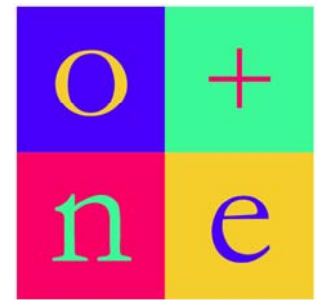


# old + new europe

new forms of industrial relations  
and industrial standards as social  
challenge in extended europe



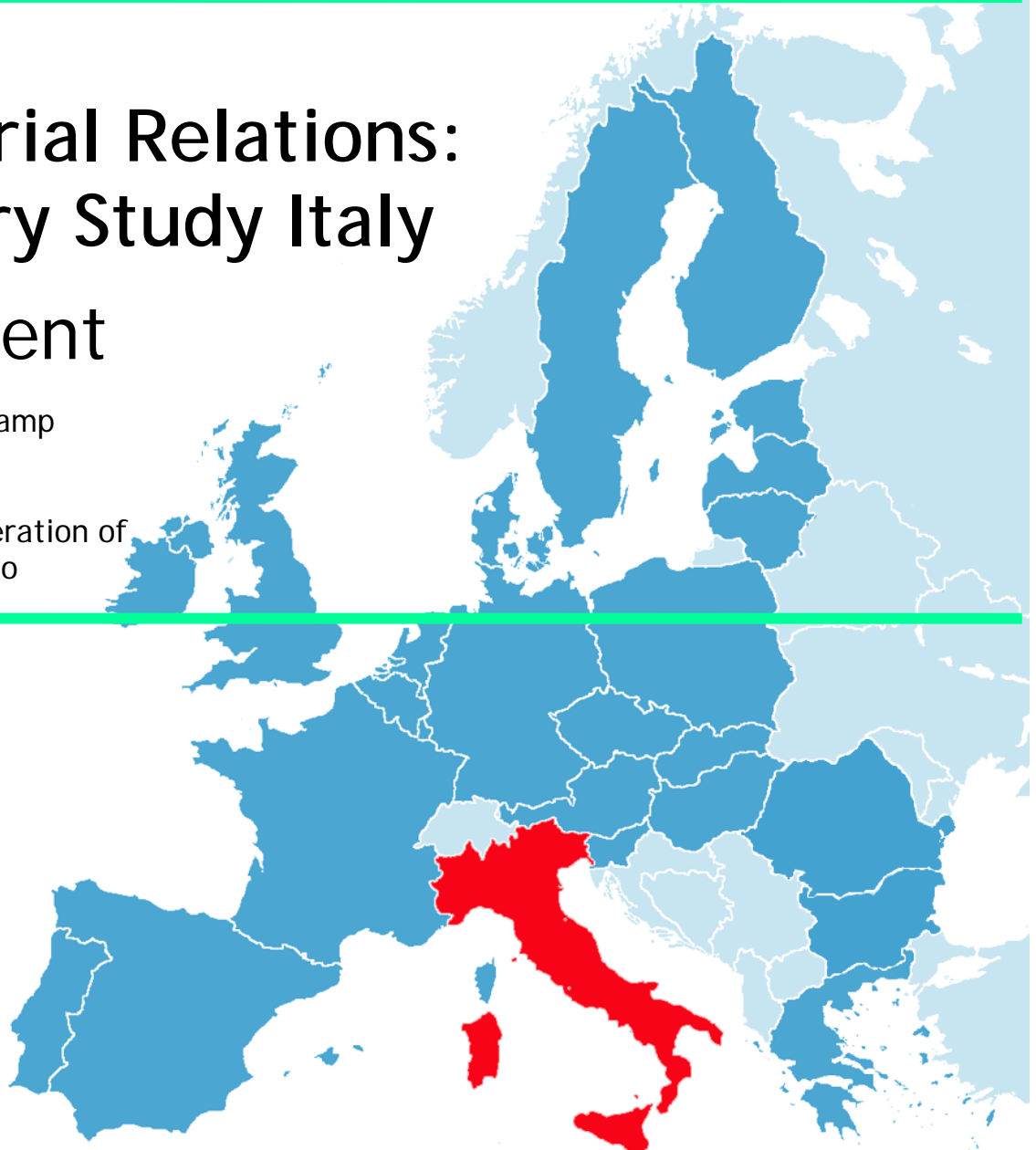
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## Industrial Relations: Country Study Italy

### Document

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with the co-operation of  
Emanuela Tierno



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**Unrevised Draft Version**

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# 1. Introduction

This essay presents and discusses the birth and specific development of the *concept and practice of social dialogue* in Italy. Social dialogue is usually described in Italy as “social concertation”, and its birth is identified with the institutionalisation of a new framework of Italian industrial relations during the 1990s. While the term “concertation” in English-speaking countries is usually regarded as identical to co-operation or participation, in Italy (as in France) is understood as a more specific “*decision-making through consensus*”. In fact, the new system of industrial relations meant a greater involvement of the major organisations of employers and employees in conceiving and putting into effect the country’s social and economic policies, in a context of diminished social conflict.

First of all, in **chapter 2** the essay portrays the *Italian economy and society*, with a particular view to the specifics of the *Italian labour force and market*. Three issues – which are also central matters in the social dialogue among government, employers and labourers – are presented as characteristic of the Italian case in comparison to other EU and OECD instances: the extent of *undeclared activities* and employment in Italy’s economy; the significant economic and social *divide between the Centre-North and the South* of the country; the *disparities* in the distribution of employment with regard to *geography, gender and age*. Three negative differentials between Italy and the other EU economies are also discussed, which are critical in the Italian social dialogue: the amount of *taxation*, the level of tangible and intangible *infrastructure*, and the scale and distribution of *social contribution costs*.

**Chapter 3** briefly presents two components of the tripartite social dialogue: the *trade unions* and the *employer associations*. The Italian system is founded on pluralism in the representation of the employers and labourers. Although the number of trade union members is still the highest in the EU, it is an Italian peculiarity that the amount of non-active members accounts for half of it. Moreover, the new “atypical” workers – mainly young – whose number has constantly been on the increase in recent years are difficult for the unions to organise and represent. National *collective bargaining* in Italy has always been most important, and the degree of decentralisation of bargaining at company and local level is still lower than

in other EU instances – hence the historical significance of political trade unionism as different from professional unionism.

**Chapter 4** describes in detail the precedents and recent development of *non-permanent work* in the Italian labour market. In Italy open-ended work contracts used to be the rule, with very few exceptions. However, after a reform of labour legislation, the quantity of *atypical and fixed-term work contracts* has increased noticeably, reaching in 2005 a proportion of total employment similar to those in Germany, France, and the EU25. The newly-introduced forms of work contracts and their conspicuous effect on employing relationships are discussed, together with the specifics of the *Italian education and training system* and its relationship with the labour market.

**Chapter 5** illustrates the momentous events and agreements in the *history of social dialogue* in Italy since its inception in the early 1990s, giving an overview of the setting up of a more institutionalised framework of industrial relations until the challenge to it made by the centre-right government in the early 2000s.

**Chapter 6** explains the return to social dialogue with the election of a new parliament in 2006, examining the contents of sectoral and company agreements with regard to employing relationships, salaries, training opportunities, issues of social security, use of atypical work, and measures to reconcile work and family life. The new situation in the Italian society is discussed, with attention given to *recent laws* and *tripartite agreements* affecting the economy, the labour market and the education and training system.

**Chapter 7** briefly suggests some perspectives for the *future of social dialogue* in Italy.

## 2. What is at stake? The basics of social dialogue

### 2. 1 A society “founded on labour”

Since 1946, Italy is a *republic* headed by a president and a parliament which exercises legislative power and consists of the Chamber of Deputies and the Senate. Executive power is in the hands of the government. The country is divided into 20 autonomous territorial areas - the Regions. Each Region has its own legislative, administrative and financial authorities. The Regions are divided into Provinces (109, altogether), each with their own provincial capital. Each Province consists of a number of Municipalities (some 8,100 in total). At both provincial and municipal levels, administration is in the hands of elected councils.

The Italian Constitution contains several *general principles of labour rights*. Its very first article states that “Italy is a democratic Republic founded on labour”. Art. 4 explains that “the Republic recognises to every citizen the right to work”, and art. 35 that “the Republic protects work in all its forms and applications”. Furthermore, the right to fair remuneration, maximum working hours, weekly and annual paid vacation is constitutionally set forth in art. 36, while the protection of working women and minors is expressed in art. 37. Art. 38 is about social insurance for old age, illness, invalidity, industrial diseases and accidents. Art. 39 establishes freedom of association, and art. 40 the right to strike.<sup>1</sup>

Understandably, the actual exercise of these labour rights on which the Italian Republic is “founded” has strongly depended on the development of the country’s social and economic situation. Since the aftermath of World War 2 until the early 1970s, Italy experienced an *extraordinary economic growth* that made the country a member of the initial G6, the group of the strongest economies in the world.<sup>2</sup> Yet, during the 1970s this “*Italian miracle*” was followed by a slower economic pace, which is still palpable today. Accordingly, whilst in the first phase the persistent economic expansion was accompanied by the *extension of labour protection*,

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<sup>1</sup> For the Constitution of the Italian Republic, see <http://www.quirinale.it/costituzione/costituzione.htm>

An English version, though with a different translation from our, is available at <http://www.cortecostituzionale.it/eng/testinormativi/costituzionedellarepubblica/costituzione.asp>  
<sup>2</sup> G6: US, Japan, Germany, France, UK and Italy; then G7 with Canada, and now G8 with Russia.

the second phase of slowdown brought about a reconsideration of labour safeguards.

*Table 1: Italy in round figures at a glance, 2005-2006<sup>3</sup>*

Area 300 thousand sq km	Population 58.5 million (13% of EU25)	Inhabitants per sq km almost 200
Labour force 24.5 million	Employed 22.3 million	Employment rate Less than 60%
Agriculture: employed 0.9 million	Industry: employed 6.9 million	Services: employed 14.5 million
Agriculture 2% of GDP	Industry and construction 27% of GDP	Services 71% of GDP
GDP 1.4 trillion € (13% of EU25)	Per-head GDP 24 thousand €	Per-head GDP Italy=103 EU15=109 (EU25=100)
Public sector current expenditure 50% of GDP revenue 45% of GDP	Public sector gross financial liabilities 120% of GDP	General government debt 106% of GDP (EU25=63%)
Exports 28% of GDP	Imports 29% of GDP	Manufactured goods 35% of exp. - 22% of imp.

In fact, *economic growth* in Italy has been consistently lower than the EU average since 1992. In this respect, whilst Italy's traditional public sector imbalances and macroeconomic instability might be held as explanations for the *slowdown* of the 1970s and 1980s, its poor performance after the 1992 foreign exchange crisis is less simple to explain. The difficulty facing the Italian economy after 1992 might be categorised first of all as a *stagnation of labour productivity*, which portrays a structural unease at efficient employment of labour, production of innovation, application of technological progress, and competition. Thus, compared with the EU25 average of 100, labour productivity per employed person noticeably fell from

<sup>3</sup> Our round figures are based on exact data given in: *Europe in figures – Eurostat yearbook 2006-07*. See [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=2693,61100649,2693\\_62309131&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2693,61100649,2693_62309131&_dad=portal&_schema=PORTAL)  
*OECD Economic surveys: Italy*, volume 2007, issue 12. See <http://www.ingentaconnect.com/content/oeed/03766438/2007/00002007/00000012>

over 121 in 2000 to 108 in 2005; in general, Italy's labour productivity grew at the depressing rate of 1.2% per year between 1995 and 2005, much lower than in the OECD as a whole.<sup>4</sup>

This also means that Italy's exports have visibly lost shares of the world market in recent years, after growing constantly from the late 1940s to the early 1990s. The present inadequacy of the *made-in-Italy* brand lies in the high price of goods, but also in their quality and type: the brand appears unable to respond suitably to changes in comparative advantages by renewing its products and reallocating resources.

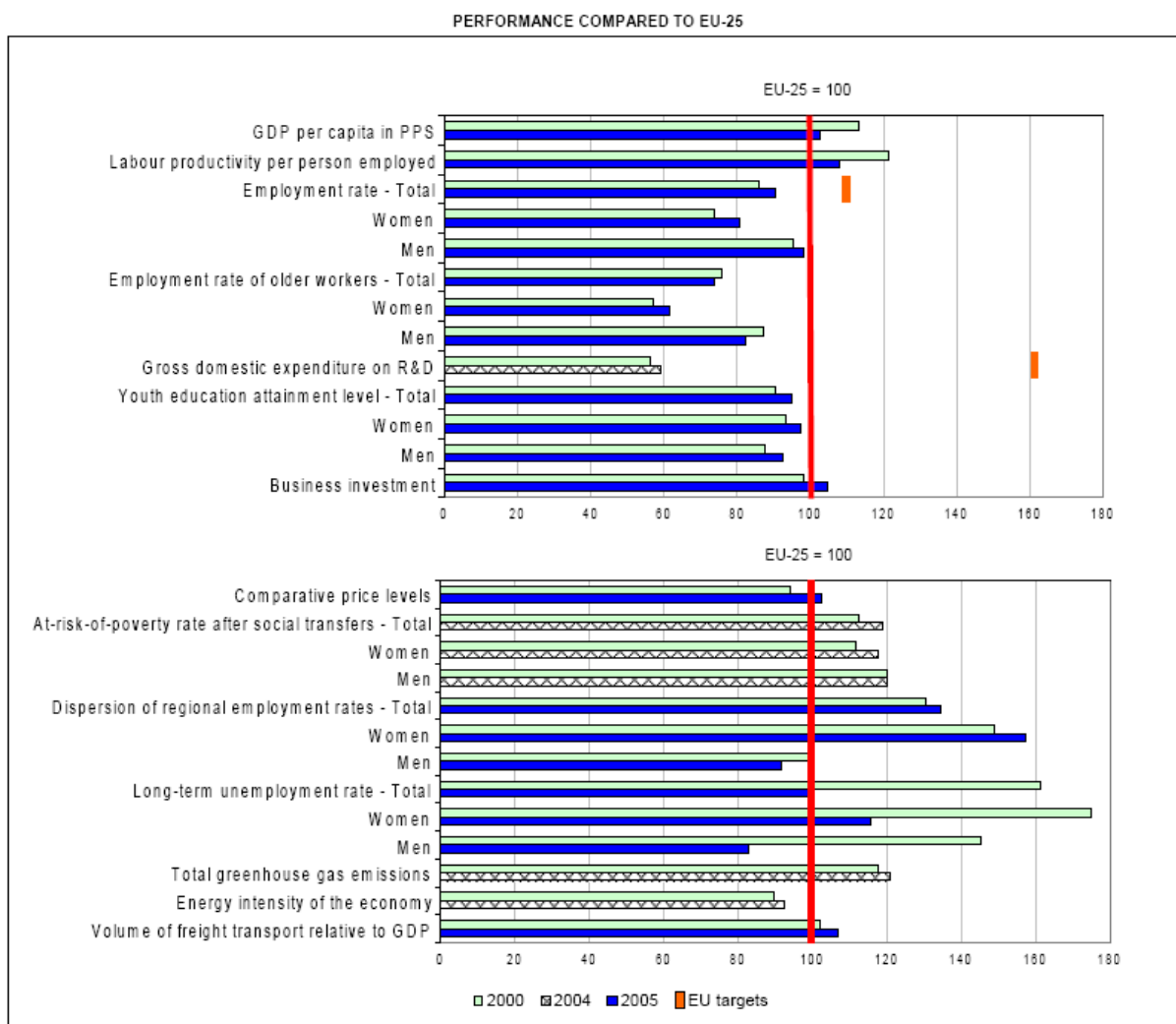
At the same time, *unexploited human assets* are abundant: in fact, comparative statistics show that relatively few Italians work, and when they do they work little. Consequentially, Italy's rank in terms of **gross domestic product** (GDP) per inhabitant is lower than expected, since the **employment rate** (some 58.6% in 2006 versus a EU 2010 target of 70%, and a current rate of over 70% in the best performing OECD countries) remains well below the EU average and is even much lower in Southern Italy. As to the **employment rate of women**, Italy is the worst OECD performer after Mexico and Turkey; on the other hand, it must be emphasised that the gender pay gap in Italy is historically very low (in 2004 it was less than half the EU25 and EU15 gaps).<sup>5</sup>

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<sup>4</sup> The source of the previous graph and of comparative EU-Italy data in this paragraph is *The 2006 European Commission's assessment on National Reform Programme for Growth and Jobs. Italy*. See [http://ec.europa.eu/growthandjobs/pdf/1206\\_annual\\_report\\_italy\\_en.pdf](http://ec.europa.eu/growthandjobs/pdf/1206_annual_report_italy_en.pdf). In this paragraph, the source of comparative OECD-Italy data is *Employment Outlook 2007 – How does Italy compare?* See <http://www.oecd.org/dataoecd/27/19/38797278.pdf>

<sup>5</sup> See, from which Table 2, *Europe in figures – Eurostat yearbook 2006-07. 6. Economy*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-06/EN/KS-CD-06-001-06-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-06/EN/KS-CD-06-001-06-EN.PDF)

Table 2: Italy versus Europe 2000-2005



## 2. 2 Black economy

It must be underlined that official employment statistics are imprecise in Italy because of the large portion of undeclared or black employment. The shadow economy is very important in Italy and its size trends up in time, as in other European countries. In fact, the **underground economy** increased from some 10-15% of GDP in the 1970s to some 30-40% in the 1990s. This upward trend parallels that of Italy's official aggregate unemployment rates in the same period. As it is true with unemployment, the incidence of the black economy varies significantly within Italy. In the South, low productivity and high unemployment signal larger shares of undeclared activities and employment than the country average. More in detail, *irregular employment varies* from 10% in Piedmont (North) to more than 30% in Sicily (South). A peculiar feature of Italy's black labour market is constituted by the level of women's participation in it: while in the EU the "'undeclared workforce' is predominantly male" (62%), "in Italy *women* dominate among the suppliers of **undeclared work**".<sup>6</sup>

Irregular work in Italy accounts for between 15.9% and 17.6% of GDP and involves 4 million workers, according to ISTAT, the National Statistics Institute. In 2005 INPS, the National Social Security Institute, found irregularities of some form in almost 80% of the over 100 thousand companies targeted for inspection.<sup>7</sup> In this respect, while the Italian economy is characterised by notable regional differences, irregularities in the workplace are a problem *in every part* of the country: in the same year in Lombardy, a region in the North often described as the country's "economic engine", the regional labour inspectorate found *irregularities in over 75%* of inspected companies.<sup>8</sup>

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<sup>6</sup> Eurobarometer, *Undeclared Work in the European Union*, October 2007, p. 24. See [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_284\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_284_en.pdf)

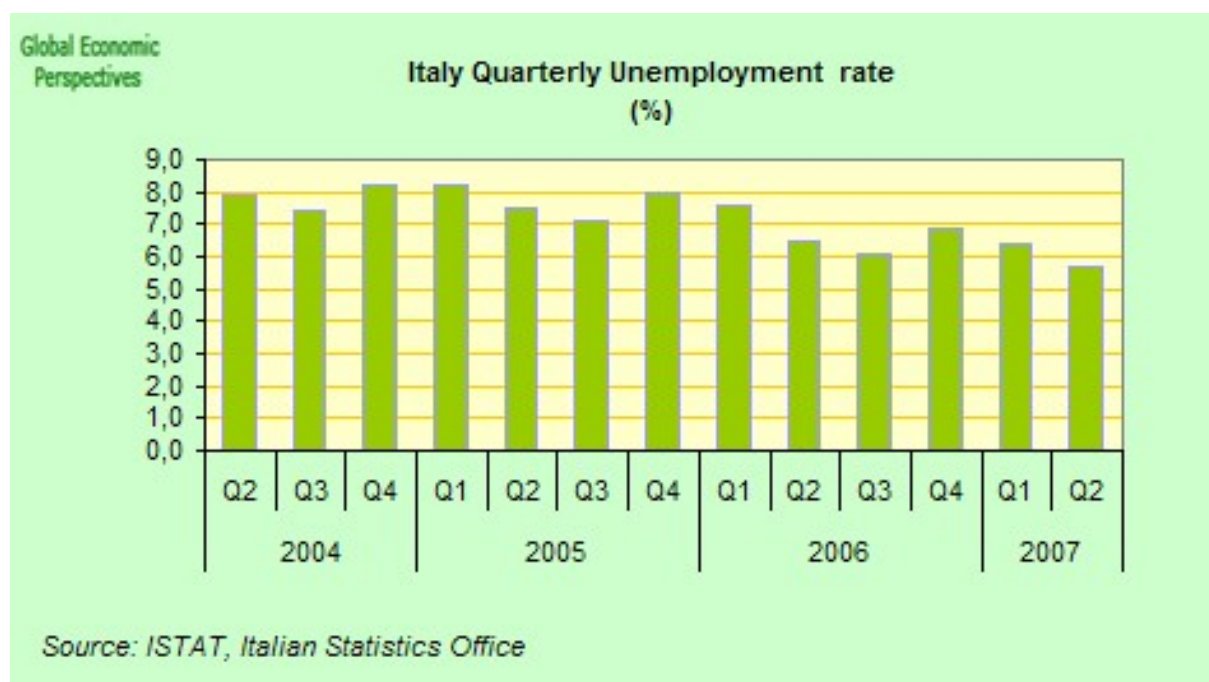
<sup>7</sup> See INPS, *Rapporto annuale 2005*, January 2007, p. 129, at <http://www.inps.it/home/default.asp?SID=%3B0%3B4967%3B&lastMenu=4967&iMenu=1&iNodo=4967&Item=5026>

<sup>8</sup> *Ibidem*, p. 131.

