COPE

Combating Poverty in Europe

## Work Package 5 – The national arena for combating poverty

# National report: Italy

UNIVERSITÀ DEGLI STUDI DI MILANO

Dipartimento di Scienze Sociali e Politiche
Department of Social and Political Sciences

Ilaria Madama, Marcello Natili, Matteo Jessoula

University of Milan,
Department of Social and Political Sciences

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## Main abbreviations

| | |
|---|---|
| ACLI | Christian Associations of Italian Workers |
| ALMP | Active Labour Market Policy |
| ANCI | Associazione Nazionale Comuni Italiani – National Association of Italian Municipalities |
| ASL | Agenzia sanitaria locale - Local Health Service Unit |
| ASPI | Assicurazione Sociale per l'Impiego – Social Insurance for Employment |
| CIES | Commissione d'indagine sulla povertà e l'esclusione sociale - Commission of inquiry on poverty and social exclusion |
| CIGO | Cassa Integrazione Guadagni "Ordinaria" |
| CIGS | Cassa Integrazione Guadagni "Straordinaria" |
| DC | Democrazia Cristiana, Christian Democratic Party |
| INPS | *Instituto Nazionale della Previdenza Sociale* - National Social Insurance Institute |
| ISEE | Indicatore della Situazione Economica Equivalente – Equivalent Economic Status Indicator |
| Lep | Livelli essenziali delle prestazioni - Essential Levels of Provision |
| LN | Lega Nord - Northern League Party |
| LSU | Lavoratori Socialmente Utili – Socially Useful Jobs |
| LTU | Long Term Unemployed |
| MIG | Minimum Income Guaranteed |
| Mii | Minimum Insertion Income, Italian national pilot project |
| MIP | Minimum income protection |
| Mis | Minimum income scheme |
| NSC | New Social Card |
| OUB | Ordinary Unemployment Benefit |
| PD | Partito Democratico – Democratic Party |
| PDL | Popolo della Libertà – The People of Freedom |
| PES | Public Employment Services |
| RUB | Reduced Unemployment Benefit |
| SC | Social Card |

## Foreword

Reducing poverty and social exclusion is one of the main challenges for ensuring social cohesion in Europe. The research project COPE – Combating Poverty in Europe: Re-organising Active Inclusion through Participatory and Integrated Modes of Multilevel Governance – analyses trends in poverty and social exclusion in Europe, and examines the dynamics of minimum income protection policies that potentially help alleviate the risk of poverty in Europe. A particular focus is on the situation of single parents, long-term unemployed and the working poor, who face particular risks of poverty and social exclusion. To what extent have minimum income policies functioned as last resort social security for these three groups, and in what sense can 'active inclusion' policies credited with protecting them from poverty and social exclusion?

Co-financed by the European Commission in the 7th Framework Programme, the COPE project unites researchers and stakeholders from six European countries, the UK, Italy, Poland, Sweden, and Norway. Having started in February 2012, COPE runs over a three-year period. COPE's method is comparative – analysing developments in five European countries (Poland, Germany, UK, Sweden and Italy). Its focus is inherently multi-level, looking in turn at developments at European, national and local level.

The present report is part of COPE's effort to uncover the dynamics of national level policy reforms in the area 'active inclusion', namely reforms affecting national policies that specify the adequacy of minimum income benefits, the provision of employment services, as well as the organisation of access to social services. It focuses particularly on the three groups; single parents, long-term unemployed persons, as well as the working poor.

The present report is complemented by national case studies covering developments in the other four countries. It feeds into a comparative report on similarities and differences in the development of minimum income protection across Europe, to be published later in 2013.

# 1. Introduction: the Changing Demand for Minimum Income Protection since 1990

As highlighted by Clegg (2013), the increase of poverty and social exclusion among working-age individuals in recent decades is the result of the complex interplay between social needs and risks on the one side, and the protective capacity of labour market, welfare state and social institutions on the other. The first section of this report is aimed at shedding light on the main developments occurred in Italy in the last two decades on these fronts, focusing on the transformations which undermined the protectiveness of labour market institutions - through unemployment compensation and employment security - and the capability of families to act as effective social shock absorbers and prevent poverty.

## 1.1. The protective capacity of employment

The Italian labour market has traditionally displayed a pattern of employment based on the predominance of full-time and permanent job contracts, a “rigid” labour regulation – with a high level of job protection and strong barriers for those entering the labour market – and low public expenditure on activation measures (Ferrera and Gualmini, 2004).

On the side of industrial relations the system followed a voluntaristic approach; legal institutions are rare and the autonomy degree of partners involved in industrial relations is high. Over time besides a highly centralized level of negotiation – that of agreements between unions’ confederations and employers’ associations used to address general issues – the bargaining system assumed a bipolar character centred around two main negotiating levels: the national industry (or sectoral) level – devoted to the periodic definition of pay and conditions valid for an entire industry or sector – and the company or plant level – devoted to negotiation (usually ameliorative) on specific aspects of workplaces[1]. Though there is no legal mandatory minimum wage, “minima” are fixed by national contracts collectively agreed by unions and employers’ associations. Despite the relatively high level of bargaining centralisation and co-ordination, national contracts result binding only for firms member of employers’ association that signed the contract and no formal rule prevents an independent firm to pay wages lower than contractual ones[2].

The rigid labour market regulatory framework has long been characterized by the public monopoly of placement services on the one hand, and restrictive rules for individual dismissals on the other, leaving employers little discretionary power in hiring and firing. In 1966 individual dismissal was restricted by law to well-justified cases, and in 1970 Article 18 of the Workers Statute prescribed that, in firms with more than 15 workers, employers were obliged to re-integrate fired workers if the Court declared dismissal illegal (with penalties). These arrangements favoured job stability, which was also the consequence of the extensive

1 It was not until the tripartite agreement of 1993 that sufficiently clear and firm specification was given to the competences, procedures or issues pertaining to the two levels. Consequently, the balance between centralization and decentralization frequently changed according to circumstances and to power relations (Regalia and Regini, 2002).

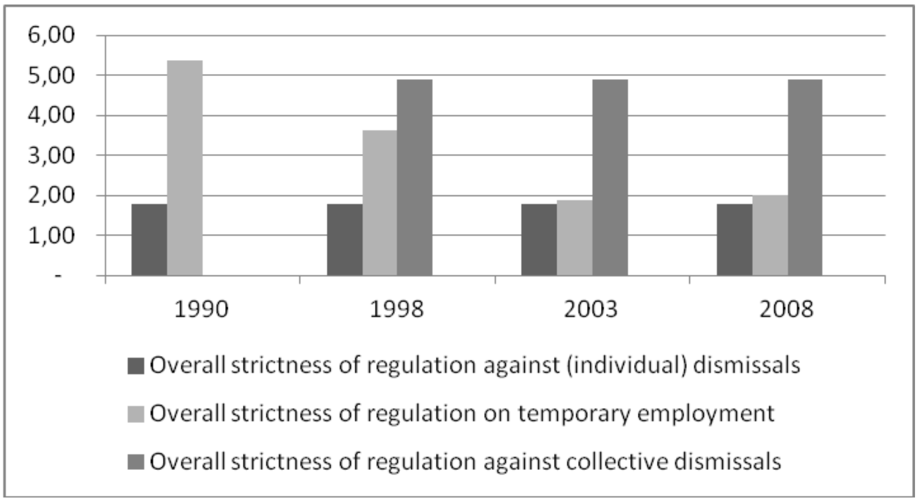
2 On the other hand, several forces co-operate to extend the actual coverage of national minima: (1) courts tend to use them as yardsticks, providing an incentive for dissatisfied employees to call for the court’s intervention and for unions to support such claims; (2) financial subsides to firms are often made conditional on complying with contractual rates; (3) employers’ social contributions are to be computed on the maximum of the actual earnings and the contractual minima (cf. Regalia and Regini, 2002).

use of permanent contracts, while flexible, temporary and part-time jobs have been virtually unknown until the mid-1990s.

The overall picture started to change in the late-1970s, when the pace of economic growth slowed down, employment rates first stabilized and then declined, unemployment increased and, above all, long-term unemployment grew significantly. After the 1979 second oil shock all labour market indicators gave evidence of an acute “welfare without work syndrome”: the unemployment rate increased from 7.4% in 1980 to 9.7% in 1989, and the employment rate slightly decreased from 54.0% (1983) to 53.3% (1989).  In the early 1990s, employment indicators continued to worsen due to the economic – and fiscal - crisis that affected Italy. In order to tackle such a severe crisis, in the subsequent years some important interventions in labour market policy were adopted, contributing to a (partial) reshaping of the model that had consolidated in the post war decades. This actually occurred only when the deepening of European integration severely limited the potential to employ most of policy strategies that Italian policy makers had pursued in order to (indirectly) tackle the problem of unemployment in earlier decades (Ferrera and Gualmini, 2004). With “competitive devaluations”, notably, ruled out by the ‘EMU track’, after 1992 governments were forced to pursue more innovative policy strategies to reduce labour costs and foster employment. Early initiatives included the abolition of the automatic wage indexation mechanism (“Amato Protocol” 1992) - which completed the reform process launched in the previous decade - and the pursuit of wage moderation through the negotiation of a number of social pacts (signed in 1992 and 1993 by the two technocratic cabinets Amato and Ciampi, then in 1996 and 1998 by two subsequent centre-left governments). Subsequent reductions of labour costs were mainly achieved through a rather “selective” flexibilisation of the labour market, based on favouring the spread of  ‘atypical jobs’, targeted on new entrants to the labour market and generally lower paid and less protected in terms of access to social benefits than open-ended full-time forms of employment (Jessoula et al., 2010).

Actually, a proper post-industrial labour market, characterized by increased levels of flexibility and more frequent transitions into and out of as well as across employment, did not emerge until the late-1990s in Italy, though the transition to a predominantly service based economy was largely complete by the early-1990s (Jessoula and Vesan, 2011). The process of flexibilization was based on the removal of some rigidities that had hitherto characterised – and limited – the use of fixed term contracts, and on the introduction of a series of new flexible job contracts – with lower labour and firing costs than ‘typical’ full-time, permanent jobs. The most important policy measures were adopted in 1997, 2001, 2003, 2007 and 2012.
As mentioned, the Italian labour market was made more flexible with an explicit twofold aim of favouring the employment of ‘disadvantaged categories’ (among them young people, low-medium skilled women, and the long-term unemployed) and fighting irregular work. However, as argued by Berton et. al (2012: 4), Italy followed a peculiar path towards flexibilization, that can be named a “flexibilization at the margin”, obtained through the liberalisation of fixed term contracts “to the highest degree”. This means that flexibilisation of the Italian labour market has been pursued through the provision of ‘atypical employment’ for those entering the labour market or, more generally, for younger generations. By contrast, rules for (both individual and collective) dismissals of workers hired with traditional standard contracts have not been modified, as captured by the striking continuity in ‘standard’ employment protection legislation (EPL) indexes  and the sharp decline in the strictness of regulation on temporary employment (Figure 1).

**Figure 1 Employment protection legislation index and selected sub-indicators, Italy, 1990-2008**




**Source:** OECD online labour market programmes database.

In quantitative terms, figures substantially confirm: the growing relevance of atypical jobs over the last decades; the major contribution of the latter to the growth of employment; and the concentration of flexible contracts among the young. Since the early Nineties, flexible employment has almost doubled, accounting for about 20% of total employment in 2007. It should also be noted that temporary employment – given its intrinsic nature, characterized by frequent periods of non-work – tends to be underestimated. In the period 1995–2001 more than 60% of the new job contracts were ‘atypical’, and in 2006 more than half the increase in employment took the form of ‘non-standard’ contracts (CNEL, 2007). Workers aged 16-38 are those more exposed to fixed-term employment. On the one hand, this is due to the fact that atypical jobs have progressively become the most “typical” form of employment for those entering the labour market. On the other hand, older generations entered the labour market when flexibility was very constrained by Italian labour market legislation.

In this background, the issue of whether temporary contracts can function as a sort of stepping stone towards permanent jobs becomes a key aspect. Using micro-data on work histories (WHIP, Work Histories Italian Panel dataset), Berton et al. (2012) shed light on the effects of the Italian path towards labour market flexibility on workers’ careers and income security. With regard to the issue of temporary employment as a port of entry towards more stable employment their results can be summarised as follows: transitions to open ended contracts are always more likely for the employed regardless of their type of contract than for the non-employed. However, individual characteristics – such as gender and level of education - are key predictor of individual labour market chances. Individual characteristics being equal, the most likely event for a worker is nevertheless to be hired again with the same type of contract.

In the same direction, the analysis provided by CNEL (2012) highlights the fact that the springboard function of temporary employment needs to be cautiously examined, given the existence of a segment of the labour force experiencing a lock-in effect. If in the pre-crisis situation nearly 29% of workers on temporary contracts were expected to be on open ended contract the following year, in 2010-2011 the rate decreased to 23%. At the same time, the path from temporary jobs towards inactivity and/or unemployment concerns a rising share of individuals, almost 20%.

Furthermore, it has to be noted that irregular workers have to some extent to be included in the cluster of precarious workers (Cies, 2012). This phenomenon acquired in Italy a very significant size. According to Istat estimates, irregular employees are about 2.3 millions, plus 657.ooo self-employed workers in the black economy. The rate of irregular work reached 12,3% in 2010.

Turing to overall labour market trends, since the second half of the 1990s until the crisis, employment indicators displayed a positive trend in Italy. Both employment and unemployment rates significantly improved, and particularly the latter sharply decreased. As table 1 shows, in 2007 the unemployment rate in Italy was 6.2%, substantially lower than the EU-15 average (7.1%) and the major continental countries such as France (8.0 %) and Germany (8.7 %). The fall in unemployment of young people (aged 15–24), also, was impressive, from 30.3% in 1995 to 20.3% in 2007. In addition, long-term unemployment felt, and its share on total unemployment shrank from 61.3% to 45.7% between 2000 and 2007.

**Table 1 Unemployment rates (15-64), total and long term, Italy and EU15, 1980-2010, selected years**

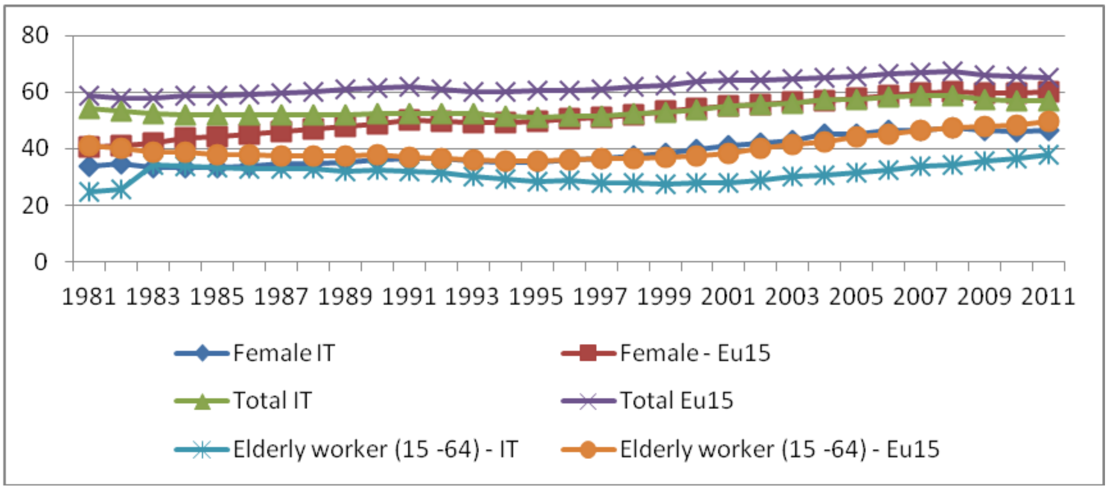
| | Unemployment % | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2007 | 2011 |
| *Italy* | 7,6 | 10,4 | 11,5 | 11,7 | 10,6 | 7,8 | 6,2 | 8,4 |
| *Eu15* | 6,1 | 10,7 | 8,4 | 10,7 | 8,3 | 8,2 | 7,1 | 10,2[i] |
| | *Long term unemployment, % of total unemployment* | | | | | | | |
| *Italy* | .. | 66,3 | 69,8 | 63,6 | 61,3 | 49,9 | 45,7 | 51,9 |
| *Eu15* | 33,0 | 52,9 | 49,5 | 50,3 | 46,9 | 41,9 | 36,0 | 45,2[i] |

**Note:** [i]Euro-area
**Source:** OECD online employment database

Labour market participation slightly increased (from 58.3% in 1993 to 62.5% in 2007), although this did not enable Italy to catch up with other European countries, that experienced a similar trend in the same period. Between 1993 and 2007 the difference in the rate between Italy and the EU-15 remained roughly the same: around 10 %. This situation is partly due to Italy's poor performance as far as the employment of women and older workers (aged 55–64) is concerned. In Italy in 2007, female employment rate (46.6 %) was one of the lowest in Europe, about 13 percentage points below the EU-15 average (59.7 %) (Figure 2). The situation was similar for older workers: 33.8 % in Italy compared to 44.4 % in the EU.

A second phase - between 2008 and 2011 - was characterized by the abrupt disappearance of positive labour market trends as a consequence of the financial and subsequent economic crisis (Table 1; Figure 2). Italian GDP fell by 1% in 2008 and 5% in 2009, and unemployment increased sharply once more, reaching in 2011 the percentage of 8.4 (10.7% in 2012). In 2011, the total number of unemployed was 2.1 million (1.5 in 2007), more than half was made of LTU, which recorded a consistent growth during the crisis.

Figure 2 Employment rates: total, female and elderly workers (55-64). Italy and Eu15, 1980-2011




**Source:** OECD online employment database.

Data show that atypical workers were the first victims of the economic crisis. In 2009 fixed term employees shrank by more than 7.3 percentage points, equal to 171 thousand occupied less than 2008, even though we assisted to a partial recovery in 2010 (plus 1.4%) (CNEL, 2012). Significant has been also the drop of project workers (-65,000 units in 2009), as well as part time workers (-113,000 units) (Istat, 2009). Furthermore, relevant has been the fall of younger cohorts employment rates, particularly aggravated the phenomenon of Neet. The pre-crisis rate of Neet was around 16% among the younger population (16-24 years) and 24% for young adults (25-30 years): these percentages have increased rapidly, to reach respectively 18.6% and 28.8% in the third quarter of 2010 (CNEL, 2012). In addition, long term unemployment has grown, from roughly 46,8% of total unemployment in 2007 to 48.3% of total unemployment in 2010 (CNEL, 2012).

Moreover, the second phase of the crisis has started to hit the insiders, with the loss of a number of standard contracts and their - only partial - replacement with flexible job contracts. Due to a profound uncertainty about the economic trend, firms tend to hire workers by means of temporary and part-time contracts, which reached in 2011 a share respectively of 13,3% and 16,4% of total dependent employment (CIES, 2012). Overall, the outcome is a more flexible and, to some extent, even more polarised labour market.

### 1.2. The protective capacity of unemployment insurance

Quite the opposite with respect to other European countries, the protective capacity of unemployment insurance in Italy has undergone several improvements during the last two decades. Departing from a very residual model, since the late Eighties unemployment compensations has experienced a growth in both duration and generosity that bridged Italy to meet average European standards, as regards first pillar schemes. However, as argued by Jessoula et. al. (2010), these improvements benefited in a differentiated way different fragments of the national labour force and did not overcome some of the main traditional shortcomings of its unemployment compensation system.

Over the years and through the stratification of subsequent laws, the Italian system of income protection for the unemployed has acquired an extremely complex configuration. Unemployment protection has traditionally been very fragmented and varied across social groups, giving raise to unbalanced social rights. Italy traditionally privileged "first pillar" contributory schemes, together with some special measures which displayed a great variation in coverage and benefits generosity along occupational lines. The protection was generally stronger in the industrial sector and in medium and large-sized firms, where employees were not only entitled to ordinary unemployment benefits but also to very generous programs for wage replacement in case of (partial or total) working-time reduction without definitive dismissal (Cassa integrazione guadagni ordinaria e straordinaria – CIGO and CIGS, see below). By contrast, workers employed in micro and small firms have traditionally had access to ordinary benefits only, which till the late Nineties remained of a very modest amount. Moreover, second pillar, "dedicated" social assistance schemes and a last resort safety-net for those not employed fully lacked (Ferrera, 1998; 2010; 2012).

More in depth, for dependent workers, two main unemployment compensation schemes were set: ordinary unemployment benefit (OUB) and reduced unemployed benefit (RUB). Since its introduction in 1919, eligibility conditions for OUB have remained unchanged and rather tight from a comparative perspective; in fact, the requirements are at least two years of insurance seniority and 52 full weekly contributions in the two years before the onset of unemployment. Since the late '80s, the benefit has progressively become more generous. The second scheme was introduced in 1988, with the explicit aim to cover seasonal workers, who could hardly get entitlement to ordinary OUB because of its contributory requirements. RUB was characterised by looser qualifying conditions (at least two years of insurance seniority and a minimum of 78 working days in the year of unemployment) and lower benefits. Monetary transfers were in fact calculated taking into account the actual days of employment (with a ceiling of 156 days per year, 180 since 2008), and were paid in a lump sum during the year following the onset of unemployment, with a replacement rate graduated between 35 and 40 % of average yearly based daily wage (with ceilings).

Beside standard insurance schemes, the special CIGO and CIGS schemes provided generous wage replacement – 80% of last wage (with ceilings) – in case of (partial or total) working-time reduction without definitive dismissal. These schemes have been largely used as functional substitutes of fully fledged individual right-based unemployment compensation schemes, however, it must be noted that their provision is not automatic, being conditional upon a bargaining process between the government, the unions and employers, and their coverage was limited to about 40% of dependent workers (Geroldi, 2005), mostly employed in large-sized firms in the industrial sector, while employees of small firms and most service activities are excluded.
In 1991, these special schemes were complemented by the indennità di mobilità (mobility allowance), an unemployment scheme for those dismissed workers already covered by CIGS (workers of industrial firms with more than 15 employees and large-scale retail companies). Coverage is therefore limited to less than 40% of dependent workers and benefits are generous (replacement rate: 80%) and provided for 12 months, though they can be extended to 48 months (in relation with the age of the worker and the territorial area) with the consequent reduction of the amount. The introduction of this new instrument – further increasing the fragmentation and the segmentation of the protection in case of unemployment - followed the traditional path of Italian labour policy characterized by reliance on passive labour market policies and job supply's reduction (Samek Lodovici and Semenza, 2008). In fact, the "mobility allowance" has rarely been used to facilitate the transition of workers from a job to another, being more often employed as an instrument for early-retirement (Geroldi, 2005).

In the last two decades several proposals for a comprehensive reform of the 'social shock absorbers' have been put forward. Reforms however have usually privileged a 'conservative' and incremental approach, extending the duration and increasing the generosity (in terms of replacement rate) of already existing schemes, though leaving eligibility criteria unchanged. To make a long story shot, from early Nineties to late 2000s ordinary UB has been subject to a number of revisions: the first, in 1993 (Law 236/1993), increased the benefit from 7.5% to 25% of previous wage, but it did not modify the duration (6 months) and especially the eligibility requirements; the latest pre-crisis amendment was made with the 2008 budget law (Law 244/2007) which extended the duration of benefits to 8 months (12 months for workers aged 50 and over) and increased the amount to 60% of the previous average daily wage for the first 6 months, then declining. Also the RUB was modified by the 2008 budget law: the maximum reference period to calculate benefits has been extended from 156 to 180 days per year and the replacement rate has been graduated (between 35% and 40% of average yearly-based daily wage).

The issue of adequate income protection came back to the fore in 2008-9 when, due the dramatic economic situation, Italy for the first time faced a severe employment crisis in the context of a post-industrial labour market (Jessoula and Vesan, 2011). The government's strategy has however primarily targeted the containment of redundancies, through measures that allowed companies to reduce for limited periods the activity through temporary suspensions of workers. This strategy relied on the extensive recourse to CIGO/CIGS, as well as the modification of these schemes' ordinary rules (so-called ammortizzatori sociali in deroga, social shock absorbers 'in derogation') through extended duration and relaxed eligibility requirements. Though these measures may have contributed to partially reducing the occupational segmentation of unemployment benefit support, allowing some categories of workers usually excluded from ordinary CIG benefits and mobility allowances to be entitled to these relatively generous schemes, they have been much less effective in protecting atypical workers.

