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Collective Bargaining under EMU:

Lessons from the Italian and Spanish Experiences

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Abstract

This paper seeks to shed light on the question of the likely evolution of collective bargaining in Europe under EMU by considering the experiences of two countries (Italy and Spain) in which governments and social actors attempted to decentralized collective bargaining during the 1980s only to opt in favor of a re-centralization of bargaining during the 1990s. The paper argues that the experiences of Italy and Spain offer two kinds of insights for our understanding of the future evolution of wage bargaining in the EU. On the one hand, they illustrate why governments and social actors may come to favor a consolidation of the structure of bargaining under EMU rather than opt for a further decentralization of bargaining. On the other hand, they also suggest that any such process of consolidation faces great obstacles in moving beyond the national level. The recent experiences of Italy and Spain thus lead us to conclude that the most likely outcome in the EU is that of a reaffirmation of the national and national/sectoral-levels of bargaining within member states, rather than either a radical decentralization of bargaining across the EU, or an effective shift to EU-level bargaining.

Driven largely by political, rather than economic, imperatives, European Monetary Union (EMU) represents a change in the structure of economic governance in Europe whose consequences remain uncertain. The change is a profound one not only because it shifts a key element of economic policy from the jurisdiction of governments to a supra-national level, but also because it fundamentally alters the relationship between monetary policy and other elements of economic governance that have undergone no similar centralization. Most often noted among these is fiscal policy, which remains in the hands of the individual member states, presenting a problem of coordination with monetary policy. Yet there are other important variables upon which the effects of the new monetary regime are likely to hinge. As a recent body of work by political scientists and economists suggests, the effects of a given monetary policy regime may depend strongly on the structure of the collective bargaining process upon which monetary policy impinges. The consequences of EMU thus are likely to depend on the way in which collective bargaining, which for now remains highly differentiated across the member states, takes shape in the EMU area.

While there is nothing to guarantee that collective bargaining in the member states will evolve in any uniform way or toward any coherent pattern, we can distinguish among several possible future outcomes. One is a simple perpetuation of the current pattern of variation in collective bargaining regimes across member states. The second is a progressive decentralization of bargaining toward the firm-level across the member states. The third is the opposite of the second, a rise of collective bargaining from the national, national-sectoral, and lower levels at which most collective bargaining now takes place in the EU to the European sectoral level coupled perhaps with some form of cross-sectoral framework bargaining between the European trade union and employer associations (ETUC and UNICE). A fourth possible trend is that of a resurgence of national social pacts (or framework bargaining) on wages and other issues. The last of these possibilities would in essence turn collective bargaining into a de facto substitute for the national monetary policy capabilities that have been abandoned.

Whichever of these trends comes to dominate collective bargaining under EMU is likely to have important repercussions for the effectiveness of the ECB's policies. The degree of coordination among economic actors that the overall system of collective bargaining does (or does not) allow, and the extent to which it reflects the interests of exposes as opposed to sheltered sectors, are likely to be particularly important in this regard. Indeed, social actors across Europe may well be influenced by their experience in dealing with a new supra-national central bank in seeking different bargaining arrangements. At the same time, however, collective bargaining developments will have to respond to intense differences in the preferences of bargaining actors across Europe. One particularly important cleavage in this regard is likely to be that between unions and employers in the EU's high wage/high productivity growth vs. low wage and productivity growth countries. Another is that between countries where employers and unions may be capable of arriving at acceptable bargaining outcomes in the absence of some form of national framework bargaining (or concertation) and those where recent experiences have led to the pursuit of such national bargains to compensate for the lack of such capabilities.

This paper seeks to shed light on the question of the future evolution of collective bargaining in Europe by considering the experiences of two countries that can be said to fall within the latter categories: Italy and Spain. The paper argues that the recent experiences of Italy and Spain offer two kinds of insights for our understanding of the future evolution of wage bargaining in the EU. On the one hand, they illustrate why governments and social actors may come to favor a consolidation of the structure of bargaining under EMU rather than opt for a further decentralization of bargaining. On the other hand, they also suggest that any such process of consolidation faces great obstacles in moving beyond the national level. The recent experiences of Italy and Spain thus lead us to conclude that the most likely outcome in the EU is that of a reaffirmation of the national and national-sectoral-levels of bargaining within member states, rather than either a radical decentralization of bargaining across the EU, or an effective shift to EU-level bargaining.

The paper proceeds in three steps. The first section sets out the problematic of the relationship between collective bargaining and the move to monetary union in the EU. In the second and third sections, I review the recent Italian and Spanish experiences, - which have involved a shift in favor of a re-centralization of bargaining coupled with framework bargaining at the center after a period of decentralization and fragmentation in bargaining in the 1980s- and seek to explain these experiences. In the last section I focus on the lessons that we may draw from the experiences of these two Southern European countries for our understanding of the future evolution of collective bargaining in the EU.

I. EMU and the problem of Wage Bargaining Structure

As a number of authors have noted, there is much to suggest that European Monetary Union has been driven by underlying political, rather than economic, considerations on the part of governments in the EU (see in particular Boyer, 1998). Nonetheless, public acceptance of the project has rested on the notion that monetary union will have positive effects on the future economic performance of the EU. Two kinds of arguments are typically offered to justify the move to monetary union in this sense. The first is that monetary union will boost investment and growth (and by implication employment) in the EU by eliminating the transaction costs involved in dealing in separate currencies and by creating greater transparency in prices and thus promoting the further integration of financial and product markets. While this first argument relies on sheer market forces, the second argument has more to do with the institutional design of EMU. It involves the often unquestioned notion that the shift to a single monetary authority modeled on the German Bundesbank will allow for an extension of the German model of economic governance - and of the outcomes associated with that model (low inflation, real wage moderation, low unemployment (until 1992) and strong export performance) - to the EU as a whole. In this way, it is thought, EU states will be able to supersede the economic results achieved previously through currency arrangements (i.e. the ERM) which were proving increasingly costly and untenable in the face of increased cross-border capital flows.

There is however, strong reason to believe that this second premise for EMU stands on very shaky ground. A recent body of work by sociologists, political scientists, and economists suggests that the relatively benign effects of the German model of macro-economic governance - centering on a highly independent and non-accommodating central bank - have depended son other features of the institutional context in which that central bank operated. Chief among these are two features of the German collective bargaining system: the high degree of coordination among employers and among unions in the wage bargaining process (see Hall, 1994), and, related though analytically distinct from the first, the leadership of export industry in the wage-setting process (see Streeck, 1994). A number of studies have also found support for these observations based on cross-national and pooled time-series data for OECD countries. Soskice and Iversen (forthcoming), for example, find that a non-accommodating monetary policy stance such as that pursued by the Bundesbank is capable of inducing real wage moderation (and hence a lower equilibrium rate of unemployment) only in countries with a limited (and presumably coordinated) number of wage-setters; a finding that they attribute to the fact that unions are likely to seek lower real wage increases when they know that higher increases will not be accommodated.[1] Based on similar data, Hall and Franzese (1998), conclude that the employment cost of a non-accommodating monetary policy is directly (and inversely) related to measures of coordination in wage bargaining, a fact that they attribute to the ability of unions in coordinated settings to know that their wage settlements will have a direct impact on prices, and hence to heed signals from the central bank. "In uncoordinated settings," by contrast, "wage bargainers are unlikely to be highly responsive to threats from the fiscal or monetary authorities." Another study (Franzese, 1999) on the other hand, finds that these interactive effects between levels of coordination in wage bargaining and monetary policy regimes themselves depend on the influence of exposed vs. sheltered sectors in wage setting.

Neither of the two conditions identified in this work as critical in supporting the outcomes of the Bundesbank's policies in Germany (a highly coordinated bargaining structure and export sector leadership in wage-setting) holds true for the structure of collective bargaining in which the ECB will be operating (that of the Euro-zone as a whole). The present structure of collective bargaining in the EMU-zone is far more fragmented than that upon which the Bundesbank operated.[2] The area not only includes countries with far more fragmented, and less coordinated, bargaining structures than Germany had in the past. More importantly, even the most encompassing unions in

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[1] Iversen (1998), however, also finds that this positive effect may turn into a negative effect at very high levels of wage bargaining centralization, such as was typical of Sweden in the past.

[2] It might be argued (as do Soskice and Iversen, 1998) that the Bundesbank operated throughout the ERM area via the exchange rate commitment as the sole monetary authority in the EMU area. However, this required that national central banks fit their policies to those of the Bundesbank to maintain those commitments and it did not require the Bundesbank to respond to inflation rates in other ERM countries, allowing German unions to presume that their wage moderation would in fact serve to avoid interest rate hikes.

countries such as Germany now represent a far smaller fraction of the workers affected by a given interest rate hike. Given that there is no established hierarchy in bargaining across the EU, these unions now can be less sure that an offer of wage restraint on their part will be seconded by other unions in the area and thus ensure the pay-off (no interest rate hike). They may therefore be less inclined to pursue solidaristic wage policies. Secondly, with the move to a single currency, a lesser proportion of employers and workers in the EU will be vulnerable to the threat of currency appreciation (one of the main elements whereby the Bundesbank is said to have induced wage restraint in Germany in the past). In the more fragmented bargaining context of the EU, this is likely to make it more difficult for those sectors or businesses still exposed to the threat of currency appreciation to maintain their present level of influence in the wage setting process. All this suggests that the established patterns of coordination between the dominant monetary authority and lead wage setters in the EU is likely to be severely disrupted by the move to a single currency. And much will therefore depend on how the structure of collective bargaining across the EU evolves (or does not evolve) in relation to this disruption.

