

The Italian Welfare System: Recent Tendencies
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1. The Development of the Welfare System: Reform or Retrenchment

The following paper provides an update of the national report on Italy's welfare system, incorporating some of the most recent events. In setting a context for this paper, it is important to recall key aspects of the Italian case study and the processes of retrenchment, which were previously described in our essay published in "Diminishing Welfare".

The first point to recalled concerns the specificity of the Italian welfare system, which falls within the Mediterranean model. Similar to other Mediterranean countries, the Italian welfare system is characterized by a high degree of fragmentation with benefit systems that differ according to the various sectors of the population. The welfare system is also characterized by a dualism between "strong" and "weak" beneficiaries, particularly concerning: social security; a traditional predominance of cash subsidies (money transfers over direct social services); the relatively recent institutionalization of national health services (based on the principle of universal protection); and the central role of the family in compensating for deficiencies of the welfare state. The family in the Mediterranean model has a very heavy burden in supporting financially and providing care for the weaker members. These limitations are exacerbated by several deficiencies in the quality and delivery of services and by a relatively inefficient use of public resources. The predominance of cash benefits in the Italian welfare system is expressed by the role of the pensions in the total welfare expenditures. The attempt to reduce pensions has been strongly opposed by the Union Organizations and by large sectors of the population. It is now object of bitter political debate.

The second aspect pointed out in our essay concerns the specific conditions and the political climate in which the welfare retrenchment process occurred in the 1990s. Unlike Great Britain under Thatcher and the United States under Reagan, Italy did not move to the Right. Welfare reduction occurred in a moderately progressive political climate with the parties of the Left in power (except for a very short period from March 1994 to April 1996). The greater control and the relative reduction of welfare expenditures in Italy have been a long-term, moderate process for at least a decade and have accelerated in recent years. This is understandable if one considers that the primary official objective of past governments—not only that of the Right wing government in power since 2001—was the reduction of the public deficit and a consequent reduction in social expenditure.

"Reform of the welfare state" has been a widely publicized objective of all governments. Reform efforts were intended to rationalize and correct abuses but to also reach new beneficiaries who had been previously excluded. The declared intent was to reduce expenditures in some areas through more efficient management, less waste, and a reduction of benefits to those considered over-privileged. In other words, there has been retrenchment along with an attempt to innovate. Italy, therefore, encountered both a series of reforms affecting the various areas of social policy and a reduction of the welfare provisions. The results of this interlacing amounted to a substantial worsening of living conditions for the population. This was because reform was not motivated nor promoted by social justice but by budgetary restrictions.

The "Diminishing Welfare" paper also underlined a certain tendency towards a "residualization", a definition that equates to a greater "role of the market in welfare provision and restricting state provision". The paper emphasized that turning more extensively to the market—the acquisition of services by the market that the state did not supply or that was supplied in an irregular and insufficient way—did not confine the state's role "to a minimum safety net in cases of market failure and family breakdowns" (1996, p. 198). A further important aspect of this process of

"residualization", also mentioned in the previous paper, was the growth in the number of means-tested provisions for persons living in poverty. "[With the new rules] we have passed from a weak benefit given to all workers supporting a family, regardless of their salaries ... to more generous measures, but ones of a markedly means-tested nature, which affect the families of workers, who live in particular economic conditions" (as Negri and Saraceno pointed out) [1996, p. 37]. These innovations appear to be consistent with Sainsbury's observation that "greater targeting to help the worst off has been a principal argument to legitimize a conversion of benefits to means-tested programs". This, for example, appears to be evident in the case of the *Reddito Minimo d'Inserimento* (an income subsidy targeting the unemployed or underemployed), which was a provision advocated by the previous progressive government. It was designed to extend the coverage to sectors of the population that were excluded from the Italian welfare system because of its "workerist" bias. The *Reddito Minimo d'Inserimento* links social benefits to the employment and income conditions rather than to other socio-economic features of a citizen. The provision was intended for those persons at great risk of social exclusion because, for psychological, physical, or social reasons, they are not in a position to maintain either themselves or their children. Beneficiaries, for example, must have an income lower than the poverty threshold. Introduced in June 1998, this provision was applied experimentally until December 31, 2000. After the elections, the new government of the Right cancelled it because it was not 'targeted' and residual enough.

