labour and Social Policies on 9 May 2012, the Secretaries-General of CGIL, CISL and UIL wrote a joint letter to parliamentary groups to request an urgent meeting to address the issue.

After the debate on pensions, the reform of the labour market became the main concern on the policy agenda. The public debate rapidly focused on the most controversial issue, namely the reform of the rules on individual dismissals, particularly those covering the reinstatement of workers as provided for in Article 18 of the Workers' Statute. This issue had already triggered social conflict ten years earlier. The reform programme that finally came out under the Monti Government in 2012 slightly eased the firing restrictions imposed on medium-sized and large firms and made temporary hiring (i.e. the use of non-standard or atypical employment contracts) more costly. It also partially redesigned the system of income-support measures for the unemployed.

In general, the reform has been presented as a means to providing a more balanced regulatory framework in a highly fragmented labour market where non-standard employment contracts have significantly increased in recent years. Protection against dismissal under the Workers' Statute is accorded only to firms with more than 15 workers. These firms cannot get rid of employees even in a downturn without risking legal proceedings that can last years. If a judge then decides that an employee has been fired unjustly, it can force the company to reinstate him and pay him his lost earnings. This has been described as a colossal deterrent to hiring when times are good and explains why a

large number of Italy's youth are unemployed (*The Economist*, 24 March 2012). Employees working in smaller firms do not receive this protection and a very large number of them have been forced to work unprotected under atypical contracts.

The shift proposed under the Monti Government from the reinstatement of dismissed workers to the payment of compensation without prospects of regaining one's job and efforts to limit the abuse of atypical employment contracts was meant to reduce differences in protection levels within the labour market. The resulting numerical flexibility in the market and the reduction of the costs of firing were also expected to support job creation and boost Italy's chronically low employment rate. Finally, the introduction of a less fragmented and more universally applicable system of unemployment benefits would lessen the divide between the over-protected older workers and the millions of young people on temporary jobs with less labour rights.

There have been criticisms of both the empirical basis and the theoretical grounds for the reform of the rules on individual dismissals. On the one hand, the practical relevance of the reinstatement rules as well as the supposed rigidity of the Italian labour market have been questioned. On the other, the causal link between numerical flexibility and employment creation does not appear to be clearly supported by the effects of more than 15 years of labour market deregulation (OECD 2006a, 2006b, 2006c).

During the first phase of the discussions on the labour reform, the Government staged broad consultations with the social partners. However, because it was difficult to arrive at a consensus, the Government declared itself ready to proceed unilaterally and eventually presented a bill without the social partners' agreement.

Both unions and employers were dissatisfied with the bill, although for different reasons. The trade unions thought that the changes in the rules on individual dismissals reduced the protection of workers excessively, but they agreed with the objectives of the measures on non-standard contracts and unemployment benefits. The employers' associations regarded the increased constraints on, and the costs of, atypical work as detrimental to economic activities and the intervention on individual dismissals as too limited and complex.

Again, the search for consensus moved to Parliament and notably to the Senate's Labour Commission. Here two rapporteurs – a bipartisan pair – worked to find solutions that could be acceptable to both the widest possible coalition of political parties and the social partners.

Eventually, the reform passed with a 'confidence vote' (which requires the Government to resign if Parliament fails to pass the bill) at the end of June 2012, just before the EU Council meeting of 28-29 June 2012, but it was agreed that some aspects of the new rules would be modified in the following weeks. Confindustria was particularly critical of the reform because it believed it did not change the conditions for individual dismissals while at the same time increasing the costs of flexible work contracts and reducing the scope for using them.

The main changes introduced by the latest labour market reform law (Law No. 92 of 28 June 2012) are detailed in box 1.

Box 1. Main changes brought about by the labour market reform of 2012

Individual dismissals. The changes in the rules on individual dismissals reduce the scope for reinstatement when workers with open-ended contracts are fired illegitimately. While Art. 18 of the Workers' Statute (Law No. 300 of 20 May 1970) established the reinstatement of the worker as the general sanction for illegitimate individual dismissals, the new rules confirm the mandatory nature of reinstatement only for discriminatory dismissals, since the individual dismissal would be void in that case.

