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Introduction

The Italian welfare state has often been described as a clear example of the Continental welfare state regime (Esping-Andersen, 1990 and 1999 and Pierson, 2001) and also, adopting other conceptual lenses, an important member of the Southern European welfare state family (Ferrera, 1996). From the end of World War II, the institutions and policies adopted in Italy have been clearly marked on the one hand by the predominance of a male bread-winner labour market model and on the other by the strong protection of workers (insiders) and weak (if existent) protection of the so called ‘outsiders’.

Nevertheless, during the ‘90s Italy has been severely challenged by at least two major factors that deserve attention in order to understand the developments of national labour policies: first, a great political turmoil has occurred in the beginning of the ‘90s and such event has somewhat changed the traditional policy network involved in the formulation and implementation of labour policies; second, Maastricht and Amsterdam have set two important moments in the development of the European Union, creating a number of opportunities but also of constraints that were not present in the past. Due to these political and institutional constraints, Italy has “recalibrated” his own welfare state and, in particular, his labour policies that have become increasingly inspired by a ‘workfare’ approach, in line with the ‘making work pay’ imperative already diffused in other European countries (such as United Kingdom: see Clasen in this book).

The general theoretical question that inspires the article is: how is it possible that in a ‘sticky’ political environment such as the Italian one some significant patterns of change of the traditional labour market regulation have emerged? The general hypothesis, building on but also diverging from the well known neoinstitutionalist literature, is that although internal pressures might be present, in order to transform ideas of change into new (or fairly new) sound policies there has to be some kind of external, determinant pressure that provides further resources (symbolic, economic, coalitional) for existing national political élite, possibly already in favour of reform. In other words, significant external pressures (i.e. during the ‘90s those channelled through the European Union) may not determine the *need* for change, but they might have determined the *direction* and the *timing* of change in situations where there is a policy or institutional ‘misfit’ between the external, increasingly binding (supranational) setting and the internal (national) setting[1]. We will explore this hypothesis with respect to labour policies and its evolution over the past decade.

The article will be particularly focused on labour market regulation in Italy, trying to emphasise some key quantitative elements regarding the employment and unemployment data over the years (§ 1), then the basic traits of the evolution of Italian labour market will be presented (§ 2), the endogenous and exogenous pressures for change and the dynamics of institutional change (§ 3) will be explored, whereas a discussion on the possible new institutional configuration with particular reference to a new Law (the so called Biagi[2] Law, that might introduce further elements of change) will follow (§ 4). Some final remarks (§ 5) regarding the current debates in Italy will conclude the presentation of the Italian case.

1. *From full employment to raising unemployment: a quantitative synthesis*

After a long period of good economic performance during the '50s and the '60s, in the '70s unemployment starts to become a problem for Italian policy-makers. From then on, unemployment continued to constitute one of the major socioeconomic challenges of Italian governments that not only had to cope with high unemployment figures but also had to face a peculiar territorial, gender and age distribution of unemployment. First, the major unemployment problems were (and still are) concentrated in the Southern regions were the unemployment rate was particularly high and employment rate particularly low. In the '70s, after a reduction of the territorial gap occurred during the '60s, the problem of unemployment started to become particularly relevant and the territorial gap was increasingly wide: in 1970 there was a gap of 'only' 2,6 points (2,3% in the Centre-North regions and 4,9% in the South of Italy), whereas ten years later the gap reached almost 6 points (5,8% vs. 11,5%) and the widening of the gap never stopped since. Still at the end of the '90s the territorial unbalance is as evident as ever: in April 2003 there still was a difference of almost 15 points between the unemployment rate of the Northern regions (3,9, in line with a full employment pattern) and of the Southern regions (18,2%)[3]. Second, the gender gap has remained relevant over the years, in particular if we consider the employment data: in 1972 the gender gap between male

[1] On the concept of 'misfit', see Cowles, Caporaso and Risse, 2001.
[2] Marco Biagi was a Labour Law Professor of the University of Bologna. He was killed in March 2002 by unknown terrorists who seem to be associated with descendants of the Red Brigades (Brigate Rosse).

and female unemployment rate was lower than 5%, in line with the 2002 data (5,1%); instead, the gender gap referred to the employment rate diminished, due to the increasing presence of women in the labour market, from almost 40 points (1956) to 26 points in 2003 (Gualmini, 1998; ISTAT, 2003). Third, and more dramatic, the increase in the youth unemployment rate: in 2000 it reached 30,7%, whereas in 1990 it was 26.9%; more recent data show that there has been a limited progress since in 2002 the unemployment rate for people between 15 and 24 years of age has lowered to 27,2%[4]. Nevertheless, the problem remains highly salient. The following Table summarises the labour market performance over the past 10 years and shows the main peculiarities with respect to the EU.

Table 1. Key employment indicators, Italy and EU 1993-2001

	1993	1995	1997	1999	2001
Employment rate* – all, Italy	52.1	50.8	51.2	52.6	54.8
Employment rate – all, EU*	*60.0*	*59.9*	*60.5*	*62.3*	*63.9*
Employment rate* – male, Italy	68.7	66.4	66.2	67.1	68.5
Employment rate – male, EU*	*70.7*	*70.2*	*70.3*	*71.7*	*73.0*
Employment rate* – female, Italy	35.8	35.4	36.4	38.3	41.1
Employment rate – female, EU*	*49.3*	*49.7*	*50.6*	*52.8*	*54.9*
Activity rate* – all, Italy	58.0	57.6	58.1	59.5	60.6
Activity rate – all, EU*	*67.2*	*67.2*	*67.7*	*68.6*	*69.2*
Activity rate* – male, Italy	74.4	73.1	72.9	73.7	74.1
Activity rate – male, EU*	*78.3*	*77.7*	*77.7*	*78.1*	*78.1*
Activity rate* – female, Italy	41.9	42.3	43.5	45.5	47.3
Activity rate – female, EU*	*56.1*	*56.8*	*57.8*	*59.2*	*60.2*
Unemployment rate** – all, Italy	10.1	11.5	11.7	11.3	9.4
*Unemployment rate** – all, EU*	*10.2*	*10.2*	*10.1*	*8.7*	*7.4*
Unemployment rate** – male, Italy	7.5	8.8	8.9	8.6	7.3
*Unemployment rate** – male, EU*	*9.2*	*9.0*	*8.9*	*7.6*	*6.4*
Unemployment rate** – female, Italy	14.5	16.1	16.1	15.5	12.9
*Unemployment rate** – female, EU*	*11.5*	*11.8*	*11.7*	*10.2*	*8.7*
Youth unemployment rate*** – all, Italy	30.1	33.3	33.5	32.3	28.1
*Youth unemployment rate*** – all, EU*	*20.3*	*20.4*	*20.1*	*17.0*	*14.9*
Youth unemployment rate*** – male Italy	26.3	29.1	29.1	28.7	24.9
*Youth unemployment rate*** – male, EU*	*19.8*	*19.1*	*18.7*	*15.9*	*14.0*
Youth unemmployment rate*** – female, Italy	35.0	38.5	39.2	36.9	32.0
*Youth unemployment rate*** – female, EU*	*20.8*	*21.9*	*21.7*	*18.4*	*16.0*

* % population 15-64; ** % population labour force 15-24; *** % labour force 15-24

Source: European Commission, 2002, pp. 173, 181.