2. Recent Transformations

While the "Diminishing Welfare" paper highlighted the then-current trends in Italy, the past few years have marked some significant changes in the social policy field, which included elements of both continuity and reform. We have more deeply analyzed the country's demographic and social trends, which initiated a debate on how welfare policy can best address them. These current trends include: the structurally lower pace of economic growth; the diminished job security and the persistence of high unemployment rates in some regions (notwithstanding their overall decrease in the past five years); changes in the life cycle and family size and structure; the aging of the population and the consequent reduction of the total active labor force as a portion of the total population. Collectively, these trends resulted in an increase in risk factors that, in turn, induced a growth in welfare costs and in the financial needs of social policies. These changes were marked by the recent and impressive increase in legislative activity related to welfare reform. In any sphere of social policy—from education, to employment, and to social security—the debate has been intense and the number of measures has been remarkable.

In this paper, I update the paper published in "Diminishing Welfare" to incorporate the new directions and decisions imposed by the Right wing government, with the *caveat* that it is too soon to evaluate the effective weight of the changes made, or proposed, by the new government. This paper will also return to some of the issues and concepts introduced in the aforementioned paper to clarify and analyze them more in depth in light of the changed political and policy environment. These issues include immigration and Italian migration policies. Although these topics were not examined at length in the published essay, they have now become a central factor in Italy due to the interactions between new demographic, economic, and political realities with social policy.

3. The Social-Demographic Framework

Socio-demographic trends have several implications for the welfare system. A deeper understanding of demographic trends helps to interpret some of the forces that influence policy intervention. The current demographic picture—with low birth rates and an increasing aging population—is the consequence of recent and extremely powerful dynamics. According to Gesano, “The dynamic of a population, such as those visible in Italy today, is overwhelmingly determined by migration flows. In fact, while births and deaths every year affect approximately 2 percent of the population and the out-migration mobility is less than 0.5 percent, it is also true that the migration balance with foreign countries weights on the total demographic dynamic ten times more than the natural balance. Furthermore, the contribution that foreign immigrants on the natural balance itself, is also growing” (as those born with a non-Italian citizenship represent an important and growing share of the new births). In short, a low mortality rate, an even lower birth rate, a negative or null natural population change, and a considerable increase of the immigrant population, are the most relevant aspects of the current demographic picture in Italy.

The impact of demographic shifts on labor supply, and on the active labor force as a proportion of the total population, has influenced the labor market in recent years well more than the relation between the retired population and the total labor force (although this latter issue is commonly at the center of debate). These trends are intertwined with family characteristics, such as new cultural trends along with persisting traditional family values, in particular, those related to familism. The Italian family is affected by different processes, such as a longer life expectancy, a reduction in the marriage rate, the diminution of fertility, and the postponing of parental age.

Furthermore, while there is a reduction in the number of large nuclear, children tend to remain at home longer. The reduction of the average family size expresses some profound changes in family life. In the majority of cases, the families comprised of one or two people are primarily elders living alone, since for several years, Italy has witnessed a separation between the family of the parents and the family of their children. Therefore, elderly care no longer exists within the family structure. But, the Italian model, where possible, tends to exclude the placing of the elderly in retirement homes. This is the reason for which the demand for immigrant labor force for home-care assistance is so high.

4. Social Policy and Related Intervention

Examining another, but related subject, are the “reforms” concerning social policy in some significant areas. Pertaining to social security, and more specifically pensions, serious changes occurred throughout the 1990s—where it moved progressively from the traditional system (*sistema retributivo*), which provided benefits not strictly related to the workers’ contributions to the *sistema contributivo* (contributive system, that provides benefits in proportion to the amount of contributions), and toward the separation between social services and social security. Also during that decade, a new social security system was created. The public, the integrative, and the private retirements funds are the three pillars of this system. However, the integrative social security scheme did not develop as well as expected since the proposed options were not viewed favorably by potential benefit recipients.