## 2.3 Unemployment

On the positive side, Italy has enjoyed some employment growth over the past decade, with its unemployment rate falling in 2007 below the EU average to 6% of the labour force, as Table 3 shows.<sup>9</sup>

*Table 3: Italian unemployment rates 2004-2007*



However, the recent lower unemployment rates in Italy must be considered through the revealing lens of its peculiarly high rate of non-active population. Accordingly, *unemployment* and *irregular employment* remain crucial topics in any strategy of economic development and social improvement – that is in any attempt at social dialogue: in fact, as we shall see in the following chapters, these topics have been central to Italian social “concertation” since its launch in the early 1990s.

More in detail, with respect to the EU average the Italian labour market is characterised by lower employment rates (in 2005, 57.6% in Italy versus 63.8% in the EU25), mainly among *women* (45.3% versus 56.3% in the EU25), *the old* (31.4% ver-

<sup>9</sup> Table 3 is quoted from *Italian Economy Watch*, at <http://italyeconomicinfo.blogspot.com/2007/09/italy-june-2007-unemployment.html>

sus 42.5% in the EU25) and *the young*; a lower incidence of *employment in services* (in 2004, 66.6% of the total in Italy versus 71.9% in the EU15; in particular, only 30.2% of the total employment was in *knowledge-intensive* services, versus 33.1% in EU25 and 34.6% in EU15); **higher unemployment rates among the young**; a much higher incidence of irregular employment (black economy); higher regional disparities (Centre-North versus South, with a 2005 dispersion of regional employment rates of 16% versus 11.9% in EU25).<sup>10</sup>

Therefore, it might be argued that Italian unemployment is characterized by **three major disparities**: a *regional* disparity, an *age* disparity and a *gender* disparity.<sup>11</sup> As to the regional disparity, unemployment in the North is low, and essentially consistent with full employment, whilst in the second quarter of 2007 the level of unadjusted unemployment in the South of the country was over 10%.<sup>12</sup> With regard to the age disparity, 40% of all the unemployed have never been employed, thus being probably young labour market entrants. The unemployment rate among youth aged 15 to 24 years remains very high at 21.6%, although it declined by almost 10 percentage points over the past decade.<sup>13</sup> As regards the gender disparity, the female unemployment rate is historically twice the male rate. More in detail, as a recent report shows, in Italy having children has a profound effect on women's professional decisions: the employment rate among married or cohabiting women falls from 78% to 65.7% with the arrival of the first child, drops further to 52.6% with the birth of the second child, and to 37.5% with the third child. Women who are most penalised are those from Southern Italy, where there is the significant lack of childcare services and also a serious shortage of jobs.<sup>14</sup>

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<sup>10</sup> Data sources in this paragraph are *The 2006 European Commission's assessment on National Reform Programme for Growth and Jobs. Italy*. See [http://ec.europa.eu/growthandjobs/pdf/1206\\_annual\\_report\\_italy\\_en.pdf](http://ec.europa.eu/growthandjobs/pdf/1206_annual_report_italy_en.pdf) *Europe in figures – Eurostat yearbook 2006-07. 9. Science and technology*. See [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-09/EN/KS-CD-06-001-09-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-09/EN/KS-CD-06-001-09-EN.PDF)

<sup>11</sup> For most of the considerations in the following paragraphs, we are indebted to Giuseppe Bertola and Pietro Garibaldi, *The structure and History of Italian Unemployment*, November 2002. See <http://www.personalweb.unito.it/giuseppe.bertola/ItalUnemp.pdf>.

<sup>12</sup> Source: ISTAT, *Conti economici regionali. Anno 2005*, 4 ottobre 2007. See [http://www.istat.it/salastampa/comunicati/non\\_calendario/20071004\\_00/testointegrale20071004.pdf](http://www.istat.it/salastampa/comunicati/non_calendario/20071004_00/testointegrale20071004.pdf)

<sup>13</sup> Source: Employment Outlook 2007 – How does Italy compare? See <http://www.oecd.org/dataoecd/27/19/38797278.pdf>

<sup>14</sup> Source: Eurispes, *Rapporto Italia 2007. Percorsi di ricerca nella società italiana*. See <http://www.eurispes.it/>. For a concise yet effectual analysis of women and employment in Italy, see Chiara Saraceno, *L'arduo incontro tra donne e lavoro*, 21 March 2005, at

Evidently, the aforementioned disparities are *interrelated*, as also exemplified by the extraordinary youth unemployment rate in Southern Italy, which used to reach 50%, and which in 2004 was still at 44.6% with regard to young Southern women aged 15 to 24. Another essential factor in the structure of unemployment in Italy is its almost **insignificant relation to skill** differentials as measured by formal education: in 2005, while the unemployment rates for low, medium and high educational attainment in Italy presented only slight differences, in Germany the low-level rate was almost 4 times the high-level rate.<sup>15</sup> All the same, though remaining far behind other countries, Italy keeps on improving the **education of its labour force** and of its population on the whole: in the 1990s, the average number of years of schooling rose from 9 to 11, after rising from 7.5 to 9 in the 1980s. In this period, therefore, the share of secondary school and university graduates in the labour force increased sharply, both among the youngest age-groups and among the less young. As to **lifelong learning**, in 2003 the participation of the population aged 25 to 64 in *formal, non-formal* and *informal learning* activities was in Italy a little lower than in France but higher than in Germany, both for females and males, with over 60% of people of medium educational attainment and 78% of high-attainment individuals engaging in learning activities.<sup>16</sup> Other indicators – *audiovisual equipment, computers, foreign language proficiency, travel abroad, books published* – confirm that in recent years **human capital** has *consistently accumulated* in Italy, where the amount of potentially available labour is large, the stock of qualified skills abundant, and the best technology accessible.

Historically, the unemployment rate in Italy was much lower in the 1960s, while only in the aftermath of World War 2 do we find unemployment rates as high as those observed in the 1980s and 1990s. A marked **increase in unemployment** took place from the mid-1970s, when unemployment still stood at only 4%, up to the late 1990s, when it peaked at 12% of the labour force. More in detail, the male unemployment rate increased from 4% in 1977 to 9% in 1998. This was mainly due to an increase of male unemployment in the South: in fact, the North-South male un-

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<http://www.lavoce.info/articoli/pagina1472.html>

<sup>15</sup> See *Europe in figures – Eurostat yearbook 2006-07. 5. Labour market*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-05/EN/KS-CD-06-001-05-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-05/EN/KS-CD-06-001-05-EN.PDF)

<sup>16</sup> See *Europe in figures – Eurostat yearbook 2006-07. 2. Education*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-02/EN/KS-CD-06-001-02-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-02/EN/KS-CD-06-001-02-EN.PDF)

**employment differential** rose from 3.3% in 1977 to 14% in 1998. The North-South female unemployment differential rose from 10% in 1977 to 22% in the late 1990s. In the same period, most of the increase in unemployment took place among individuals aged 20 to 29, while the contribution to the employment rate<sup>17</sup> of the very young (15-19) and the mature (40-64) declined sharply over the 1980s and 1990s because of *further education* and *early retirement*, while the share of unemployed workers over 40 years of age increased from 10% to 15% over the 1990-1997 period.<sup>18</sup>

Since 1998, by merit of a sweeping reform of the labour market, unemployment rates in Italy have kept falling, though mostly through the introduction of new, precarious forms of job contracts. This **higher job creation** through "*atypical*", *part-time and fixed-term contracts* mainly took place in the services, mostly involved women and to some extent the South, although it must be stressed that part of the observed employment growth may be just due to the legalisation of earlier irregular employment relationships.<sup>19</sup>

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<sup>17</sup> The employment rate is calculated by dividing the number of persons aged 15 to 64 in employment by the total population of the same age group.

<sup>18</sup> Source: Bertola and Garibaldi (2002), *op. cit.*, from database compiled by Giuseppe Bertola, Francine D. Blau and Lawrence M. Kahn from data reported in *OECD Labor force statistics*, various issues.

<sup>19</sup> Tables 4 and 5 are quoted from *Italian Economy Watch*, at <http://italyeconomicinfo.blogspot.com/2007/09/italy-june-2007-unemployment.html>

Table 4: Part-time work in Italy, 1993-2006



Table 5: Unemployment rates in Southern Italy, 2004-2007



Other current trends include an increasing level of the **labour force education**, as we saw before, and a **significant reduction in long-term unemployment**, which in 2005 stood at 3.9%, the exact average of EU25.<sup>20</sup> Nevertheless, long-term unemployment is widespread among the young (24% versus a EU25 average of 18.5% in 2005), and the three disparities – by gender, age and region – are still high, while no major improvements seem to have concerned older workers: in 2005, in Italy the employment rate of older workers (55-64) was still the lowest of EU15, and 13 percentage points lower than the EU15 average (31% versus 44%).<sup>21</sup>

Finally, there is an **increasing divide** in the labour market between *protected permanent employees* and *unprotected flexible or atypical workers*. As we shall see, this latter briskly-growing category of workers remains largely **unrepresented by the unions**, which means that it does not take part in any form of social dialogue and decision-making process. To understand better the extent of the phenomenon, in the 1996-2003 period, while in the non-agricultural private sector total employment grew by almost 1.7 million registered jobs, at an average annual rate of 2.5%, within it atypical jobs increased by 870 thousand, at an annual rate of 6.4%; in other words, the growth of atypical work accounted for a 52% share of the additional jobs in the period.<sup>22</sup>

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<sup>20</sup> Source: *Europe in figures – Eurostat yearbook 2006-07. 5. Labour market*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-05/EN/KS-CD-06-001-05-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-05/EN/KS-CD-06-001-05-EN.PDF)

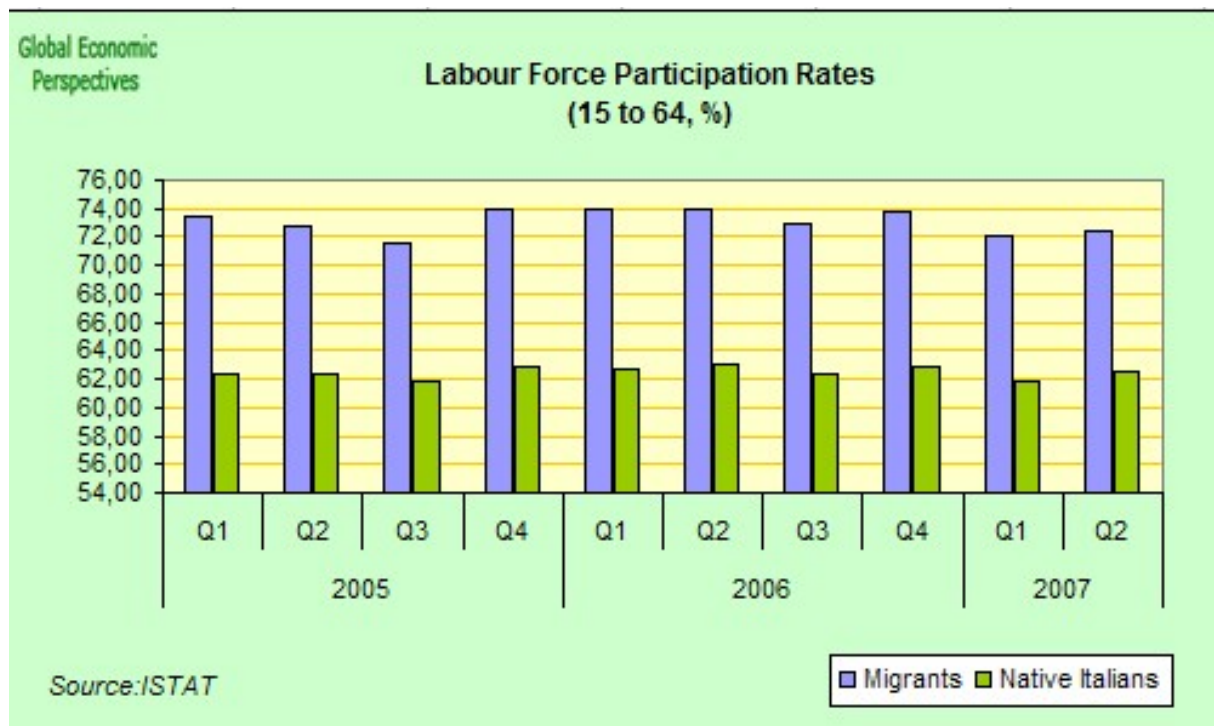
<sup>21</sup> Source: *Europe in figures – Eurostat yearbook 2006-07. 5. Labour market*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-05/EN/KS-CD-06-001-05-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-05/EN/KS-CD-06-001-05-EN.PDF)

<sup>22</sup> Source: Francesca Ceccato and Leonello Tronti, *The growth of atypical jobs in the Italian labour market*, paper given at the Joint ECE/ILO/Eurostat Seminar on the Quality of Work, Geneva, 11-13 May 2005. See <http://unece.org/stats/documents/2005/05/labour/wp.17.e.ppt>

## 2.4 North-South divide and migration flows

After 1992, Italian society – long characterised by ethnic homogeneity – changed dramatically with the beginning of large-scale immigration. A simple detail might reveal the whole picture: in 2005 over 30% of the EU25 total net inflow of migrants regarded Italy.<sup>23</sup> To better understand the extent of this change for the Italian labour market and economy, it is here worth pointing out that the contribution of non-EU nationals to additional employment for the period 2000-2004 was below 20% in two dynamic economies like Spain and Ireland, but over 30% in Italy.<sup>24</sup> Similarly, in 2007 immigrants in Italy show an employment rate higher by 10 percentage points than the employment rate of native Italians, as Table 6 explains.<sup>25</sup>

Table 6: Immigrants versus natives employment rates in Italy, 2005-2007



<sup>23</sup> See *Europe in figures – Eurostat yearbook 2006-07. 1. Population*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-01/EN/KS-CD-06-001-01-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-01/EN/KS-CD-06-001-01-EN.PDF)

<sup>24</sup> Source: *The social situation in the European Union 2005-2006*, p. 33. See [http://ec.europa.eu/employment\\_social/social\\_situation/docs/ssr2005\\_2006\\_en.pdf](http://ec.europa.eu/employment_social/social_situation/docs/ssr2005_2006_en.pdf)

<sup>25</sup> Table 6 is quoted from *Italian Economy Watch*. See <http://italyeconomicinfo.blogspot.com/2007/09/italy-june-2007-unemployment.html>

This dramatic change in the Italian human landscape after 1992 is accompanied by *increasing flexibility in the labour market and in employment relationships*, with a real wage growth that is lower than in the 1980s and lower than the growth of productivity. Nominal earnings are higher in the North - where the same labour legislation as in the rest of the country is in effect, but with full employment - even though they are not higher enough to induce substantial internal migration, which was massive in the 1950s and 1960s, while today is much lower than in Northern European countries.<sup>26</sup> As a matter of fact, the situation of housing, services, social acceptance of immigrants and migrants in general is often deplorable throughout Italy.

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<sup>26</sup> On the causes of the decline of labour mobility from the South to the Centre-North of Italy since the 1980s, see Maria Francesca Cracolici, Miranda Cuffaro and Peter Nijkamp, *Geographical Distribution of Unemployment: An Analysis of Provincial Differences in Italy*, Tinbergen Institute Discussion Paper: TI 2007-065/3, 2007, p. 4, at <http://www.tinbergen.nl/discussionpapers/07065.pdf>

## 2.5 Minimum wage

There is no statutory national minimum wage in Italy, although *sector-level* agreements apply to all workers, which means that different minimum salaries are established in different sectors according to collective agreements at a national level, regardless of whether or not the company concerned has taken part in the negotiations itself.

In general, wages are higher by some 10% in the North than in the South of Italy; however, productivity differentials are twice as large. Even so, unit labour costs are traditionally the same due to a smaller tax wedge in the South (in particular, there were large social security contributions for the South until the mid-1990s), though relatively *small regional wage differentials* are accompanied by *high employment differentials*. Nonetheless, migration flows from the South to the North have been traditionally small. This is due to a number of reasons: the absence of local pressure on wages in the North because of collective wage bargaining; the role of family networks in the South; the role of black economy. The increase in migration flows in recent years may be evidence of higher responsiveness to wage and unemployment rate differentials, as may be caused by reduced government expenditure especially in the South.

## 2.6. Taxation, infrastructure, and social contribution costs

### 2.6.1 Negative differentials. Taxation

The huge impediments that remain in the way of the betterment of Italy's social quality of life and economic growth constitute the basis for the current dialogue among political, economic and social stakeholders. There is a high negative differential with other developed countries in **three crucial areas: taxation, infrastructure, and social contribution costs**. For instance, taxes on labour represented 47% of total labour costs in 2003, against 40% in the OECD on average.<sup>27</sup>

As a result, Italy's very **high public debt** – which is the burdensome legacy of a long period of political and financial irresponsibility that led to its more than doubling between 1981 and 1995, when it rose from 60 to 125% of GDP - is not expected to fall significantly (though the 2007 figure is likely to be a healthier 105%). Therefore, while in the past the obstacle consisted in a high cost of money that curbed investment, in more recent years expectations caused by the level of public debt have likewise depressed the propensity to invest, since a reduction in taxes, which on the contrary have increased recently, seems unlikely to happen, while there are scant budgetary resources to maintain and upgrade an inadequate infrastructural and social endowment and to reduce the cost of labour for enterprises.

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<sup>27</sup> Source: *Employment Outlook 2007 – How does Italy compare?* See <http://www.oecd.org/dataoecd/27/19/38797278.pdf>

## 2.6.2 Negative differentials. Infrastructure

Today, the backwardness of Italy's infrastructure is obvious. Especially inadequate in the South, tangible infrastructure, whose maintenance and modernisation is very costly first of all for the public finances, does not match the growing needs, nor does it measure up to the quantitative and qualitative standards of other European countries. Moreover, the same is true of important components of intangible infrastructure: *the economy's legal order*, which is crucial for growth, has proven increasingly less suitable as regards both legislation and its application; this holds for *company law, bankruptcy law, civil procedure* and some aspects of labour law. Though in themselves they "cost nothing", reforms in this field have made slow headway because of vested interests, in a country where the defence itself of profitability is often entrusted to collusive and protectionist mechanisms.

