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## March divided, fight united? Trade union cohesion and government appeal for concertation

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### ABSTRACT


Why does the government appeal for concertation? Starting from the principal–agent framework and delegation theory, the article argues that the government is more willing to share decision-making power with trade unions when the policy preferences endorsed by the unions are closer to those of the cabinet. Furthermore, it maintains that government propensity to negotiate with trade unions increases as the heterogeneity of union policy preferences grows because the cabinet can exploit its agenda-setting power to divide the union front. The article tests these two hypotheses through a longitudinal analysis of the Italian case (1946–2014). In detail, it takes advantage of two original datasets built through content analysis that provide unique in-depth information on the policy preferences of parties and cabinets and measures the policy positions of the main Italian trade unions, thus allowing assessment of their reciprocal heterogeneity. The results confirm the expectations.

**KEYWORDS** Government; trade unions; tripartite institutions; collective bargaining; transaction costs; content analysis

Corporatism is defined as a set of ‘institutional arrangements that involve negotiation, bargaining, collaboration and accord between major economic groupings in society, and especially ... between unions and governments’ (Acocella and Di Bartolomeo 2007: 340). Accordingly, corporatist systems tend to adopt ‘concertation practices’ and formulate policies through social pacts, i.e. peak-level agreements between governments and trade unions that often involve employer associations (Baccaro and Lim 2007; Colombo *et al.* 2014).

Several studies have analysed concertation by investigating the determinants of the signature of social pacts, considered as the successful outcome of concertation practices. Scholars have primarily paid attention to the economic context and to the institutional traits characterising governments and trade unions. Accordingly, social pacts have been explained as functional responses

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to exogenous forces (globalisation, inflationary spirals, convergence criteria imposed by international organisations), as strategies employed by weak governments to pass a reform overcoming internal veto players, or as institutionalised practices able to reduce the transaction costs between elected governments and social partners by fostering mutual trust.

Recent studies have formalised social pacts as two-stage games (Castater and Han 2016). In the first stage, the government decides whether to propose a social pact to the social partners. In the second stage, the government and social partners, primarily trade unions, decide whether to turn this proposal into a completed agreement.

In this regard, the present article sheds light on the first stage investigating the reasons why a Prime Minister (PM) decides to appeal for concertation (i.e. to ask for the collaboration of social partners in overall economic planning) in his investiture speech, which is a strategic declaration summarising the policy programme of the new cabinet (McDonald and Budge 2005: 141).

Focusing on the relationship between governments and trade unions, the article explores – through the lens of delegation theory (Epstein and O'Halloran 1999) – the reasons why a PM should be willing to share policy-making prerogatives with social partners and delegate the formulation of policy reforms to a 'concertation table' rather than drafting legislation unilaterally. The article also pays attention to the agenda-setter role played by the cabinet, which can be condensed in the PM's investiture speech.

According to delegation theory, which states that the principal (the government) is more likely to delegate its decision-making power to an agent (the 'concertation table') when the principal's policy preferences are in line with those of the other actors involved (social partners), we hypothesise that a PM is more likely to appeal for concertation when trade unions' economic preferences are closer to those of the cabinet itself.

However, given that the cabinet is the main actor that sets up a 'concertation table' and is often in charge of heading it, the PM also retains a strong agenda-setting power and can pivot between alternative solutions. Accordingly, we hypothesise that a PM is more likely to appeal for concertation in his investiture speech when he can exploit policy divisions among trade unions. The PM can attempt to split the union front to reach a separate agreement with those trade unions that are closer to his ideal point. Furthermore, when trade unions are more polarised, the PM can take advantage of agenda-setting power to make the preferred offer among a wider set of options deemed acceptable by the unions.

These two hypotheses are tested through a longitudinal analysis of the Italian case over the last 70 years (1946–2014). This choice allows us to take advantage of two data sources that provide unique in-depth information on the policy preferences of key political actors (PMs, parties and trade unions) by means of content analysis.

In particular, by hand-coding the content of motions discussed during 35 trade union congresses held between 1947 and 2014, we have created a new dataset reporting information on the actual policy preferences of the two most important Italian trade unions, *Confederazione Generale Italiana del Lavoro* (Italian General Confederation of Labour – CGIL) and *Confederazione Italiana Sindacati Lavoratori* (Italian Confederation of Workers’ Unions – CISL).

In this regard, the article represents a first attempt to study concertation by investigating trade union policy preferences and divisions, through a continuous and time-variant measure of their actual policy views. Thus, the article contributes to the recent and growing literature that goes beyond the assumption of trade unions as unitary and homogeneous actors (Becher and Pontusson 2011; Han and Castater 2016; Nijhuis 2009). This literature has pointed out that trade unions’ heterogeneity may determine different policy outcomes. These studies underlined that union members, endowed with heterogeneous skills and employment conditions, are likely to express heterogeneous policy preferences on several socio-economic outcomes, thus affecting the overall objectives pursued by trade unions.

Along this vein, our original dataset on trade unions’ policy preferences represents a further step in the direction of detecting heterogeneity within trade unions because it allows the direct measuring of the evolution of trade unions’ emphasis on several policy issues over time and assessment of their degree of polarisation.

Furthermore, our dataset on PMs provides a continuous measure of government and party policy positions, thereby improving on rougher operationalisations based on party families or on the left-right dichotomy, which barely reflect over-time variations in policy positions (Häusermann *et al.* 2013).