In the midst of the economic crisis in 2012, the technical executive led by Monti passed a wide reform of the labour market (L. 92/2012), which introduced some novelties also on the front of unemployment compensation. As of 1 January 2013, OUB and RUB were replaced by ASPI and mini-ASPI (Assicurazione sociale per l'impiego). As regards coverage, ASPI was extended to apprentices, yet eligibility requirements remained unchanged. However, benefit generosity widely increased: the duration was expanded to 12 months (18 months for those aged 55 and over), and replacement rate was set at 75% for the first 6 months, then declining (60 for the following 6 months, 45 for the remaining months), to be calculated however as the average gross monthly wage over the past two years instead of the average of the previous three months, with a ceiling of 1.120 euro for 2013. In the case of mini-ASPI, eligibility criteria are much more relaxed than those for RUB, being 13 weekly contributions in the past year, and no insurance seniority is required. Benefits rules are the same as ASPI, whereas its duration is limited to half the number of weekly contributions in the past year, thus ranging from 1,5 to 6 months.

On the side of conditionality, it is to be noted that traditionally all unemployment benefits beneficiaries were required to enrol at the public employment service (PES) and to declare to be available to work. The benefit was to be suspended in case of refusal of an adequate job offer or to take part to active labour market measures proposed by the PES (on this point see Sections 4.3.2).

Though the system has, in the last two decades, become somewhat fairer and more inclusive, significant gaps in coverage still persist, especially amongst certain groups (such as atypical workers, young people and females entering or re-entering into the labour market, long-term unemployed). For most temporary workers the protection of income in case of unemployment – if any - is much weaker than for standard dependent workers. As mentioned, apprentices, till 2013, were not entitled to unemployment benefits, made exception for RUB if apprentice had a previous employment spell. Fixed-term employees and temporary agency workers, despite being formally covered by the two schemes, were very likely to meet insurmountable obstacles in accessing unemployment benefits due to their strict eligibility requirements, not easily fulfilled with temporary jobs. Berton et al. (2012) estimated that nearly 60% of full-time direct-hire temporary employees and 65% of full-time temporary agency workers were not eligible for OUB due to its seniority and/or contributory clauses. These workers may thus had better chances of accessing RUB. The seniority requirement, also in this case, however had till now prevented a large share of temporary workers from accessing the benefits. The Mini-Aspi is expected to overcome these obstacles and to provide a fairer unemployment assistance to temporary employees.

In the area of temporary employment, self-employed VAT holders and para-subordinate workers are in the most critical condition; in fact, although they - quite often – are bogus self-employed they are formally not entitled to any kind of unemployment compensation. The IV Berlusconi Government introduced a lump-sum compensation for para-subordinate workers, a measure that was extended till 2012. However, the amount was extremely low and, above all, eligibility conditions were very tight, so that only a minority of para-subordinate workers were actually (poorly) protected. In the post-2012 scenario, para-subordinate workers are still not covered by ASPI, however a new dedicated lump sum benefit was introduced. Its main requirements are: having had a single employer and a gross yearly income below a certain threshold (20.000 euro for 2012), and at least 3 full monthly contributions in the previous year; having at least 1 monthly contribution in the current year, and at least two months of unemployment spell. The amount of the benefit then depends on the number of monthly contributions accrued in the previous year, ranging from 3.100 to 6.200 euro in 2013.

To sum up, the generosity of ordinary unemployment benefits in terms of replacement rate and coverage has seen significant improvements over the last two decades. However, figures on coverage rates mirror the existence of wide gaps. At the end of the last decade, about 1.2 millions dependent employees were de facto not covered by unemployment benefits in case of fire (60% of them were on fixed-term contracts), plus additional 400.000 para-subordinate workers (Banca d'Italia, 2009).

### 1.3. Family policy and the protective capacity of the family

The under-development of family policy was highlighted by comparative welfare state research as one of the distinctive traits of the Italian welfare state (see Anttonen and Sipilä, 1996; Ascoli, 2011; Fargion, 1997; Ferrera, 1996, 2005; Kazepov, 1998; Saraceno, 2002). Similarly to unemployment protection, schemes targeted to support families have traditionally been very modest and for some categories fully lacking. If social care services have resulted to be very poorly developed, also on the side of cash transfer Italy lagged behind. The main scheme of income support for families (Assegno al nucleo familiare) was informed by a social insurance principle. Family allowances were thus not conceived as universalistic, tax-financed benefits related to children burdens, being rather considered as wage supplements for workers with dependent members, and financed through social contributions, for employed, unemployed individuals (just if covered by insurance-based unemployment benefits) and retired dependent workers only (see Ferrera, Fargion and Jessoula, 2012). From 1983, family allowances were made subject to means test, becoming a sort of "hybrid" measure of income support targeted to the most vulnerable workers with family burdens, integrating a social assistance aim with an underground contributory nature. The access to this measure has however remained limited to employees (employed, unemployed on unemployment benefits or retired persons if previously dependent workers)[3]. As mentioned, the amount is positively related to family size and negatively related to its total income (see section 2.1.2 for a more in depth description of this scheme).

In this labour market and social protection backgorund, extended family has traditionally played a key role as social shock absorber (Naldini, 2003). Due to the weaknesses of public intervention in the field of social care, Italian families have dealt with the challenges emerging from a post-industrial society mainly through informal care provided through extended households networks. The kinship solidarity model of Southern Europe investigated by Naldini (2003) clearly emerges by looking at comparative figures. Inter-generational solidarity is more intense and takes peculiar forms. On the one side, one of the strategies put in place by Italian households is that of co-residence of old parents with their adult children (Albertini and Kohli, 2012), a phenomenon that in Italy according to SHARE survey concerns about 40% of respondents (Table 2), against 18% in Germany and 9% in Sweden. Pretty similar is the situation with regard to informal aid and care patterns (Table 3). The average number of hours spent to assist single-living elderly by adult children outside the household is of 1.296 in Italy, against an average of 668 of Germany. On the same line, according to a recent survey by Istat (2011), in Italy when parents work 2 out of 3 children below the age of 10 are regularly looked after by grandparents.

**Table 2 Co-residence of elderly people with children and partners by country, 2004**

| Country | Incidence % |
|---|---|
| | |
| Denmark | 7 |
| Sweden | 9 |
| | |
| Austria | 18 |
| France | 18 |
| Germany | 14 |
| | |
| Greece | 37 |
| Italy | 39 |
| Spain | 40 |

**Source:** data from Albertini et. al. (2007).

The primary role played by Italian families as social clearinghouse - beside the fact of generating inequality as life chances more strictly depend upon the characteristics of the

[3] In 2000 it has been extended to the contract workers.

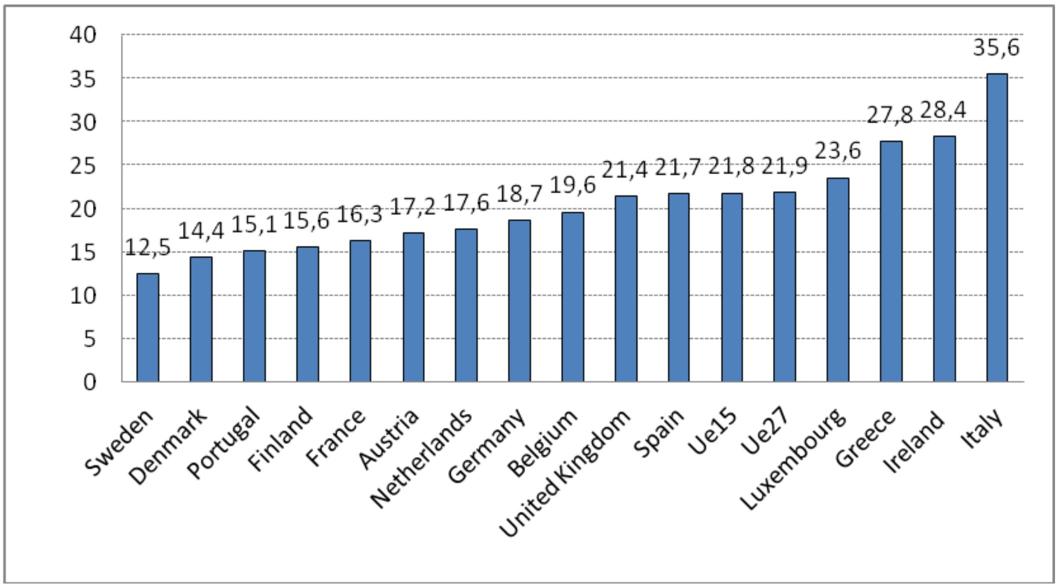
family of origin - results poorly effective in the current scenario due to a number of socio-economic transformations that undermined households' protectiveness. Italian families are becoming smaller, less stable and with less time to dedicate to care activities. The quota of children living in single-parents households almost doubled between 1998 (6%) and 2011 (12%). Single-person households passed from 19.3% in 1988 to 26.4% in 2009. The higher frailty of marriage and the decline of average households' size are complemented by a mounting female labour market attachment, especially for younger cohorts, thanks to better education outcomes. This trend is likely to undermine in the near future the availability of time resources within the household for full-time caring functions.

**Table 3 Intergenerational informal aid patterns, 2004**

| Country | *Informal aid from parents to adult children outside the household including looking after grandchildren* (yearly average hours) | *Informal aid from adult children outside the household to single-living elderly (yearly average hours)* |
|---|---|---|
| Denmark | 382 | 218 |
| Sweden | 388 | 330 |
| | | |
| France | 742 | 736 |
| Austria | 820 | 470 |
| Germany | 689 | 668 |
| | | |
| Italy | 1.443 | 1.296 |
| Spain | 1.338 | 1.111 |

**Source:** data from Albertini et. al. (2007) and Bolin et al. (2008).

**Figure 3 Inactivity rates (25-54 years), Eu15, 2010.**




**Source:** Eurostat database.

Quite the opposite with respect to what happens in other European countries (where the two-parent model allowed families with children to simultaneously earn labour income and meet childcare needs), in Italy, two parents families also find themselves at substantial risk of poverty due to the difficulty of reconciling caring responsibilities with work. The entrapment of women in caring functions has, not surprisingly, a negative impact on female labour supply. Even though female employment has significantly grown in the last decade, the rate is consistently lower than Eu average and best performing countries. For those aged 25-54, the national rate is 58,7% against an Eu-15 average of 71.4%. The presence of kids in the household further contributes to a significant decline of the employment rate (55.6% for women with at least a child against an Eu15 average of 67.8%, 72% for Germany and 74.6% of France).

Many obstacles operate on the labour supply side, as one third of females aged 25-54 are inactive (Figure 3), and almost half of them declares to be out of the labour force because of family duties (Eurostat database). To be noted that increased labour market participation of women might heavily contribute to reduce poverty rates, as the presence of a second income in the family makes households less vulnerable in economic terms.

### 1.4. Poverty trends in the midst of the crisis

As illustrated in the previous pages, several major socio-economic transformations have generated new risks and needs that exacerbated some of the main limits of the Italian welfare system. In particular, the interplay between new and old social needs on the one side, and employment and family transformations on the other, has contributed to widen poverty and social exclusion phenomena, making even more striking the absence of a last resort safety net. The developments that concerned 'core' social institutions have in fact resulted in a growing salience of minimum income protection for working-age individuals in many European countries. Within the post-industrial social protection architecture, MIP has thus acquired a wider relevance, overcoming its traditional boundaries restrained to people suffering severe social marginality, and became a key response for people facing some "rather general life-course and labour market risks, which may however in certain cases be compounded by complex personal circumstances and barriers to social and economic (re)integration" (Clegg, 2013).

National outcomes in terms of poverty and deprivation among working age individuals confirm the mismatch between needs and policy responses. In the national context, the levels of inequality and poverty are among the highest in rich industrialized countries. As argued by Brandolini (2009), the "egalitarian" phase which had began in 1969 with the *Autunno caldo* ("Hot Autumn") came to a halt in the early 1980s. The last two decades have seen some widening of the income distribution (cf. Ascoli, 2011), mostly concentrated during the severe economic recession of the early Nineties (Table 4).

**Table 4 Evolution of the Gini coefficient in Italy, 1985-2010**

| *Country* | mid-80s | around 1990 | mid-90s | around 2000 | mid-2000s | late-2000s |
|---|---|---|---|---|---|---|
| *Italy* | 0,309 | 0,297 | 0,348 | 0,343 | 0,352 | 0,337 |

**Source:** OECD online database.

According to estimates by the Bank of Italy, on average family income decreased in real terms from 2006 to 2010 of 4,3%. In 2010, the risk of poverty was 18,2%, a rate higher than the corresponding one for the Euro-area (16,1%) and for Eu27 (16,4%). 6,9% of residents lived in severe materially deprived households slightly below the Eu27 average (8,1), yet above that of Euro-area (5,6%). Families which could not afford an unexpected expenditure of 1.000 euro were one out of three (32,6%); those which could not afford to buy meat or equivalents every second day were 6,4%, and those which could not afford to adequately warm their dwellings were 10,9%.

As regards labour intensity, one out of ten people aged less than 60 lived in households with low labour intensity, in line with Eu27 average and Euro-area data.

Building on national statistics based on consumption expenditure[4], in 2011 absolute poverty concerned 1.297 thousands families (5,2%), equal to almost 3.5 million people (5,7%). If relative poverty remained substantially stable over the last few years, absolute poverty recorded quite a different development: steady between 2005 and 2007 (4,1%), in the following years it kept growing, reaching 5,2% in 2009 and then 5,7% in 2011. Not unexpectedly, the main factors influencing the risk of poverty in Italy are the area of residence, family size and occupational status. In particular, during the crisis certain social groups have seen a wider worsening of their conditions, namely families residing in southern regions, those with underage children, lone parents families, and single earner households. Slightly better is the situation for older people, both single-living and couples.

The unemployed are widely concerned by absolute poverty. For households with the reference person unemployed absolute poverty reached 15,5% in 2011. Moreover, in 2011 7% of the unemployed was in a situation of persistent absolute poverty, whereas average rates for the whole population was 3%.

Families with underage children had a risk of absolute poverty of 6,1% (it was 3,9% in 2007). For single earner families, absolute poverty risks are comparatively higher, and almost doubled in these four years, passing from 5,5% in 2007 to 11,5% in 2011. Similarly, when underage children are more than two, absolute poverty rates reach 10,9%.
In comparative perspective, Italian relative poverty rates are high especially as regards children: in 2010 one out of four children (less than 18) was at risk of poverty, whereas for Eu27 the poverty risk for the same age group was 20.5% (Table 5). On the whole, underage individuals living in poor households in 2011 were 1.713.000, of which 518.000 were aged less than six, and 417.000 were aged between 6 and 10.

Turning to national relative poverty indicators based on consumption expenditure[5], the risk of poverty remained stable in the last decade (11% in 2002, 11,1% in 2011). However for large families with three or more underage children it consistently grew, passing from (24,2%) 25,5% in 2002 to 27,8% in 2011 (131.000 families), with a wide north-south divide (50,6% in southern regions, 12,4% in northern ones). Also for lone parents families the incidence of poverty was higher than the general one (16,4% in 2011), yet below that for large families. In general, it is important to highlight that the incidence of poverty is strictly related to the presence of children and to their number: 4,6% for families with no kids, 13,5% for households with one child, 27,8% for those with three or more children.

[4]Figures provided by the Italian National Office for Statistics (Istat), www.istat.it.
[5]Figures provided by the Italian National Office for Statistics (Istat), www.istat.it.

Table 5 At risk of poverty rates for children under 18, Italy and selected countries, 2010

| | Poverty rate %, <18 |
|---|---|
| Italy | 24.7 |
| Eu 15 | 19,8 |
| Eu 27 | 20.5 |
| Germany | 17.5 |
| France | 17.9 |
| UK | 20.3 |
| Sweden | 13.1 |

**Source:** EUROSTAT online database.

Even though the two events do not fully overlap, low pay (most commonly measured as hourly earnings below two-thirds of median hourly wage) is an important factor behind in work poverty. In historical perspective, data indicate a relative fall in the proportion of low-paid workers in the 1970s and most of the 1990s. According to Brandolini, Cipollone and Sestito (2000), the incidence of low-paid workers (measured on monthly wage) halved from 16.9 % in 1977 to a minimum 8.1% in 1989. Figures seem to point out that Italy - over the 1970s and most of the 1980s - did not experience an increase in earnings dispersion such as the US, the UK and, to a minor extent, other OECD countries. Actually, income inequality started growing in the late 1980s, when the share of low paid workers rose to 15.7 in 1993, reaching a peak of 18.3% in 1998. According to the authors, the rise of low-paid jobs between 1993 and 1998 is partly accounted for by the spreading of part-time work, as the incidence among full-time workers remained around 12%. More recent data on low wage employment, based on average hourly wage, indicate that the share of low wage workers decreased from 10,4% in 1998 to 8% in 2008, probably due to the more general trend of wages stickiness registered in Italy.

In 2010, working poor in Italy represented 10,7% of total employees, a higher rate compared to the EU27 average (8,9%). Male workers have a higher poverty risk (11%) than females (6%). As for age, younger cohorts seem more affected by in work poverty, 9% against 7% for those aged 55-64 years. A distinguishing feature of in work poverty in Italy relates then to its very high territorial variation between the Centre-North and the South parts of the country (cf. Biolcati Rinaldi and Podestà, 2008).

# 2. Institutional and Policy Legacies in National Anti-Poverty Policy

## 2.1. The minimum income protection architecture in the mid-2000s

### *2.1.1. Means-tested benefits in the national social protection system since 1945*

Crushed between insurance based income benefits and universal health care, Minimum Income Protection in Italy has traditionally had a marginal role. Following the Bismarckian path, the Italian welfare state has been structured in order to protect, mainly on a contributory basis, male breadwinner workers and their families from the typical risks of an industrial society, with implicit reference to a family model with a sharp gender division of roles. The familialistic approach which characterises Italy and the other Southern European countries[6] has relied on the fact that, on the basis of the principle of subsidiarity, families have the main task of caring for their members and are ultimately responsible for their wellbeing (Esping-Andersen, 1999). Public intervention is though confined to cases where the primary networks of solidarity are not able to meet those needs, when the extended family "fails" in fulfilling its role as a social safety net.

Art. 38 of the Italian Constitution stated that “every citizen unable to work and without the necessary means to live has the right to maintenance and welfare”. This provisions were at last implemented from the late 1960s when the social pension (1969) and the disability pension (1971) were introduced, targeted respectively to poor elderly and disabled without sufficient contributions to be entitled to the more generous insurance-based benefits. The absence of general, tax financed, non contributory minimum income scheme for working age individuals was one of the peculiar features of the underdeveloped Italian social assistance regime, which was also characterized by the lack of a national regulatory framework and, as a consequence, by a high territorial variation in terms of benefits, beneficiaries and generosity of locally based actions.

Actually, when ordinary regions were set up in 1970, the administrative responsibility for social assistance was decentralised to regions and municipalities, while the State retained responsibilities for insurance-based schemes. It has to be noted, in this policy field, decentralisation was not accompanied by the definition of guiding principles or general standards to be fulfilled by the local and regional levels of government in performing their functions. It was simply established that these principles and standards would have been fixed by a national law that would have set out the framework of regulations for the other levels of government. However, the national social assistance framework law was approved only many years later (L.328 of 2000), thus leaving to regions much room for manoeuvre and a greater autonomy than in other policy sectors. The absence of a binding national framework regulating the social assistance field allowed wide institutional fragmentation as well as variation at the local level (Kazepov and Sabatinelli, 2005). Regional and municipal social assistance transfers and services tended in fact to be discretionary, uncertain in their delivery and heavily conditioned by budgetary constraints (Fargion, 1997; Negri and Saraceno, 1996).

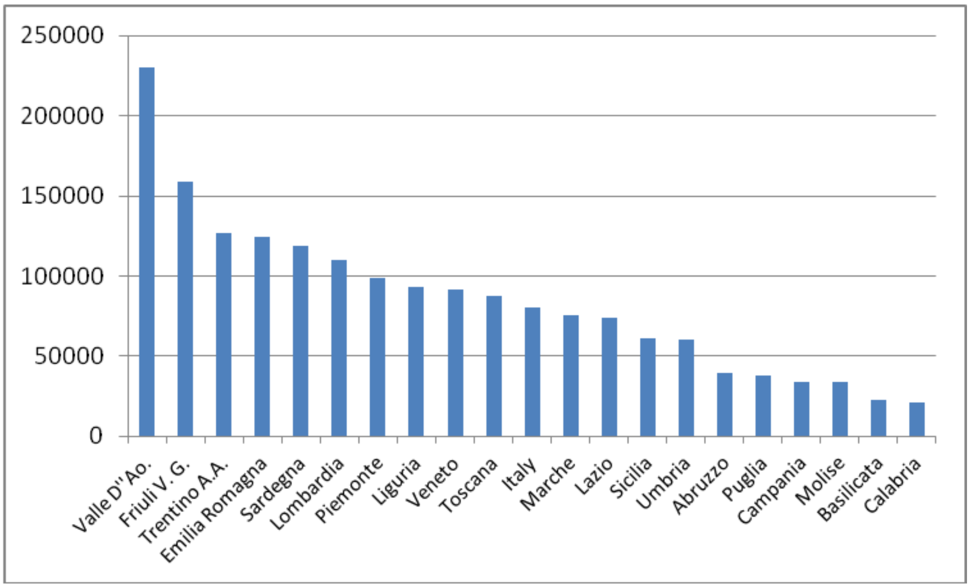
In this highly fragmented context, in some local contexts, such as in Turin in 1978, Ancona in 1981, Catania in 1983 and Milan in 1989, the absence of a national minimum income scheme was partially overcome by the provision of non categorical means-tested benefit known as

[6] On this point see Naldini (2002).

*minimo vitale*. However, many other large and important municipalities (such as Bari or Rome) did not follow this example, and in 1990 only 59,9% of Italian municipalities were dispensing economic benefits to (poor) families (Saraceno, 1996). Even in pioneering municipalities, schemes varied greatly with respect to rules of access, benefit level and degree of administrative discretion (in according the benefit). Moreover, the actual payment of the benefit depended on the availability of financial resources within local budgets; it could therefore happen that when the need for financial support was higher in reason of a particularly negative economic cycle, municipalities had no resources to ensure these interventions (Bosi, Ferrera and Saraceno 1997; Kazepov 1996).

The high variability emerged from this framework is clearly captured by regional social expenditure per capita, which in the Nineties varied from 21.000 lira in Calabria to 124.000 in Emilia Romagna (Figure 4). As a general rule, the differences in spending faithfully reflected wide differences in the availability of local schemes of income support and social care services (Cies, 1997), a situation that still characterizes Italy. Moreover, the prolonged absence of a framework law on social assistance has resulted in a sprawl of actors and policies not integrated and neither coordinated, generating an uneven and inefficient social assistance system.

**Figure 4 Regional per capita spending on social services (Lira), 1994**




**Source:** Commissione di Indagine sulla Povertà ed Emarginazione(1997).

The long-lasting lack of a national minimum income scheme against poverty and the underdevelopment of social care services have contributed to widen the relevance of family and kin solidarity as a source of both caring and income support for households' members (Naldini, 2003). This circumstances gave thus raise to what has been termed 'familialism by default', a situation where "there are no publicly provided alternatives to family care and financial support" for broad social groups (Saraceno, 2010: 32 ).

In this scenario, in order to fully capture the main features of the Italian system of income support, the underdevelopment of family benefits requires to be considered too. If social care services have resulted to be very poorly developed, also on the side of cash transfer Italy lagged behind (see section 1.3 for more details). In 1980, social expenditure for pension schemes was seven times the one for family allowance, one of the widest gaps recorded in European countries (Ferrera, 1984; Saraceno, 2003).

Partially counterbalancing the low investment of the State in this sector, from its origins Italy's social assistance system has relied on the extensive network of private charities, particularly those of the Church, whose 'public function' was ratified by the "Crispi Law" in 1890 (no. 6872). This law introduced public control and uniform discipline for bodies that provided assistance and charity (naming them *Ipab*), by virtue of the fact that they helped satisfy a public interest that had not yet been met by the Italian State. In this way, the central state obtained some formal control over the charities, compensated by economic assistance and an easier access to public resources (see Ranci, 1994). As the Constitutional Court later underlined, the generalised public regime regulating charities, if read in a historical perspective, served the purpose of "*constituting a system of 'legal charity' that otherwise would have been wholly lacking*" (Sent. no. 396/1988). Charitable organizations have historically provided some form of support against extreme poverty (food aid, social housing, modest lump sum cash support for deserving low income families) and social care services for the elderly and young children. In the late Sixties in Italy we counted more that 7.500 Ipab, to a large extent managed by confessional bodies.

To sum up, the main traditional features of social assistance sector in Italy can be summarized as follows:

- "Categorisation" of welfare recipients, and absence of a global approach to the complexity of needs;
- Pulverisation of the bodies providing benefits and services;
- Decentralisation of social assistance functions to regions and municipalities since the 1970s, ensuing territorial inequality in the provision of benefits and services;
- Scarcity of resources and organisational weakness of the sector.
- Dominant role of catholic organisations and the Church;
- Fragmentary nature of secular and public initiatives.