A peculiarity of the Italian case is that in order to contain costs and risks small firms do not find it convenient to grow (in 2003, workers in micro and small enterprises accounted for 69% of total employment in Italy, versus a EU25 average of 42%).<sup>28</sup> The reasons are *legal, bureaucratic* and *tax-related*. Unfortunately, this coincided with the age of digital and information technology, and other technical advances whose potential to bestow greater flexibility can be exploited especially by large companies engaging in mass production. This hampers the programming of *training for workers, investment in research, technical progress* (especially in information technology) and *productivity*. As a result, in 2004 the Italian expenditure in information technology fell below 2% of GDP, versus an average of 3% in the EU25.<sup>29</sup>

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<sup>28</sup> Our calculation from data in *Europe in figures – Eurostat yearbook 2006-07. 8. Industry and services*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-08/EN/KS-CD-06-001-08-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-08/EN/KS-CD-06-001-08-EN.PDF)

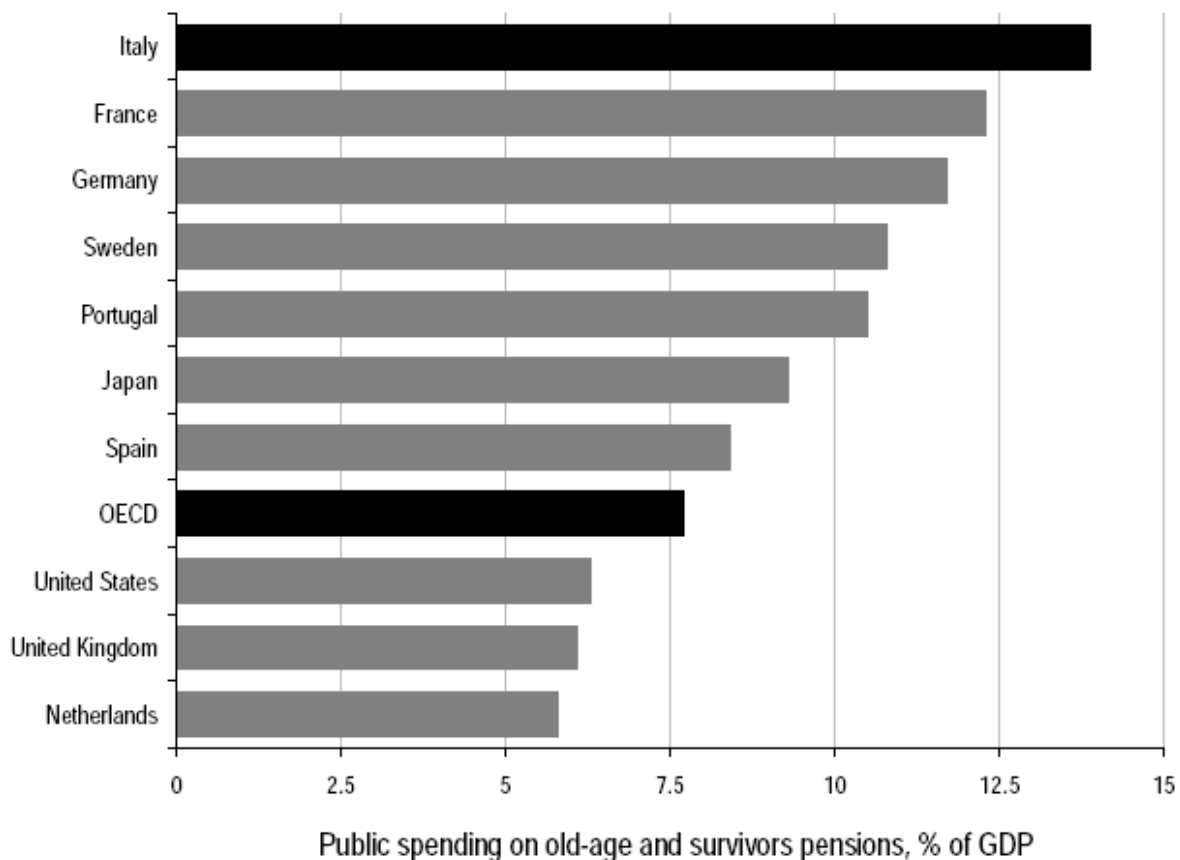
<sup>29</sup> See *Europe in figures – Eurostat yearbook 2006-07. 9. Science and technology*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-09/EN/KS-CD-06-001-09-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-09/EN/KS-CD-06-001-09-EN.PDF)

### 2.6.3 Negative differentials.

#### High social contribution costs and high poverty rates

Another peculiarity of the Italian case is that the country spends more of its national income on *public pensions* than any other OECD countries. Also, pension spending grew at a faster rate since 1990 than in most of the rest of the OECD. Italy spent 13.9% of GDP on public pensions in 2003, compared with an average of 7.7% of GDP for the OECD countries. As a result, Italy has the *highest pension contribution rates* in the OECD: employee and employer contributions are together nearly 33% of individual earnings, compared with an OECD average of 20%.<sup>30</sup>

*Table 7: Public spending on pensions in Italy, France, Germany and other OECD countries, 2003*



<sup>30</sup> The source of data and Table 7 is *Pensions at a glance 2007: Highlights – Italy*. See <http://www.oecd.org/dataoecd/15/20/38728696.pdf>

Even though Italy presents the highest relative public spending on pensions in Europe, in 2004 while the rate of **population at risk of poverty** before social transfers was lower than EU25 average, the same rate after social transfers was peculiarly much higher than average, and not hindered by a total expenditure on social protection equal to 26.4% of GDP.<sup>31</sup> Peculiar to Italy is also the recent **amplification of inequality** in the *personal* and *geographical distribution of income*, which was already greater than in other industrial countries (in Calabria, per-head GDP is historically less than half the Lombard one). Accordingly, *labour income* in Italy represents a *relatively small share of total income*: the **labour share in national GDP**, at 53.5%, is the lowest among G7 countries and the *third lowest in the EU-15*.<sup>32</sup> This may be acting as a brake on growth by limiting the contribution of the less affluent not only to *consumption* and national saving but also to *productivity*. Moreover, a significant part of the population *lacks the resources* necessary to invest in themselves and in their children as human capital, and to ascend the consumption ladder towards expenditure having a greater cultural content. This part of the population, living largely in the South, is not able to make the best of its human potential for the country's social and economic progress. Generally, in 2004 employees in the South would actually earn in a year less than 80% of what their colleagues at the same level, with the same work experience and in the same sector would earn in the North-West.<sup>33</sup> Furthermore, according to recent data, over 11% of Italian families lived in **poverty** in 2006, a percentage that more than doubles in the South, where the rate of poor families is almost 5 times the Centre-North rate.<sup>34</sup> As to **inequality of income distribution**, in 2004 Italy presented a far *worse situation* than France and Germany.<sup>35</sup> This is exacerbated by a

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<sup>31</sup> See *Europe in figures – Eurostat yearbook 2006-07. 4. Living conditions and welfare*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-04/EN/KS-CD-06-001-04-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-04/EN/KS-CD-06-001-04-EN.PDF). The social protection rate is from 2003.

<sup>32</sup> Source: *Employment Outlook 2007 – How does Italy compare?* See <http://www.oecd.org/dataoecd/27/19/38797278.pdf>

<sup>33</sup> The exact figure is 77.8%, which falls to 73.4% when work experience is not considered. Source: Bank of Italy, *Indagine sui bilanci delle famiglie italiane del 2005 (dati 2004)*, as reported in CNEL, *Le relazioni sindacali in Italia e in Europa. Retribuzioni e costo del lavoro. Rapporto 2004-2005*, December 2006, p. 233. See <http://www.cesos.org/progetti/MATERIALI/RAPPORTOCESOS/20042005/definitivoconpremessas.pdf>

<sup>34</sup> Source: ISTAT, *La povertà relativa in Italia nel 2006*, 4 ottobre 2007. See [http://www.istat.it/salastampa/comunicati/non\\_calendario/20071004\\_01/testointegrale20071004.pdf](http://www.istat.it/salastampa/comunicati/non_calendario/20071004_01/testointegrale20071004.pdf). The poverty line for a family of two is set at 970 euros or less of monthly spending.

<sup>35</sup> See *Europe in figures – Eurostat yearbook 2006-07. 4. Living conditions and welfare*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-04/EN/KS-CD-06-001-04-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-04/EN/KS-CD-06-001-04-EN.PDF)

**low social mobility** which is unchanged across generations and even diminished across jobs. What is more, the **very rapid aging** of the population certainly does not favour social dynamism. To complete the picture, *individualism*, nepotism, *localism* and *ageism* are still deeply rooted in the Italian social body, as deeply rooted are *hidden monopolies*, *moral hazard*, collusion and *corner-cutting*.

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EN.PDF. The inequality of income distribution is calculated as the ratio of total income received by the 20 % of the population with the highest income to that received by the 20 % of the population with the lowest income.

## 3. Stakeholders. The protagonists of social dialogue

### 3.1 The representation of Italian labour

#### 3.1.1 Trade unions

The system of industrial relations in Italy is traditionally characterised by *confrontation* between the actors of collective bargaining, with a distinctive differentiation of the roles of management and trade unions at a company level. This means that in the Italian system – unlike elsewhere in Europe, and in particular in Germany – trade unions do not take part in business decisions at any phase.

As we saw in the previous chapter, the **right** of employees to form associations for the safeguard and promotion of their rights and work-related interests is recognised in art. 39 of the Constitution of the Italian Republic, according to which “the organisation of trade unions is free”. In this respect, it must be emphasised that in Italy individual workers have the right not only to take part in trade union activity, but also to organise it. Considered as **freedom of self-organisation** as different from freedom of action and protection of individual or collective interests, the constitutional recognition of union freedom makes it possible to understand the great variety of forms and structures that characterises **Italian unionism** and its *pluralism*. It is an essential attribute of the Italian system that trade unions are *constitutionally free from any control* and need for legitimisation by public institutions or private subjects.

The Italian system is thus robustly based on the principle of trade union pluralism, which historically features two main aspects: a) a political aspect, which used to have an ideological derivation; b) an organisational and professional aspect.

**Ideological pluralism** was established in the aftermath of World War 2. The trade union split in this period reflected the ideological and political distinctions between the protagonists of post-war reconstruction: a strong catholic party (DC, or Christian Democrats); smaller reformist parties (PRI, or Republican Party; PSI, or Socialist Party; PSDI, or Social Democratic Party); and a strong communist party (PCI). This distinction was broadly reflected in the divide between the three major trade union organisations: CISL (Confederazione Italiana Sindacati Lavoratori), a catholic-liberal union close to the DC party in power (but which also featured other

elements, not least the influence of US trade unionism ideology – highly pragmatic and focusing on company-level bargaining rather than general strategies); UIL (Unione Italiana del Lavoro), which was close to the reformist parties; and CGIL – close to PCI and PSI, the major opposition parties – of reformist and communist inspiration.

The relations among the three main confederations have varied in time: during the decades, periods of close co-operation were followed by periods of coolness, if not hostility, and the prospect of organisational unity, which was a clear goal in the 1970s, now seems much less likely. CGIL, CISL and UIL – all members of ETUC, the European Trade Union Confederation – have the largest number of members and are the *most popular unions* at a national level. According to data provided by the unions themselves, the three confederate unions have had a constant increase in membership since the second half of the 1980s.<sup>36</sup>

**Table 8: Union membership in Italy, 1986-2006**

YEAR	CGIL members	CISL members	UIL members	CGIL-CISL-UIL
1986	4,647,038	2,975,482	1,305,682	8,928,202
1996	5,209,296	3,837,104	1,593,615	10,640,015
2006	5,650,942	4,346,952	1,766,541	11,764,435

Here, however, the heavy contribution given to these figures by *non-active workers* – around 1 out of 2, versus 1 out of 5 in France and Germany – must be highlighted; it must also be stressed that elderly people are a significant component of the Italian population, with 19.2% of over-65 versus a EU25 average of 16.5% in 2005.<sup>37</sup> As a result of these factors, though **union membership** has been *constantly on the increase*, and though there are more trade union members in Italy than in any other country in the EU, a recent independent report estimated **union density** among active employees in Italy at 33.7% in 2003 versus a much higher 1980 rate of

<sup>36</sup> For a year-by-year table, see [http://www.ust.it/tesseramento/doc/tess\\_cgil-cisl-uil.htm](http://www.ust.it/tesseramento/doc/tess_cgil-cisl-uil.htm)

<sup>37</sup> See *Europe in figures – Eurostat yearbook 2006-07. 1. Population*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-01/EN/KS-CD-06-001-01-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-01/EN/KS-CD-06-001-01-EN.PDF)

49.6%. Nonetheless, comparatively this rate is *still far above average*: in fact, “active” density in Germany is 22.6% and in France a much lower 8.3%, while in the re-structured labour markets of the Czech Republic and Slovakia rates are 27% and 36.1% (2001).<sup>38</sup>

Apart from the three main confederations, of a certain importance is UGL (formerly called CISNAL), a confederate union originally close to the neo-fascist MSI party which later became more independent, not least due to the ideological overhaul which resulted in the birth of a new right-wing party – Alleanza Nazionale – repudiating any historical and ideological ties with the Fascist regime. UGL states it has 2 million members.<sup>39</sup>

There are **other groupings of trade unions**: these include CISAL, which states it has 1.7 million members (like UIL) in “autonomous unions” particularly in public and finance sectors, and CONFISAL, which is composed of autonomous unions too. It must be noted that membership figures given by these other confederations are not matched by the number of their elected representatives in the unitary bodies at company and division level<sup>40</sup> (RSU, described below). It must also be noted that this organisational and professional union pluralism is historically different from ideological union pluralism, and is obviously more difficult to quantify, since it is tangibly represented by a proliferation of aggregations, temporary coalitions and autonomous unions – in the sense that they are independent from official confederate unionism. In this case, union pluralism is less inspired by ideals and more perceptibly linked to the concrete issue of representing the interests of specific sectors and categories of workers.

Vigorously based on Christian ideals is instead the **Association of Italian Christian Workers** (ACLI = Associazioni Cristiane Lavoratori Italiani), a major institution among the Italian labour organisations. With over 1 million associates in Italy and

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<sup>38</sup> See Jelle Visser, *Union membership statistics in 24 countries*, in *Monthly Labor Review*, vol. 129, no. 1, January 2006.

<sup>39</sup> No official data are publicly available as regards the exact number of UGL members throughout the years. However, UGL claims to be the third confederation in this respect (larger than UIL).

<sup>40</sup> On this, see Lucio Baccaro, Mimmo Carrieri and Cesare Damiano, *The resurgence of the Italian Confederal Unions: Will it last?*, International Institute for Labour Studies, discussion paper 144/2002, p. 3, at <http://www.ilo.org/public/english/bureau/inst/download/dp14402.pdf>. See also Employment and Social Affairs DG of the European Commission, *Annual Report on Social Concertation and Collective Bargaining Project V/001/97: Institutional representativeness of local public sector trade union and employers' organisations in the EU*, December 2001, pp. 27 and 55, at [http://www.trav.ucl.ac.be/recherche/pdf%202002/2001%2012%20LPS\\_final.pdf](http://www.trav.ucl.ac.be/recherche/pdf%202002/2001%2012%20LPS_final.pdf)

other 40 countries worldwide, ACLI has as its primary purpose the social promotion of Italian labour and labourers, and is structured in various dependent establishments with different objectives in the fields of social rights and active citizenship – from consumer protection to sporting activities. In this context, a most important institute is ENAIP, the national professional training agency of ACLI, which provides career and employment counselling, offers multiple educational services for workers and enterprises, and carries out a large number of vocational training courses. ENAIP is structured in legally independent regional agencies and agencies abroad, each of which runs numerous educational and research projects.

The **organisational structure** of the trade union confederations is developed in two ways. “*Horizontally*”, it is structured on the basis of territorial needs – with the Camera territoriale for CGIL and UIL and the Unione territoriale for CISL – at a local, regional and national level (political trade unionism). These levels include all the trade unions of the production categories present in a given area. “*Vertically*”, union organisation depends on the workers’ category or on the production sector of their employing enterprise (professional trade unionism). At a *company level*, workers have the right in every establishment to set up union representatives (RSA: *Rappresentanze Sindacali Aziendali*) within the framework of the trade unions signatories to the collective agreements in force in the establishment. Such representatives have the right to carry out union business in support of union activity by their members within the establishment. There is no specific model for company-level union representatives, since their role is based on industrial relations practice. As discussed below, company-level union representatives (RSA) often coincide with unitary labour representatives (RSU: *Rappresentanze Sindacali Unitarie*). Unlike RSA, RSU represent all the workers in an establishment – not just union members.

Among the sector federations, the **metalworkers’ unions** – FIOM, FIM and UILM, members respectively of CGIL, CISL and UIL – are traditionally Italy’s largest and most powerful national unions, and often serve as strategic and political innovators for the rest of the union movement, leading the way for other industrial federations and even for the three confederations. In 2005, FIOM had around 364 thousand members, FIM 190 thousand, and UILM 91 thousand. FIOM, FIM and UILM have an “oligopoly” of workers’ interests’ representation, as they are *the only signatories*

to the national agreements covering the metalworking industry. UGL Metalworkers also plays an active – albeit marginal – role in collective bargaining in the sector as it is fully recognized by the dominant players.

A new development in the Italian trade unionism is undoubtedly the recent appearance of **new confederate union structures** whose members, above all at a territorial level, are the so-called “**atypical workers**”:<sup>41</sup> temporary workers, collaborators working on a single project, and occasional workers. There have been growing numbers of these workers in various sectors – both private and public – since recent legislative recognition, and indeed promotion, of such types of employment (last instance of this is the “Biagi” reform, discussed elsewhere in this essay). These various types of **employment relationship** have one feature in common: their *temporary nature*, that is, a *lack of stability* and therefore, from the unions’ viewpoint, a *substantial lack of security*. This crucial element distinguishes atypical workers from the standard full-time permanent employees that unions traditionally proselytise and whose interests they usually defend.

In this extremely important field, the organisational course taken by the Italian confederations in the last few years consists of **creating associative structures** (NIDIL-CGIL, ALAI-CISL, CPO-UIL) that operate at a *territorial level* and provide above all assistance and *services to these “new” workers*, who often have the same experience of precarious and poor income security, great mobility between companies and sectors, and are confronted by the same kind of serious social problems such as difficulties in getting bank loans or signing rent contracts. The organisation is *territorial* in order to associate workers *on the basis of their instability in the labour market* rather than stable professional status – a basis which is just the *opposite* of Italian trade union tradition.

It must be pointed out that this is only a first example of unions trying to defend the group interests of workers who move about in the labour market. Hence, the organisational weight and bargaining power of these unions is *currently rather insignificant*, since the workers they represent are economically weak, do temporary jobs, and are easy to blackmail, and also since the protection granted to workers in permanent employment (above all against unfair dismissal) does not apply to them.

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<sup>41</sup> For a thorough though not very recent analysis of this issue, see Giovanna Altieri and Cristina Oteri, *Terzo Rapporto sul Lavoro Atipico in Italia: verso la stabilizzazione del precariato?*, April 2003, at <http://www.ires.it/node/185>

It must also be emphasised that these segments of the labour market rather than collective solidarity show a prevalence of individual interests and behaviours. Even though, in the last years some noteworthy instances of collective and territorial bargaining regarding atypical workers have been registered.<sup>42</sup>

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<sup>42</sup> See CNEL, *Le relazioni sindacali in Italia e in Europa. Retribuzioni e costo del lavoro. Rapporto 2004-2005*, December 2006, pp. 153-156, at <http://www.cesos.org/progetti/MATERIALI/RAPPORTOCESOS/20042005/definitivoconpremissa.pdf>

### 3.1.2 Unitary Trade Union Representations

According to the model of *“organised decentralisation”* outlined in the 1993 Protocol (systematically examined in chapter 5), the institutionalisation of industrial relations implies formal recognition of the bargaining power accorded to RSU (Rappresentanze Sindacali Unitarie). These bodies, elected by all workers in a company – including non-union members – or in a decentralised administrative unit in the public sector, are formally recognised as official interlocutors in bargaining processes, together with territorial-level union organisations. This means that **decentralised collective bargaining** (at the level of a company or smaller administrative unit as opposed to a whole department) is handled jointly by territorial worker-category or department-level union organisations and the bodies elected by all the workers.

These unitary bodies accurately reflect the *single-channel representation model* traditionally prevailing in Italy, in which the body representing workers in the workplace is still formed “within” trade union organisations. In fact, when such bodies are voluntarily created, the unions forgo their right to form their own representative bodies, so that the unitary body combines *representation of both the workers and the unions*. Only when it is impossible to set the unitary body up can the unions form their own representative bodies, called RSA (Rappresentanze Sindacali Aziendali).

At present, more than 80% of votes for RSU nationwide go to representatives of CGIL, CISL and UIL lists. In the private sector, in order to ensure *uniformity of approach between central and decentralised bargaining*, the 1993 Protocol (see chapter 5) and union agreements provide for an electoral mechanism that favours coordination between the two levels.

Although **decentralised bargaining** is quantitatively limited in Italy, RSU play an important bargaining and advisory role and sometimes take part indirectly in management of the health and safety protection system. Representatives responsible for security issues are often appointed among members of these bodies, thus instituting a second-degree representation mechanism.

In the public sector, the greater autonomy RSU enjoy as compared with unions does not correspond to a bargaining power at a decentralised level comparable to that in the private sector.

### 3.1.3 European Works Councils in Italy

Reception of the 1994 directive on European Works Councils (EWC) was greatly *delayed in Italy* and only achieved in 2002.<sup>43</sup> The process of implementing the directive had been, however, rapidly activated by the social stakeholders, with the stipulation of an agreement on 27 November 1996 among Confindustria, Assi-credito and the CGIL, CISL and UIL union confederations, in the presence of the Labour Minister. This means that the 1996 agreement *transposed the directive through bargaining* and paved the way for *company-level agreements to set up EWC* long before the directive's reception into law. There are, however, many multinationals in which it has not yet been possible to set up a EWC. The consultation of EWC and the quality of the information they are provided with follows the general trend.<sup>44</sup> The *operational difficulties* experienced by EWC are exacerbated by linguistic communication and management that is often hostile towards them.

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<sup>43</sup> Legislative decree no. 74, 2 April 2002: *Attuazione della direttiva del Consiglio del 22 settembre 1994, 94/45/CE, relativa all'istituzione di un comitato aziendale europeo o di una procedura per l'informazione e la consultazione dei lavoratori nelle imprese e nei gruppi di imprese di dimensioni comunitarie*. See <http://www.parlamento.it/leggi/deleghe/02074dl.htm>

Council Directive 94/45/EC of 22 September 1994 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees. See [http://ec.europa.eu/employment\\_social/labour\\_law//directive9445/9445euen.htm](http://ec.europa.eu/employment_social/labour_law//directive9445/9445euen.htm)

<sup>44</sup> For a comparative study on EWC which includes France, Germany and Italy, see European Foundation for the Improvement of Living and Working Conditions, *European works councils in practice*, 2004, at <http://www.eurofound.europa.eu/pubdocs/2004/109/en/1/ef04109en.pdf>

## 3.2 Employers' organisations

Like workers, in Italy employers have their own separate representative organisations for the various sectors of the economy, which are also organised at a territorial level. These organisations define themselves as "*associations*". The use of this term rather than "unions" is a consequence of the different function that the Constitution of the Italian Republic assigns to employers' organisations, which are afforded less significant protection, basically in art. 18 of the **Constitution**, which assures *general freedom of association*, and art. 41, which guarantees *freedom to undertake private economic initiatives*.