The results of the statistical analysis confirm our hypotheses. A PM is indeed more willing to appeal for concertation in his investiture speech when trade unions’ policy preferences are similar to those of the cabinet. Moreover, the results suggest that their internal polarisation makes trade unions more appealing to the government, opening the way to concertation practices that would otherwise have been neglected. In this regard, trade unions seem stronger (i.e. they can hope to have their concerns, at least in part, taken into account by the cabinet) when they march divided, retaining heterogeneous policy views.

## Literature review

Social pacts are policy reforms negotiated outside parliaments (Avdagic 2010) that set out signatory responsibilities regarding wages, the labour market and/or the welfare state (Baccaro and Lim 2007; Colombo *et al.* 2014). They may be tripartite or bipartite, although scholars consider them essentially as a deal between governments and trade unions (Baccaro and Lim 2007; Colombo *et al.* 2014; Molina and Rhodes 2002).

The literature makes a distinction between the first generation of social pacts (from the 1960s until the early 1980s, when wage moderation was traded for higher welfare expenditure and/or lower inflation), and the second generation, after the 1980s, when governments signed pacts with weaker trade unions (that can only minimise their losses: Regini 2000) to increase labour market flexibility and to reduce welfare expenditures (Natali and Pochet 2009).

However, recent studies have emphasised the fact that the two generations of social pacts can be explained by a common framework (Culpepper and Regan 2014), as the incentives that may induce governments to negotiate with social partners are remarkably stable across sub-periods and are independent of the policy objectives at stake (Colombo *et al.* 2014).

Overall, three main causal mechanisms have been identified to explain the emergence of social pacts. First, scholars focused on economic constraints, such as national governments' needs to stabilise public finances (Avdagic 2010), to address the constraints imposed by a globalised economy (Compston 2003; Hyman 1999) and to meet the Maastricht or the Economic and Monetary Union (EMU) convergence criteria (Ahlquist 2010; Hancké and Rhodes 2005).

Second, scholars noted that governments are more likely to engage in formal policy agreements with trade unions and employer associations when governments are too weak to pass reforms on their own (Baccaro and Simoni 2008; Colombo *et al.* 2014; Hamann and Kelly 2007). Accordingly, concertation is more likely to occur in minority governments or highly ideologically fragmented coalitions; when governments are unable to depoliticise the issue through the construction of a grand coalition (Baccaro and Lim 2007) or when there is no better way to overcome trade union resistance (Culpepper 2002; Natali and Rhodes 2004).

Third, other studies asserted that the institutionalisation of cooperative practices between governments and social partners reduces uncertainty and fosters mutual trust among the actors involved (Schmitter and Grote 1997). Accordingly, the link between transaction costs (Williamson 1987) and the emergence of social pacts has been investigated. Social pacts should be observed when social partners (especially trade unions) are less fragmented, as the transaction costs paid by the government are expected to be lower when negotiating with a unified actor.

In this regard, union centralisation can be relevant: when the coordination across firms or sectors and between union members and leaders is poor, trade unions are not deemed adequate partners by governments (Traxler and Brandl 2010). Decentralised unions are more likely to produce suboptimal collective outcomes, namely higher wages and more generous benefits for their members, at the expense of higher inflation, unemployment rates and taxes for the entire population. Conversely, moderately (Avdagic 2010) and highly centralised (Castater and Han 2016) unions tend to be more sensitive to the

macro-economic consequences of their choices, thus increasing the likelihood of being involved in decision-making processes concerning overall economic planning by the government.

Union fractionalisation can matter too because in less fractionalised trade unions fewer groups retain decision-making power; therefore, it could be easier for the government to negotiate with such trade unions (Castater and Han 2016).

Finally, the overall political power of unions, which is usually operationalised as the share of workers they represent (union density), can play a role. On the one hand, unions can impose costs on the economy through strikes and costs on the government through protests if the government ignores them (Culpepper and Regan 2014). On the other hand, the same ability to mobilise workers can be used to convince reluctant citizens to accept unpopular reforms (Baccaro 2003). Indeed, Hamann and colleagues (2013) proved that the negotiation of social pacts negatively affects strike activity (2013), while the signature of social pacts grants electoral benefits to the government (Hamann *et al.* 2015).

The majority of the studies reviewed so far have conflated social pact proposal with social pact emergence. However, social pact formation consists of two distinct stages: in the first stage, the government decides whether to propose a social pact to the social partners. In the second stage, the government and the social partners, primarily trade unions, decide whether to turn this proposal into a completed agreement.

The two stages are influenced by different factors (Castater and Han 2016). Economic and political factors are responsible for motivating politicians to offer concertation practices to social partners (first stage), but the successful completion of an agreement (second stage) is primarily influenced by the organisational and compositional characteristics of trade unions.

With this in mind, we investigate which elements affect the first stage of the game and explain government propensity to appeal for concertation, shedding light on whether the policy preferences of trade unions influence this process.

## **Theoretical framework and hypotheses**

It has been argued that a government is more likely to promote concertation practices and share its decision-making power with social partners when it is too divided to reach an agreement or too weak to pass a reform on its own (Baccaro and Simoni 2008; Colombo *et al.* 2014; Hamann and Kelly 2007).

