Inflation and collective bargaining within the Italian labour crisis

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Within the Italian industrial relations system, the relationship between inflation and collective bargaining has historically been a crucial one. The capacity of collectively agreed wages to protect workers' purchasing power has been the object of negotiations, fights, and divisions not only *between* governments, employer associations and trade unions, but also *within* them. In the decade after the outbreak of the 2008 global financial crisis, which was characterised by low inflation rates or even deflation, the issue of inflation seemed to become less relevant for collective bargaining. The return to high inflation rates since 2022 has made the question central once again, highlighting the inadequacy of Italian collective bargaining institutions in defending real wages from the new inflation wave. This inadequacy also compounds on other weakness of the Italian industrial relation systems that contributed to three decades of wage stagnation.

This article focuses on the relationship between collective bargaining and inflation within the Italian crisis of labour. First, it describes the steps which led to the current articulation of collective bargaining institutions vis-à-vis inflation. It analyses the rise and the fall of wage indexation in Italy, the shift towards planned inflation as main parameter of collective bargaining and finally the current use of the Harmonised Index of Consumer Prices (HICP) excluding the dynamic of imported energy prices. These developments are analysed within the broader context (national and international) in which they took place. The article then moves to analyse the impact of the last inflation wave, highlighting the difficulties of collectively agreed wages in Italy to protect workers' and households' purchasing power. In the concluding section, the article put forward some policy proposals to address these issues.

1. *Wage indexation through the 'escalator': 1945-1992*

The history of wage indexation in Italy dates to the immediate aftermath of World War II. In 1945, bipartite agreements between the then unitary trade union confederation CGIL and the main employer association Confindustria introduced an automatic wage indexation mechanism known as 'Scala Mobile' (the escalator). Similar mechanisms were also present in other European countries such as France and Belgium. Initially, wage adjustments due to inflation (the so-called 'contingency point') were set at a lower level for women and for younger (minor than 20 year) workers. They were further differentiated by three territorial areas and set higher for the Northern industrial regions. In 1951, an inter-confederal agreement introduced further differentiation by job qualification. In the 1960s, the differences by sex, age and territory were abolished by bipartite agreements, along with the abolition of the so-called 'wage cages' (*gabbie salariali*, i.e., regional pay scale differentials) in collective bargaining. However, the cycle of labour struggles that began throughout the 1960s pushed for even more wage equality. Thus, in 1975 another inter-confederal agreement (Lama-Agnelli Agreement[1]) stipulated that the contingency point should be the same for all workers – regardless of their qualification. In doing so, the escalator also promoted greater wage equality, as it stimulated relatively

[1] Luciano Lama was the then CGIL confederal secretary, whereas Gianni Agnelli was the chairman of the automobile company FIAT and president of Confindustria.

higher wage adjustments for lower wages (Bordogna, 2003; Manacorda, 2004). Indeed, wage inequality in Italy diminished in the late 1970s and early 1980s (Brandolini et al., 2001; Manacorda, 2004).

For employers, the escalator was an instrument for reducing social conflict (Locke, 1995), along with the centralization of collective bargaining (Massimo, 2019). During the 1970s, however, wage indexation was increasingly identified as being responsible for a price-wage spiral that amplified inflation in the advanced capitalist economies. This was the thesis spearheaded by the MIT economic professor Franco Modigliani, which was echoed even by intellectuals close to the Italian Communist Party (Cattabrini, 2012). There were however dissenting voices within the economic profession. Federico Caffè highlighted the role played by oligopolistic price increases– even in a context of declining demand – rather than wage increases in triggering inflation (Badiali, 2011). Augusto Graziani observed that employers had become 'totally insensible to the grow of nominal wages' (Graziani, 2000: 127, author's translation), as long as Italy continued to pursue practices of competitive devaluation that maintained its international competitiveness unchanged. Thus, he remarked, 'it is to be questioned whether the inflation spiral should be attributed to the mechanism of the escalator, or rather to the lira fluctuation' (*ibid*.). With Italy's entry into the European Monetary System (EMS) in 1979 and the subsequent stabilization of the Lira-Deutsche Mark exchange rate, 'employers' attitude towards nominal wages was to be totally reversed' (*ibid*.). Meanwhile, the trade union movement has been weakened by the defeat in the struggle against the mass redundancies at FIAT, the end of which was marked by the 'March of the Forty Thousand' in October 1980.

