

# *Small-firm development and political subcultures in Italy*

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**ABSTRACT** Small-firm development can be considered as an essential aspect of the Italian adjustment to economic and social tensions in the last decade. While the role of a particular social context (extended family, local community, rural-urban interpenetration) in this pattern of economic growth has been widely recognized, less attention has been drawn to the local political system. The most typical small-firm regions are characterized by distinctive political subcultures: the Communist one in the central regions and the Catholic/Christian-Democratic one in the north-eastern areas. The paper argues that political subcultures favoured a localist regulation of the small-firm economy through their influence on industrial relations and the activity of local governments. On these bases, a social compromise was established, which brought about high levels of economic flexibility. Unions and local governments mitigated the social costs of economic adjustments in the industrial districts and fostered a local redistribution of the benefits accruing from economic growth.

## INTRODUCTION

The importance that the development of small firms has had for the Italian economy in the last ten years is widely recognized. This development can be seen as one of the most significant aspects of the process of adjustment to the economic and social tensions of the 1970s. The term 'adjustment' emphasizes that this process was largely unplanned, though it was influenced by political decisions or, more frequently, non-decisions. In the absence of effective long-term economic policies at the central level, the growth of small firms has, in fact, been based on certain economic, social and political resources which were widely available in some local areas. These allowed smaller productive units to seize the opportunities for development which were opened up by changes in technology, in the organization of work and in market structures. Furthermore, the strengthening of the unions in large firms, which occurred in the early 1970s, contributed, especially in the initial stages, to the growth of small firms. The study of the political economy of small firms seems, therefore, of particular interest in the Italian context.

The regions in which small firms predominate, Emilia, Tuscany, Umbria, the Marches, Veneto,

Trentino and Friuli, are located principally in the centre and north-east of the country, though the phenomenon is also to be found in the north-west, where, however, large firms undergoing restructuring and the large metropolitan areas are concentrated, and in the south, where the major problems remain those associated with underdevelopment. The regions of the so-called 'Third Italy' are, therefore, characterized by the marked predominance of small firms.<sup>1</sup> Indicators such as the rate of growth of value-added, investment, productivity and employment show the dynamism of industry in these areas. The 'traditional' sectors of industry—textiles, clothing, shoes and furniture—predominate, but there is also a significant development of 'modern' sectors, particularly the machine tool industry. Small firms tend to be found clustered together in 'industrial districts'. They form integrated territorial systems with strong sectorial specialization. These districts usually coincide with small urban areas and consist of one or more communes.

Numerous economic studies of the small-firm economy have been carried out. These clearly indicate that there is a relationship between this form of development and the social context in

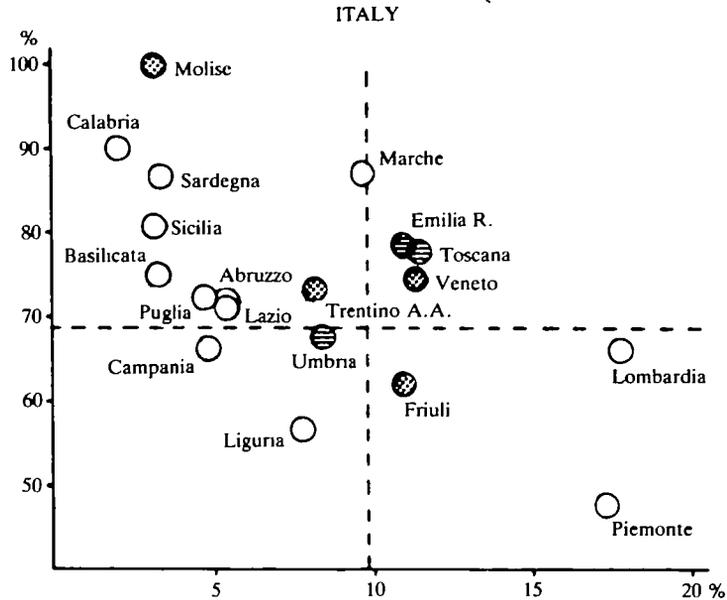


FIGURE 1 *Small Firm Regions and Political Subcultures, 1971–1972.*

The vertical axis shows the percentages of workers employed in manufacturing industries in local units with less than 250 employees in the 1971 census.

The horizontal axis measures the level of industrialization by means of the ratio of workers employed in manufacturing industry to the resident population in 1971.

The political subcultures are identified by means of the ratio of DC (Christian-Democratic party) and PCI (Communist party) votes obtained in the elections for the Chamber of Deputies in 1972 to the total DC and PCI vote in each region.

- ⊖ PCI dominance (where the ratio of DC votes to the combined DC-PCI votes in each region is 10 or more points lower than that ratio on a national level, which is 58.7 per cent).
- ⊗ DC dominance (where the ratio of DC votes to the combined DC-PCI vote in each region is 10 or more points higher than the ratio on a national level).
- Relative equilibrium between the DC and PCI (where the ratio of DC votes to the combined DC-PCI vote in each region is equal to or higher or lower than the national ratio by less than 10 points).

which it occurs. Less attention has been devoted, however, to the role of the local political context. Yet, the regions which are most typical of small-firm development (as well as similar areas in Piedmont and Lombardy), are usually characterized by the existence of specific subcultures. In these areas, one often finds the predominance of a particular political tradition, whose origins usually go back to the beginning of the century, and a complex of institutions (parties, interest groups, cultural and welfare structures) which derive from the same politico-ideological matrix. The central regions, which were originally Socialist in

orientation, are now Communist strongholds, while there is a deeply-rooted Catholic subculture in the regions of the north-east (Figure 1).