Compelled by the need to reform social policies, the government faces the classical dilemma of 'make' or 'buy' (internalise or externalise the decision-making process). If the government is cohesive and strong, it will be easier for it to enact reform on its own, pushing the new status quo closer to its ideal point. Conversely, a weak and divided cabinet will find it harder to reach an

agreement among coalition partners and will be less able to get such agreement approved by the parliament or supported by social partners. In this latter case, a government's chances of successfully producing effective policy change are lowered, and involving social partners in the formulation process becomes a valuable alternative option.

In this regard, concertation with social partners can be conceived as a way to escape political gridlock (among coalition partners or in the parliamentary arena) by delegating the task of finding a viable solution to a third party. Indeed, a weak and divided government can decide to delegate by opening the so-called 'concertation table', which is a committee headed by the cabinet itself that involves trade unions and, at times, employer associations.

While government weakness and the existence of political gridlock can be seen as prerequisites to the emergence of concertation, they appear to be insufficient conditions. Indeed, based on prior knowledge of the policy preferences of the actors involved in the negotiation (i.e. trade unions), the government will be able to anticipate the potential outcome of the concertation. Accordingly, it will act strategically to push such an outcome closer to its ideal point. This strategic behaviour will produce two different consequences.

First, delegation theory (Epstein and O'Halloran 1999) suggests that the principal (the cabinet) will be more willing to delegate to an agent (the 'concertation table') when the agent's policy preferences are closer to those of the principal. Analogously, the cabinet will be more willing to promote concertation – delegating the task of formulating policy reform to the 'concertation table' – when the preferences of the actors involved in the bargaining process are, on average, closer to the cabinet's ideal point. Indeed, if the government and the social partners retain similar preferences, the chances of reaching an agreement increase, thereby reducing the cabinet costs associated with the failure of having unsuccessfully promoted and led a negotiation. Furthermore, if an agreement is reached, the content will probably be more in line with the cabinet's ideal point.

Conversely, when the preferences of social partners diverge too much from the cabinet's ideal point, the government will be less willing to promote concertation. By avoiding concertation, the government avoids blame for the failure of the negotiation or the risk of obtaining an undesired bargaining outcome. Rather, the cabinet will formulate reform on its own or, if it is not strong enough, it will stick with the status quo. This leads us to formulate our first hypothesis:

Hypothesis 1 (H1): The government's propensity to appeal for concertation will be lower as the distance between government and trade union policy preferences grows.

In the concertation process, the cabinet delegates authority to a third party arena (the 'concertation table') chaired by the government itself. Given that

the cabinet leads the negotiation, it will act as the agenda-setter by making the first move, thus taking advantage of its agenda-setting power. Accordingly, if the social partners do not agree on a common policy platform, but endorse heterogeneous policy solutions, the cabinet can exploit the divisions existing among them to formulate alternative proposals and pivot between these alternative solutions, thus proposing a compromise that can only be accepted or rejected by the other actors.

If trade unions decide to accept or reject a cabinet proposal through the unanimity rule, the government must make an offer that lies inside the Pareto set of the unions to convince them to accept the proposed agreement. Assuming that the status quo is located outside the union Pareto set and far from union preferences (which is a reasonable assumption, given that trade unions retain rather extreme preferences on social policies; see below),<sup>1</sup> the government can propose to the unions any point inside their Pareto set and such an offer will be accepted. As a consequence, the agenda-setting power enjoyed by the cabinet will be stronger when the unions retain heterogeneous preferences because, in this case, the Pareto set of the unions will be larger, and the cabinet will be able to exploit these divisions to propose a final (stable) agreement as close as possible to its own ideal point.

If trade unions do not adopt the unanimity rule and each union decides alone, feeling free to accept or reject the government proposal, the expected effect of union heterogeneity on the cabinet's propensity to appeal for concertation remains the same. Indeed, a higher degree of heterogeneity in union preferences makes it easier for the cabinet to craft a proposal that satisfies at least some of the unions. Accordingly, the cabinet will appeal to the most moderate unions and attempt to divide the union front by signing a separate social pact. With this in mind, we formulate our second hypothesis:

Hypothesis 2 (H2): The government's propensity to appeal for concertation will be higher when trade unions retain heterogeneous policy preferences.

## **Data description and model specification**

### ***Case selection and data description***

Our hypotheses are tested through a longitudinal analysis of the Italian case over the last 70 years (1946–2014). This choice is suitable for both theoretical and empirical reasons.

Theoretically, in the last decade, several qualitative studies have investigated the emergence of social pacts in Italy (for a review see Colombo *et al.* 2014). They almost unanimously underline how Italy can be considered a front-runner in the upsurge of tripartite negotiations, even while not displaying associational monopolies, which is a precondition identified by classic corporatist theories (Baccaro 2003).



Empirically, we focus on the Italian case to take advantage of two different data sources that provide unique in-depth information on the policy preferences of several political actors (PMs, parties and unions). These two datasets cover the entire post-war period, encompassing the ‘golden age of welfare state expansion’ and the ‘silver age of welfare state retrenchment’ (Ferrera 2008).