The first employer organisations in Italy were founded at the beginning of the 20th century, immediately after the initial development of metal and mechanical industries. In May 1910 the Confederation of Italian Industries (**Confindustria**) was born, with the aim of coordinating employers' initiatives in relationships with the unions, the government and local administration at a national level. Today Confindustria is the *main organisation* representing manufacturing, construction, energy, transportation, information technology, tourism and services industries in Italy. It brings together *123 thousand companies* of all sizes, amounting to *4.8 million employees*. As it is true of the union confederations, Confindustria is a *second-degree association* (i.e. a federation of associations), and presents a *complex structure comprising both territorial and category-based organisations*. Companies become members by means of a territorial or category-based organisation or both. Some territorial associations have greater weight in Confindustria, due to a governing body election system based on the contributions paid in by the various enterprises. For instance, the regional association of Lombardy (**Assolombarda**), which represents the largest number of industries in the country, controls a significant quota of votes in the national confederation.

Territorial associations play a fundamental role in assisting companies during decentralised bargaining processes. The most important sector federations are **Federmeccanica** (metal and mechanical industries), **Assochimici** (chemical industries), **ANCE** (construction industries), **Assaeroporti** (airport management enterprises), and **Federpesca** (fishing industries).

Together with Confindustria, the main employer confederations in Italy are **Confcommercio**, i.e. the general confederation of business and trade which associates *820 thousand* (mainly micro and small) firms, and **Confagricoltura**, i.e. the general confederation of agricultural businesses, which associates *526 thousand* firms of which 120 thousand are employers.

There are also minor organisations such as **Confapi**, whose members are small to medium industrial enterprises, **Confesercenti** in the commercial sector, **Coldiretti** and **Confcoltivatori** in the agricultural sector. Besides these associations, others operate in specific sectors such as those involving cooperative enterprises and craftsmen which differ according to their political leanings.

In the field of public services and publicly-owned companies, **Confservizi** is the *most representative confederation* of employers' associations, ranging from the various energy sectors to local public transport, water supply, public pharmacies, rubbish collection and environmental services.

## 4. Flexibility against security in the Italian labour market

### 4.1 Typical and atypical

The quantity of atypical and fixed-term work contracts in Italy has *increased* noticeably in the last few years, reaching in 2005 a proportion (13.6%) of total employment similar to those in Germany, France, and the EU25. In 2005, however, only a minority of atypical workers had a genuine contract (5.6%), since the remaining 8% had training contracts; more specifically, they had work-entry or insertion contracts (“contratti di inserimento”: 0.4%), apprenticeship contracts (“contratti di apprendistato”: 2.9%), and work and training contracts (“contratti di formazione e lavoro”: 4.7%).<sup>45</sup>

It is worth pointing out that what is “*typical*” in Italy is *open-ended jobs*: they are so typical that historically, if no written contract was existent, the job relationship was considered permanent. Atypical and fixed-term contracts are regulated by various laws introduced since 1955, when the first guidelines on apprenticeship contracts are established.<sup>46</sup> The Italian **apprenticeship contract** is a contractual form which obliges employers to give their employees the basic notions necessary to transform them into qualified workers. The legal duration of an apprenticeship contract ranges between 18 months and 4 years, with some exception for the handcraft sector. As we shall see, the terms of apprenticeship relationships *introduced in 1955 were never modified until 1997*.

In 1962, fixed-term contracts used for seasonal jobs and to substitute for absent workers were introduced.<sup>47</sup> The 1962 law stated that contracts of employment are deemed for an indefinite period of time, unless statutory regulations provide otherwise. Since then, a number of labour safeguards were guaranteed, for instance the *principle of equal treatment, trade union rights* and so on. In this sense, the Italian system ensured various aspects of security for workers hired with this flexible, temporary form of contract.

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<sup>45</sup> Source: ISFOL, *Rilevazione longitudinale su imprese e lavoro 2005*, in Inoisfol, April-August 2006, no. 2. See [http://www.isfol.it/isfol/download/ino2006\\_2.pdf](http://www.isfol.it/isfol/download/ino2006_2.pdf)

<sup>46</sup> Law no. 25, 19 January 1955: *Disciplina dell'apprendistato*. See <http://www.circondariovaldicornia.it/modulistica/download/Legge%2025%20-%201955.doc>

<sup>47</sup> Law no. 230, 18 April 1962: *Disciplina del contratto di lavoro a tempo determinato*. See [http://www.rsu.unito.it/Tutto\\_Contratto/ccnl\\_snur/legge1962230.htm](http://www.rsu.unito.it/Tutto_Contratto/ccnl_snur/legge1962230.htm)

## 4.2 Atypical work from Dini (1995) to Biagi (2003)

In the 1990s, in Italy the economic crisis paved the way for a new conception of labour law which, alongside the objective of safeguarding individual workers in existing jobs, focused on the more general objective of developing employment and supporting the productive system. Labour law aimed at flexibility was therefore adopted, which aimed to redesign the system of protection and completely reorganize the means for matching labour supply and demand in order to provide greater scope for autonomous private bargaining, both collective and individual.

In 1991, a new law not only reformed the regulations governing collective redundancies, but also made provision for direct hiring for most kinds of workers, replacing the rigid criteria previously in force.<sup>48</sup> In 1995, within the Dini Law<sup>49</sup> of thorough reform of the pension system, the Coordinated and Continuous Collaboration (Co.Co.Co.) contracts were introduced: workers hired as Co.Co.Co. were self-employed and featured a specific relationship with the company as independent contractors. In 1996, the procedures for promoting access to employment were totally reformed, and direct hiring was extended to all workers.<sup>50</sup> In 1997, the principle of public monopoly on employment services was abolished, with the recognition of private employment agencies as legitimate undertakings.<sup>51</sup> Also in 1997, with the Treu Law, the flexibility and range of types of wage employment were expanded, providing an alternative to open-ended employment contracts, introducing incentive mechanisms to employ young people and to bring irregular work into the formal labour market by regulating atypical contracts.<sup>52</sup> The main novelty of the 1997 reform consisted in the introduction of temporary contracts without age limitation for hired workers and in the creation of

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<sup>48</sup> Law no. 223, 23 July 1991: Norme in materia di cassa integrazione, mobilità, trattamenti di disoccupazione. Attuazione di direttive della comunità europea, avviamento al lavoro ed altre disposizioni in materia di mercato del lavoro.

See <http://www.regione.emilia-romagna.it/formazione/politiche/law223.htm>

<sup>49</sup> Law no. 335, 8 August 1995: *Riforma del sistema pensionistico obbligatorio e complementare*. See <http://www.uniroma2.it/cgil/ccnl/legge1995335.htm>

<sup>50</sup> Law no. 608, 28 November 1996: Conversione in legge, con modificazioni, del decreto-legge 1 ottobre 1996, n. 510, recante disposizioni urgenti in materia di lavori socialmente utili, di interventi a sostegno del reddito e nel settore previdenziale.

See <http://www.camera.it/parlam/leggi/96608l.htm>

<sup>51</sup> Legislative decree no. 469, 23 December 1997: *Conferimento alle regioni e agli enti locali di funzioni e compiti in materia di mercato del lavoro, a norma dell'articolo 1 della legge 15 marzo 1997, n. 59*. See <http://www.camera.it/parlam/leggi/deleghe/testi/97469dl.htm>

<sup>52</sup> Law no. 196, 24 June 1997: Norme in materia di promozione dell'occupazione.

See <http://www.parlamento.it/leggi/97196l.htm>

Temporary Work Agencies, so that job centres were privatized and decentralized. The reform also modified statutory discipline of fixed-term contracts and changed the apprenticeship relationships. Finally, in 2003 the Biagi Law introduced further reforms aimed at enhancing the flexibility of the labour market and the effectiveness of atypical contracts.<sup>53</sup>

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<sup>53</sup> Legislative decree no. 276, 10 September 2003: *Attuazione delle deleghe in materia di occupazione e mercato del lavoro, di cui alla legge 14 febbraio 2003, n. 30*. See <http://www.parlamento.it/leggi/deleghe/03276dl.htm>

## 4.3 The 2001 reform of fixed-term work

### 4.3.1 An historical disapproval of fixed-term work

In 2001 there was an important reform of fixed-term contracts which made it easier to exploit these forms of employment relationship, which the current centre-left government now proposes to change, restricting their possibility of application and, at the same time, reforming the system of sanctions in case of misuse.

Italian legislation is traditionally characterised by an attitude of disapproval of work contracts with a term. Accordingly, the possibility of stipulating fixed-term contracts was always subordinate to the existence of objective requirements related to the special nature of the work relationship. Disapproval of fixed-term contracts was expressed in the aforementioned 1962 law, which explicitly established a rule-exception relationship between permanent and fixed-term contracts, and drew up a detailed list of circumstances in which it was possible, in writing, to set a termination date for a contract. When there was no written contract, the job was understood as permanent. The law also regulated various aspects of the employment relationship: contract extensions, consequences in the case the work continuation after expiry of the contract, proof to be provided by the employer of the objective existence of the circumstances legitimising the expiry or extension of the contract, and the general principle of equal pay and conditions for workers both on permanent and fixed-term contracts.

This situation changed in the 1970s, when alarming unemployment rates and a lengthy economic crisis led the political and social stakeholders to focus on the growth of jobs, even with temporary contracts. A new phase began in Italy in which the regulations governing fixed-term contracts featured a weakening of traditional security in favour of greater flexibility. From the early 1980s onwards, the idea of fighting widespread unemployment by encouraging the introduction of more flexible types of contract started to gain favour. In those years, collective contracts stipulated at a sectoral or local level by trade unions belonging to the major confederations were allowed to establish further kinds of fixed-term contracts in addition to the 1962 types; by law, collective bargaining was also to fix the percentage of the total workforce that could be hired through fixed-term contracts. Over the years, collective bargaining introduced further flexibility into the management of

human resources at all levels, while legitimising the application of fixed-term contracts on “subjective” grounds – for young workers or those living in geographical areas particularly hit by unemployment – as an employment policy tool.

Several legislative measures inspired by employment policy objectives concerned fixed-term contracts for training purposes and, more generally, the inclusion in the labour market of disadvantaged workers. Alongside the process of weakening the rigidity brought in by the 1962 law, at the end of the 1970s the possibility was introduced of stipulating fixed-term contracts lasting no longer than 6 months for young people who were to be engaged in “training activities”. These temporary contracts were subsequently extended to 1 year in order to acquire low qualifications and 2 years for high qualifications, and called “Contratti di Formazione e Lavoro” (CFL) or work and training contracts.<sup>54</sup>

While the 1962 law was still in force, greatly limiting the possibility of application of fixed-term contracts, work and training contracts offered fixed-term employment in companies to a large number of young people, while employers enjoyed a large number of financial and legal advantages. The real scope of this kind of contracts was clear to everyone: thus, the Constitutional Court itself recognised that legislation regarding work and training contracts had the primary purpose of encouraging subordinate employment relationships for the young and that this purpose prevailed over mere training.<sup>55</sup>

The introduction of fixed-term work and training contracts on subjective grounds – i.e. the young age of the workers involved – made cultural room for new flexibility. Both legislation and collective bargaining gave further proof of considering fixed-term work as a tool to provide employment opportunities, albeit temporary, for disadvantaged workers or those risking social exclusion, irrespective of whether companies had requirements of a temporary nature.

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<sup>54</sup> See Law 863/1984, modified with Law 56/1987, which extended the applicability of work and training contracts to all economic sectors.

Law no. 863, 19 December 1984: Conversione in legge, con modificazioni, del decreto-legge 30 ottobre 1984, n. 726, recante misure urgenti a sostegno e ad incremento dei livelli occupazionali. See <http://guide.dada.net/diritto/interventi/2001/05/43841.shtml>

Law no. 56, 28 February 1987: Norme sull'organizzazione del mercato del lavoro.

See <http://www.handylex.org/stato/l280287.shtml>

<sup>55</sup> Constitutional Court no.190, 25 May 1987. See <http://www.cortecostituzionale.it/ita/attivitaacute/corte/pronunceemassime/massime/schedaMS.asp?Comando=LET&NoMS=4304&TrmT=&TrmL>

### 4.3.2 Europe is a fixed-term contract

In 2001, the newly elected centre-right government immediately approved groundbreaking regulations on fixed-term contracts, which were called “European work contracts”, since the relevant Legislative decree 368/2001 implemented Directive 99/70/EC, abrogating the previous restrictions.<sup>56</sup> The 2001 decree was indubitably the first step in a broader design by the centre-right government to reform the labour market and the Italian tradition of industrial relations, with a view to challenge the centrality of traditional full-time, permanent employment in favour of a series of alternative types of flexible employment.

In fact, although EU Directive 99/70 specifies in the introduction and general considerations that permanent contracts remain the prevalent form of work contracts, Legislative decree 368/2001 makes no mention of this. Nonetheless, the decree lists a number of cases in which it is not possible to stipulate fixed-term contracts.<sup>57</sup> Fixed-term contracts cannot be stipulated to replace workers on strike, in companies which have made collective redundancies in the previous six months, or where there is a partial or total reduction in working hours with part of the workers’ wages being paid by a special state fund (Cassa Integrazione Guadagni), or finally in companies not complying with health and safety regulations.

Crucially, Legislative decree 368/2001 establishes that a term may be set on the duration of a contract for technical, organisational, production or replacement reasons. In several occasions the government subsequently made it clear that fixed-term contracts were sound for work that was not in itself of a temporary nature, and that allowing fixed-term contracts to be stipulated presupposed abandoning the criterion of collectively-negotiated flexibility for a regime of individual agreements. Therefore, through the decree the government tried to take control of a broad area of the labour market away from the trade unions: in fact, the only re-

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<sup>56</sup> Legislative decree no. 368, 6 September 2001: Attuazione della direttiva 1999/70/CE relativa all'accordo quadro sul lavoro a tempo determinato concluso dall'UNICE, dal CEEP e dal CES. See <http://www.parlamento.it/leggi/deleghe/01368dl.htm>

Council Directive 1999/70/EC of 28 June 1999 concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP. See

<http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:31999L0070:EN:HTML>

<sup>57</sup> Legislative decree 368/2001, *op. cit.*, art. 3.

maintaining form of trade union control is the task given to collective bargaining of setting the proportion of workers who can be hired on fixed-term contracts.<sup>58</sup>

Accordingly, while in principle entrusting national collective labour agreements signed by the major trade unions with determining the limits for the use of fixed-term contracts, the decree lists several exceptions to this: in business start-ups for periods to be defined in national collective labour agreements, even differently in different geographical areas and/or sub-sectors; for reasons connected with replacement or seasonal work; for increased work at particular times of the year and for certain performances or radio/television programmes; for contracts after traineeship in order to facilitate young people's entry into the workplace; for contracts with workers aged over 55, or for works or services of a special or occasional nature.

It should, however, be pointed out that the issue of justifying the application of fixed-term contracts - irrespective of the centre-right government's strategy - remained, and still remains, one of the most recurrent in collective bargaining. Thus, some agreements refer to the provision in EU Directive 99/70 and confirm the centrality of permanent work contracts; a large number of agreements expressly define fixed term as legitimate only where a detailed list of conditions of a temporary nature is given; other agreements state that fixed-term contracts are justified only by the special nature of the employment relationship and can only be applied in cases previously established by the collective contract. There are also instances of agreements which specifically identify the reasons of a technical and production nature that are economically and socially acceptable, apparently irrespective of whether the company requirements are temporary or not.

With regard to the renewal and succession of fixed-term contracts, Legislative decree 368/2001 establishes that fixed-term contracts are to be considered successive when there is no time gap between contracts; in this case the relationship is a permanent one, dating back to the stipulation of the first contract.<sup>59</sup> However, a new fixed-term contract can be stipulated between the same parties if a certain length of time elapses (10 or 20 days according to the original contract duration of more or less than 6 months). Only if the period of time between two contracts is

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<sup>58</sup> *Ibidem*, art. 10, clause 7.

<sup>59</sup> *Ibidem*, art. 5.

not respected will the second contract be considered a permanent one. Curiously, Legislative decree 368/2001 makes no reference to the maximum duration of renewed fixed-term contracts, nor to the number of possible renewals.

Nonetheless, Legislative decree 368/2001 also states the principle of non-discrimination between workers on fixed-term contracts or on permanent contracts, thus corroborating standard full-time permanent employment as the reference model for the wages and regulations governing workers on flexible contracts. Therefore, the decree provides for leave and remuneration (Christmas bonuses, thirteenth months yearly pay, severance pay and all other payments) for fixed-term employees comparable – in proportion to the length of time worked – with those for workers with open-ended contracts.<sup>60</sup> Furthermore, the decree obliges employers to provide training opportunities for workers on fixed-term contracts and establishes the workers' rights to information. These provisions entitle fixed-term employees to receive sufficient and adequate training for the job for which they have been hired, so as to prevent specific risks connected with the carrying out of the job. The decree also states that national collective labour agreements may provide for procedures and measures to facilitate access by fixed-term workers to training opportunities to improve their qualifications, promote their careers and increase their occupational mobility.<sup>61</sup>

The decree provides that fixed-term contracts lasting longer than 9 months must be taken into account for the constitution of the workers' representative bodies, states that the national collective labour agreements must define the procedures to inform fixed-term workers about vacant posts, and ensure that they have the same opportunities to secure permanent positions as other workers. Finally, the decree blends flexibility and security by requiring collective bargaining to establish rights of precedence, whereby workers who have already worked for a company on a fixed-term contract are entitled to be taken on permanently by the same company for the same job.<sup>62</sup>

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<sup>60</sup> *Ibidem*, art. 6.

<sup>61</sup> *Ibidem*, artt. 7 and 9.

<sup>62</sup> *Ibidem*, artt. 8-10.

## 4.4 The 2003 Biagi reform

### 4.4.1 Insertion contracts

Once fixed-term contracts can be stipulated on subjective grounds, as already established during the 1990s by collective bargaining provisions in favour of “weak” and/or geographically disadvantaged categories of workers, the application of fixed-term contracts to a particular worker status – for instance the long-term unemployed or some disadvantaged categories of workers – becomes possible. Therefore, Legislative decree 276/2003 developed the aforementioned Legislative decree 368/2001 by introducing a further type of fixed-term contract for subjective reasons called “contratto di inserimento” or insertion contract. This replaces the previous work and training contract and aims to insert or re-insert, by means of an individual plan of adaptation of individual professional skills to a particular work context, certain categories of young workers or those at risk of social exclusion into the labour market: young workers aged 18 to 29; the long-term unemployed aged 29 to 32; the unemployed aged over 50; workers who have been out of work for at least 2 years; women of any age in geographical areas particularly hit by unemployment; the disabled. These contracts must last no less than 9 and no longer than 18 months, can be extended up to this maximum of 18 months, and cannot be renewed between the same parties. Collective bargaining is allowed to regulate single aspects relating to the employment relationship, in particular by exercising quantitative control: once again, collective contracts can establish the maximum percentage of workers who can be hired on this type of contract.

To prevent insertion contracts from being used by employers to meet exclusively unilateral company requirements without taking into account the law’s aim of promoting permanent employment for workers at the end of the insertion programme, the decree establishes that to be able to hire workers on an insertion contract employers must have kept on at least 60% of the workers whose insertion contract expired in the previous 18 months.<sup>63</sup>

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<sup>63</sup> See art. 54 of Legislative decree no. 276, 10 September 2003: Attuazione delle deleghe in materia di occupazione e mercato del lavoro, di cui alla legge 14 febbraio 2003, n. 30, at <http://www.parlamento.it/leggi/deleghe/03276dl.htm>

## 4.4.2 New categories of employment relationship

Two major points of the Biagi reform were the introduction of new categories of contractual relationship to allow companies to confront special needs of business-growth over limited periods of time, and allow them to contain labour costs during periods of business-reduction; and the introduction of new regimes for independent contractors (former Co.Co.Co.) to allow job placements when needed for the performance of a specific project. More generally, the Biagi Law makes two major interventions: first in the field of employment relationships, with a further introduction of new flexible contracts (staff leasing; job on call; job sharing; additional work), new incentives to companies for part-time work and apprenticeship, and the reorganisation of training contracts and project-based contracts; secondly in the field of employment services, by ending public monopoly in job placement and creating a national IT system for job matching.

Several new categories of employment relationship are established and regulated through the Biagi Law. In detail, "job sharing" is introduced to allow two or more employees to share the performance of a full-time job; job-sharing workers are entitled to set their own schedules at their own discretion; each worker's pay is proportional to the amount of work carried out.

"Job on call" is a professional activity performed on a discontinued or intermittent basis, which may be taken up by employees younger than 25 and older than 45 years of age; job-on-call contracts may be of fixed or open duration, and must make provisions for a standby allowance equal to at least 20% of the salary envisaged by the applicable collective labour agreement.