The purpose of this is to draw attention to the political context of 'diffuse industrialization'. I shall try to show that the Communist and Catholic subcultures fostered a *localist* regulation of the small-firm economy through their influence on industrial relations and on the activity of local governments. On these bases a social compromise was established, which brought about high levels of economic flexibility. Unions and local governments mitigated the social costs of economic adjustment

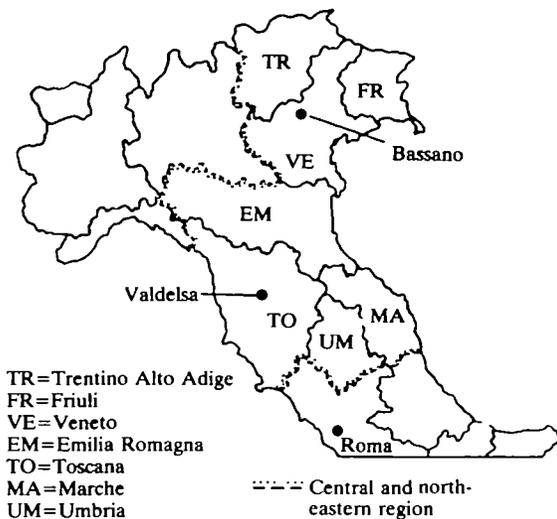


FIGURE 2 *Central and North-Eastern Regions and the Industrial Districts of Bassano and Valdelsa.*

and favoured a local redistribution of the benefits accruing from economic growth. The observations on this theme draw on the results of a research project on the social and political features of small-firm areas. The project consisted of an analysis of central and north-eastern regions, as well as of case-studies of two typical areas with differing political subcultures, Bassano in Veneto and Valdelsa in Tuscany<sup>2</sup> (Figure 2).

#### DUALISM OR NEO-LOCALISM?

It is not necessary to provide an account of the *problematique* of research on small firms in any detail here. For our purposes it is sufficient to recall some essential points. The interpretations of the origins and characteristics of this form of development have been progressively refined over time. In the early stages, the emphasis was on the idea that the growth of small firms was induced and brought about, principally, by the attempt of larger firms to circumvent the restrictions imposed by the unions, by devolving parts of the productive process to smaller firms. Their aim was to reduce the labour costs and to reestablish the flexibility of the work-force.<sup>3</sup>

This initial conception was later complicated by various developments. Economic research showed that, in some areas, the relationships between firms

could not be wholly explained by the phenomenon of productive decentralization introduced for the purposes of cutting labour costs. These relationships often entailed increased specialization and division of labour among small firms, and were rooted in economies of scale, external to the single units of production, but internal to the industrial district in which they were located.<sup>4</sup> The same studies stressed that changes in technology and the growth of demand for non-standardized goods enhanced the chances of autonomy and innovation for small firms.

At the same time, another line of research, this one sociologically oriented, contributed to the clarification of certain essential aspects. It was pointed out that small firms are concentrated, mainly, in the central and north-eastern regions (Bagnasco, 1977). In these areas a trend of autonomous development emerged. This was not primarily brought about by the decentralization of existing production, though it was combined with the latter in various ways according to the sectorial specialization of industrial districts. The role of traditional institutions and identities is considered, by this approach, to be an important variable in the development of small firms and in the acceptance of this development by the local communities. In particular, some studies have examined the characteristics of the extended family and its relationship with the small-firm economy from this perspective (Ardigò Donati, 1976; Paci, ed., 1980). The research project on which I am drawing here can also be located within this approach. However, the results indicate that diffuse industrialization is supported by a more complex institutional architecture which consists not only of social components like the extended family and the local community, but also of specific political components related to the role of the Communist and Catholic subcultures at the local level.

Within the 'industrial district' market mechanisms and social institutions such as the family, the kinship network and the local community are closely interwoven. These social institutions provide cultural and material resources for the development of entrepreneurship and of flexible productive structures. They motivate people to start new activities and help them in sustaining the costs of setting up and operating small firms. On the other side, they also mitigate the effects of the

market on industrial workers, which arise from the higher discontinuity of employment and working time in small firms, and enable the costs of reproduction of labour to be lowered and incomes to be supplemented at the family level. Furthermore, the persistence of community values which cut across social classes, the low degree of polarization of the class structure and the high rate of social mobility play an integrative role that should not be underestimated in evaluating the 'success' of small-firm areas.

These social aspects of the small-firm economy are already well-known. The studies carried out in Valdelsa and Bassano also confirm that they are of great importance. Nevertheless, the insistence on the traditional localism/market duality runs the risk of being misleading, especially when it is applied to those areas where industrialization is more consolidated and where there is a well-established political subculture. In these situations, the role played by a specific form of interest intermediation, shaped through the influence of political subcultures on union representation and the activity of local government, must also be taken into consideration.

There is evidence to question a widespread conception (influenced by the early discussions on the decentralization of production) which underestimates the importance of interest representation of workers involved in the small-firm economy. Using a concept recently proposed by Goldthorpe (1984) to analyse current trends in some Western countries, including Italy, we could define this approach in terms of 'dualism'. The concept refers to interest representation. It is used with reference to forms of political economy based on productive and occupational situations in which the representation of workers' interests by trade unions is excluded or strongly discouraged. The use of migrant workforce, the diffusion of precarious and illegal work relations and the development of productive decentralization and of small firms are considered as indicators of this type of political economy. From this perspective, therefore, a small-firm economy is seen as one pole of a dualism which, unlike the large firms and unionized sectors, is regulated, primarily, by market mechanisms.

In reality, however, things appear to be more complicated, at least as far as Italy is concerned.