For illegitimate disciplinary dismissals, reinstatement is possible only in circumstances specifically identified by collective agreements, while economic dismissals (that is, arising from the firm's economic situation) can be sanctioned with reinstatement only when the motivation put forward by the employer lacks any grounds.

In all other cases, the reform provides for an economic sanction equivalent to an amount ranging between six and 24 monthly wages, depending on the severity of the violation as well as the situation of both the worker and the firm.

Flexible work contracts. The law increases the costs of flexible work contracts for employers and makes abuse – or substitution between flexible and open-ended contracts – less likely. Among the changes bringing these about are the following:

- The social contributions paid on fixed-term employment and temporary agency work have been raised by 1.4 per cent to fund the new Social Insurance for Employment (see below). In the case of temporary agency work, the increase is balanced by a proportional cut in the mandatory contribution to the sectoral training fund, from 4 per cent to 2.6 per cent
- The waiting period before employers and workers can renew a fixed-term contract has been extended to 60 days, or 90 days if the previous contract lasted six months or more.
- Autonomous work is normally regarded as subordinate employment if the contract with an employer has at least two of the following features: 1) it lasts more than eight months; 2) it represents 80 per cent or more of the worker's yearly income; 3) the worker has a fixed workstation at the employer's premises.
- Freelance work can be performed only for specific and well-identified projects; measures have been taken in order to prevent the use of freelance workers to carry out all of a firm's activities. Freelance staff must complement a permanent workforce and cannot make up the bulk of the workforce for ordinary activities.
- Pension contributions for freelance work have been raised to bring them in line with or closer to those required for subordinate employment.
- Trainees must be given adequate compensation.

The system of 'social shock-absorbers' (ammortizzatori sociali). The Assicurazione Sociale per l'Impiego (Social Insurance for Employment, ASPI) replaces the previous unemployment benefit system (except for the agriculture sector, which continues under the old system) and the so-called 'mobility allowance' for workers involved in collective redundancies. ASPI entered into force on 1 January 2013. Its unemployment benefit will last for 12 years for workers below 55 years and 18 months for those aged 55 years and more.

A major modification to the Wage Guarantee Fund is the phasing out of the exceptional Wage Guarantee Fund introduced in 2009 to face the economic crisis. The exceptional fund will be replaced by a system of bilateral 'solidarity' funds to be established by collective agreements, including at cross-sectoral level, in order to provide adequate support for workers employed in sectors that are not covered by the Wage Guarantee Fund.

As mentioned above, a number of adjustments to the reform law have already been implemented, especially with a view to reducing constraints on the use of flexible work. The amendments include shorter pauses between subsequent fixed-term contracts, less stringent rules on the presumption of subordinate employment in the case of autonomous work contracts, and a longer phasing in of the higher pension contributions for freelance work. A more substantial intervention has been introduced in the summer of 2013 by the Letta Government (the so-called "Labour Decree"). While the political agreement over these modifications has taken into consideration the remarks and criticisms put forward by the social partners, it was not discussed within a social dialogue framework.

5. Bipartite social dialogue and collective bargaining

5.1 The decentralization of the bargaining structure

The decentralisation of the bargaining structure has been at the centre of the debate since the conclusion of the 1993 tripartite agreement. It became prominent in the early 2000s, when it represented a crucial goal for employers to increase flexibility and competitiveness. For unions, it was a way to achieve wage growth through gain sharing during a time when wage restraint was the distinctive feature of sectoral bargaining. Significant differences among the trade unions emerged around this issue. CISL was more in favour of decentralisation, while CGIL was more cautious about it.

The debate over the possible transformation of the Italian collective bargaining system was triggered in 2010 by case involving Fiat. It is important to stress that the conflict mainly occurred among the trade unions on the position to be taken over the implementation of Fiat's five-year industrial plan presented in April 2010.