In sum, specific aspects of the Italian labour market performance remain quite distant from other European countries and from the European Union in average. Nevertheless, since

[3] ISTAT, 2003. Data does not take into consideration the black economy; nevertheless, the high unemployment rate concentration in the South, in particular among female and young people remains the major problem even the data were 'adjusted' to the black economy figures.

the mid-90s a series of concrete reforms have been proposed in order to provide more labour insertion opportunities; moreover, a move towards more flexible working conditions and workfare oriented programmes has taken place and new forms of working contracts (such as temporary work) have been introduced. But since the above mentioned problems are at least two decades old, why did such changes occur in the '90s and not earlier? What are the dynamics of policy and institutional change? In order to answer to such questions, we need to briefly look back to the evolution of labour policy regulation over the years.

2. *The evolution of labour policy regulation*

In order to fully understand if and how the Italian labour market policy has changed over the years (and in particular during the '90s), we need to clearly qualify where we have to look for changes. Building on Hall (1993), we suggest that we need to distinguish between policy and institutional change. In the first case (policy change), change can be detected when specific elements (objectives, principles, instruments and procedures) of the policy structure at time T2 differ from the same elements at time T1; the degree of change varies according to the dimension involved. In the second case (institutional change), specific change can be detected when administrative or political structures and actors responsible of a specific policy at time T2 differ from the same administrative or political structures at time T1. Therefore, we might have policy change without institutional change or, on the contrary, institutional change without policy change. Our assumption is that it is more probable that a policy change rather than a institutional change occurs since institutions are more difficult to reform than policies: institutional change requires modifications not only in the setting of the rules but also in the behaviour of institutional actors; policy change requires primarily (if not only) the modification of the legislative rule. Therefore, in the following paragraphs we shall try to characterise the evolution of labour policy regulation in Italy in order to point out first policy changes and then institutional changes that have occurred over the years.

a) the original model (1919-1968)

[4] ISTAT, 2003.

Italy had a relatively good start in terms of unemployment protection: it was the second European country, eight years after the United Kingdom, to introduce the first pillar – obligatory insurance against involuntary unemployment – in 1919. But after such a good start, the evolution of unemployment protection has progressively diverged from other European countries where significant progress in such domain has been made. Instead of consolidating the insurance pillar and introducing complementary, non-contribution based assistance schemes, Italy developed a policy model based almost exclusively on a very poorly funded insurance pillar, whereas no assistance nor guaranteed minimum income pillar were present. Such general picture was complemented by an anomaly[5] funded partially via the companies and partially by general taxation: the *Cassa Integrazione Guadagni Ordinaria e Straordinaria* (CIG and CIGS, 1945) that consist in payments of 'substitution' wages to temporarily laid off employees – that are not considered unemployed.

More in detail, unemployment compensation benefits were introduced in 1919 (and confirmed with another law in 1939) and they were and still are addressed to regular[6] non agricultural workers who had already at least two years of contributions. In fact, the Italian unemployment protection system has been based on the protection of the 'insiders': i.e. those who were already employed. Ordinary unemployment benefits were (and still are) paid to workers in the industrial and service sectors who are laid off and who have paid contributions for at least 52 weeks during the two-year period preceding unemployment (ordinary requirement) or have worked at least 78 days over the past year (reduced requirement). In the agricultural sector, ordinary benefits are guaranteed to workers that have worked 102 days over the past two years or have worked at least 78 days over the past year, whereas special benefits are guaranteed to workers who have fulfilled the 'ordinary benefit' conditions and have worked 151 days over the past year or have enrolled in the agricultural workers employment list for a minimum of 101 and a maximum of 150 days. Originally, the replacement rate for both agricultural and non agricultural workers was impressively low, whereas more recently (2000) it has been augmented for non agricultural workers to 40% (ordinary requirement) and 30% (reduced requirement) of the previous wage, up to a certain 'ceiling' annually adjusted, and to a range between 30% (ordinary benefit) and 66% (special benefit) for agricultural workers.

[5] Anomaly maybe is not in its mere existence – since also other countries have a similar scheme – but its financial relevance with respect to other passive policies.

[6] Regular means that the contracts had (and still have) to be for permanent positions. Therefore, several employees who have a 'irregular' or 'atypical' contract are not entitled to such benefit. We shall come back to this later on.

Over the years, although poorly funded, the insurance pillar remained at the heart of the Italian system of unemployment protection. In 1947 the short time compensation benefits were extended to Southern regions (for a maximum duration of 24 months), were unemployment was particularly high (see § 1). Also, in 1949 a national (and state-controlled) system of unemployment services was introduced, depriving the trade unions from any specific employment insertion function. The unemployed had to register into specific lists and their possible employment insertion depended on their position in such list. The employers had to inform the employment offices regarding the qualification needed and the offices selected the unemployed considering such characteristics.

Instead, the so called 'short term wage replacement benefits' (*Cassa Integrazione Guadagni,* CIG) were introduced on the basis of a private agreement between the industrial association and the trade unions of the Northern regions. The benefit was based on private contributions but also on complementary contributions of the State; the ordinary benefits are paid to workers for non-worked hours due to temporary reduction or suspension of activity. The ordinary benefit was proportional to the previous wage, covering usually 80% of the monthly allowance, and it was granted originally for a maximum of 12 months. A peculiar aspect of the benefit is that workers of small manufacturing firms and of most service activities are excluded and recipients are not considered as unemployed since their contracts have not been formally terminated. Another peculiar aspect of the CIG is that the provision is not automatic – and therefore it is not a subjective right - but it is at the discretion of the Labour Ministry, after having negotiated with trade unions and business associations, to accord the benefit; such characteristic provided a great role for political intermediation (parties in government but also business associations and trade unions that could pressure the Ministry) in the management of unemployment policy. In general, the first period of labour policies regulation was primarily devoted to the provision of *passive* (income maintenance) policies, whereas few concrete opportunities[7] were offered to the unemployed.

More in general, the system was offering a low degree of economic support to those who were unemployed, generating very low (and limited) replacement rates, and a very limited number of beneficiaries. Instead, much attention was devoted to those who were already employed, in particular in large (and unionized firms) since the CIG offered solid guarantees

[7] It has been noted that the employment services were so badly managed and the employment procedure was so complicated that often workers were either previously selected by the employers and then formally registered by the employment offices, or simply newly employed workers remained (sometimes for all their life) in the underground economy. See Ichino, 1982: 14-15.

against permanent dismissal. Instead, *active* policies aimed at the insertion of those who were 'out of work' (in particular women and young people) were absent, with the noteworthy exception of the apprenticeship law of 1955[8]. On the one hand, major guarantees were granted to those who had a work and might have risked to be dismissed, on the other hand a national (monopolistic and completely inefficient) system of employment services was aimed at helping unemployed to find a job. Therefore, it stands quite clearly that the Italian labour market regulation was very protective with respect to the *insiders* (regular workers) and very weak with respect to the promotion of employment opportunities (employability, in the current words of the European Employment Strategy) for the *outsiders*. Nevertheless, such difference did not emerge very clearly until the end of the '60s, since before that period Italy was characterised by a constant decrease of unemployment (and a limited presence of women in the labour force). Only during the '70s, both the slowdown of economic growth and the presence of new skilled labour demand, made such difference in unemployment protection fully evident.