### *2.1.2. First reform attempts between mid-1990s and mid-2000s*

The underdevelopment of social assistance and family policy and the imbalance (especially of the latter) towards the protection of the insiders due to work-based eligibility have not been considered a problem by the legislator until the end of the 1990s. Only in 1996, with the first centre-left government of the Second Republic, welfare state recalibration became a priority. The following year, the Government nominated a commission of study, the "Onofri Commission" (*Commission for the analysis of the macroeconomic compatibilities of social expenditure*), with the ambitious mandate of setting out a general reflection on the scenarios and opportunities for the reform of the Italian welfare state. As regards social assistance, the work of the Commission contributed to the debate, both by tracing a clear diagnosis of the deficiencies and weaknesses of this sector, and by advancing policy proposals to overcome them. On the side of failures, the Commission included a notable institutional fragmentation, together with policy overlapping, greater emphasis on monetary transfers at the expenses of in kind services, marked territorial differentiation and the lack of a social safety net of last resort in the form of a guaranteed minimum income scheme to combat poverty. Turning to remedies, the Commission recommended an increase in expenditure and a rationalisation of interventions, the definition of essential levels of provision (Lep) to be guaranteed throughout the national territory, and the introduction of a minimum income scheme.

A number of measures were adopted by the end of the Nineties, that mostly relied on the innovative principle of *selective universalism* (Ferrera, 2012), according to which eligibility to social assistance benefits had to be conditional on *citizenship* and *need* only. In particular, three new means-tested schemes are worth of mention: 1) the allowance to families with more than three children,  2) the maternity allowance for low income mothers not covered by employment-based benefits 3) a special social fund for supporting low income tenants (see table 6 for a summary of means tested benefits situation in the late Nineties). However, the two most promising innovation of this period were the launch in 1998 of "Minimum insertion income" (Mii) pilot scheme, and the approval of the social assistance framework law in 2000 (L. 328).

The Mii - designed as universal, non categorical, tax financed measure targeted to people with an income below a pre-defined poverty threshold - was tested initially for 2 years in a number of selected municipalities. The cash transfer was complemented by integration programs meant to tackle social exclusion and stimulate recipients' autonomy. The budget law for 2000 provided for a two-year extension of the experimentation of the Mii and increased the number of municipalities involved in the pilot project. The Mii scheme was formally abandoned in 2002 (cf. Sacchi and Bastagli, 2005).

In 2000 Italian social assistance seemed to take another big step forward with the approval of a national regulatory framework. The national framework law on social assistance passed in 2000, drawing on the operational model of the national health service, envisaged a wide re-organization of the sector (cf. Gori, 2004; Madama, 2012). The intention was to ensure more homogeneity through the creation of an integrated system based on the definition of a common minimum standard of public provision to be granted over the whole national territory and a multi-level model of governance, involving the central state (with supervisory and leading roles), regions and municipalities, and open to the cooperation of the third sector[7]. On the substantive front, the law foresaw an ambitious scenario, in particular: the introduction of a coherent and inclusive anti-poverty scheme; the re-launching of social care services; the reduction of regional differences through the establishment of an 'essential level of service' standardized throughout the country; and in general an increase in expenditure[8].

In the early 2000s important changes took place also concerning the organisation of the State, with partially unexpected consequences as regards the successive development of social assistance policy. On the wave of the requests for greater autonomy on the side of decentralised governments advanced by the regionalist parties (particularly the Northern League), in the Nineties regionalism in Italy experienced a new surge, culminating in the constitutional reform of 2001 (Baldi, 2006). Constitutional law 3/2001 had two main consequences as regards MIP. First, it ratified a new division of responsibilities between the various levels of government in many areas of public policy, including social assistance, which became a matter of *exclusive* regional competence. This change implied that in this sector the State has the sole responsibility for defining "essential levels of provision" (Lep) for the national territory and supervising their implementation. Recognising the regions' exclusive responsibility in this matter thus restrained the powers of central government as regards planning or exercising in depth guidance, thus making the long-awaited reform of social assistance enacted in 2000 in some respects obsolete. The second consequence regarded financial autonomy: the reformed art. 119 of the Constitution, in fact, asserted the

[7] For further details, see Kazepov and Genova (2006).
[8] On this point see Gori (2004).

principle of fiscal federalism, now still to be concretely implemented on the side of direct financial sources.

**Table 6 Means-tested cash transfers for working age population, late 1990s.**

| *Scheme* | *Description* | *EligibilityRequirements* | *Main financing source* | *Amount in € (referenceyear 2009)* |
| --- | --- | --- | --- | --- |
| ***Family Allow-ance*** | Categorical income-tested monthly transfer. | Employees with family burdens or retired ex-dependent workers with family burdens. The measure is means tested. | Social contri-bu-tions, Na-tional level. | The amount of the transfer is positively cor-related with the dimension of the household and negatively correlated with its income. A family composed by two parents, at least a child and no disable members with an in-come inferior to € 13,211, received a month-ly transfer (for 13 months) of 258 € (2010 data). |
| ***Benefit for families with three or more underage chil-dren*** | Monthly transfer aimed at alleviating poverty for large families. | Households with three or more children (under the age of 18). The measure is means tested through ISEE. | Tax based, National lev-el. | € 129,79 x 13 months a year |
| ***Maternity Al-lowance*** | Monthly transfer for mothers who are not enti-tled to the insurance-based maternity allow-ance. | Italian, EU and third-country nationals neo-mothers. The measure is means tested through ISEE. | Tax based, National lev-el. | € 309,11 x 5 months |
| ***Fund to sup-port low in-come tenants*** | Financial support targeted to low income fam-ilies with the aim of reducing the incidence of the rent on their disposable income. | Low income tenants. The measure is means tested through ISEE. Limited by budgetary constrains. | Tax based, National/ regional level. | Reduction to 14% of the incidence of annual rent over family income. |
| ***Minimum In-sertion Income*** | Minimum income scheme experimented in 39 (later 306) municipalities from 1998 to 2002, directly aimed at alleviating poverty and social exclusion. It consisted of a monetary transfer and in an "activation" component. | Italian or EU citizens who had resided in an RMI mu-nicipality for at least one year and third-country na-tionals who had resided for at least three years. For working-age able bodied beneficiaries, it was compul-sory to agree to attend vocational training or accept job offers. Beneficiary monthly income had to be equal to or below the RMI threshold. | Tax based, National lev-el. | Difference between an established threshold (258 in 1999, 268 in 2000 and 274 in 2001 for one-person households) and the monthly disposable income of the beneficiary. |
| ***Regional / Local Mini-mum Income Scheme*** | Benefits provided with great variance at re-gional / local level, they do not constitute an individual subjective right, but depend on the availability of resources. | Means tested. | Regional – local level resources. | Regional / Local variation. |
| ***Special lump sum cash transfers*** | Discretionary transfers provided with great variance at regional / local level. | Means tested. | Regional – local level resources. | Regional / Local variation. |
| ***Special tax exemptions*** | Discretionary tax reduction/exemptions pro-vided with great variance at regional / local level. | Means tested. | Regional – local level resources. | Regional / Local variation. |

In 2001 the centre-left cabinets of the late-1990s were followed by the new centre-right government led by Berlusconi (2001-2006), whose view of social protection stressed the role of the family more as a redistributive and caring agency than as a target of social provision. After the encouraging developments of the 1990s, the opening of the new century saw a decline of interest in minimum income protection. The debate on welfare reform of early 2000s was affected by the new context of economic recession. In 2001-05 GDP growth ranged between 0% and 1.1% (*Imf*), a situation exacerbated by the ten year long loss of competitiveness of the national economy. By contrast, public finances gradually improved, with low deficits (generally below 3% of GDP) and a (slowly) declining public debt. Therefore, if during the previous decade the "keyword" in the public discourse had been fiscal consolidation, in the early 2000s it turned to be "competitiveness" (Radaelli, 2002) to be reached mainly through higher labour market flexibility.

The social assistance sector was all but reinforced. First, privileging a welfare model based on family and community networks (Ministero del Welfare, 2003), the centre-right government drastically cut social policies' funds. Second, the minimum income scheme, which was experimented in selected municipalities between 1998 and 2002 and was highlighted as a best practice in the first Nap/incl, far from been extended to the whole national territory, was discontinued. Even though such a measure could well be one of those essential levels of provision concerning social rights the state was expected to set, and one of the easiest to craft, at least as regards its monetary component (Sacchi and Bastagli, 2005), the center-right majority decided instead to use the fiscal lever to support families income. In 2002 and 2003 new tax relieves in the form of a No Tax Area and Family deductions were introduced. As a result, despite a number of minor interventions and the approval of an ambitious framework law in 2000, until the midst 2000 progress in the social assistance sector has been definitely modest and the traditional conFiguretion of social assistance policy has proved to be highly 'resilient' (Madama, 2012).

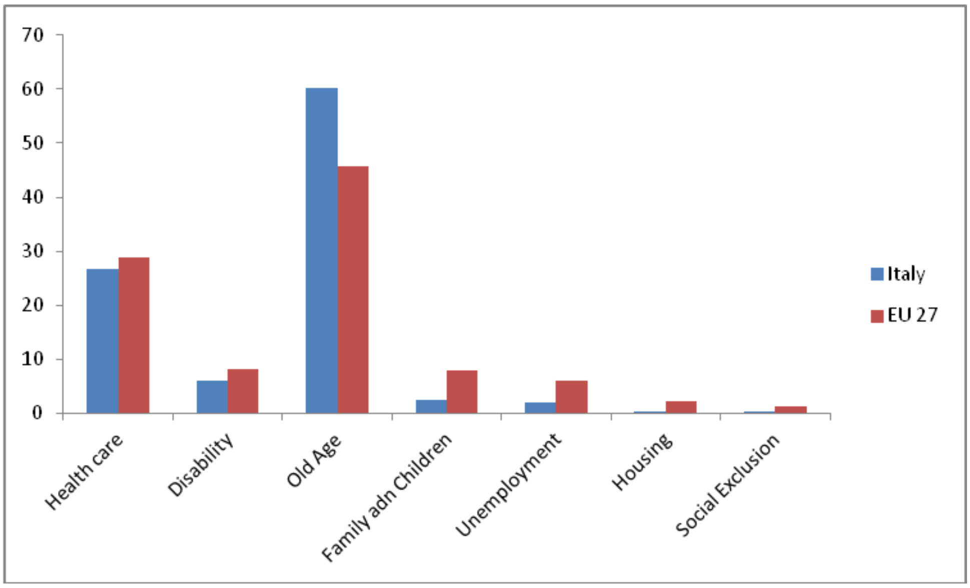
### 2.2. The structure of minimum income provisions for working-age people

A first insight of the main features of the Italian minimum income provision system in comparative perspective can be drawn by looking at the internal composition of its social spending. Total expenditure as a percentage of GDP does not diverge substantially from other European Countries - in 2005 (26,2%) it was almost equal to EU 27 average, though slightly inferior compared to France, Germany or Denmark.

Yet, as Figure 5 shows, most social expenditure was absorbed by the function "old age and survivors' (60.2% of the total, against an European average of 45,6%), whereas a limited share was devoted to other risks and functions. Exception made for health care, which since the Seventies has had universal coverage thanks to the implementation of the *National health care service*, other key functions as unemployment, family and children and poverty and social exclusion were significantly under-financed and limited in scope. It is interesting to note that no other European country (not even the other Mediterranean countries) presented such a large functional distortion.

As it has been reconstructed in the previous pages, the historical evolution of social assistance policies in Italy until the beginning of the Nineties had originated a sector marked by a series of endogenous problems which undermined both its efficiency and its effectiveness. Most notably, public intervention in the field of combating poverty and social exclusion was characterized by the lack of an inclusive and organic minimum income policy, while local social services were plagued by the lack of resources and the absence of a legislative framework at national level able to define minimum standards for the whole country.

**Figure 5 Social expenditure by functions, Italy-Eu27, 2005 (% of total social expenditure).**




**Source:** EUROSTAT online database.

At the national level, the absence of a general framework for combating poverty was partly mitigated by the provision of a number of categorical measures addressed to specific social groups, as Pension Supplements, Social Pension, Invalidity Pension and Family Allowances. In the mid-Nineties more than 80% of the total expenditure for social assistance was absorbed by old age and disability function, reproducing in the social assistance sector the functional distortion that characterized the Italian welfare state as a whole.

The categorical measures existing in Italy showed a further limitation: they were inefficient in terms of vertical redistribution, and not very effective in reducing the poverty risk. Those schemes had distributive efficiency below 60%, which meant that more than 40% of the resources spent on each of them[9] went to families that were above the poverty line already before the transfers. The effectiveness in reducing the poverty rate thus was contained: for example, it is calculated that Invalidity Pension and Social Pension reduced the poverty risk of 0.2 points (Table 7).

In this picture of incomplete, incoherent and unequal intervention, in which situations of poverty as such were not considered sufficient to receive public support, there has been an improper use and abuse of the existing measures, especially disability pensions, widely exploited as poverty alleviation schemes (and as instruments for clientelistic exchange) (cf. Ferrera, 1984).

[9]In the case of the invalidity pension even more than 55%.

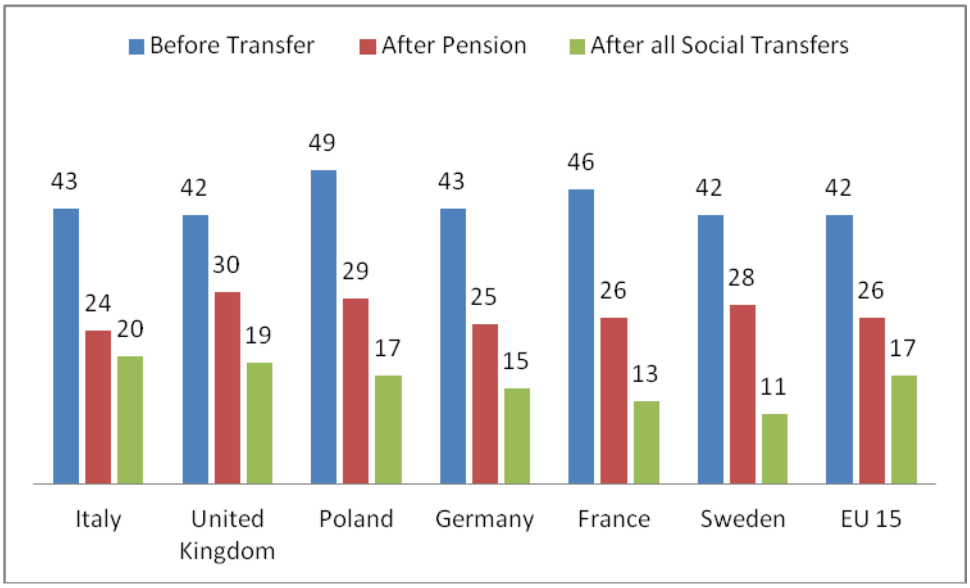
Table 7 Distributive efficiency and poverty reduction of Italian social assistance schemes, 1995

| | Family Allowance | Social Pension | Disability Pension | Pension Supplements |
|---|---|---|---|---|
| Distributive efficiency | 59% | 52% | 43% | 44% |
| Effectiveness in reducing poverty | 1,2 p. | 0,2 p | 0,2 p. | 4,3 p. |

**Source:** Elaboration on Baldini et al. (2000), Toso (2000).

The measures introduced in the late Nineties'- a Maternity allowance directed to mothers having no insurance coverage, Benefit to families with more than three children and the Fund to support low income tenants – attempted to intervene in partially redirecting social assistance expenditure towards the less protected categories. Those measures, however, were not very generous[10] and did not alter the structure of minimum income provision in Italy for working age people: still in 2007, social expenditure for individuals able to work was less than 17% of the total social assistance expenditure. Moreover, a large part of these resources were allocated to the Family Allowance, a hybrid measure of income support restrained to low income employees, unemployed (just if covered by insurance-based unemployment benefits) and retired if previously dependent workers[11].

Figure 6 Poverty risk before and after social transfers, selected countries, 2005




**Source:** Eurostat database online.

The fragmentation of interventions is associated with an equally broad differentiation of access requirements. Even though a criterion to unify access to means tested benefits, named

[10] In 2004 the maternity allowance amounted to 271 monthly per new born child and it was paid for five months. The *Benefit to families with more than three children* amounted to 113 for a family of five components and was paid for thirteen months with the possibility of being renewed.
[11] From 1998 the measure was extended to para-subordinate workers.

ISE, was introduced in 1998, it had an extremely limited application, and in the mid 2000's most of social assistance benefit (especially the most generous, such as the Pension Supplementary Benefit) were only conditional to income (in many cases of the individual and/or spouse). It therefore seems clear the lack of a coherent and systematic approach to combat poverty and social exclusion, where the lack of coordination gave raise to functional overlapping beside coverage gaps.

The innovation of greater scope of the second part of the Nineties is therefore the Minimum Insertion Income, introduced by the centre-left coalition in 1998 in the form of an experimentation, but then formally abandoned in 2002 (cf. Sacchi and Bastagli, 2005). In this context the effectiveness of the Italian welfare state in reducing poverty remained limited in comparative perspective, especially if you spin off the effect of pension transfers. In 2005, social transfers (excluding pensions) reduced the risk of poverty by 4 points compared with an average reduction in the EU-15 average of more than 9 percentage points (Figure 6).

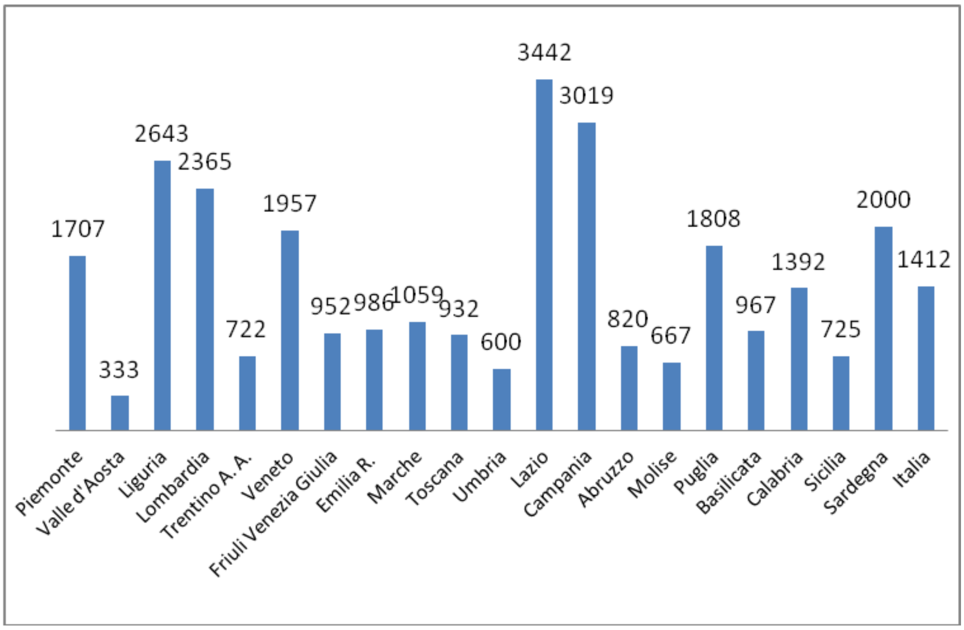
### 2.3. The extent and structure of ALMP in the mid-2000s

The extensive yet uneven reliance on passive labour market policies has historically corresponded to low expenditure on ALMPs, which have long remained marginal in the Italian employment policy menu (Graziano, 2009; Sacchi and Vesan, 2011). Moreover from the end of World War II until the 1990s, the State retained the monopoly over job placement services, which has resulted in less-effective services for matching labour demand and supply (Ichino, 1982). These arrangements were consistent with the relatively rigid regulatory framework and the centrality of short time compensation schemes CIGO/CIGS that aimed to maintain full employment at least for the male breadwinner by ensuring a high level of job security for those already in employment – especially in medium-big firms in core economic sectors. In the 1990s, next to the first attempts to introduce flexible contracts also a step towards a more 'active' labour market strategy was pursued with the introduction of a new programme labelled 'socially useful jobs' (LSU, Lavori socialmente utili L. 390/81). The aim was to reintegrate the long-term unemployed by obliging benefit recipients to engage in jobs created by the State, sub-national governments or non-profit organizations, according to what could be considered an embryonic 'workfare ideology' (Fargion, 2001). However, these socially useful jobs were soon transformed into masked social shock absorber. ALMPs were very marginal until 1997 and the share of expenditure on income support measures abundantly exceeded that of measures aimed at job promotion and job creation. From the late 1990smid 2000s, two different phases can be identified as regards public effort on ALMPs. In a first period, broadly from 1997 to 2003, governments attempted to overcome the traditionally passive approach to unemployment in Italy by investing heavily in active measures. The most relevant measures were introduced in 1997 by the already mentioned "Treu package" that abolished the public monopoly on intermediation between labour demand and supply, and by Legislative Decree 469/97 that gave impulse to activation measures, also transferring to regional and provincial administrations the competences on ALMPs and job placement through a system of territorial employment centres (*Servizi per l'Impiego*, PES), with a reinforcement of the monitoring function of the state. This was part of a broader administrative decentralization process that involved several policy sectors (the so-called 'Bassanini reform', L.59/1997). In the field of labour market policy, the additional rationale behind decentralization was that assistance to jobseekers could be better tailored to the peculiarities of local labour markets. However, the reform ran the risk of exacerbating the already evident differences in the territorial coverage of PES (Figure 7 and 8).

The functions of the new employment centres were defined a few years later in the Legislative Decree 276/2003: intermediation between labour demand and supply (including working people with disabilities and other disadvantaged groups), personnel recruitment, support for workers redeployment and outplacement. In addition to these functions, public employment services are responsible for the organization and implementation of all interventions (training, guidance and counselling, orientation) aimed at the prevention of unemployment, especially long-term unemployment. At least formally, it is a range of services much more complex and detailed than the one performed previously by the "old" public employment services, when local offices held essentially bureaucratic tasks and posed little attention to the specificity of target groups.

Law 30/2003 and Legislative Decree 276/2003 made also some steps forward by providing for conditions for the creation of employment agencies - i.e. accredited private firms authorized to engage in activities such as staff leasing and job placement, personnel recruitment and selection, and support for worker redeployment and outplacement. The introduction of these laws has led to a significant increase of private employment agencies, which in 2006 were 40% more than in 2005. Being mainly located in the most dynamic and economically competitive regions of the North and in the key production districts, private services changed significantly the degree of coverage of employment services in Italy. In fact, the low presence of private employment agencies in the South determines that in this area, and particularly in Campania, Puglia and Calabria and Sardinia, the number of unemployed people for service (either public or private) is much higher than the national average[12] (Figure 8).

**Figure 7 Number of Unemployed people per Public Employment Service, 2004**

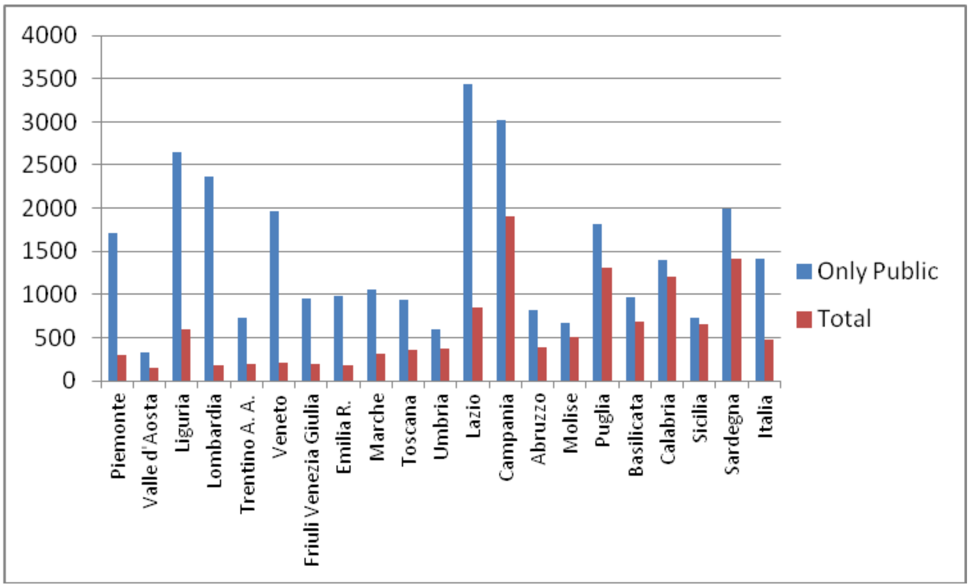



**Source:** CNEL (2006).

[12]If the national average is 473 people looking for work for each head office, the average is above 1900 in Campania, 1400 in Sardinia, 1300 in Puglia and 1200 in Calabria (CNEL, 2006).