Dualism, in the sense indicated above, is certainly present and it should not be overlooked. Nevertheless, the development of small firms demands a more articulated interpretative model. Small firms are generally embedded in a particular institutional context which interacts with the market and conditions the effects of the latter on the life chances of people involved. There exists, in short, a process of 'social construction of the market' (Bagnasco, 1985) which dualist-type models tend to overlook. I propose to use the concept of 'neo-localism' to illustrate the complex interdependence between the various mechanisms of regulation at local level and to draw attention, in particular, to interest intermediation. The division of labour between market, social structures and, to an increasing extent, political structures made the local economy highly flexible and adaptable to rapid market changes in sectors with wide fluctuations in demand. In the next paragraphs I shall try to clarify the role played by union representation and by the local government in the development of neo-localist trends. Of course, caution must be exercised in any attempt to generalize from individual local or regional cases. The different subcultural matrices, the period in which economic growth occurs and the sectorial specificity of the various areas all influence the concrete interaction between market and social and political structures.

#### THE HISTORICAL ROOTS OF LOCALISM

In looking at the role of interest representation in small-firm areas, one must first of all point out that this representation has a long history which is closely connected to the origins and development of the local Socialist and Catholic subcultures. It is not possible to examine this history in any depth here,<sup>5</sup> but one should emphasize the fact that, in the central and north-eastern regions, the Socialist and Catholic movements were very active from the end of the nineteenth century onwards. Their roots in the local society are not only deeper and stronger than in other parts of the country but the traditions themselves have assumed a particular character in that they have produced territorially-based political subcultures. Neither the social influence nor the political representation of these subcultures was confined to specific groups: they

tended, rather, to cut across class boundaries and to assume wider community dimensions.

It is possible to identify some of the historical conditions that favoured this phenomenon: for example, the non-polarized class structure of the central and north-eastern parts of the country which was based on agricultural work of a predominantly autonomous variety (sharecropping, peasant and tenant farming); a thick network of small artisan and commercial centres which had enough resources to establish a clear identity and to organize themselves; and a secular (republican, radical or anarchist) tradition in the central areas and a predominantly Catholic tradition in the north-east. The interaction between these factors, following the development of capitalism and the creation of the nation-state, i.e. between the end of the nineteenth and the beginning of the twentieth centuries, favoured the establishment of socialism in some areas and of the Catholic movement in others.

It is important to emphasize that the differing territorial subcultures that arose from the consolidation of these movements had a particular feature in common: both tried, albeit in different ways, to *defend the local society* from the changes brought about by the market and by the state and tried to halt the process of social disintegration and to contain that of proletarianization by experimenting with localized forms of organization.<sup>6</sup> In the 'red' areas, this process developed through a complex series of relationships, involving unions, labour organizations, friendly societies, cooperatives and communes, which characterized the lively 'municipal socialism' of the beginning of the century. In the 'white' areas, organizations of a specifically union-type were less developed but there was a network of rural savings and other banks, agricultural organizations, cooperatives, friendly societies and charities, all of which were linked, in one way or another, to the local Church. In both the red and white areas, the defence of the local society involved some form of relationship with the 'centre', i.e. with the national state. This relationship had both conflictual and contractual elements and the former were often used to improve the terms of political bargains. A typical example of this is the activity of the parliamentary socialists in favour of cooperatives and communes. This type of relationship between centre and

periphery is related to the fact that both socialists and Catholics were excluded, in varying ways and for varying reasons, from the central political power. This exclusion drove them into organizing and strengthening their position at a local level where conditions were more favourable.

There are, of course, differences in the strength of the subcultures and in the periods in which they emerged and were established. As far as the areas under socialist control are concerned, for example, the phenomenon is certainly more widespread and consolidated in Emilia Romagna and in certain areas of Tuscany than it is in Umbria and the Marches where socialist penetration of the countryside occurred, principally, after World War I and where the social network of associations remained relatively underdeveloped even after that date. In the same way, the Catholic subculture was stronger in some areas of east Lombardy, such as Bergamo and Brescia, and in the inland areas of Veneto, such as Vicenza and Padua than in other parts of the north-east. Our interest lies, however, in emphasizing the emergence of a model of representation which had strongly localist connotations and through which, in the face of the weakness of the central state and of the vertical structures of representation—parties, unions and interest groups—a decentralized political economy

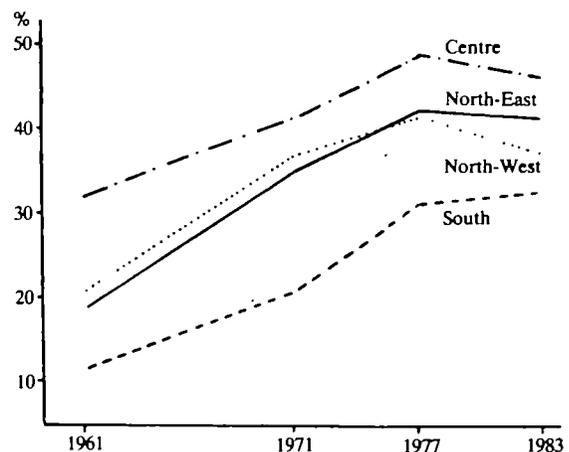


FIGURE 3 Rate of Unionization—CISL and CGIL—in Industry by Geographical Area

Sources: For the period up to 1977, Romagnoli (ed., 1980); for 1983, CESOS (unpublished data). The method used to calculate the rate of unionization in 1983 is the same as that used by Romagnoli (1980, Vol. III).

was established. The subculture fostered the emergence of particular local political systems.