Finally, labour policies were characterised by high centralisation with respect to the employment services system and by an extended provision of short term wage replacement benefits for regular workers: such policy mix reflected the policy orientations of the Christian-democratic party, continuously in power from the end of World War II until 1992 (Ferrera and Gualmini, 2003). Therefore, such policy configuration remained unchallenged and unchanged until the end of the '60s when, due to the economic boom of the '60s (which meant, among other things, an unemployment rate close to 5%) and to the subsequent trade unions' empowerment, the winds started to change.

In sum, during the first period of unemployment protection the policy structure was the following: the main objective was to provide limited unemployment benefits to regular workers, the 'full employment' principle (all workers must have a stable and regularly paid job) was always present in the legislation, policy instruments consisted mainly in a limited unemployment insurance scheme and a more generous system of short term wage replacement benefits for workers in large firms (temporarily) out of work.

b) The rise and fall of the workers protection 'golden age' (1969-1980)

[8] Such law was aimed at the insertion of young people (originally under 20 years of age) that benefited up to a five year period of 'training on the job'.

During the second half of the ‘60s, the so called ‘economic boom’ had produced a very significant change both in the overall economic performance of Italy (which in the decade progressed with a GDP average annual growth close to 5%) and in the employment creation (the unemployment rate was close to 10% in the mid ‘50s and it was 5.4% in 1970). Therefore, also the political dynamics behind labour policies started to change from a situation characterised by the predominance of business interests in labour policy decision-making to a new configuration where the key actors became the trade unions thanks to their new bargaining power. Already in 1968 a new law was introduced (L. 115/68) that increased the role of the short time compensation benefits: to the *Cassa Integrazione Guadagni* (CIG) was added a Special short term wage replacement benefit scheme (*Cassa Integrazione Guadagni Straordinaria* - CIGS) that introduced special benefits paid when the suspension of the activity is not only temporary, but it is due to sector - or area – specific firm restructuring. The extension of the CIG was promoted by the trade unions but also favoured by the employers’ associations: ordinary and special short term wage replacement benefits became increasingly convenient for both employers and employees since the benefits reduced the risk of permanent dismissal and at the same time did not charge the expenses on the employers’ budgets but on the State’s one.

The result was such that this type of benefit entirely lost its temporary nature. Irrespective of whether or not the restructuring process would eventually create new working opportunities within the firm, coverage renewals, especially in large industrial plants, were granted for up as many as ten years!” (Fargion, 2002: 39). Therefore, once again, more passive policies were adopted, whereas the ‘bill’ regarding the political decision was paid by the State.

Another example of the power shift (but not the policy shift) was the approval in 1970 of a Workers’ Statute - *Statuto dei Lavoratori* - that clearly reinforced workers representation (in particular with respect to the right to strike and to the right to organise trade unions on the workplace) and severely reduced employers’ discretion to hire and fire employees. Although this law was of great importance, besides the empowerment of trade unions it did not add new features to labour policy regulation system. In fact, the Italian unemployment protection system continued to be fairly generous with respect to the ‘insiders’ (those who had already a job) and quite stingy with respect to the ‘outsiders’ (those who were excluded from the labour market) whose chances to find a job were increasingly reduced. Moreover, at the turn of the decade also the overall economic performance slowed up very much: the unemployment rate started to rise (from 5,3% in 1970 to 7,6% in 1979) and the employment rate decreased (from 56,3% in 1970 to 55,6% in 1979).

Since the economic situation was worsening and the public deficits were increasing, during the second part of the '70s new policies were introduced: the first one (L. 285/77) was aimed at the insertion of young people in the labour market through special contracts (*contratto di formazione*); the second law was aimed at the reorganisation and restructuring of Italian industries (L. 675/77); the third law set the rules for the functioning of the vocational training public system (L. 845/78). The main purpose of the law on youth employment was to promote the insertion of young people in the labour market, whereas the law on industrial reorganisations slightly reformed the short term wage replacement benefits; in particular, such benefits were extended to, among other possible reasons of intervention, situations of "crisis of particular social relevance" and a new 'active' policy (mobility procedure) gave incentives to the transfer of workers from one firm (going through structural financial and/or industrial problems) to another or from one part of Italy to another. The law on vocational training contained general provisions regarding vocational training policies and assigned major competencies to the regions that until then had been only marginally involved in the management of vocational training policies. Of particular interest is the fact that financing of the policy came increasingly from the EC that became a key actor for the vocational training policy structure between the '80s and the early '90s[9].

In sum, the 'golden age' of workers protection did not divert much from the 'original model': rather, such model was consolidated. The initial objectives of unemployment protection were reinforced, the 'full employment' principle remained and the 'old' policy instruments (limited unemployment insurance provisions and generous economic support for temporarily laid off workers – the wage supplementation funds scheme constituted the policy mix still available. What had changed with respect to the previous period was the power equilibrium between the two main societal actors: whereas until 1967 the trade unions were at their lowest level of decision making capacity and the industrial association at their peak, during the '70s the trade unions were able to exercise more influence in the decision-making and were able to pass some relevant laws (such as the Workers' Statute) that consolidated trade unions' presence on the workplace, especially in large firms.

[9] Pavan Woolfe, 1998.

c) Between re-regulation and deregulation: the '80s

In the first years of the decade the second oil shock created further occupational problems: in 1980 the unemployment rate was 7,5% whereas in 1989 it rose up to 11,2%, and the employment rate slightly decreased from 56,2% to 55,7%. The decade opened with a severe crisis of large firms and a subsequent reduction of jobs. The case of FIAT is of particular interest: in 1980 the 'firm crisis' was announced and more than 20.000 workers benefited from a CIG programme[10]. The trade unions (with the support of the Italian Communist Party) tried to react and mobilise FIAT workers, but after 35 days the occupation of the biggest FIAT plant (Mirafiori) had to stop: a decisive "march of the 40.000" FIAT cadres who wanted to 'go back to work', in opposition to the workers on strike and in support of FIAT's management goals, made clear that the times were changing and no further trade union manifestation was going to prevent the management from the implementation of the firms' job reduction goals.

The crisis of large firms determined the crisis of trade unions that were particularly strong in those firms. Initially, the government responded to the uncomfortable situation through the expansion of already existent income maintenance programmes and, like the French, German and Spanish governments, managed the rising unemployment in large firms thanks to a new Law (L. 155/81) that was aimed at subsidising the exit from work through early retirement benefits. The new measure was in line with the other Italian anomaly (the *pensioni di anzianità*) - introduced between the '50s and the '60s - that offered an opportunity to those who had worked for 35 years to retire without having reached a predetermined retirement age. The 'early retirement' law gave the opportunity to male workers over 55 years of age and female workers over 50 years of age, dismissed by large industrial firms, to have an 'earlier' access to retirement. Due to the great success of the policy measure, the Law – originally valid only for 1981 – was prorogated for the '90s and it is still valid.