Labour market (re)insertion of disadvantaged groups remained one of the most important functions of employment services. However, in 2004 only one third of the public employment services organized specific active labour market policies for long term unemployed, and only 10% of them provided specific services for atypical workers. Moreover, the availability of services did not reflect the diffusion of the problem throughout the country: as an example, specific services for long term unemployed are mostly developed in the North-West where their incidence is below the Italian average (respectively 36,8% and 47,7% in 2004). Also the connection between private and public services, which in the provision of the legislator (D. Law 276/2003 art. 13) should have increased the efficiency of the outplacement of socially disadvantaged groups, in practice has been very difficult and rare, and in the mid-2000's the conventions between public and private services were numerically limited.

**Figure 8 Number of unemployed people per Employment Service, 2004**




**Source:** Isfol (2006).

**Table 8 Shares of Individuals using employment services by status (%), 2004**

| | Employment services & Private Agencies | Public Employment services | Private Employment Agencies | Other Channels |
|---|---|---|---|---|
| Employed | 2.0 | 4.8 | 11.5 | 81.7 |
| Unemployed | 7.5 | 23.5 | 8.7 | 60.3 |
| Inactive | 3.8 | 17.4 | 9.8 | 69.0 |
| Total | 6.0 | 18.3 | 9.5 | 66.3 |

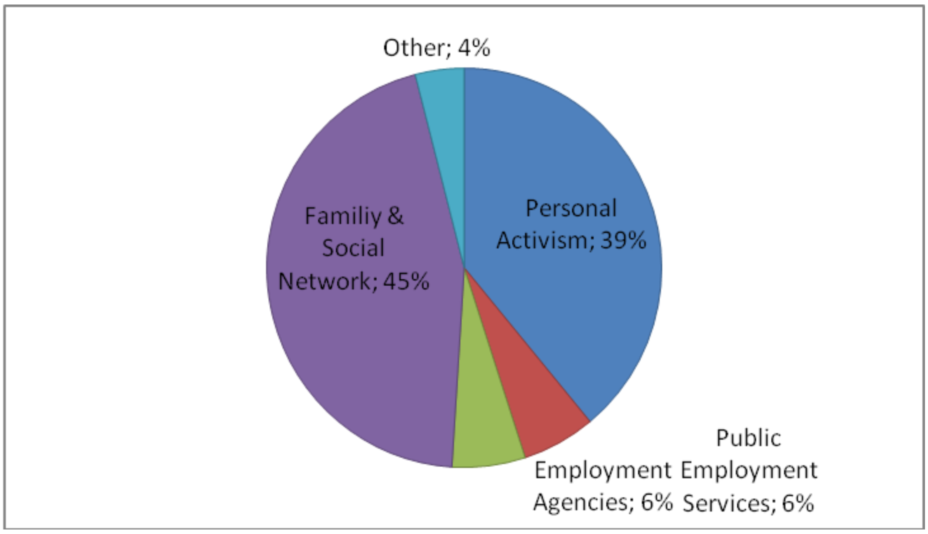
**Source:** CNEL (2005).

In general, an examination of the actual use of job employment services reveals how some of the historical weaknesses of placement services were still present in the mid-2000s. In 2005 informal channels and personal activism (self-nomination, visits to companies, search for vacancies in newspapers or on the Internet) were more frequently used than employment services (CNEL, 2005). Moreover, in 2004 only 23,5% of the unemployed and 17,4% of the inactive were clients of public employment services, revealing the lack of effective links between passive and active labor market policies (Table 8).

A closer look to the efficiency of those services in Italy might allow to explain some of these data. A research analyzing the role of employment services in helping people to find a job showed that in 2004 only 3% of workers hired in the 12-18 months before the survey (and about 3.5% of total employed workers) had found their position through an employment service (Istat, 2005) (cf. Figure 9). Overall, the share of job placements due to public employment services is rather low. This is partly due to formal requirements (bureaucratic procedures prescribed by law) for the placement of low skilled workers (Pirrone and Sestito, 2006).

Data seem to suggest that employment services still retained mostly administrative-bureaucratic functions. In 2004 only half of the users justified their last visit to the employment services with reasons connected to job search and only 7% to consider a job proposal, whereas 40% asserted that it was determined by the fulfilment of bureaucratic procedures (CNEL, 2005). The matching between labour demand and supply has continued to be largely conveyed by informal channels, in particular by social networks and personal activism.

**Figure 9 Channel through which employees have found their current job in Italy, 2004**




**Source:** CNEL (2005).

In this context, the process of decentralisation of placement services has only partly led to foreseen improvements. Substantial regional disparities in placement and employment services' (PES) performance persist, hampering effective implementation of a nationwide activation strategy. Radical changes in the organization of PES required not only time to be effective, but also specific competences which in many areas were largely absent in terms of human capital and infrastructures. To make matters worse, deficits are most acute in those areas characterized by particularly difficult labour market conditions, making it more complicated for PES to provide effective job brokerage or offer tailored assistance to unemployed where it is most needed (Jessoula and Vesan, 2011).

At the beginning of the new century, there have also been changes regarding the link between passive and active measures, through the formal introduction of conditionality requirements in the management of unemployment benefits. In 2000 and 2002 (Legislative decree 181/2000 and Legislative decree 297/2002), some behavioural conditionalities for unemployed people were framed: eligibility for benefit receipt was tied to some 'conditions of conduct' (Clasen and Clegg, 2006) that are specified in a 'client-deal' (*patto di servizio*) between PES' officials and jobseekers. If recipients would reject 'suitable' job offers, they would loose their status of unemployed and, consequently, related benefits. The adoption of stricter conditionality criteria seems, however, to be more apparent than real, again due to implementation deficits. Enforcement of the rules remains lax and sporadic, and jobseekers services and the provision of unemployment benefits are loosely articulated, since they are still managed by two separate institutions operating at different levels: the regional PES and the national Social Security Institute (Inps).

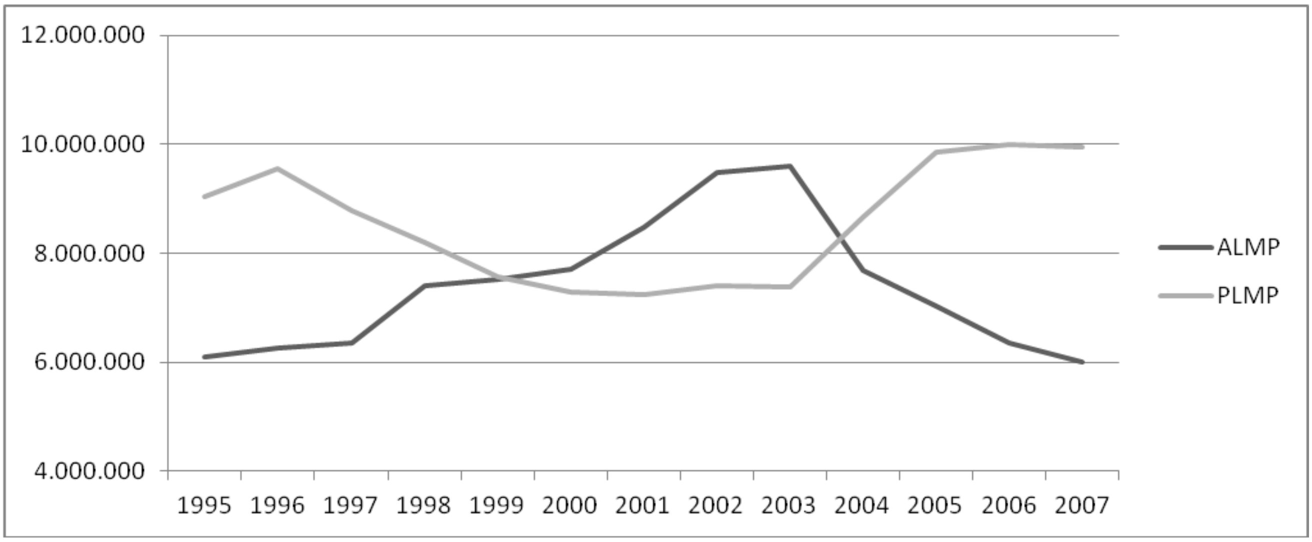
As for life-long learning, reforms have proceeded along two parallel tracks. On the one hand, training-based contracts mainly aimed to facilitate the entrance of young people in the labour market have been introduced: Law 30/2003 carefully regulated the apprenticeship contract, which is now one of the few contractual arrangements with a training purpose. On the other hand, specific measures have been adopted for the ongoing training of both workers and unemployed. In this regard, Law 30/2003 followed the policy track opened by the Treu reform by establishing that authorized temporary work agencies must transfer to bilateral funds 4% of the wage paid to temporary agency workers hired on fixed-term contracts. These resources are to be used to finance training and re-training courses - with the aim to increase the effectiveness of placement services and support employment growth - as well as specific social security measures to protect temporary agency workers' income.

In the period between 1997 and 2003 – characterised by declining unemployment rates - a partial reshuffling of the labour market policy menu occurred, with active measures actually reaching the share of passive expenditure in 2003. The traditional predominance of passive policies was thus limited, moving Italian labour market policy towards a more balanced 'policy mix' which sought to facilitate the insertion – especially of disadvantaged groups – in the labour market, in accordance with the guidelines of the European Employment Strategy (Graziano, 2007).

In 2004 the positive trend in ALMPs came to an abrupt halt and has subsequently been reversed (Figure 10). The main reasons for this can be found, on the one hand, in the increase of UB beneficiaries and, on the other hand, in the drastic reduction of expenditure on tax incentives for employments[13] . This suggests a (partial) return to the traditional pattern of predominance of compensatory passive measures for the unemployed.

[13] Employment incentives consist of contribution reductions or tax reliefs to companies hiring unemployed people who have difficulty in entering the market: they include public expenditure to support apprenticeship contracts, incentives to encourage stabilization of job contracts, incentives for hiring people with disabilities and incentives to support self entrepreneurship.

Figure 10 Expenditure on active and passive labour market policies, 1996-2007 (ooo €)




**Source:** Jessoula and Vesan (2011).

In conclusion, Italian labour market policies moved significantly in the direction of activation in 1997-2003, but implementation problems have hampered the consolidation and effectiveness of this new policy orientation and recent trends in expenditure on ALMPs and unemployment benefits respectively cast doubts on whether the activation strategy remains a political priority.

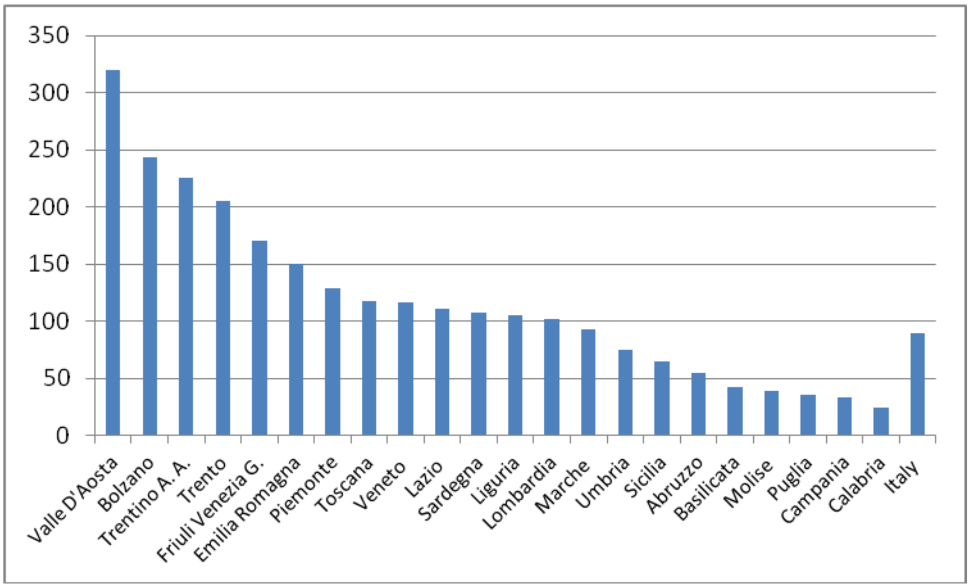
### 2.4. The extent and structure of other services of potential relevance to working-age MIP claimants in the mid-2000s

In the area of social services, the situation of backwardness typical of Southern Europe in Italy was exacerbated by a very differentiated territorial development. Social expenditure in this policy sector in the Nineties was really limited, considering that in 1995 monetary transfers absorbed between 90% and 95% of the few resources dedicated to social assistance. In addition, as it has been mentioned, twenty years after the decentralization of social assistance competencies to the regional level, a legal framework capable of regulate the implementation at the local level still lacked. This major loophole had allowed over the years an unbalanced and uneven development across the Italian territory, effectively captured by pro-capita social service expenditure data (Figure 11).

A reconstruction of the measures introduced from the Nineties confirms the long lasting preferences for monetary transfers over social services, even though we observe increasing attention towards child care services. Law 285/1997 intervened in the field of policies for the protection of childhood and adolescence, providing also state funding for child care services (kindergarten) of €120 million each year between 1997 and 2002. The Berlusconi government also legislated in the field, favouring the entrance of the private sector in child care sector and particularly the development of company crèches, through the institution of a national fund "for the construction and the management of kindergarten in the workplace"[14], with an initial budget of 50 million in 2002, increased to 100 million in 2003 and 150 million in 2004.

[14] Art. 70 of the 2002 Budget Law and art. 91 of the 2003 Budget Law .

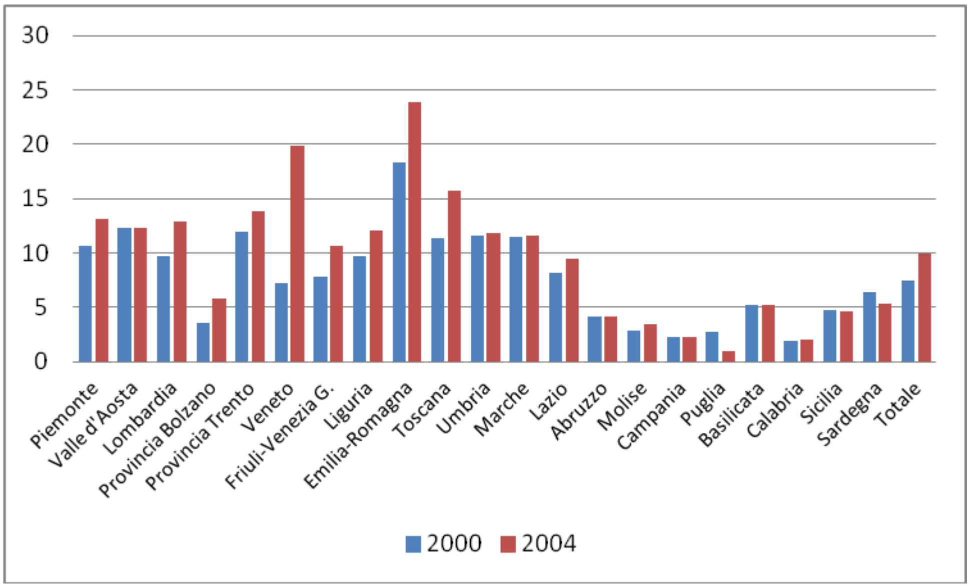
**Figure 11 Regional per-capita spending for social services, 2005 (€)**




**Source:** Istat (2006).

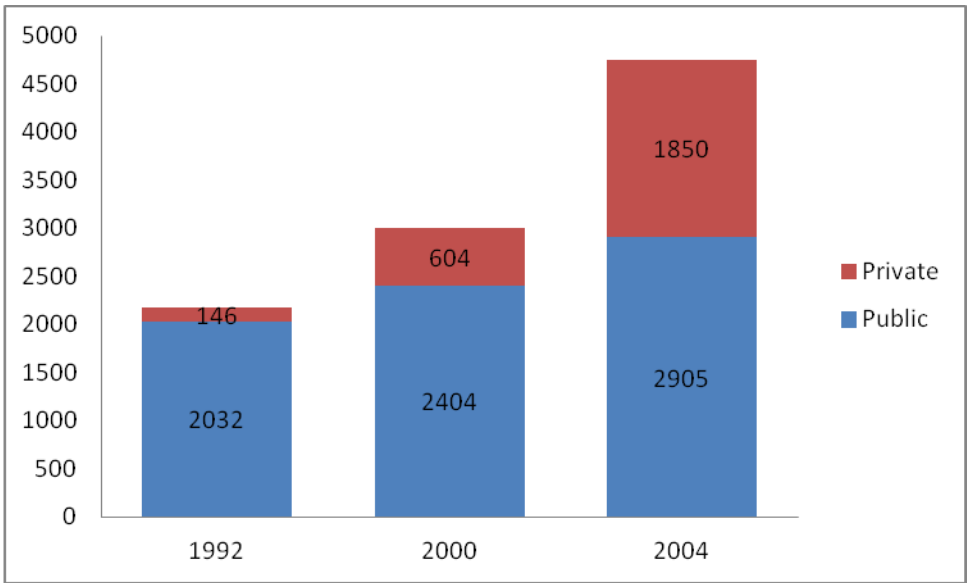
As a result, the trend of this decade is a growth, although limited, in the absolute number of public child care services (2.032 units in 1992, 2.404 in 2000, 2.905 in 2004) and in their coverage rate (5,8% in 1992, 7,4% in 2000 and 9,9% in 2004). However, territorial imbalances remained relevant (Figure 12). Particularly impressive was the growth of the share of private kindergartens, which increased from 6,4% in 1992 to 38,8% in 2004 (Figure 13).

**Figure 12 Child-care coverage rates at the regional level, 2000 and 2004**




**Source:** Istituto degli Innocenti (2006).

Figure 13 Evolution of the number of public and private kindergarten, Italy, 1992-2004




**Source:** Istituto degli Innocenti (2006).

With regard to active labour market services, in the first years of the new century we saw greater attention towards gender issues. A research conducted by ISFOL (2006) revealed that over 78% of the employment services (with a growth of 15% compared to 2003) had specific services dedicated to women, even though it is specified the wide differentiation in services offered and the relevance of territorial imbalances. The most frequent instrument is the so called *"sportello donna"* (*Women desk*) which, despite its diffusion through the whole country, is characterized by high territorial heterogeneity regarding the service offered: while in the South it is essentially an information point (possibly associated with measures to promote self-employment), in many Northern employment centre it provides specialized orientation and training services.

# 3. The National Policy Framework for Active Inclusion in 2012

## 3.1. The reforms of minimum income protection 2006-2012

During the last six years several reforms of social assistance policies were passed. In many cases however these have represented minor changes that took the form of pilot projects, expressed by different political coalitions. The period under examination saw three different executives, sustained by different parliamentary coalitions: a centre-left cabinet led by Romano Prodi (May 2006 - May 2008), a centre-right cabinet led by Silvio Berlusconi (May 2008 - Nov. 2011), a technical executive led by Mario Monti (Nov. 2011 - March 2013). The assessment that follows in this section deals with the developments occurred in three key fields of reform for the modernization of minimum income protection: the introduction of an income support scheme; the enhancement of social services and the reduction of regional differences through the introduction of an 'essential level of services' standardised throughout the country; and the reform of targeting. Sections 3.2 and 3.3 will then offer a more in depth overview about the current status quo of minimum income protection in Italy as regards benefits structure and governance.

### *3.1.1. The Social card(s): the revival of charity or a fully-fledged minimum income scheme?*

After the end of the minimum income pilot project in early 2000s, the option of introducing a new MIG scheme able to overcome one of the most distinctive weakness of the Italian social protection system was raised several times in public and political debates. This issue has resulted to be however at the same time very divisive and very marginal. Only minor interventions in the field of income protection for the worse-off in society were set as one-off till mid 2000s (i.e. the lump-sum benefit for those below the no tax area, 1200 euro a year, in 2007). The advent of the economic crisis and the emergency phase that followed favoured the introduction of a new measure, the Carta Acquisti (Social Card, SC). The centre-right coalition led by Berlusconi that took office in spring 2008 launched the SC as emergency measure in the summer. Alongside the categorical lines that traditionally had characterised Italian social assistance policies, the Card was initially intended to support low income pensioners (>65) to deal with the inflated prices of primary goods ("caro vita") and help them to afford buying food and paying utilities during the fourth week of the month (Interviews 1, 9, 10). The amount of the benefit, 40 € a month, clearly mirrored this intention. The debate over the reduction in milk sales during the fourth week of the month was in fact meant to be the result of recession and growing inflation, with a particular attention to pensioners on social and minimum pension, conceived as the most hit by the crisis. The coverage was however extended to children below the age of 3.

The measure was outlined and sponsored by the Minister of Treasury (Tremonti) and his Deputy-Minister (Grilli), and then welcomed by the Ministry of Labour and Welfare (Sacconi) (Interview 1). In concrete terms, the SC is a debt card charged on a bimonthly basis and used to purchase food and pay basic utilities, financed from public resources and private donations. As mentioned, the card is flat rate, equal to 40 € per month. Eligibility criteria are pretty tight: in fact, the transfer is limited to Italian citizens who are older than 65 years old or household with children under the age of three, and who respect a series of stringent income limits. The very limited eligibility, the scant generosity and the fact that no conditionality is attached to beneficiaries and no special services are foreseen increase the passive nature of the measure, conceived to provide, basically, additional resources to a limited segment of low income families (Table 9). The fund to finance the scheme was moreover open to private donations, then increasing the "charitable flavour" of the measure. As table 9 shows, central government through the National Social Insurance Institute (Inps) was the manager of the scheme, whereas local governments and municipalities were explicitly by-passed.

**Table 9 The Social card, main features (2008 - on-going)**

| | |
|---|---|
| Population coverage | Italian low income persons over the age of 65 or below the age of 3 |
| Territorial coverage | The whole country |
| Targeting | Isee< 6.000 € per year |
| Access' priorities | No |
| Benefit | Flat-rate, 40 euro per month |
| Other social inclusion services | No |
| Conditionality | No |
| Institutional management | Central government (Ministry of Treasury and Ministry of Labour and Welfare), no involvement of local governments and third sector organizations |

It's interesting to underline that the launch of the social card helped to reinvigorate and open a debate among stakeholders and political parties about the need for anti poverty measures, and about the effectiveness of the SC as a last resort safety net. In general, centre-left parties and stakeholders shared a very negative view of the SC. As a response, the Democratic Party in 2009 submitted a proposal for the introduction of a fully fledged active inclusion minimum income scheme (Draft L. no. 2649, 27 July 2009), however the bill was never discussed neither in Social Affairs Committee neither in Parliament. At the same time, the Christian Associations of Italian Workers (ACLI), one of the key stakeholders in the social assistance field, initiated a pragmatic reflection on the ways to ameliorate the SC, that allowed to develop in a few months a national plan to combat poverty (cf. Gori et al., 2011). The three-year plan, presented in late 2010, foresaw a gradual extension of the Social Card as regards its coverage and generosity (from the current 40 € to 129 euro a month for one-person households, to be increased according to households size) and the introduction of social inclusion measures to be attached to the benefit. The costs were estimated to be of about 2.4 billion € a year. The proposal was illustrated to the Minister of Labour and Welfare that formally appreciated the plan, yet archived it because considered too expensive and not in line with the lack of political will to introduce new fully-fledged right-based social entitlements.

It has however to be noted that, in the late 2010 the central government had outlined a second version of the social card – named New Social Card (NSC), that was intended to shadow - as pilot project - the ordinary social card scheme in a selected number of big municipalities, with a dedicated fund of 50 million €, for twelve months. The NSC was framed by the Ministry of Labour and Welfare and was heavily sponsored by his Head of Secretariat Office (Malagola) (Interview 1), a young politician coming from a political experience in Lombardy. The main novelties of NSW were essentially two: the fact that it envisaged to complement the cash transfer with social inclusion measures to be agreed upon in an individual pact, and the fact that the scheme was to be managed by a number of selected charities, with no role for local governments. In doing so, the measure foresaw a direct linkage between the Ministry of Welfare and the charities, with the first as sponsor and the latter as main governing bodies with wide room of manoeuvre in selecting beneficiaries and designing re-insertion measures.

This proposal was strongly opposed by the federation of municipalities (ANCI) and by regional governments (Interviews 1, 8, 3, 6, 7) and was not very welcome neither by third sector organisations, worried to be invested of a too broad responsibility and subject to constitutional level faults. However, in February 2011 the law envisaging the new scheme was passed (L. n. 10/2011) and the Ministry of welfare started to work on the decree for its implementation. Despite the critics, if the cabinet would not had fallen a few months later, the NSC would probably have been implemented starting from spring 2012 (Interview 1).