In 1983, a tripartite agreement cut the contingency point by 15 per cent, introduced a cap on national bargaining and froze company-level bargaining for 18 months (Locke, 1995; Baccaro and Howell, 2017). In order to reduce inflation, the parties committed to bind their decisions to the planned inflation rate for the current and the following year (Bordogna, 2003). To obtain the agreement of the trade unions, the government simultaneously engaged in fiscal and price policy interventions (the so-called 'income policy'), while employers were guaranteed relief on social security contributions (Baccaro and Howell, 2017; Gaddi, 2023a). With the 'Valentine's Day Decree' of 14 February 1984, the Craxi government further cut four points from the escalator. This provoked a break in trade union unity - with a separate protocol signed by only CISL and UIL - and the failed attempt by the Italian Communist Party to repeal the decree by referendum in the summer of 1985. These reforms significantly reduced the equalizing effect of the escalator on the wage distribution. As Manacorda (2004: 600) notes, 'by the mid-1980s, the SM [Scala Mobile] had virtually no equalizing effect'.

The end of the escalator took place in the 1990s, in a context characterised by a financial crisis that led to the exit of Italy and the United Kingdom from the EMS in 1992, a political crisis linked to the outbreak of Tangentopoli ('Bribesville'), and the external constraint exerted by the Maastricht Treaty and its convergence criteria for entry into the euro, which required for a downward convergence of inflation rates. In 1992, the Protocol of 31 July between the government and the social partners (Amato [2] Protocol) abolished the escalator altogether, stipulating instead that the dynamics of contracted wages should follow planned inflation, essentially taking up the approach of the 1983 agreement (Bordogna, 2003).

2. From the 'escalator' to planned inflation: 1992-2009

As Baccaro and Howell (2017) note, in the government's intentions the Amato Protocol was meant to send a strong signal to financial markets about the commitment to reduce inflation. In addition to abolishing the escalator, the agreement included a one-year moratorium on private and public sector bargaining (ibid.). As happened throughout the 1980s, this choice caused tensions within the trade unions, given the escalator's high symbolic value. The then CGIL secretary Trentin signed the

[2] Giuliano Amato, of the Socialist Party, was the then Prime Minister.

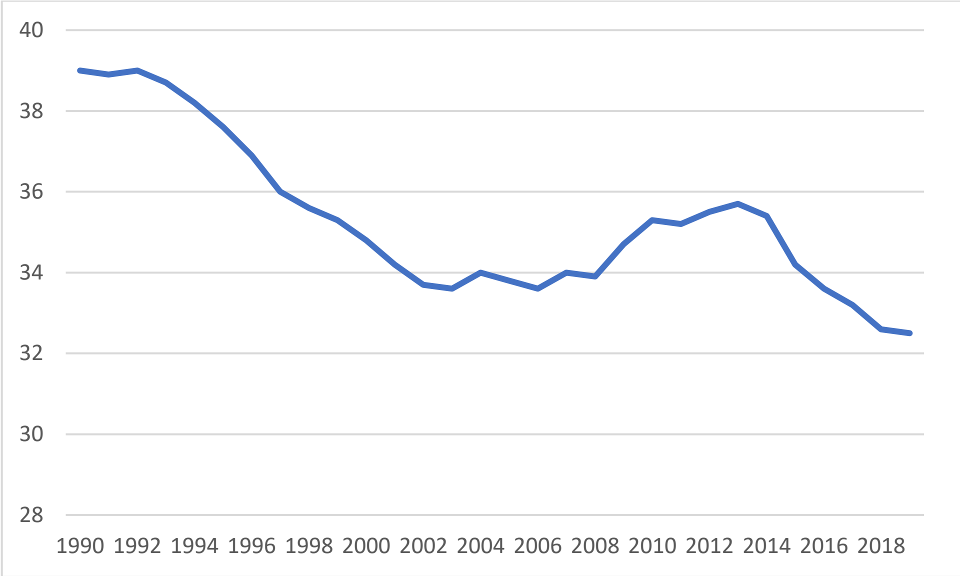
agreement, only to resign immediately after. Trentin later withdrew his resignation, but there were protests in several factories against the agreement (Baccaro and Howell, 2017). In 1993, another tripartite agreement confirmed the abolition of indexation and the adoption of planned inflation as a parameter in collective bargaining. The opening of the protocol is crystal clear: "Income policy is an indispensable instrument of economic policy, aimed at achieving increasing equity in income distribution *through the containment of inflation and nominal incomes*, in order to foster economic development and employment growth through the broadening of the productive base and *greater competitiveness of the enterprise system*" (Protocollo 3 luglio 1993, emphasis added, author's translation).