Instead, in the second part of the decade – when the performance of European economies became more promising – active labour policies were inaugurated. The increase of unemployment, due also to the entry of women and skilled young potential workers into the

[10] A extensive industrial restructuring programme of the biggest Italian firm was announced after very limited discussion with the trade unions that called a massive mobilisation against the CIG programme for over 20.000 workers. The mobilisation soon turned into a workers' occupation of the plant that was heavily criticised by the 'white collar' workers who – after 35 days - organised a successful 'counter' mobilisation in favour of the management: a demonstration of over 40.000 workers who wished 'to go back to work'. Such demonstration was organised by FIAT 'white collars' in order to support the decisions' adopted by the management, in sharp contrast with the requests of the trade unions and the 'blue collar' workers that had occupied the plant

labour market, made it impossible to simply rely on short/medium term interventions and on income support subsidies. Especially in the Southern part of Italy, it became increasingly necessary to change the overall strategy of labour policies in order to expand the productive capacity of firms and foster job creation. To pursue such ambitious goals, the idea of a new social agreement among interest groups was launched. In 1983 the national trade unions, the national employers' associations and the Ministry of Labour signed an important social pact that gave birth to the Law 79/83. The outcome of the negotiation was "a complex political exchange involving income policies, fiscal policies and incentive policies. Fiscal policy had to tackle the effects of inflation, income policy had to slow down the dynamic of labour costs and tax reliefs (especially on social security contributions) had to assure the employers' approval" (Ferrera, Gualmini, Graziano and Alti, 2000: 24).

The concerted action of 1983 was followed by an attempt of a second social agreement among various actors (national governments and social partners, in particular the three most important trade unions: CISL, UIL and CGIL). Due to the increasing conflicts between the various trade unions and left parties (on the one hand there were the Socialist Party – led by the Prime Minister Bettino Craxi – and CISL and UIL, whereas on the other side there was the Communist Party and the communist and socialist trade union - CGIL) the agreement failed. Given the reluctance of the communist party to reach an agreement with the socialist one, the Prime minister Craxi decided to reduce wage indexation with the so-called "Decreto di S. Valentino" on February 14th (that later became L. 863/84). Although with strong contrasts within the world of the trade unions, flexible labour contracts for young workers (*Contratti di formazione e lavoro*), work sharing, part-time and solidarity contracts (*contratti di solidarietà*) were introduced. The aim was to stimulate the creation of employment opportunities for the outsiders of the labour market, in particular women and the young unemployed.

The implementation of the law was completely unsatisfactory. Nevertheless, some of the policy instruments were fairly successful. "Work and training contracts immediately obtained a remarkable success: they rapidly spread throughout the country, mainly because of their generous (for employers) incentive structure. Solidarity contracts, on the contrary, were very scarcely taken advantage of. Employers were not so keen on charging regular working time and production regimes. (…) Part-time too was not a success: it was rarely used, mainly because of its high non wage costs" (Ferrera, Gualmini, Graziano and Alti, 2000: 25).

Furthermore, in 1986 another law was approved: L. 44/86 established a set of financial incentives for young employers in order to help them create new firms and co-operatives. Beneficiaries were concentrated in the Southern regions. Also, in 1987 a specific law (L. 56/87) changed the structure of the Ministry of Labour and introduced regional agencies that were aimed at the promotion, evaluation and monitoring of active labour policies at the regional level. Once again, the implementation of the laws was (at least in the beginning) unsatisfactory, but nevertheless a new trend (in favour of active labour policies) was set.

But what are the sources of such policy change? There were not only changes in the structure of the labour market (entry of women and skilled young workers, downsizing of large firms, etc.). We should also take a close look to the action of the governments of the second half of the '80s, in particular when the Minister of Labour was Gianni De Michelis, also the 'vincolo esterno' of Europe starts to increase its importance. In general, since the creation of the EMS, European countries could no longer ignore the existence of a European dimension (Ferrera and Gualmini, 1999: 45-51). Already for the social pact of 1983 Ciampi (that at that time was Director of the Bank of Italy) expressed his worries with respect to the public deficit - that was increasing at an impressive pace - and favoured the encounter of social partners and the promotion of labour policies that were more in line with the Europe (Ferrera and Gualmini, 1999: 48).

Also with respect to the labour market, Europe became an increasingly important point of reference. In the words of the Minister De Michelis: "the occupational situation in Italy, the opportunities for a re-equilibrium of our labour market, the choices that the system will have to make in the near future locate the economic problems of our country in the more ample context of Europe. Political, economic and social reasons justify the insertion of the debate regarding the Italian labour market, and more in general the various economies of the European states, in a broader conceptual frame where the various systems are placed in a unitary European dimension" (De Michelis, 1986: 201). Although not enough research has been done on the matter, it seems quite clear that the 'European dimension' (both institutional and political, since Craxi was very keen in promoting a new, modern and European socialist party) helped the insertion of active policies in the Italian policy menu. And, being European policies very limited at that time, such dimension did not promote an intense reform of the system of economic transfers to the unemployed that remained very similar to its original configuration of the late '40s.

In sum, the ‘80s did represent a peculiar decade with respect to labour policies. Some new active and flexible policy measures were introduced, but in general the effects of such innovations did not change the structure of labour policy – that remained oriented in favour of the ‘insiders’ - nor did it contribute to the reduction of unemployment or the increase of the employment rate. The European dimension timidly became part of the cognitive framework of some of the key decision-making actors (for instance in the promotion of active labour policies such as vocational training and specific policy provisions targeted on young unemployed), but Italy still kept a peculiar labour market were a very low percentage of GDP (around 1,5%) was devoted to labour policies. Nevertheless, the change we can point out regarded the role of the government: from a mediator role, the government (in particular, the Craxi government) tried to foster its ‘policy proposition’ capacity that created some upset in the trade unions. But no significant administrative (institutional change) took place in the labour policy area. As a result, the existing system of short term wage replacement benefits helped to reduce the collateral effects of the industrial restructuring that took place in those years, and at the same time the new active policy measures were “institutionally timid, poorly implemented and not systematically funded” (Ferrera, Gualmini, Graziano and Alti, 2000: 26).

d) What kind of change? The experience of the ‘90s

During the ‘90s the winds start to change: a truly European dimension is increasingly introduced in the Italian labour policy menu and a more intense promotion of active policy measures take place. In general, the ‘90s have been an extremely dense decade, characterised by important reforms in the labour policy field. If the ‘80s were already characterised by some changes (in particular, with respect to the objectives and principles of the policy structure), in the ‘90s the policy change has been even more evident. The directions of change have been in particular: a) loosening of the ties for the hiring and firing of workers and with respect to the unemployment insurance scheme the introduction of the mobility benefit (L. 223/1991); b) monetary increase of the unemployment benefits (L. 236/93), and restriction of the ‘unemployed’ status; c) introduction of the social useful jobs (LSU; c) decentralisation (and progressive privatisation) of employment services (D.Lgs. 469/97); d) introduction of local development policies (1996); e) the introduction of new flexible contracts (L. 196/97); f) the launch of the EES – European Employment Strategy at the EU level (1997); g) the introduction on an experimental basis of a minimum income support scheme (reddito minimo di inserimento – RMI).