At the moment in which previous paper was published, the Center-Left government had already progressively reformed the pension plan system. It significantly increased the retirement age for a greater portion of the population and increased the number of years in which the benefits necessary to obtain the pension were paid. In other words, the system had already increased the relation

between the amount of paid benefits and the amount of received benefits. Currently, however, the Right wing government is proposing to substantially modify this system, which would exclude large segments of the population from the social benefits. For instance, these modifications would exclude the younger population, which has only recently entered the job market. In light of these implications, there is strong resistance against these proposals. Pertaining to the elderly population in Italy, socio-economic trends during the 1990s not only reveal that the total number of the aging population has increased with respect to the total population. Additional data also indicates that the possibility of employment for this age group has diminished—both before and after the official retirement age.

The three-phase development of the working life cycle as consolidated within the Fordist economic model—i.e. the schooling age, the working and productive age, and the age of retirement and consumption—no longer functions within our society's framework. Indeed, the structural conditions that created this model are no longer present for two combined reasons: first, the de-structuring of work is inducing idle periods—both forced and not—also during the working age; and second, reduced welfare benefits (in particular diminished social security) make the retirement age more problematic, while the lack of incentives or a policy to sustain it, hampers the elderly employment potential. Furthermore, more forceful, “punitive” incentives that were expected to enhance older-age employment through a mandatory increase in retirement age or through the decrease in retirement benefits, encountered the obstacle of a labor market that has started to penalize and reject elder workers.

As noted above, the punitive population (those who should attempt to work or remain working as an affect of the raise in retirement age or because of the reduction in pension checks) is encountering difficulties with the labor market, which is beginning to reject this segment of the population as a labor source. This situation is also problematic when it comes to services. In Italy, as in the other Mediterranean countries, elderly care is still, in many ways, a responsibility of the family. This is in large part due to the persistence of strong legal and moral obligations between aging parents and their children.

The other and previously mentioned relevant issue to this reality concerns migration policies and the level of services immigrants receive in the Italian welfare system. Since Elena Spinelli's essay is dedicated to this topic, this paper will not provide additional details. It must be emphasized, however, that immigration and immigration policies are a relatively recent phenomenon in Italy. The first legislative initiative on this subject was passed in 1987. This first national law did not change until the approval of the Turco-Napolitano law that constituted the base for the comprehensive *Testo unico delle leggi sulla immigrazione* (Integrated Law on Immigration), which was only partially amended by the Bossi-Fini law.

Immigration, notes Sabatino, is responsive to demands in a labor market by both Italian families and firms. In the first case, immigrants are fundamental suppliers of welfare services in a time in which, due to socio-economic trends and the difficulties within the national welfare system, the demand for services to people and families will be larger. In the second case, immigrants satisfy a request for labor not satisfied by the local labor pool, and that, taken into consideration the dynamics of the national labor force, will be increasingly less available in the future. For that reason, the relationship between the Italian demographics and the immigration dynamics is very strong. The features of the national welfare model are strongly intertwined with the employment models and with the regulatory system of the labour market. The largest problem of the Italian welfare system is that it builds upon an employment-based model, which links the benefits of social policy to merely on employment status rather than to citizenship. This is particularly serious within a context characterized by low employment rates (particularly, for women) and by high

unemployment rates. This is because large sectors of the population have been excluded from the important benefits (pensions, etc).