The agreement also institutionalized the current articulation of collective bargaining in Italy on two levels: national-sectoral and firm (or territorial in particularly fragmented sectors). National-sectoral bargaining was responsible for regulating wages (every two years), within the framework of planned inflation. As Gaddi (2023b: 94, author's translation) notes, "the reversal of perspective of the relationship between inflation and wages appears evident. Whereas with the escalator price increases triggered the contingency points so as to adjust wages to changes in the cost of living, with this Protocol planned inflation becomes the ceiling within which wage increases can move." However, the protocol also made a proviso for ex-post recovery of any deviations between planned and actual inflation. This recovery would not be automatic but negotiated through national bargaining.

The protocol left to firm-level bargaining the possibility of securing additional wage increases, but only if they were linked to productivity gains, so as not to generate inflationary effects (Baccaro and Howell, 2017). However, it should be noted that in the 1990s, firm-level bargaining occurred in only 10 percent of companies in the private sector, covering about 39 percent of private sector employees (Pulignano et al., 2018)[3]. This scarce diffusion of firm-level bargaining could be attributed to the fragmentation of the Italian production system, and the small size of companies. Indeed, data on the diffusion of firm-level bargaining show that it tends to be linked to company size (the larger the company, the more likely it is to engage in company bargaining) and union presence, which is lower in small firms (Pulignano et al., 2018). In addition, according to estimates in the OECD/AIAS ICTWSS database, union density (i.e., the number of union members in the total workforce) declined steadily throughout the 1990s in Italy, from 39.8 percent in 1990 to 34.8 percent, and then settled around 34 percent in the 2000s (figure 1).

[3] As there is no official data on second-level collective bargaining coverage in Italy, figures are usually based on survey data conducted by different institutions or by the social partners.

Figure 1: Union density in Italy 1990-2019



Source: OECD/AIAS ICTWSS database

The articulation of collective bargaining defined by the 1992-1993 agreements led to wage moderation. Whereas annual real wage growth had averaged 3.2 percent between 1960 and 1992, this fell to 0.1 percent between 1992 and 1999, then rose slightly to 0.6 percent between 1999 and 2008 (Storm, 2019). Wage stagnation contributed to depressing domestic demand and productivity, as low wages reduced the incentive for firms to invest in labour-saving technologies as well as product innovation (Lucidi and Kleinknecht, 2010; Storm and Naastepad, 2015). This effect was reinforced by the proliferation of precarious contracts - a consequence of increasing labour market liberalization policies. Job precarisation further retrenched wages (Brandolini et al., 2018; Raitano and Fana, 2019) and reduced firms' incentive to invest in workforce training, depleted their organizational capabilities and hampered innovation (Lucidi and Kleinknecht, 2010; Bugamelli et al., 2012; Cetrulo et al., 2019;, Cirillo and Ricci, 2022; Reljic et al. 2023). Moreover, the reforms of labour market institutions, including the end of wage indexation, contributed to the increase in inequality recorded throughout the 1990s (Brandolini et al., 2001). Although income policy foresaw an exchange between wage moderation and state interventions on prices and social wages (welfare policies), the latter were overall modest (Bosi, 2003; de Martino, 2023).

3. From planned inflation to the HICP net of imported energy prices: 2009-2021

The relationship between the Italian collective bargaining system and inflation changed again in 2009. As in the past, this caused a rift within confederal trade unions. In January 2009, the Berlusconi-led centre-right government signed a framework agreement with Confindustria and CISL and UIL that redefined contractual arrangements, in the public and private sectors. The CGIL, which had produced a shared platform with CISL and UIL, refused to sign the agreement (Barbieri, 2023). In terms of the structure of collective bargaining, the agreement basically left unchanged the one defined by the 1992-1993 agreements, with the articulation of bargaining on two levels. The duration of the economic treatment of the national-sectoral collective agreements increased from two to three years. At the same time, there was a greater push toward decentralization of collective bargaining, through tax incentives for wages negotiated at the company level and the possibility of opt-out clauses from national bargaining for companies in economic difficulty or to promote economic and employment development.

One of the main breaking points within the three main union confederations was precisely the issue of inflation (Mariucci, 2020; Barbieri, 2023). The 2009 separate agreement provided for the replacement of planned inflation with a new parameter, the Harmonized Index of Consumer Prices, but calculated net of the dynamic of imported energy goods prices (‘HICP purified’ henceforth). The estimation of this parameter, moreover, was not without technical difficulties, which were in turn harbingers of political consequences (Garbellini, 2023; Gaddi e Garbellini, 2023; Barbieri, 2023[4]). The calculation was entrusted to a third party, the Istituto di Studi e Analisi Economica, which was later abolished and replaced by the Italian National Institute of Statistics (ISTAT). The 2009 agreement allowed for an ex-post recovery of the deviation between predicted and actually realized inflation through collective bargaining within the term of each national contract. Yet, unlike the 1993 agreement, this deviation was calculated on inflation net of imported energy price dynamics (Gaddi, 2023b).