The first direction opened the new decade: in 1991 Law 223 was approved. According to such legislative provision, employers could directly choose their employees, whereas in the past (at least, formally) there were severe limitations to such procedure. Although, as we have already pointed out, such procedure was already existing in practice, such decision inaugurated a new phase in the evolution of labour policies in Italy. Again in the words of Valeria Fargion: "Law 223 is couched in the language of supply-side adjustments and touches on the basic elements that make up the workfare logic. By discouraging the passive collection of benefits and promoting unemployed workers' 'employability' – as suggested by the EU jargon – emphasis has clearly shifted to reintegrating the unemployed into the workforce as swiftly as possible" (Fargion, 2002: 44).

Furthermore, and more even more important with respect to the unemployment insurance pillar, a new scheme was introduced: the mobility benefit. It was of great importance since, unlike the ordinary and special short term wage replacement benefits, the benefit was aimed at dismissed workers and was supposed to help them transit (due to a two year provision period) from one job to another. The new benefits were (and still are) provided in case of collective dismissals by firms that are eligible for benefit from the CIGS and in case of individual dismissal of workers already in CIGS. Also, usually such benefits are limited to collective dismissals in the manufacturing sector excluding small firms. The benefit covered (and still covers) 100% of the CIG's short term wage replacement benefit for 12 months and 80% for the other years. Its duration varies according to the age of the worker and the Region where the firm's plant is based: under specific conditions, it can last for over 48 months, meaning that in some cases workers might be entitled first to the CIG(S) and then for the mobility benefit for a period of maximum 8 years. Nevertheless, "L. 223 represents a critical disjuncture with previous [policy] developments (…) The explicit aim of the law is in fact to put an end to the improper freezing of employment status for redundant workers that have no real possibility of being reintegrated into the firm" (Fargion, 2002: 43-44).

Another 'sign of Europe' can be seen in the increase of the ordinary unemployment insurance benefit, that was augmented up to 25% of the previous wage of the unemployed and did not consist anymore in a predetermined daily allowance. It still was not in line with other European countries, but nevertheless its augmentation started and will continue in the following years, currently replacing 40% of the average gross earnings received over the last three months. After 1999 the benefit was no longer provided in the case of voluntary dismissal of the worker, and in 2000 a redefinition of the status of 'unemployed' occurred. According to the Legislative Decree 185/2000, in order to be entitled to unemployment benefits, the unemployed have to cooperate with the new employment services and be available for informative interviews and participate to recommended vocational training courses. Therefore, on the one hand workfare practices were introduced in the Italian policy setting, but on the other a certain adjustment in the replacement rate (more in line with the European partners) was guaranteed to the unemployed.

In 1994, a already existing policy instrument aimed at combating long-term unemployment was reformed: the Social Useful Jobs (Lavori socialmente utili – LSU)[11]. Originally thought as an 'active measure' of insertion in the labour market, the programme turned into a masked 'assistance scheme'. In the words of Valeria Fargion: "in essence, 'socially useful jobs' swiftly became a new type of social shock absorber that allowed for the continuation of social protection to the advantage of only a limited group of unemployed workers" (Fargion, 2001: 53). The number of LSU workers rose to almost 150.000 in 1999, when a new 'stabilisation' programme aimed at the creation of small cooperatives of LSU made the ambiguous programme end.

Another characteristic of the '90s has been the decentralisation of employment services: from 1997 on, subnational authorities (Regions and Provinces) have become relevant actors in the formulation and (especially) the implementation of labour policies. In addition, the same law gave the opportunity to private bodies to manage employment services, widening the number of actors that operate in the labour policy market. Therefore, a new multitiered governance of the labour market was emerging: unemployment benefits were still provided at the national level, whereas employment services and vocational training was increasingly delegated to subnational authorities.

Connected to the previous innovation is the formulation and implementation of new local development policies that were broader than labour policies: their aim was to promote an 'employment friendly' development that increases territorial socioeconomic cohesion. The two major instruments of local development policies have been the area contracts (*contratti d'area*) were public funds were aimed at the enhancement of cooperation between trade unions and workers on the one hand, and industrial associations on the other) and the territorial pacts (*patti territoriali*) where the provision of public funds (both European and national) was more ample and aimed at the promotion of local development via incentives to firms and funds to be used for infrastructure facilities[12].

Furthermore, the introduction of new flexible contracts (in particular, temporary work) and the relaunch of part-time work have been among the most recent labour policies to be approved by the Italian government. Until 1997, in Italy temporary work was illegal; only due to the so called Treu[13] reform under the centre-left coalition (*Ulivo*) such contract was made possible and in five years several multinational (as well as 'purely' Italian) temporary work agencies have opened headquarters and offices all over Italy – although such policy has been more developed in the Northern regions rather than in the Southern ones (Rapporto di monitoraggio, 2002: 252).

Finally, together with some relevant innovations regarding flexibility, during the '90s the tradition of passive policies has somewhat continued during the '90s: for example, as already discussed, a specific active policy measure (socially useful jobs, introduced in 1991 but fully used in the second half of the decade) which was clearly inspired by a workfare ideology, has turned out to be a passive policy measure (see Boeri, 2000: 11-12) used especially in areas characterised by high unemployment such as the Southern regions. Nevertheless, in particular during the second part of the decade, if we look at the overall expenditure for active and passive policies between 1996 and 2001 (Table 2) there has been an impressive increase in the expenditure for active labour policies (from slightly more than 6 billion euros to almost 9 billion euros) and a reduction for passive labour policies (from 9,5 billion euros to less than 8 billion euros)[14]. Also if we look at the number of beneficiaries during the past years there have been radical changes: the number of beneficiaries of active labour policies has almost doubled, whereas there has been a reduction in the number of beneficiaries of passive labour policies (Table 3). This shows how much the traditional policy configuration has changed over the years, moving away from a 'passive' policy predominance towards a more equilibrated policy mix where activation (welfare to work) policies have become also quite relevant.

[11] The LSU programme, first introduced in 1981, consists in specific insertion programmes, created by the State and subnational authorities, that had to last for a maximum of 12 months and it required a part-time job (20 hours weakly) and a net wage of about 450 euros. Continuos prorogation made them last up to 7 years.
[12] For an update on the implementation of the *Patti territoriali*, see DPS, 2003.
[13] Tiziano Treu, a Labour Law Professor, was the Social and Labour Affairs' Minister that promoted the Law.
[14] Rapporto di monitoraggio, 2003: 22.

Table 2. Passive and active labour policies expenditure, % of total labour policy expenditure - 1996-2001

	1996	1997	1998	1999	2000	2001
Active labour policies	35,7%	38,1%	42,1%	44,2%	43,7%	46,6%
Passive labour policies	54,5%	52,8%	46,8%	44,3%	41,4%	39%
Fiscal benefits to 'hiring' firms	9,8%	9,1%	11,1%	11,5%	14,9%	14,4%
Total	100%	100%	100%	100%	100%	100%

Source: Ministry of Labour and Social Affairs, 2003, p. 22

Table 3. Beneficiaries of active and passive policies, 1996-2001

	1996	1997	1998	1999	2000	2001
Active labour policies beneficiaries	924,587	973,612	1,223,774	1,708,917	1,737,921	1,828,896
Passive labour policies beneficiaries	-*	-*	-*	-*	774,738	751,095
Total	-	-	-	-	2,512,659	2,579,991

* Data not available

Source: Ministry of Labour and Social Affairs, 2003, pp. 24, 43.

