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Political Exchange and Bargaining Reform in Italy and Spain

ABSTRACT ▪ Wage bargaining structures in Italy and Spain changed significantly in the 1990s. This is usually seen as an employer-led response to exogenous pressures such as the Economic and Monetary Union (EMU). This article shows that while EMU acted as a catalyst for negotiated adjustments, changes in wage bargaining are better explained through factors endogenous to national systems, in particular union strategies and interactions in the policy-making arena. By means of policy concertation and political exchange, unions have shaped institutional change in collective bargaining so as to avoid a disorganized decentralization of labour relations.

Wage Bargaining under Stress: Convergence or Divergence?

The last decade has witnessed an extensive reform of collective bargaining structures in many EU countries (Pochet, 1999). These reforms have been triggered by the interaction between a series of pressures: exogenous (the need to comply with EMU) and endogenous (the impact of changing labour markets). Interpretation and projection have presented two scenarios (Regini, 2000): the first, *employer-led* view predicts deregulation and decentralization through the substitution of collective by individual (*market-driven*) regulation, a process which trade union movements are now too weak to resist. The outcome, according to this scenario, would be wage moderation triggered by the decentralization of wage determination and the gradual elimination of barriers to free individual bargaining between employers and workers, thus leading to wider wage differentials. A second scenario (Pérez, 2002; Soskice, 1990) discounts the probability of across-the-board deregulation and disorganized decentralization; more probable is a process of growing wage coordination, with beneficial effects on competitiveness. In this view, change derives from inter-associational consensus supported by government rather than pure employer initiatives. Both scenarios coincide to

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give employers and/or governments a leading role in the process of change, hence predicting convergence in wage bargaining institutions and outcomes, reflecting the weakness of unions and the disciplining role of EMU.

However, detailed studies of changes in industrial relations and bargaining systems do not seem to indicate convergence. Instead, they point towards persisting differences (EIRO, 1999; Kauppinen, 1998). One possible explanation derives from the neo-institutionalist 'varieties of capitalism' approach (Hall and Soskice, 2001): different social modes of production and economic performance are embedded in complex systemic configurations of social and economic institutions which are functionally interdependent and hence resistant to change. When institutional change occurs it therefore usually reflects powerful exogenous pressures and is costly, path dependent and (because it is company-centred) employer-led.

A second approach stresses the role of actors' strategic choices (Kochan et al., 1986): cross-national differences are traced back to particular configurations of power relations among corporate social actors with capacity to influence national public policy-making. Institutional change results from actors' interactions and new institutional equilibria reflect changes in their balance of power, strategies and forms of interaction. A third variant is provided by actor-centred institutional accounts, which focus on rational actor behaviour within the limits imposed by the 'system', or the institutional framework that determines not only feasible adjustment paths but actors' strategies (Scharpf, 1997). According to this approach (Wailes et al., 2003), strategies are shaped not only by an individual actor's calculations, nor the dominant traits of the system (coordinated or disorganized), but also the political, economic and institutional context. Contrary to the 'varieties of capitalism' argument, this view can explain differences in the direction of institutional change between countries with similar 'social systems of production'.

These approaches provide different accounts of the source of change in collective bargaining systems, their driving mechanisms and direction. This article offers an alternative explanation through a comparison of Italy and Spain: countries experiencing major structural change in bargaining systems. Given that both collective bargaining systems initially had similar structures, explanations of differences need to address factors other than purely institutional. The analysis below follows actor-centred institutionalism, but departs from existing literature in three significant aspects. First, from the point of view of the dependent variable, it analyses changes in bargaining systems in terms of their articulation. This is because this concept captures both *vertical* (centralization vs. decentralization) and *horizontal* (coordination vs.

disorganization) dimensions of any bargaining system (Traxler, 2003). Second, it stresses actors' strategies and interactions around domestic struggles (endogenous factors) instead of exogenous pressures; thus EMU is treated simply as one contextual variable. Third, it also focuses on exchange mechanisms underlying policy concertation to explain the likelihood and direction of institutional change. This reverses the causal account in mainstream industrial relations studies (institutions shape actors' strategies) (Ferner and Hyman, 1998), by stressing the role of actors' strategies — particularly those of trade unions — in driving institutional change. Most studies of changes in collective bargaining during the 1990s have neglected the fact that institutional change responds mainly to processes of confrontation among actors. These processes open the door to strategic realignments and rent-seeking behaviour. Because of the apparent structural weakness of trade unions, all the scenarios above have downplayed their capacity to act strategically in the political arena and use this resource to revitalize their action in the industrial arena (Frege and Kelly, 2003).