In particular, part of the Fiat Group Automobiles' (FGA) plan for 2010-2014 was 'Fabbrica Italia' (Factory Italy), which called for a thorough reorganization and relaunch of Italian production sites to recover productivity and confirm Italian plants as the core of FGA. Substantial investments were announced to support an increase of production levels to 1.65 million passenger cars and light commercial vehicles in 2014 (roughly double the 2009 output), mostly intended for export markets. However, requests for work flexibility were put forward by the company management, notably full plant utilization (18 shifts per week) and the containment of overhead and labour costs. In the absence of an agreement with the unions, Fiat threatened to shift production to foreign sites, such as those in Turkey and Serbia.

Negotiations over the implementation of the industrial plan started at the Pomigliano plant near Naples. FIOM-CGIL openly criticized the measures proposed by the company management, especially those aiming to introduce a no-strike clause and reduce absenteeism, on the grounds that the company was restricting individual rights. FIOM-CGIL did not sign the agreement and campaigned against it in an employee referendum on the draft deal. The agreement passed with the support of some 65 per cent of the votes cast.

However, since the effectiveness of the agreement was uncertain (because of the split among the unions and the fact that FIOM-CGIL had not signed the 2009 metalworking industry-wide agreement), Fiat decided in the autumn of 2010 to develop a different strategy: establish new companies for each of its Italian plants, which would not join employer associations and would sign new first-level collective agreements to regulate employment outside the traditional framework of the metalworking sectoral agreement. If FIOM-CGIL failed to sign the agreement with Fiat, following Italian laws on union representation, it would not have the right to set up workplace representation structures in the new companies.

The new strategy was first applied in the negotiations on the Turin Mirafiori plant, and was immediately extended to Pomigliano, where a first-level agreement was signed at the end of December. FIOM maintained its strong criticism of the content and nature of these new agreements, so that conflict continued both among trade unions and with Fiat.

A significant element of the redefinition of Fiat's industrial relations strategy through the Pomigliano and Mirafiori agreements has been the restoration of workplace representation based on Plant-level Union Structures (Rappresentanze sindacali aziendali, RSAs). With Fiat's exit from employer organizations and the termination of all existing collective agreements, its new company bargaining system would start from scratch.

In late September 2011, Fiat publicly announced its decision to leave Confindustria. This was a consequential decision to take after it signed the Pomigliano and Mirafiori agreements, effectively abandoning the metalworking industry-wide agreement in favour of first-level company bargaining. Fiat's objective was to attain full control of its plants to increase productivity and production quality and to match the standards set by its international competitors. Eventually this objective resulted in the creation of a separate regulatory framework confining workplace trade union representation to the employee organizations signing the relevant agreements.

The legislation stipulates that only organizations that are signatories to agreements applied in a specific workplace can set up a plant-level union structure. As a result, FIOM, which did not agree with the deals signed in Fiat's plants nor with the new group-level agreement reached in December 2011, is not entitled to set up a workplace trade union structure and benefit from the attached promotional measures to support workplace trade union activity. So far, one labour court has ruled this exclusion as an anti-union practice. The Workers' Statute's rules have been referred to the Constitutional Court in order to assess their legitimacy (in July 2013, the Constitutional Court ruled that they are unconstitutional).[4]

The move to abandon the traditional framework of employer associations and industry-wide bargaining was seen by many as a weakening of the Italian bargaining system. Despite the intensive debate on this issue, including within the business community, there appeared to be no significant spill-over or copy-cat effects at the time of writing this report. However, it could effectively contribute to the weakening of traditional multi-employer representation and bargaining systems and to increased pressures towards decentralization of collective bargaining.