The logic underlying the choice is that of internal devaluation aimed at defending competitiveness and an export-led growth model, which would be threatened by “a run-up in wages to regain lost purchasing power' as a result of temporary inflation shocks” (Fazio et al., 2013: 14). This logic is also consistent with the policy prescriptions on industrial relations institutions issued by European executives in the years of the Eurozone crisis through the new instruments of economic governance (Jordan et al., 2021). The 2011 Europlus Pact listed among the measures to promote competitiveness deregulatory reforms of wage indexation mechanisms. The indication was repeated to those countries that still have wage indexation mechanisms, such as Belgium and Luxembourg, through the 'Country Specific Recommendations' issued by the European Commission as part of the European Semester - the new mechanism for coordinating fiscal and macroeconomic policies of EU (Schulten and Mueller, 2015). In the case of Italy, which had abandoned wage indexation with the abolishment of the escalator, the European prescriptions focus on the need for greater decentralization of collective bargaining at the firm level, with the aim of more closely aligning or wages with productivity dynamics, and on deregulation of firing protections for permanent contracts (Erne et al., 2022).

Following the outbreak of the financial crisis of 2007-2008 and the subsequent recession, which was particularly intense in the Italian case, the dynamics of inflation remained rather controlled, and during the 2010s Italy also experienced periods of deflation. The issue of inflation thus seemed to pass, at least momentarily, into the background. De Martino (2023: 11, author’s translation) notes how, until 2021, 'the contractual parties, at the time of renewal, tended to agree on the identification of an all-inclusive quantum, struggling to oblige themselves to respect a mathematical index calculated by a third party.' While throughout the 2010s the wage dynamics agreed upon by the parties in the collective bargaining agreements could thus turn out to be higher than the HICP purified, especially in cases where the realized inflation settled at a lower level than expected (D’Amuri, 2022), there were also instances where companies later demanded 'the return of some wage increases previously calculated on the basis of the forecast of a higher price of imported raw materials' (Mariucci, 2020: 44, author’s translation). This happened, for example, during the renewal of the pharmaceutical chemical sector's collective bargaining agreement in 2017. In other sectors, such as telecommunications, the negotiation over the downward adjustment of wages in light of the variance between expected and realized HCPI purified caused a long stalemate in the renewal process of the national-sectoral agreement (De Martino, 2023).

Overall, the wage dynamic recorded during the 2010s was a negative one, with a collapse in real wages, as highlighted by the recent 'Global Wage Report' of the International Labor Organization (ILO, 2022). According to the report, workers in Italy suffered a 12 percent real wage cut between 2008 and 2022, bucking the trend of other European economies such as Germany and France, which experienced 12 and 6 percent growth, respectively, over the same period. In addition to labour market deregulation policies, the public sector bargaining freeze until 2015, introduced as part of the austerity policies implemented by successive governments since 2008, certainly contributed to this negative wage

[4] A recent example is Confindustria’s harsh letter to the ISTAT after the publication of the revised estimates of the HICP purified estimates in June 2023 (Federmeccanica, 2023), which led to a higher-than-expected compensation for metalworkers (see section 4).

dynamic. The freeze would have continued further, had it not been for a ruling of by the Constitutional Court following a legal challenge by some autonomous unions[5].

In 2018, the three main union confederations signed a new inter-confederal agreement with Confindustria, the ‘Pact for the Factory’ (Patto per la Fabbrica). The Pact introduced the distinction between Minimum Economic Treatment (Trattamento Economico Minimo - TEM) and Comprehensive Economic Treatment (Trattamento Economico Complessivo -TEC). The former is made up of the wage increases established by national-sectoral bargaining, while the latter is the sum of the former plus all economic treatments that the sectoral agreement qualifies as 'common to all workers' (e.g., supplementary health insurance and supplementary pension). The Pact also reaffirmed the role of the 'purified' HICP as the indicator on which to base the adjustment of the TEM, while also providing that the TEM could be further raised 'due to processes of transformation and/or organizational innovation' (Confindustria, CGIL, CISL, UIL, 2018: 9 – author’s translation).