Collective bargaining arrangements have, in fact, been undergoing a period of marked change in several EU countries. The most oft noted development in this regard has been the abandonment of centralized wage bargaining in Sweden and Denmark in the 1980s, as well as the move to decentralize bargaining on work conditions other than wages in several other countries (notably Germany and Italy) (see Katz, 1993; Freeman and Gibbons, 1995; Iversen, 1996; Thelen, 1991; Regini, 1995). These instances of decentralization are often thought to support the notion that the bases for centralized bargaining have been undermined by the integration of international financial markets and by recent changes in production regimes and occupational structures. And they might well lead us to expect that, given the incoherence of the present monetary policy/collective bargaining structure, EMU will be accompanied by a generalized shift away from centralized bargaining in favor of a more decentralized bargaining structure modeled on that of the United States (and more recently, the UK). Following the view of alternative high employment equilibria laid out in Calmfors and Driffil (1988) and Iversen (1998), this would imply that economic adjustment under EMU would be achieved by a shift away from an intermediate bargaining structure to a far more decentralized one that would approximate competitive labor market structure of the United States.

However, there is reason to believe that the current dynamic of change in collective bargaining across the EU is considerably more complex than these instances of decentralization alone suggest. A recent study of collective bargaining trends by the OECD (1997) found no clear trend toward a decentralization of bargaining, as measured either in terms of the level of bargaining at which most wages are set or measures of coordination in bargaining. It recorded a far more complex pattern with some countries (in particular Sweden, Australia, New Zealand, and the UK) experiencing a notable decentralization, while others (including Italy, Norway, and Portugal) have moved in the direction of more centralization and/or coordination , while in many others there was little change (see p. 74). Another set of studies (Wallerstein and Golden, 1997; and Wallerstein, Golden, and Lange, 1997) also finds no clear trend toward a decentralization of bargaining in either the Nordic, or Central European countries, or the OECD at large. (Indeed, Wallerstein and Golden, 1997 note that there has be a recent consolidation in the bargaining structure of Denmark, one of the cases often highlighted in support of the view that economic change is forcing a decentralization of bargaining). Other work highlights the decidedly limited and controlled nature of bargaining decentralization in Germany, in particular the fact that this decentralization has not extended to wage bargaining (Katz, 1993; Thelen, forthcoming). And, as a number of other authors have noted, there has been a very prominent return to the use of national social pacts on wages and other issues in several European countries as an alternative means of imposing coordination (see in particular Hassel, 1998; Pérez, forthcoming).

These developments suggest that there is more than one logic at work in driving changes in collective bargaining in the EU today and that current trends do not necessarily foretell a shift in favor of decentralization. Indeed, as Robert Boyer (1998) has recently noted, there are a number of different outcomes toward which changes in bargaining regimes across the EU may lead. These include, along with the possibility of a radical decentralization of bargaining (or in Boyer's parlance, "company-ism"), a diametrically opposite outcome: namely the possibility of a shift to European level bargaining (at either the sectoral level, or a central European level).[3] Such a development would imply that the structure of collective bargaining in the EU would be responding to the change in the scope of the monetary policy regime that has already taken place, allowing possibly for a replication of the German model of a non-accommodating monetary policy within a highly coordinated wage bargaining framework.

However, any collective bargaining regime that evolves in the EMU area will have to address significant differences in bargaining conditions across the area. Two such differences are those pertaining to productivity levels and growth rates, and those pertaining to the organizational structure and capacities of bargaining actors in different areas. Differences in productivity levels and growth rates are likely to make it difficult for each bargaining side (employers and unions) to agree on common bargaining position (or wage norm) in anticipation of the ECB's policies. Differences in organizational structure (in particular the capacity of unions and employers to maintain a level of coordination in the absence of certain kinds of existing domestic bargaining arrangements (such as framework bargaining, or "concertation") will make it difficult for agreement to be reached on the most suitable structure of bargaining beyond the national level.

More specifically, two cleavages are likely to become important in any attempt to agree on new bargaining arrangements in the EU. The first is that between countries where employers and unions can agree to peg their wage bargaining demands to those of a lead country (Germany) either explicitly (as has been done most recently in Belgium, where since 1996 intersectoral collective agreements have pegged maximum salary wage increases to weighted average hourly wage increase in Belgium's three biggest trading

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[3] Boyer also notes the possibility of three other outcomes: that of collective bargaining dominated by bargaining within large European multinationals (xeno-corporatism), which he sees happening only to a limited extent, that of a resurgence of national-level corporatism (an outcome which he deems possible), and that of a nested (or multiple tier) system of bargaining combining these different levels, and in which European-level negotiations would focus on prices and wages, national-level bargaining on welfare provisions, and firm-level bargaining on distributing profits (or productivity gains). In the latter case, he notes the difficulty of achieving a full articulation of such a system at the

partners, Germany, France, and the Netherlands) or implicitly (as appears to be the case in France, where overall wage increases, driven largely through adjustments in the minimal wage, commonly mirror developments in Germany) and countries where employers would find any such peg incompatible with the need to maintain competitiveness. This conflict is particularly likely given that EMU includes a number of countries that in the past relied heavily on periodic devaluations (even within the ERM) to restore competitiveness. The second major cleavage is likely to be that between countries in which a shift in bargaining to a level beyond the national one is compatible with the organizational agenda of domestic actors and countries in which this is not the case. Such a shift may be particularly difficult for employers and unions that face weak or divided organizational structures at home and which have come to rely on a particular pattern of bargaining arrangements at home (such as, for example, framework bargaining at the national level) to compensate for such organizational characteristics.

In the following section, we examine the recent experiences of two countries that may be said to fall into the latter of these categories: Italy and Spain. Until recently, the conventional wisdom in the comparative literature held these countries to be destined for a course of deregulation and decentralization in bargaining, given the lack of encompassing social actors and of well institutionalized patterns of coordination in bargaining. Such an outcome, it would seem, would also limit the chance of achieving a consolidated, EU-wide wage-bargaining structure under EMU. At the very least, it would seem to imply an institutional schism within the EMU area in which some countries (the so-called organized economies of Northern and Central Europe) might consolidate their wage-bargaining structures, creating a bloc of wage setters that the ECB would target, while others would simply adjust by moving to a highly decentralized and deregulated model of industrial relations. However, a review of recent developments in these countries does not support this conventional wisdom. Indeed, while these countries underwent a period of de-centralization in bargaining in the mid to late eighties coupled with attempts to impose wage discipline through monetary policy measures, they have more recently undergone a significant process of re-consolidation and re-centralization in

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European level.

their domestic bargaining structures. These experiences suggest that the "South" or "periphery" of the EMU will not necessarily be a force for deregulation in the area. And, as the following sections will argue, they may also be instructive in other ways for our understanding of the broader dynamic of change in bargaining institutions in the EMU-area.

II. Italy and Spain: from decentralization to re-organization

Despite important differences in the post-war histories of the two countries (in particular those that followed from the difference in political regimes after the war), the contemporary industrial relations regimes of Italy and Spain share some important characteristics. The three most important of these for present purposes are 1) the historically divided nature of the labor movement, which places rival national labor confederations in the position of vying for membership with each other; 2) the highly politicized, yet not highly institutionalized nature of industrial relations until very recently; and 3) the (also until very recently) very fragmented and multi-tiered structure of collective bargaining. This history of division within the labor movement, of poorly institutionalized industrial relations, and of fragmentation and duplication in bargaining structure is generally thought to limit the ability of labor unions to act as strategic actors in the economy, and it leads these countries to be commonly categorized as "under-organized" economies that are ill-fitted (from an institutional standpoint) for the pursuit of negotiated adjustment policies.

Up until the 1990s, the evolution of industrial relations in Italy and Spain seemed to confirm this diagnosis. In the 1970s and 1980s both countries attempted negotiated incomes policies, yet both experiments ended in failure. In Italy, this effort involved two attempts to establish a stable process of framework wage bargaining. The first led to an agreement in 1977, in which the three major union confederations (CGIL, CISL, and UIL) agreed to voluntary wage restraint in return for macro-economic policy concessions, a law on industrial restructuring, and the PCI's de facto participation in government. Yet it ended in 1979, when the PCI was forced out of the ruling Center-Left parliamentary alliance and employers toughened their position. Formal tripartite negotiations were reinitiated in 1983, leading to an historic incomes policy agreement that centered on the revision of the *scala mobile* (the automatic wage floor indexation scheme, which had been revised in 1975 so as to allow for a substantial upward wage compression). However, disagreement over the implementation of the 1983 agreement led to a split among the unions, and when the Communist wing of the CGIL refused to sign a new agreement in 1984, this second attempt at concertation also came to an end (Flanagan, Soskice, and Ulman, 1983: 546-56; Regini, 1984).

The Spanish experience with concertation in the 1970s and 1980s was more successful than the Italian, in the sense that a negotiated incomes policy was effectively sustained for almost a decade (from 1978-1986). This incomes policy process began with the *Pactos de la Moncloa* of 1978, which were signed by all major political parties as part of the political regime transition, and continued with a series of subsequent agreements that covered wages from 1980 through1986 (with the exception of 1984). All of these agreements were signed by the Socialist labor confederation (UGT) and the national employer association (CEOE), although not by the Communist labor confederation (CCOO), which refused to sign the agreements that covered wages for 1980-81 and 1985-86. Nevertheless, because Spanish legislation creates strong incentives for workers to adhere to any agreement signed by any representative union, actual wage settlements remained within the negotiated ranges for as long as the national agreements were in effect. Following a failed attempt to reach a new agreement for 1987-1988, however, the UGT decided to join the CCOO in its more militant stance, and in late 1988 the two confederations staged a general strike against the government. Thereafter, several attempts by the Socialist government to reestablish the negotiated incomes policy process failed to bring the unions back into the fold (Gillespie, 1990; Espina, 1991; Pérez, 1999).