It is impossible to examine the historical evolution of this phenomenon, which involves the establishment, after Fascism and the war, of the PCI and the DC in those areas which had originally been under Socialist and Catholic influence.<sup>7</sup>

The context in which these territorial subcultures emerged did, however, have certain consequences for the political economy of small-firm areas. We should like to draw attention to two aspects in particular: the existence of a reservoir of resources for the organization of interests; and the influence of this on a model of representation which was conditioned, to a significant extent, by local and political constraints. We shall try to give an outline description of how these elements combined by examining industrial relations and the activity of local government.

#### UNION REPRESENTATION

As we have already noted, the idea that areas of small-firm development are characterized by weakness of trade unions and by poorly institutionalized industrial relations is widely held. If we consider the data on unionization (Figure 3), however, the picture appears to be somewhat less simple and straightforward. In 1961, when the process of small-firm growth was just beginning, or had not yet started, the rate of unionization in industry (CGIL plus CISL) was highest in the red regions of the centre. In the white regions of the north-east, the rate was a little lower than in the 'industrial triangle', where the large enterprises were fully developed. There was a marked increase in unionization in the following years, particularly in the 1970s. In 1977, the highest rates of industrial (and, indeed, overall) unionization were to be found in the small-firm regions. This leading position was consolidated in the early 1980s when these regions suffered less than the north-west from the fall in unionization that occurred at the time.<sup>8</sup>

The differences that exist among the various regions suggest caution in the interpretation of data on unionization. The time at which economic development occurred and sectoral specialization, which influences the characteristics of the workforce, must be kept in mind. It would,

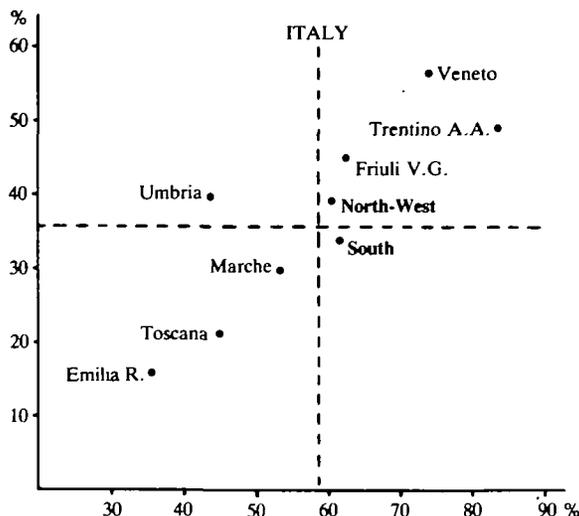


FIGURE 4 *Union Affiliation (CISL and CGIL) of Union Members in Industry and Political Subcultures in 1972*

The vertical axis shows CISL members in the industrial sector as a percentage of the total regional membership of the CISL and the CGIL in the same sector.

The horizontal axis shows the relationship between the DC vote in the elections for the Chamber of Deputies in 1972 and the total DC and PCI vote in each region.

nevertheless, be difficult to explain the dynamism of the phenomenon in regions like Veneto, Emilia or Tuscany without reference to the resources provided by the local political subculture, particularly since a very fragmented productive structure, such as is found in small-firm areas, hinders the development of unionization, especially from an organizational point of view. It should also be pointed out that the CGIL (the Communist-Socialist union) predominates in the red, and the CISL (the Catholic union) in the white areas (Figure 4), even though an 'area of union monopoly' exists, really, only in the first case (Rossi, 1980). In the regions of the north-east, the CISL is stronger than in other parts of the country but the CGIL is also represented to a significant extent.

The influence of the local context is also confirmed by the studies carried out in the white area of Veneto (Bassano) and the red area of Tuscany (Valdelsa). In the first case, the existence of a long-established Catholic associational

TABLE 1 *Indicators of Conflict (Average Values)*

	1969-1973				1974-1978				1979-1982			
	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)
Piemonte	1761	28.5	1481	43.7	1073	22.2	2747	18.1	992	14.4	3452	19.6
Trentino												
A. A.	889	51.4	458	36.3	643	93.1	660	16.7	503	32.2	1151	14.2
Friuli	1552	47.2	1169	29.3	1372	36.8	2856	14.7	1149	39.8	2948	9.8
Veneto	1272	43.8	903	34.2	861	29.8	1993	14.9	540	14.9	2766	13.1
Emilia	1890	37.1	1815	29.0	1634	25.5	5819	11.7	1191	15.0	6765	11.8
Toscana	1616	45.9	1337	28.1	1361	26.7	4548	12.2	1195	17.0	5162	13.8
Umbria	615	35.0	758	25.1	440	14.8	2113	10.8	410	12.7	2893	11.1
Marche	780	48.3	571	29.4	902	34.9	1296	20.8	468	18.2	1930	13.4
ITALY	1279	34.1	1224	32.8	812	24.2	3436	14.8	674	13.8	3572	13.7

(a) hours of strikes per 100,000 employees (in thousands);

(b) number of strikes per 100,000 employees;

(c) number of strikers per strike;

(d) number of work hours lost per striker.

Source: ISTAT, *Annuario di statistiche di lavoro*, various years. In order to keep the data homogenous, strikes for 'motives external to the work relations', that is, political strikes, on which ISTAT provides information from 1975 onwards, have not been included. However, these do not show sufficient differentiation to alter the regional profiles that can be seen from the Table.

network and, especially, the position of influence held by the ACLI (*Associazione Cattolica Lavoratori Italiani*) favoured the consolidation of the CISL. In 1982, the rate of unionization of workers in small firms in this area was 48 per cent but it fell to 17 per cent for those employed in artisanal enterprises with less than 10 employees. In Valdelsa, a gradual shift in union representation from the agricultural sector to that of small firms was facilitated by the existence of a very strong share-croppers' organization in the 1950s as well as by the considerable organization and strength of the Communist party in the area. Unionization of workers in small firms reached a level of 80 per cent, though the rate was considerably lower in the artisanal sector in this area too.