5.2 The 28 June 2011 intersectoral agreement and Article 8

As regards the rules on industrial relations, there were two important developments in 2011. First, Confindustria, CGIL, CISL and UIL signed an intersectoral agreement on representativeness and the criteria for making company-level bargaining binding on all organizations belonging to the signatory parties. Second, the measures introduced to redress the public budget and promote economic growth finally passed by Parliament in early September 2011 made it possible for decentralized bargaining to derogate from collective agreements and legislation in various fields and defined the criteria for their erga omnes effectiveness. Some details on these two important innovations are provided below.

The intersectoral agreement reached on 28 June 2011 and signed on 21 September 2011 by Confindustria, CGIL, CISL and UIL establishes that, for participation in industry-wide bargaining, trade union representativeness is to be assessed according to the number of check-offs[5] for membership dues certified by INPS, the National Institute of Social Security, and to the number of votes cast in the elections for Unitary Workplace Trade Union Structures or RSUs, which are held every three years. Trade unions with a representativeness of at least 5 per cent, calculated as the average of the percentages of certified members and votes cast in the periodic elections for RSUs have access to sectoral collective bargaining. On decentralized bargaining, the agreement provides that company-level agreements on economic and normative elements, including derogations from industry-wide agreements, are valid for all relevant employees. They bind all the signatory parties active in the firm if they are approved by the majority of the RSU representatives or by the Plant-level Union Structure**s** (RSAs) of the trade unions which, individually or jointly, have the majority of members within the company.

[4] Ruling 231/2013

[5] System of collecting trade union dues regulated by Article 26 of the Workers' Statute, whereby the employer makes a deduction directly from the pay of employees who wish to pay these dues, and then passes the money to the trade union in question.

The measures introduced in August 2011 by the Government to ensure public finance stability and promote economic growth included some significant provisions on decentralized bargaining (Art. 8 of decree-law 138 of 13 August 2011). According to the text passed by Parliament in early September, decentralized bargaining (or proximity bargaining, the term used in the decree) at company and territorial levels can lead to agreements aimed to increase employment, improve the quality of employment contracts, introduce worker participation, increase competitiveness and wages, manage company restructuring and employment reorganization, and promote investments and start-ups. As can therefore be expected, such agreements can cover a number of topics, including workers' tasks, job classification, employment contracts, working time, recruitment and the consequences of individual dismissals (except discriminatory dismissals). They can also derogate from both legislation and industry-wide deals within the limits set by the Italian Constitution, EU rules and international labour conventions. Such agreements are valid and binding for all relevant employees signed by the most representative trade unions – at national or territorial level for territorial agreements or at company-level for company deals. The signatories must meet the majority criteria set by the relevant bargaining unit.

The intersectoral agreement of June 2011 shows the capacity of the major Italian industrial relations actors to cope with the challenges of decentralized bargaining. It also shows their ability to try to close the divisions which have marked industrial relations in recent years, a division that was particularly apparent among the trade unions when CGIL refused to sign the January 2009 agreement on the reform of the collective bargaining system.

However, some of those interviewed for the purposes of this paper believe that the Fiat shift to a separate industrial relations system was crucial to making the 28 June 2011 intersectoral agreement possible. Indeed, the agreement is generally considered highly relevant from the substantive point of view (for introducing rules on representativeness and highlighting the effectiveness of decentralized bargaining) as well as from the perspective of narrowing the divisions between trade unions and revitalizing intersectoral and tripartite bargaining. The strengthening of decentralized bargaining is generally considered a necessary step to making the regulatory framework more adaptable to local conditions, in a way that can contribute to mutual gains and economic growth.

From a more technical point of view, it has been noted that the 28 June 2012 agreement and Article 8 of Decree No. 138 of 13 August 2011 pursue two different paths to decentralization. While the former introduces derogations from sectoral provisions within a centrally coordinated framework, the latter opens the way to 'dis-organized' decentralization which can also include deviations from legal provisions, to the point that the unitary labour protection system may be affected. It has also been said that, if this proves to be true, Article 8 may produce positive effects in terms of strengthening the effectiveness of decentralized bargaining (and therefore possibly provide an incentive to develop this negotiation level).