The collapse of these concertation experiments was followed by a period of decentralization in bargaining in the two countries. In Italy, an increasing number of firms opted to rely on firm-level bargaining not just to negotiate more flexible work conditions but also to broaden wage differentials during the 1980s (see Erickson and Ichino, 1995). This rise in firm-level bargaining (or micro-concertation) disrupted the traditional pattern of bargaining in Italy, in which wages (or contractual minima) were set primarily at the national sectoral level and then adjusted further via the scala mobile. Indeed, in a number of sectors, national agreements either failed to be reached during this period or followed the terms of local agreements that had been negotiated previously. Given that there was no clear division of labor among bargaining levels and that the new firm-level bargaining continued to coexist with other levels of bargaining (sectoral and provincial agreements), wages-setting was in many cases subject to several consecutive and overlapping bargaining levels (see Katz, 1993; Negrelli, and Santi, 1990; Regalia and Regini, 1992). In Spain, the end of concertation in 1986 led collective bargaining to default to the underlying bargaining structure inherited from the Franco period, which, with a few exceptions (the banking sector, for example, which was subject to national sectoral bargains), dominated by a large number of provincial-sectoral bargains. In both cases, the main characteristic of bargaining during this period (lasting from 1984 through 1992 in Italy, and from 1987 through 1994 in Spain) was the increased level of fragmentation in wage bargaining, and the absence of any effective coordination by either employers or unions across bargaining units.

This shift in favor of a more decentralized bargaining structure in the mid 1980s appeared consistent with the notion that, given a lack of institutional conditions for concertation, economic pressures would push these countries down a path of decentralization in bargaining and deregulation of industrial relations similar to that followed by Britain in the 1980s. However, since the early 1990s, the evolution of collective bargaining in both countries has taken a markedly different turn. This has included a return to framework bargaining on wages and other issues at the center, a notable, if still incomplete, consolidation and articulation of the underlying bargaining structure, and an increased formalization of bargaining practices throughout the economy.

This turn of events has been most explicit and dramatic in the Italian case. In spite of the growing trend toward firm-level bargaining in the 1980s, by the end of the decade, national-level negotiations to control the cost of labor had resumed. Two agreements, signed in 1990 and 1991, remained at the level of declarations of principle because of persisting disagreement over the reform of the *scala mobile*. However, in 1992, in the context of a mounting economic and political crisis, the unions agreed to the abolition of the *scala mobile* and to a two-year freeze on company level bargaining to support the governments' emergency program of fiscal consolidation (Regini and Regalia, 1997). A year later, in 1993, a new tripartite agreement was signed which institutionalized the new incomes policy framework, and for the first time attributed distinct roles to different levels of bargaining, with the principal purpose of achieving a higher degree of coordination in wage setting. According to the new system, national sectoral bargains (which are subject to national inter-sectoral framework discussions) set wage increases in line with expected inflation while lower-level bargains (at either the firm or locality level) determine pay scales and distribute additional productivity gains. This formalization of a now clearly articulated and streamlined two-level wage bargaining structure subjected to an overarching incomes policy framework has created a more stable and institutionalized system of industrial relations than had previously been achieved in Italy. And it was reaffirmed in the 1998 "patto di Natale" with one major innovation: namely, that national level agreements should henceforth use the European (rather than the Italian) inflation rate as their referent. Lastly, the new system of national framework bargaining (which involves two annual meetings to "`define common objectives concerning the expected inflation rate, growth of GDP and employment' and `to verify the coherence of behavior by the parties engaged'") also made possible an historic agreement between the government and the unions on pension reform in 1995 (Locke and Baccaro, 1996; Regini, 1997; Regini and Regalia, 1997; Rhodes, 1998; Negrelli, 1998).

The turn of events in the Spanish case has been somewhat less dramatic than in Italy. There has been, as of yet, no return to a formally negotiated overarching incomes policy at the national level. The last attempt to reach such an agreement ended in failure when the PSOE government decided to impose a major package of labor market reforms abolishing all remaining labor ordinances unilaterally in 1994, setting off another general strike by the unions. However, in the period since the standoff over labor market reform, the industrial relations climate in Spain has experienced a very significant transformation: one that has included a resumption of framework bargaining at the center, as well as a notable, if still young, effort to concentrate the underlying structure of collective bargaining. Following the 1994 general strike, employers and unions signed an agreement to regulate the devolution of regulatory competencies to the collective bargaining process, defying the expectations of those (including union leaders) who had feared that the loss of the labor ordinances would produce a deregulatory spiral. Far from a Thatcherite deregulation or Swedish employers' offensive, the main effect of the 1994 reform has been to de-politicize the industrial relations environment and to galvanize employers and union leaders into a more steady and collaborative process of negotiations. The collective bargaining process has gained in importance, not just because the number of firms covered by such agreements has further increased, but, more importantly, because employers and unions have begun to negotiate on a far wider range of issues (UGT, 1998; CEOE, 1999; CES 1996; 1998).

Since the Socialist electoral defeat in 1996, there has been a steady stream of further national agreements: one, in 1996, between the new conservative government and the unions, on pension reform, and a major, three-part agreement between the employers and the unions in 1997. The latter included an agreement to reduce dismissal costs for permanent workers, a second agreement to address any items left uncovered by the repeal of the labor ordinances and not re-covered through the collective bargaining process, and a third agreement to set in motion a re-organization of the structure of collective bargaining. The agreement on dismissal costs addressed one of the most contentious issues in Spanish industrial relations for over a decade: one that the unions had refused to negotiate on under the Socialist government.[4] Lastly, there has been an additional agreement between the government and the labor unions to increase benefits and employment conditions for part-time workers in late 1998 (*El Pais,* October 29 and 30, 1998).

Although the new social pacts in Spain have not included a return to formal incomes policy agreements, several developments indicate a serious effort to re-centralize and coordinate the wage bargaining process by other means. This effort can be observed in the evolution of wage bargaining since the 1994 labor reform. Although that reform seemed to encourage a decentralization of bargaining by allowing lower level bargains to override higher level ones, the trend in collective bargaining since the implementation of the law has been in an opposite direction. While the number of agreements reached at the firm level increased from 2642 in 1993 to 3313 in 1997, the proportion of workers covered by these agreements decreased from 13.5 to 11 percent. There has also been an increase in the number of agreements reached at the regional (autonomous community) level. However, the proportion of workers covered by these

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[4] The quid pro quo for the unions was a promise by employers to convert a significant number of temporary contracts (legalized by the PSOE government in 1984 and accounting for over a third of total employment contracts by the late 1980s) into open-ended ones along with government incentives (reduced social security tax contributions) for new hires with permanent contracts.

agreements rose by just over 2% between 1994 and 1997, to only 5% of the total. The single most significant shift in the structure of collective bargaining has been rather from the provincial-sectoral level, at which most workers were covered prior to the reform, in favor of new national sectoral agreements. The coverage of the latter has steadily risen from 22 percent of workers in 1993 to 31 percent in 1997 (the last year for which figures are available) (CES, 1997; Ministerio de Trabajo, 1998). This upward shift in the territorial structure of bargaining has been accompanied by a gradual process of consolidation in the extremely large number of sectoral divisions around which collective bargaining is organized in Spain, the most recent example of which is a framework agreement reached by the UGT and CC.OO. with Confemetal (the sectoral employer association) to consolidate collective bargaining in the metalworking sector (EIRR, May 1998).

This process of centralization and consolidation in the structure of collective bargaining since the early 1990s has occurred on a voluntary, sector by sector basis in Spain. It has not involved the kind of mandated, systemic re-organization of collective bargaining that followed from the 1993 agreement in Italy. However, the 1997 agreement between the unions and employers in Spain (supported by public policy measures, although not signed, by the new government) clearly indicates the desire by both parties to achieve such a reorganization.[5] Although, the agreement does not mandate changes (this is made very difficult in Spain by the conflict between national sectoral and regional, cross-sectoral federations within both the labor unions and the employers[6]), it states the intention of both the CEOE and the national labor confederations to redress the high level of fragmentation in collective bargaining. And it commits them to seek a re-organization of the process that generalizes the trend described above by giving a primary role to national-sectoral bargains in setting framework conditions (including wage increases) for lower level bargaining, while leaving open the possibility that such national agreements remit particular items (such as pay scales) to lower bargaining units (CEOE, 1997; ABC, September 4, 1997). The agreement

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[5] While the conservative government was heavily engaged in promoting bi-partite negotiations between the employers and unions, it also insisted on the principle that it should not be an official party to the negotiations in order to de-politicize the collective bargaining process.

[6] This explanation for why a reorganization was not simply mandated was offered by Manuel Garnacho, of the UGT, and by a key staff member at the CEOE who would only talk on the basis of anonymity, during interviews with the author in Madrid, November 1998.

thus bears a striking resemblance in its intentions (though not in its legal nature) to the Italian agreement of 1993.