The two case studies are, of course, very typical but they highlight some processes that seem to acquire a more general significance in the light of the data previously analysed. We can maintain that the political subculture provided institutional and identity resources which favoured the organization of workers in small-firm districts, particularly in industrial enterprises with more than 50 employees. This process was more marked in areas with a red subculture, and especially in those with a stronger associational tradition.

Up to now we have described an important,

though often underemphasized, aspect of interest representation in areas of small-firm development. The existence of various levels of worker organization cannot, however, in itself provide an adequate explanation of the nature of that representation. In this regard, it is necessary to establish the direction taken by union activity and the consequences of this. If we consider the data on conflict in the period between the late 1960s and the early 1980s, we see that the severity of strikes (hours of work lost per striker) was markedly lower in small-firm regions than in a typical large-firm region like Piedmont. Though the results are similar in all small-firm areas, these are due to varying factors in the different regions. The regions with the strongest Communist subculture, Emilia and Tuscany, have a very high rate of participation (strikers per strike) but a low rate of severity while the white regions, Trentino, Veneto and Friuli, have an appreciably lower participation rate and a relatively higher level of severity, although the latter is still less than that found in Piedmont. The Marches and Umbria have both low participation and low severity rates.<sup>9</sup>

Unionization and conflict would seem, therefore, to have a particular, though differentiated pattern in small-firm areas. A substantial level of unionization is accompanied by a low level of

conflict. It would, however, be mistaken to conclude that unionization is to be considered as a consequence of the particular political subculture and that it has a negligible effect on industrial relations in small-firm areas. This view has often been put forward, particularly to explain the situation in the red areas.

There is no doubt that the local subculture did impose constraints on union activity in the initial stages of economic development. It is not difficult to find evidence of this in both the red and the white areas.<sup>10</sup> In the former, the strategies adopted by the PCI certainly did encourage policies which were favourable to small firms, while the growth of the CISL in the white areas, in the initial stage of development, was also largely dependent on the support of the Church, the DC and the entrepreneurs and this reduced the autonomy of the unions. Nevertheless, there are indications that this situation has changed.

The labour costs of industrial enterprises increased in the 1970s and, in almost all the small-firm areas, they came close to the national average and to that of Piedmont (Bagnasco and Pini, 1981). The available data and studies that have already been carried out lead us to hold that this tendency was influenced by a considerable amount of negotiation on a firm level. For example, a regional study in Veneto in the period 1979–1980 found that 42 per cent of industrial enterprises with more than 20 employees were involved in negotiations at firm level (Giubilato, 1982). This percentage was considerably higher for firms with more than 50 employees. The vast majority of firms above this threshold of size in Emilia and Tuscany also seem to have been involved in firm-level negotiations (Brusco, 1982). In the studies on Bassano and Valdelsa, the rates found for industrial enterprises were 45 and 60 per cent, respectively.

Agreements at firm level were concerned, for the most part, with factors like wages and differentials (ratings). More innovative aspects relating to the processes of restructuring, mobility and decentralization of production (such as, for example, the 'right to information' and the negotiation of employment levels) are dealt with hardly at all or in a ritual way with limited practical implications. The question of the organization of work, which had, in the past, played an important role in firm

negotiations in large factories, appears not to have been an issue at all.<sup>11</sup>

Caution should, obviously, be exercised in generalizing from these tendencies, and the differences between the areas in terms of wage benefits and differentials should not be underestimated. In Valdelsa, for example, we found that the wages negotiated at firm or area level were higher than in Bassano and in the furniture sector exceeded the wage determined at the national level by 20 per cent. Differences also emerged in the average level of ratings. The degree of local coordination and formalization of negotiations is also higher in the red areas. Issues such as working hours and overtime are more frequently the subject of negotiations than in Bassano (in 83 per cent of the cases compared to 40 per cent in Bassano). The fact remains, however, that despite these differences, negotiations at firm level are carried out in an atmosphere of low conflictuality (in both areas about 70 per cent of the entrepreneurs declare themselves to be satisfied with industrial relations, while the opinion of entrepreneurs on this subject on a national level is clearly negative). Negotiations at firm level bring particularly economic benefits to industrial workers, especially those in firms with more than 50 employees and they do not impose rigid constraints on labour mobility and flexibility which are fairly high in both areas. Workers often move from one firm to another (about 60 per cent of the workers changed firm more than once). In addition, substantial proportions of workers—from a third to a quarter—said that they worked more than eight hours a day 'in busy periods' and that they worked on Saturdays and holidays. Interruptions of working activity because of a fall in production are widespread.

In the light of these data, it does not seem possible to explain the relationship between high unionization and low conflict in terms of the hypothesis that stresses the subcultural character of unionization and sees it as having little effect on industrial relations. The quantitative data on conflict, to which we have already referred, can be interpreted in another way. These data do not necessarily indicate union weakness or, in the case of the red areas (Emilia and Tuscany), a predominantly political type of conflict which is expressed through high participation and short

duration of strikes. They are also consistent with a negotiative and localist model of representation. This is quite different from the conflictual trade unionism of the large factories in the 1970s which has dominated the scientific and political debate on the subject.

Further and more detailed research, as well as a thorough examination of the variations in industrial relations, are necessary before any satisfactory generalizations can be made. A provisional synthesis can be proposed, however, in the following terms, on the basis of the data to which we have already referred: the existence, in many areas, of deeply rooted, territorial political subcultures favoured the growth of unionization but, at the same time, it contributed to directing union activity so that it neither hinders the process of economic development nor weakens the local subculture itself. These original constraints have not prevented trade unions from growing in strength and from increasing their own margin of autonomy over time. This seems to have been achieved (though with specific differences that should not be underestimated) by means of a process of adjustment which involved using available resources to bring advantages to union members either in economic terms through single firm or single area negotiations or by means of providing services (consultation, assistance, patronage etc.).