Bargaining system reform in Italy and Spain has been characterized by social dialogue and policy concertation, as well as by diverse and changing patterns of interaction based on exchanges between corporate actors (Pizzorno, 1977) and on state intervention. While in Italy the process has involved strong state intervention and extensive tripartite policy concertation (state-sponsored reform), in Spain unilateral state-imposed reform was followed by bipartite processes of narrow, ad hoc and highly voluntaristic policy concertation and a reform negotiated autonomously by unions and employers. This article stresses the importance of unions' strategic orientations regarding forms of participation in public policy-making; they have profited from the opportunities offered by the political framework to negotiate a new compromise on collective bargaining structures in line with their strategic orientations (Hamann and Martínez Lucio, 2003; Locke and Baccaro, 1996). This change has not led to decentralization, but neither has it reflected EMU-led consensus, or the absence of conflict and the convergence underlying in the varieties of capitalism and coordination literature. Instead, the analysis will show the existence of conflicting views among actors regarding the direction of reforms. Observed differences between these two countries do not simply perpetuate pre-existing institutional asymmetries, but reflect the outcomes of domestic processes of negotiation and interaction. A trend towards greater coordination of wage bargaining at national level can be observed in both cases, but there persist differences as to the underlying mechanisms as well as to the vertical dimension of articulation.

This article begins with a brief discussion of the political economy of wage bargaining reform, with a focus on the sources of change and the

way in which exogenous pressures interact with endogenous factors to deliver reform. It then analyses the experience of reform in the two countries between 1991 and 2001, with a focus on the politics of institutional reform, the role of political exchange and the outcomes of the reforms.

The Political Economy of Wage Bargaining Reform: Concertation and Political Exchange in Italy and Spain

Analyses of institutional change in labour markets during the last decade emphasized the role of internationalization and the EMU. The latter was expected to cause changes in bargaining structure in order to link wage increases more closely to productivity growth. The 1990s indeed witnessed transformations in bargaining structures: in the predominant locus of bargaining (with a shift to the company level), the relationship between different levels and the substantive scope of collective bargaining (European Commission, 2001). The literature has produced a series of analytical polarizations to map these transformations: Europeanization or renationalization (Martin, 1999), centralization or decentralization, coordination or disorganization (Soskice, 1990), organized or disorganized decentralization (Traxler, 1996).

Such dichotomies are not applicable in the cases of Italy and Spain for two main reasons. The first concerns the dependent variable. Most studies have focused only on the size and scope of the bargaining unit, neglecting more complex aspects of bargaining structure. They have failed to consider the concept of articulation (Crouch, 1992), which denotes the vertical and horizontal connections between units and actors in the system. The articulation of bargaining systems depends in part on structural factors (Rodríguez, 2000) such as the legal regulation of collective bargaining, the existence of extension mechanisms, economic conditions and industrial structure. It also reflects the bargaining strategies of the actors and their organizational capacities.

The second reason why existing analysis performs poorly relates to the sources of change, i.e. the independent variable. Most authors anticipated that exogenous factors (EMU) would cause convergence towards greater deregulation and decentralization as a consequence of pressure for moderation and competitiveness reinforced by employers' increased bargaining power. Other authors have predicted a convergence in policies as well as in outcomes; for example Pérez (2002) diagnosed a parallel process of reform in Italy and Spain. Both bargaining systems previously displayed excessive informality and fragmentation resulting in high wage increases and, in the context of restrictive monetary policy, provoked rising unemployment. With the approach of EMU, the actors attempted to reorganize the bargaining structure in order to attain greater internal

coordination at the national sectoral level, while at the same time rendering it more consistent with the policies of a new centralized monetary authority, which would challenge institutions in a similar way. These processes favoured consensus-led change.

Evidence, presented in this article, forces us to reconsider these views by putting greater emphasis, first on unions' collective bargaining strategies and participation in policy-making, and second on the character of interaction between actors. This is because the structure of collective bargaining is a contested institution, resulting from a political confrontation between corporate social actors: their strategies and preferences are shaped by their relative power, which is reconfigured through their interaction and the underlying exchanges in the political arena. The reform of collective bargaining in the run-up to EMU was seen as a common good, but its realization posed inter-associational problems which could only be resolved through political exchange. Therefore, the article adopts a 'Pizzornian' view of institutional change: notwithstanding the existence of strong exogenous pressures imposing precise requirements for change, the resulting domestic articulation of bargaining is endogenous to the system itself, being the result of an interaction based on exchange between unions, employer organizations and governments. Institutions, economic and political conditions at time t endow actors with a set of incentives and resources to change the system: the articulation of the structure at $t+1$ will reflect differences in power and exchanges between the actors that participate in the struggle for institutional change.