Lastly, there are also indications that the national labor confederations have been exercising a significant measure of cross-sectoral coordination in wage bargaining as part of their new relationship with employers. In the wage round that followed the 1997 labor market agreement, the unions significantly moderated their demands, asking for wage increases that were minimally above expected inflation for 1998, and, with few exceptions, recent wage settlements have reflected this criterion (EIRR, December 1997 and February 1998; *El Pais*, August 4, 1998). A similarly coordinated reduction in bargaining demands could be observed three years earlier, following the initiation of talks on regulating the abolition of the labor ordinances between the CEOE, UGT, and CC.OO (See *El Pais*, March 29, April 7 and 10; and June 10 and 11, 1994). Thus, while the national unions have eschewed a return to formal incomes policy agreements, which are associated by many of their members with the negative experiences of the 1980s, they have been taking responsibility for instrumenting an informal incomes policy since 1994.

III. Explaining the institutional reversal in the two countries

This turn in the direction of institutional change in the two Southern European countries is of particular significance for two principal reasons. The first is that the return to framework bargaining at the center and the accompanying effort to consolidate the underlying structure of wage bargaining following a period in which wage bargaining had been allowed to take place in a more decentralized manner occurred precisely at a time when both countries faced a sharp intensification in the process of integration of European and international financial markets. Secondly, the developments described above have involved an important qualitative change in the orientation of national bargaining. Whereas the concertation agreements of the past centered on a political exchange of wage restraint in return for government policy concessions (in particular social spending), the agreements of the 1990's have centered on procedural features of the industrial relations framework. The developments of the last few years also reflect a clear move to deepen the institutional bases for concertation by the major actors in these countries. The decision to establish a more orderly division of labor among different levels of bargaining and the move to give a primary role to national sectoral agreements in setting wage increases, although still incipient in

Spain, represent efforts to create structures of coordination that can provide greater institutional backbone for framework agreements reached at the center. Thus, whereas the national concertation agreements of the past may have constituted ad hoc measures to compensate for the absence of structures of coordination at other levels, the new concertation agreements come closer to fitting Traxler's description of "'key pacts' [that give] birth to corporatist institutions."(1997: 28)

Given the widespread notion that increased financial and product market integration favor a decentralization of bargaining and a deregulation of labor markets, how are we to explain this reversal in the course of industrial relations in Italy and Spain? To be sure, many of the changes in labor market regulation implemented in the two countries over the last decade have been aimed at promoting greater flexibility in labor costs and work conditions (the abolishment of the *scala mobile* in Italy; the abandonment of statutory labor ordinances and the reduction in dismissal costs in Spain, for example). This has also been one of the aims of the new division of labor in collective bargaining instituted in Italy, since the new two-level structure specifically leaves the distribution of productivity gains to the second (usually firm) level of bargaining. However, the most important of these regulatory breakthroughs have been accomplished only through the return to bargaining at the center.[7] Moreover, this return to bargaining at the national level has been accompanied, as noted, by ongoing efforts to consolidate the underlying bargaining structure so that national sectoral bargains hold primacy over lower levels of bargaining in the wage setting process. How are we to explain this re-centralization of the bargaining process?

One possible answer that has been offered by some authors is that the return to national level bargaining in the 1990s after a period of decentralization was simply a function of the effort by governments and employers to ensure their countries' participation in EMU. Faced with the deadline to meet the EMU convergence criteria, so goes this argument, Italian and Spanish authorities sought agreement with the unions as a way to break persisting standoffs over pension and labor market reforms.[8] If this were all that was motivating governments and

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[7] The abolishment of labor ordinances in Spain is an exception, but it too has contributed to elevating the role of collective bargaining in the economy.

[8] In the Italian case, this effort to gain the unions' consent is also said to have been encouraged by the political crisis, which challenged the legitimacy of public authorities and employers. who were hit by

employers, then the return to centralized bargaining and to a more collaborative stance would prove a temporary phenomena, and developments in the longer-term should bear out the conventional prediction of a deregulatory shift in these countries.

However, while this explanation is intuitively appealing, it fails to account for important aspects of the developments described above. There is little doubt that the imperative to meet the EMU criteria gave Italian and Spanish authorities an important new motive to seek agreements with the unions. This motive seems particularly relevant, for example, in explaining the decision by governments to seek agreements on pension reform. However, other aspects of the developments described above cannot as easily be accounted for in these terms. The institutionalization of a national incomes policy framework in Italy and the move in both countries to give national-sectoral (rather than lower level) bargaining a primary role in wage setting are two examples. Given the notion that wage restraint in under-organized economies is best achieved through a decentralization of bargaining, it is unclear how the short-term objective of meeting the EMU deadline would lead governments and employers to favor (or even agree to) a re-centralization of collective bargaining.

Some observers of the European industrial relations scene have pointed to other, more fundamental causes for the revival of concertation in the 1990s. Marino Regini, for example, argues that the return to concertation in Italy reflects the renewed importance of the "state" arena in the competitiveness of businesses. While the agenda of Italian employers in the 1980s focused on the problem of flexibility in wages and hiring practices, new production technologies in internationally competitive sectors were increasing the need for cooperative relations within firms. The result during the late 1980s was a surge in consultative management practices (or micro-concertation) in the more competitive and innovative firms. But by the end of the decade, the need to control costs had led Confindustria and Intersind (the public enterprise association) to seek to raise this cooperation to a higher level, leading eventually to the government-brokered incomes policy deals of 1992 and 1993 Regini, 1997; Regini and Regalia, 1997; Regini 1995). Unlike the political exchanges of the past, the new Italian concertation process, Regini argues, constitutes an institutional mechanism to support international competitiveness through consultative practices that are able to generate social consensus.

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corruption scandals and hence sought the unions' collaboration to legitimize though fiscal measures

A slightly different version of this argument is forwarded by Martin Rhodes (1998), who argues that the new corporatism exemplified by Italy is made necessary by the conflict between two countervailing economic pressures: the need to control costs, which induces employers to seek external labor market flexibility (i.e. flexibility in hiring practices), and the need for cooperative relations within firms which can facilitate internal flexibility but are easily undermined by excessive external flexibility. The new "competitive" corporatism in Europe, Rhodes argues, reflects an attempt by employers to reconcile these two needs (limiting the reliance on external flexibility in order to maintain cooperative relations within firms while controlling costs in order to remain competitive).

The analyses of Regini and Rhodes offer powerful counter-arguments to the notion that international economic pressures unambiguously favor the deregulatory path followed by Britain in the 1980s. Controlling costs by limiting employment protection and dismantling consultative mechanisms inside and outside firms may not be worth loosing the cooperative attitude from workers that allows firms to adjust their production practices and compete on quality rather than price. However, it is not entirely clear how this micro-economically based explanation of the need for cooperation within firms explains the return to bargaining over wages and employment conditions at the national level. After all, one of the principal arguments in favor of decentralized bargaining is to allow a closer match between wages and firm-, sector-, or locality-specific conditions. And, as the literature on many northern European countries indicates, changes in production regimes are just as likely to generate a shift toward lower levels of bargaining either through strategic choices on the part of unions or inter-class alliances against centralized bargaining (Thelen, 1991; Pontusson and Swenson, 1995; Iversen, 1996).

The micro-economically centered analyses offered by Regini and Rhodes are important in explaining the lack of support for a British-styled deregulation of labor markets in Italy and Spain. Yet they neglect another critical aspect of the recent experiences of these countries: the inability of employers to impose wage restraint and that of governments to end inflationary expectations in the absence of framework bargaining at the center. This failure of the institutional alternative to national level bargaining (relatively decentralized and fragmented bargaining coupled with a tight monetary policy) is reflected in the evolution of real wages and

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(Salvati, 1995: 76-95).

unit labor costs in the 1980s and 1990s.

In Italy, the incomes policy agreement of 1983 supported a substantial deceleration in wages and prices during the early 1980s. This disinflationary process continued through 1986, while Italian authorities combined a relatively moderate monetary stance with periodic devaluations (in 1985, and again, de facto, in the 1987 ERM realignment). Yet it came to a halt in 1987, when wage growth accelerated again, first in the public sector and thereafter in the private sector. The renewed rise in inflation led the Italian authorities to tighten their monetary policy while resorting to quantitative credit controls to stop capital outflows. Continued pressure on the lira, however, forced another currency realignment in January of 1990. After this experience, Italian authorities switched to a new strategy of trying to break the inflationary trend in wages by lifting all remaining capital controls, shifting the lira into the narrow 2.25 percent ERM band (from its traditional 6 percent band), and making a firm commitment to maintain this parity through whatever monetary policy measures were necessary. This new “strong currency” policy course resulted in a significant loss of competitiveness and a large widening of Italy’s current account deficit from 1989 to 1992. Yet, as Table 1 indicates, it had remarkably little impact on either wage growth or inflation.

A rather similar experience can be observed in the Spanish case. The inflationary surge in wages and labor costs that occurred during the initial stages of the transition to democracy was brought to an end by the 1978 *Pactos de la Moncloa*. Thereafter, real contractual wages not only stagnated but in fact declined for a number of years in the context of the incomes policy agreements signed by the UGT. This trend, however, came to an end in 1987, the first year not covered by a framework wage agreement. Real wage growth turned positive for the first time in almost a decade, but the relative moderation in wage settlements (i.e. decline in real unit labor costs) continued through the period 1986-88, while it looked like the concertation process might still be restored. After the breakdown of negotiations in 1988, however, real wage growth accelerated significantly, reflecting the effort by the unions to recoup some of the losses suffered during the previous decade.