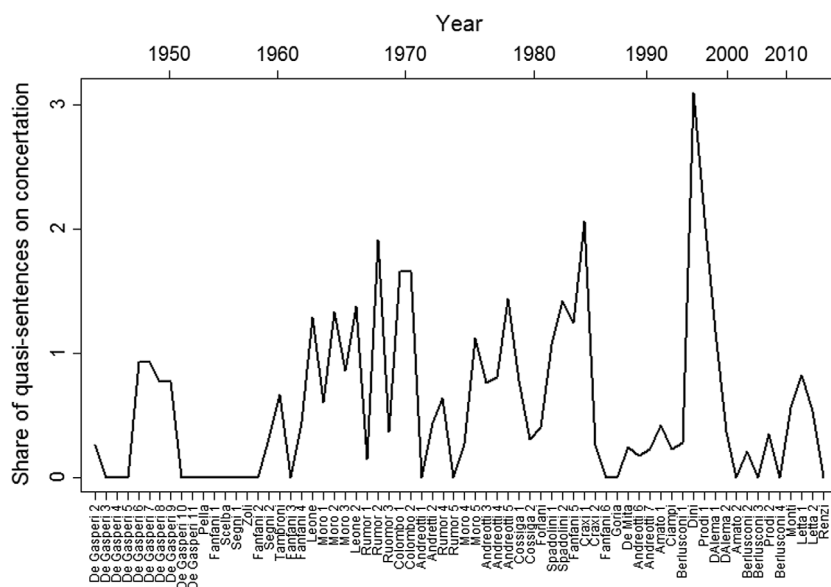
The Italian Legislative Speeches Dataset (ILSD) assesses the positions of PMs and parliamentary parties from 1946 to 2014 by hand-coding the speeches delivered during investiture debates (for details see Curini 2011) using a coding scheme similar to the one employed by the Comparative Manifesto Project (CMP).<sup>2</sup> Assessing cabinet and party positions through parliamentary speeches is fruitful for several reasons. First, the content analysis of these speeches provides us with a continuous measure of government and party positions. This measure represents an improvement over previous studies that employed more rudimentary measures (based on party families or on the left-right dichotomy) that barely reflect over-time variations in policy positions (Häusermann *et al.* 2013). Second, parliamentary speeches are less likely to be biased by electoral dynamics than electoral manifestos (McDonald and Budge 2005): parliamentary speeches are pronounced in a formal legislative setting, where PMs and members of parliament primarily talk to themselves rather than to voters, shifting the dimension of conflict from purely ideological positions to issues more related to the actual political agenda. Finally, these speeches represent a source of data external to the debates taking place on the ‘concertation table’.

In line with previous studies, we investigate the role of social partners by focusing on trade unions (Baccaro and Lim 2007; Colombo *et al.* 2014; Molina and Rhodes 2002).<sup>3</sup> To compare trade union policy preferences with those expressed by governments and parties, we have created a new dataset following the ILSD coding scheme. It reports information on the preferences of the two most important Italian trade unions, CGIL and CISL, which jointly represent a share of unionised workers ranging from 75% to 100%.<sup>4</sup> For this purpose, the final motions approved by the assembly at each union congress have been hand-coded. Overall, 17 CGIL congresses and 18 CISL congresses have been considered, covering the entire history of these trade unions from 1947 to 2014 and allowing us to compare the evolution of their policy views over time.

### ***The dependent variable***

While the signing of social pacts is usually a rare event,<sup>5</sup> the ILSD database provides a continuous measure of actual government attitudes towards concertation practices, tracking government preferences almost year by year.

The dependent variable, *Appeal for Concertation*, corresponds to a PM’s share of quasi-sentences supporting the need for collaboration between cabinet, employers and trade unions in overall economic planning by means of



**Figure 1.** Share of quasi-sentences appealing for concertation in PM investiture speeches over time.

bipartite or tripartite bodies<sup>6</sup> (source: ILSD; category 418 *Concertation*).<sup>7</sup> Our units of analysis are all Italian cabinets in office between 1946 and 2014. Overall, the share of quasi-sentences devoted to concertation varies from 0% to 3%.<sup>8</sup> Figure 1 shows the evolution of the dependent variable over time.

After 1946, the share of quasi-sentences on concertation is moderately high under the De Gasperi cabinets. These cabinets, indeed, signed an agreement (1954) with the employer association (Confindustria) and with the most moderate trade union (CISL) on the unification of some salary items ('Conglobation'). However, the mid-1950s were characterised by difficult relationships between governments and trade unions, particularly the CGIL.

During the 1960s, the share of quasi-sentences devoted to concertation in PM speeches increased. Cabinets supported by centre-left coalitions, including the Italian Socialist Party (PSI), attempted to gain trade union support for a type of economic planning and combat the economic recession arising in 1963 by means of wage regulation.

During this decade, the highest peak of references to concertation is reached in the 'Hot Autumn' of 1969, when metalworkers renewed the national contract obtaining more rights and decision-making powers in the workplace.

In the second half of the 1970s we notice a positive trend in the dependent variable. The 'national solidarity' governments, externally supported by the Italian Communist Party (PCI), faced a period of stagflation triggered by the

oil crisis (1973), a new wave of youth demonstrations (1977) and the offensive of the Red Brigades terrorist group. During those hard times, the government successfully asked for union cooperation. This attitude translated into union support for the Agreement on the Sliding Wage Scale (1975) and for a policy of wage moderation (1978).