**Table 10 The New Social card 2.0, main features**

| | |
|---|---|
| Population coverage | Low (no) income households, with at least one underage child |
| Territorial coverage | 12 major municipalities (Bari Bologna, Catania, Firenze, Genova, Milano, Napoli, Palermo, Roma, Torino, Venezia, Verona) plus Sicily |
| Targeting | Isee< 3.001 euro and ownership value < 30.000 |
| Access' priorities | Housing problems; lone-parents households, large families (3 or more underage children); presence of children with disabilities; jobless households with at least a work experience in the previous 36 months, or households with workers on flexible contracts or low pay dependent worker (maximum 4.000 euro net total wage in the previous six months) |
| Benefit | 2 persons - 231 €<br>3 persons – 281 €<br>4 persons - 331 €<br>> 4 persons – 404 € |
| Active Social Inclusion Services | Household-tailored pact involving a wide range of additional services: job counselling, after-school caring and educational support; additional income support; access to social housing;<br>Thigh network cooperation with local employment services, education institutions, third sector organizations. |
| Conditionality | The benefit may be revoked if beneficiaries do not comply with the household-tailored pact, which can involve:<br>a. scheduled meeting with social services;<br>b. active job seeking activities;<br>c. attendance of training or work programs;<br>d. school attendance;<br>e. personal care and healthy life style. |
| Institutional management | Central government (Ministry of Economy and Finance + Ministry of Welfare) and local governments with a key role for third sector organizations for active inclusion measures. |

The new technical cabinet led by Mario Monti, in power from November 2011, envisaged new priorities for action as regards social assistance. The Minister of Welfare, Elsa Fornero, an economist from the University of Turin, and her Deputy-Minister, Maria Cecilia Guerra, an economist from the University of Modena and key expert in the field, shared a very different view about the SC, demonstrated by the fact that the NSC bill was immediately abandoned. A second New Social Card proposal (NSC_2.0) was then drafted with features very distant from both the ordinary SC and the NSC (Table 10): first, the measure is universal in scope, even though it foresaw some access' priorities; second, it provides a mix of cash transfers and social services; third, its generosity is much higher than the ordinary SC; fourth, local municipalities and third sector organisations play a key role; fifth, the scheme introduces an element of conditionality envisaging rights and duties for beneficiaries to be signed in a personal pact that involves all the members of the household, paying particular attention towards the wellbeing of underage children.

The design of this measure turns to be clearly inspired by the ACLI proposal, and has an European flavour for its reference to active inclusion and the multidimensionality approach reserved to the fight against poverty (Interviews 1, 10, 14, 3). Moreover, the pilot project is meant to produce evidence before its generalization to the national territory. In this perspective, a central role is given to monitoring and evaluation procedures, that appear quite sophisticated: the decree envisages the presence of two different control groups. On the one side, persons who follow the ordinary path of social interventions provided by the municipality will be monitored in order to compare their outcomes with those on NSC. On the other, among NSC beneficiaries, a sub-group will not benefit of individual pact in order to test the social inclusion potential of social services provided. The outcomes of the pilot project with reference to beneficiaries households will then be evaluated on the basis of several aspects, i.e. adults labour market participation and work history; children well being with reference to heath, education and socialization; households' life style and access to primary goods. In 2012, the deputy-Minister of Labour and Welfare envisaged the possibility to use resources coming from national cohesion fund to support the extension of NSC 2.0 pilot project to four Southern regions (Campania, Puglia, Calabria and Sicilia). However, just one of them (Sicily) agreed to proceed with the pilot project, whereas the others preferred to use the resources for locally selected goals and programmes.

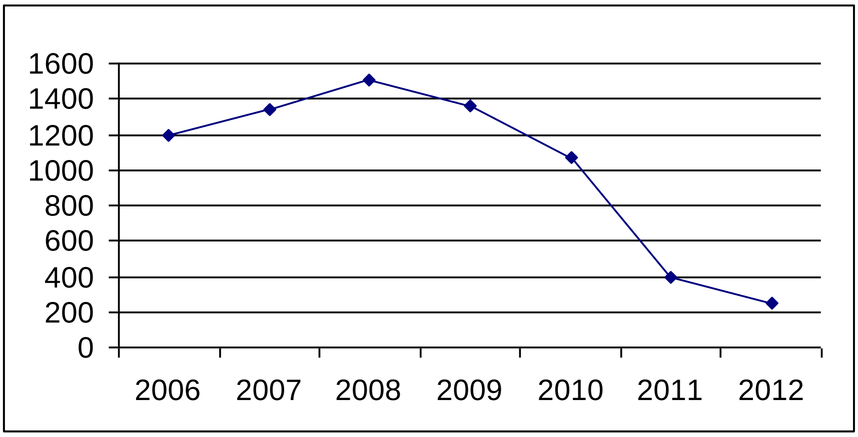
To sum up, since 2008 three different social cards were drafted, the latter representing an important step forward with respect to the Italian tradition of anti poverty policies, by overcoming the passive and charitable orientation of the other two versions, by promoting an integrated approach between government levels and the involvement of civil society organizations. Moreover, monitoring and evaluation appear as key stones of the NSC_2.0. The main weakness of this measure, acknowledged by almost all interviews, is the fact that it is again a pilot project, whose future will depend upon the interests and orientations of the next political coalition. However the importance of this pilot project has not to be underestimated. As stressed by a trade union representative, one must be "*aware that the perspectives to introduce a minimum income scheme in Italy will depend on the positive outcomes of this measure* " (Interview 2).

#### 3.1.2. Social services and active inclusion: one step forward and two steps back?

In comparative terms, spending on 'in kind benefits for families, the disabled and the elderly' (which comes closest to representing expenditure on social services) has traditionally been low in Italy, signalling a low public effort in this field. The financing of social services is based on the interplay of the three main levels of government: central state, regions and municipalities. Since the mid-2000s however the effort put by national governments has been not so linear. During the 2006-2012 period two distinct phases can be distinguished (Interviews 3, 5, 8). Between 2006-2008, the funds dedicated to social assistance increase, with a special emphasis on some fronts such as long-term care and child-care (through the 2007-2009 Childcare National Plan and the 2007-2009 Fund for long-term care); whereas, starting from 2009, we observed a large decrease of national funds, with some of them fully abolished. According to the opinion of different stakeholders and to the points raised in several programmatic documents, the Berlusconi government and the Ministry led by Sacconi had a peculiar view of social welfare seen as a cost and not as social investment.

Consequently its action was aimed at reducing the public role in the social field, by emphasising civil society and households' actions, together with market solutions (Interviews 2, 8).

**Figure 14 National funds for social assistance and social services, 2006-2012 (Mio €)**




**Source:** own calculations on IRS (2012) and Ministero del welfare.

The question of territorial heterogeneity and the need for the definition of a common level of service has been an extremely sensitive and complex issue in the Italian debate, whose origins can be traced back - as mentioned - to the 1970s, when decentralization combined with the lack of binding standards enabled regions to structure their own social assistance systems autonomously (Fargion, 1997; Kazepov, 1998).In 2000, the national framework law devoted much space to the issue of essential service levels, yet little has been done in substantive terms since then (cf. Madama, 2012). The discrepancies among regions are still very wide in regard to both expenditure and the supply of services and benefits, with the result that 'social citizenship' differs greatly according to the area of residence. In mid 2010, the Conference of the Regions, together with ANCI, advanced a proposal aimed at defining essential levels of services in the form of macro-objective of services, building on the experience of the usage of European structural funds. The idea submitted by the regions was that of assuming as essential level of service the kind of interventions already existing plus a minimum income scheme. This latter issue was the most divisive one in the debate within the Conference as centre-left and centre-right led regions had quite different views (Interview 8). However at the end also this proposal was included in the final document. The Minister of Welfare, Sacconi, formally appreciated the work done, yet no discussion followed and the document had no concrete outcomes. The new cabinet welcomed the proposal and its main goals, however the Ministry of Welfare did not take steps forward along that path.

#### 3.1.3. A new targeting: to be more effective or a way to save money? The troubled story of ISEE(s)

In July 2011, the Treasury Minister submitted a draft proposal for a delegation law (no. 4566), which envisaged a wide reform of the tax benefit system and social assistance transfers. Art. 10 was dedicated to the changes foreseen in the social assistance field, meant to regulate and made more effective social assistance expenditure through a reform of the Isee system of means-testing.

The main goal of the reform, as explicitly declared, was however that of save money from social assistance budget, 4 billion in 2012, and 20 billion from 2014. This would have been reached by making more tight means-testing criteria in order to identify those “really” in need. The main ingredients of the proposal were the following: including in the reference income all social benefits and tax exemptions; referring to households’ income instead of personal income; increasing the weight of assets and ownership in the indicator.

The proposal was soon opposed by trade unions, third sector organisations and experts which declared their disagreement during a number of parliamentary hearings and public conferences. The associations of disabled persons were particularly active in quarrelling against the reform that would have undermined the access to universal social care disability allowances and to social invalidity pensions.
The new technical cabinet led by Monti abandoned the draft bill, tank to the understanding of the Ministry of welfare, and in particular of the new deputy-minister Cecilia Guerra, who – as expert - had already expressed a negative evaluation of the draft in a hearing before the Social affairs and Finance committees in October 2011. Despite this choice, the Minister of welfare, and her deputy minister have focussed large part of their time to work on the reform of Isee, with the aim to make it more effective and fair in mean-testing in line with the perspective of using it as the standard means-testing indicator for all social assistance measures. In order to do so, in December 2011 a reform was passed, delegating the executive to approve a decree on Isee. After a first phase characterised by a scant opening to stakeholders, Cecilia Guerra started a new strategy which saw a number of meetings with stakeholders and social partners to discuss the new Isee (Interview 2).

In October 2012 the reform was ready to be enacted, however a ruling of the Constitutional Court of the 19th of December blocked it. Regione Veneto had in fact raised a problem of constitutional legitimacy of the delegation law of December 2011, given the fact that no formal involvement of regions was foreseen. The Court (ruling no. *297/2012*) decided that the decree, before its enactment, had to be approved by the State-Regions Conference, on the basis that despite the fact that the Isee was conceived as an essential level of service for the national territory (and thus matter of exclusive competence of the central government), as regards its definition the central state had to involve regional governments though a preliminary agreement in the State-Regions Conference.
After this ruling, in January 2013 the draft decree arrived to the State-Regions conference but was blocked once again by the opposition of another region, Lombardy, which interpreted it as too far from the regional pilot indicator launched in mid-2012 by the Region for means testing and not as much able to capture family burdens and composition as the Lombard one (Interview 18). Due to the anticipated end of the government, the reform was put aside, waiting for the action of the next cabinet.

### 3.2. Benefit structure, generosity and administration

As mentioned before, the most interesting institutional innovation occurred in the field of anti-poverty policy is the New Social Card 2.0. Beside this pilot project, monetary redistribution schemes of the early Nineties are still entirely in place: the pension minimum and the social pension; the civil invalidity pension with its accompanying allowance; and the family allowance. Since the end of the Nineties, these measures have been complemented with further means-tested benefits, which have thus contributed to increasing the institutional fragmentation of the system. Among these benefits, we find: an allowance for families with three or more under-age children and a maternity allowance for mothers who lack insurance coverage; the Social Card; various pension supplements and forms of tax relief.

This section provides an overview of the measures which, even though might have an occupational nature, are devoted (directly or indirectly) to mitigate the risk of poverty among working age individuals. More precisely, we took into consideration means-tested measures, which aim at improving the economic condition of low-income segments of the population, although this does not necessarily imply that these instruments have as a main goal to tackle poverty and social exclusion.

*Family Allowance*

The Family Allowance is a hybrid MIP scheme, means-tested albeit categorical and financed through contributions. It is targeted to employees with family burdens or retired ex-dependent workers with family burdens, yet since 2000 it has been extended to contract workers. The amount of the transfer is positively correlated with the dimension of the household and negatively correlated with its income: as an example, in 2012 a family composed by two parents and at least one child, with an income inferior to € 13,784, received a monthly transfer of 137,50 € for 13 months a year. With an additional children the transfer amount increased to reach 258€. A single parent with one child and an income below 24.592,30€ have a right to a monthly transfer equal to 168,33€. The measure is financed through national social contribution and managed by the National Institute of Social Security (INPS).

In 2010, total expenditure for Family Allowances was € 6.347 mln, equal to 0,4% of the Italian GDP, the most expensive social assistance measure for working age individual. Despite its relevance in the social assistance architecture, this measure has a very limited efficiency in targeting: in 2009, only 10,2% of the expenditure reached the lowest decile of the income distribution, whereas almost 35% benefited the richer 50% of the population (IRS, 2012).

*No Tax Area and Family Deductions*

The so called No Tax Area was introduced with 2003 Budget Law and exempts from tax payments workers with an income below a certain nationally defined threshold. Currently, dependent workers with an income below € 8.000 (as well as pensioners with a total income below € 7.500 and autonomous workers with an income below € 5.400) have a right to a complete tax exemption. These “non taxable areas”, which constitute a deduction equal to 1.840 euro for employee with an income below 8.000 euro, decrease as income rises, maintaining an appreciable effect for workers with income up to 15 thousand euro: at this level employee deduction are equal to 1.338 euro.

There are also special deductions for dependent children, also in this case negatively correlated with income. The maximum amount is 900 euro for a child up to 3 years, 800 € for children with more than three years old. In household with more than three children the deduction is higher, corresponding to 1100 for children up to 3 years and 1.000 for children between 3 and 18. Deduction amount maintain similar level of generosity up to 20 thousand euro: for families with a child under three years old and an yearly income of 15.000 euro deductions are equal to 750 euro. In addition, deductions are to be increased by 25% for families with more than three children.

### *Social Card (2008)*

The Social Card, introduced in 2008 (D.l. 133/2008), is a credit card which allows beneficiaries to make purchases at established /partner shops or to pay bills. It aims to tackle absolute poverty within some specific categories: Italians older than 65 years and/or children under 3 years who live in households with disposable income in 2012 lower than 6.701,34 €. Assets above certain amount are also taken into consideration: in 2012 it is required not to have more than one car or home, and movable assets higher than € 15,000. The measure is not very generous: the benefit is equal to 40 € per month. Besides the monetary transfer, this measure does not give access to any active inclusion service. The main strength of this instrument in the Italian context is its ability to reach the target of most deprived: more than half of the recipients belong to the lowest income decile of the population. Funded via general taxation, this measure is managed directly by the Finance Ministry, in association with Post Offices and INPS. In 2011, about 535 thousand people got the SC, for a total expenditure of 207 mln €.

### *New Social Card 2.0 (2012)*

The New Social Card (NSC_2.0) is a Mii scheme launched as pilot project for 12 months (starting from the spring 2013) in the twelve bigger municipalities plus Sicily. As highlighted in Table 10, the NSC is targeted to families with underage children, with some access' priorities. It provides a mix of cash transfers and social services aimed at promoting the active inclusion of beneficiaries. The level of the benefit varies according to family size, from € 231 to € 404. It is managed by local municipalities, with the direct involvement of third sector organisations. The scheme introduces an element of conditionality envisaging rights and duties for beneficiaries to be signed in a personal pact that engages all the members of the household, paying particular attention towards the wellbeing of underage children. The pilot project is financed through a dedicated tax-based national fund.

### *Benefit for families with three or more underage children*

Introduced in 1998, it is a monthly transfer aimed at alleviating poverty among large families. It is directed to households with three or more children under the age of 18 and with an ISEE below 23.200,30. In 2012 the benefit amount was 128,29 € for thirteen months. This benefit is financed through the national tax system and it is managed by INPS in association with municipalities.

### *Maternity Allowance*

Also introduced in 1998, it is a monthly transfer for mothers who are not entitled to the insurance-based maternity allowance. The target group includes Italian, EU and third-country nationals neo-mothers (including pre-adoption custody and adoption of an under-age child). The benefit amounted to € 309,11 monthly per each newborn child in 2012 and is paid for five months. The measure is means tested through the ISEE; for a family of two parents and one child ISEE threshold was set in 2012 at € 33.857,51. The measure is financed through general taxation, managed by INPS in association with municipalities.

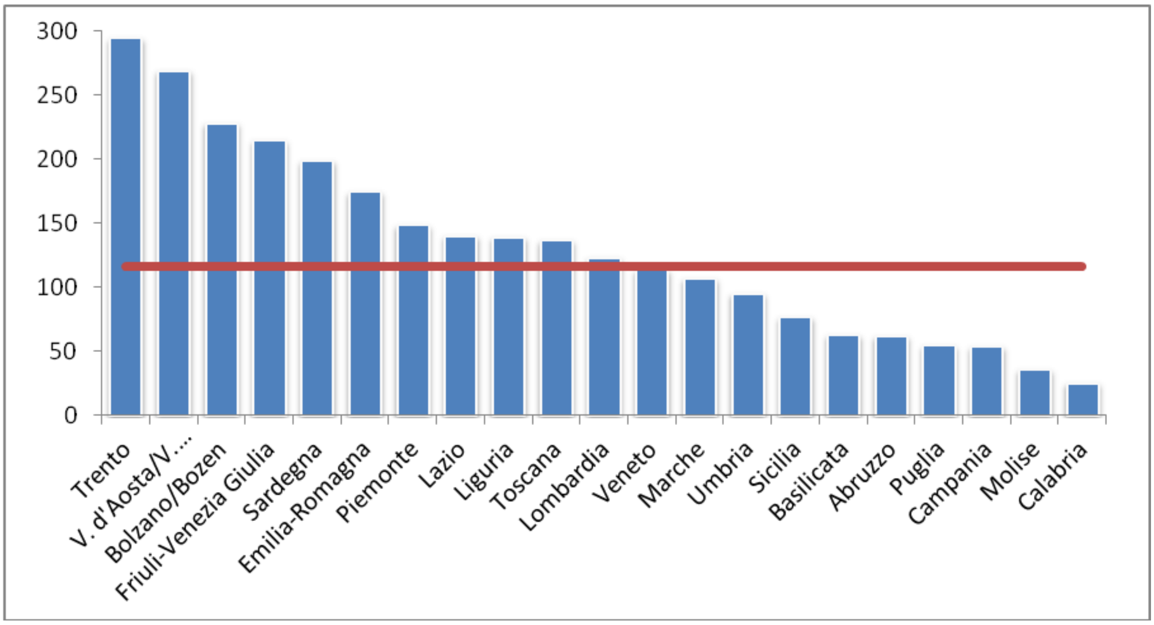
### *Fund to support low income tenants*

Introduced with D.l. n. 431/1998, it is a financial support targeted to low income families with the aim of reducing the incidence of the rent on their disposable income. The benefit corresponds to a reduction of the incidence of annual rent over family income to 14%. In accordance with the national framework, regional administrations and municipalities can set their own criteria with some room for manoeuvre on procedures, entry requirements, means-testing and amounts to be transferred. The measure is funded via general taxation, yet with a pre-defined budget ceiling for spending.

*Regional and local MIP measures*

In the overall architecture of MIP in Italy, regional and local levels play a fundamental role in providing income support and services to families at risk of poverty and social exclusion. In the absence of a national binding regulatory framework, benefits amount, eligibility criteria and duration are very different across different regions and municipalities, generating a sort of "postcode welfare lottery" effect, meaning that depending on where you live you might have access to very different services and/or benefits packages.

**Figure 15 Regional per capita Social Expenditure for social services, 2009**




**Source:** Istat (2012).

Some regions have in the past years introduced regional minimum income schemes. These benefits provided with great variance at regional level, they do not constitute an individual subjective right, but depend on the availability of resources. Beside the Autonomous Region of Valle d'Aosta and Trentino Alto Adige, which introduced their first regional schemes in the early Nineties and reinforced those instruments through time, today only Basilicata and Puglia have a regional minimum income scheme, whereas Umbria (L.r. n. 13/2010) launched more recently new experimentations. Those measures, where available, are financed with regional resources and managed in association with the municipalities.

In addition, several cash transfers are shaped at the local level. As it has been frequently affirmed in the interviews, forms of economic support by the municipality are frequent, especially as monetary transfer and / or exemption from the payment of rent expenses, gas and electricity bills, etc.. However, all these measures tend to be discretionary, uncertain in their delivery and heavily conditioned by budgetary constraints. Local per-capita social expenditure allows to capture the extent of local variation (Figure 15). Even if it is very complex to detect the overall social expenditure for anti poverty measures at the local level, Istat estimates that in 2008 the 26.8% of the 6.7 billion devoted to local social expenditure were absorbed by this function (Istat, 2009).

Table 11 provides a general overview of the structure of social expenditure, with a focus on its internal distribution among functions and schemes. As can be noticed, the allocative distortion that characterised the Italian welfare state in the mid-1990s and in the mid-2000s was not solved.

**Table 11 Social Protection Expenditure by function in Italy, 2010**

| Function | Expenditure (mln €) | % on GDP |
|---|---|---|
| Old Age | 244.840 | 15,8 |
| Unemployment | 37.978 | 2,5 |
| Health Care | 105.451 | 6,8 |
| Social Assistance | 61.900 | 4 |
| Family Allowance | 6.347 | 0,4 |
| Family deduction | 10.516 | 0,7 |
| Social Card and Benefit for families with 3 or more underage children | 800 | 0,1 |
| Social Pension | 4.001 | 0,3 |
| Pension Supplements | 12.000 | 0,8 |
| Invalidity Pension | 16.394 | 1,1 |
| Local Services (monetary transfers and services) | 8.605 | 0,6 |
| Other | 3.237 | 0,2 |
| Total social expenditure | 450.169 | 29,1 |

**Source:** IRS (2012).

### 3.3. The organisation of active inclusion delivery system

The institutional organization of national welfare policies with anti-poverty effects is very complex and fragmented, and there is no clear coordination between different administrations responsible for the various instruments. A fundamental role is played by the National Institute for Social Security (INPS), the provider of some of the most important measures existing at national level, such as Family Allowances, Social Card, Benefit for families with three or more underage children and the Maternity Allowance.

At the national level, MIP competences are retained by five Ministries and several departments:

- Ministry for territorial cohesion
- Ministry of economy and finance
- Ministry of economic development – *Dept. for territorial development and cohesion (MiSE)*
- Ministry for International cooperation and integration – *Department for family policy*

- Ministry of Labour and Social Policy
  - *Dept. of active and passive labour market policies*
  - *Dept. industrial relations*
  - *Dept. of employment services*
  - *Dept. of social security policies*
  - *Dept. of social inclusion and social policies*
  - *Dept. for Third sector organisations*
  - *Dept. for Immigration and integration policies*

Regional governments set up welfare directorate, in charge of coordinating the development of social assistance policies at the regional level. Municipalities are then the concrete providers of many benefits and services that can play a key role in promoting active inclusion. However Active labour market services are usually managed by provinces through dedicate offices (PES).

The leading agency as regards benefit provision is the National Institute for Social Security (INPS), which operates under the direction of the Ministry of Labour and Social Policy, through a number of divisions and many decentralised offices. For social assistance means-tested measures a specific directorate was built, the GIAS (Gestione interventi assistenziali dello Stato).

The main consulting body as regards poverty and social exclusion at the national level is the Commission of inquiry on poverty and social exclusion (CIES), which includes exerts, academics and bureaucrats from Inps, Istat and the Bank of Italy.

The multi-level governance of social inclusion measure is expressed through two dedicated committes, the State-Regions Conference and the State-Regions-Municipalities Conference, with their sectoral-functional committees.

### *3.3.1. Inter-agency coordination*

With regards to the three main dimensions of the active inclusion system, income support, access to quality social services and active employment services, Italian institutional system appears highly fragmented and poorly coordinated. As we have seen in the previous pages, the most important and generous national means tested income support benefits are managed by the National Institute for Social Security, under the direct supervision of the Ministry of Labour and Social Policy.

Conversely, competences over active labour market institution, public employment services, have been decentralized: since 1997, every Region provides to the organization of its own public employment system. The Ministry of Labour and Social Affairs maintains a role of general lead and control, but the Regions have the fundamental role of guaranteeing, monitoring, and programming their own model. Public Employment Services (in Italian, *Centri Per l'Impiego*), which are the service provider, are guided and coordinated by the Provinces.

As for social assistance and social services since 2001, the changed title V of the Constitution assigns to Regions exclusive competence. In this field, regions are therefore entitled not only to make choices regarding instruments but also to define goals and objectives. The providers of social services are located at the municipal level. At this level, despite the attempt of reorganization carried out by Law 328 of 2000, the prolonged absence of a national framework have resulted in an uncoordinated and differentiated sprawls of actor and practices, since local services are organized in different ways depending on their size, availability of financial resources and political sensitivity of the single municipality.