On the other hand, this tendency has been influenced by the characteristics of the working class in small-firm areas,<sup>12</sup> such as, for example, the low proletarianization of this social group which derives from the predominant forms of the organization of work, from its deep-rooted ties with the traditional institutional and cultural context (family and local community) and from the opportunities for individual-family mobility offered by diffuse industrialization. These factors, which were particularly important in the first stage of development, were certainly not very favourable to the militant unionism that prevailed in the large firms and industrial cities at the time, though it is important to remember that the latter model did, from time to time, influence union activity even in small-firm areas and that it produced new forms of conflict as well as internal changes within the political subcultures.<sup>13</sup>

On the whole, however, structural constraints

and the characteristics of the working class directed the unions towards a negotiative and localist type of representation. This can be seen in negotiations at firm and area level. Though these were more or less formalized, they nevertheless reflected the compatibility of local political and economic systems. There are, of course, likely to be even substantial differences in the extent and effects of various negotiations. In general, however, union agreements and activity did not impose rigid constraints on the mobility and flexibility of the workforce. In exchange, the unions obtained benefits of a prevalently economic type and a high level of recognition on the part of the entrepreneurs. In this regard, it is necessary to bear in mind that the rate of membership of business associations is probably higher than it is usually thought to be in small-firm areas. Comparable regional data are not available, but in both Valdelsa and Bassano more than two-thirds of the artisanal and industrial enterprises supported organizations of their category. The majority of the entrepreneurs, moreover, said that they were in favour of 'stable relationships with union organizations' and 60 per cent in Veneto and 45 per cent in Bassano reported that they had 'frequent contacts' with the union in the firm.

It is within this general context that the role of internal dualism in the industrial relations of the individual areas is to be considered. This role is always present but its importance varies according to the local economic and political context. Workers' organizations are less likely to be found in smaller and, particularly, artisanal firms (usually units with less than 15 employees) where there are also some legal limitations on union activity. These firms are often tied to larger enterprises through the decentralization of production, which is rarely an issue in union activity or negotiations. This dualism allows firms in the industrial sector to cushion the costs of union representation to a certain extent. On the other hand, family and community ties help to moderate the effects of discontinuity in employment and of lower pay for workers involved in the sectors not protected by unions. For example, the wives and children of unionized workers in industrial firms are often employed in these sectors.

The factors discussed up to now show that there is a complex inter-relationship, on a local level,

between market, traditional social structures and interest representation. A consideration of local government activity should further add to our understanding of the small-firm economy and, indeed, the influence of the subcultural background can also be established in this context.

#### THE ROLE OF LOCAL GOVERNMENT

We have already referred to the role played in the 'defence of the local society' by the Socialist and Catholic subcultures at the beginning of the century. With the development of small firms, one could say that this role has been revived, though obviously in different forms and contexts, within the processes of interest mediation in the individual areas.

In the climate of marked ideological conflict that characterized the 1950s, the activity of the Communist and Catholic institutional networks was directed, principally, at defending, reproducing and reinforcing their respective subcultures. The Communist party and the Catholic Church assumed a primary role in this phase and they controlled and coordinated local institutions.<sup>14</sup> The communes were among these institutions and, though these did undertake concrete interventions in the social field, they were also used, to a significant extent, to consolidate local political identity. This trend was typical of the red areas in particular. Given the exclusion of the PCI from the central power, the activity of the local governments controlled by the party was directed, largely, at supporting local political mobilization and at channelling demands and pressures towards the central institutions. The choice of a balanced budget in the communes, which was abandoned in the 1960s, is significant from this point of view. This choice certainly arose from the need to avoid central control and often, as far as left-wing administrations were concerned, discrimination, but it also reflected a more general orientation of the Communist subculture which was directed, above all, at defending and consolidating the local political identity.<sup>15</sup> As far as the white administrations were concerned, the choice of a restrictive budgetary policy arose from a tradition of minimal direct intervention on the part of the communes, a policy that was maintained in the following period. In this phase, however, one can note that the degree of autonomy of the DC and the communal

administrations from the local Church was very limited.

Things changed in the following period. It is possible to discern a shift towards a more concrete and relevant role of local governments and unions in the mediation of local interests. This came about within the context of changes on a national political level which opened up greater opportunities for the activity of local agencies, particularly in the 1970s. The development of small firms was, nevertheless, an endogenous and essential condition for this process. The existence of deep-rooted traditional social structures and identities did, as we have emphasized, facilitate the transformation of the economy and the latter, in its turn, led to a smooth, non-traumatic redefinition of these resources. Thus, a specific space was opened up for local government activity which began to supplement the role of traditional institutions in the regulation of economic development.

In order to clarify the nature and consequences of this process further, a series of factors must be considered. The parties which controlled local governments, the DC and PCI, enjoyed a high level of ideological consensus. The support was, in fact, an expression of overall cultural identity which, especially in the smaller centres, cut across the class structure and assumed a community character. This generalized support freed the administrators from the necessity of satisfying very specific and sectoral demands.<sup>16</sup> Moreover, even though the DC and the PCI were often part of coalition councils, they enjoyed a dominant role because of their strength in the local subcultures. This factor may have contributed to increasing the stability and decision-making capacity of local governments.<sup>17</sup>

There are, of course, differences in the ways in which the parties held and exercised power and influence. In particular, one can hypothesize that the DC had a more marked inter-class orientation than the PCI. Nevertheless, it is interesting to note that, because of their original characteristics, the social bases of both subcultures included various classes to a greater extent than in other areas. The development of small firms modified this situation over time and the differences between the subcultures were accentuated. But this came about in a gradual and non-traumatic way so that the local governments were, for a long time, able to

enjoy a reservoir of support that freed them from satisfying particular demands. Another element which increased the chances of success of communal policies in regions of small-firm development compared to large-firm or underdeveloped areas was that diffuse industrialization, particularly in its initial stage, limited the problems that local governments had to face. That the traditional family and the community background were not changed, that there was no great inflow of immigrants and that employment and consumption were sustained not only facilitated the task of the communal administrations but also allowed the traditional institutions and local interest groups to be used in the regulation of the industrial districts.