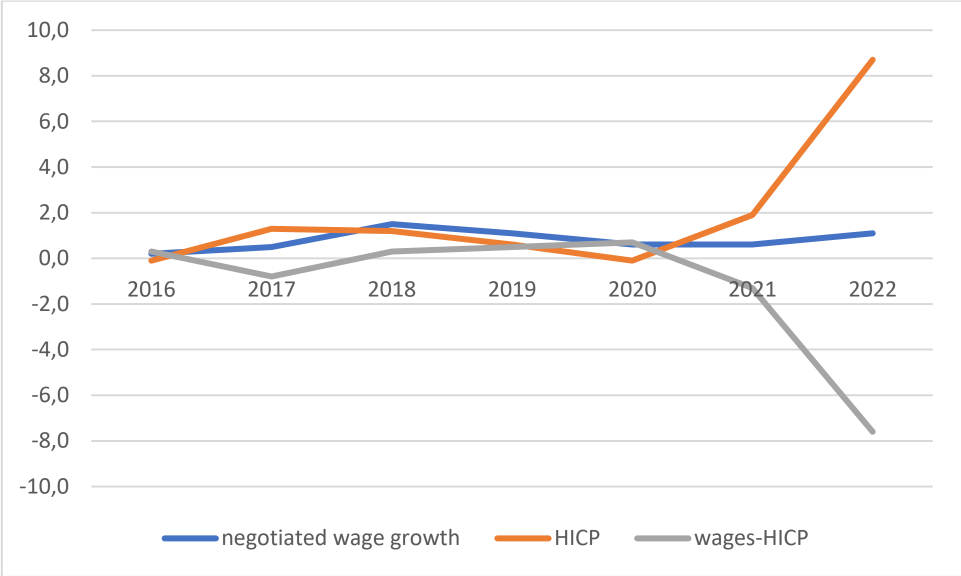
Thus, for example, the metalworkers' collective bargaining agreement signed in 2021 provided for an increase in minimum wages for the next three years higher than the forecast HICP purified, precisely because of this clause. The Pact for the Factory then leaves freedom to each sector on how to adjust any deviation between the HICP purified predicted when the contract was signed and the one that was effectively realised (according to ISTAT estimates). In the case of the metalworkers' contract, for example, it is provided that in June of each year the parties will meet to assess whether the minimums stipulated in the CCNL are lower than the values that would result from adjusting the TEM to the actual dynamics of the purified HICP. If so, the higher value is applied. In other sectors, however, there is no ex-post verification mechanism in place. It was the collective bargaining structure defined by the Factory Pact that faced the recent inflationary wave.

4. *Collective bargaining in Italy during the last inflation wave: 2022-2023*

In the context of the post-Covid economic recovery, inflation started to grow again in Italy and Europe more broadly since 2021. However, it is in 2022 that the price level rose even more sharply, driven by the trend in energy prices, which was particularly significant in the Italian case (Gnesutta et al., 2022; Pianta and Simone, 2022). In this context, the dynamics of contractual wages in Italy trudged on (figure 2). In 2021, ISTAT recorded an average annual increase in negotiated wages of 0.6 percent (ISTAT, 2022a), vis-à-vis an HICP of 1.9 percent. But it is in 2022 that the gap between contractual wages and inflation exploded: compared with an HICP of 8.7 percent, wages negotiated through collective bargaining rose by an average of 1.1 percent (ISTAT, 2023a). The gap between contractual wages and inflation thus reached 7.6 percent, the highest since 2001, the first year of the dissemination of the harmonized price indicator at the European level (ibid.).

[5] Sentenza 178/2015 (ECLI:IT:COST:2015:178)

Figure 2: annual negotiated wage growth and HICP (2015=100)



Source: ISTAT

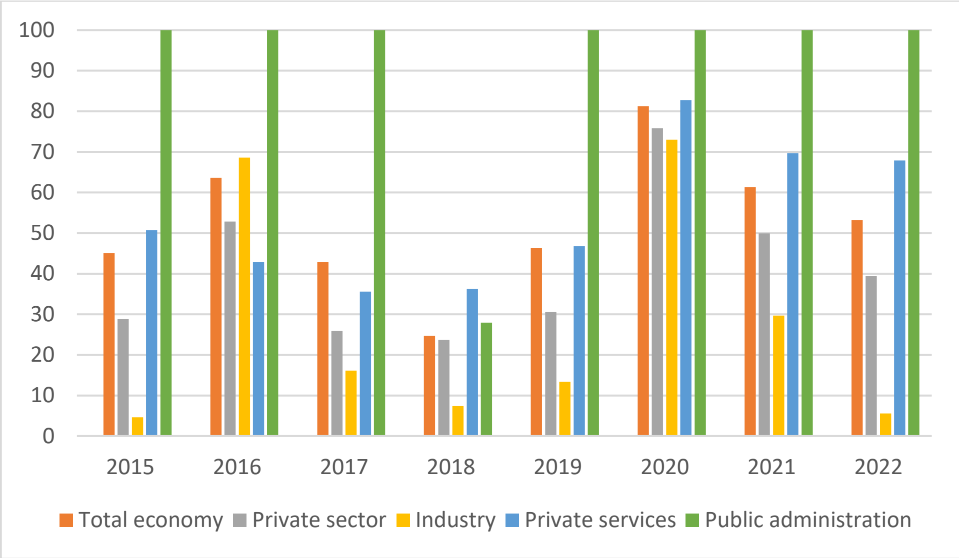
International comparison with the (few) available data on negotiated wages highlights how the Italian figure is worse than an already bleak situation at the European level. The aggregate indicator for the Eurozone on wages negotiated through collective bargaining produced by the European Central Bank shows a growth of by 3.1% in nominal terms on a yearly basis in the fourth quarter of 2022 (ECB, 2023)[6]. In Germany, which is also going through a negative economic conjuncture, average growth for 2022 is 2.2 percent (1.4 percent excluding bonuses, see Destatis, 2023), in the Netherlands it is 2.9 (DNB, 2022) and in Austria 3 (OENB, 2023). Finally, France records a growth of 5 percent, or 3.7 percent excluding bonuses (Gautier, 2023), a trend driven in particular by increases in the minimum wage, to which we return in the conclusions.