By the end of the 1980s, both the Italian and Spanish collective bargaining systems were subject to informal decentralizing pressures. The absence of formal regulations concerning the articulation of bargaining structures in Italy, and the lack of clear criteria in Spain, left both systems dependent on changes in the bargaining power of actors. After the incomes policies of the early 1980s, the Spanish bargaining structure suffered from the absence of interconfederal agreements, the increasing importance of the regional (provincial) level and the lack of bargaining coverage for small companies. In Italy, employers tried to bypass national sectoral agreements (*contratti collettive nazionali di lavoro* or CCNL) in order to negotiate wages only at firm level. Trade unions in both countries expressed their willingness to reform the bargaining structure. The largest confederations in Spain, CC.OO. and UGT, wanted to consolidate the national sectoral level of bargaining, rather than the provincial level, in order to avoid further fragmentation. In Italy the main unions, CGIL, CISL and UIL, were more concerned with the development of bargaining structures at the local level, but under the umbrella of CCNL. In both countries, employers (CEOE in Spain, Confindustria in Italy) demanded a simplification of bargaining

levels, regulation and procedure. Accordingly, by the beginning of the 1990s the bargaining systems in Italy and Spain had generated different incentives for each of the actors to introduce changes. In 1989 the Spanish unions adopted a joint strategy, rejecting grand social pacts and focusing on the qualitative and quantitative extension of collective bargaining. Italian unions also developed unity of action and a focus on the consolidation of their role as political actors (Baccaro et al., 2003); however, internal divisions, and the distinctive political and institutional context, entailed that negotiated adjustment differed both substantively and procedurally from that in Spain.

Italy: State-sponsored Reform

At the end of the 1980s, the Italian bargaining system exhibited several shortcomings. It was very informal, making it highly unpredictable and voluntaristic (Regalia and Regini, 1998). Second, there were several instances of bargaining being undertaken without a clear distribution of tasks. The 1983 social pact (the 'Scotti protocol') confirmed the principle of separate negotiations at three levels (Mariucci, 1985) without any clear hierarchy. This allowed an employer-led process of disorganized decentralization during the 1980s: the extension of company-level micro-corporatism, with the strategic paralysis of national unions enabling a gradual shift from national sectoral agreements towards local union negotiations. From 1988 onwards, the public sector assumed wage leadership, with disruptive consequences for economic performance. The contents of collective agreements were very limited, and the system generated an excessively compressed wage structure.

In this context, every actor had incentives to reform the structure of collective bargaining. Unions conceived reform as a means of avoiding further fragmentation within the trade union movement by making the system more responsive to an increasingly heterogeneous labour force, alleviating the decreasing representative capacity of confederal unionism by establishing an articulated structure that could link company bargaining with national federations, and strengthening unions' company-level presence by widening the content of negotiations. Confindustria considered the wage determination system to be too rigid and complicated to meet the differentiated wage requirements of Italian firms and the variability in local labour markets. They also criticized the informality and lack of articulation between levels of collective bargaining, which diminished the predictability of its outcomes. Finally, employers wanted changes that could gradually reduce inflation and labour costs.

The 1993 Pact: Competitive Decentralization of Bargaining and the Importance of Emergency Political Exchange

One year after Confindustria unilaterally repudiated the long-established wage indexation system (*scala mobile*), the 1992 incomes policy agreement formalized its abolition, imposed a moratorium on company-level bargaining and initiated negotiations to reform collective bargaining. However, the position of the parties diverged substantially: the unions sought a process of coordinated decentralization, with four-year sectoral agreements and (in the case of CGIL and CISL) an obligation to bargain at company level; Confindustria sought a disorganized process, downgrading the role of the CCNL and exempting smaller firms from the obligation to bargain. Several months of meetings failed to bring agreement, and because of the critical economic juncture the Ciampi government intervened. Its proposals for a pact to sustain economic recovery were accepted: the unions obtained the formalization and consolidation of a two-tier bargaining system, with guidelines set at interconfederal level, while the employers were given financial incentives to reduce non-wage labour costs and obtained greater employment flexibility.