In the late 90s, Italy was led by the Center Left government that, following a neocorporist model, supported tripartite agreements between the business sector, the government and the unions. The declared objective of this reform season was to evolve the welfare system from a risk protection approach to social inclusion increasing, at the same time, the flexibility of the labor market, with a shift toward more active employment policies. In recent years, deregulation and initiatives to reduce worker protections in the work place and in the labor market has become increasingly intense and aggressive. On this issue, we can identify trends that combine the rhetoric of the transition from *welfare* to *workfare* with progressive labor market deregulation. While there has been apparent growth in employment rates, this was primarily driven by in low-quality jobs in the legal and informal labor market alike.

While some of the trends, as a result of social security or labor policies, started many years ago, they have undoubtedly intensified in recent years. In some cases, a significant change occurred, as in the case of the labor policies. In other cases, there are strong reductions of the social expenditures (and benefits), as in the law proposals concerning social security and pensions. In other cases, the reduction of social expenditure and the changes of the character of the service are associated to a radical restructuring of the welfare mechanisms linked to broader devolution processes.

Through careful observation of changes over the last 15 years, it is possible to highlight three main trends that have not been altered by the current government. The first is the *trend of rationalizing welfare initiatives* through the introduction of laws with different levels of credibility and efficacy. The second is the *trend of privatizing a series of activities and services*. The third is the *trend of decentralizing responsibilities in the management of social policies*. All these dynamics are taking place within the constraints established by the objective of reducing public expenditure. All of these trends have been systematically expressed in Italy (as in other major European countries) throughout this entire period, even in the presence of government from different sides of the political spectrum. Surely, these same goals are claimed by the current government, which has a taken a radically different political direction from its predecessor.

In other words, these dynamics do not mark a dramatic shift, but rather an accelerating or slowing down of programs and trends that were identified in the previous decade. In some cases the acceleration has been significant. Within a general devolution process, significant reforms were already carried out in the past. For example, in the early 2000s, the change of Amendment V of the Italian Constitution, introducing significant elements of decentralization and federalism, has undoubtedly and radically changed the respective role and distribution of responsibilities between central state and regional governments in welfare policies. With more laws recently approved, this devolution process will reach very extreme and increasingly decentralized features, resulting in the transfer of welfare responsibility (like in many other policy fields) to the local level. The main problem concerning this decentralization concerns the relationship between expenditure and financing. Poorer regions in particular, will not be able to afford the financing of social expenditures (which, up until now was the responsibility of the state) unless there is a significant reduction in benefits and services.

From this point of view, the most emblematic and problematic case pertains to health care. Started in the past, the processes of rationalization, decentralization and privatization (always with the goal of containing costs) have had dramatic effects. It is not by chance that, in this field, the main organizational structure (*Azienda Sanitaria Locale*) that was introduced follows the private company models, using mechanisms and evaluations procedures inspired by the private sector.

Since the '92- '93 health system reform, and with the introduction of the regionalization and of private sector principles, the centrepiece of the system has shifted from a state centralization model (legislative and organizational) to a regional model inspired by methods driving private institutions (competition, etc.). But now, the limitations in regional and local resources might compromise guaranteeing minimum standards in health assistance.

Until now, the changes regarding schools and education have been less dramatic as the changes that were mostly limited to organizational issues. Recently, there has been undoubtedly a trend to privatize, granting increased attention to private schools. Even with this sector, we can recognize a strong trend towards decentralization, which has significant implications when it comes to school management. Competition and excellency are the words now in fashion—far from the vision of linking the quality of education to the idea of social equity that were instead crucial in the process of establishing the welfare system.

The issue of social assistance also deserves attention due to the recent laws passed in 2000 on the subject. Starting in the 1990s, this theme became increasingly relevant in Italian welfare policies with a significant shift from previous decades, in which social services were treated as a marginal issue. Welfare services will allow to better evaluate local welfare systems as—for their historical role and for the new attributions induced by institutional reforms—responsibilities will mainly fall on local governments. In this area, the devolution process did not only shift management and implementation of social services to local governments, but also their financing.