During the 1980s, we find another peak that corresponds to two tripartite agreements concerning wage moderation: the Scotti Agreement (1983) and the Saint Valentine's Agreement (1984), which was strongly opposed by the CGIL.

In the 1990s, the devaluation of the Italian lira threatened to spark an inflationary spiral, pushing the Amato I and Ciampi cabinets to bargain with social partners (Baccaro and Lim 2007; Regini and Regalia 1997) to achieve tripartite agreements on the Abolition of the Sliding Wage Scale (1992; Oliver 2011) and on labour costs (Ciampi Protocol 1993). The dependent variable reaches its highest peak in 1995, when the Dini cabinet attempted to enact a pension reform described as one of the most radical reforms in the history of the Italian welfare state (Regini and Regalia 1997) with the support of unions. Subsequently, the two D'Alema cabinets tried to institutionalise concertation through the signature of the 1998 'Christmas Pact' on inflation, unemployment and economic growth (Baccaro *et al.* 2003; Molina 2005).

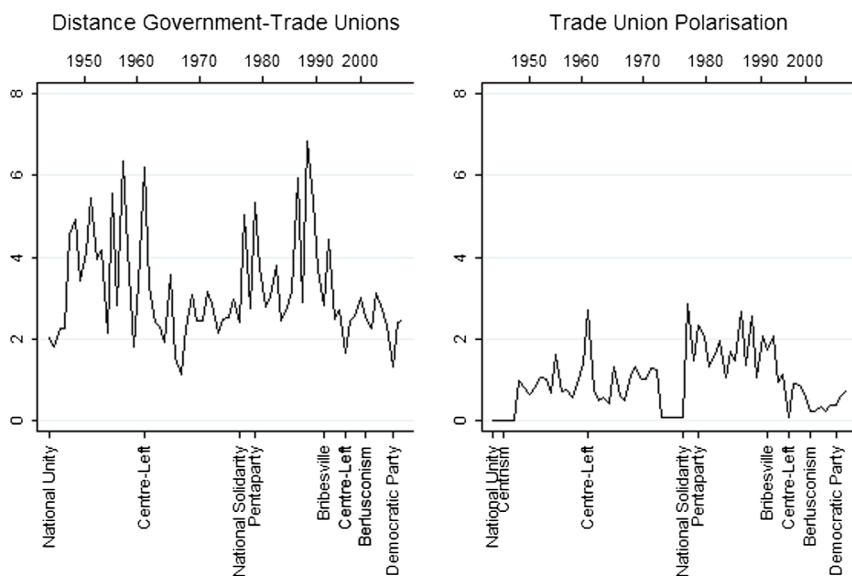
However, with the brief parentheses of the Prodi II (2006–2008) and the Letta cabinets (2013–2014), which expressed a positive attitude towards social partners, the following decades witnessed a sharp decrease in the mention of concertation. When Berlusconi came to power again in 2001, he programmatically rejected the notion of concertation (Thompson 2009) and progressively put an end to it after signing the Pact for Italy (2002) with the CISL but without the CGIL (Baccaro 2003). Furthermore, both Monti, who passed a unilateral pension reform (Culpepper and Regan 2014), and Renzi, who passed a unilateral labour market reform (the 'Jobs Act': Sacchi 2015), abruptly ended negotiations with trade unions.

This summary highlights that our estimates are in line with Italian history. Indeed, the share of cabinet's appeals for concertation is higher (almost double) during years in which a social pact was negotiated or signed, confirming that our data are valid and reliable.

### ***Independent and control variables***

Our theoretical framework identifies two causal mechanisms bringing the government to appeal for concertation: the ideological proximity between government and trade unions (H1) and the ideological heterogeneity among trade unions (H2).

H1 will be tested through the variable *Distance Government–Trade Unions*, which measures the distance, on the economic dimension, between the position



**Figure 2.** Evolution of Distance Government–Trade Unions and Trade Union Polarisation over time.

expressed by the PM in his investiture speech and the average position expressed in their last national congresses by the trade unions (CGIL and CISL), which always stand more to the left than the PM. H2 will be tested through the variable *Trade Union Polarisation*, which records the range of the trade unions (the absolute distance between the positions expressed by the CGIL and those endorsed by the CISL in their national congresses) on the economic dimension.<sup>9</sup> Figure 2 displays the evolution of these two variables over time, attesting to the external validity of our data.

The ideological distance between government and trade unions shrank during the 1960s and 1970s, when cabinets supported by centre-left coalitions cooperated with trade unions to face the economic recession. After harsher relationships in the 1980s, this distance decreased again in the 1990s, when the devaluation of the lira pushed the Amato I and Ciampi cabinets to cooperate with social partners to contain the inflationary spiral, and under the centre-left cabinets led by Prodi and D'Alema.

Moving to *Trade Union Polarisation*, Figure 2 shows that the distance between CGIL and CISL grew in the 1950s, while it came close to zero in the run-up to the federative pact between these unions, which was actually signed in 1972. Conversely, polarisation dramatically grew again in the 1980s, up to the point that the conflicting views of the two unions led them to break the federative pact (1984). In recent years, polarisation seems relatively lower,

particularly before the advent of the centre-left coalition in 1996 and when the Berlusconi cabinets were in office.