The July 1993 Social Pact affected the articulation of collective bargaining in two main ways: it created new workplace representation structures, the RSU (*rappresentanze sindacali unitarie*); and it established new rules governing relationships between bargaining levels. It thus reduced the previous fragmentation and established an articulated structure, defining rules governing the way the actors interact at the several levels. However, it did not deliver a wholly articulated system of collective bargaining; it failed to end disorganized renegotiation at company level of wages and conditions agreed in the CCNL.

The collective bargaining system agreed in July 1993 was thus the result, not so much of truly consensual tripartite negotiations as of a government 'exchange' that the collective actors endorsed. This helps explain why the system was so heavily contested afterwards: it did not reflect a balanced equilibrium between the preferences of unions and employers. Thanks to their unity of action, unions made the most of the rather exceptional economic and political conditions of those years to put pressure on the government, hence obtaining a document that suited their preferences and interests. Employers' fears of social unrest and the breakdown of consensus in a period of economic crisis and political instability increased the bargaining power of the unions and the regulatory power of concertation. The government initiated a successful exchange between short-term wage moderation and the acceptance of economic restructuring in exchange for the introduction of long-term reforms in the collective bargaining system in line with union preferences, as well as a more formalized and stable participation of

trade unions and employers' organizations in national macroeconomic management (Alacevich, 2000).

Formalization and Controlled Decentralization of Collective Bargaining

Negotiations in 1998 failed to tighten the structure. Confindustria, and the government, sought to reduce the scope for two-tier bargaining, while CGIL and UIL insisted on retaining the broad contours of the 1993 agreement. This showed, in retrospect, that only exceptional political and economic conditions in 1992–93 had enabled agreement on bargaining reform. The 'Christmas Pact' finally agreed in December 1998 reaffirmed the actors' commitment to concertation over macroeconomic and labour market policies, but there was no consensus on bargaining structure. The only change was that the wage guidelines approved at interconfederal level would follow the average inflation rate of the EU, rather than forecast inflation in Italy. The 1993 and 1998 pacts have established different mechanisms at national, regional and local levels through which interaction takes place; negotiations on a fully integrated bargaining structure failed because of differences between the trade unions, and the passing of the political and economic emergency.

Confindustria reopened the debate in 1999, seeking to reduce the scope for two-tier bargaining as well as to introduce greater flexibility, leading to a gradual decentralization and individualization of industrial relations. The emphasis was now on reducing the role of the CCNL, and eventually eliminating it altogether. In particular, the CCNL should no longer regulate wages, which should be solely determined at company level. Even among the unions, consensus on defending the two-level bargaining structure has broken down. According to CISL, the primary bargaining role should have been shifted towards company and regional levels, with the CCNL only defining minimum standards. CGIL, however, defended the 1993 two-level system and demanded a reinforcement and extension of the role of the CCNL.

Benefits for unions from the agreed changes have been numerous. By confirming sectoral negotiations (where unions enjoy relative strength) as the main locus of regulation, they could maximize their influence on the outcomes of the collective bargaining process. The creation of new and strengthened company-level structures with clear links to higher-level structures have provided a remedy for the crisis of representativeness, and the dual and informal character of collective bargaining (Regalia and Regini, 1998). Finally, according to the 1993 Pact, the regional-level bargaining is substituted for company-level bargaining in those regions where small companies (SMEs) predominate. This helps the unions to

solve the problem of the lack of coverage of collective bargaining and union presence in SMEs (Demekas, 1995).

These changes have formalized a relatively articulated two-tier pattern of collective bargaining, with a new balance between flexibility and solidarity. Accordingly, it is difficult to characterize the Italian experience in terms of either centralization or decentralization: according to some authors, these changes have simply continued tendencies apparent in Italy during the 1980s (Bellardi, 1997). Overall, one can say that they have initiated a process of controlled decentralization, with an increase in the importance of company-level bargaining but within the regulatory framework set by the CCNL (Bordogna, 1997). Similarly, these changes have redefined two balances underlying the Italian bargaining system. First, that between the 'micro' requirements for higher wage flexibility and competitiveness and the 'macro' need for stability and predictability. The former has been achieved through strengthening company-level bargaining (Origo, 2000), while stability and predictability derive from the guidelines for wage increases issued by national sectoral and inter-sectoral negotiations. Second, there is a new equilibrium between flexibility and solidarity in wage policies: while there has been a real extension of performance- and productivity-related wage clauses at company level (Rapporto CNEL, 2001), the CCNL ensure that increases are negotiated within similar bands for all categories of employees in most firms.

Spain: From State-imposed to Interconfederal Reform

With the coming of democracy in Spain, there was a shift from a statist to a voluntaristic industrial relations system with a constitutional recognition of the role of unions to represent the economic and social interests of workers. The Workers' Statute of 1980 confirmed this, and reaffirmed a collective bargaining system based on the autonomy of the collective actors.