"Staff supply" authorises employment agencies to supply the activity of workers to their client companies; clients and employment agencies are jointly and severally responsible to the employee for wage and social security contributions and for compliance with the employee's safety regulations; staff-supply contracts may be either open or fixed-term.

"Staff leasing" contracts are generally open-term and used in freight and warehouse services, managerial consultancy services (including the human resources sector), call-centre management, porter and cleaning work; the agreement between employment agency and employee may be either of job sharing, part-time

job, job on call, training employment or of insertion contract; fixed-term contracts are generally used for technical, manufacturing-related, organisational and stand-in positions.

“Ancillary work” may be performed in the no-profit sector, or may be occasional work by workers at risk of social exclusion or regularly-performed domestic help.

“Apprenticeship” contracts are reorganised by the Biagi Law in three kinds: training-and-learning rights and duties obligations; apprenticeships aiming at professional qualification as a result of on-site training and skills learning; training in connection with a diploma or other types of professional qualification.

“Insertion contracts” may apply to single projects of development of a worker’s skills within a specific field for later reintegration in the job market; employers must grant the worker a salary scheme not lower than two levels of what the applicable collectively-bargained labour agreements provide for the qualification to which the worker is aiming through the project.

“Part-time” work applies to weekly working hours that are less than the full working week; it may be carried out for a reduced daily working time, or for a reduced number of weekly days, or may be a combination of both cases.

“Secondment” means the transfer of an employee to another manufacturing unit situated over 50 kilometres from the usual work site, and is permitted only in case of needs relating to productivity, business organisation or replacement of another worker.

Finally, the Biagi Law reforms the “coordinated and continuous collaboration” (Co.Co.Co.) relationships, which may be adopted for one or more specific projects, work plans or development phases that the independent worker manages on a freelance basis to achieve a specific result. While previously a written contract was not indispensable, with the Biagi Law collaboration contracts for specific projects must detail in writing the duration of the relationship, which can be either open or fixed-term, and the overall remuneration package, which must be proportional to the quantity and quality of the work performed.

### 4.4.3 New types of apprenticeship

Based on the 2003 reform of the schooling system,<sup>64</sup> initial vocational training is part of the system of vocational education and training for which the Regions are responsible. This system also includes the segments of vocational education provided in the state vocational institutes and the vocational training provided by local training agencies, which are more directly linked to the world of work.

In this context, apprenticeship is a mixed employment contract that enables young people to obtain a vocational qualification: as above discussed, this institution is reformed by the Biagi Law. Three types of apprenticeships are provided. An apprenticeship based on the right-duty to education and training, by which young people aged 15 or more can be enrolled for all the fields of activity; the contract lasts a maximum of 3 years and is aimed at helping students obtain a vocational qualification. A vocational apprenticeship, by which students aged between 18 and 29 years can be enrolled; depending on the type of qualification to be obtained, collective contracts define the duration of the apprenticeship contract which, however, cannot be less than 2 years or more than 6 years; a minimum quota of 120 hours of formal worker training (internal and external) is also provided for. An apprenticeship enabling students aged between 18 and 29 years to enrol in advanced training courses so as to obtain a secondary certificate, a university degree, or higher technical education qualifications.

For all the different types of apprenticeship, the regions and other institutions involved (ministries, social stakeholders and universities) are requested to define the training profiles. A student's individual training plan must be appended to the employment contract. This document outlines the programme of training that the apprentice will follow throughout the contractual period. In addition, there must be a tutor with sufficient training and competence to monitor the young person's progress within the company.

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<sup>64</sup> Law no. 53, 28 March 2003: *Delega al Governo per la definizione delle norme generali sull'istruzione e dei livelli essenziali delle prestazioni in materia di istruzione e formazione professionale*. See <http://www.parlamento.it/leggi/03053l.htm>

## 4.5. Learning opportunities and labour market

### 4.5.1 Training opportunities for the already-trained

A recent survey provides interesting data on training opportunities in the Italian workplace. The overall rate is not high, with only 1 out of 3 Italian employees (32.7%) attending at least one course in 2004. Another main finding of the survey is that low or medium-skilled workers have fewer chances than high-skilled professionals and managers. In detail, more than 1 out of 2 managers (54.7%) attended a training course of some sort, while less than 1 out of 6 low or medium-skilled workers (16.3%) did. This means that workers with high competence are able to further develop it, while workers who are “marginal” risk further marginalisation.

The same gap is registered between workers with high and low formal education (34.8% versus 18%). In addition, this last gap is evenly distributed through the labour hierarchy: among managers, those with high formal education attend more courses than those with low academic titles (58% versus 24.5%).

There are also a gender and an age gap, with a training rate of 23.3% of women versus 28.6% of men, and a 6-7% gap between over-45 and below-45 workers. To conclude, in big companies 43.6% of workers attended at least a training course in 2004, while this rate fell at 15.5% in micro-enterprises (which employ almost 70% of Italian active workforce). As to the sectors, the highest rate was in the tertiary (38%) and the lowest in constructions (15.1%), with the public sector performing much better than the private one.<sup>65</sup>

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<sup>65</sup> Source: ISFOL, *Life is learning. La partecipazione degli adulti alla formazione e le strategie per l'apprendimento permanente*, October 2007.

## 4.5.2 Education and vocational training

The Italian system of education and training was reformed in 2003<sup>66</sup> with the re-definition and extension of compulsory schooling and compulsory training, and the introduction of the notion of right-duty to education and training for at least 12 years from the age of 6. Such right-duty is fulfilled within the education system or until the pupil obtains a qualification within the vocational education and training system by the age of 18 years. The reform confirmed a schooling system with a 5-year primary school, a 3-year lower secondary school, and a further upper secondary school, and specified that the promotion of lifelong education must be among the guiding principles and criteria of its implementing decrees. However, with the introduction of the right-duty notion, the 2003 reform left unresolved the concept of social obligation for everybody to go to school until a certain age. Such obligation, for at least 10 years, was redefined by the new centre-left government with the 2006 Budget Law, and further delineated through a recent decree of the Education Ministry.<sup>67</sup>

In Italy, the provision of education and vocational training is managed by various institutions. Whereas vocational training in a strict sense comes under the regions, school and university education of a vocational nature is controlled by the relevant ministries. The demarcation line between the various providers, however, is blurred, since - for instance - in some upper secondary education (vocational, technical, art, and teaching training schools) there is a job-related component, as is true of university diplomas addressed to the labour world. The picture that comes into view, then, is patchy, so that in recent years the utmost effort has been devoted to systemic integration.

Regions, provinces and municipalities have all the functions and administrative responsibilities exercised by central authorities, apart from those linked to matters expressly reserved to the State. Since 1975, the Regions have legal and administra-

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<sup>66</sup> Law no. 53, 28 March 2003: Delega al Governo per la definizione delle norme generali sull'istruzione e dei livelli essenziali delle prestazioni in materia di istruzione e formazione professionale. See <http://www.parlamento.it/leggi/03053l.htm>

<sup>67</sup> Law no. 296, 27 December 2006: *Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2007)*, at <http://www.parlamento.it/leggi/06296l.htm>  
Education Ministerial decree no. 139, 22 August 2007: Regolamento recante norme in materia di adempimento dell'obbligo di istruzione, ai sensi dell'articolo 1, comma 622, della legge 27 dicembre 2006, n. 296. See <http://www.federalismi.it/federalismi/document/03092007085813.pdf>

tive responsibility for vocational training offered to young people outside the education system. As part of the drive to redesign training availability, within the system of integrated advanced training (Formazione Integrata Superiore: FIS) the system of higher technical education and training (Istruzione e Formazione Tecnica Superiore: IFTS) was created, in order to widen the range and scope of training courses for employed or unemployed young people and adults.

With regard to vocational training, under the overall process of reform of local authorities, the Regions have recently started to delegate responsibilities to the Provinces. Today the State, acting through the Labour Ministry, mainly provides guidelines during the planning phase and technical support for the Regions, monitors their activities with the support of its technical agency ISFOL (Istituto per lo sviluppo della formazione professionale dei lavoratori), makes direct intervention in specific crisis sectors, carries out research, documentation and experimentation activities to be defined each year according to national planning.

### 4.5.3 Adult education

Two are the systems that provide adult education.<sup>68</sup> The first falls under the responsibility of the Education Ministry. The second, which provides continuing vocational training (Formazione Professionale Continua: FPC) for adult workers, is organised by the Regions.

Employees who have worked for at least 5 years for the same company in the private or public sector can request a suspension of the employment contract for unpaid training leave, up to a whole of 11 months throughout their working life. Training leave is defined as training which is undertaken to complete compulsory education, to obtain either a secondary-school qualification or a university degree or to participate in training activities other than those offered or financed by the employer. Workers (employed or otherwise) are entitled to follow training courses throughout their life to upgrade their knowledge and vocational skills. State, regions and local authorities provide training tailored to the territory, which includes personalised courses certified and recognised as giving training credits at a national and European level. The type of training can be selected independently by the worker or provided by the company in the form of company-based or territorial training plans agreed with the social partners. National and decentralised collective agreements define the number of training hours, the criteria for the selection of workers and the arrangements for working hours and salaries connected with participation in the training courses.

From 1997, permanent territorial centres for adult education are provided which are normally set up in provincial capitals and, in any case, in places where the demand is strong for ongoing adult training. In the year 2003/2004, such centres organised over 1 thousand literacy courses (primary school) for 23 thousand workers; 2 thousand lower-secondary school courses for 45 thousand attendants; over 3 thousand linguistic and social integration courses for 64 thousand foreign workers; over 13 thousand short modular courses in functional literacy for 270 thousand en-

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<sup>68</sup> As defined by Law no. 53, 8 March 2000: *Disposizioni per il sostegno della maternità e della paternità, per il diritto alla cura e alla formazione e per il coordinamento dei tempi delle città*. See <http://www.parlamento.it/leggi/00053l.htm>

rolled students.<sup>69</sup> Altogether, over 400 thousand adults took advantage of the courses: a good point of comparison might be given by the state compulsory schooling system, where in the same year 2003/2004 some 4.2 million pupils attended primary or lower-secondary school classes.<sup>70</sup>

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<sup>69</sup> See exact figures in Ministero dell'Istruzione, Università e Ricerca, *Educazione degli adulti a.s. 2003/04. Rapporto di monitoraggio realizzato con la collaborazione dell'INDIRE*, 2005, at [http://www.bdp.it/eda/moni\\_stat\\_0304/](http://www.bdp.it/eda/moni_stat_0304/)

<sup>70</sup> Our calculation on data in Ministero dell'Istruzione, Università e Ricerca, *La scuola statale: sintesi dei dati — a.s. 2003/2004*, 2005, at [http://www.pubblica.istruzione.it/mpi/pubblicazioni/2004/sintesi\\_0304.pdf](http://www.pubblica.istruzione.it/mpi/pubblicazioni/2004/sintesi_0304.pdf)

#### 4.5.4 History against a life of learning

Until the 1990s, training policies in Italy failed to recognise the importance of learning for workers in employment. Almost exclusively, publicly-supported training interventions were addressed to young people looking for their first job. In the 1990s, however, a new definition of “continuing vocational training” as including all the training-type activities different from initial training gained greater importance. In 1993, a broad-ranging discussion started which was aimed to promote the adaptation and innovation of the education and training systems. In particular, several agreements between social partners and government became the core of development and employment support policies, focusing on the improvement of individual competences and training opportunities. Hence, in recent years the certification of non formal and informal learning has finally become a strong multiparty priority of social dialogue.

Historically, the substantial juridical value attached to educational qualifications linked to formal education and the lack of tradition in adult training have not helped a thorough perception of the social and cultural importance of less formal training and its certification. Also, professions and employment regulations were – and still are – largely based on formal qualification and the juridical value of academic titles. In recent years, a number of measures addressed the topics of transparency, certification of competences and recognition of credits through different pathways like the university system, the higher technical training and education (IFTS), compulsory training, adult education system, and finally through a national policy framework implemented in very recent years in the field of learning certification.

#### 4.5.5 Certification and accreditation of vocational training and experience

In 2001, the Labour Ministry sets up a new competence certification system aimed at giving transparency to training programs and value to individual experiences, and to help labour demand and supply match up. Three kinds of certification devices are established: vocational training qualification certification, vocational training competence certification, and accreditation of competence acquired on the job or through self-learning toward formal training or degrees. In addition, the introduction of “citizen’s training booklets or portfolios” by the Regions is established in order to document all these kinds of certifications. These provisions, which are not yet implemented and fulfilled nationwide, are meant to be a first step toward a national competence standard system as a necessary requirement to guarantee the reliability of the accreditation processes.

The process of accreditation drawn both in IFTS and adult education is planned in three sequential steps: guidance-counselling aimed to let the individual actively participate to self-analysis and the identification of specific training needs; assessment aimed at collecting evidence in a systematic way and confirming the possess of specific competence (by composing a dossier); certification-recognition aimed at making effective the process of certification or access, or of award of a bonus toward a training pathway.

Various are the instruments of promotion of continuing training currently used in Italy. The European Social Fund – in different initiatives including its 2000-2006 programme – set aside funds in all Italian regions for training and organisational development in the private sector, giving priority to small and medium-sized enterprises; to be mentioned, also, is the EU EQUAL initiative on transnational cooperation for the promotion of new means against discrimination and inequality in the labour market. Law 236/1993<sup>71</sup> created a fund for vocational training which for almost ten years provided annual funding for thousands of company-based training initiatives and experimentation of individual training courses and plans agreed by the social partners at company, sectoral and territorial level. From 2003, the new

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<sup>71</sup> Law no. 236, 19 July 1993: Conversione in legge, con modificazioni, del decreto-legge 20 maggio 1993, n. 148, recante interventi urgenti a sostegno dell'occupazione. See [http://www.fondoforte.it/asp/pformativi/doc\\_normativa/legge\\_236.pdf](http://www.fondoforte.it/asp/pformativi/doc_normativa/legge_236.pdf)

implementing decrees of Law 236/1993 have given greater support to workers in “weak” jobs, who generally miss out on continuing training initiatives, which often tend to favour younger workers and those who have already received adequate schooling. Law 53/2000 recognises the general right to lifelong training and to this end finances training leave. Finally, joint interprofessional funds for continuing training managed by the social partners were set up in 2001, becoming operational at the end of 2004.

## 5. Social concertation or social dialogue? The specifics of the Italian case

### 5.1 Social dialogue and a more institutionalised framework of industrial relations

The development of a new framework of Italian industrial relations during the 1990s is usually described as “social concertation”. This definition implies that three components – government, employer organisations and trade unions – share responsibilities in promoting economic and social policies in order to modernise the country. More precisely, while the term “concertation” in English-speaking countries is usually regarded as identical to cooperation or participation, in Italy (as in France) is understood as a more specific “decision-making through consensus”.

Formally launched under the July 1993 tripartite agreement,<sup>72</sup> social concertation was used by centre-left governments to achieve agreement in compliance with the Maastricht Treaty. It also came to represent an innovative feature of Italian industrial relations as they moved towards a framework more centralised and efficient than previous situations exposed to either inflation or deregulation. In fact, in comparison with the Italian tradition of industrial relations, the new system meant a greater institutionalisation of the involvement of the major organisations of employers and employees in the decision-making process of social and economic policies. It also meant a quick decline in the inflation rate with real wages broadly defended until 2001, in a context of diminished social conflict: after the official birth of social concertation in 1993, the subsequent bargaining rounds were smoother than in the past, with strike levels falling to record lows.

While this new approach of “social concertation” was gaining momentum in Italy, in several other countries of the European Union a system of “social dialogue” was gaining increasingly in dynamism over the years, taking place on three levels: the independent social dialogue between employees and employers, the tripartite dialogue between social stakeholders and public administration, the dialogue with civil society and non-governmental organisations on certain issues.

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<sup>72</sup> *Schema di protocollo sulla politica dei redditi e dell'occupazione, sugli assetti contrattuali, sulle politiche del lavoro e sul sostegno al sistema produttivo*, 22 July 1993.  
See [http://www.contraddizione.it/protocollo\\_lug\\_93.rtf](http://www.contraddizione.it/protocollo_lug_93.rtf).

In this broader perspective, concertation could be taken as just one of the various words with which social dialogue can be identified in the European Union. In this view, there are various reasonable expressions of the same phenomenon - social dialogue - which in Italy in particular originated by the inability of governments to take responsibility for the definition of policies through the formal proceedings outlined in the Constitution of the Italian Republic, and by the resulting need to share this responsibility with social stakeholders through other proceedings, often informal, which were at some point described as "concertation".

## 5.2 The specifics of Italian industrial relations

The Italian framework of industrial relations is different from those of the Scandinavian countries, or Germany and Austria, where there is a long tradition of involvement of social stakeholders in policy making, which is matched by a stable institutional landscape and a certain level of formalisation of the participation of social stakeholders. On the contrary, in Italy the delayed foundation of a modern state and the traditional presence of catholic associations initially slowed down the trade unions and the formalisation of their recognition. Yet, at some point concertation became an indispensable and typical trait of the Italian system of industrial relations. The causes of this late involvement of social stakeholders by Italian public decision-makers are various: they range from the incapacity to manage the main social and economic phenomena, to the search for a major effectiveness of laws and rules, to the recurrent weakness of governments, and also to the impulse given by European regulations as regards the institutional strengthening of social rights. Most important, in Italy it was perhaps the traditional right of veto by unions on the centre-left governments' social and economic policies that brought about a state of necessity which ultimately encouraged those governments to pursue the method of concertation.

Instead, as we shall see, the strategy pursued by the centre-right governments was to challenge that state of necessity. In recent times, instrumental to the latter strategy was a definition of social dialogue in sharp contrast to that of social concertation. The result was the setting up of a relationship with the trade unions whereby the government maintained autonomy with respect to economic and social policies by promoting a new basis for representation via mutual recognition by the social stakeholders. In this new perspective, the government had to abstain from interfering with collective bargaining between trade unions and employer organisations.

Italian trade unions did not refuse to acknowledge the broader European impulse which was behind the conception of social dialogue. What they refused to accept was what they saw as a distorted notion of this "European" system of industrial relations by the latest centre-right government. As the former general secretary of CISL Savino Pezzotta once said in a conference on "Industrial Relations and Change

in the European Union”, “the trade unions are open to talk to the government but only if methods and rules of the game will be clear to us and accepted by us. Whether the government prefers to use the term social dialogue rather than concertation to describe this state of play does not matter; what is a matter for us is that social dialogue has nothing, I say nothing, in common with Thatcher and Reagan's patterns of arbitrary recognition among the social stakeholders”.<sup>73</sup> However, in the White Paper on the Labour Market of October 2001,<sup>74</sup> the then centre-right government claimed explicitly that the method of concertation and the previous economic and incomes policies were anachronistic, and that social dialogue was now proposed as an alternative method of confrontation between government and social stakeholders. From this perspective, a new flexible context of individualisation of business relations was built up through different legislative steps, which was seen by many as an assault to the heart of the traditional structure of industrial relations in Italy, whose history is here indispensable to explain, albeit briefly.

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<sup>73</sup> Conference held at the University of Modena, Faculty of Economics, on 19 April 2002. See original Italian quotes from Pezzotta's speech in *Il Sole 24Ore*, 20 April 2002, p. 6.

<sup>74</sup> *Libro bianco sul mercato del lavoro in Italia. Proposte per una società attiva e per un lavoro di qualità*, October 2001. See [http://assemblealegislativa.regione.emilia-romagna.it/biblioteca/pubblicazioni/dossier/libro\\_bianco/01librobianco.pdf](http://assemblealegislativa.regione.emilia-romagna.it/biblioteca/pubblicazioni/dossier/libro_bianco/01librobianco.pdf)

### 5.3 The precedents of social dialogue

Concertation as a method of producing social policy was always occasional in Italy before the 1990s, and was never institutionalised. Until the “hot autumn” of 1968-1969, Italian governments were not willing to engage truly with a world of labour dominated by the communist-socialist confederation CGIL. Some attempts at central-level bipartite and tripartite regulation were made in 1975-1978 and 1983-1984, with scarce results: the main course of economic policy was not conducive to stable concertation, with high inflation in the 1970s and high public deficits in the 1980s. In the 1970s and 1980s, issues like pay mechanisms led to concertation sessions on specific topics (the sliding scale for cost-of-living adjustments) and rounds of bargaining on social and labour issues involving the trade unions and the centre-left governments of the time. In particular, the 1980s concertation agreements were based on limited political exchanges between governments and unions (e.g.: commitments by unions to contain pay rises in exchange for tax benefits in favour of labour, or greater resources for welfare services), without giving rise to a regular incomes policy. Throughout the decade, these agreements were of a sporadic and ephemeral nature. They never achieved stability or produced rules governing industrial relations; they at times caused a break among the unions, as with the sliding scale (“scala mobile”, the Italian form of wage indexation since 1945) agreement in 1984, which was not signed by CGIL.