We test our two hypotheses in a parsimonious baseline model (Model 1). Then we take into account several confounding factors traditionally deemed relevant by the literature. We focus on the institutional features of the cabinet (Model 2). Since governments seem more likely to appeal for concertation when they are too weak to pass reforms on their own, we control for *Government's Share of Seats* in the lower chamber and for *Government Polarisation*, measured as the range between governing parties on the economic dimension (source: ILSD).

We account for government partisanship (Model 3) using a set of dummy variables to contrast *Centrist Cabinet* (equal to 1 if the PM belongs to a centrist party family) and *Conservative Cabinet* (equal to 1 if the PM belongs to a conservative or a liberal party) against the reference category *Leftist Cabinet*. We also include a dummy variable (*Labour Minister Former Union Member*) equal to 1 if the labour minister has been a union member because this may affect government's attitudes toward trade unions.

We also control for additional union features in Model 4. The dummy variable *Federation Pact* accounts for the notion of transaction costs associated with negotiating with multiple actors. It takes the value of 1 between 1973 and 1984, when CGIL and CISL were bound by a federative pact that established a unitary federation to foster the coordination of decision-making processes. *Trade Unions' Appeal for Concertation* accounts for unions' interest in concertation and corresponds to the average share of quasi-sentences devoted to this topic in their motions.

In order to consider exogenous economic conditions, we control for *Inflation* (consumer price index; source: ISTAT), *Social Spending* (source: Ragioneria Generale dello Stato) and *Eurozone*, a dummy variable equal to 1 after Italy joined the Eurozone in 1999 (Model 5).

Finally, we control for the political/electoral consequences of concertation related to unions' mobilisation (Hamann *et al.* 2013, 2015) using the variables *Hours of Strike* (in thousands; source: ISTAT, 1948–2009) and *Days to Next Election*, which is a continuous variable recording the number of days between a PM's speech and the following national election (Model 6).

Descriptive statistics are provided in the online appendix (Table A1).

## Results

The dependent variable *Appeal for Concertation* is bounded between 0 and 1. Consequently, the assumptions required by the ordinary least squares estimator may not hold due to heteroscedasticity and/or non-normal distribution of the errors (Wooldridge 2002). Furthermore, the predicted values may fall outside the unit interval. Therefore, taking into account the nature of our dependent

variable, we employed a fractional logit model, which is a generalised linear model (GLM) with a binomial distribution and a logit link function (Papke and Wooldridge 1996). Results are displayed in Table 1.<sup>10</sup>

The findings are in line with our hypotheses and are consistent across the models. When the distance between the cabinet and the trade unions on the economic dimension grows, PM propensity to appeal for concertation decreases. In other words, when *Distance Government–Trade Unions* increases by one standard deviation from the mean, the share of quasi-sentences on concertation drops by 52.3%. This is in line with H1, which states that government propensity to promote concertation will be lower as the distance between government and trade union policy preferences grows.

When the heterogeneity of trade union preferences on the economic dimension increases, the PM's propensity to appeal for concertation also increases. Indeed, if *Trade Union Polarisation* increases by one standard deviation from its mean, the PM's share of quasi-sentences devoted to concertation grows by 47.5%. This is in line with H2, which states that government propensity to promote concertation will be higher when trade unions retain heterogeneous policy preferences. Arguably, our findings are robust even after controlling for PM partisanship. Conversely, keeping the ideological distance between government and unions constant, partisanship does not seem to matter. This result further emphasises the need for more accurate measures of the policy preferences of political actors (Häusermann *et al.* 2013).

With few exceptions, the other control variables appear to behave as expected. When cabinets enjoy stable parliamentary majorities in terms of seats they are less prone to appeal positively for concertation. Conversely, when the ruling coalition retains heterogeneous views on the economic dimension, PMs seem more inclined to involve social partners in decision-making processes. This evidence confirms the argument put forward in the literature on the links between weak cabinets and social pacts (Baccaro and Simoni 2008; Colombo *et al.* 2014; Hamann and Kelly 2007).

The coefficient referring to the dummy variable *Federation Pact* is statistically significant and in line with expectations. PMs are more willing to negotiate with trade unions when the latter are organised under a common and unitary body. This suggests that, even in the Italian context, transaction costs play a role and affect concertation (Avdagic 2010; Castater and Han 2016).

To the contrary, *Trade Unions' Appeal for Concertation* does not affect governments' willingness to appeal for it. Such a finding seems reasonable given that the interest of one actor (the unions appealing for concertation) does not necessarily coincide with the interest of the other (the government appealing for concertation). This finding, however, does not imply that trade unions are irrelevant. Precisely because the cabinet anticipates the expected outcomes of a negotiation by examining the preferences and divisions existing among the unions, their role and their preferences remain crucial. Indeed, the unions can

Table 1. Fractional logit of appeal for concertation.