Much of the policy reorientation towards activation has to do with Europe and the launch of the European Employment Strategy. In fact, the role of the European Union institutions can be fully appreciated in the 'benchmarking' procedure regarding labour policies, that was launched in Luxembourg in 1997 and has recently completed its first evaluation phase[15]. Following Delors' White Paper (1993), the European Employment Strategy (EES) was created in order to foster the 'social' dimension of the European integration process[16]. Such process has promoted some significant changes in the setting of policy objectives, in the definition of adequate policy instruments and specific policy principles and procedures. Although the 'structural' change is not yet easy to grasp, it is quite clear that in the second part of the '90s Italy has been increasingly tied to European policy patterns and such situation will only be more pronounced in the future, in particular with respect to the principles advocated by the EES (employability, adaptability, entrepreneurship, equal opportunities).

Finally, in 1998 a very innovative (for Italy) policy instrument was introduced: an experimental guaranteed minimum income support (*reddito minimo di inserimento - RMI*).

[15] See European Commission, 2002.
[16] See Goetschy (1999) for details on EES.

The programme covered only 39 municipalities (over 35,000 people) and its main objective was to reduce the number of people/households living below the poverty line and promote vocational training courses or labour insertion of the members of the family able to work. The programme constituted an attempt to introduce in Italy a "last resort guaranteed safety net administered by local government" (Ferrera and Gualmini, 2003: 125) and at the same time promote an 'active' approach to social (and labour) inclusion.

In sum, during the '90s relevant policy changes have progressively opened up the Italian labour market, making it at the same time more flexible and more workfare oriented. Traditional passive policies, that still remain at the core of the distributive side of the labour policy coin [coin ?], have been accompanied with increasingly relevant active (or activation) policies. The reorientation of Italian labour policy was facilitated by the launch in the beginning of the decade of the *concertazione*, i.e. a corporatist pattern of decision-making that involved all social partners and in particular the trade unions and employers' associations. Such method, providing a 'double legitimation' (social and political) for the decisions adopted by the centre-left governments, made possible the adoption of policies (such as the Treu reform of 1997) that probably would have not occurred in other circumstances[17].

Still, some puzzles remain. What have been the pressures for change in the different above mentioned policy phases? Have the exogenous factors prevailed on authentic endogenous factors? Let's try to answer in the following paragraph.

3. *Responding to multiple pressures: the dynamics of policy and institutional change*

Over the years, the Italian labour market regulation (and in particular welfare compensation for unemployment) has clearly been influenced by a few very relevant actors: trade unions, business associations, whereas the governments have played both a mediating and a promoting role. Until the first half of the '70s, the problem was not unemployment *per se* but the aspiration for better jobs and better industrial relations. But if we are interested in the factors that might explain the recent evolution and the patterns of change we need to look at three main possible explanations: internal socioeconomic trends, the politics of labour market regulation, European constraints and opportunities.

Just like other European countries, over the years Italy saw several structural socioeconomic changes challenging the original institutional labour market regulation setting.

In less than 50 years (1950-2000), radical demographic change, the family structure change, the internationalisation of the economy and the technological advancements changed the environment in which labour policy regulation took place. In the first place, the considerable change in the structure of Italian working population has set since the '70s some internal pressures for change that have to do in particular with the increase of the young people that entered in the labour market. In fact, the policies adopted between the late '70s and the late '90s (see §1) show how the Italian government tried (although rather weakly) to respond to such 'environmental' change promoting the insertion of young people in the labour market and regulating a institutional framework for vocational training policies. Therefore, the incremental changes registered in the labour policy domain can be at least partially attributed to structural demographic pressures. But such explanation is not in accordance with the speeding up of the process of reform that touched Italy during the '80s and (in particular) the '90s when the sequence - and relevance - of the reforms where much more impressive that the previous ones.

Another possible explanation can be found in the politics of labour policies. Until the first half of the '90s, Christian democratic-led governments did not set in their political agenda in a comprehensive labour market reform because it could have been a source of potential conflict and, in the traditional Italian consensual policy making style, no major conflict with other allies or opposition parties (such as the Communist Party) was desired. During the '70s, "the expansion of a highly fragmented social insurance system offered ample opportunities for distributing differentiated entitlements to selected party clienteles' (Ferrera and Gualmini, 2003: 42) preventing the development of a universal unemployment insurance and assistance scheme. Furthermore, social partners were strategically interested in holding in their hands the negotiation for the allocation of the short term wage replacement benefits and therefore did not pressure for relevant changes in the labour market regulation system.

It is not by chance that the first relevant reform towards a more flexible labour market occurred under a Socialist-led government (*Governo* Craxi, 1984) and it is by no chance that following that decision (the so called S. Valentine's Decree) the leftist trade union (CGIL) and the communist party tried to subvert the decision via referendum, losing their battle. But such situation proved to be very hard to sustain for all the main actors, and therefore during the '80s no other significant reforms were introduced. The equilibrium was quite precarious and no party within the various government coalitions (where, together between the '80 and

[17] For further details, see Mania and Sateriale, 2002; see also Ferrera e Gualmini, 2003.

the early ‘90s we find the Socialist Party, the Christian Democratic Party and also the Republican Party, the Liberal Party and the Social-Democratic Party) had a political interest or sufficient negotiating power to change labour policy regulation. In fact, it is only during the second part of the ‘90s that even more significant reforms were introduced and, together with the greater impact of European constraints (as it is well known, with the approval of the Single European Act – 1986 - and Maastricht Treaty – 1992 - European countries had to fulfil numerous conditions in order to avoid sanctions performed by supranational institutions), the sudden collapse of the old Italian political élite - which was under severe judicial investigation and saw several political leaders accused of bribery during the 1992-1994 period - created the opportunity for the insertion of new politicians that were labour policy experts: for instance, after a long period of time a Labour Law Professor (Tiziano Treu) was nominated Minister.

This element is of particular importance in terms of policy change since in the second part of the ‘90s new political and administrative personnel were in charge of labour policy formulation at the ministerial level. In fact, Treu assembled around him a number of experts and managed to have approved by the Parliament the Law 196/97 – which introduced more flexibility in the labour market – and relaunched the national research institute on vocational training and labour policies (ISFOL). Furthermore, during the following D’Alema I and II governments a new working group aimed at the monitoring of labour policies was created and coordinated by an economist of the Banca d’Italia. In sum, the people within the Labour Ministry and the epistemic community surrounding it can be labelled as the pivotal actor in the definition of a new ‘rationalizing’ or modernizing coalition that governed labour policy between 1995 and 1999. In other words, due to the (European) budgetary constraints the Labour Ministry was politically less remunerative than in the past - since no massive public employment creation was possible - and therefore more room for manoeuvre was left in the hands of experts that did not have to submit to excessive party coalition constraints and therefore were free enough to propose some new (European) solutions to the traditional problems of Italian labour market.