## 5.4 Maastricht, the 1990s and the birth of social concertation

Social concertation in the 1990s tended towards a greater institutionalisation of the method, although eventually it did not lead to lasting structures. In these years, its contents also changed: concertation was no longer an occasional political exchange between economic and social stakeholders but the regular involvement of unions and employer associations in a middle-term policy aiming to fulfil the economic parameters needed to join the European single currency area. The trade unions finally abandoned wage mechanisms and agreed to confine bargaining on pay issues within government-planned inflation rates, thus contributing to the restoration of the economy. This acceptance of direct political responsibility by the social stakeholders flanking the technical governments of the time, with a consequent growth in their political legitimisation, was favoured by the crisis that the political parties underwent because of the “Bribeville” (Tangentopoli) affair.

At the beginning of the 1990s, Italy was confronting economic problems due to low growth, high unemployment and difficulties in meeting the criteria for joining Economic and Monetary Union (EMU). Against a Maastricht convergence target of 3%, the deficit-to-GDP ratio in Italy was around 11%. Financial strains on the welfare state had been steadily increasing, with an enormous public deficit and debt overhang which demanded cost-containment and extensive public sector reform. Like its European counterparts, Italy had also to address the negative impact of rising welfare spending on economic competitiveness. And while large and expensive, the Italian welfare system had also created inequities originating from an uneven distribution of benefits and costs.<sup>75</sup>

The crisis was both economic and political. Speculative pressure forced the Lira out of the European Monetary System (EMS) in September 1992, resulting in a devaluation of about 15% in one month. A period of intense exchange rate instability lasted until 1995, at the peak of which the currency fell to less than half its former value against the Deutsche Mark. The government imposed a harsh fiscal stabilisation

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<sup>75</sup> For a comprehensive discussion of the issue, see Maurizio Ferrera and Elisabetta Gualmini, *Rescued by Europe? Social and Labour Market Reforms in Italy from Maastricht to Berlusconi* (Amsterdam: Amsterdam University Press, 2004).

package in 1993. At the same time, the ruling political parties, including the Christian Democrats and Socialists, were swept by a wave of political scandals.

To understand better the social and economic changes brought about by the retrenchment required by the Maastricht parameters, it may be enough to mention that while in the more dynamic regions of the Centre-North the effects of fiscal-policy contraction were offset by the 1992 devaluation and the subsequent excursion out of the EMS, which caused an increase in competitiveness of Italian goods in the international market providentially accompanied by an increase in productivity, in the South, conversely, in the first half of the 1990s employment and GDP both fell by over 10% as wages and productivity remained almost unchanged. More in detail, in those years in the South the unemployment rate rose from 16% to over 23%, as government incentives to those regions fell, and public employment was curbed. The 1992-93 governments were particularly weak, even by Italian standards. The April 1992 general elections produced a four-party coalition (Christian Democrats, Socialists, Social Democrats and Liberals) with a slim parliamentary majority. During its short life, 7 ministers were forced to resign and almost 200 members of parliament – mostly of government parties – were charged with corruption. The 1993 caretaker government, composed of technical experts and headed by Carlo Azeglio Ciampi – a former Governor of the Bank of Italy – lacked a clear parliamentary majority.<sup>76</sup>

It is in this context of political weakness, with the Protocol of July 1993,<sup>77</sup> that we can start to identify the main historical stages of a more significant success of concertation in Italy. That Protocol was a tripartite agreement with the double purpose of defining an incomes policy and curbing inflation, to guarantee a redevelopment of the economy which could give Italy the possibility to "stay in Europe" and keep to the Maastricht parameters. These ambitious aims could not be achieved without an involvement of the social stakeholders, which necessarily had to take - at least partly – responsibility for the wage policies. Here, it must be

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<sup>76</sup> For a rigorous view on the Italian governments from 1992 to 1996, see Paul Ginsborg, *L'Italia del tempo presente. Famiglia, società civile, Stato (1980-1996)* (Turin: Einaudi, 1998), pp. 481, 515, 525, 544.

<sup>77</sup> For a thorough discussion of the Protocol, see *Il Protocollo del luglio del 1993. Spunti per un dibattito*, ed. by Studies and Industrial Relations Office at Telecom (Milan: Franco Angeli, 1998), with texts by A. Accornero, E. Attolini, L. Bellardi, M. Biagi, C. Borgomeo, R. Brunetta, M. Carrieri, C. Dell'Aringa, G. Giugni, P. Ichino, S. Negrelli, R. Pessi, L. Prosperetti, U. Romagnoli, P. Rubini, T. Treu, L. Tronti, S. Zamagni.

pointed out that in Italy to “stay in Europe” was a popular slogan even with the most left-wing part of trade unionism: as a recent essay suggests, “constructively-oriented unions like [...] the CGIL see the EU as a bulwark against decline. For them, positive integration within the context of the EU is a source of benefits for European workers.”<sup>78</sup>

Therefore, the starting point of Italian social dialogue was: economic and monetary stability to stay in Europe for the abandonment of the automatic wage mechanisms (first of all, the sliding scale) which were considered to produce inflation. The main instruments which made that aim of incomes policy possible were mainly the structuring of collective bargaining at two levels (national and company level), and the definition of precise domains of competence of the two levels with regard to the renewed negotiability of the economic terms of salaries every two years (instead of four) within the limits of the programmed inflation rate. Consequently, the 1993 Protocol directly affected the contract system because for the first time conventional rules were introduced governing the structure of collective bargaining, the relations between the various contract levels, the duration of agreements, bargaining procedures and - as we shall see - representative bodies in the workplace. Most of the innovations introduced by the 1993 Protocol are still in force.

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<sup>78</sup> Kristine Mitchell, *Trade unions and EU politics: Explaining variation in European strategies*, paper prepared for EUSA Conference, Montreal, 17-19 May 2007, p. 32. See <http://www.unc.edu/euce/eusa2007/papers/mitchell-k-04d.pdf>

## 5.5 The Protocol of July 1993

The framework of industrial relations as outlined in the 1993 Protocol was one of controlled and coordinated decentralisation. In fact, decentralisation was accepted, but within the strict limits imposed by the national contract. In the agreement, explicit indications were given as to the relationships between the various levels of negotiation and their respective functions, making specific reference to the connection between wage policies and contractual levels. Protection of the real value of wages was entrusted exclusively to national concertation. As above mentioned, to allow the national contract to perform its essential function of protecting the real value of salaries, it was established that the contract would be renewed every two years. For the first two-year period, account was to be taken of the planned inflation rate, so as to make salary trends consistent with the incomes policy agreed between government and social stakeholders. In the second two-year period, upon contract renewal, salary increases would be determined on the basis of any differential between the planned inflation rate and the actually recorded one. As far as pay was concerned, company-level bargaining or territorial concertation could only deal with issues linked to precise indicators of productivity, quality and company profitability: it could not affect standard or minimum pay, which was regulated by the national contract. The sector-wide contract also established the times at which decentralised bargaining could take place.

Therefore, the Protocol had a twofold objective: from a macroeconomic perspective, it aimed to favour wage dynamics commensurate with those of productivity, so as to avoid inflationary effects and foster economic development and better employment rates by supporting the growth of domestic demand; from a microeconomic perspective, it aimed progressively to decentralise concertation and bargaining on wage increases and the introduction of flexibility policies.

With a more specific regard to the unions, the July 1993 Protocol included two important methodological innovations, largely in response to procedural demands from many parts for a democratic reform of the Italian labour movement. First, it institutionalised the regular election of plant representatives. Secondly, for the first time in Italian labour history, it produced a binding consultation in which about 1.5 million workers took part: 68% of them approved the deal. This unusual

combination of centralised bargaining and large worker consultations continued in 1995. Pension reform was as unpopular among the Italian workers as the abolition of wage indexation had been. Yet, only one year after a victorious battle waged by the three major unions against the Berlusconi government's unilateral attempt at reforming the system, in a renewed atmosphere of social concertation under the Dini government, the unions engaged in what is probably Italy's largest experiment with union democracy so far. The preliminary agreement was first thoroughly discussed through a wave of company level assemblies. The process of consultation was then completed by a secret ballot referendum involving 4.5 million workers, 64% of which approved the reform.

## 5.6 The mid-1990s and the reform of the pension system

The 1993 Protocol was the first Italian tripartite (government, employer and employee organisations) experience that is surely definable as “social concertation” both for the subjects which signed it and for the proceedings, which witnessed a partial institutionalisation in the two annual sessions of incomes policy. However, after the Ciampi government, in 1994 a considerably stronger three-party centre-right coalition led by the media tycoon Silvio Berlusconi followed. The new electoral system gave it 58% of seats in the lower chamber (Chamber of Deputies), and a narrower majority in the upper chamber (Senate). A few days before the centre-right coalition won the elections, the three union confederations and the employer association Confindustria made the unusual public step of sending a formal letter to the President of the Italian Republic to ask for guarantees on the respect of the 1993 Protocol and the maintenance of social concertation by the new government. While such declaration corroborates the weight given at that time to the concertation instrument, it did not achieve its goal. In line with theoretical predictions, Berlusconi did not seek concertation, but tried unsuccessfully to impose unilateral reforms in the crucial pension domain. In fact, after formal meetings with the social stakeholders that revealed deep differences in reform priorities, the government proceeded unilaterally and submitted a pension bill to parliament.<sup>79</sup> The government’s confrontational style and the nature of the new proposals generated an immediate reaction from the unions. Indeed, the most impressive protest marches since the 1970s were organised in the last few months of 1994, with considerable effect. The unions’ opposition led first to the withdrawal of the proposal and then to Berlusconi’s resignation as the conflict spilled over into the governing coalition. In 1995, Berlusconi gave way to a technocratic government with a narrow, time-bound mandate: as a result, only one year after the great protest, social concertation allowed the reform of the Italian pension system, with the so-called Dini Law.<sup>80</sup> The final agreement on the issue was not signed by the largest employer as-

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<sup>79</sup> Law decree no. 553, 28 September 1994: *Sospensione temporanea dell’efficacia delle domande di pensionamento anticipato nel settore pubblico e privato*. For technical reasons, the decree had to be presented again as Law decree no. 654, 26 November 1994. See <http://guide.dada.net/diritto/interventi/2001/04/42330.shtml>

<sup>80</sup> Law no. 335, 8 August 1995: *Riforma del sistema pensionistico obbligatorio e complementare*. See <http://www.uniroma2.it/cgil/ccnl/legge1995335.htm>

sociation Confindustria, and should not therefore be considered as a tripartite success. However, the employers did not openly resist it either, and the decision not to sign it may be seen as tactical, in the perspective of future reform plans.

## 5.7 Social concertation under Prodi

It was under the centre-left government led by Romano Prodi that the Maastricht constraints became the pivot on which social concertation revolved. As a more general reflection, it must be emphasised that since its inception, when the Maastricht Treaty was adopted in 1992, in many European countries social dialogue played a part in the adoption of a large number of objectives. The social partners' opinions enriched EU directives, such as the European Works Councils Directive in September 1994.<sup>81</sup> New stages of social dialogue brought about agreements that formed the basis of the transposition of EU directives into national law. Consequently, social dialogue came to constitute a vital part of the process of Europeanisation of national societies, and of the emergence of a European society. Accordingly, at the time the European Monetary Union was in Italy a shared objective by most political and social forces. The EMU popularity explains why the Italian unions supported in 1996 an exceptional, one-off extra seven points of income tax (with progressive corrections and the promise of refund) in order to bring the deficit in line with the Maastricht criteria. Thus in 1998, against the expectation of many, Italy managed to enter the first group of EMU countries.

It was against this background that concertation led to the Pact for Work of September 1996.<sup>82</sup> This was another significant tripartite step in which for the first time concertation provided a coherent strategy of macroeconomic and employment policies. One of the aims declared in this tripartite agreement was the increase of the employment rate especially in the South of Italy. More important, the 1996 Pact was explicitly based on the idea that investments cannot themselves fight unemployment rates, and that it is necessary to establish employment policies instead. In this context, the Pact is meaningful because - beyond the usual declarations of good intents - a detailed list was compiled of social devices, from education to training policies, working hours, innovative forms of job contracts, which anticipated the so-called Treu Law<sup>83</sup> in 1997. The 1996 Pact for Work clearly

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<sup>81</sup> Council Directive 94/45/EC of 22 September 1994: On the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees.

See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31994L0045:EN:HTML>

<sup>82</sup> *Patto per il lavoro*, 24 September 1996. See <http://www.indire.it/ifts/normanew/allegati/31.pdf>

<sup>83</sup> Law no. 196, 24 June 1997: *Norme in materia di promozione dell'occupazione*.

reinforced the bond between concertation and occupation, while for the first time it integrated the traditional issues of quantity (working hours, salaries) with issues of quality (vocational training, organization of work, social relations in enterprises, environmental and social sustainability).

Here, it must be pointed out that the proportion of employees covered by collectively bargained contracts remained high in the mid-1990s in Italy at around 70%. This was testament to the persisting power of trade unions over wage setting, and, more generally, to their role as a countervailing force to both the government and the employers in economic governance, although the ageing of trade union membership was a sign of a growing union weakness, and was testament to the unions' failure to recruit the younger generations of workers. Non-active workers – whose majority consisted of pensioners – represented a significant proportion of the unions' contemporary rank and file, accounting for almost half of total union membership in the late 1990s, and for 55% of the largest confederation, CGIL. This was a larger proportion than in any other European country.<sup>84</sup> The introduction of "atypical" jobs by the Treu Law, with its brisk spreading of young and less young precarious, temporary or intermittent workers difficult to proselytise, further amplified the crisis in actual union coverage.

The Treu Law irreversibly transformed the scene of the Italian labour market, with the introduction of temporary help work and other flexible contracts for the young, the sweeping reorganization of apprenticeship, the offer of incentives to companies for part-time contracts, the new regulations on socially useful work and the provision of working grants for unemployed youth in the South, the reform of vocational training and a new awareness of school-to-work transition.

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See <http://www.parlamento.it/parlam/leggi/97196l.htm>

<sup>84</sup> On this, see Tito Boeri, Agar Brugiavini and Lars Calmfors (eds.), *The Role of Unions in the 21<sup>st</sup> Century* (Oxford: Oxford University Press, 2001), especially at pp.11-47.

See also Roberto Pedersini, *Pensioners' trade union organisations examined*, September 2000, at <http://www.eurofound.europa.eu/eiro/2000/09/feature/it0009272f.htm>

## 5.8 The 1998 Christmas Pact

The 1998 Christmas Pact<sup>85</sup> is generally considered as the formal act of institutionalisation of social concertation in Italy. It is, again, a tripartite act signed under the centre-left wing government chaired by Massimo D'Alema. The agreement represents a continuation of the above discussed social contracts, and at the same time opens a new season of concertation. The title itself, "Social Pact for development and occupation", shows the extent of its contents and objectives, which go beyond those of the Protocol of July 1993.

In the Pact, first of all the stakeholders acknowledge that the system and the proceedings established by the 1993 Protocol have assured stability and a continuation of the dialogue between government and social partners. Yet, they also agree on the necessity to open a new stage of concertation to achieve economic development and growth of employment, in compliance with the outcome of the Luxembourg Extraordinary European Council of November 1997. The three parts concur that concertation must be enhanced and this in particular entails a higher grade of formalisation, a system of rules which guarantee the autonomy in responsibility of the social stakeholders and ensure definite and transparent proceedings. In particular, the Pact explicitly declares that "concertation will also refer to the transposition of EU directives in relation to which the social partners hold significant responsibilities as expressly foreseen by the social policy agreement now incorporated into the Treaty of Amsterdam", emphasising that "agreements between the social partners are a priority tool for the government and parliament to fulfil their European obligations, especially with reference to directives issued as a consequence of social dialogue".<sup>86</sup>

Therefore, the changes introduced by the 1998 Pact are - as before - in terms of the contents of concertation, and acknowledge that the "Luxembourg process" widens the decision-making practice of which concertation is part beyond the concern for macroeconomic compatibilities to employment and development policies; however, these changes are also - and this is the novel trait - in terms of formalisation of concertation, which becomes a method and stops being simply a practice.

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<sup>85</sup> Patto sociale per lo sviluppo e l'occupazione, 22 December 1998. See <http://www.indire.it/ifts/normanew/allegati/29.pdf>

<sup>86</sup> *Ibidem*, par. 2.6.

In fact, the two annual concertation meetings on incomes policies established in 1993 are maintained by the Christmas Pact, but another two procedures are introduced. These procedures are not intended on a regular basis, but they will be activated each time the government is determined to undertake an important initiative in the subject matters covered by the Christmas Pact. A first concertation procedure is foreseen for the matters that involve burdens on the state budget: this entails a preventive debate among government and social stakeholders, with fixed periods of time to put forward corrective proposals. A second - more structured - concertation procedure is also envisaged for all matters that concern the regulation of industrial relations that involve only indirect burdens on the state budget. Like the first one, the second procedure starts with a period of debate among government and social stakeholders, in which the social parties express opinions on the contents and effects of a proposed course of action; then, the government will take these opinions into consideration and explore the possibility of a coherent intervention at a law level; during the phase of debate, the stakeholders can decide whether to start a bilateral negotiation procedure, in which case they will ask the government to fix a reasonable deadline for an agreement; if the agreement is reached in the given time and is consistent with the course of action expressed by the government, the government itself will promote it and support it at a parliamentary level and thus its content will become law.

Here concertation is institutionalised as a method via which various results can be achieved, from laws to bilateral and trilateral agreements. It must be also underlined that the Christmas Pact extends concertation as a method to local systems - regions, provinces, and councils.

The Christmas Pact attempted a high level of institutionalisation of social concertation, establishing rules regarding the way social dialogue was held at a central level: a distinction was made between issues regarding which the dialogue is only for advisory purposes and those for which it is obligatory for subsequent laws to be produced. A procedure was also established for the implementation of EU directives through collective bargaining, with the drawing up of a bill to give erga omnes effect to collective agreements resulting from the implementation of EU directives; furthermore, social concertation at a decentralised territorial level was encouraged.

## 5.9 Social dialogue versus concertation. The Berlusconi government

### 5.9.1 Asymmetric concertation

The D'Alema government invested all its influence to achieve the Christmas Pact, which may be perhaps held as the climax of social concertation in Italy. Nevertheless, the extension of the concertation table to too many stakeholders produced in time a less effective environment for discussion: as a result, according to the opinion of the influential economist Michele Salvati, at the end of the 1990s concertation was widespread but of little influence, and was running the risk of becoming a ritual.<sup>87</sup>

Maybe to Salvati's dismay, the ritual of social concertation was interrupted at the beginning of the new millennium when the Berlusconi centre-right government came to power. In its policy statement the new government declared that it did not intend to proceed with the institutionalisation of concertation with the social stakeholders, preferring a method of social dialogue addressed only to government proposals that focused above all on liberalisation of the labour market and reform of the welfare state.

In this context, the government inaugurated the practice of "asymmetric concertation", that is, a concertation systematically limited to the social parts willing to discuss issues that had not previously been agreed upon but chosen autonomously by the government. As regards legislative implementation of social policy, the government stated that it was not bound by previous agreements. Moreover, the search for an agreement did not exclude the possibility of making unilateral legislative steps on social and welfare issues. Lastly, the government declared that social concertation was unsuitable for taking initiatives that might directly or indirectly affect the collective bargaining system, thus paving the way for a season of decentralised bargaining and local concertation which might even set standards lower than those established by law and national agreements.

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<sup>87</sup> See Michele Salvati, *Breve storia della concertazione all'italiana*, p.475, in *Stato e Mercato*, no. 3, 2000, pp. 447-476.

## 5.9.2 The 2001 White Paper

Accordingly, the White Paper on the Labour Market of October 2001 explicitly describes concertation as anachronistic, proposes social dialogue as an alternative method of discussion between government and social stakeholders, and contends that concertation was just a mechanism of self-legitimation used by weak governments. Incidentally, even before this assertion of the faults of concertation in the White Paper, in 1994 the previous Berlusconi government had already shown its will to challenge concertation when the national pension reform scheme was proposed without properly consulting the social stakeholders. As we saw, this caused an imposing national strike which might be indicated as the eventual cause of the government's fall. On the contrary, the following government in 1995 passed a national pension reform which was probably even sterner than the one proposed by Berlusconi, but it was approved by merit of preventive concertation with the social stakeholders.

Then, what is the notion of social dialogue outlined in the White Paper? A very significant aspect of this notion concerns the selection of the social stakeholders. If some of the stakeholders do not preventively agree on the issues proposed for discussion, the rule of majority is introduced which replaces the rule of unanimity typical of concertation agreements in the 1990s. Thus, the White Paper presents a notion of social dialogue by pre-emptive exclusion which has no parallel in the European notion of social dialogue to which it says to refer. Here, the proclaimed rationale is to avoid the block of social dialogue by the veto of a single stakeholder: yet, the tangible result is the break of the unions' unity. In fact, in 2002 the Berlusconi government signs an agreement on the reform of the labour market, the tax structure and the pension system (the Pact for Italy)<sup>88</sup> with CISL and UIL only, with the angry opposition of CGIL. However, irrespective of the government's selective strategy of social dialogue, the social stakeholders do not reject the idea of concertation overall. In June 2003, a national agreement is signed by Confindustria and all unions, including the CGIL. The following year, the new president of Confindustria Luca Cordero di Montezemolo openly demands a return of the government to concertation.