During the 1980s, collective bargaining displayed little articulation and excessive informal decentralization (Valdés, 2001); bargaining took place at several levels, but the main locus was the province. Framework sectoral agreements signed at national or provincial level set the basis for lower-level negotiations. The main problem consisted in the limited scope of collective bargaining: first because negotiations at regional- or national-sectoral level only occasionally affected workers in SMEs, where unionism was absent; and second, because the issues discussed were, with few exceptions, limited to pay and working time (Miguélez and Rebollo, 1999). Coverage of collective agreements was, however, high compared to the low levels of union density, as a result of mandatory extension mechanisms. Overall, the Workers' Statute established a system very

sensitive to changes in the strategies or preferences of actors, hence lacking stability and a source of permanent conflict.

Wage determination was shaped by rigid legal regulation. A statutory minimum wage was set every year by the government, and sectoral collective agreements set a basic minimum over this figure, serving as a floor for lower-level negotiations. Nonetheless, bargaining at company level was largely restricted to the negotiation of fringe benefits, as sectoral (provincial or national) agreements exhausted determination of most components of pay. Until 1994, pay structure was determined by regulations dating back to the 1970s. At the beginning of the 1990s, the system still displayed most of the shortcomings of the Franco regime.

State-imposed Disorganized Decentralization and Individualization in 1994

The first reform of collective bargaining after the 1980 Workers' Statute occurred in 1994. Following several failed attempts to negotiate an agreement with unions and employers, in 1993 the Socialist government presented to the *Consejo Económico y Social* (CES, Economic and Social Council) a proposal for labour market reform. This sought to strengthen the connections between the different levels of wage determination. However the government was weak (its majority depended on precarious support from regional-nationalist parties, and it was to lose power in 1996) while the unions opposed major changes. What was agreed in 1994 reform was a process of decentralization and 'the extension of a differentiating and asymmetric microcorporatism' (Sanguineti, 1999). The changes strengthened collective bargaining as the main regulatory source for labour relations through the abolition of the old Labour Ordinances (mandatory regulations of working conditions) and increased the bargaining autonomy of the collective actors.

Trade unions reacted by trying to fill the vacuum in order to avoid further deregulation and disorganization. Nonetheless, there was an inherent contradiction: while the government explicitly expressed its intention to open new spaces for collective bargaining, it regulated the way in which this should be structured, entailing a 'de facto restatalization' of the bargaining system that reduced its external autonomy (Villacencio, 1998: 98). By contrast, the reforms also reinforced the disorganized decentralization and deregulation of working conditions already initiated in the late 1980s (López, 2000). Overall, we can say that this reform entailed decentralization without articulation, substituting rigidity by disorder.

This reform consolidated most of the defining features of wage determination today. In particular, it formalized the increase in variable (productivity-linked) wages at company level as against higher-level

regulation (Fina et al., 2001). There was thus a process of disorganized decentralization: companies were virtually unconstrained in the terms which they could negotiate locally. This was strongly criticized by the unions, which saw it as an attack on their power and role in the collective bargaining system. It encouraged a disorganized collective bargaining structure, which failed to match the existing structure of union organization; it strengthened the role of autonomous regional unions; and it empowered employers to modify unilaterally the conditions negotiated at multi-employer level. Accordingly, in the weeks prior to the approval of the changes in parliament, the unions called for a general strike. However, the government mounted an effective media campaign, insisting that the reforms were essential if Spain wanted to join EMU (Chari, 2001: 66). Outflanked, the unions then decided to change their strategy, now threatening to bargain aggressively — resulting in uncoordinated conflicts — if all the contents of the reform were applied.

Even though the employers' associations had supported the government proposals, the threat of escalating wage conflicts led them to reach a tacit agreement with the unions. They would not exploit the more damaging elements of the reform, in particular those allowing derogation from multi-employer agreements and increased flexibility of working conditions; and they would cooperate to achieve greater order in the collective bargaining structure. In exchange, the unions agreed to continued wage moderation and a commitment to reduce conflict (Bentolila and Jimeno, 2002: 10). In consequence, the reform did not provoke across-the-board decentralization and deregulation (Del Rey, 1996: 109–10). Thus the potentially decentralizing wage opt-out clause did not produce the expected results in terms of pegging wages to productivity. Empirical evidence shows its marginal effects on the articulation of collective bargaining and on the process of wage determination (Villacencio, 1998: 119). Overall, the 1994 reform failed to produce a more articulated collective bargaining structure.