The acceleration in real wage growth in Spain at the end of the 1980s also occurred in the context of a very tight monetary policy stance. Interest rates were allowed to rise to such levels at the end of the decade as to make the peseta the strongest currency (closest to its upper band) in the ERM for almost three years following its 1989 entry into the system. Yet, as in

Italy, this high interest rate/ strong currency strategy was remarkably ineffective in bringing consumer prices down. In fact, the unions were able to extract some of their highest real wage concessions from employers after the authorities raised interest rates even further in order to maintain the peseta in the ERM in 1992.

This background sheds an important light on the return to national bargaining and the accompanying institutional developments described above. In both Italy and Spain, governments sought to compensate for the lack of an incomes policy by relying on the external exchange rate anchor of the ERM and allowing interest rates to rise to unprecedented levels in order to impose wage discipline in a fragmented bargaining structure. This strong currency/high interest rate strategy seems consistent with the notion that, in the absence of truly encompassing and cohesive social actors, adequate wage adjustment is better achieved through the imposition of rigorous monetary policies than through attempts at centralized wage bargaining. What then explains the failure of this strategy?

One answer that is sometimes offered centers on the insider/outsider conflict in European labor markets. According to this argument, excessive job protection limits the responsiveness of wages to a decline in employment and, hence, austerity measures (see in particular, Bentolila and Dolado, 1994). However, econometric estimates of this "insider" effect on wages are not particularly persuasive as an explanation of the resurgence of inflation in Italy and Spain since they show lower measures for these countries than they do for other countries, such as Germany and Japan, with less inflationary dynamics (Espina: 272-73; Layard, Nickell, and Jackman, 1991: 407; Jimeno and Toharia, 1994: 78-80). A second explanation offered by economists involves specific institutional features of wage bargaining said to have reinforced a wage-price spiral, most notably, the *scala mobile* in Italy and the widespread practice of negotiated, backward indexation clauses in Spain (OECD, 1996: 66-67). This kind of explanation, however, is also problematic. A steady disinflation was possible in both countries prior to 1987 in spite of these institutional features. In fact, backward indexation clauses did not prevent real wage losses in Spain while national framework agreements were in effect (Table 1). And, in Italy, the protection afforded by the *scala mobile* was being progressively diluted in the period just prior to the pick up in inflation (Bertola and Ichino, 1995).

The reversal in the Spanish and Italian disinflation processes at the end of the 1980s is better explained by two other factors, both of which turned out to be exacerbated by the heavy extent to which governments relied on the monetary and exchange rate levers in their attempt to impose wage and price discipline. The first of these factors was the limited effectiveness of monetary policy measures in the context of increased international capital mobility.[9] With the lifting of capital controls in the late 1980s, the monetary policy course pursued by the Italian and Spanish authorities had the effect of producing massive inflows of short-term, speculative capital that sought to take advantage of the two countries' high interest rate differentials vis à vis other ERM countries (Pérez, 1997: 169-73; OECD, 1990: 30-32; 1991: 43-45). These capital inflows were more volatile in the Italian case then in the Spanish, due to periodic crises of confidence in Italian public finances. Yet they had roughly similar effects. They made it extremely difficult for monetary authorities to retain a grip on domestic liquidity levels because they created a self-feeding cycle in which interest rate hikes intended to send a signal to domestic wage bargainers provoked a rise in short-term inflows, which in turn required further interest rate increases, which encouraged further inflows, and so on.

The second consequence of the attempt to impose wage restraint unilaterally through monetary policy measures in the context of a fragmented and uncoordinated wage bargaining structure involved shifts in the sectoral dynamic of prices and wages in the two economies. The capital inflows that Italy and Spain's high interest rate differentials generated in the late 1980s produced a significant appreciation of the lira and the peseta over the period 1987-1992, in both nominal and real terms (OECD, 1991: 42). This appreciation (and concomitant loss of competitiveness) was not just an unintended consequence of economic policy. It played an instrumental role in the macro-economic strategies pursued by the two governments. The strategy was premised on the notion that currency appreciation would discipline wage growth by forcing employers in exposed sectors to resist higher wage demands and, at the same time, contribute to disinflation by cheapening imports (Pérez, 1998; OECD, 1992: 21, 28). Yet these expectations were undermined by the extent of the shift of resources away from exposed and competitive sectors toward sheltered and less competitive sectors, and by the growing divergence between the evolution of prices in tradeables and non-tradeables. These trends are illustrated in Table 2, which shows the widening difference between consumer and producer

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[9] The incompatibility of an independent monetary policy, fixed exchange rates, and high capital mobility (the so-called Mundell-Fleming condition) has long been recognized by economists and is discussed in Frieden (1991).

prices in the two countries. Over the period 1985-1992, the consumer price index for services (i.e. non-tradeables) exceeded that for producer prices (i.e. tradeables) by almost 50 percent in Italy and 60 percent in Spain. By contrast, the divergence between these two measures for the same seven year period was only 10 percent in Germany.

The sectoral price divergence also had an impact on the wage-bargaining process in the two countries. The attempt to impose disinflation by allowing the currency to appreciate was premised on the notion that bargaining in exposed sectors would set the pace of wages throughout the economy. This notion was partially based on past experience. Although bargaining in neither Italy nor Spain was ever as clearly dominated by an export sector leader as, for instance, in Germany, industrial wages did tend to lead other wages up until the mid 1980s. In the context of a fragmented and increasingly decentralized bargaining structure, the heavy reliance on a tight monetary policy in the late 1980s, however, seems to have had the opposite effect of that intended: it downgraded the role of the exposed sector in the bargaining round and allowed bargainers in sheltered sectors to set wage standards.

In Italy, at the end of the decade the pattern became one in which very large wage increases in the public sector fed through to wages in industry in the following round. In the Spanish case, where public sector wages are more tightly linked to budgetary decisions, it was predominantly the service and construction sectors that took on this role (Locke and Baccaro; OECD, 1993: 19; OECD, 1992: 22, 67; OECD, 1994: 73; Raymond Bara, 1992: 58077). This shift in wage leadership may partly have reflected a union response to the new policy-course. Yet, significantly, the sectors that came to take the lead in wage setting were also the ones over which the national labor confederations had the least control. In Spain, the level of unionization in the service sector, for example, was only half that in industry. And in Italy, the rise in public sector wages at the end of the decade was driven largely by the presence of autonomous unions and grass-root committees (so called COBAS) formed by high-skill workers who were unwilling to restrain their wages as part of a the confederal unions solidaristic wage strategy (Richards and Garcia Polavieja, 1997; Locke and Baccaro).

The attempt by Spanish and Italian authorities to impose discipline in a fragmented bargaining system through a very tight monetary policy thus had several perverse effects. It provoked speculative capital inflows that negated the ability of monetary authorities to control domestic liquidity. It encouraged a shift of resources to those sectors of the economy least exposed to foreign competition, rendering the economies more rather than less inflation-prone. And it downgraded the role of exposed sectors in the wage-setting process. This last effect not only played havoc with the assumption that disinflation could be imposed by placing pressure on bargainers in exposed sectors. It also undermined the capacity of the national unions to exercise control over wage trends; a capacity that would have been required to allow the exposed sector to exercise a leading role in wage setting.

These tendencies were not reversed until the forced devaluation of the lira and the peseta in the 1992 ERM crisis. The crisis imposed a heavy toll in terms of employment in both countries. But its effects on the course of prices and wages were remarkable. The devaluation of the currencies ended the sharp divergence between the prices of tradeables and non-tradeables that had taken place since 1987, and this, in turn, made possible a resumption of the disinflation process that was interrupted in the late 1980s. The differences between the two cases, however, are also telling. The devaluation of the Italian lira, which was forced to leave the system, was more significant than that of the peseta, allowing for larger competitiveness gains and a quicker economic recovery. The peseta was kept in the system at the cost of very high interest rates. Wages also responded far more quickly in Italy, thanks to the 1992 agreement with the unions. Spanish wages continued to rise during the 1993 stand-off between the government and the unions over labor market reform, and only adjusted downward after the resumption of centralized negotiations between employers and unions in 1994. The cost in terms of unemployment was also much higher in Spain than in Italy (an additional 8 percent rise over 1992-94 compared to a less than 1 percent rise over the same period in Italy).

In both countries, governments thus had to face the limits of a unilateral use of monetary policy in their effort to impose wage discipline. The failure of this policy course explains the heavy effort that governments invested in seeking a return to bargained incomes policy in the 1990s. In Italy, Carlos Ciampi (governor of the Bank of Italy) observed as early as 1988 that monetary policy measures alone were proving insufficient to preempt excessive wage settlements and that a new incomes policy agreement would be needed to bring inflation under control. Five years later, as prime minister, he would insist on the point in his efforts to convince Confindustria to accept union demands during negotiations for the 1993 incomes policy accord (*Financial Times*, June 29, 1988 and June 28, 1993). In Spain, on the other hand, the first serious effort by the PSOE government to reach a new agreement with the unions followed a stiff warning by the IMF that an incomes policy agreement would be necessary to control inflation, given the apparent insensitivity of wages to the Bank of Spain's interest rate policy. The so called "competitiveness pact" proposed by the government, which was rejected by the unions, centered on the objective of setting two to three year national wage targets (F*inancial Times*, April 20 and May 10, 1990; *La Vanguardia*, May 20).