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<sup>88</sup> *Patto per l'Italia – Contratto per il Lavoro. Intesa per la competitività e l'inclusione sociale*, 5 July 2002. See [http://www.uil.it/politiche\\_lavoro/pattoitalia.pdf](http://www.uil.it/politiche_lavoro/pattoitalia.pdf)

The White Paper also proposes a structure of social dialogue in which great importance is given to the regional and local dimension. Decentralisation is not itself detrimental; however, the structure of collective bargaining that the White Paper proposes is founded on the drastic reduction of the role of national contracts in favour of company contracts. This reorganization of collective negotiation, together with the emphasis on individual autonomy, aims for a bendable business relation without union control. It must also be pointed out that this redefinition of collective bargaining is contemporary with a federal reform of the Italian Constitution<sup>89</sup> which redesigns the duties in the field of labour between the state and the regions, paving the way to a further decentralisation in the regulation of industrial relations. This is a profound change that concerns the institutional context itself of industrial relations: the 2001 constitutional reform considerably strengthens the role of the regions in labour issues, making them responsible for “protection and security in employment”.<sup>90</sup>

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<sup>89</sup> Constitutional Law no. 3, 18 October 2001: *Modifiche al titolo V della parte seconda della Costituzione*. See <http://www.senato.it/parlam/leggi/01003lc.htm>

<sup>90</sup> New art. 117, clause 3, *Constitution of the Italian Republic*. See <http://www.quirinale.it/costituzione/costituzione.htm>

### 5.9.3 Innovative regional territorial pacts

It is true, however, that in some cases the more prominent role of regional governments in the labour market framework redesigned by the constitutional reform favoured very positive instances of social concertation. Some regional territorial pacts signed after the constitutional reform are highly innovative: it is worth mentioning the 2002 Pact for the development of Umbria with its contemporary Concertation Protocol;<sup>91</sup> in Tuscany, the 2002 Agreement on atypical work between unions and regional government,<sup>92</sup> the 2003 Agreement on development, employment and competitiveness between unions and Confindustria,<sup>93</sup> the 2004 tripartite Pact for qualified development,<sup>94</sup> the 2004 and 2005 agreements on sustainable development and innovation between employer associations and unions;<sup>95</sup> in Abruzzo, the 2003 tripartite Concertation Protocol, further improved by its 2006 redefinition;<sup>96</sup> in Emilia Romagna, the 2004 tripartite Pact for development and social cohesion.<sup>97</sup> These successful instances of local concertation sometimes expanded their scope into new crucial areas: at a local level, policies were agreed not only on social, economic and employment-related issues, but also regarding territorial planning and public order, with the active involvement of a variety of institutional actors like local governments, universities, chambers of commerce, prefectures

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<sup>91</sup> Il Patto per lo sviluppo dell'Umbria. Sostenibilità ambientale, innovazione del sistema, promozione delle imprese e dei lavori, equità e sicurezza sociale, 27 June 2002. See [http://www.pattoperlosviluppo.regione.umbria.it/resources/materiale\\_base/patto\\_sviluppo\\_umbria.PDF](http://www.pattoperlosviluppo.regione.umbria.it/resources/materiale_base/patto_sviluppo_umbria.PDF). Regione dell'Umbria. *Protocollo sulla concertazione*, 27 June 2002. See [http://www.pattoperlosviluppo.regione.umbria.it/resources/materiale\\_base/protocollo\\_concertazione.PDF](http://www.pattoperlosviluppo.regione.umbria.it/resources/materiale_base/protocollo_concertazione.PDF)

<sup>92</sup> *Accordo tra la Giunta regionale Toscana e organizzazioni sindacali sul lavoro atipico*, 21 June 2002. See [http://www.rete.toscana.it/sett/lavoro/incentivi/in\\_occupazione/atipici/protocollo.pdf](http://www.rete.toscana.it/sett/lavoro/incentivi/in_occupazione/atipici/protocollo.pdf)

<sup>93</sup> *Accordo per lo sviluppo, l'occupazione e la competitività del sistema economico toscano: priorità condivise in materia di politiche per l'innovazione, il credito, la formazione e le infrastrutture*, 28 October 2003. See <http://www.uil.it/uiltoscana/>

<sup>94</sup> *Patto per uno sviluppo qualificato e maggiori e migliori lavori in Toscana*, 31 March 2004. See <http://www.uil.it/uiltoscana/>

<sup>95</sup> *Patto per lo sviluppo sostenibile, la coesione sociale, l'integrazione*, 9 December 2004. *Accordo per il patto per lo sviluppo sostenibile, la coesione sociale, l'integrazione*, 13 May 2005. *Patto per l'innovazione*, 24 May 2005. See <http://www.uil.it/uiltoscana/>

<sup>96</sup> *Protocollo per la concertazione in Abruzzo*, 26 February 2003. See <http://www.uilabruzzo.org/default.asp?menu=raccoglitore&id=1088&tipo=2>. *Protocollo d'intesa in materia di Concertazione Regionale tra il Governo della Regione Abruzzo, le Organizzazioni Sindacali confederali, le Associazioni degli Imprenditori, di livello regionale*, 29 September 2006. See <http://www.uilabruzzo.org/default.asp?menu=raccoglitore&id=978&tipo=2>

<sup>97</sup> *Patto per la qualità dello sviluppo, la competitività, la sostenibilità ambientale e la coesione sociale in Emilia Romagna*, 18 February 2004. See [http://www.unicz.it/lavoro/GT\\_Patto%20sviluppo%20coesione%20sociale%20Emilia%20Romagna%20004.pdf](http://www.unicz.it/lavoro/GT_Patto%20sviluppo%20coesione%20sociale%20Emilia%20Romagna%20004.pdf)

and social stakeholders. The aim of these pacts is the “marketing” of economically uniform territories which are considered to be strategic factors for the competitiveness of local enterprises in a context of global competition. These local pacts address the issue of employment relationships in the local labour market by considering it as part of a more complex strategy of territorial development.<sup>98</sup>

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<sup>98</sup> A further example of this innovative approach is the 2004 agreement on the sustainable development and social cohesion of the Florentine territory: *Accordo per il patto per lo sviluppo sostenibile, la coesione sociale, l'integrazione*, 16 December 2004. See <http://www.uil.it/uiltoscana/>

#### 5.9.4 Pact for Italy, Biagi Law. Changes in employment relationships

At a central level, though, following the White Paper, in the 2002 Pact for Italy signed by the government and all the unions except the CGIL, social dialogue is still mentioned, but only as a practice of information, consultation and expression of common views, more than a sharing of regulated spaces of decision making. Furthermore, there is no part pertaining to the employers. Nevertheless, only some months after this momentous fracture in the unity of the labour movement, a bipartite agreement<sup>99</sup> is signed between all the unions and Confindustria, the main employer association.

Such June 2003 Agreement is important for several reasons: it states the significance of dialogue and agreements among social stakeholders for the economic development and growth of occupation; it is signed by all unions; it makes explicit reference to the 1993 Protocol as the main act of social concertation to date; the path to economic development proposed is not centred only on job flexibility, as in the White Paper, but on research, technological innovation, and quality of products and work. The model of asymmetric concertation promoted by the government is thus rejected, with a resumption of inter-confederate dialogue on social issues and bilateral concertation on training, research, the South and productivity from which the government is excluded.

Two different European Unions seem to be taken as a reference in this period in Italy: a Europe of quality, of inclusiveness and exchange of ideas among political and social stakeholders centred on the common search for economic wealth, social quality of life and the improvement of workers' proficiency (quality of work) to produce higher quality products and face the challenge of the global market; and another Europe reduced to a framework of labour market modernisation and soft social policies, and sometimes of straight balkanisation of legal references and development of new forms of work with no safety net, to produce goods at lower costs. The Berlusconi government introduces its extensive reforms in Italian industrial relations and labour law always referring to the latter Europe, whose acquis

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<sup>99</sup> Accordo per lo sviluppo, l'occupazione e la competitività del sistema economico nazionale. Priorità condivise in materia di politiche per la ricerca, la formazione, le infrastrutture e il Mezzogiorno, 19 June 2003. See <http://www.ossimoro.it/accordo.htm>

communautaire is presented as the pure creation of an area of competition and business against which the Italian economy stands obsolete and no longer adequate for the requirements of a global market.

For the Berlusconi government, it is therefore indispensable to loosen the historically rooted rigidity of Italian industrial relations: the broad labour market reform introduced by Legislative decree 276/2003,<sup>100</sup> which gave practical content to the “Biagi Law” no. 30/2003,<sup>101</sup> and the law transposing the 1993 EU working time directive (Legislative decree 66/2003)<sup>102</sup> are coherently inspired by the aim of weakening the tradition of indissoluble legal rules and collective agreements, putting them in competition with individual contracts. The reforms are radical and cover a wide range of aspects: competitive reorganisation of the labour market and its governing institutions; regulation of new types of flexible employment and a redefinition of existing ones; reorganisation of working time and non-working time; encouragement to economic operations involving outsourcing in some phases of the production cycle; introduction of a system of classification of flexible employment relationships and support for transactional activity in individual bargaining in order to reduce the role of industrial tribunals.

Nevertheless, it must be emphasised that the Biagi Law was an encompassing reform that aimed at addressing some structural weaknesses of the Italian economy: unemployment among young people, long-term unemployment, concentration of unemployment in the South, low rate of participation by women and older people in the labour market. In this respect, the reorganization of apprenticeship contracts and work and training contracts was also seen as a means of improving access and re-entry to the labour market. Further measures included the monitoring of the conditions of all people of working age in order to prevent social exclusion, and to provide input into pro-active policy making; the setting up of an efficient system of employment services, both public and private, authorised and accredited, forming a network to accompany and facilitate contact between those in

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<sup>100</sup> Legislative decree no. 276, 10 September 2003: *Attuazione delle deleghe in materia di occupazione e mercato del lavoro, di cui alla legge 14 febbraio 2003, n. 30*. See <http://www.parlamento.it/leggi/deleghe/03276dl.htm>

<sup>101</sup> Law no. 30, 14 February 2003: *Delega al Governo in materia di occupazione e mercato del lavoro*. See <http://www.parlamento.it/leggi/03030l.htm>

<sup>102</sup> Legislative decree no. 66, 8 April 2003: *Attuazione delle direttive 93/104/CE e 2000/34/CE concernenti taluni aspetti dell'organizzazione dell'orario di lavoro*. See <http://www.camera.it/parlam/leggi/deleghe/testi/03066dl.htm>

search of work and those in search of workers; the introduction of regulated forms of flexibility, negotiated with the trade unions, so as to strike a balance between the enterprises' needs to compete on international markets and the essential forms of workers' protection and promotion. Other significant measures included the introduction of staff leasing, and the provision of new types of contract aimed at adapting labour organisation to changes in the economy and extending participation in the labour market to groups at risk of social exclusion. Provision was also made for the introduction of "on call" working, a type of contract on the basis of which the employee is available to work as and when the employer requires; the introduction of job sharing, allowing two employees to take over the responsibilities of a single worker and share the salary and benefits on the basis of their individual contributions. Part-time working regulations were reformed, and employment policies were promoted especially for the South of Italy and for the categories of workers with difficulty in finding regular quality employment. Moreover, a more significant role was given to bodies providing labour protection and representation, with particular regard to bilateral or joint bodies, as part of the management of active employment policies.

Radical changes were also introduced by the Biagi Law with regard to employment services. The public monopoly on services for matching the supply and demand for labour is abolished, providing significant openings for private employment agencies to operate on the market. With regard to the regulation and organisation of the labour market, an attempt is made to update public policies. On the one hand, the work of private agencies in matching the supply and demand for labour is carefully monitored by public authorities. On the other hand, the reform of the labour market includes an attempt to improve public services by decentralising them to the regions and local authorities, with a reorganisation of state and local competences, the simplification of administrative procedures for matching the supply and demand for labour, the strengthening of links between public and private operators, and finally the plan for setting up a computer network covering all employment services, with the creation of a continually updated national employment exchange, in order to link up the entire country to a network of rapid circulation of information about job vacancies and the availability of suitable workers.

## 5.10 New topics for the social dialogue. The 2004 CNEL Report

A 2004 Report of the National Council for Economics and Labour (CNEL) on bargaining and wages in Italy in the European context,<sup>103</sup> draws attention to the new issues that developed in a framework of social dialogue and concertation, comparing this framework to the situation in the rest of Europe.

Some data are remarkable in their highlighting the new importance that local concertation and company negotiation acquired from the 1993 Protocol onwards. For instance, in the 1990s company-level bargaining only accounted for about 3-5% of overall wage agreements. More recent estimates refer to about 7-10% of wages, thus doubling the 1990s estimates.<sup>104</sup> Also, the collective bargaining structure which evolved from the 1993 Protocol and the subsequent policies for the control of wage dynamics through a system of organised deregulation, were due to the decision to meet the economic and financial parameters required to join the single currency system. These policies allowed the objective to be reached in 2002, when the Euro was introduced. The single currency objective significantly affected the wage issues addressed by social concertation in the following decade. In Italy, as in most European countries, wage dynamics are controlled through sector-level bargaining, company-level negotiation having little influence in spite of the 1993 Protocol attempt to give to this level the task of redistributing increases in company productivity. The wage increase solutions adopted in the first half of the 1990s were also well predictable (fixed or presence-related bonuses). In more recent years, on the other hand, wage increases have been linked to innovative forms of participation and industrial relations (performance-related or result-related bonuses).<sup>105</sup>

The CNEL Report emphasises the construction during the 1990s of a model of industrial relations that often favours concertation with the aim of implementing shared policies founded on consensus as a positive element to be pursued at various levels,

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<sup>103</sup> CNEL, Contrattazioni, retribuzioni e costo del lavoro in Italia nel contesto europeo. Rapporto 2002-2003, October 2004. See

[http://www.portalecnel.it/Portale/Consiliatura7/documenti.nsf/vwPerChiave/C1256BB30040CDD7C1256F6B00353B65/\\$FILE/CONTRATTAZIONE,%20RETRIBUZIONE%20E%20COSTO%20DEL%20LAVORO.pdf](http://www.portalecnel.it/Portale/Consiliatura7/documenti.nsf/vwPerChiave/C1256BB30040CDD7C1256F6B00353B65/$FILE/CONTRATTAZIONE,%20RETRIBUZIONE%20E%20COSTO%20DEL%20LAVORO.pdf)

<sup>104</sup> *Ibidem*, p. 26.

<sup>105</sup> *Ibidem*, p. 26.

and the establishment of specific room and timing for information, consultation and participation. It also underlines the institution and functioning of bilateral organisms which in the last decade became part of almost all agreements and have various tasks ranging from an active role in management of the labour market to the realisation of new industrial relations, in order to facilitate ordered and correct management of union relationships within production units. Bilateral organisms have been entrusted with tackling a variety of thorny issues emerging in the world of work, such as mobbing and sexual harassment, which were added to some agreements even in the public sector.

Other subjects which are part and parcel of recent social concertation are the duration of employment, in relation to which the new regulations set forth in Legislative decree 66/2003 contain several references to collective bargaining, some authorising it to derogate significantly from almost all the provisions that the same decree contains; "flexible" employment, which regulates - through a number of references in recent legislation (Legislative decree 368/2001;<sup>106</sup> Legislative decree 276/2003) - various aspects of part-time, fixed-term, intermittent, shared, agency-brokered employment and telework, and also training contracts; ongoing training and the right to study, often seen as ways to enhance competitiveness and meet workers' retraining requirements with a view to helping them deal with increasing precariousness in the labour market; worker health and safety: numerous agreements now regulate or set up organisms and bilateral committees responsible for such issues; the work environment: from analysis of agreements there emerges a new awareness of the significance of quality of life in the working environment, a formula comprising protection of the personal dignity, fundamental rights and physical and mental health of workers. In this context phenomena such as sexual harassment and mobbing appear to be dangers potentially inherent to company organisation, to be dealt with by means of preventive measures; recent policies of enhancement of the environmental sustainability of production in sectors with a greater environmental impact; the regulation of extrajudicial dispute settlement, for example the obligation to attempt settlement; the setting up and regulation of supplementary social security funds.

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<sup>106</sup> Legislative decree no. 368, 6 September 2001: Attuazione della direttiva 1999/70/CE relativa all'accordo quadro sul lavoro a tempo determinato concluso dall'UNICE, dal CEEP e dal CES. See <http://www.parlamento.it/leggi/deleghe/01368dl.htm>

The 2004 CNEL Report also stresses the significance in all sectors of professional training. This is a substantial achievement considering the importance attributed in recent years by governments and social stakeholders at a European level to ongoing education as a basic tool for workforce adaptability and thus employability. An important role is also played by industrial relation issues in enterprises of any size: for example, the time at which the company management provide the unions with the information scheduled in national and company-level agreements is of greater weight in larger enterprises (at times being linked to restructuring and reorganisation processes and the related employment problems); the setting up of bilateral and joint committees usually has a more important role in larger companies. Of significance is also the weight of bargaining for union rights. As regards the organisation of work, alongside the obvious bargaining on organisational change what appears highly significant in almost all sectors is the role of bargaining on outsourcing.

## 6. The return to social dialogue

### 6.1 April 2006. A new Italian Parliament

In April 2006, political elections took place for the renewal of the Italian Parliament, after five years of centre-right government. Two main party-coalitions competed: on the one hand, the Casa delle Libertà led by former prime minister Silvio Berlusconi and principally composed by Forza Italia (FI), National Alliance (Alleanza nazionale, AN), Christian Democrats (Unione Democratici Cristiani, UDC), and North League (Lega Nord); on the other hand, the centre-left Unione led by Romano Prodi and primarily composed by Democrats of the Left (Democratici di Sinistra, DS), Margherita (Democrazia e Libertà, DL), Party of the Communist Refoundation (Rifondazione Comunista), Greens (Federazione Verdi), Italian Communists (Partito Dei Comunisti Italiani, PDCI) and Union of Democrats for EUROpe (UDEUR).

Out of a total of around 40 million votes, an advantage of less than 25 thousand made the centre-left coalition win. A month later, in May 2006, the new Italian Parliament appointed Giorgio Napolitano, of the Democrats of the Left, as the new President of the Italian Republic. Moreover, for the first time in Italian history, two former trade unionists, Franco Marini and Fausto Bertinotti, were elected Presidents of the Senate and of the Chamber of Deputies, thus giving to the centre-left component of the political spectrum all the highest state offices. In line with theoretical predictions, the new centre-left government immediately set about improving industrial relations, in particular with the trade unions, quickly resuming an approach of concertation, social dialogue and triangularly-shared decision-making process. Hence, important pending national collective agreements were finally renewed, and social dialogue on integrative social insurance was restarted.

## 6.2 New industrial relations

### 6.2.1 New collective agreements

After the elections, an overall reduction of conflict in industrial relations and a decrease in non-worked hours was registered. In May 2006 the chemicals sector national collective agreement was renewed, regarding about 215 thousand workers, with a new provision of 3 paid working days a year devoted to lifelong learning and more flexibility as to working timetable. In July 2006, the collective agreement in the electricity sector was signed for 70 thousand workers, providing for a total increase of €2,300 in performance-related pay, which previously stood at an average of €1,343 per year; interestingly, the apprenticeship contract was redesigned to ensure greater job security for existing atypical workers, with about 95% of these apprenticeship contracts that will be confirmed; alternative employment paths for other atypical workers shall be defined in order to obtain greater stabilisation.

## 6.2.2 Innovative relations in the chemicals sector

In June 2007, trade unions and employer organisations in the Italian chemicals sector signed an innovative agreement regarding the industrial relations system. The agreement allows local union and company representatives to establish norms by way of derogation from the national collective agreement. The agreement defines guidelines for such derogations and proposes the establishment of a National Bargaining Commission that will supervise their propriety.

The bargaining structure in Italy is regulated by the 1993 Protocol and by a consolidated tradition of complete adherence to the national collective agreement, as established by Italian law. The Protocol envisages two levels of bargaining, national level and company or regional level, whereby the national agreement plays a central role and establishes general terms and conditions that cannot be adversely modified at company level. Decentralised bargaining can only intervene in matters closely linked to the company or region; such interventions must also be anticipated in the national collective agreement and must integrate, rather than substitute for, the standards set at national level.

Instead, the June 2007 agreement allows to derogate from the national collective agreement in two situations: when the company is experiencing a particular difficulty and the agreement could help to overcome this crisis; in order to favour new investment that makes it possible to consolidate and develop the company and protect employment. At the same time, two areas are highlighted in which derogation is not permitted and which remain exclusively governed by the national collective agreement: irrefutable individual rights established in the national collective agreement and by law; minimum wage, as stated in the national collective agreement.

At company level, therefore, the social partners can now negotiate agreements by way of derogation. Such agreements come into effect when approved unanimously by the National Bargaining Commission. The commission will evaluate such aspects as company situation and its prospects; bargaining matters covered in the derogation; clear communication of the agreement to workers through various information channels.