Policy Concertation and Political Exchange in 1997: Coordinated Re-centralization

The new right-wing government of the Partido Popular (PP) initiated in 1997 a process of tripartite social dialogue on reform of the labour market. This resulted in three interconfederal agreements (*acuerdos interconfederales*): *para la estabilidad en el empleo* (on employment stability, AIEE), *sobre negociación colectiva* (on collective bargaining, AINC) and *sobre cobertura de vacíos* (on filling the gaps in collective bargaining, AICV). The AINC helped speed up and give greater coherence to the replacement of the fascist Labour Ordinances by collective agreements, and also dealt with bargaining articulation; the

AICV focused exclusively on extension of the coverage of collective bargaining.

The approach adopted by the new government was crucial for success in the negotiations. First, because it demonstrated considerable apprehension about the reaction of the unions to its economic policy (Soto, 2000: 71). Second, because the moderate stance adopted by the new labour minister, who initiated negotiations on the basis of a prior understanding between unions and employers, created space for autonomous bipartite negotiations. Finally, by initiating negotiations on a range of labour market issues the government opened the possibility of exchange, as indicated below.

The preferences of unions and employers regarding collective bargaining reform were polarized. The unions wanted to improve articulation, so as to rationalize the distribution of tasks between the different levels and loci of negotiation and hence avoid permanent renegotiation as well as informal decentralization. Any reorganization had to centre on national-sectoral negotiations. The employers, by contrast, did not want to modify the collective bargaining system, even though it was very conflict-prone. The flexibility already introduced by the 1994 reform provided them with a strong instrument to perpetuate the structural weakness of the unions, allowing employers considerable freedom to determine working conditions unilaterally.

The exchange underlying the simultaneous negotiation of the AIEE, AINC and AICV enabled an agreement. The trade unions accepted less stringent legal constraints on dismissals, in return for a reform of the collective bargaining system more in line with their own preferences, together with a limitation on the use of fixed-term and temporary contracts and stronger incentives for the use of permanent contracts. The agreement was important for the government not only to gain legitimacy, but also to prevent the centrifugal tendencies that had occurred as a consequence of the 1994 labour market reform: it was in the interest all three social partners to bypass the regional veto (AARRII, 1996: 1228).

Unlike the 1994 reform, that of 1997 rationalized and improved the articulation of the collective bargaining system. The starting point for negotiations was similar to that three years earlier: the system remained extremely complex since it involved negotiations at various levels and still lacked a clear definition of the responsibilities at each of these, often resulting in the renegotiation of the same issue and in inconsistencies. The 1997 agreements made two main contributions to reform. First of all, the AINC enabled a real and effective increase in the regulatory space for collective bargaining. It increased the power and autonomy of the sectoral federations in collective bargaining, as against the national confederations and regional organizations. The accord defines the national sector as the 'ordinary unit of bargaining', and allows for sectoral

differentiation of bargaining structures. Second, it has led to an improvement in the articulation of the system through the development of a more centralized and hierarchically ordered bargaining model. The objective is to decrease labour market fragmentation (by guaranteeing some degree of uniform regulation) while at the same time maintaining and improving company competitiveness. Nevertheless, the industrial relations actors have encountered several difficulties in implementing this reform: weakly structured employers' organizations, problems in redistributing bargaining power within the unions' structures, and inconsistencies between the terms of the new reform and what was legally established in 1994 and still remained in force (Baylos, 2002: 212).

This reform had important implications for wage determination. First, the unions accepted an extension of the use of variable pay in exchange for clear regulation by national sectoral agreements. Second, bargaining was reorganized around these agreements, which now defined the payment structure and set a minimum wage threshold for lower level negotiations (Goerlich, 1997: 112). The AINC established that sectoral agreements should be restricted to these issues, while increases for each component of the wage structure should be set at lower levels.

The Failure of the 2001 Attempt at Revision

The 1997 agreement specified that an assessment and revision of the contents of both the AIEE and AINC would be made in 2001. Accordingly, further reform of the labour market and the collective bargaining system was included in the agenda set out by the PP government after its re-election in 2000. The parties failed to reach agreement on the reform of the labour market, and the government acted unilaterally; but the unions and employers continued negotiations over the reform of collective bargaining. In contrast to the process in 1997, while the government gave an initial impulse to the negotiations it also threatened to intervene if collective actors did not reach an agreement.