To be sure, these efforts to embark on a new policy strategy to control inflation through incomes policy accords were more successful in Italy than in Spain, where the failure of negotiations in 1993 prevented a rapid adjustment in wages and contributed to the severity of the economic crisis. The inability to reach a new agreement during the PSOE's last term had much to do with the extent to which trust between the parties had been eroded by the experience of the 1980s, when the unions saw the possible benefits of their wage restraint undermined by an excessively tight monetary stance.[10] Yet it also reflects an important degree of inconsistency in the PSOE's own strategy in the early 1990s: an inconsistency illustrated by the fact that, while the government sought desperately to reach a new incomes policy agreement, it maintained its deregulatory approach to labor market reform (as reflected in the 1994 reform of the Worker's Statute which seemed intended to facilitate a more decentralized bargaining structure) and a monetary stance that remained very strict by comparison to Italy. The conservative government that took office in 1996, by contrast, seems to have taken a lesson from the PSOE's experience. It backed the 1997 agreement between employers and unions with fiscal concessions and placed pressure on the central bank to pursue a more measured monetary policy stance, allowing the unions to see the benefit of their compromises in terms of more vigorous employment growth.

While the failure to combat inflation by way of monetary policy measures led governments to seek a return to national incomes policy agreements, the experience of employers in the 1987-1992 period is crucial in understanding the efforts to consolidate and articulate the underlying structure of collective bargaining. Having favored a decentralization of bargaining toward the firm-level in the 1980s, employers in exposed sectors found that they were not able to exact wage restraint in a context in which settlements in sheltered sectors came to set the pace of inflation. The problem reached beyond the contentious issue of indexation mechanisms such as the *scala mobile* and negotiated compensation clauses in Spain because inflationary wage settlements in the public and service sectors would come around to influence

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[10] For an assessment of Spain's monetary policy course, see Blanchard et al. (1995: 11-12).

wage demands in industry even in the absence of indexation as long as bargaining remained fragmented. During the 1993 negotiations in Italy, Confindustria thus sought to institutionalize "a single locus of collective bargaining at the national level"(a proposal that was rejected by the unions who insisted on retaining a secondary role for lower bargaining units).[11] Similarly, in Spain the national employer confederations (the CEOE and the small and medium-sized firm confederation, CEPYME) have been the principal agents (along with the sectoral union federations) behind the move to limit the fragmentation of the bargaining system and to give precedence to national sectoral bargains over lower level bargains.[12] And although more recently (during the negotiations of the 1998 patto di Natale) Confindustria proposed a shift to single-level bargaining at the firm-level (subject to national incomes policy agreements tying wages to European inflation), this proposal appears to have been simply a tactical maneuver to avoid adoption of a counterproposal forwarded by the CISL that second-level bargaining at the firm level to distribute productivity gains over and above wage rates agreed at the national sectoral level be made a requirement in all firms. [13]

The experience of the unions has been more complex than that of governments and employers. Yet, it too ultimately contributed to the return to national social bargaining and to the efforts to consolidate the underlying structure of collective bargaining. In both Italy and Spain, the concertation episodes of the 1980s came at a significant cost to the national confederations, although this cost took different forms. In Italy, the wage compression that resulted from the

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[11] Locke and Baccaro, p. 299. The desire to re-centralize bargaining reflected Cofindustria's efforts to coordinate the bargaining stances of its affiliates. Regini and Regalia, p.222. See also the statements of Cofindustria's chief economist, Stefano Micossi, *Financial Times*, July, 7, 1992.

[12] One CEOE study indicates that national sectoral bargains yielded lower salary increases than provincial or regional (autonomous community) levels bargains, although the lowest salary increases were those agreed in firm-level bargains. CEOE, *Balance de la Encuesta*, p. 52. Firm-level bargaining, however, is largely restricted to large multinationals, utility, and telecommunication companies. According to both CEOE and union representatives interviewed by the author in Madrid during October and November of 1998, most Spanish employers did not want to move to firm-level bargaining because it is simply too costly for them.

[13] One of Confindustria's main representative in the patto di Natale negotiations, Giorgio Udai, explained in an interview with the author, that the final agreement to retain the structure agreed to in 1993 had much to do with the fact that most medium and small sized firms needed the national-sectoral bargains as "protection" from excessive wage demands that they would not be able to resist at the firm-level.

1975 *scala mobile* accord produced wide spread discontent among skilled workers and gave rise to the *sindicati autonomi* and the COBAS, which grew significantly in importance over the course of the 1980s (Locke and Baccaro). In Spain, the absence of a wage compression mechanism such as the *scala mobile* prevented the emergence of rival local unions. Nonetheless, the concertation agreements of the 1980s came at a heavy cost to the UGT, which was held responsible for the decline in real wages incurred in the 1980s; a decline widely seen to have failed to produce any economic benefits.[14] The UGT lost the position of dominance at the plant level gained in the course of the political regime transition, and its subsequent alliance with the CC.OO was intended to end this trend by embarking on a common, more militant stance in wage bargaining.

Given the costs that concertation carried for the unions in the past, their role in the return to national bargaining seems harder to understand. The social bargains of the 1990s have, moreover, involved major concessions by national union leaders (the abandonment of the *scala mobile* in Italy, that of high dismissal costs for permanent workers in Spain). The explanation for the unions' willingness to return to the process might of course lie in the greater willingness to compromise on the part of governments and employers in the 1990s, and in the generalized political pressure not to miss out on EMU.[15]

More than these conjunctural factors, however, seems to have been at play. The concessions of the national unions in the two countries were also motivated by the realization that the regulatory framework that they had defended for so long was eroding their own position in the labor movement and their ability to act as strategic actors in the economy. In Italy, the *scala mobile* was not only driving the rise of the COBAS and *sindicati autonomi* representing skilled workers. It also reduced the significance of the confederations in the life of all workers by sharply narrowing the room for negotiation in wage bargaining. Conversely, by replacing the *scala mobile* with a centralized incomes policy framework, the confederal unions managed to vastly increased their importance in the life of workers, a shift that was reflected in plant level elections following the 1993 accord, in which the confederal unions as a group unions gained

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[14] This explains why the Spanish unions continue to resist any talk of formal incomes policy, even when they are exercising informal control over wages in line with expected inflation.

[15] In Italy, that pressure was augmented by the collapse of the postwar party system, which for a while turned the social partners into the de facto guarantors of Italian democracy. Salvati (1995).

around 90% of the vote (a significant increase from previous years).[16] And, although the labor confederations opposed Confindustria's proposal for a single, national level of wage bargaining, the consolidation of bargaining to just two (as opposed to multiple functional and territorial) levels also bolstered their ability to control the course of wage-negotiations, as reflected in the remarkable moderation in wage-growth since 1992.

In Spain, on the other hand, the dramatic increase in unemployment following the 1992 currency crisis gave increased credence to the notion that the unions represented a shrinking fraction of "insiders" in the labor market at the expense of the unemployed. In reasserting a stance of coordinated wage moderation and agreeing to a reduction in dismissal costs for new permanent workers, the unions were seeking to stop the downward spiral in employment. But they were also seeking to counter their perception as insiders and to redress the duality between a shrinking body of permanent workers and a growing proportion of temporary workers that was undermining their position as representatives of Spanish labor (Richards and Garcia Polavieja, 1997). Moreover, by the early 1990s, national union leaders also recognized the perverse effects of the fragmented bargaining structure inherited from the past and the need for a more centralized bargaining process to face the challenges of further economic integration in the EU.[17]

In various ways, the pressures of economic integration in Europe thus led the key actors to seek a return to national-level negotiations, as well as a consolidation and coordination of the underlying structures of bargaining. The inability of governments to impose wage and price restraint in a fragmented bargaining context through a tight monetary stance led public officials to seek new incomes policy agreements with the unions: a search that proved successful in Italy, less so in Spain. (Nonetheless, as I have pointed out, there is evidence of an informal incomes policy process since 1994). Employers, meanwhile, had to come to terms with their inability to control labor costs in the context of an economic policy that placed far greater pressure on prices in exposed sectors than it did on prices in sheltered sectors, allowing the latter to set the pace of nominal wage increases. This has led employer associations to seek to consolidate bargaining

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[16] Locke and Baccaro, p. 292. This was accompanied by reorganization of work place representation that allows for further internal democracy within the labor movement and has helped to re-legitimize the confederal unions as representatives among workers.

[17] Interviews with Julian Ariza (CC.OO) and Manuel Garnacho (UGT), Madrid, October-November, 1998. See also UGT, *Anuario*, p. 233.

structures so as to allow them to exercise greater coordination in their negotiations with the unions. Meanwhile, the unions have been led back to the bargaining table by their realization that the old industrial relations framework that they had been committed to defending was eroding their own position as economic and social actors. They have thus chosen to give up past statutory guarantees (such as the scala mobile in Italy and high dismissal costs in Spain) in return for devolution of authority to the collective bargaining process and a reassertion of the role of national confederations, and national (as opposed to local or regional) sectoral federations, within that process.

Contrary to the view that the effort to re-centralize bargaining was a temporary phenomenon tied to the goal of participation in EMU, the preceding discussion also suggests that it is likely to persist in these two countries in the future. While the goal of participation in EMU may have strongly encouraged the efforts of governments and employers to reach new agreements with the unions, the fundamental problems that led all three parties to seek (or agree to) a resumption of framework bargaining operated independently of the EMU deadline. The general tendency for the least competitive sectors to take the lead in wage-setting when national unions and employers do not exercise coordination at the center is likely to persist. And the need to maintain the external competitiveness of national economies vis à vis the rest of the EMU area will increase because devaluation will be ruled out as a mechanism for adjustment in labor costs. This is likely to encourage all national actors to reinforce whatever institutional solutions have proven most effective in sustaining competitiveness in the past. In the case of Italy and Spain, this implies a continuation of national-level bargaining on wages and other issues.