Last, but by no means least, the European constraints and opportunities. The relevance of the European environment can be underlined looking both at the objectives and at the funding of active policies (for example, vocational training). With respect to objectives and new policy solutions, since the Delors White Paper (1993), the European Commission realised that Europe needed to deepen its social dimension and with the Amsterdam Treaty a specific Title devoted to employment policy was introduced (Goetschy, 1999). At the end of 1997, the so called Luxembourg process was launched, providing specific obligations to the Member States such as the annual formulation of a National Action Plan (NAP) which has to be built upon specific European annual guidelines, follow the employability, adaptability, entrepreneurship and equal opportunities principles, and provide substantive information regarding the evaluation of national policies with respect to the goals set at the European level. Moreover, in March 2000 in Lisbon the European Employment Strategy was (re)launched and specific goals were set for EU countries to be obtained through the Open Method of Coordination (OMC) procedure. Since the OMC is a clear example of *soft law* regulation (Kenner, 1999), national governments are still responsible for both formulation (together with the other EU member states) and implementation of EU guidelines. Therefore, a substantial room for manoeuvre is still in the hands of the governments although European constraints are increasingly visible and therefore 'softly' binding[18] (Treu, 2001; Sestito, 2002).

Also with respect to the financing, much of the resources for active policies (such as vocational training) come from the European Social Fund (Rapporto di Monitoraggio, 1/2001: 337). Furthermore, since European funds are involved, vocational training has to follow the European guidelines and principles in order to obtain EU money. In other words, although the resources derive only partially from Europe, the formulation and implementation of vocational training is formally constrained by EU institutions.

In sum, there seems to be sufficient evidence that three sources (demographic and socioeconomic change, political transition and – more than all - European constraints) have been intertwined and exerted substantial pressure for change on the labour policy structure and, although in a more limited manner, the regulatory institutional framework. In fact, to the major changes in the policy structure did not correspond relevant changes in the institutional setting governing the policy. With the noteworthy exception of the new *Gruppo di lavoro* for the monitoring of labour policies and the relaunch (although still problematic) of the national institute for the evaluation and study of labour and vocational training policies (ISFOL), changes are still in the making. The D.Lgs 469/97, which decentralised the provision of

[18] Although no sanction is associated with non compliance to EU guidelines, the fact that the Joint Employment Report – a document which evaluates the progress made by each Member State with respect to the EU employment guidelines and overall objectives – might criticise a national government constitutes a specific and somewhat strong pressure for change at the national level.

employment services, is still in its initial implementation phase[19] and therefore the new institutional setting which should sustain the new labour policy regulatory framework is still under construction.

As far as the dynamics of change is concerned, the above mentioned evidence provides some interesting elements to be considered. First, some changes (required by the new demographic and socioeconomic conditions of the late '70s) occurred only when the Socialists were able to negotiate (and therefore were responsible for) a significant reform with the trade unions, reform that created severe conflicts among the trade unions and between the two major left parties: on the one hand the Socialist Party, in office at that time and promoter of the reform of 1984, and the Communist Party, which was opposed to the decision and promoted - together with the leftist trade union, CGIL – a referendum against the reform. This confirms the idea that in order to have significant welfare reforms governments traditionally close to the leftist trade unions are better equipped both in terms of legitimacy and in terms of capacity to represent the "pro-labour" electorate. Although at that time there was no 'strong market-liberal competitor', the words of Herbert Kitschelt are appropriate for the Italian case: "social democratic or labour parties engaging in social policy retrenchment that is unpopular with the median voter may be more acceptable to citizens because they represent the 'lesser evil' and enjoy more credibility in protecting the core of the system than right-wing market reformes" (Kitschelt, 2001: 275).

Nevertheless, and this is the second point, major welfare reform requires some kind of external pressure in order to have "politicians choose unpopular policies" (Kitschelt, 2001); and this has been particularly true during the '90s when pro-market reforms (privatisation of employment services, introduction of temporary work, etc.) were adopted by a centre-left coalition following the argument that such policies were very much in line with European prescriptions: "the general orientation of centre-left governments corresponds (…) to the prescriptions coming from the European directives. (…) The key criterion which guides the selection of the [policy] content typically reflects the 'third way' inspiration of the directives: that is the mediation between the firms' needs to adapt effectively to markets and the need to guarantee to workers a reasonable amount of security which is considered to be vital for individual wellbeing and for social cohesion" (Treu, 2001: 25). Also the White Paper on the Labour Market in Italy, produced by group of experts on behalf of the Labour and Social

[19] According one of the most recent NAPs, the reform of the employment services will be accomplished between 2003 and 2006.

Affairs Ministry, has a clear "European" flavour both in its structure and in its content. The prescriptions are introduced using Europe as a constant point of reference that has to guide the reforms.

Finally, around the European ideas a new modernising or 'pro liberalisation reform' coalition among experts, policy-makers (former experts) and top bureaucrats (also, sometimes, former or current experts) has developed and successfully passed new regulation regarding the labour market. To a certain extent, experts have outplayed party differences: with the only (brief) exceptions of the Salvi Ministry (that lasted less than 12 months, 2000-2001) the ideas and political initiatives (public policies but also policy proposals) of both centre-left and centre-right governments tried to make Italy look more European, at least as far as flexibility is concerned. We shall see that not much has done on the other front: i.e. security.

In sum, the '90s have been particularly important for labour policy reforms, especially with respect to the liberalisation and decentralisation of employment services, introduction of new forms of flexible work contracts, redefinition of the CIG and CIGS. Such reforms have been promoted, formulated and implemented by a pro-reform epistemic community (led by the Ministry of Labour) that was able to build a political coalition both in the government and in the Parliament (we shall not forget that in Italy laws have to pass from the Parliament and in the past quite often proposal were stopped at that level because no possible coalition pro-reform was founded) which enabled their formal approval.

4. *Towards a New Institutional Configuration?*

The Berlusconi government (2001-) has continued what was started by the previous center-left governments, although rather than corporatist agreements the government has been seeking to keep only a sort of 'social dialogue' with the social partners: the tripartite concertation has been severely criticised and labelled as ineffective and scarcely innovative in the first important document released by the new government, a White Book on the Italian Labour Market *(Libro Bianco*, 2001). Such orientation is in accordance with the political behaviour of the new government which considers "its own victory as a seal on a new model of majoritarian democracy, primarily resting on electoral (rather than corporatist) legitimisation. The parliamentary stability and internal cohesion of the new government, on the one hand; the less constraining EU environment on the other hand, induced Berlusconi to claim a primacy for executive action both vis-à-vis parliament and the social partners that has no precedent in post-war Italy and that pre-supposes a downsizing of corporate channels of influence. Against this background it is not difficult to understand why the new government has embraced a strategy of deinstitutionalisation of the *concertazione*, (…) resting on a sort of *divide et impera* tactic" (Ferrera e Gualmini, 2003): in line with the new "social dialogue" approach, social partners have very little influence left and it is not by chance that such firm behaviour on the side of the government has given birth first to a campaign against the government by both Confindustria and CGIL, and more recently it has created the premises for a bilateral agreement between Confindustria and the trade unions (Pact for Development and Innovation), excluding the government which is increasingly seen as an autonomous, independent actor with respect to the possible influence of the social partners.