The unions and employers had sharply opposing aims when negotiations started in June 2001. The unions wanted to remedy some of the adverse consequences of the 1994 reform through a process of organized decentralization. Both confederations agreed on the need to resolve the difficulties they experienced in implementing the AINC, in consequence of their organizational weakness at company level. Accordingly, their priority was on finding mechanisms for an organized extension of collective bargaining to new sectors as well as to SMEs. The national sectoral level would maintain a key regulatory role, while regional agreements would cover those companies lacking an agreement (CC.OO., 2001; UGT, 2001). The employer organizations also pushed for further decentralization, but unlike the trade unions they demanded a reduced role for

both sectoral and regional levels. They also rejected the mandatory extension of agreements. Finally, the government expressed its preference for a law defining the issues to be negotiated at each level, with a minor role for provincial agreements and an extension of opt-out clauses (*El País*, 20 February and 25 June 2001).

This antagonism precluded any progress in negotiations, and the government threatened to intervene unilaterally. The unions and employers continued bipartite negotiations, eventually signing a new interconfederal accord (AINC-2002). This was the first interconfederal agreement on wage moderation to be signed since 1984. However it failed to introduce reforms in the structure of collective bargaining, merely establishing joint criteria for moderation in wage bargaining in 2002 in the interests of employment creation and company competitiveness. The agreement was possible only on the basis of an exchange between a commitment to greater stability of employment (including clauses to neutralize through collective negotiations some of the harmful implications of the labour market reform imposed by the government) and the promotion of negotiated flexibility with moderate wage increases and a compromise to keep conflict at low levels. Thanks to this agreement, the unions prevented the unilateral imposition of the government proposals and maintained the wage bargaining structure established in 1997 (Alarcón, 2001).

Conclusion: Bargaining Articulation through Political Exchange

This article has shown how formal changes in the structure of collective bargaining and wage determination during the last decade in Italy and Spain have been the outcome of the exchange underlying patterns of consensus and conflict between unions, employers' associations and governments. Despite most predictions of the impact of EMU on industrial relations, collective bargaining structures in Italy and Spain have not moved towards a model of market-driven decentralization and individualization. Political exchange has played a key role in determining the direction of reforms, by providing a mechanism for coordinating actors' responses and channelling the contradictory forces challenging collective bargaining systems. In particular, through policy concertation and an underlying process of exchange, trade unions have managed to formalize the collective bargaining system in order to halt processes of informal decentralization, and to consolidate union-friendly arrangements. These developments are summarized in Table 1.

Economic adjustment in the 1990s confronted confederal unions in the two countries with more threats than opportunities. The problems were

TABLE 1. Political Exchange and Bargaining Reform

	Character of reform	Exchange
Spain 1994	Unilateral government imposition	Implicit ex-post bipartite exchange: unions accept wage moderation in exchange for the non-application of some of the clauses of the reform.
Spain 1997	Tripartite agreement on labour market reform	Unions accept weaker dismissal protection and (implicitly) wage moderation in exchange for a bargaining structure based on sectoral agreements, as well as measures to reduce temporary employment.
Spain 2001	Failed negotiations on structural reform but interconfederal agreement on collective bargaining	Implicit ex-post bipartite exchange: unions accept wage moderation in exchange for the non-application of some of the clauses of the government-imposed reform.
Italy 1993	Tripartite social pact	Unions accept wage moderation, restrictive economic policy and abolition of the *scala mobile* in exchange for a formalization of dual-level collective bargaining, the consolidation of new company-level representation structures and the institutionalization of policy concertation.
Italy 1998	Failed negotiations on bargaining reform but tripartite 'Christmas pact'	Differences between unions, together with lack of public resources for exchange prevent agreement on reform of bargaining structure.

accentuated by their politicization, their declining representative capacity and their fragmentation within weakly formalized and structured collective bargaining systems. Informality led to a process of de facto decentralization during the 1980s, which proved very damaging to union power and interests. The unions responded by participating in political processes to promote collective bargaining reforms aimed at setting clearer, formalized and articulated rules. Critical to render this strategy effective and obtain the expected results has been unity of action among confederal unions.

Thus in contrast to the events of the early 1980s, policy concertation in both countries in the 1990s turned out to be a resource in the hands of unions. During 1980–86 in Spain and 1983–84 in Italy, tripartite social pacts had involved a short-term exchange that further weakened the

position of the confederal unions. Wage moderation, the centrepiece of these exchanges, was traded against compensation that failed to resolve the challenges they faced as representatives of the labour force. Instead, unions accepted short-term reinforcement of their role as political rather than industrial actors, and paid more attention to the confederal level than to grassroots structures. This, together with weakly formalized collective bargaining systems that were undergoing informal processes of decentralization, placed the unions in a critical situation at the beginning of the 1990s.