### 6.2.3 National agreement in the public sector

The collective agreement for Italy's public sector was finally renewed in May 2007, following extensive negotiations between trade unions and government. Along with securing new provisions for pay increases for the country's 3.5 million public sector employees, the negotiations raised issues likely to affect future collective agreements in other sectors.

In the Italian public sector, collective bargaining is regulated by a particular system of rules. The first stage of bargaining involves the publication of an Economic and Financial Planning Document (Documento di Programmazione Economica e Finanziaria, DPEF) and of the subsequent Budget Law, which allocates the funds required to cover sectoral agreements or their renewal, even before the national agreement and branch agreements are stipulated.

The new agreement comprises two main parts. The first part was signed by the government and the general secretaries of the three main trade union confederations, and relates to pay elements, initially providing for a monthly increase of €101. The second part of the agreement was signed by the general secretaries of the public sector federations affiliated to the main trade union confederations. This part concerns normative aspects and the introduction of a triennial, rather than biennial, agreement. The agreement states that this change is "to align the scheduling of negotiations with the annual DPEF and to enable verification of progress in improving the efficiency of services and in increasing productivity". However, such a change constitutes an innovation for national-level collective bargaining, which is bound to provoke debate among the parties at national level and in all sectors.

## 6.2.4 Ferrero. The reconciliation of work and family life

In July 2006, the company agreement of the Ferrero Group regarded about 6 thousand employees, falling entirely in the group's tradition of participative industrial relations. The agreement introduces or extends to a wider number of workers some measures to help reconcile work and family life. For example, parents coming back to work after parental leave are offered the possibility of part-time work arrangements: they may switch to horizontal part-time work on the basis of a daily schedule of 4 to 6 hours until the end of the calendar year in which the child reaches its 3rd birthday. Thereafter, the employee returns to full-time work, although agreement may be reached with the company on continuation of a reduced schedule of no less than 6 hours of work per day. The same possibility is given to those having health problems or in need to take care of sick relatives.

In Italy, 1 woman out of 7 decides to abandon work after her first maternity leave, while about 40% of women with children eventually quit their jobs better to take care of their families.<sup>107</sup> This strongly affects the levels of social insurance needed for minimum pension schemes for women (only 2% of women achieve the required 40 years of social insurance transfers to obtain full pension). Conversely, Italy is characterised by a very low total fertility rate: a sharp decline in the fertility rate occurred in the 1980s, bringing it below 1.2 children per woman; however, the rate was back to 1.3 in 2003 (versus a EU25 average of 1.5),<sup>108</sup> mainly because of the new contribution of women from non-EU countries. With only very limited state support for family formation, child bearing and rearing, very often women have to choose between labour market participation and their families.

In this context, the Ferrero Group agreement grants working mothers extended exemption from night shifts for a period of six months after their child's 3rd birthday, while the law currently exempts mothers from night shifts until the child's 3rd birthday. Furthermore, free paediatric care is offered to the employees' children until their 14 years of age, in addition to the services provided by the national health service.

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<sup>107</sup> Our estimate based on data by Eurispes, *Rapporto Italia 2007. Percorsi di ricerca nella società italiana*. See <http://www.eurispes.it/>

<sup>108</sup> See *Eurostat Regional Yearbook 2007. Population*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-AF-07-001-01/EN/KS-AF-07-001-01-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-AF-07-001-01/EN/KS-AF-07-001-01-EN.PDF)

Another remarkable provision in the agreement is the setting up of time banks or working time accounts at the company's various plants. Workers may avail themselves of the time banks and are responsible for the scheme's operation. Using a time bank, staff can work extra hours and then save that additional time to exchange it when desired to enhance their work-life balance. Alternatively, workers may distribute their saved time to others as an act of solidarity. The case of Ferrero is certainly a best practice that will hopefully be followed by others in the country.

## 6.2.5 Electrolux. Curbing the use of atypical workers

In January 2007, trade unions in the metalworking sector renewed the company agreement with management at Electrolux, which affects some 10,000 workers in Italy. A main point of the agreement is the limitation of result-oriented premiums in the use of atypical workers.

Electrolux is the world's largest manufacturer of household appliances, employing some 80 thousand workers worldwide. It is a Swedish-based international corporation, which in recent years has taken over a large number of other companies (e.g.: AEG, Zanussi, REX, Zoppas and McCulloch).

The renewed agreement includes provisions concerning working conditions, employment and premium schemes. In relation to working conditions, a census will be taken of all repetitive jobs. This will form part of the remit of a special joint commission which will gather information on the organisational innovations introduced, evaluating any effects they may have, and proposing improvements and ways to promote professional training and advancement among the workforce.

The right to "leave of absence aimed at promoting family unity" is confirmed for non-EU workers employed under an open-ended contract; this covers continued periods of absence from work lasting up to a maximum of 50 calendar days.

As regards employment contracts, a ceiling is set in the use of atypical work contracts, amounting to a maximum of 16% of the total number of open-ended employment contracts for each manufacturing facility.

As to salary provisions, the agreement includes the consolidation of a "productivity premium" amounting to a net monthly payment of €78, paid out to all workers including those on atypical work contracts; the creation of a plant-specific, result-oriented premium amounting to €1,034 for 2007 and €1,174 for 2008; the creation of a result-oriented premium linked to the profitability of the Italian production facilities (only workers with an open-ended contract can benefit from this premium).

Furthermore, the agreement provides for the setting up of a financial commission whose remit is to define a detailed project aimed at reforming the participation system. This commission will be composed of six experts appointed by company

management and by a further six experts assigned by the national secretaries of Fim, Fiom and Uilm.

## 6.2.6 Tenaris-Dalmine. Job security for short-term workers

In February 2007, a company-level agreement was signed at Tenaris-Dalmine, one of the most important European companies in the steel industry, with 4 plants situated in the North and North-West of Italy, and 3,300 employees. The agreement introduces greater job security for short-term workers, new rules for health and safety monitoring, and a performance-and-quality bonus increase.

With respect to the industrial relations process, the company will give power to four bilateral commissions responsible for work organisation, training, health and safety, and outsourcing. Furthermore, as Tenaris-Dalmine recently acquired a leading Romanian company in the steel sector, the RSU will meet with the Romanian trade union and the Italian and Romanian management.

In relation to labour rights, the company agreed on the creation of a training course aimed at raising awareness on the new function of "social works council representative". From now on, these representatives will be expected to identify any sense of unease felt by the workers in the work environment. These problems will then be solved in partnership with local social services. Furthermore, the representative in charge of health and safety at the workplace will have greater authority, also in respect of the companies contracting to Tenaris-Dalmine.

The economic achievements of the agreement are considered to be significant, with increases ranging from a minimum of 15% to a maximum of 50% in relation to some benefits. A substantial increment of the "quality-and-productivity bonus" (by about €850 a year on average), was agreed upon, both in terms of its fixed amount and variable part. An experimental bonus for risk prevention was introduced, aimed at improving prevention of accidents in the workplace. A small adjustment to the company's performance-related bonus was introduced (about €5,000 in 2006). Most of the above-mentioned bonuses and increases also relate to temporary workers.

In terms of innovations related to the labour market, the agreement significantly states that the "open-ended employment contract" is to be the main type of contract to which the company shall refer. In light of this, temporary workers recruited from temporary work agencies will be hired on an open-ended contract of employment after 12 months of working for the company.

### 6.3 The Bersani reform

From the very start of its administration, the new centre-left government conceived some important laws for the labour market and the economy. As regards industrial relations, new major regulations were introduced. The so-called “Bersani Decree”,<sup>109</sup> also known as the liberalisation decree, introduces measures to tackle tax evasion and increase competition in protected services sectors such as the law profession, bakeries, pharmacies, motor vehicle insurance, banking, and taxi drivers.

After intense debate between social stakeholders and government, the reform of the “end-of-service allowance” was finally agreed upon and regulated by law,<sup>110</sup> planning the timing and forms for workers to transfer their end-of-service allowance (trattamento di fine rapporto, TFR) into a fund created by the national social security (Istituto Nazionale Previdenza Sociale, INPS). This transfer took place in the first half of 2007, when all employees were asked to choose either the INPS option or a private insurance for their TFR.

As with integrative pension schemes, in Italy they are voluntary for workers and companies alike. The law guarantees freedom for individuals to subscribe to supplementary pension schemes, while leaving companies free to choose whether to set up their own funds.<sup>111</sup> Nearly all funds are based on a fixed contribution rate.

The 2007 Budget Law<sup>112</sup> was discussed at the end of 2006. Principally affected sectors were the public administration, the health system, the social insurance and local public bodies. Beside technical and economic measures, the Budget Law aimed at the stabilisation of jobs, in particular by transforming atypical and short-term employment contracts into stable and open-ended ones. Great importance was thus given to the matter of the informal labour market and aid was provided for lower incomes, together with new social insurance arrangements for semi-freelance workers.

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<sup>109</sup> Law Decree no. 223, 4 July 2006: Disposizioni urgenti per il rilancio economico e sociale, per il contenimento e la razionalizzazione della spesa pubblica, nonché interventi in materia di entrate e di contrasto all'evasione fiscale. See [http://www.studiprofessionisti.it/pdf/decreto\\_Bersani.pdf](http://www.studiprofessionisti.it/pdf/decreto_Bersani.pdf)

<sup>110</sup> Law Decree no. 279, 13 November 2006: *Misure urgenti in materia di previdenza complementare*. See <http://www.parlamento.it/leggi/decreti/06279d.htm>

<sup>111</sup> Legislative decree no. 252, 5 December 2005: *Disciplina delle forme pensionistiche complementari*. See <http://www.camera.it/parlam/leggi/deleghe/testi/05252dl.htm>

<sup>112</sup> Law no. 296, 27 December 2006: *Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2007)*. See <http://www.parlamento.it/leggi/06296l.htm>

The government also held tripartite talks with the social partners and passed legislation which lays down rules intended to combat irregular work.<sup>113</sup> Hence, this period was characterised by important instances of social dialogue that led to tripartite positions on the fight against the black economy. As with atypical and flexible work, the government did not dismantle the 2003 labour market reform (Biagi Law), but social security contributions on some temporary contracts were raised. A redefinition of some labour measures introduced by the Biagi Law was then trilaterally agreed with the Protocol of 23 July 2007.

From an economic viewpoint, Italy recovered significantly in 2006 (GDP grew by 2%), also achieving a sharply lower public deficit: general government deficit is expected to be 2.4% of GDP in 2007 (less than UK and France) versus a constant +3% since 2002. A strong foreign demand drove the recovery, accompanied by a clear adjustment process among Italian exporters which allowed them to benefit from better external circumstances. Even so, Italy's export structure remains heavily biased toward low-skill production, hence highly exposed to cost competition by emerging market economies. Also, the process of deindustrialisation has not yet triggered a take off in services sectors, contrary to more successful EU economies. As described in chapter 2, this macro-structural weakness is reflected by an insufficient productivity growth caused by shortcomings in efficiency, process and product innovation.

Nevertheless, employment creation was a main bright spot in the economy, though highlighting the need to rebalance employment safeguards to reduce the labour market duality between traditional and atypical forms of jobs. A large regional gap and still low formal labour market participation are the cause of significant unrealised growth potential. In the Italian labour market almost half a million new jobs were created in 2006. This corresponds to an increase of 2.2%, higher than EU-15 and OECD averages (1.5% and 1.6%, respectively during the same year).<sup>114</sup> The standardised unemployment rate, now at 6.8%, has fallen steadily since 1998, when it was 11.4%. The unemployment rate in Italy is now 0.6% below the EU-15 average.

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<sup>113</sup> Law no. 248, 4 August 2006: Conversione in legge, con modificazioni, del decreto-legge 4 luglio 2006, n. 223, recante disposizioni urgenti per il rilancio economico e sociale, per il contenimento e la razionalizzazione della spesa pubblica, nonché interventi in materia di entrate e di contrasto all'evasione fiscale. See <http://www.parlamento.it/leggi/06248l.htm>

<sup>114</sup> See *Employment Outlook 2007 – How does Italy compare?*, at <http://www.oecd.org/dataoecd/27/19/38797278.pdf>

However, labour productivity growth over the past decade has been unsatisfactory. Here, it must be stressed that, as the *OECD 2007 Employment Outlook* shows, there is no evidence that the increasing use of atypical labour contracts is having any beneficial effects on Italy's productivity growth. Also, the *Outlook* emphasises the urgency to discuss and develop family-friendly policies that increase work attachment, such as the provision of child-care facilities. More in general, social dialogue in Italy should now focus on the supply of greater incentives to invest in women's competences and subsequently capitalise on their accumulated skills.

As already shown in chapter 2, in Italy the financing of social protection relies excessively on labour taxes. At 24% of GDP in 2003, public social expenditure was 3 percentage points above the OECD average. Pensions account for a particularly important share of total social expenditure compared with other OECD countries (57% versus an average 37.5%). More than half of public social expenditure was financed out of social contributions: given the rapid ageing of the Italian population, a reduced reliance on labour taxes in the financing of social expenditures is urgent to avoid an excessive tax burden on labour.

## 6.4 The July 2007 Protocol on social security, employment and competitiveness

In July 2007, government and social stakeholders (CGIL, CISL, UIL, UGL, Confindustria and many other organizations) signed two important agreements. The first one, on July 10, regards the sharp increase of lower pensions to support over 3 million people, and a lesser increase of medium-level pensions which concerns a further 4 million people.<sup>115</sup> Similarly, the draft 2008 Budget Law provides for income-tax breaks for the low-paid (together with a cut in the corporate-tax rate and reduced property taxes). The second agreement, signed on July 23, concerns the “maintenance” of the 1995 pensions reform and the modification of the previous government law regarding to the sudden extension of active-life duration from 57 to 60 years.<sup>116</sup>

The Italian compulsory state pension system is financed by social contributions paid by the employer during the employee’s working life. The retirement age used to range between 57 and 65 years. In 2004 a new regulation was approved envisaging substantial changes to the pension system.<sup>117</sup> Starting from January 2008, retirement will be possible after 40 years of contribution or at 65 years of age for males and 60 for women. Such requirement will be increased of one year in 2010 and of an additional year in 2014. The new July 2007 agreement foresees the shift now from 57 to 58 years in January 2008, and a gradual increase of the pension age until 2013. The agreement also includes specific measures for workers with particularly hard and heavy jobs. These provisions will be integrated in the Budget Law for 2008.

The July 23 Protocol implies a reform of social shock-absorbers, with an improvement of unemployment benefits, which will be increased in amount and duration; the strengthening of employment public services; the supply of more training op-

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<sup>115</sup> The July 10 agreement was converted into Law no. 127, 3 August 2007: Conversione in legge, con modificazioni, del decreto-legge 2 luglio 2007, n. 81, recante disposizioni urgenti in materia finanziaria. See <http://www.parlamento.it/leggi/07127l.htm>

<sup>116</sup> *Protocollo su previdenza, lavoro e competitività per l’equità e la crescita sostenibili*, 23 July 2007. See <http://www.cislveneto.it/images/pdf/protocollodefinitivo23luglio2007.pdf>

<sup>117</sup> Law no. 243, 23 August 2004: Norme in materia pensionistica e deleghe al Governo nel settore della previdenza pubblica, per il sostegno alla previdenza complementare e all’occupazione stabile e per il riordino degli enti di previdenza ed assistenza obbligatoria. See <http://www.camera.it/parlam/leggi/04243l.htm>

portunities; the redefinition of the incentives to promote workers' placement and re-entry in the labour market.

The Protocol aims at improving quality of work and tackling precariousness through various legislative measures, such as the modification of the legislation on fixed-term contracts, so that these contracts cannot exceed 36 months, renewal(s) included; the modification or removal of precarious contracts like "staff leasing", "occasional working contracts" or "job on call"; the reform of apprenticeship by strengthening the role of collective bargaining in defining at national level the characteristics required to be apprentice, by determining the training pathways and facilitating the apprentices' geographical mobility; the reform of part-time work by encouraging full time for the same or equivalent functions; the modification and simplification of the rules for the recruitment of disabled people; the re-organization of subcontracting with a full respect of the standard of working conditions, according to the new framework Law 123/2007 on health and safety at work.<sup>118</sup>

The Italian Government proposed several measures to reduce labour costs, like increasing the fiscal exemption on productivity from the current 3% up to 5% of annual remuneration, and lifting the tax on overtime. Currently, in Italy in companies with more than 15 employees, taxes on weekly working hours between 40 and 44 are raised of 5%, between 44 and 48 hours of 10%, and beyond 48 hours of 15%.

Measures in favour of young people and women constitute a central feature of the Protocol. For the young, the agreement points to the importance of support against discontinuous careers, improvement of unemployment coverage, and support to employment particularly by the creation of funds aimed at self-employment. As regards women fiscal incentives will be set up to encourage work schedules that allow reconciliation between professional and family life, and services for early childhood and non-self-sufficient elderly people will be improved.

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<sup>118</sup> Law no. 123, 3 August 2007: Misure in tema di tutela della salute e della sicurezza sul lavoro e delega al Governo per il riassetto e la riforma della normativa in materia. See <http://www.parlamento.it/leggi/07123l.htm>

## 6.5 Perspectives of social dialogue

Social dialogue and the quality of industrial relations are at the centre of the European social model: the truth is that Europe cannot do without quality. The specifics of the Italian case might help understand how social dialogue must become first of all a social-quality dialogue, and how industrial relations in Europe are more and more related to sustainable territorial development and social quality of life. In recent years, the Italian economy has lost shares of the world market for lack of adaptability in its offer of types and quality of goods. This necessary adaptability must now be restored along the lines of innovation - not only technological innovation but above all innovation in human resources.

In this respect, a term to be urgently combined with "quality" is "flexibility". The term flexibility is a "container" word which presents a high level of ambivalence.<sup>119</sup> On the one hand, it is associated with dynamism and adaptability to a changing world economy and labour market, and is related to versatility and constant upgrading of personal competence and professional skills. On the other hand, it has often meant precariousness, lack of labour rights, and lack of individual security.

It is crucial that social dialogue introduces in the context of sustainable economic development of local territories the concept of sustainable job flexibility as a central social element of that development. In this respect, a flexible approach to work is sustainable if all the tools to build an adaptable personal competence are there to be used - first of all a fully accessible system of lifelong learning and training opportunities. Sustainable flexibility means also that the experience and practice of changing job must be framed in a net of guarantees and services that protect and help the individual labourer, transforming the need for change into career opportunities.

The aforementioned examples given by recent industrial agreements in Italy might help illustrate how flexibility can assume extremely positive and progressive aspects, and how it can be eventually translated into human capital and social quality of life. For instance, a widespread possibility of flexible timetable at work cer-

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<sup>119</sup> For the following considerations we are indebted to Lidia Borzi's various essays in ACLI, *Il lavoro che cambia (?)*. *Viaggio a tappe nella Regione Lazio tra occupabilità e lavoro*, July 2006, pp. 21-22, 57-61, 95-99, 137-138, 177-180, 217-219.

tainly creates a more friendly social environment for women with children, motivating them to keep their jobs in a country with such a low female employment rate, and more generally helping reconcile work and family life. Similarly, a widespread controlled availability of flexible work experiences for the young and for individuals at risk of exclusion from the labour market might signify high social levels of access and re-access to the labour market, instead of portraying a situation of lifelong precariousness and instability - as is the case in Italy today. In particular, a system of job flexibility associated with learning opportunities can imply personal promotion for the young and everybody in the workplace.

Therefore, along the guidelines of Lisbon 2000, flexibility can be a major tool in a strategy of socially sustainable development of the economy that improves women's low involvement in labour activities, systematises the updating of human resources and professional skills in a high-quality economy that produces high-quality products able to face the challenge brought by cheap labour in the emerging markets. A high-quality economy must have at its centre the labourer as a person capable to contribute fully to the economic process and its advance.

Correction of territorial and distributive disparities, consolidation of the public finances, modernisation of the country's social and economic infrastructure and networks, and reform of the legal framework for the economy are still the major subjects of social dialogue in Italy. Human capital, research, innovation in the relationship with the scientific community, increase in firm size, corporate governance, acceptance of competition are some of the many ways in which reform can be expressed. When compared to Germany (269 thousand) and France (193 thousand), Italy gathers as little as 70 thousand full-time-equivalent researchers in 2003, while spending in research and development a meagre 1.1% of its GDP, against a German 2.5%, a French 2.2%, a EU25 1.9%.<sup>120</sup>

The seriousness of the situation requires a great effort of social dialogue. Bargaining over real wages and the distribution of income must be supplemented by a new opening on the fronts of labour competence, adaptability and mobility. Of fundamental importance is the protection of potential and actual workers through a quality system of education and lifelong learning that will put them on an equal

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<sup>120</sup> See *Europe in figures – Eurostat yearbook 2006-07. 9. Science and technology*, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-06-001-09/EN/KS-CD-06-001-09-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-06-001-09/EN/KS-CD-06-001-09-EN.PDF)

footing throughout their careers. Innovative legal solutions must better reconcile the protection of both the employed and the unemployed with the need for dynamic reallocation of human resources and capital. The immobility of resources is incompatible with social quality and with innovation in products and techniques.

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