Given the complexity of the governance of active inclusion system in Italy, coordination between different agencies is fundamental to provide effective services and support to the population. However, this has been identified as a particularly difficult task to accomplish. In the interview, experts and policy-makers have underlined the difficulties of coordination between the various government department, which are often considered too many and too fragmented, and frequently subject to changes not always consistent over time, which makes particularly complex vertical coordination between governments and regions (Interview 5).
Moreover, from the interviews it emerges unanimously the difficulties in the horizontal integration between the three main pillars of the active inclusion strategy, income maintenance, access to quality services and active labour market policies:

> *"We need to strongly reinforce communication and integration between the various levels of government. There is a huge fragmentation, often different level of governments do not even know each other work. Municipalities do not know what kind of relation citizens have with INPS. Therefore, it is possible that there are more actions in favour of the same individual, implemented by different actors, such as ASL, INPS, municipality and/or the Province, and no one of them is aware of the intervention of others, with the obvious risk of duplication of effort, non-selectivity of need, and coverage holes " (Interview 3).*

> *"The difficulty consists in having accurate information about what happens on the field (…). Policies are made a little "in the dark" in our country. From this point of view, we strongly support the idea of a social assistance beneficiaries' database, though we are aware of the problems of coordination of various departments and levels of government "(Interview 14).*

In an active inclusion perspective, particularly serious and significant appear the lack of coordination between policies and measures to combat poverty carried out by the municipality and the active labour market policies, which on the contrary are managed by the public employment services at the provincial level.

> *"As regards the integration between social services and other services, such as employment services, the situation today is one of separate systems, with the objective to move towards greater integration. Integration is not part of our DNA, is a direction in which we must move" (Interview 17).*

Even though this is a long lasting problem of the Italian policies against social exclusion, some future developments, as it has been explained by an Interviewee (Interview 1) might allow some moves in the direction of a better horizontal and vertical integration in income support measures.

> *"We are perfectly aware that there is a major problem of coordination between the various government departments, which we intend to face in the 2014 – 2021 period. (…) In fact, among the various requirements needed to access to structural funds on poverty there is a need to integrate various stakeholders*

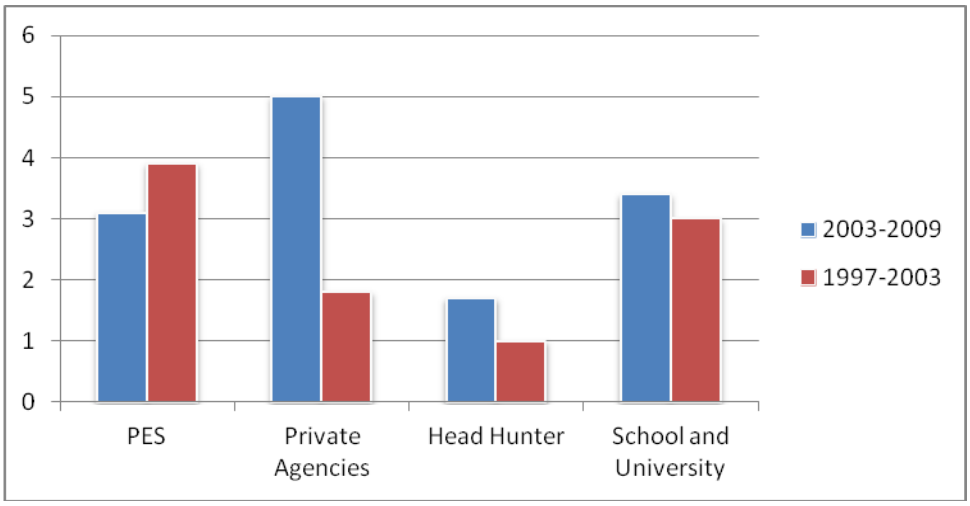
*and levels of government, and we intend to work in this direction" (Interview 1).*

### *3.3.2. Marketisation*

In Italy in the last decade there has been a growing relevance of the private sector, both for profit and not, in securing the services of active inclusion. The Biagi Law of 2003 extended the number of private actors allowed to act as intermediaries on the labour markets, from universities to individual consultants, liberalizing job placement services and introducing full competition in this sector between public and private actors. Completing a process that began with the Treu Act in 1997, job placement shifted from a public monopoly to a "quasi" market regime.

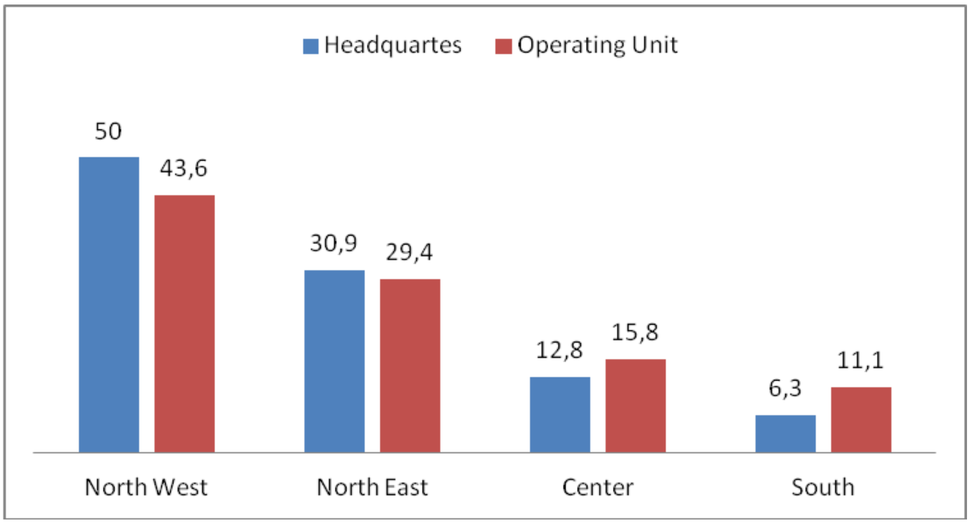
The share of private agencies in the job placement market progressively increased and in 2009 were more numerous and had more employees than the PES. Figure 16 shows that in the span of a few years, private agencies have acquired a significant proportion of the intermediary market. Moreover, the step in of the private sector has greatly exacerbated regional differences: 80% of private employment agencies can be found in Northern Italy (Figure 17), strengthening a paradoxical and "reversed" situation in which employment services are less present where they are most needed, given the high incidence of unemployment in the South. These data allow to assume that the entry of private channels of intermediation may have exerted a sort of "creaming effect".

**Figure 16 Intermediation channels' usage (%), 1997-2003 and 2003-2009, Italy**




**Source:** ISFOL (2011).

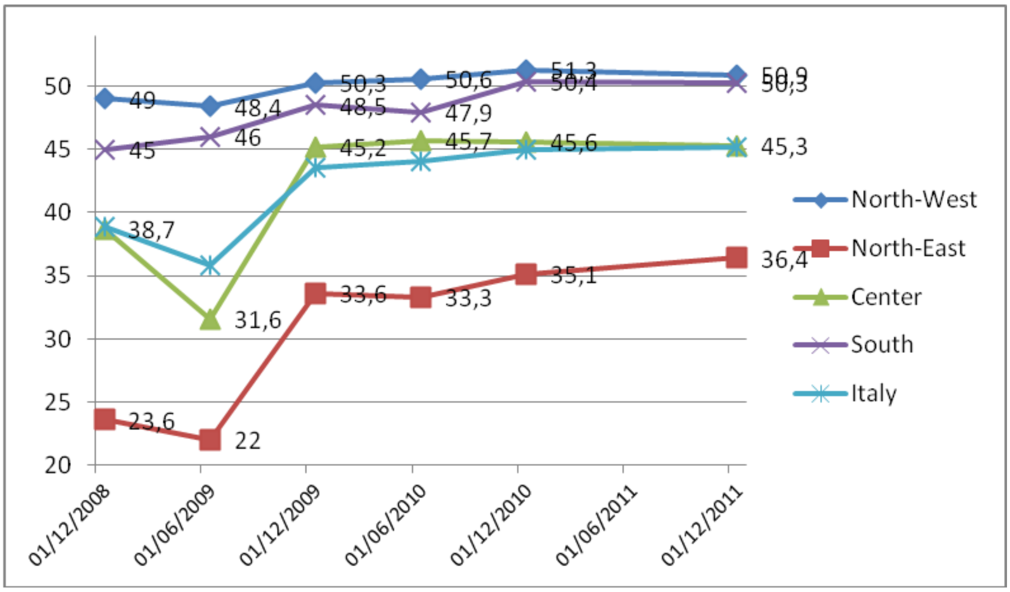
Figure 17 Territorial development of Private Employment Agencies in Italy, 2009




**Source:** ISFOL (2011b).

Also care services have experienced similar transformations. In the child care sector, the last decade saw a constant growth of relevance of private providers: if in 1992 only 6,7% of the kindergarten were private, in 2004 they were already the 38,9% and in 2011 they reached 59% (Istituto degli Innocenti, 2006 and 2013). Moreover, the share of child-care user accessing private child-care services constantly grew in this period, reaching 45,2% in 2011 (Figure 18). This trend can be seen as a consequence of the lack of high quality, flexible and affordable public child-care services, especially for middle income families who have to face higher rates to access public child-care as a consequence of progressive co-payment thresholds. Public services tend then to be less competitive with respect to private providers, due to the fact that the latter often are able to offer - at a lower price for middle income families - more flexible and tailored services.

Figure 18 Share of child-care users accessing private child-care services, Italy, 2008 - 2012




**Source:** Istituto degli Innocenti (2013).

Also in the field of social services for long-term care, in the last ten years we observed a sharp increase in private residential services (Table 12). Data show that, as is the case in other Mediterranean countries, the general lack of public social services has led Italian families to find different ways to respond to increasing social needs. If households with more financial resources were able to access private services provided in the regular market; migrants labour force (and especially that of the large share of illegal immigrants) allowed middle-class families to use private services, though underground economy, thanks to lower labour costs (Da Roit and Sabatinelli, 2005).

**Table 12 Daily services in residential facilities, per managing institutions, Italy and macro-regions, 2001-2009**

| | Private For Profit | Private No Profit | Public Sector | Total |
|---|---|---|---|---|
| Italy | | | | |
| 2001 | 35272 | 74602 | 115354 | 225228 |
| 2006 | 42403 | 97516 | 86722 | 226644 |
| 2009 | 99832 | 184005 | 130982 | 414819 |
| North | | | | |
| 2001 | 23426 | 47114 | 93812 | 164351 |
| 2006 | 26486 | 71160 | 67388 | 165034 |
| 2009 | 51497 | 124906 | 99378 | 275781 |
| Centre | | | | |
| 2001 | 13545 | 12200 | 7202 | 32947 |
| 2006 | 11988 | 12765 | 10260 | 35013 |
| 2009 | 22847 | 20481 | 18353 | 61681 |
| South and Islands | | | | |
| 2001 | 7998 | 15289 | 4643 | 27930 |
| 2006 | 7345 | 13595 | 5656 | 26596 |
| 2009 | 25488 | 38618 | 13251 | 77357 |

**Source:** Istat database.

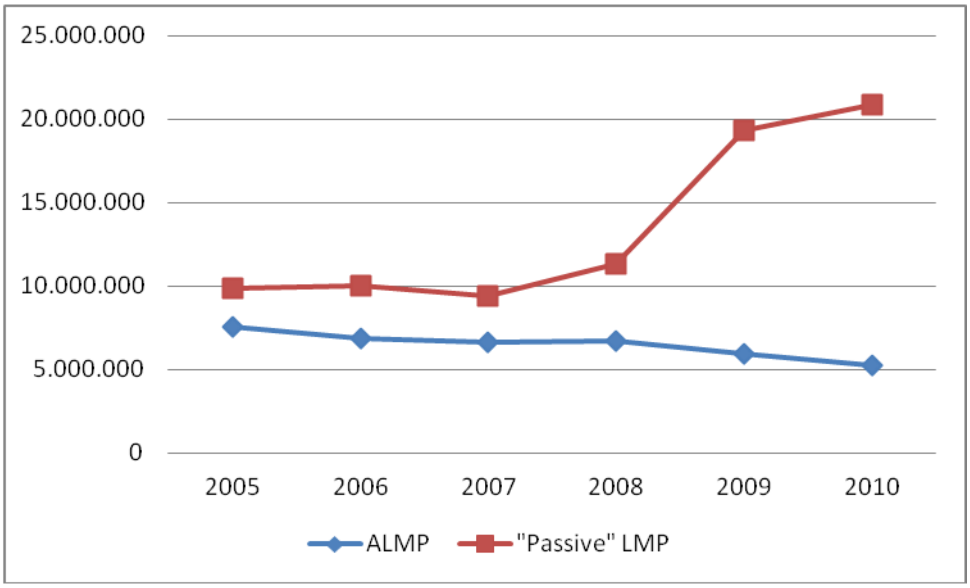
In the field of active inclusion policies, changes in the socio economic environment and the emergence of new social risks, associated with the protracted failure of the Italian social assistance system to adapt, are generating a series of transformation, most notably the progressive loss of functional salience of existing social protection measures and large gaps in coverage. In parallel with this erosion of the role of public intervention, what is happening in Italy in the case of social assistance care policies is the simultaneous development of a highly segmented *privatized welfare* (Da Roit and Sabatinelli 2005, Madama 2010, Saraceno 2008); as families look for alternative solutions to meet their own needs by accessing formal, informal or irregular market, depending on their income.

### 3.4. The activation of minimum income claimants

In Italy, social and labour market services necessary to promote the active inclusion of people of working age are particularly scarce. However, since the adoption of the watershed “Treu reform” (see above) in 1997, Italian labour market policy has placed greater emphasis on activation, and a number of changes have been introduced in active labour market policies, the organisation of the public employment services (PES) and in the link between active and passive measures (cf. Sacchi and Vesan, 2011).

Regarding ALMPs, it is useful to distinguish three different phases between 1997 and 2012. In a first period, broadly from 1997 to 2003, governments attempted to overcome the traditionally passive approach to unemployment in Italy by investing heavily in active measures. The traditional predominance of passive policies was thus limited, moving Italian labour market policy towards a more balanced 'policy mix' which sought to facilitate the insertion – especially of disadvantaged groups – in the labour market, in accordance with the guidelines of the European Employment Strategy (Graziano, 2007). However, with respect to the development of ALMP and the enforcement of the link between passive and active measures have encountered considerable problems at the level of implementation. One of the main obstacles that has hampered the effective translation of activation principles on the ground has been the difficulty of offering suitable jobs or valuable training courses in the areas where unemployment is particularly high, especially in the South. Moreover, despite rhetorical calls for a greater responsibility of unemployment benefits' recipients, local authorities often have clear incentives not to enforce the conditionality principles in order to avoid potential conflicts with their social clienteles. Finally, the resilience of the old bureaucratic style in job placement management has also played a role in the slow and partial implementation of activation measures, in particular in those provinces where PES have limited institutional capabilities.

**Figure 19 Expenditure on active and passive labour market policies, 2005-2010**




**Source:** Ministero del Lavoro e delle Politiche Sociali (2011).

In 2004 the positive trend in ALMPs came to an abrupt halt and has subsequently been reversed (Jessoula and Vesan, 2011). Finally, since 2008, a third phase can be identified with reference to both funding and management of social shock absorbers "in derogation", used to tackle the recent economic crisis. These new and temporary unemployment benefits have been partially financed (about 30% of the total budget) through the European Social Fund (ESF), whose resources are meant to fund ALMPs and are managed at the regional level. This has entailed two important novelties. On the one hand, regional governments have played an unprecedented role in the bargaining on the above mentioned 'emergency' unemployment allowances, reinforcing their discretion in the domain of unemployment benefit provision, albeit with the risk of further widening territorial disparities in the implementation of such measures. On the other hand, the requirements of the European Commission are that benefits financed through ESF funds must be accompanied by the participation of workers in activation programs, and must be systematically monitored and evaluated. This represented an important novelty that might in principle promote a greater integration between active and passive labour market policies. However, as we will discuss below, the implementation of these measures is often hampered by the limited ability of many regional and local employment services to actually provide suitable activation programs for the unemployed and by the difficulties in promoting coordination between different sector of the public administration already highlighted in the previous section.

The interviews confirm this situation that finds support in the data available, in particular in relation to active labour market policies.

> *"My impression is that people with greater difficulty in re-entry into the regular labor market are less followed, also because they should be supported by more expensive tools. It seems to me that there is a normative shortage, a lack of measures able to address the needs of that segment of the population that sits among the unable to work and the employees, and that allow a gradual reinsertion for those more distant from the labour market (...) As the Department of policies against poverty, we have very few cartridges in our basket, we can turn to the municipality or the employment service, but confronting directly with citizens we touch with our hands that there are a number of risks and needs for which we have very few tools, if any." (Interview 1).*

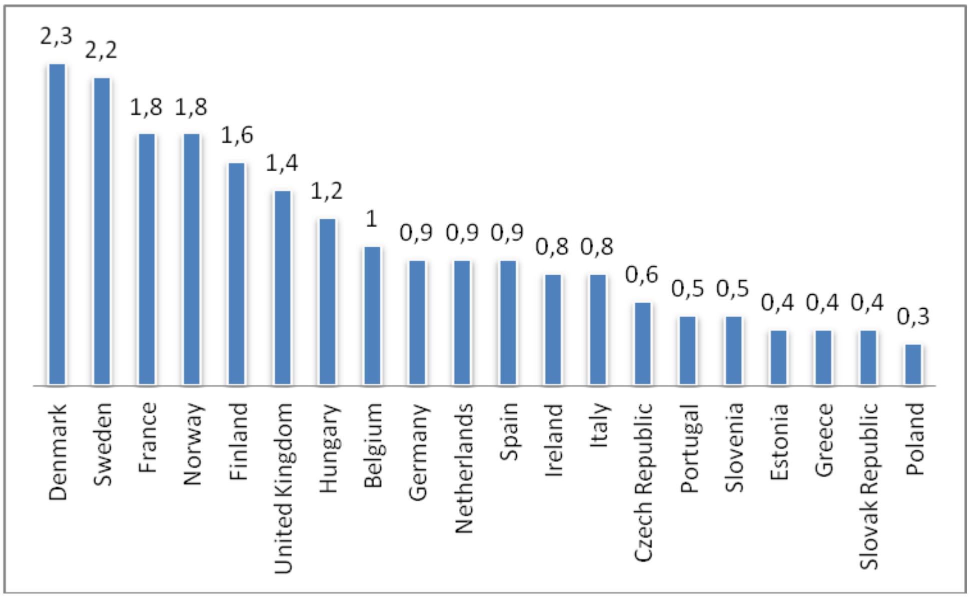
> *"As far as people with economic difficulties, but which do not belong to specific categories, such as the disabled, those who are sanctioned with measures alternative to prison, or individuals suffering addictions, paradoxically, the situation is even more difficult. As an example, for the disabled there are specific laws, cooperatives involved in their job placement, some form of tax relief. On the contrary, if the distress is caused by economic conditions there is no specific law that recognizes the priority of these individuals. It might happen that social services intervene and take charge for this individual, but it is much more difficult. (...) In Italy the categories that the EU considers to be "weak" are definitely not recognized. So, paradoxically, it is easier to insert a prisoner that an ex-prisoner, because the first is mentioned in a specific law, while the latter is not. For the groups referred in your project, there are no specific standards of reference, there may be interventions, but absolutely associated with a special emergency or sensitivity at the local level, there is definitely not the certainty of support." (Interview 4).*

### 3.4.1. Personalisation

The local "Professional Social Service" (dedicated desk with a professional social worker) represents the standard port of entry to social services at the local level for families claiming social assistance. The main aim of this service is that of providing tailored-guidance with regard to schemes and services availability, in a context where the fragmentation of public intervention can represent an objective constraint for claiming bnefits.

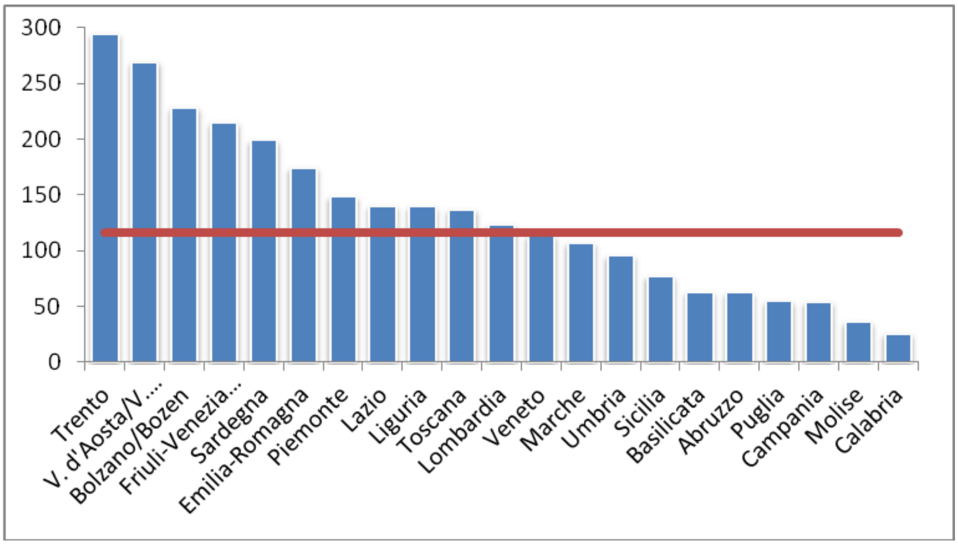
In line with the familialistic approach that characterizes the South European welfare model, a clear preference has been accorded to economic transfers rather than in kind services, giving raise to a wide welfare bias. Over the last decade, this gap has not been solved: exception made for the *Piano Nidi* and the *Long-term Care Fund* (see above), reforms have not accomplished at re-balancing the spending between monetary transfer and services. In addition, the lack of a national framework able to define minimum standards has led to the spread of differentiated practices throughout the country. As a result, Italian regions currently display very different outputs as regards both per-capita social spending (Figure 21) and functional priorities (Figure 22).

**Figure 20 Social expenditure for in kinds benefits as a percentage of GDP, selected country, 2009**



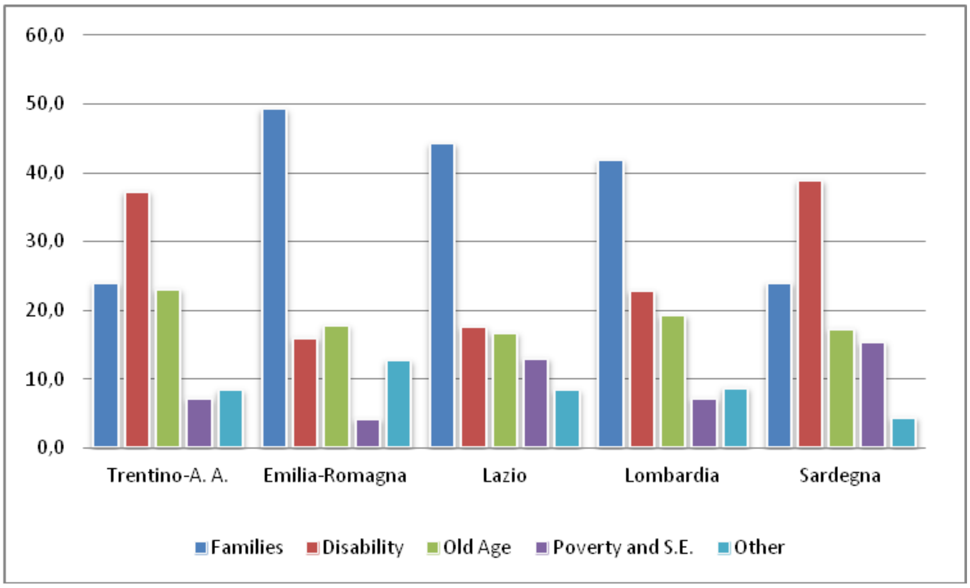

**Source:** OECD Online Database

**Figure 21 Local per-capita social services expenditure by region, (€) 2009**




**Source:** ISTAT Database.

**Figure 22 Local per capita social services expenditure by function, selected regions, (€) 2009**




**Source:** ISTAT Database.

Interviews with experts confirmed and enriched this diagnosis:

> *"The system of social services is highly fragmented in Italy, each municipality can decide in which direction act and which organizational structure develop. The local authority can decide whether to "internalize" social workers, or may decide to adopt a different structure, managing collectively with other municipalities social services. Since the 80's the attempt was to diversify the possibilities. The result was a fragmentation: I can live in a particular place and have certain services, move few kilometers to a different municipality where the same services are not provided, or are provided in a different way. The guarantee of the right to access and use is very diversified, in Italy." (Interview 17)*

On a general basis, at the local level professional social services appear able to respond to emergency situations, but this ability is often not accompanied by adequate capacity to plan and prevent situations of need.