5.3 The Pact on Productivity of November 2012

In September 2012, the social partners started consultations on a pact on productivity to deal with low productivity, a long-standing problem in the Italian economy The major Italian employers' associations [6] had marked a significant step in the discussion by unveiling a set of proposals in early August 2012. Besides providing a number of indications on decisions to be made at the EU level, the Italian employers emphasized the need for sound public finances (to be achieved also through an effective fight against tax evasion), the need to reform the role of the State in the economy and in the welfare system, and the importance of fostering innovation and productivity through business-friendly reforms and investments in infrastructure.

[6] Confindustria, Rete Imprese Italia, Alleanza delle Cooperative, ABI and ANIA.

The Government was not directly involved in the negotiations on the Pact on Productivity but, on many occasions, it urged the social partners to act with a view to supporting the recovery of the Italian economy. In early September 2012, the Government held two separate meetings with employers and trade unions to "discuss the contribution of social partners to the improvement of the productivity and competitiveness of the Italian production system" (Italian Government, 2012a) in the light of the employers' proposals. According to Prime Minister Mario Monti, the social partners had to address the issue of labour productivity. He said they should do this through measures such as the implementation and further strengthening of second-level bargaining and the reinforcement of the links between wages and productivity. He also urged the implementation of the 28 June 2011 intersectoral agreement, with a view to improving productivity levels, increasing competitiveness and attracting investments to Italy.

After two months of talks, agreement was reached on a text proposed by the employers on "Guidelines to increase productivity and competitiveness in Italy". The document was signed on 21 November 2012 by the social partners during a meeting with the Government. The signatories on the employers' side were Confindustria, Rete Imprese Italia, Alleanza delle Cooperative Italiane, ABI and ANIA; CISL, UIL and UGL (General Labour Union) signed for the trade unions. CGIL did not join the pact.

The pact underlines the importance of collective bargaining to sustain the growth of productivity and competitiveness in Italy and to balance the interests of firms and workers. It therefore urges the Government and Parliament to introduce structural measures to grant 'productivity wages' as well as a number of incentives in the form of fiscal and social contribution reductions.

As far as the collective bargaining structure is concerned, the agreement assigns to industry-wide collective bargaining the guarantee of homogeneous economic and normative conditions for all workers throughout the country. Second-level bargaining should operate to increase productivity through better utilization of the factors of production and the improvement of work organization, and by linking wage increases to such developments. The parties also recognized the need to support decentralized bargaining to introduce rules and conditions which better suit specific production contexts, including by derogating from sectoral agreements.

Some of the pact's provisions are detailed in box 2.

Box 2. Some provisions of the Pact on Productivity of November 2012

Collective bargaining structure. Sectoral agreements shall guarantee homogenous economic and normative conditions for all industry workers and introduce clear devolution clauses to second-level bargaining on topics which can enhance productivity, such as employment contracts, working time and work organization. Moreover, industry agreements "must ensure that the dynamic of economic effects, as defined according to the existing principles, is coherent with the general trends in the economy, the labour market, international competition and with specific sectoral developments."

Productivity wages. Industry-wide agreements can provide that a share of the agreed wage increases is set aside for productivity deals at decentralized level, so that workers can also benefit from the tax and social contribution incentives provided by national legislation. For workers not covered by second-level bargaining, the full amount of the wage increases will remain part of the sectoral basic wage.

Productivity bargaining. Industry-wide agreements shall assign to second-level bargaining full autonomy on: task equivalence and the integration of competencies, in order to allow the adoption of organizational arrangements which promote technological innovation and professional skills and foster firm productivity and competitiveness; the definition of working time systems, including flexible arrangements which take into consideration investments, technological innovation, and market fluctuations, in order to ensure the full utilization of production equipment; and the utilization of new information and communication technologies with a view to making them compatible with the protection of the worker's fundamental rights, such as privacy and dignity.