	M1 Baseline	M2 Controls	M3 Partisanship	M4 Unions	M5 Economy	M6 Mobilisation
<i>Distance Government–Trade Unions</i>	−0.500** (0.172)	−0.555** (0.189)	−0.593*** (0.206)	−0.55*** (0.186)	−0.565*** (0.154)	−0.734*** (0.157)
<i>Trade Union Polarisation</i>	0.574* (0.263)	0.569* (0.274)	0.580* (0.265)	0.395† (0.236)	0.408* (0.206)	0.652** (0.234)
<i>Government's Share of Seats</i>		−1.441* (0.593)	−1.603* (0.735)	−1.335* (0.546)	−2.078*** (0.539)	−1.825*** (0.612)
<i>Government Polarisation</i>		0.176† (0.107)	0.221† (0.124)	0.224† (0.132)	0.175† (0.100)	0.303* (0.120)
<i>Labour Minister Former Union Member</i>			0.193 (0.239)			
<i>Centrist Cabinet</i>			0.187 (0.329)			
<i>Conservative Cabinet</i>			0.004 (0.443)			
<i>Federation Pact</i>				0.360† (0.206)		
<i>TU Appeal for Concertation</i>				−0.231 (0.118)		
<i>Inflation</i>					0.016† (0.008)	
<i>Social Spending</i>					0.038 (0.029)	
<i>Eurozone</i>					−0.883** (0.316)	
<i>Hours of Strike</i>						0.005*** (0.001)



Days to Next Election

Constant	-4.188*** (0.358)	-3.585*** (0.498)	-3.688*** (0.630)	-3.454*** (0.477)	-3.739*** (0.526)	-0.000 (0.000)
Log pseudo-likelihood	-2.033	-2.013	-2.009	-1.992	-1.988	-3.536*** (0.520)
AIC	0.148	0.206	0.294	0.265	0.294	-1.750
BIC	-273.855	-265.456	-252.804	-257.06	-252.848	0.302
N	68	68	68	68	68	-206.844
						58

Note: Robust standard errors in parentheses.

<sup>†</sup> $p < 0.10$ .

\* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$ .



signal their willingness to promote concertation by moderating their stances, thereby pushing the government to appeal for collaboration.<sup>11</sup>

The inflation rate also proves to be a good determinant of a PM's propensity to appeal for concertation, thus confirming previous studies (e.g. Avdagic 2010), while the share of social expenditure does not matter. The *Eurozone* has a negative and significant impact; governments' propensity to appeal for concertation decreases, as expected, when Italy joins the Eurozone, becoming subjected to Stability and Growth Pact criteria.<sup>12</sup>

Finally, in line with previous studies (Hamann *et al.* 2013), we find a relationship between strike activity and concertation; as strikes are negatively affected by the negotiation of social pacts (Hamann *et al.* 2013), our results suggest that governments are more likely to appeal for concertation in the presence of a high level of union protest activity, as an attempt to reduce it. Conversely, the electoral cycle does not seem to matter.

## Discussion and conclusion

This article investigated the reasons why a PM decides to emphasise the need for concertation in the investiture speech. Moving from the delegation theory (Epstein and O'Halloran 1999), which states that the principal (i.e. the government) is more likely to delegate its decision-making power to an agent (i.e. the 'concertation table') when the principal's policy preferences are in line with those of the other actors involved (i.e. the social partners), we adopted a principal-agent framework to evaluate whether government willingness to appeal for concertation could be explained by the ideological proximity between cabinets and trade unions.

However, due to the agenda-setting power enjoyed by the cabinet, which is the only actor able to set up a 'concertation table' and which is often in charge of heading it, we hypothesised that the government is more likely to appeal for concertation when trade unions hold heterogeneous policy preferences. When this occurs, the cabinet can either exploit its agenda-setting power to push its preferred equilibrium further or produce a split among trade unions in order to reach a separate agreement with the one that is closest to the cabinet's ideal point. These hypotheses have been tested through a systematic longitudinal analysis of the Italian case over the last 70 years.

The results support our theoretical framework. In line with delegation theory, PMs are more prone to appeal for concertation when the policy proximity between trade unions and cabinet increases. However, given that the cabinet can directly control the conduct of the agent (being part of the 'concertation table'), PMs can exploit agenda-setting power and are more prone to appeal for concertation when trade unions retain heterogeneous viewpoints, as the cabinet can attempt to break the union front or exploit these divisions to make a proposal that lies inside the Pareto set of the unions but is closest to the government position.

This result counterintuitively highlights that trade unions are stronger (that is, more likely to push PMs to appeal for concertation) when they are less cohesive. On the one hand, it is true that transaction costs play a role (as confirmed in our analysis) because governments are more willing to bargain when unions behave as a unitary actor (being bound by a federative pact). On the other hand, to increase a PM's propensity to opt for concertation, unions should also be appealing to the cabinet. This occurs not only when union policy views are in line with those of the government but also when different unions retain different views. In fact, it becomes more difficult for a government to bargain with unions that retain cohesive positions if these positions are too distant from the government's ideal point. Conversely, more polarised unions make bargaining more attractive to the government, as it can hope to exploit union heterogeneity to reach an agreement (even a separate one) that is closer to the government's ideal point. In this regard, unions can be 'stronger' when they are 'weaker': they can successfully get involved in concertation when they 'march divided', retaining heterogeneous viewpoints that also make concertation worthwhile for the government.

Given the nature of social pacts, the role of the government is clearly relevant. However, as long as the cabinet can anticipate the expected outcomes of a negotiation by examining the preferences and the divisions existing among social partners, information on trade union policy preferences becomes crucial. Far from being irrelevant, trade unions can signal their willingness to promote concertation by moderating their stances, thereby pushing the government to appeal for concertation and making collaboration possible.