IV. Lessons of the Southern European experience for Collective Bargaining under EMU

The experiences of Italy and Spain may help us to understand the future course of collective bargaining in Europe in two different ways. First, the course of collective bargaining in the two countries over the last two decades may offer a microcosmic example of the likely interaction of monetary policy and wage bargaining under EMU. It does so in the sense that these countries went farther than most other member states in allowing collective bargaining to default to a much more fragmented bargaining structure, and also in attempting to rely on a tight monetary policy to impose wage discipline within this fragmented bargaining context. The second kind of insight that we may draw from the experiences of Italy and Spain concerns the role that these countries are likely to play in any attempt to restructure collective bargaining throughout the EU in response to EMU.

First, the experiences of Italy and Spain suggest that EU governments and employers may come to face strong reasons to seek a consolidation of collective bargaining under EMU, in order to allow for better coordination between wage bargainers and the monetary authority, and in order to give externally-exposed sectors more leverage over the pace of nominal wage growth. The decision by governments and employers in Italy and Spain to allow a decentralization of wage bargaining in the period leading up to the 1992 currency crisis was premised on the idea that wage moderation could be achieved in such a bargaining structure through the imposition of a tight monetary policy. Yet this strategy badly misfired, leading these actors to seek to re-structure collective bargaining in favor of national-sectoral bargains under a national incomes policy framework. While some of the recent work on the relationship between monetary and wage bargaining institutions argues that a non-accommodating monetary policy stance serves to reinforce wage moderation and employment in wage bargaining context with an intermediate level of centralization (see in particular Iversen, 1998), the Italian and Spanish experiences of the late 1980s and early 1990s thus reflect a different aspect of the relationship between monetary and wage bargaining institutions. They indicate the limits of an activist monetary policy when wage bargaining (still within that intermediate category) is relatively fragmented and the bargaining parties lack an autonomous capacity to coordinate wages across sectors.

There is reason to believe that these experiences may offer a preview of the way in which wage bargaining in other EU countries may be affected by the move to EMU. There were three important elements in the failure of the monetary policy experiments undertaken in Italy and Spain at the end of the 1980s. The first was that higher interest rates and an overvalued currency (two key elements of the strategy) gave rise to speculative capital inflows which undermined the ability of authorities to control monetary magnitudes and gave rise to vicious circles in interest rate policy. With low interest rates elsewhere in the industrialized world, any aggressive attempt to impose wage discipline in EU-wide bargaining through a proactive interest rate policy could very well have a similar effect. Secondly, and more importantly, the Spanish and Italian attempts to impose wage discipline in a fragmented bargaining context also failed because, in the absence of some alternative mechanism of coordination in bargaining, the strategy allowed sheltered sectors in the economy (i.e. sectors not affected by the rise in the currency that followed from high interest rates) to set the pace of inflation and nominal wage growth. Thirdly, and related to the second phenomenon, was the fact that the intense reliance on a non-accommodating monetary policy in a fragmented bargaining context undermined the ability of national union confederations to mediate the interests of exposed and sheltered sectors in the wage setting rounds because it augmented the disparity in the market constraints faced by wage negotiators in the two sectors.

The latter two effects have been largely overlooked by the architects of EMU. Yet they are likely to present themselves as obstacles to the achievement of macro-economic objectives in the EU after monetary union. Although EMU may increase competition in some markets for goods and services, it will also render the EU a more closed economy in the sense that a lesser proportion of economic activity will be vulnerable to changes in the value of the currency. This lessens one of the key elements (the threat of appreciation) through which a non-accommodating monetary policy stance is said to have contributed to wage moderation in Germany.[18] In a more fragmented bargaining context in which currency appreciation threatens a lesser proportion of workers, the ability of union leaders to respond in a coordinated fashion to central bank signals and to mediate the interests of exposed and sheltered sectors is also likely to diminish. This is so, first, because, in the absence of an established structure of coordination in wage setting at the EU-level, unions even in the largest countries will represent a smaller proportion of workers, and will hence be unable to act on the assumption that other unions in the area

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[18] Although the ERM lessened the threat of currency appreciation to the extent that German exports were directed at the rest of the EU, currency realignments within the system (and its eventual collapse in 1992/93) maintained that threat alive for the German export sector.

will respond in kind to a rise in interest rates. It is also so, however, because the exposure of lesser segments of economic activity to the threat of currency appreciation will make it more difficult for national union leaders to impose the kind of nominal wage restraint that is consistent with the interests of exposed sectors. Indeed, there is a real risk that in the new, more fragmented bargaining context of EMU, any pro-active use of monetary policy measures to impose wage and price restraint throughout the area will further undermine the capacity of national union leaders to impose wage restraint because it will encourage sheltered sectors (or sectors now less at risk of currency appreciation) to take the lead in the wage bargaining round. This is what occurred in Italy and Spain at the end of the 1980s and early 1990s. And it may be part of what has driven the considerably more aggressive bargaining stance adopted by German unions (in particular in the metal and chemical sectors, which previously had much to fear from DM appreciation) since the beginning of 1999 (see EIRO, 1999a).

All this suggests that, while EU policy-makers and employers have been focusing on rendering labor markets more flexible through reform of labor laws in the run-up to EMU, they may become increasingly interested in promoting a re-organization (and more specifically, a consolidation) of collective bargaining in the area. Barring a radical deregulation of labor markets that would lead wage bargaining conditions in the EU to approximate those of the US (a prospect that is unlikely), the success of any ECB chartered policy course will depend on the existence of a bargaining structure that allows for a significant degree of coordination among the ECB and wage bargainers, and that allows unions to pursue wage norms that mediate among the interests of exposed and sheltered sectors. From a theoretical standpoint, such objectives would be best achieved by raising the level at which wage norms are set from the national and sub-national levels at which most bargaining now takes place to the European level. It could involve some sort of global, framework wage bargaining arrangement (such as the new incomes policy frameworks established in Italy or Belgium), or simply a bargaining structure in which European-sectoral level bargains would set wage norms for lower level bargaining. Such an upward shift would allow the ECB to focus its monetary policy signals on one or two lead sector at the European level. And it might also, by making for a more encompassing wage bargaining structure, allow a greater voice to companies with heavy extra-EU exposure who are sensitive to the issue of an overvaluation of the Euro.

There are indications that such an upward shift in collective bargaining to the EU level is not an entirely unthinkable prospect. Led by the German sectoral federations, the national union confederations of Germany, Belgium, the Netherlands, and Luxembourg signed an agreement in September of 1998 committing them to coordinate their bargaining strategies. The so-called Doorn declaration set out a general norm to guide future wage claims: namely, that wage demands be based on the sum total of cost-of-living changes and labour productivity increases in the four countries, in order to make up for past sacrifices and to pre-empt the threat of regime competition under EMU. The Doorn declaration was followed in December of 1998 by the adoption of a "European coordination rule" by the European Metal Workers Federation, which stipulates that "national collective agreements should seek at least to offset the rate of inflation and ensure that employees' incomes reflect a balanced participation in productivity gains, and by a resolution adopted at the 9th Congress of the ETUC in July of 1999 that calls for a generalization of such cross-border coordination in wage bargaining in order to produce a "European solidaristic pay policy," although it leaves the development of such arrangements to the European industry federations (see EIRO, 1998, 1999b).[19]

The idea that EMU requires a restructuring of collective bargaining in the EU also seems to be gaining currency with policy-makers. The European Commission has for some time now been encouraging a process of top-level talks between the European social partners (ETUC and UNICE) to address major issues in the area of work-place regulation, leading to three major framework agreements (parental leave in 1996, part-time work in 1997, and fixed-term work in 1999. More recently, it has also begun to promote a debate on Europeanizing collective bargaining structures in the EU. And, in referring to the Italian collective bargaining system, the Italian Prime Minister, Massimo d'Alema recently seemed to back the idea (promoted by the head of the CGIL, Sergio

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[19] Four other European sectoral federations (private services, textiles, printing and paper, and building and woodworking) have also reached protocols on moving toward European-wide sectoral bargains and/or coordination rules, although there is substantial divergence in the degree of autonomy that these agreements leave to national sectoral federations.

Conferatti) that national level collective bargaining would in the future have to give way to European level bargaining, in order to respond to the new macro-economic framework established by EMU (put in Il Sole reference).

However, while there has been a flurry of proposals and agreements on cross-national coordination of collective bargaining among European unions, and increased talk of Europeanizing collective bargaining by EU policy-makers, the likelihood of a move to a wage-bargaining structure centered at the European level remains remote. As a recent review of developments in member states carried out by the European Industrial Relations Observatory (EIRO) documents, such a move faces the virtually unanimous opposition of European employers. This opposition is stated most adamantly by German and Swedish employers, who have been backing a further decentralization of bargaining in their respective countries. But it is also evident among employers in other member states (EIRO, 1999b). Representatives of the national employer confederations interviewed by this author in Italy and Spain seemed to accept the notion that a shift to a European level of bargaining represents a logical extension of the move to a single monetary authority (interviews Madrid May, 1999, and Rome, June 1999). However, these same employer representatives adamantly ruled out the possibility that such a development could take place in the short or medium term. As the head of the Industrial Relations and Social Affairs Department of Confindustria put it, the move to European-level collective bargaining is “a prospect, but a very, very long term prospect.” Significantly, a similar view was expressed by representatives of several national sectoral union federations in the two countries, even though Spanish and Italian confederal leaders had backed the call by German unions for greater coordination in bargaining at the last ETUC congress (interviews Madrid, November 1998, Rome, June 1999).