Representativeness. The pact makes a commitment to introduce as soon as possible rules on the representativeness of social partners at sectoral level, the establishment of plant-level trade union representation structures, and the effectiveness of decentralized deals, as envisaged by the 28 June 2011 intersectoral

Agreement (such operational rules were eventually introduced for Confindustria, CGIL, CISL and UIL by an interconfederal agreement signed on 31 May 2013).

Other issues. The pact requests the Government to start talks on worker participation and information and consultation rights, as envisaged by the 2012 labour market reform. It also demands the reorganization of the vocational training system. The objective is to enhance the role of the joint intersectoral funds for vocational training and to introduce a better focus on the requalification and training of workers affected by company crisis and reorganization processes, including workers covered by the Wages Guarantee Fund. Other requests concern the assessment of the effects of the 2012 labour market reform as well as the identification of measures to ease the transition of older workers from work to retirement.

Welcoming the agreement, the Government declared that it created "the conditions for confirming the resources destined to reduce the tax wedge on productivity wages", with a view to supporting second-level bargaining, better wages and productivity (Italian Government 2012b). In particular, the Government made available 2.15 billion euros to cover tax reductions over the 2013-2014 period.

The tax incentives were eventually defined by Law No. 228 of 24 December 2012 (the 2013 Stability Law) and the criteria for their implementation were defined in January 2013, in accordance with the requests specified in the November 2012 pact. Among the incentives is the replacement of the ordinary income tax by a flat-rate levy of 10 per cent for employees in the private sector with a subordinate work income of up to 40,000 euros (i.e. workers who agree to flexible shifts and other working terms that can help boost the firm's productivity) as well as for those earning annual productivity-related bonuses of up to 2,500 euros. This system confirmed – although with different thresholds – the application of the incentives that were originally introduced in 2008.

The General Secretary of CISL, Raffaele Bonanni, expressed CISL's satisfaction with an agreement that he believed indicated the only direction to take to achieve wage increases, especially during the current economic crisis. According to Mr Bonanni, collective bargaining should focus on the company level, where value was produced and where productivity gains took place. He believed that increased productivity was the requisite for strengthening both the firm and employee wages.

In contrast, the General Secretary of CGIL, Susanna Camusso, criticized the agreement on the grounds that it would weaken workers' wages by emphasizing second-level bargaining involving only a minority of employees (some 30 per cent according to CGIL). In particular, CGIL maintained that using a share of the industry-wide increases meant to preserve purchasing power to feed into company-level collective bargaining would in fact reduce the scope for a proper link with productivity and diminish the additional benefits which could be gained at decentralized level. These benefits would thus be limited to a mere tax benefit instead of additional resources. More generally, Ms Camusso believed that by concentrating on labour, the agreement implied in practice that productivity gains could be achieved only by making concessions on wages and working conditions.

The potentially imbalanced impact of the agreement benefiting only a minority covered by decentralized bargaining through tax incentives rather than by true productivity gains, and the lack of clarity regarding the actual ways to achieve such gains, rendered the text of the agreement vulnerable to criticism by industrial relations experts (Bordogna 2012, Leoni 2012, Antonioli and Pini 2013).

6. Conclusions

The international economic crisis has put both the political and the industrial relations systems in Italy under severe pressure. International markets have played a determinant role in the sovereign debt crisis, as have policies aimed to attain financial stability and restore economic growth, as well as the industrial relations strategies adopted by some companies.

Early responses followed rather traditional paths, such as relying on the Exceptional Wage Guarantee Fund. The results obtained in the first phase of the crisis. can be considered satisfactory in terms of preserving employment; they also indicated an ability to address problems through social concertation and industrial relations at territorial level. These can be interpreted as a confirmation not only of the traditional strength of the social partners at local level, but also of the success of experiments with new processes and instruments calling for the significant involvement of SMEs and the combination of passive and active labour policies. These experiments may constitute fertile ground for further developments. Indeed, the role of joint bilateral bodies and funds – at both territorial and sectoral levels – in supplementing the protections granted by public schemes is becoming an important item on the social partners' agenda.