What are the implications of these findings for the future of concertation? It has been argued that the economic crisis of 2008 and the associated pressures for austerity, fiscal consolidation and structural reforms led to a marginalisation of trade unions in the formulation of policy reforms (Culpepper and Regan 2014). Accordingly, we found that appeals for concertation are less likely after 1999, when Italy joined the Eurozone, becoming subject to Stability and Growth Pact criteria. In this regard, our results suggest additional reasons for the increased government unilateralism in Italy. In fact, the increasing ideological distance between governments and trade unions, together with the decreasing level of trade unions' polarisation (if these persist) are likely to make governments less willing to appeal for concertation, thus casting a shadow on trade unions' future involvement in the formulation of policy reforms.

The present study builds a bridge with recent developments in comparative political economic studies (Becher and Pontusson 2011; Han and Castater 2016; Nijhuis 2009) that have gone beyond the assumption of trade unions as unitary and homogeneous actors. These studies have underlined how union members endowed with heterogeneous skills and employment conditions are likely to express heterogeneous policy preferences on several socio-economic outcomes, thus affecting the overall objectives pursued by trade unions. Our new dataset on the policy preferences of the two most important Italian trade

unions over the whole history of the republic may be a useful data source for scholars in this field, allowing them to test whether trade unions emphasise in their congress motions those policy issues consistent with the socio-economic interests of their members (or of their median member).

We acknowledge that this study has some limitations, particularly because it focuses on a single country. Nevertheless, single country studies are quite common in the literature on social pacts and concertation (Culpepper and Regan 2014: 731). Furthermore, Italy has often been selected as an interesting case per se (Baccaro 2003) because it is a front-runner in the upsurge of tripartite negotiations. Future research could evaluate this theoretical framework in a comparative perspective by extending the analysis to other countries, such as Belgium, Portugal and Spain, that, like Italy, display moderate or high levels of concertation, even though they are not characterised by the presence of unified trade unions.

## Notes

1. The assumption that the status quo lies far away from the ideal point of trade unions seems credible for other reasons. Empirically, social pacts have been formulated either to increase welfare state expenditures (starting from lower levels of public spending, that were far away from trade union viewpoints) or manage times of crisis (to reduce unemployment, contain inflation, or avoid a national default by cutting public debt and public expenditure). In the latter context, despite the presence of high levels of wages and welfare expenditures, we argue that the status quo can be pushed to the right (away from trade union preferences) with the eruption of a crisis: e.g. the status quo can drift to the right if the level of welfare expenditure is so high as to cause national bankruptcy, or if the excessive wage level causes high levels of inflation and unemployment.
2. The original 56 CMP categories have been extended to 68 to account for some Italian peculiarities (e.g. references to the Catholic Church or the Soviet Union).
3. The literature paid less attention to the role of employer associations. Even so, we can assume that their policy preferences are close to those of the cabinet (Regini and Regalia 1997), or at least not skewed to the extreme, compared to those of trade unions.
4. We focused on the two most important unions, leaving aside the smaller *Unione Italiana dei Lavoratori* (Italian Union of Workers – UIL), founded in 1949 by republican and social democratic union members, which only represents approximately 10% of the unionised workers, and lies (ideologically) between CGIL and CISL.
5. According to the ICTWSS database, which reports information on social pacts in 51 countries between 1960 and 2014 (Visser 2015), we observe overall a social pact every 10 years (9.8% of the time), although this rate is double in Italy (11 pacts in 55 years).
6. This definition is equal to that employed in the CMP. As an example, we classified in this category – amongst others – the following quasi-sentences (own translation): ‘The cabinet aims to open a dialogue with the trade unions’ (Moro cabinet, 1974); ‘The cabinet hopes to meet, as a spokesman, a trade union that is strong, autonomous and representative of the various viewpoints

- existing within it' (Craxi cabinet, 1983); 'The dialogue with the social partners will be open and fair' (Dini cabinet, 1995); 'If the cabinet passes the confidence vote, it will first start a dialogue with the trade unions' (D'Alema cabinet, 1998).
7. We do not distinguish whether the appeal is sincere or instrumental (and this can be a limitation of this study), although even instrumental appeals are costly and it is not easy to turn back from there.
  8. The frequency of this category in PM speeches is on average higher than the other 29 categories. For instance, the salience of concertation is higher if compared to PM quasi-sentences devoted to the judiciary and slightly lower than quasi-sentences related to multiculturalism, traditional morality, or the environment.
  9. To compute positions on the economic dimension, we employed the formula reported in the online appendix (Table A2).
  10. The dataset will be made available at <http://andreaceron.com>. Results are robust even when controlling for other variables (see online appendix), such as the lagged dependent variable, trade union polarisation on concertation, the actual negotiation and signature of social pacts in a given year (Table A3); trade union density, number of strikes/strikers (Table A4); GDP, GDP growth, public debt and unemployment (Table A5) or alternative measures of government partisanship (Table A6). Notice that in M12 (Table A4) the number of observations is particularly low due to several missing values in union density (which has a positive though not statistically significant effect on the outcome).
  11. The 'indirect' solution of proving their willingness to reach a compromise by moderating their own positions therefore seems more effective than making an open, explicit appeal to the cabinet.
  12. This is no longer true if we consider the run-up to joining the Eurozone, when Italian governments had to bargain with trade unions to meet the Maastricht criteria (Ahlquist 2010; Hancké and Rhodes 2005).

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No potential conflict of interest was reported by the authors.

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