There are several explanations for such stagnant dynamics in contracted wages in Italy. First, despite the stronger dynamics of contract renewals recorded in 2022 with respect to previous years, ISTAT estimated that at the end of the year about half of all employees (49.6 percent) had an expired contract (ISTAT 2023a). The effect is particularly visible in the private services sector (figure 3), which has a higher share of expired contracts and experienced an even lower wage increase (+0.5 percent). While waiting for the contract renewal, Confcommercio and the confederal unions signed a protocol at the end of 2022 that provided for one-time increases in January and March 2023. However, this is not enough to recover lost purchasing power. The national public sector agreements signed in 2022 entered into force *being already expired*[7], referring largely to the three-year period 2019-2021. Thus, the increases recorded by these contracts are not related with inflationary dynamics, but rather with recovering increases lost after the long bargaining freeze implemented during the eurozone crisis.

[6] The ECB does not provide a disaggregated index for each country. The index represents a weighted average of the annual growth of wages negotiated through collective bargaining for most Eurozone countries, and excludes bonuses, overtime payments and other individual compensations not related to collective bargaining.

[7] This is why in figure 2 the share of public sector employees waiting for contract renewal is 100% since 2018.

Figure 3: Employees waiting for contract renewal as a share of total employees (2015=base)



Source: ISTAT

With regard to contracts signed in the private sector in 2022, a distinction must be made between those signed before and after June, that is, before or after the publication of ISTAT's updated HICP forecasts adjusted for trends in imported energy prices. Until that date, ISTAT forecasts predicted an HICP purified of only 1 percent for 2022, and overall, at 3.4 percent for the three-year period 2022-2024 (Table 1). In contrast, ISTAT's forecasts issued in June 2022, on which the national-sectoral collective agreements signed since that date have been based, predicted an HICP purified of 4.7 percent for 2022, 2.6 percent for 2023, and 1.4 percent for 2024, for an overall growth of 9 percent over three years.

Of the 18 national-sectoral collective agreements for the private sector which were signed in 2022 and recorded by ISTAT (see ISTAT, 2023a), only seven were signed after June 2022 and thus were able to take into account the updated estimate for the purified HICP. These cover sectors such as chemicals; electricity; mining; energy and oil; gas and water; and insurance. As shown in Table 2, these sectors experienced increases that gravitate around the HICP purified, forecasting wage increases for the next three years approximating 9 percent, with slight upward and downward spikes.

Table 1: ISTAT estimates for the HICP net of imported energy prices

	2022	2023	2024	Tot. 2022-2024
HICP purified, ISTAT estimate June 2021	1.0	1.2	1.2	3.4
HICP purified, ISTAT estimate June 2022	4.7	2.6	1.4	9
HICP purified, ISTAT estimate June 2023	6.6	6.6	2.9	16.1

Source: ISTAT, 2021; 2022b, 2023c

While these increases might seem relatively high, one should assess this data with caution. First, according to ISTAT's estimates, these collective bargaining agreements cover less than 10 percent of employees, even including the construction sector contract renewal, which has recorded increases slightly above the three-year forecast average of the HICP purified - even though it was signed in Q1 of 2022 (ISTAT, 2023b). This limited coverage explains how the impact of these increases on the average growth of contractual wages recorded by ISTAT in 2022 was limited.

Second, although these figures show an upward trend in contractual minimum wages, which is likely to continue in 2023, the average growth of 9 per cent over three years is still very likely to be well below the overall dynamics of inflation over the same period. Indeed, as we noted at the beginning of this section, HICP stood at 8.7 percent *in 2022 alone*. Moreover, as shown in table 2, all contracts provide for payments to be made in tranches spread out over time, thus slowing down the process of recovering the purchasing power of wages. So, adjusting the sectoral minimum wages to the HICP purified alone entails in any case a loss of real wages.