In fact, between 2001 and 2003, the unions have been on the defensive, in particular after the governmental delegation draft bill – which followed the presentation of the above mentioned White Book – regarding, among other things, the liberalisation of the labour market and the reform of the article 18, contained in the Workers' Statute of 1970. Such an article, which protects the workers (once again, the 'insiders') from non motivated dismissal, is applicable only to firms with more than 15 employees and in the delegation decree the issue was raised providing the opportunity for a derogation in three specific cases: if a firm with more than 15 employees 'emerged' from the black economy and had a clear intention to settle its contributive position; if a firm passed the 15 employees threshold due to the hiring of new 'typical' employees; if a firm transformed temporary workers into permanent ones.

Such a proposal could not be accepted by the trade unions, that jumped on the barricades. In March 2002, a few days after the killing of Marco Biagi - one of the most important experts working with the government on employment issues, responsible of the White Book - the CGIL called a general strike that turned into a massive demonstration (3 million workers marched in Rome), whereas both CISL and UIL were less certain on what to do and did not participate to the demonstration. During the following months both UIL and CISL (but not CGIL) decided to negotiate with the government and approve a new social agreement: the Pact for Italy (*Patto per l'Italia*, July 2002). In general, the Pact clearly was permeated by a 'welfare to work' approach, in line – according to the Pact – with the policy objectives set at the European level in Lisbon and Barcelona (2001); more in detail, the Pact promoted an agreement to substantially improve both the replacement rate (from 40% to 60%) and the duration (from 6 to 12 months) of the ordinary unemployment benefit, the full liberalisation of the labour market that has to become "modern, transparent and efficient" (p. 1, as proposed by the White Book), the governmental commitment to launch specific initiatives for the development and the promotion of employment opportunities in the Southern part of Italy. Furthermore, among the annexes, there was also a new article of the delegation decree which contained a softer version of the government's proposal regarding the reform of article 18. In response to the *Pact,* a broad coalition composed of minor trade unions and parts of the CGIL, promoted a referendum aimed at the extension of the coverage of the article 18 to firms with less than 15 employees. It clearly was a political move, in harsh contrast with the governmental proposals, but it failed since the quorum of 50% of the voters was not reached[20].

The White Book is a clear example of the 'new phase' of Italian industrial relations: according to the experts involved in its making more promising is the use of a 'social dialogue' rather than a fully-fledged '*concertazione*' method that, according to the Labour Ministry, has become 'ritual and ineffective'[21]. As it has been already stated above, the White Paper on the Labour Market in Italy was presented by the end of 2001, and quite recently (February 2003) the Enabling Act on further labour market reforms was passed. The Law provides the opportunity to the government to further privatise employment services, introduce new flexible contracts (such as the job on call and the staff leasing contract) and reorganise already existing flexible contracts (part-time contracts, occasional contracts, etc.). The new Law seems to move towards the 'flexible' path and not much towards the 'flex-security' path. In fact, the recently introduced policy provisions institutionalise flexibility in a country characterised by certain rigidities, but at the same time they do not introduce elements of security, making Italy more 'European', that in general are of great importance for the well-being (welfare) of workers and are needed in particular for the so called *co.co.co.* workers[22] (currently, more than 11% of the working population[23]). Still today, the unemployment benefits replacement rates are very low vis-à-vis European standards (Table 4), there is no fully-fledged assistance pillar, and no consolidated scheme of 'guaranteed minimum income' is present in Italy. In fact, the extension of an experimental 'guaranteed minimum income pillar', one of the most relevant social policy innovations of the previous

[20] Only 11 million people participated to the vote, 25% of the voting population, and more than 80% of the voters was in favour of the extension of art. 18.
[21] Maroni, introduction to the White Book, p. V.
[22] The so called co.co.co (continuos coordinated collaborations), which were introduced in 1996 and have rose in six years to 2,5 million, are not entitled – among other things – to ordinary unemployment benefits.
[23] See IRES, 2003.

centre-left governments, has been *de facto* blocked by the Berlusconi government. Such governmental reluctance to introduce some 'security' provisions for the workers has induced UIL and CISL to ask (although not very loudly) the government to fulfil its promises contained in the *Patto per l'Italia* and make available the resources (700 million euros) for the increase of the replacement rate that still (July 2003) has not occurred.

Table 4. Net replacement rates for two family types at APW earnings level, selected countries - 1999

	A. Single parent with two children		B. Couple with two children	
	Long-term	*First month*	*Long-term*	*First month*
Netherlands	61	81	71	89
Germany	63	71	65	70
UK	71	49	80	70
France	43	72	42	72
Portugal	64	80	63	79
Spain	37	76	39	73
Greece	11	47	10	44
Italy	14	50	18	53
OECD average	*54*	*69*	*62*	*69*

Source: OECD, 2002, www.oecd.org/els/social/indicators.

Table 5. Spending on labour market programmes, selected countries – 1999 (%GDP)

	Active labour policies	*Passive labour policies*	*Total*
Netherlands	1,6	2,3	3,9
Germany	1,3	2,1	3,4
UK	0,4	0,6	1,0
France	1,4	1,8	3,2
Portugal	0,8	0,8	1,6
Spain	0,7	1,4	2,1
Italy	0,6	0,7	1,3
OECD average	*0,8*	*1,2*	*2,0*
EU average	*1,1*	*1,7*	*2,8*

Source: OECD, 2002, www.oecd.org/els/social/indicators.

In other words, flexibility seems to be the only concern of the current government and – to a certain extent – of the centre-left governments that ruled at the end of the '90s. But European labour markets are not only flexible: they are also more generous (i.e. guaranteeing more security) that the Italian. In 1999 Italy spent less than 1/3 in GDP terms of what Germany or France spent for active and passive labour policies (Table 5). Clearly, problems of labour policy spending are not only of a quantitative nature but also of a qualitative one; nevertheless, Italy in comparative terms still spends significantly less on unemployment policies (both active and training policies) than many other EU member states.

5. *Conclusion*

Over the past years, the Italian labour market regulation has gone through intense policy changes. The recent L. 30/2003 will further change the overall picture, introducing new contractual forms. Still, some peculiarities of the Italian unemployment protection system remain. In the first place, as shown in Table 4, Italy displays in the long-term the lowest rate of economic support for unemployed workers in Europe. Second, in Italy we find the least extensive income protection for unemployed workers*:* according to OECD calculations of income replacement rates, the 'net replacement rate after tax' of an unemployed Italian worker in 1999 was 42%, compared to an European average of 72% (OECD, 2001). Third, the highest number of unemployed living under the poverty line: according to Luxembourg Income Study (LIS) data, in Italy in the mid '90s 72.4% of unemployed Italians had incomes lower than 60% of the average income, compared with 64.7% in the UK, 51.5% in France and 19.8% in Germany.

In sum, although in the past years some reforms have changed the traditional labour policy regulation system, still many steps have to be taken in order to make Italy more similar to other European countries. It seems as if Italy has adopted policies (clearly workfare oriented, as we have shown in the previous paragraphs) without having solved some of the most striking anomalies. Specific traits of the Southern European model of Welfare state remain in the Italian regulation of labour market policies, although the method of concertation, that helped the government during the '90s to reach social consensus for reforms, has now been abandoned and such 'procedural change' might create social tensions and thus prevent the introduction of relevant elements (guaranteed minimum income, fair replacement rate, etc.) of other 'European' models of labour policy regulation, considering only the 'flexibility' pillar and not the security one.

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