In the 1990s, the increasing role of the non-profit sector (known as the “third sector” in Italy) gained public recognition and underwent a regulation process. The third sector has historically operated in all fields of social policy, providing resources and services and contributing to improve overall quality. There are three reasons for the consolidation of the third sector: 1) It has more possibilities to respond to the un-met needs that neither the state nor the market have committed themselves; 2) It is able to operate at reduced costs; and 3) Based on the strong motivation of its workers, it is able to adopt a more personal and humane approach to service delivery. While these advantages surface when conditions allow it, this is not always the case: when social policies are weakened by lack of financing or by poor design, the third sector does not have the capacity to resolve this contradiction. In various local contexts, the third sector inevitably reflects the distortions of the welfare system. Furthermore, the overwhelming expectations on these institutions can be dangerous because it may express a disengagement of the public sector. Ultimately, there is also the question of the labor regulatory system in this welfare area. According to Marco Accorinti, there is a dichotomy with respect to the third sector, as “on the one hand, it is a very particular and specific sector, where, more than in any other, the strength of the motivation and ideals are joined with employment flexibility; on the other hand, the sector is sometimes somewhat precarious because, besides the lower wages granted to professionals relative to their public sector peers, workers with consultant contracts risk to be for years in the precarious status of para-subordinated jobs”.

5. Conclusion

The demand for welfare services has increasingly grown as the needs became more visible and as opportunity increased. These crisis factors, in the following decades will be exacerbated by others, inducing a retrenchment of the welfare state, or more precisely, to a reduction of the degree of satisfaction of the welfare needs. In sum, Italy does not only have a diminished welfare system, but also a mismatch between the population needs and expectations and the capacity of the welfare system to detect and satisfy them.

The three trends described above (rationalization, privatization, and decentralization), within the general framework of cutting costs, have developed differently in the various areas of social policy. Particularly, in social security—following a general characteristic of Mediterranean welfare systems—rationalization and the containing of public expenditure most of all, have induced strong impacts. The decrease in social security expenditure, operated through the reduction of benefits, the raise of the mandatory workers' contributions, and the increase in retirement age, (along with the increased flexibility labor regulations) represents the most widely publicized reform objective of the current government.

Instead, devolution has had more significant implications in those fields of welfare in which the role of the regions was already central, namely the field of public healthcare systems and of the regionalization of its financial sources. As witnessed, this is also the case of social services and assistance, where the elimination of the income subsidy based on unemployment and poverty (*Reddito Minimo d'Inserimento*) clearly describes the disengagement of the central government.

In other fields, changes appear to be less dramatic, or at least with respect to general policy direction or to their declared principles. The most important issues, however, concern some repressive aspects. This the case of the new law on immigration that has strongly tightened the control regulations (from customs, to work permits, and to detention or expulsion criteria for illegal immigrants), while it has left formally unchanged the rules regulating social policies for immigrants (from education to health care) except for a few minor matters. On this latter issue, however, there are persisting problems related to weak implementation that, experienced in recent years, is also concerning other areas of social policy. In the previously published paper, it is noted how the current procedures have a series of implications at a regional level. Southern Italy, in fact, suffers disproportionately from the process of welfare retrenchment because of its more precarious economic conditions and the incomplete implementation of some welfare plans (such as the national health system).

The reduction of pensions will affect most severely those areas in which people are heavily dependent on social welfare. In general, the effects of pension cutbacks will not be felt immediately as these will penalize future claimants more than those currently collecting benefits. This paper is therefore concluded by making the general observation that those groups, who have been privileged in the Italian welfare system will gradually lose ground. And this appears to be confirmed by the most recent trends. At the same time, welfare provisions for newly targeted groups appear to be unreliable and inconsistent. The generally poor conditions of Southern Italians and others who have been disadvantaged in the labor market, but relatively advantaged in the welfare system, are likely to worsen. The decline in living conditions for a large number of families explains the strong resistance to the reductions of pensions on the part of the working-class trade unions. Pensions in the Italian welfare system are critical, as well as other forms of income support, for those who are no longer employed. This is because they are important to counterbalance the diminishing job security.