> *"The main data is a structural lack of resources and organizational skills. The whole sector relies on social workers goodwill and discretion (...). Today we are able to meet emergencies, responding to citizens basic need, ensuring a roof or some form of economic support. What is entirely missing is the ability to plan: it is true that the municipal social worker build with the citizen in need a personalized plan of action, but then it is often empirically not possible to check that activities are really carried out. In the absence of an ability to program interventions enabling individuals to escape from a condition of need, it remains only the immediate response to the need." (Interview 9).*

This inability to build individualized plans, which assumes different forms according to the territorial area, is strongly correlated with the difficult coordination among different policy sectors, especially with regard to the linkages between municipalty-based social assistance services and provincial-based public employment services. Moreover, according to many experts, it is related to the fact that it is still far from being achieved the goal of having a single point of access to social services (the so-called *segretariato sociale*) in all municipalities that can act as standardised gate-keeper:

> *"(...) it is essential to create a territorial system, to create, as is the case in some areas, a single point of access in every municipality, where it is possible to build the specific competencies needed to meet the multidimensional problems connected with poverty. However, this does not exist everywhere, there are some advanced areas where access to services is facilitated, in others citizens have no idea where to go and remain essentially alone."(* Interview 2*).*

> *"(...) On the other hand, in many regions, particularly in the South, we do not only need measures, but also structures, the so called single point of access. In many municipalities, especially the smaller, there are virtually no social services, and welfare functions are covered either by private organizations or by a bureaucratic "public Figure ", with no particular competences regarding social assistance. (...). The absence of a national measure and the weakness in some territory of the local public professional services are key weaknesses of the Italian social system." (*Interview 6*).*

With regard to public employment services, significant steps forward have been made from the centralized and bureaucratic model set up after World War Two to the current decentralized and more customer-oriented model envisaged at the end of the Nineties. However, as we have seen in section II, in mid-2000s there was still a limited capacity of public employment centres to foster employability and to implement tailored strategies to overcome claimants' situations of need.

In the period from 2003 to 2008, we observed several improvements, including a greater use of individual plans to improve employability, yet associated with a persistence, if not an enlargement, of territorial differentials. In 2008, 79% of PES foresaw individual meetings aimed at drafting individual plans. This is a relevant growth considering that in 2001 the share of PES providing this kind of service was only 30.2% (ISFOL, 2009). Similarly, a growing number of PES organised activities to promote vocational training for the young (from 29.6% in 2001 to 63.6%) and summon students to perform guidance interviews (63.2% compared with 18.3% in 2001). Despite these improvements, a major limitation of Italian PES consists in the difficulty of ensuring the long-term continuity of guidance: only in four cases out of ten, the signature of an individual plan was monitored through following meetings, in order to be eventually updated. However, the list of services potentially provided by PES is wide and includes: counselling, internships and career services, workshops on job search techniques, skills assessment, job placement, and internship offers.

In the last five years, the evolution of active labour market policies spending, in particular as regards public employment services (Table 13), shows a rapid decline. In line with public spending trend, data regarding PES in 2010 were less encouraging than in previous years. This situation hits performance indicators as in 2010, with about 1.6 mln of registered unemployed, less than 30%, of them had a personalized skills assessment interview and only 33,6% of users signed a personalized action plan. Moreover, just 206 PES (37%) required the definition and the signature of a pact.

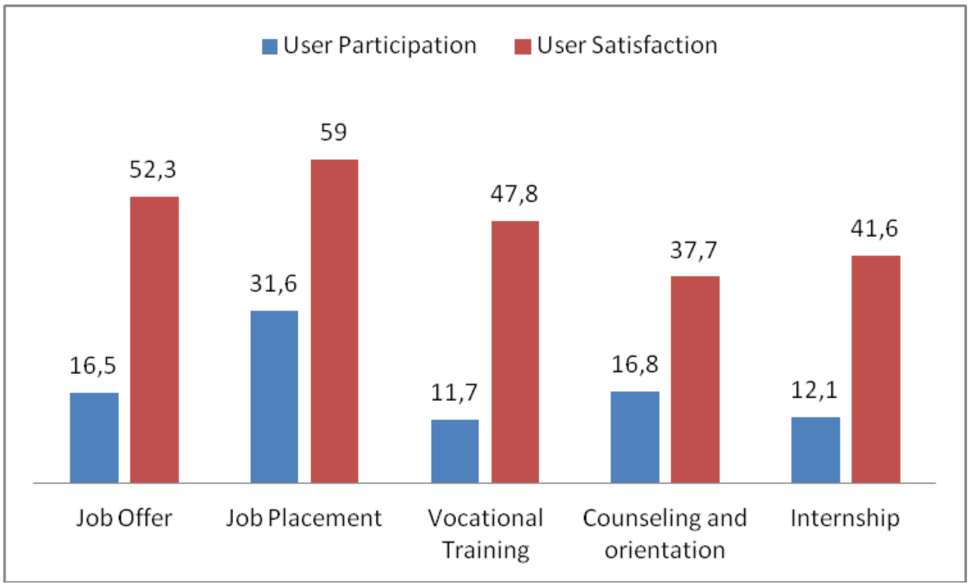
Table 13 Public Employment Services Expenditure by function in Italy, 2005 – 2010

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Personnel cost PES | 309.000 | 321.000 | 349.263 | 362.012 | 374.030 | 383.568 |
| Administrative costs PES | 140.463 | 134.510 | 152.801 | 203.579 | 66.825 | 29.782 |
| Counselling and orientation | 107.615 | 66.765 | 96.689 | 103.872 | 26.161 | 33.377 |

**Source:** Ministero del Lavoro e delle Politiche Sociali (2011)

To sum up, in recent years public employment services have experienced a series of processes designed to facilitate the provision of guidance, counselling and labour market insertion services, with an aim to improve their services' quality and customer orientation. Although in a rather heterogeneous way across the country, it is possible to affirm that the placement system was re-organized since the late Nineties. Alongside these positive elements regarding an attempt to shift from a bureaucratic and demand-driven approach to a more targeted and focused one, some major difficulties have emerged as regards implementation, due not only to a chronic lack of resources but also to the absence of an effective national guidance. As a result, the conversion of the public monopoly into a public-private mix of employment services has so far taken place along differentiated paths, which have not led to the establishment of a new national system of employment services but have rather created a variety of local systems (Sacchi and Vesan, 2011). In addition, coordination problems (among different policy fields and government levels) deeply undermined the effectiveness of the system to provide answers to claimants, especially for those with complex and multifaceted situations of need.

Figure 23 Users' participation and satisfaction to PES activities, (%) 2009




**Source:** Mandrone (2011).

Figure 23 shows the level of participation and user satisfaction with the activities planned by PES. One of the most important weaknesses of active labour market services in Italy concerns their limited ability to provide tailored-services, especially in Southern regions (Mandrone, 2011). Interviews with experts confirmed a very negative assessment:

> *"At the territorial level, economic support and care services are guaranteed by the municipalities, even though in a fragmented and diversified manner depending also on the capacity and size of the various municipalities. With regard to active labour market policies and training, at least from our point of view, there is much less, and in any case the integration of these components is zero or left to the will of the individual operators." (Interview 3).*

> *"In theory, job placement policies are not under the responsibility of social services. In practice, municipalities try to start a cooperation with employment services, because those involved in social planning should build a network with employment centres, schools, temporary agencies, cooperatives and NGO, etc.. However, the success of this attempt also depends on employment centres: I have to tell you the truth, I'm very critical with employment centres, as they seem to be very little active in promoting the activation of individuals at the margins of the labour market" (Interview 9)*

### 3.4.2. Conditionality

In Italy, the conditionality regime attached to labour market policy and unemployment benefits is, at least formally, very rigid and strict. In fact, in accordance with a "workfare" perspective, economic transfers, their duration and the possibility to access services are conditional upon work availability. More precisely, already in early 2000s, Legislative decree 297/2002 stated that: "the right to receive any unemployment income support schemes (...) shall be conditional to the signature of a declaration of immediate availability to work or to attend professional training", "in case of refusal to sign the declaration of immediate availability, or, once signed the declaration, in case of refusal to accept a job or a training aimed to professional requalification (...) the employee receiving the treatments of income support loses the right to any form of economic benefit (...)"[15].

However, despite the presence of these formal requirements, public employment services do not exert their monitoring functions and there are no effective controls regarding unemployed efforts and activities in the search for a job. The interaction between unemployment benefits and active labour market policies is thus formally recognized but poorly implemented in practice. Moreover, there still seems to be little collaboration between PES and territorial INPS offices, which are in charge of paying the unemployment benefits (Sacchi and Vesan, 2011). In comparative perspective Italy is at the forefront regarding the level of *strictness of conditionality*, whereas it is in the last positions with regard to *monitoring*, namely the ability to control the actions undertaken by the unemployed in their search for a job (Venn, 2012).

However, with regard to means-tested economic assistance benefits, in general in Italy no strong conditionality was foreseen, also due to the fact that, as we have seen, means tested right-based economic transfers for working able individuals are largely lacking. In this

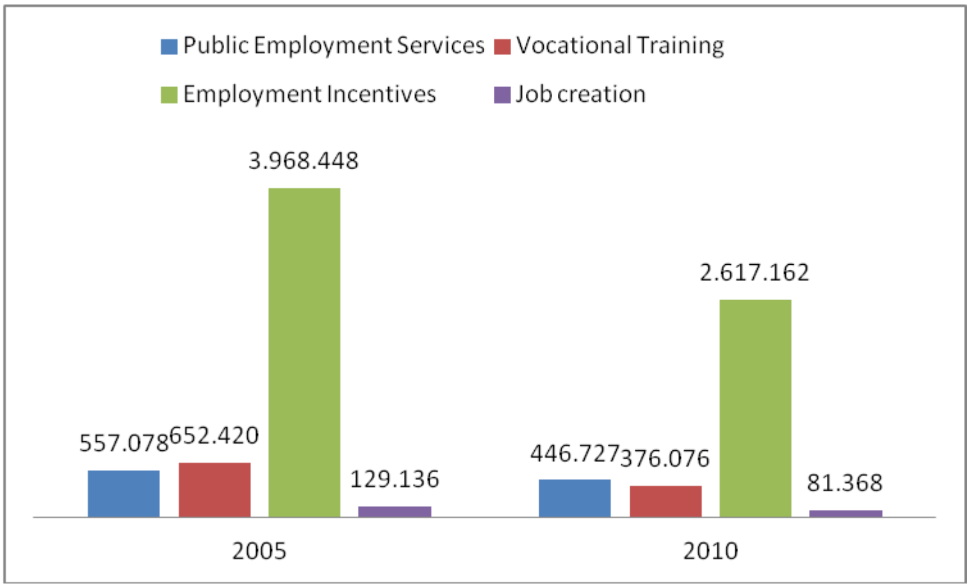
[15] This view was then been strengthened by other norms, the latest being Law 92/2012.

scenario, one of the main innovative aspects of the Mii experimentation was exactly that potential beneficiary's entitlement to the monetary component was conditional upon the participation in programmes of insertion built on claimants' specific situation of need or exclusion (Sacchi and Bastagli, 2005). This dimension disappeared in the first formulation of the Social Card, but it was then included in the new experimentation. In the New Social Card 2.0, the access to the benefit is conditional upon the subscription of an individualized plan, whereas "repeated behaviours by the recipient that appear to be in conflict with the objective of the individual plan constitute grounds for exclusion". The monitoring process will show how far this conditionality is going to be applied.

### *3.4.3. Service provision*

In 1997, functions pertaining to public employment services and ALMP were allocated to regions and provinces. At the same time, the job placement sector was partially reorganised in order to foster employment and employability. However, the results of this strategy are not unambiguous. The diffusion of PES over the national territory is still unbalanced: the total number of employment centres is 587, with 9.989 workers employed, with a ratio between workers and potential beneficiaries of one to three hundred, a figure that reveals the structural lack of human and economic resources characterizing the employment service system in Italy. PES ability to provide personalized guidance and orientation services appears fairly limited.

**Figure 24 ALMP's expenditure by function in Italy, 2005 and 2010**



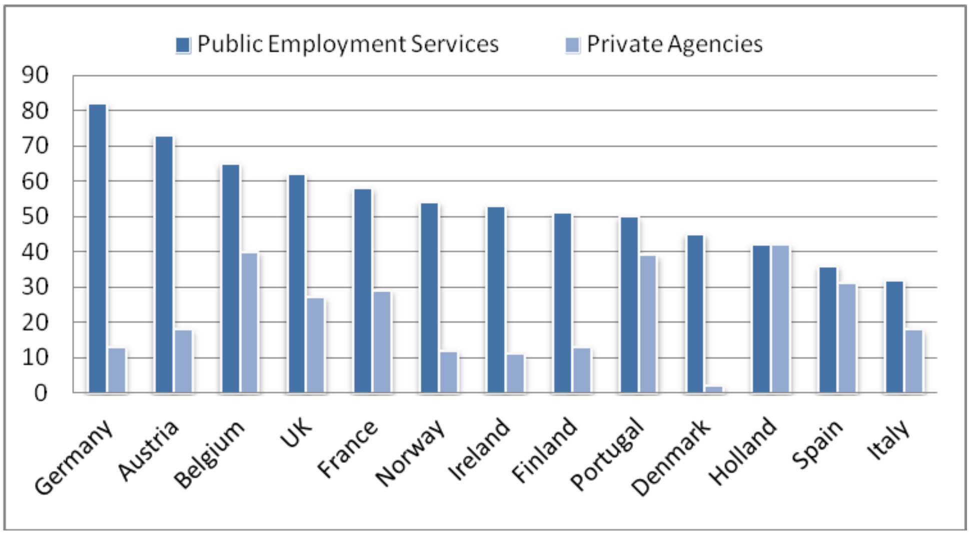

**Source:** Ministero delle Politiche Sociali e del Lavoro (2011).

Also vocational training appears to be territorially heterogeneous and comparatively poorly developed. Data regarding the internal structure of the (limited) resources dedicated to ALMP's in Italy reveal how the Italian state channelled more resources into employment incentives[16] rather than employment services. The Italian approach seems then closer to

[16]"Employment incentives" category includes public expenditure for apprenticeship contracts, incentives for business recruitment, incentives to encourage stabilization of employment, incentives for employment of disabled people and incentives for self entrepreneurship.

workfare, characterized by coercive pressures to employment entry, rather than enabling, based mainly on the quality of employment services, training and a greater focus on raising the level of qualification of income support claimants (Dingelday, 2007).

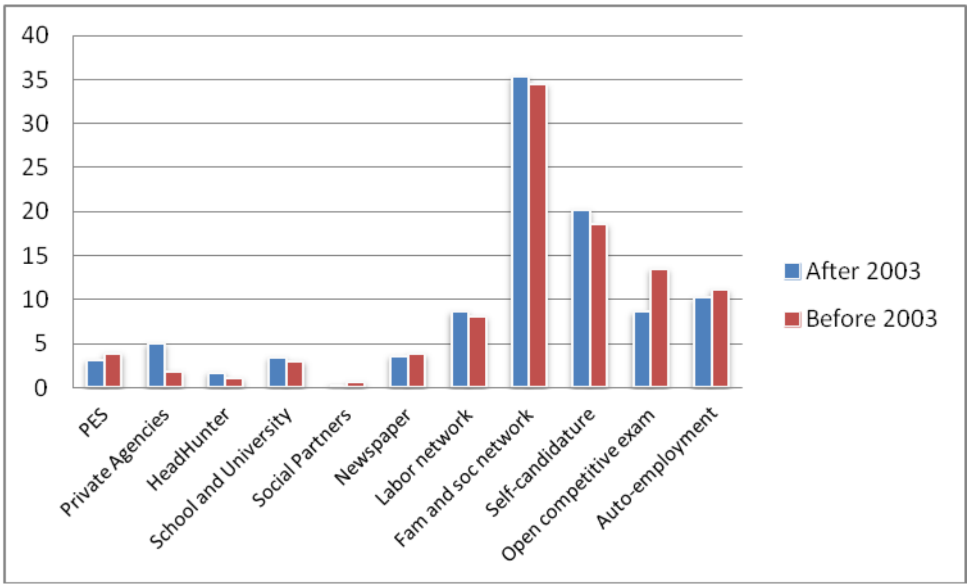
Figure 25 Workers using employment services for job placement (%), selected countries, 2011




**Source:** CNEL (2012).

The effectiveness of public services and private agencies in ensuring workers job placement remains scarce. As regards the usage of employment centres as channel to search for a job, Italy is a laggard case (Figure 25). Informal channels tend to prevail: in looking for a job, individuals primarily refer to their social and family networks (34,8%), or self-nomination (20%), rather than to public or private employment services (10,2%) (Figure 26).

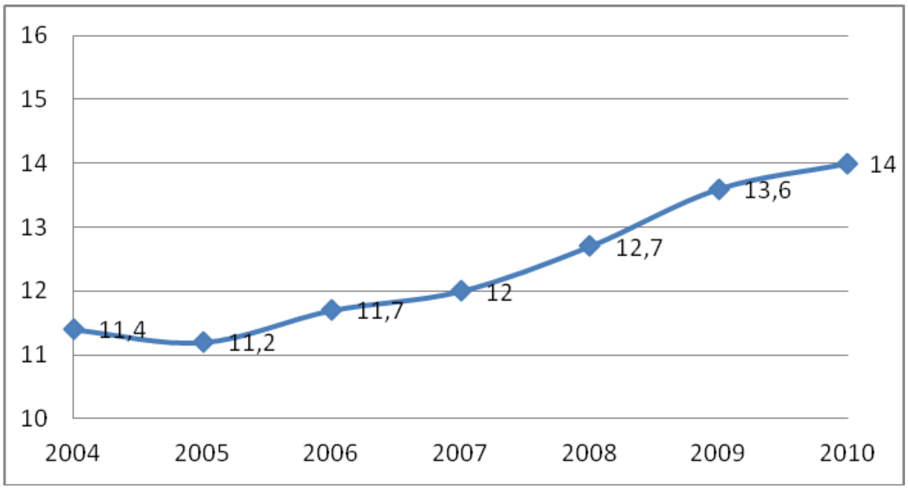
Figure 26 Job search channels in Italy, 2010




**Source:** Mandrone et al. (2011).

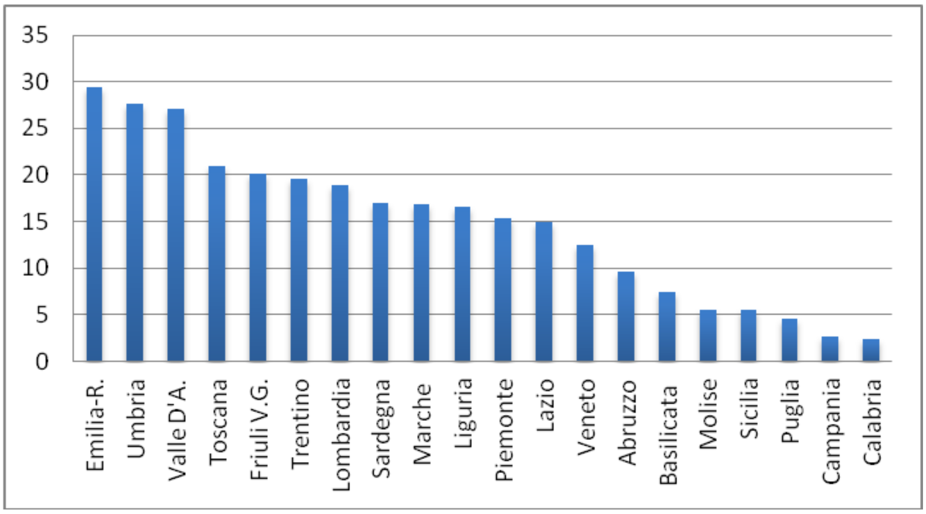
To sum up the main findings highlighted so far: in the last ten years, major changes occurred in the field of active inclusion policies in Italy, aimed at increasing the customer orientation, the enabling function and the supply of private services of the Italian active labour market services. However, until now, organizational barriers and low institutional capacities have limited the effectiveness of these reforms, and the role of public as well private employment agencies in promoting employability and labour market (re) insertion of disadvantaged people is fairly limited.

**Figure 27 Public child-care services coverage rates in Italy, 2004-2010**




**Source:** Istat (2011b).

**Figure 28 Public child-care services coverage rates by region, 2011**




**Source:** Istat (2011b).

As we have mentioned before, also with regard to social services some novelties occurred over the last decade. In the period between 1997 and 2007 we observed a growth of childcare services, which in the period between 2000 and 2005 was concentrated in particular in the private sector. In 2007 a centre-left government launched a new strategy called *Piano Nidi*, which provided a budget of 604 million euro, then increased by another 150 million in 2008, for the development of regional systems of social and educational services for early childhood.

Between 2004 and 2009, data show that the share of Italian municipalities providing childcare services rose from 38% to 56%, and that territorial coverage rate (incidence of population 0-2 years living in municipalities where it was located at least one service for early childhood education) grew over the same period from 70% to 80%. Although this is a positive trend, still only a minority of children of 0-2 years (14%) can actually attend public childcare (Figure 27). Moreover, territorial gaps are wide. Coverage rates are ten times higher moving from Calabria (2,4%) or Campania (2,7%) to Umbria (27,6%) or Emilia Romagna(29,4%) (Figure 28).

### 3.5. The reform of MIP, towards active inclusion: an assessment

The analysis provided in the previous pages allows to raise some general considerations about the national reform of minimum income protection in Italy, with regard to the steps taken towards the promotion of active inclusion.

Despite some promising novelties, the national system of minimum income protection has remained weak in comparative perspective, as no clear cutting reforms were passed and implemented to modernize the system. In 2013, minimum income protection in Italy can be conceived as a puzzle made of several schemes, that however remained fragmented due to poor inter-sectoral coordination among income assistance, social services and employment services. The scenario is further complicated by the presence of multiple competences, exerted by different levels of government and differentiated public-private mix, which give raise to what has been called "postcode welfare lottery".

In general terms, during the last decade, long-term unemployed, lone-parent families and working poor have not been a specific target of public intervention. However some improvements in the condition experienced by these three social groups, whose disadvantaged situations in many cases are likely to overlap, can still be identified thanks to the innovations occurred in all the three main pillars of active inclusion: income assistance (i.e. the Social Card, the New Social Card and the No-Tax Area), social services (i.e. the Childcare National Plan); and active labour market policies (i.e. PES reforms).

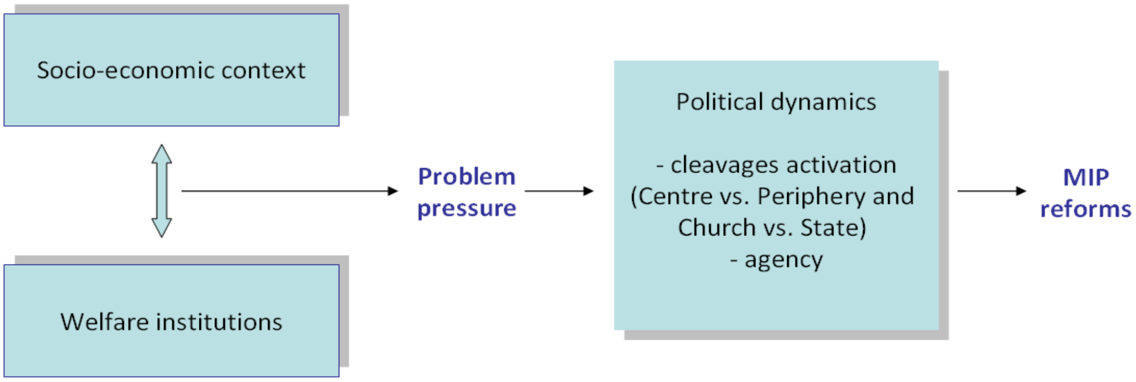
## 4. The Dynamics of Active Inclusion Reform: a politically constrained path for MIP

As illustrated in sections 2 and 3, in accordance with the Southern European imprint (Ferrera, 2010) Italy is a laggard as regards minimum income protection for working age individuals. Moreover, its social assistance regime is characterised by high institutional fragmentation, high regional/local differentiation and low spending (Fargion, 1997; Gough et al., 1997; Kazepov and Sabatinelli, 2005). Despite this situation of general backwardness, in the last two decades several steps forward and parallel steps back can be observed.