The same applies to any future recovery of the difference between forecast and real inflation that will take place according to the rules defined by each national-sectoral agreement. Take for instance the metalworkers' contract: in June 2023, the safeguard mechanism that is provided in the metalworkers' collective agreement has been triggered, and contractual minimum wages have been increased by 6.6 per cent, in line with the updated ISTAT estimates of the HICP purified for the tear 2022 (see table 1). Yet, the overall HICP in 2022 was 8.7 per cent, thus metalworkers still suffered a real wage cut of 2.1 per cent in 2022. Moreover, the safeguard clause in the metalworking national-sectoral agreement is more the exception than the rule. Hence, it is quite likely that workers in other sectors will not recover the lost purchasing power in 2022.

Table 2: national-sectoral agreement signed in the private sector between June and December 2022

Sector	Duration	Average wage increases over the duration of the agreement
Energia e Petrolio	01/01/2022-31/12/2024	9.07% - 60€ 01/07/2022 - 65€ 01/07/2023 - 90€ 01/06/2024
Energia elettrica	01/01/2022-31/12/2024	8.84% - 60€ 01/10/2022 - 65€ 01/07/2023 - 65€ 01/07/2024 - 35€ 01/10/2024
Gas & Acqua	01/01/2022-31/12/2024	9.21% - 39.98€ 01/10/2022 - 69.23€ 01/10/2023 - 88.74€ 01/09/2024
Assicurazioni	01/01/2022-31/12/2024	9.04% - 102.5€ 01/01/2023 - 51.25€ 01/01/2024 - 51.25€ 01/12/2024
Estrazione minerali solidi	01/04/2022-31/03/2025	10.51% - 45€ 01/01/2023 - 75€ 01/12/2023 - 80€ 01/01/2025
Lapidei (industria)	01/04/2022-31/03/2025	8.92% - 40€ 01/01/2023 - 39€ 01/01/2024 - 44€ 01/01/2025
Chimico e farmaceutico	01/07/2022-30/06/2025	10.04% - 50€ 01/07/2022 - 30€ 01/01/2023 - 36€ 01/07/2023 - 68€ 01/07/2024 - 20€ 01/06/2025

Source: author's elaboration on the renewals of CCNL in the private sector recorded by ISTAT and extracted from the CNEL database. The calculation of the average wage growth is made on the value indicated within each contract.

It is also difficult to think, as Confindustria suggests, that this fall in real wage could be addressed by firm-level bargaining, whose diffusion remains limited. Second-level bargaining (firm or territorial) covers roughly 20 percent of firms with more than 10 employees (Leonardi et al., 2017)[8]. This coverage is also very uneven by geographic area, with a greater prevalence in northern Italy. Thus, addressing the increase in inflation through second-level bargaining would result in increased inequality between workers.

5. Concluding remarks

The data reported in this article show how the return of inflation has led to a significant fall in real wages in Italy. Moreover, the loss of purchasing power recorded in the past two years adds up to three decades of substantial wage stagnation, aggravating the Italian crisis of labour (Leonardi, 2023). It is thus not surprising that Italy registers a share of 'working poors', i.e., a percentage of working men and women at risk of poverty of 11.8 percent, almost three points higher than the EU average in 2019 (Eurostat, 2023). The perspectives for the near future are bleak as well. The most recent ISTAT figures at the time of writing (July 2023) estimate a growth for contractual wages of 2.3 percent in 2023, which would determine a further cut in real wages, as the HICP in June 2023 stood at 6.1 percent (ISTAT, 2023d).

The evidence provided in this article has shown that the collective bargaining articulation defined by the 2009 agreement and taken up by the Pact for the Factory has been unable to provide adequate protection from inflation for contractual wages. It would therefore be necessary to question the framework of those agreements, especially regarding the inadequacy of the HICP purified as a parameter to which to adjust minimum wage rates within national-sectoral collective agreements. Whereas rank-and-file unions have demanded the return to indexation mechanisms (e.g., USB, 2023), in their joint document published in April 2023, the three main confederations have thus far limited their demands to higher increases of contractually agreed wages to match the impact of inflation, a penalisation for the lack of renewal of national-sectoral agreements, a cut of employees' social contributions, an *erga omnes* extension of the most representative national-sectoral agreements to fight the diffusion of 'pirate' agreements (CGIL, CISL and UIL, 2023).