In summary, the policies adopted by the communes were aimed at maximizing the resources available (and these included applying pressure at a regional and central level) in order to favour agreements among the various interests involved in the development of small firms. The activity of local government included both direct policies in support of economic development and, especially, policies in the social field which were directed at mediating the effects of the market as a regulator of the economy and of employment. The creation of industrial estates for small firms, the provision of professional training and of infrastructure and support for the formation of consortia among the firms for the purposes of marketing or export facilities are examples of the first type of policy. Communes also became increasingly involved in attempts to find solutions to crises in those firms which were particularly important to the economy and to employment in the area.<sup>18</sup> This often involved putting pressure on regional and national governments to grant redundancy payments to the workers and, even, interceding with local banks on questions of credit. It also involved mediating between local unions and entrepreneurs.

The communes, however, have limited powers in the economic field. They were able to contribute to the creation of additional advantages for the firms but, basically, they fostered a process of economic growth which was not politically determined. Their social policies did, however, have a much greater impact. The provision of services in the fields of transport, public housing, schools, day-care centres and health care often contributed to improving the living conditions of the workers and, in effect, they

created a kind of local social wage. These policies also supplemented the resources provided by the traditional institutional fabric, particularly the family, in so far as they promoted a growth in female employment and general flexibility in employment.

There are, however, important differences in the various local policies. Despite the lack of research in this field, we do have some indications, with particular reference to the last ten years. The red administration tend, on the whole, to be more interventionist than the white councils of the north-east (Ferraresi and Kemeny, 1977). This tendency is particularly noticeable in the areas of land-use and social policy, while the differences are less marked in the area of direct economic intervention. Left-wing administrations are, in general, more inclined to adopt urban policies by which they try to control land-use in the area and to promote forms of public or co-operative housing. In the area of social services, their tendency towards a higher degree of interventionism can be seen in their attempts to increase the number of services available and to assume direct responsibility for their operation, as, for example, in transport, day care and health care.

The white administrations, by contrast, tend to intervene less and to delegate the provision of services, for the most part, to the Catholic organizations which, however, receive some support from public funds. Data that confirm this picture can be found in various studies on commune expenditure. These show that expenditure and, consequently, the levels of budget deficit and debt, tend to be higher in communes controlled by the left.<sup>19</sup> Expenditure is lower in communes controlled by the DC in the white areas, though this is not true for DC communes in the south (Brosio and Santagata, 1978; Aiken and Martinotti, 1980). It would, however, be mistaken to conclude from these data that the white communes operate on a purely *laissez-faire* basis. It can, in fact, be shown that they do intervene to maintain the equilibrium between the dynamics of the market and the traditional local institutions (Cacciari, 1977). There are two principal aspects to be considered in this respect. Land-use and urban policies have aimed at promoting the interpenetration of factory and residence, even though this involves considerable costs, in order to minimize

community uprooting and to make use of the integrative role of the family. Moreover, these policies are, in general, accompanied by support, including financial support, for the Catholic network of assistance. In this way, a series of services with important cultural and material effects is provided, albeit indirectly.

#### STRENGTH AND WEAKNESS OF NEO-LOCALISM

In conclusion, communes have contributed to the localist mediation of interests. This has been achieved by means of political resources which, directly or indirectly, have facilitated the integration of, and agreement between, the various actors involved in the development of small firms. One should emphasize here that this model of activity does not imply direct intervention in negotiations between unions and entrepreneurs and their associations but does promote the chances of agreement among these actors. On the other hand, the development of concertation between local government and interest groups like unions and business associations is discouraged by the restricted powers of the communes in the economic field and by the limited autonomy of interest organizations. The characteristics of this form of representation are, therefore, different from those of 'local corporatism'.<sup>20</sup> Unions and entrepreneurs operate, rather, along the lines of traditional pressure group politics, directed at the parties with a view to obtaining particular advantages. In evaluating this phenomenon, we must, obviously, bear in mind the fact that the 'local political market' is influenced by the specific sub-cultural context which determines differences in the presence and influence of the various interest groups. In both respects, the organizations which are closest to the local subculture are in a privileged position.

Another characteristic of this model of relations between interest groups and local government is that the former may forego the use of vertical organizational structures—for example, of the unions or the business associations—for the transmission of the political demands towards the outside. The horizontal representation which is provided by the dominant party-local government circuit is, in fact, often preferred. Examples of this

can be found in the recourse by the unions to the communes in the already mentioned case of crises in local firms, or in attempts by entrepreneurs to influence the way in which regional-level benefits are allocated. Territorial representation is considered in these cases to be more effective than the functional representation provided by the various interest organizations at regional or central level, because the latter could entail a greater loss of control over the outcome of the issues involved and can be less satisfactory from the point of view of local interests.<sup>21</sup>

On the whole, representation plays an important role in the localist regulation of the small-firm economy. Representation operates through a network of functional structures (unions, business associations and other interest groups), which interact among themselves and with the local government in the individual areas, and through structures of territorial representation (parties, communes) which promote localist regulation by means of their intervention and their activity at regional and central level. The entire process is influenced by the local subculture which provides for the organization of interests but also conditions the forms of interaction among the various actors in the local political arena.