Policy concertation during the 1990s was thus different, both in its process and in the underlying exchange, especially in Spain. Here, trade unions tried to escape from grand tripartite social pacts where the costs are immediate and easily perceptible while the benefits are diffuse and effective only over a longer time span. Instead, they pursued, targeted and specialized social dialogue focused upon the negotiation of institutional reforms. Reform of the collective bargaining system was one of the core issues within this strategy. Three main goals were pursued: an extension of the regulatory capacity of collective bargaining, a formalization of the rules connecting levels within the system and the consolidation of the national sector as the predominant bargaining level. Their opposition to income policies, which were not accompanied by a change in macroeconomic policy, as well as to any grand social pact covering a range of issues, led them to abandon discussions in 1993, which obliged the government to reform the bargaining structure unilaterally. A favourable political context resulting from the change in government allowed the unions in 1997 to reach a successful and favourable exchange, thanks to the parallel negotiations on labour market reform. Finally, opposition from both unions and employers to a new unilateral intervention by government left the collective bargaining structure unchanged in 2001.

In Italy, the 1993 reform came about as a result of an interconfederal tripartite social pact. The unions pursued the consolidation of a bargaining system with strong formal links between higher and lower level units of negotiation. They managed to profit from the rather peculiar economic and political conditions when the pact was signed, to formalize and consolidate a two-tier structure, which not only reformed company-level mechanisms of union representation but also established a clear distribution of tasks between the different levels and clear procedures for the participation of collective social actors in policy-making. In exchange, the unions accepted wage moderation, a restrictive economic policy and the abolition of the *scala mobile* (already announced a year before by the employers' organizations).

As a consequence of these processes of policy concertation and political exchange, both the Italian and the Spanish structures of bargaining are now endowed with clearer and more rational rules, as is shown in

FIGURE 1. Vertical and Horizontal Dimensions of Articulation

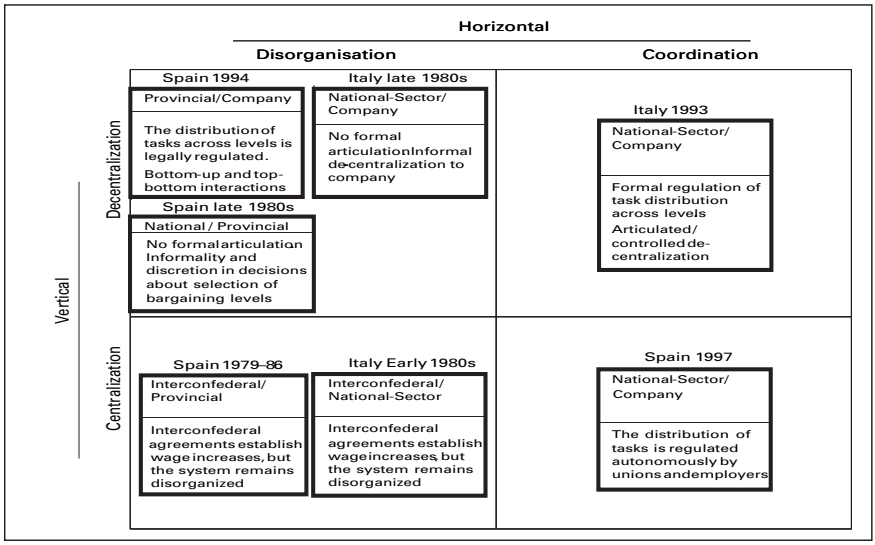

Figure 1. In Spain, attempts at strengthening the articulation of the collective bargaining structure have tended to shift the predominant locus of bargaining to the national sectoral level. The 1997 reform has allowed the national sectoral federations to recover their bargaining power, but has at the same time preserved the capacity of firms to adapt the conditions set at higher levels to their particular circumstances. Today the collective bargaining structure displays greater articulation, with sectoral negotiations setting the path to be followed by negotiations at lower levels. All the reforms have extended the regulatory power of collective bargaining. The specific distribution of tasks across levels within each sector has been left to the sectoral federations since the 1997 reform, which means that there is no single form of articulation. In Italy, we have seen the formalization of a two-tier pattern of collective bargaining, with sectoral and company levels at the centre of the system. The distribution of tasks across levels was legally prescribed as part of the 1993 social pact, which has resulted in a narrower autonomous sphere of regulation by unions and employers than in Spain.

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