With the return of inflation, some observers have evoked 'the spirit of 1993', that is of the tripartite agreements that shaped the articulation of the Italian industrial relations. But it is exactly that institutional architecture that has governed three decades of wage stagnation. Faced with continued collapse of real wages, the union should instead rediscover the tool of protest. After all, inflation is a form of distributive conflict and, so far, it has been the working class who have paid for the effects of inflation rather than the companies, which have maintained their margins or in some sectors even increased them (Simone and Pianta, 2022). Yet, while other European countries, such as the United Kingdom, France and Germany, have seen a massive wave of mobilizations to defend the purchasing power of workers, in the first half of 2023 labour conflict remained low in Italy, as it has been the case over the last few years (D'Amuri, 2022).

There were, however, some exceptions. Take for instance what happened with the national collective agreement for the wood-furniture (legno-arredi) sector. There, a 2016 agreement provided for the possibility for adjusting a portion of sectoral minimum wage in January of each year to recover the difference between forecast and realised inflation, to be calculated not on the purified HICP but on the general HICP (de Martino, 2023). In 2023, however, the employer confederation Federlegno (member of Confindustria) was unwilling to confirm the agreement, causing a stalemate in contract renewal negotiations. It was only after two months of industrial action and sectoral strike in April 2023 that the employer organisation conceded to apply the full adjustment of wages to inflation. Thus far, however,

[8] The observation made in footnote 3 applies also here.

the wood-furniture sector is more the exception than the rule, and attempts to recover the lost purchasing power in other sectors will provoke predictable resistance from the employers.

The data on real wages that we reported in this article also highlight the extent to which workers in Italy could benefit from the introduction of a minimum wage, in addition to and not in place of sectoral collective bargaining provisions. Among the various potential benefits of the minimum wage is that of the greater speed with which it can be adjusted to meet cost-of-living increases. Moreover, the EU directive on adequate minimum wages, approved in the fall of 2022, suggests to those countries that already have a statutory minimum wage in place a number of indicators of adequacy, including indexing it to inflation.

In several European countries where the minimum wage already exists, its level was significantly increased during 2022. Between January 2022 and 2023, in Germany, the minimum wage has been increased by 22.2 percent (Aumayr-Pintar and Vacas Soriano, 2023), both to ensure its adequacy in relation to average and median wages and to cope with inflation[9]. In Spain, the government has increased minimum wage by 8 percent in nominal terms throughout 2022 (ETUI, 2023), both aimed at offsetting the impact of inflation on wages and brining the minimum wage to the threshold of adequacy defined by the EU directive (Morel, 2023). In the Netherlands, the government has decided to increase the minimum wage by 12.1 percent (Mueller et al., 2023), above the collective bargaining trends, to cope with the effect of inflation (Aumayr-Pintar and Vacas Soriano, 2023). In France, the two automatic increases in the minimum wage in 2022 helped trigger the renegotiation of collective agreements in sectors where the lowest contractual wages had fallen below the minimum wage threshold (Gautier, 2023). While it is true that minimum wages increases have not been fully able to match the impact of inflation across all EU countries (Mueller et al, 2023; Aumayr-Pintar and Vacas Soriano, 2023), they have usually been higher than the overall increase of contractual wages in 2022 (see section 4), helping lower paid workers to cope with the increase in cost of living. The French example highlights a possible virtuous relationship between minimum wage and national-sectoral collective bargaining, which would have been most helpful also in the Italian case. If it is the bargaining strength of the parties that determines who pays for the effect of inflation between capital and labour, the introduction of an adequate minimum wage could play an important role in strengthening workers' power resources in Italy.

The path taken by the current Italian government, however, goes in the opposite direction. In addition to its announced opposition to the minimum wage, with its most recent measures, symbolically announced on May 1st, the government has proposed as a solution to the low-wage problem a temporary cut in social security contributions for low-income workers. The rationale, made explicit in the 2023 Documento di Economia e Finanza (MEF, 2023), is that of wage moderation, in order to avoid 'a dangerous wage-price spiral' (MEF, 2023: VIII). Yet, the empirical evidence thus far does not show a risk of a wage-price spiral, and rather points to the role of profit margins as drivers of inflation also in Europe, as acknowledged even by economists of the International Monetary Fund (Alvarez et al., 2022; Hansen et al., 2023).

Moreover, this cut in social contributions will weigh on the shoulders of the employees themselves, either through an increase in taxation, or through a cut in resources for public services. These measures come on top of a significant reduction in the citizenship income and a new deregulation of precarious contracts, also harbingers of further wage moderation. For unions and their supporters, these are further reasons to promote a struggle to defend wages and a decent standard of living.

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[9] In 2023, the German government has announced further increases of the minimum wage by 3.4 percent from January 2024 and by 3.3 percent from January 2025, though trade unions have lamented that these increases are too low to match inflation (Reuters, 2023).

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