However, the exceptional scheme of the Wage Guarantee Fund could only be a short-term response, as the employment trend worsened in the second phase of the crisis. During a time of persistent economic difficulties in Europe and a global slowdown of growth, the measures put forward by the Government and the new agreements between the social partners were not enough to foster a domestic recovery.

As for bargaining structures, the country's economic problems proved to be a major obstacle to the push towards decentralization. In the past, economic recessions and macroeconomic difficulties tended to increase the importance of central bargaining, whereas growth periods fostered company-level bargaining. This was so because collective bargaining in periods of economic slump concerned income policies and macroeconomic management at the central level. In more prosperous periods company agreements were essentially ameliorative and enabled workers to share or claim productivity gains when the economy prospered.

Today, decentralized bargaining remains important. However, for employers, it becomes valuable to the extent that it allows restructuring and derogations from industry-wide agreements, both of which aim to ensure more flexibility and adaptability and which may occasionally entail higher compensation for workers (as in the Fiat's case). The economic recession has probably reinforced this trend, which had already begun to emerge in the last decade.

Now, both collective bargaining and legislation provide much broader scope for derogations than before the crisis. The June 2011 and November 2012 intersectoral agreements have gone in this direction. The latter was meant to provide a framework for the whole economy, but CGIL's failure to sign the final deal is likely to make implementation of the agreement problematic. Article 8 of Decree No. 138/2011 certainly provides substantial leeway for derogations, and there are indications that decentralized collective bargaining is making cautious use of its provisions, at least so far (Imberti 2012).

It remains to be seen how this shift in the level and nature of collective bargaining will change the relationship between company and sectoral agreements, and whether it will open up some scope for the institutionalization of participatory practices at decentralized level. The introduction in the labour market reform of a provision envisaging the promotion of participation and involvement at company level may facilitate the emergence of cooperative solutions, although no actual steps have been taken in this direction.

Social concertation, in the traditional meaning of reaching economy-wide tripartite social pacts, has not played a major role in the recent responses to the recession in Italy. This was partly due to the attitude of successive governments, which did not attach great importance to inclusive negotiations and broad agreements. Enacting urgent measures aimed at reassuring international financial markets had a priority over the pursuit of consensus among social partners. Moreover, for a long time, the major trade union confederations did not seem to be able to unite during collective negotiations. Separate identities and objectives prevailed over the benefits of presenting a united front at the bargaining table. The November 2012 social Pact on Productivity confirmed these trends, as the Government did not want to get directly involved in the negotiations and divisions between the major trade unions emerged again.

Despite these changes in the main actors' attitudes, the need to reach consensus on government policies persisted. Efforts took the form of bilateral, often informal, contacts with some trade unions and employers' associations, notably under the Berlusconi Cabinet. Under Monti's technocratic Government, consensus was sought within the parliamentary arena and took the form of difficult mediations among the political parties supporting the Government.

However, approaching social concertation through informal contacts and by proxy (through parliamentary contacts) amounts to micro-negotiations on individual aspects of theoretically wide-ranging reforms, such as those on pensions and the labour market. Paradoxically, at a time when their legitimacy has reached the lowest point ever in Italy, political parties appear to have regained a key role in social dialogue. By contrast, trade unions and employers' associations, involved in negotiations with multiple actors, are forced to enter the pure political arena. This model does not seem to be sustainable for the social partners, because it is not institutionalized and therefore it greatly increases uncertainty about processes and possible outcomes. In practice, social partners are forced to become lobbying groups, raising the question of whether organizations engaged in collective bargaining and social dialogue can be equally effective as lobbyists.

More generally, the recent measures on pensions and labour market reforms have highlighted the potential role, as well as the limits, of social dialogue as an instrument for coping with the current economic crisis. Arguably, two main lessons can be drawn from recent events.