In the small-firm areas, a social compromise has thus been established, based, on the one hand, on the high flexibility of the economy and on its ability to adapt to changes in the market and, on the other, on the control of the costs and the redistribution of the benefits of development. On these bases, small firms could compensate for the shortcomings of the central political economy in Italy, and mitigated disruptive effects on employment and income. It is appropriate to emphasize the local dimension of this performance: not only is the individual area the primary unit of reference but the economic, social and political resources that facilitate adjustment are predominantly endogenous. This perspective is also important because it offers a key to the problems of modernization which are likely to affect the small-firm areas in the future.

The ability to confront international competition and, particularly, the challenge posed by countries with lower labour costs depends on technological innovation, the promotion of entrepreneurial skills and the training of the workforce. What is required,

therefore, is the development of resources and services which are not always available in adequate supply at the local level. The economic literature on small firms deals extensively with these questions and shows that it is not easy for the smaller units of production to internalize functions, such as managerial training, marketing and export activities, which become increasingly important under the new conditions of the international market. At the same time, one has also to take into account that the process of diffuse industrialization involves the consumption of local resources and brings about new costs, in terms of land-use, energy supplies, pollution, waste disposal and traffic congestion, that cannot be dealt adequately at the local level and only with local resources.

In the context of the small-firm economy, therefore, economic innovation poses a problem of scale. This raises, in turn, the question of the relationship between small-firm areas and the cities as centres of service-provision. Constraints of scale imply that the local economy becomes more dependent on the efficient operation of the regional political system. The need to experiment with forms of co-operation and organization among firms, to ensure that the necessary credit facilities are available and to stimulate relationships conducive to innovation among industrial districts and towns, makes the role of the regional political system more important.

In the Italian situation, the regional level could provide favourable opportunities for attacking problems of scale of the small-firm economy, which seem to require an intermediate level of government between the centre and the individual communes. These opportunities, however, have not so far been effectively exploited. In evaluating this issue, the emphasis is usually placed on the limited powers of regions in the industrial field and on the institutional and organizational constraints posed by the central government. Less attention has been devoted to the shortcomings of a regional system of representation. Even though this aspect should be more carefully investigated, it is likely that the strength of localist networks has hindered the emergence of adequate structures of representation at the regional level. These, however, tend to become increasingly necessary for tackling the constraints of scale which will affect the small-firm areas in the future.

## NOTES

1. It is well known that definitions of small firms are historically variable and can only be relative and conventional. In this article, firms with less than 250 employees are defined as small. In the central and north-eastern regions of Italy, about 80 per cent of those employed in industry are concentrated in small firms. The average size is less than 10 employees per unit and this average decreased during the 1970s.
2. For a comprehensive picture of the research project, which was coordinated by Arnaldo Bagnasco and Carlo Trigilia, see Bagnasco and Pini (1981); Trigilia (1981); Bagnasco and Trigilia (eds., 1984, 1985).
3. For an analysis of the initial debate on the labour market, see Paci (1973); for the following discussion on the decentralization of production, see Bagnasco (1977).
4. Among the numerous contributions, see: Becattini (1978, 1979), Varaldo (ed., 1979), Garofoli (1981), Rullani (1982), Brusco (1982), Sabel (1982), Sabel and Piore (1984).
5. For a more thorough discussion of this aspect, see Trigilia (1981). On the concept of political subculture, see Pizzorno (1966), and for an application to the Italian regions, Sivini (1971) and Farneti (1971).
6. The expression 'defence of the local society' recalls that used by Polanyi in *The Great Transformation* (1944). Polanyi is influenced by the English case and primarily refers to the *national* response to the challenges posed by the market, which entails an expansion of the state. The Italian experience shows the relevance of *local* responses which can also precede the full penetration of market mechanisms through the social fabric and can anticipate state responses.
7. For an analysis of these developments from an electoral point of view, see Galli (ed., 1968).
8. On the dynamic of unionization up to 1977, see Romagnoli (ed., 1980), and for a review of more recent trends, Romagnoli (1985).
9. On the development of conflict in Italy, in terms of strikes, see Bordogna and Provasi (1979), and for a review of more recent tendencies, Bordogna (1985).
10. For the former, see Hellman's discussion of the PCI '*politica delle alleanze*' (alliance strategy) at local level. On the relationship between unions and the white subculture, see Fasol (1980).
11. On the development of collective bargaining in Italy, and on firm-level negotiations, see Cella and Treu (1982).
12. For a more thorough examination of this aspect, see Bagnasco (1985).
13. These changes are probably more noticeable in the white areas, where the process of union autonomization introduced greater tensions between unions and the dominant Christian-Democratic party.
14. For an ideal-typical construction of the characteristics of both subcultures in this phase, see Alberoni (1967).
15. On the evolution of the activity of the 'red' communes, see Cammelli (1978) and Galli (1981).
16. On the relationship between ideological support and political demand see Pizzorno (1969).

17. Some empirical evidence of the greater stability of local governments in the subcultural areas can be found in Parisi (1984).
18. A study which documented this process well was carried out in Veneto (Fondazione Corazzin, 1984).
19. Since 1977-78, institutional measures which limit increases in deficit expenditures have been enacted. On the effects of these policies, see Dente (1985).
20. This concept was used with reference to the Norwegian case by Hernes and Selvik (1981); see also Cawson (1984).
21. Tarrow (1978) has pointed out the possibility of territorial representation being revived because of the shortcomings of functional representation.

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