In the period under examination (2006-2012), social assistance reform went through a very peculiar and inconsistent development, which calls for an interpretation in comparative perspective. More in details, at least three distinct phases can be identified. The first (2006-2008) was characterized by a center-left government which introduced a few institutional seeds in the attempt to modernize the system, particularly emphasizing the key role of social services. In the second phase (2008-2011), the centre-right cabinet pursued a retrenchment strategy as regards social assistance funds and - in line with the traditional architecture of Italian social assistance – promoted a residual approach in minimum income protection. Finally, in the third phase (2011-2013) the technocratic cabinet led by Monti focused on a few narrow policy goals to be reached in the executive life span: reforming its key and most promising instruments by attempting at modifying targeting procedures and launching a minimum income scheme pilot project (NSC 2.0).

Building on what extensively illustrated in section 3, the purpose of this section is to address two intertwined questions. First, why social assistance policy reform experienced such an inconsistent development in the last six years? This requires investigation of factors that either facilitated or hampered modernisation of Italian social assistance in the various periods. The second question is why social assistance measures have poorly consolidated during the last decade, ultimately presenting such a low level of institutionalization and having represented the target of policy reversal following a few modernizing attempts?
From a methodological standpoint, research was conducted by adopting the method of "process-tracing", combining both objective and subjective sources. More specifically, the interpretative frame relied on policy papers and political actors' position documents, integrated with the findings from a number of interviews with several stakeholders and key informants (see the full list of interviewees at the end of the Report).

Figure 29 A model for interpreting MIP developments in Italy, 2006-2012




As sketched in Figure 29, the complex interplay between the socio-economic context giving raise to social needs and demands, on the one hand, and welfare institutions, on the other, shapes functional pressures. In the Italian case, this interplay suffers from a clear mismatch between policy arrangements and social needs, resulting in mounting poverty with a growing share of the working age population experiencing severe material deprivation as well as absolute poverty (cf. section 1.4). However, as argued by Flora and Alber (1981), purely functionalist arguments, though being rather effective in identifying contextual factors, are inadequate to explain the timing of institutional change and its direction.
As social policy outputs are strongly affected by politico-institutional dynamics (Ferrera, 1993; Ferrera, Fargion, Jessoula 2012;), functional pressures *per se* are not sufficient conditions for reform. As suggested by Bonoli, it is however reasonable to expect that "the emergence of new problems shared by large portions of the electorate in a properly-functioning democratic system might stimulate the appetite of policy entrepreneurs - hungry for votes - that would convey the new issues into the political arena" (Bonoli, 2004: 11). Consequently, specific policy outputs have to be interpreted as contingent and non-predictable rather than linear and predictable elements due to the fact that the result is moulded by a set of intervening factors (Mahoney, 2000). In accordance with Schumpeter, the analytical framework applied in this research is based on the assumption that policy changes are by-products of political competition. However, the "powering" approach - using the metaphor proposed by Heclo (1974) – has to be accompanied by 'puzzling' (knowing) dynamics in order to give account of the relatively autonomous role of ideational factors.

With regard to the puzzling side, it has to be noted that ideational factors have traditionally heavily constrained the development of MIP in Italy (Interview 10) . The introduction of a minimum income protection has for long not been considered even an option in the public and political debates due to the perceived risks related to the management of means-testing in a "soft state" (cf. Ferrera, 1984, 2000), characterised by the concentration of material deprivation in the South of the country, where the black economy and the illegal sector were particularly pervasive. Furthermore, the development of a modern minimum income guaranteed scheme was very far from the Italian tradition of social assistance schemes, that were typically conceived as passive and to some extent "paternalistic" measures, due to the lack of investment on activation and the absence of conditionalities. This can be partly explained by the fact that the main social assistance schemes - the social pension and the invalidity pension - where targeted to deprived yet "deserving" individuals, as their inability to get income from the labour market was justified by their status (old-age or disability). Quite the opposite, for poor working age individuals (at risk to be portrayed as undeserving) the path out of poverty had to be build through labour market participation, via economic growth and incentives to firms for employing the most disadvantaged social groups.

With regard to the powering side too, a few premises are necessary in order to fully capture national political competition dynamics in the field of social assistance. First, as extensively argued by comparative literature – would-be beneficiaries of minimum income schemes have typically limited power resources due to their fragmentation, weak political mobilization and low participation. Second, anti-poverty interest groups have so far been scarcely active and mostly ineffective in pushing the fight against poverty high on the political agenda. Third, the development of minimum income protection could neither be sponsored by a strong service bureaucracy in Italy, due to the backwardness of the system, its low professionalization and lacking mobilization.

In this domestic scenario, the politics of MIP has seen as key actors political parties (and political competition) and social partners. The position of the latter towards MIP however was rather soft in Italy. On the one hand, the largest employers' confederation (Confindustria) has generally had no interest in developing a comprehensive system of MIP, because this was conceived as a sort of "external legal minimum wage" that would have affected labour supply (Interview 16)[17]. It must be remembered that since the late-1990s Confindustria has pursued labour market flexibilization "at the margin" via the spread of atypical employment as a way to significantly reduce wages and labour cost (Jessoula et al., 2010). Trade unions, on the other had, in the last ten years have focussed their action mainly on other social policy and labour market goals, such as (mostly resistance against) pension reforms, labour market competitiveness, wage negotiation and insurance based contributory unemployment compensation (Interviews 7, 9).

Building on these structural premises, our interpretation of the politics around MIP focuses on party competition by exploiting the promising analytical framework provided by the Rokkanian cleavages' theory (Rokkan, 1970). Cleavages are defined as "sets of fundamental contrasts, rooted in socio-economic and cultural differences, which have come to systematically divide national communities", embodying a cultural-value dimension; an organizational dimension; and a political dimension (by means of political "translation"). We contend that recent MIP developments in Italy can be effectively understood by shedding light on the resiliency and activation of two distinct cleavages resulting from national revolution and state formation: Church vs. State and Centre vs. Peripheries. Both cleavages, acting in synergy with the classic left-right cleavage, have evident implications with the notions of horizontal and vertical subsidiarity, which must also be included in the analytical framework, as they played a central role in cognitive as well as normative frames of key political actors.

Despite the fact that Church vs. State cleavage did not translated into the existence of explicitly confessional parties, the two main parties – the Partito democratico (PD, the main centre-left party) and the Popolo delle Libertà (PDL, he main centre-right party) – have a clear legacy with the Christian-Democracy (DC). The DC, a centre catch-all party, dominated in the Italian political system for almost 50 years, from 1944 until its demise due to a number of corruption episodes emerged in 1992–1994 (cf. Ferrera and Gualmini, 2004). After that,

[17] This is strictly related to the absence of legal mandatory minimum wage. "Minima" are then to be fixed by collective agreements, however them result binding only for firms member of employers' association that signed the contract and no formal rule prevents an independent firm to pay lower wages (cf. section 1.1).

members of this party have lined up on both sides of the political spectrum. Many ex-Christian Democrats affiliated in centre-right parties (i.e. PDL and Union of the Centre) and centre-left parties (i.e. PD). In spite of this, since the late Nineties leftist parties have proved to be able to move towards a more secular and modern view of families as potential beneficiaries of social rights; whereas centre-right parties have defended a more traditional view, by promoting horizontal subsidiarity and emphasizing the role of family networks and civil society organizations as welfare providers and the most effective instruments to meet societal demands.

This view of subsidiarity has been effectively illustrated by Maurizio Sacconi (PDL), Minister of Labour and welfare in 2008-2011:

> *"Donation is the measure of our national identity. (...) The Italian government in the context of the European year against poverty presents a National Campaign for donation, as an instrument against solitude and poverty. (...) Solitude and long-term inactivity are two factors which contribute to determine a poverty condition, either material and relational (...) In the European year against poverty we solicit everyone to act against solitude. It's evident that the best instrument to combat it should be set locally. This is why we identify in subsidiarity, in its vertical and horizontal dimensions, the method to be followed. (...) Just with subsidiarity is in fact possible identify with reasonable precision situations of real absolute need, providing tailored solutions. The effective action of local services on the one side, and the hard-working nature of private charity, on the other, represent the fundamental safety net we want to refer to. (...) Institutional effectiveness is not common. (...) Where, local municipalities are characterized by expensive self-focus and exceed in the will to directly implement interventions, the idea of subsidiary is denied, concealing behind ideological grounds trivial forms of clientelistic opportunity. (...) The European year against poverty represents then a further reason to reorganize social services in the Southern part of the country (...) and develop the best practices of subsidiarity of third sector networks." (Sacconi, 2010, pp. 12-14, Authors' translation).*

This cultural-value dimension was clearly translated into the political arena in the form of policy outputs (e.g. the Social Card with its charitable flavor; and the cuts in social assistance national funds) and policy proposals (e.g. the New Social Card proposal then abandoned due to the end of the cabinet). Quite the opposite the view offered in several programmatic documents and in the MIP proposals drafted by centre-left parties (e.g. Draft Bill no. 2649, 27 July 2009), which commonly referred to the empowering potential of esigible social rights; and in their governmental action aimed at increasing social funds for local welfare and public social services.

The second cleavage, the Centre vs. Peripheries one, was initially politically re-activated by the Northern League Party (LN) in the late Eighties. Thanks to the key role of this party in the Italian political scenario for party coalitions, its position about decentralization and federalism was to a large extent endorsed by the whole centre-right coalition. For LN, territorial rescaling was the main political issue, on which was (and still is) based its political competition to attract votes in Northern regions. Vertical subsidiarity was largely framed as a way to enhance policy effectiveness and political responsiveness. The need for rescaling was substantially shared by centre-left parties, as this issue had became politically very salient in

the debate and as for political competition since the Nineties due to the "dragging effect" exerted by the Northern League. However interviews supported the analysis that the two coalitions fostered two quite different models of decentralization during their rules, envisaging two distinct views about Centre-peripheries relations (Interviews 3, 8).
The centre-right coalition, through the Northern league, was primarily concentrated on increasing the autonomy of (North) sub-national governments and thus reducing the share of net transfers from rich Northern regions to Central and Southern parts of the country; in the same direction, centre-left coalitions enhanced the devolution of a number of competences to meso governments (in particular through amendments made to Title V of the Italian Constitution in 2001, which revised the division of competences among government levels in a number of policy fields, including social assistance). Yet decentralization acts where complemented by actions aimed at appraising the key leading function of the central state and defending its redistributive function for the whole national territory (Interview 10).

It is interesting to notice that these two cleavages, even if analytically distinct, have partly overlapped with the right-left divide as regards their political translation and representation, giving raise to very different policy orientation and preferences. This made MIP, despite its residual nature and the limited financial effort necessary to reform it, a very divisive issue on which no transversal agreement could be realistically met. In this scenario - given the low institutionalization degree of social assistance reforms (which mainly took the form of pilot projects through yearly defined budgets) - governing coalitions deeply marked the direction assumed by MIP evolution during each rule. Under centre-right executives, MIP evolved in the direction of residual public interventions, aimed at complementing and emphasizing the role of civil society within local communities, as measures better equipped to interpret and deal with (local) social need and exclusion. At the same time, the definition of essential levels of services (LEPs) as social citizenship's standards to be provided in the whole national territory substantially exited the political debate.

Centre-left cabinets made (timid) attempts towards MIP modernization, especially through the enhancement of social services. In this case it has to be noted that the European Union discourse and the EU 2020 strategy offered significant cognitive resources in the form of diagnoses and solutions which were used as legitimating sources by (weak) centre-left political actors, who repeatedly referred to the EU in order to uphold their positions towards the modernization of social inclusion measures (cf. Graziano and Madama, 2011). However, the Europeanisation of the political discourse on the theme of MIP has been so-far limited, and its usage was somewhat "selective". Intra-coalition dynamics, as well as the political weakness and internal fragmentation of the 2006-2008 coalition (resulted in the pulverization of welfare competences among five distinct ministries), made it difficult to draft a coherent strategy (Interview 10). Notwithstanding a general positive view about MIP modernization, public budget constraints and competing claims raised by more powerful social clienteles, as testified by the "Scalone affair"[18], reduced the ambitions towards a wider reform on this front. Investments in MIP were then fragmented and insufficient to determine a concrete path-departure, letting policy legacy to prevail.

[18] In 2007, the so called "Welfare protocol" signed by the centre left cabinet and trade unions prevented the phasing in as of January 2008 of the 2004 pension reform, and consequently avoided the abrupt increase in retirement age for seniority pensions (three years) defined by that reform, the so-called 'scalone' (big step). This measure was interpreted and criticised as favouring a small number of core-insiders workers, with significant cost for the whole pension system.

Despite the economic crises and the tough budget recovery strategy started by the Monti cabinet, the short season of the technical executive gave raise to a favorable conjuncture for MIP. The Monti rule can be conceived as a critical juncture that, as foreseen by historical neo-institutionalist literature, created new room for manoeuvre for political actors, opening a window of opportunity for the setting of a new path. This space was well exploited by Cecilia Guerra, deputy-Minister of Welfare and expression of centre-left orientation, who acted as a policy entrepreneur. A policy entrepreneur can be defined as a 'catalyst of innovation processes' (Maraffi, 1996: 188) who, by contributing to the redefinition of the interpretative frame (puzzling side) for the problems and by forming new coalitions to support a policy project (powering side), facilitates and determines institutional change. In other words, the technical executive represented a 'breakpoint', whose policy outputs have to be interpreted as largely mediated by agential factors – from both ideational and powering points of view. The NSC 2.0 and the attempt to reform the Isee have represented significant steps forward as regards MIP modernization. Concrete outputs however were partially blocked by the re-activation of the centre-peripheries tension, this time in a bottom-up perspective. As illustrated in Section 3.1, regional governments acted as vetoes against the central state for both reforms.

The political dynamics that emerged at the national level, in some cases replicated also at the regional level, where an inconsistent and somehow contradictory evolution of minimum income protection can be observed. At the beginning of the new millennium, after the devolution of social assistance competences to regions and the failed extension to the whole Italian territory of the Mii pilot scheme, some regions introduced forms of minimum income schemes: in 2004 Campania launched the experimentation of a *Reddito di Cittadinanza* (L.r.n. 2/2004), a Mig providing monetary resources to those citizens potentially active in the labour market and facing situations of need. On similar lines, others regional programs were introduced in Basilicata (L.r.n. 3/2005), Friuli Venezia Giulia (L.r.n. 6/2005), Lazio (L.r.n. 4/2008), Puglia (L.r.n. 19/2006), Sardegna (L.r.n. 23/2005), in addition to schemes already introduced at the beginning of the Nineties in some Autonomous regions of the North[19]. As a result of this developments, in the mid 2000's almost one third of the Italian Regions had introduced a regional minimum income scheme.

What appears particularly significant about those experiences is that they have developed in very different socio economic contexts, in some of the richest regions of the North as well as in some of the most economically backward regions of southern Italy. As for the national level, governing coalitions and political competition appear as relevant variables to consider in order to understand the evolution of regional minimum income protection in Italy. In fact, only regions ruled by a center left coalition introduced these programs, even though not all of them did so. Moreover, once introduced, regional minimum income schemes had a very different evolution depending on the result of the following political election: in all the regions were center right coalition succeeded, these measures were rapidly discontinued (Campania, Friuli Venezia Giulia, Lazio, Sardegna). Conversely, where we observe a continuity of center left government, those measures were confirmed (Basilicata, Puglia) if not reinforced (Trentino Alto Adige)[20]. In conclusion, analyzing the regional level, a center

[19] To those regional initiatives we have to add the new programs against poverty and social exclusion launched in some Autonomous Region of the North already at the beginning of the Nineties; in particular, the first regional minimum income schemes were introduced in Valle d'Aosta (L.r.n. 19/1994) and Trentino Alto Adige (in the Autonomous Province of Bolzano, L.p. 13/1991; in Trento, L.p. 14/1991).

[20] Moreover in the last two years, in spite the decreasing availability of resources, two regions ruled by a center left coalition introduced measures against poverty and social exclusion (Emilia Romagna and Umbria).

right governing coalition appears as a sufficient condition to prevent the evolution of public minimum income schemes, whereas the presence of a center left government seems to give less defined outcomes, in some cases favoring the introduction of regional MIG schemes whereas in other inertia, yet ensuring continuity once introduced.

As examples of diverging policy solutions adopted to strengthen social assistance at the regional level, the following case studies offer a brief overview of two contrast cases, Lombardy, which has built an atypical model based on a patchwork of different measures and with strong emphasis on subsidiarity, and Basilicata that has launched a fully fledged Mis pilot project.

*Case 1 – Regione Basilicata*

Basilicata is a small region of 590 thousand inhabitants situated in the South of Italy, characterized by the presence of a few urban areas and by the lowest population density in Italy (less than 60 inhabitant for km²). It is a mountainous region with a high seismic risk, with significant difficulties of mobility, accentuated by underdeveloped transport infrastructures.

Basilicata economy, centered on traditional sectors such as construction, knew a phase of intense development in the Nineties, mainly driven by automotive and oil sectors'. At the beginning of the new millennium, the situation in Basilicata - as well as in the rest of Italy - changed radically, with a deep crisis of the industrial sector in favor of the service sector, which in Basilicata is particularly backward and uncompetitive. Today, the unemployment rate is particularly high, reaching 14.5% of the population (in 2008, before crisis, 11.1%), and conversely is particularly low the employment rate (36.5%), particularly for women (26.7%), as well the absolute and relative poverty rate (8,3% and 23,3%). However, among regional peculiarities it stands out, compared with other region of the South, the high level of social cohesion and the lower incidence of informal economy and undeclared work (Nanetti and Leonardi, 2010).

Political competition in Basilicata is characterized by an unusual political stability and continuity, especially when compared with other regions of the South. Center-left coalitions haveobtained an absolute majority in all elections held after the electoral reform of 1995, with rates that have always exceeded 60% of the vote (De Luca and Maltese, 2010). This peculiar stability has also proved to be an element capable of allowing the executive to plan their activities effectively: in particular Basilicata is among the regions that have best been able to use EU funds (De Luca, 2000, Graziano, 2004).

As for social assistance policies, Basilicata, like other regions of the South, has long been an example of the familialist, fragmented and categorical approach which characterized this sector in Italy, in a context in which the small size of municipalities led to further difficulties in the implementation of reforms to integrate social services. The national Mii experimentation, despite some difficulties in the implementation of the measure, represented a turning point, introducing for the first time a link between passive policies of income support and activation policies. The dynamics resulting from the failure to extend this measure contributed to the creation of a regional program similar in scope to Mii, *Cittadinanza Solidale (Citizenship solidarity)*.

This measure, introduced in January of 2005 with the approval of the R.L. n.3/2005, took the form of a bi-annual experimentation of a minimum income scheme consisting of an economic transfer to supplement income of poor families, closely related to the signature of a personalized plan aimed at achieving autonomy of individuals recipients and their families. The economic transfer varied according to family burdens and income, reaching a maximum amount € 300 per month for single member households, which might increase up to € 250 for each additional member. There were also specific deductions and measures to counteract the so-called poverty trap. The integration contract included information about the type of social need, an insertion project with a description of planned activities, and also, a "monitoring plan" which defined steps and frequency of inspections that should allow the completion of the project. As for the governance structure, the Region had a legislative role, ensured the financing and monitoring of the measure, and supported its implementation, through the provision of an information technology based system for municipalities and provinces. Municipalities in accordance with NGO and social partners were responsible for social integration, whereas public employment services at the provincial level organized training and ALMPs.

At the end of the experimentation, the Region has approved a new two-year intervention, called *Program to combat poverty and social exclusion* (COPES). Albeit in continuity with the previous experience, in the new pilot project the regional government intervened in the structure of governance, by providing greater role to the municipal level as a single access point and trying to encourage coordination between the municipal social service and provincial employment centers, with results not always satisfactory (Interview 13). In particular, the limits of the social care systems and the lack of professional social workers at the local level made it particularly complex the identification and implementation of individual paths out of poverty.

Today, despite the budgetary constraints, the Basilicata government has ensured that there will be a new intervention in this policy field, and the intention is to pay more attention on the activation component (Interview 13). The structural limits of the measure, however, lays in the uncertainty about the future institutionalization of the scheme and the inadequacy of resources, which do not allow a full implementation of the intervention in its universal component: so far, only about 40% of eligible individuals has had access to income assistance.

### *Case 2 – Regione Lombardia*

With 12 Provinces and 1.546 Municipalities, the Lombardy Region has a population of 9,6 million and a per capita GDP of 29.000 Euros. The over 800.000 enterprises operating in the territory hire as many as 4,3 million workers, that contribute to the Region's economic, social and technological development. Lombardy is one of the most developed and industrialized regions in Italy and in the EU, as it is a member of the network "Four Motors for Europe", together with Baden- Württemberg, Catalonia, and Rhône- Alpes. Notwithstanding Lombardy's great economic performance and social and technological achievements, the unemployment rate is rapidly increasing due to the economic crisis, and rose from 3.7% to 7.5% from 2008 to 2012, even though it remained well below the national average.

In Italy, absolute poverty in the North is less relevant than in the South (respectively, 5.5% against 8.7% in 2012). Similarly to Basilicata, also in Lombardy we observe a peculiar political stability and continuity of government: since 1995 the centre- right coalition has always won the election with strong majorities and the outcome of the elections was never seriously questioned. Various studies have highlighted the distinguishing features of Lombardy's welfare system with respect to the rest of Italy, and in particular, its marked emphasis on subsidiarity, both vertical and horizontal (see e.g. Maino, 2001; Gori, 2005; Pesenti, 2008; Neri, 2010; Carabelli and Facchini, 2011).

The first element characterising the "Lombardy model" is the absence of specific regional lines in the fight against poverty and social exclusion, in particular with regard to income support. Interventions against situations of lack of monetary resources have been left to the municipalities, free to intervene with discretionary measures in case of need. Beside the possible interventions of municipalities, the Region directly supports charitable organizations through regional funds, in particular promoting "Banco Alimentare" (Food Bank), an association that recovers food surplus and redistributes it to primarily Catholic charitable organizations.

As for social assistance services, Lombardy has promoted a mix of different interventions to meet the needs on an individual basis, by promoting especially the use of private services through the introduction of a system of accreditation and social assistance vouchers. In particular, Lombardy made extensive use of public-private mix, developing a system of accreditation of private institutions and providing incentives for the placement of some vulnerable social groups.

The distinctive feature of the Lombard social system is the so- called "sistema delle doti" (bonus system). The bonus system is based on public calls that allocate an amount of funding, define eligibility criteria, plus a range of services that recipients can benefit from credited private providers through vouchers. The bonuses have covered several needs and include: active labour market policies (i.e. skills assessment, coaching, advice and support to self-entrepreneurship, training, scouting company and active job search, tutoring guidance and counseling), social care services and income support for specific needs. Typically, recipients are unemployed and/or inactive. Benefit amounts vary depending on the type of bonus. For example, the maximum amount of "dote lavoro" (employment bonus) in 2009 was 6.000 €, which covered services and income support, with a maximum duration of 12 months.

## Interviewee list

(Note: All interviews were conducted in Italian and translated by the Authors for the purpose of quotation in this report.)

1. Ministero del lavoro e delle politiche sociali, Social Inclusion Unit (Public officer) – conducted on November, $15^{th}$ 2012, Rome
2. Trade Union (Representative) – conducted on November $15^{th}$ 2012, Rome
3. Associazione Nazionale dei Comuni Italiani (Representative) – conducted on November 28th 2012, Lodi
4. Social partner (Representative) – conducted on December $4^{th}$ 2012, Rome
5. Conferenza Stato e Regioni (Representative) – conducted on December 5th 2012, Rome
6. Social partner (Representative) – conducted on December $5^{th}$ 2012, Rome
7. Social partner (Representative) – conducted on December $17^{th}$ 2012, Rome
8. Conferenza Stato Regioni (Representative) - conducted on January $15^{th}$ 2013, Genova
9. Social partner (Representative) – conducted on January $22^{nd}$ 2013, Rome
10. Political actor, Partito Democratico – conducted on January $23^{rd}$ 2013, Rome
11. Dipartimento politiche per la Famiglia (Public officer) - conducted on January $23^{rd}$ 2013, Rome
12. Dipartimento per la Coesione Territoriale (Public officer) - conducted on January $23^{rd}$ 2013, Rome
13. Regione Basilicata (Public officer) - conducted on January $28^{th}$ 2013, Potenza
14. Trade Union (Representative) – conducted on February $5^{th}$ 2013, Rome
15. Regione Lombardia (Public officer) – conducted on February $6^{th}$ 2013, MIlan
16. Social partner (Representative) – conducted on February $7^{th}$ 2013, Rome
17. Ordine Nazionale Assistenti Sociali (Public officer) – conducted on February $7^{th}$ 2013, Milan
18. Regione Lombardia, Direzione Famiglia (Public officer) – conducted on February $6^{th}$ 2013, Milan

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