Indeed, while the recent experiences of Italy and Spain illustrate the failure of attempts to impose wage and price restraint through a pro-active monetary policy in a fragmented bargaining context (and in this sense the motivations that may lead employers and governments to seek an upward consolidation of bargaining in the EU), those same experiences also suggest that there are serious obstacles to such an upward consolidation in the structure of wage bargaining if this is to include the economies outside the former

Deutschemark zones. Both employers and unions in Italy and Spain for now are primarily interested in consolidating the move to national-sectoral level bargaining undertaken in recent years. And they see any attempt to raise wage bargaining (though not necessarily bargaining on other issues) to the European level as an obstacle to the achievement of this goal. (The employers will say so outright. The unions, by contrast, will pay lip service to the goal of European-level bargaining in order to avoid regime competition, but when pressed on a timetable will respond almost exclusively on the obstacles that stand in the way of such a shift). Indeed, any attempt to approach the kinds of wage norms pursued recently by German unions might very well threaten the headway made in institutionalizing a new framework of national negotiations and industrial relations in the two countries.

Such reactions on the part of the national social actors might simply be attributed to the desire of these organizations to maintain their own primacy in the collective bargaining process rather than cede it to European organizations that are dominated by other national confederations. A closer look at recent developments in the EU, however, suggests that there are other, even weightier reasons. Foremost among these is the difficulty that European unions face in agreeing on wage-norms that could serve as the basis for a collective bargaining process coordinated at the European level and extending beyond the former Deutschemark zone. This is illustrated by the divergence in wage norms that has characterized national-level bargaining in different member states of the EU since the onset of EMU. The position of German unions in the latest wage negotiations has been consistent with the Doorn declaration. They began the 1999 bargaining round seeking real wage growth that would capture increases in productivity at the sectoral level with claims ranging between 5.5% and 6.5%, and they managed to reach settlements averaging around 3.1% (based on the 3.2% agreement reached in the pattern setting, metal sector agreement signed in February (EIRO, 1999a). By contrast, in Italy and Spain, where bargaining during the recession years had centered on minimizing real wage losses, recent negotiations have focused simply on achieving small real wage gains. As an example, the Italian Metal sector union recently sought, and achieved, a 1.5% annual wage increase for 1999 and 2000. The notion of fully capturing productivity at the sectoral level has in fact been abandoned in Italy, where national sectoral agreements now focus on compensating for inflation, while the distribution of productivity increases has been left to the second level of bargaining (but is applied typically only in the largest firms). It is also considered far-fetched in Spain, where the unions have accepted the notion that declining unit labor costs are a prerequisite for reducing current unemployment. Contrary to the call for "an end to modesty" pronounced by the German unions at the beginning of 1999, recent wage claims in Italy and Spain thus have reflected an acceptance by the unions of the notion that, without recourse to devaluation, excessive wage settlements translate directly into a loss of competitiveness, with direct consequences for employment.

Indeed, while the implementation of EMU creates an a priori problem of fragmentation in wage bargaining that will make it difficult for the ECB to choose a target among wage bargainers and may thus eventually lead all parties to seek a shift of bargaining to the European level, it also entails powerful incentives that run counter to such a shift. It does so in particular by highlighting the connection between wages and national competitiveness, and by involving national unions in "national competitiveness alliances." Thus, while the initiatives pushed forward by the unions (in particular the German unions) within the ETUC have focused on achieving coordination in bargaining to avoid the perils of regime competition, the primary impact that EMU has so far had on collective bargaining in the member states has been that of promoting national social pacts. These national social pacts in many cases have come to make direct reference to European parameters, and in this sense may be thought to represent a form of Europeanization of bargaining (see EIRO, 1999b). But they do so with an essentially competitive (or at least defensive), rather than an integrative, intent. Examples of this range from the last inter-sectoral agreement reached between employers and unions in Belgium, which set a maximum wage increase for 1999-2000 based on assumed developments in Germany, the Netherlands, and France, to the adoption of a new "European inflation" rule in the latest Italian national social pact. Although the latter of these agreements seems to be more compatible with the notion of an eventual shift to European-level wage bargaining, the common thread to all of these agreements is that the national level of bargaining has come to viewed as indispensable tool to maintain national competitiveness in the absence of national monetary and exchange rate options.[20]

What conclusions about future of EU collective bargaining can we draw from this set of insights. On the one hand, the past experiences of the two Southern European cases suggests that European policy-makers and social actors should become interested in mitigating the degree of fragmentation in bargaining that currently characterizes the EMU area. On the other hand, the difficulty in establishing common wage norms across economies with different underlying characteristics suggests that a shift in wage bargaining to the European level is unlikely, or at the very least, is not likely to be inclusive of the periphery of the EMU area. One possible solution, recently advanced by the Commission is that collective bargaining in the EU be coordinated at a regional level, bringing together regions in different member states that share certain fundamental characteristics (industrially advanced areas vs. economically lagging areas) rather than a sectoral level. Such a regionalization scheme, however, has little support from national union confederations, who are still interested in using the collective bargaining process as a mechanism for achieving greater cross-regional equality. Nor is it likely to be supported by national employer federations in countries such as Italy and Spain, who have seen a direct connection between national-level bargaining and almost unprecedented levels of wage moderation in recent years. Italian employers recently decided not to support a call by a government-organized commission for a move to more regional- level bargaining in Italy, opting instead to support the existing two-level (national-sectoral/company-level) structure. And the experience so far in Spain has been that regional-level bargains, in both poorer and richer regions, yield higher wage settlements than are typically reached in national-sectoral negotiations (CEOE, 1999).

The most likely effect of EMU on bargaining practices in the medium to long-term is thus likely to be a reaffirmation of the move to national, and national-sectoral-level bargaining initiated during the run-up to monetary union in many member states rather than a shift to a bargaining structure centered at the EU-level. Increased pressure in

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[20] Although not spelled out, the presumption in the Italian agreement was that the European inflation rate would in fact be lower than the local Italian inflation rate, so that the rule implied greater real wage moderation.

favor of national bargains already became apparent in the first months of EMU, as the ECB struggled to agree on an inflation target, and as some countries (notably Ireland and Spain) began to experience a surge in inflation while the ECB cut its rates in response to price-signals from other economies. Experiences such as these suggest that national incomes policy pacts may well come to be seen as a more critical adjustment mechanism than ever before now that the possibility of adjustment through national monetary and exchange rate policies has been abandoned. Indeed, recent efforts to reach a national incomes policy agreement in Germany (within the context of the "alliance for jobs," which the employers and government would like to extend to wages) suggest that such a model may become increasingly relevant in some of the more "organized" economies as well, as traditional modes of macro-economic governance are disrupted by the move to EMU.

How would such a nationally-centered pattern of bargaining affect the achievement of aggregate macroeconomic (and in particular monetary policy) objectives under EMU? From the point of view of achieving coordination in bargaining, such a pattern might in fact render fairly positive results, if it allows the ECB to focus on a lead-sector in a lead country (Germany), and if this national social pacts elsewhere aim primarily at maintaining levels of wage competitiveness in relation to that country. At the moment, this is what appears to be emerging, with the signatories of the Doorn declaration (and in all likelihood France) seeking to match German wage levels, and other countries seeking to compensate for excess inflation. However, the cohesiveness of such an informal model of coordination depends heavily on a number of conditions. The first is the current scenario, in which the countries of the periphery (with the notable exception of Italy) appear to be in a more expansionary phase, while the core has required interest rate cuts. (Bargaining arrangements in the periphery would not likely be able to compensate for an overly tight monetary policy stance the way that they may for an overly loose one). The second is the behavior of unions in the core countries, in particular as it relates to the potential conflict between exposed and sheltered sectors (which as we have noted, may well be aggravated as larger segments of the economy are less affected by a currency appreciation). The third, finally, is the maintenance of relatively centralized collective bargaining regimes in all countries, and the consolidation of bargaining in countries such as Italy and Spain (as without cohesive national wage-bargaining regimes, coordination on a lead country/sector would not be possible). Thus ironically, the principal threat to the ECBs operation might come precisely from a further decentralization of wage bargaining, such as is commonly advised by those who advocate in move to a U.S.-style competitive labor market in the EU.

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Table 1 Contractual Hourly Wages, Inflation, and Real Wages

percentage change over previous year

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Spain															
contractual wages	12	11.4	7.8	7.9	8.2	6.5	6.4	7.8	8.1	7.9	7.2	5.4	3.4	3.7	3.8
CPI	14.4	12.2	11.3	8.8	8.8	5.2	4.9	6.8	6.7	5.9	5.9	4.6	4.7	4.7	3.6
real wage growth	-2.4	-0.8	-3.5	-0.9	-0.6	1.3	1.5	1	1.4	2	1.3	0.8	-1.3	-1	0.2
Italy															
contractual wages	17.0	15.2	11.5	10.7	4.8	6.5	6.1	6.1	7.3	9.8	5.4	3.7	3.3	3.1	1.8
CPI	16.4	14.9	10.6	8.6	6.1	4.6	5	6.6	6.1	6.5	5.3	4.2	3.9	5.4	3.8
real wage growth	0.6	0.3	0.9	2.1	-1.3	1.9	1.1	-0.5	1.2	3.3	0.1	-0.5	-0.6	-2.3	-2

Sources: CPI: OECD, Economic Outlook; Contractual hourly wages: Spain: OECD, Economic Survey(various years);Italy (industrial sector only): OECD, Main Economic Indicators, various years