First, social concertation was long viewed as a form of centralized regulation of coordinated market economies which was relatively immune from the pressures applied by various social groups. It was a game with a few players, able to internalize the systemic effects of their actions and thereby curb opportunistic behaviour. By contrast, in the liberal market economies (Hall and Soskice 2001), pluralist pressure (or outright lobbying) predominated, and they were consequently unable to hierarchize demands to ensure that general interests prevailed or to pursue the provision of public goods. This was certainly true during the waves of social pacts that were signed in several European countries in the 1970s and then again in the 1990s.

Today, the reverse situation seems to prevail. It appears that neo-laissez-faire models are able to impose drastic constraints on group pressures by subordinating them to external imperatives associated with international financial markets. By contrast, systems based on a concerted regulation of the economy have proved more permeable to pressures, even though they are better able to foster the involvement of social partners. Their success depends crucially on one condition that is increasingly difficult to achieve: that the involvement of social partners in decision making is regarded as way of ensuring the success of policies. However, as also highlighted by the Italian case, such involvement is more often regarded as slowing down (or even halting) the decision-making process. At a time when the ability to respond quickly to market imperatives seems to be the overwhelming concern of policy-makers, the trade-off between a slower decision-making process and the greater likelihood of successful implementation of its outcomes is the challenge which the different models of economic regulation have to face.

A second lesson is that, as the scope of social concertation has become broader – in terms of both issues covered and levels of operation (national, regional and even local) – its effectiveness tends to decrease. In fact, policies on such matters as employment creation, training, labour market and welfare reforms are far more complex and difficult to pursue in a concerted way than the traditional policies on incomes. In some cases, a tentative solution to this difficulty is to enlarge the number of actors involved in political negotiation and the levels of negotiation (e.g. calling on local institutions to provide their own resources in a wider political exchange – as in the case of territorial pacts). However, a solution based on broader participation is more difficult to achieve and its implementation difficult to monitor. The contribution of each actor to the common goal may be less easy to identify clearly, and so is credit for success or responsibility for failure.

The outcome of these trends has been a growing loss of faith among policy-makers and especially employers in the virtues of social pacts. It was not difficult for the centre-right Berlusconi Government to capitalize on this widespread feeling and to state that, while tripartite social dialogue remained a useful method in Italy, the modernization of industrial relations must continue even in the absence of the trade unions' agreement. And, though the language differed, the attitude of the Monti Government was not radically different on this issue.

In practice, this new approach has led to new divisions among the three main unions. While all social pacts in the 1990s had been reached with the agreement of all parties, two separate tripartite agreements signed in the 2000s excluded CGIL. The divisions were reduced to some extent under the Monti Government. However, it has to be noted that the two most recent reforms on the pension system and the labour market did not involve any substantial form of social dialogue. Moreover, the low commitment of the Monti Government to inclusive pacts is also evident in its actions in regard to the intersectoral agreement on productivity drawn up during its tenure. CGIL's criticisms and refusal to sign the pact were not regarded as a fundamental shortcoming of the agreement, which was welcomed and highly praised by the Monti Government. While the Government declared on 21 November 2012 that it hoped that CGIL would join the agreement, there is no evidence that it acted to achieve this objective before or after the deal was signed.

The Berlusconi Government may have welcomed separate agreements more as a means to divide the labour camp than as a sign of its belief in the virtues of tripartite concertation and social dialogue. The Monti Cabinet avoided such separate agreements, probably because of their divisive impact on trade unions, but it has brought the principle of the priority of political decision over social dialogue further than the preceding Government. Certainly the continuing market turbulences and especially the sovereign debt crisis in which Italy is critically entangled as well as the need to act quickly on the international scene have placed Italian labour relations under pressure and may further weaken the central role that tripartism has long played. The erosion of the role of industry-wide bargaining and of social concertation may significantly alter the Italian industrial relations landscape in the years to come. Even the long-awaited end of the economic and public debt crises, if and when they occur, may fail to change the underlying trends. Rather, the new momentum for decentralized bargaining that could be fostered by economic recovery may in fact increase the fragmentation of collective protections and mark a breakaway from the traditional key regulatory role of sectoral agreements.

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