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# **Labour Market Policies In Italy.**

## **The 1990s and the New Wave of Reforms**

*In den 90er Jahren wurde die italienische Arbeitsmarktpolitik radikal reformiert. Die Anzahl aktiver Maßnahmen wurde erheblich erhöht, das Staatsmonopol in der Arbeitsvermittlung abgeschafft, und neue Programme für lokale Entwicklung beginnen, alte zentralistische Ansätze abzulösen. Diese Veränderungen resultierten in einem neuen politischen Kontext, der durch die Rückkehr kooperativer und konsensualer Tauschbeziehungen zwischen Regierung und Sozialpartnern, den Fall der ‚Ersten Republik‘ und das Entstehen der ‚Zweiten Republik‘, sowie die Handlungsspielräume im Rahmen des Europäischen Integrationsprozesses gekennzeichnet ist. Die Verkoppelung der Transformationen politischer Prozesse um den Arbeitsmarkt (‚politics‘) mit dem Wandel von ‚policies‘ hat einen neuen Evolutionspfad für das Angehen der Arbeitslosenproblematik geschaffen, der es Italien auch zu ermöglichen scheint, sich europäischen Standards und Forderungen zu nähern.*

### **1. Introduction**

In Italy, the 1990s have been characterised by relevant innovations in the field of labour policies. After almost fifty years marked by high policy inertia and by the incremental extension of the past inherited programmes (mainly addressing the income maintenance of workers instead of the promotion of new employment) some clear changes can be observed. Between 1993 and 1999, policy change was intense: wage indexations were abolished; collective bargaining procedures were deeply reformed; responsibility for labour policies were decentralised, shifting from the state to the regions; prohibitions for private placement were dismantled; and new measures for local development and employability were introduced, particularly aimed at tackling massive unemployment in the *Mezzogiorno*.

The extraordinary simultaneity between the reform of the labour market and the institutional changes that have marked the transition from the First to the Second Republic cannot be underestimated. Only after the fall of the First

Republic, policy makers began to enjoy new opportunities and scope for implementing reforms and for engaging in a process of learning and change.

This article intends to reconstruct the development of labour policies in Italy during the 1990s in strict connection with the changes occurred in the institutional context surrounding the policies, the main hypothesis being that the reforms of the 1990s have strongly depended on the wider institutional transformations that have affected the Italian political system. In the first part of the article the historical sequence of policy changes in the field of the Italian labour market – from the 1950s to the 1990s – will be presented. Particular emphasis will be given to the reforms of the 1990s and to their discontinuous characteristics with respect to the previous decades. In the second part we will then try to explain labour policy development and reforms by looking at the transformations of the Italian political and industrial relations system, namely the return of concerted action, the fall of the post-war party system and party government as well as the consequences of the process of European integration. It will be conclusively

argued that policy outputs are highly “embedded” phenomena, their nature and effectiveness being more the by-product of political institutions manoeuvring according to their interests and values than of general goal attainment and problem solving processes.

## 2. Snapshots on the Historical Context

At least three intertwined phenomena characterised the state’s regulation of the labour market up until the 1990s: *a)* the dominance of passive policies; *b)* the preference for insurance-based benefits; and *c)* the state’s monopolistic control over placement offices. They were the direct result of the post-war policy instruments that originally moulded the public intervention in the labour market: regular unemployment benefits (*indennità ordinaria di disoccupazione*), regular short-time earnings compensation benefits (*cassa integrazione guadagni ordinaria*), centralised employment services (*collocamento pubblico*). The three pillars were bound to forge labour market institutional regulation during the following fifty years.<sup>1</sup>

Both, the unemployment benefits and the short-time earning compensation benefits, were insurance-based instruments and income support programmes, that is, passive policies protecting the workers already benefiting from a job-contractual relationship (the “insiders”). The “outsiders”, especially the young and the women, in search for the first job or just lacking the contributions for eligibility, were completely excluded. The lack of active policies, notwithstanding the masses of unemployed in the immediate post-war era, was rooted in the preference given by the state to the male adult regular workers who were supposed to provide assistance not only for themselves but also for their family (the so-called “breadwinner model”).<sup>2</sup> In addition, in 1949 (law 264) a strict state’s control on placement offices was established. Trade unions were deprived of any kind of functions, and each responsibility for placement was centralised in the hands of the Ministry of Labour.

As for employment services, labour policies were therefore characterised by high centra-

lisation; as for passive policies, they were built on a culture of extended state’s aid, especially supported by the Christian-democratic party, which was constantly in power until the early 1990s. This policy model developed unchanged until the mid-1970s; during the “golden age” of the 1960s, when the unemployment rate fell under 4 per cent no one would have dared to question it. But in the 1970s and in the 1980s, shaped by a tremendous economic crisis and a swift growth of unemployment, the inner contradictions of the inherited policies became overtly visible.

From 1972 to 1979, the unemployment rate rose in fact from 6.4 per cent to 7.7 per cent. The number of the unemployed increased both in the Centre-North and in the South: respectively from 2.8 per cent to 6.2 per cent and from 5.5 per cent to 10.9 per cent.<sup>3</sup> In addition, the first statistics on the underground economy revealed the existence of two million under-employed people (Frey 1974; Censis 1976).

The debate on labour policies jumped onto the forefront of the political agenda. Policy makers agreed on the necessity to switch to micro-economic policies, which should be primarily addressed to the weak categories of the labour market. Between 1976 and 1979, in the period of the “national solidarity government”, when the communist party was for the first time included in the coalition, some important active labour policies were passed, following a corporatist agreement between the social partners and the Ministry of Labour. In particular, three programmes are worth mentioning: the law for youth employment (285/1977), the law on industrial reorganisation and restructuring (675/1977) and the general law on vocational training (845/1978).

In general, however, these three first attempts to move towards flexibility and employability were only partly successful. The number of applicants was very limited, the new responsible institutions – above all for training – showed high propensity to reproduce the old state’s programmes and EC funds were scarcely used.

In the first half of the 1980s, the path towards active policies was taken up again. Thanks to concertation, the issue of deregulation gained

again a central position in the political agenda. The continuous rise of unemployment and inflation was more and more perceived as the outcome of the high rigidity of the Italian labour market in terms of hiring procedures, firing constraints and working time regimes. From 1980 to 1989, unemployment almost doubled, moving from 7.6 per cent to 12 per cent. The same was true for the Southern regions where it rose from 11.5 per cent to 21.1 per cent.

To cope with mass unemployment it was no longer possible to rely on mid-term interventions and on income support subsidies. Especially in the Southern regions, it seemed necessary to change labour policy strategies radically in order to expand companies' productive capacity and to promote job creation. To pursue such an ambitious goal a new social pact with economic interest groups seemed to be the right way. In 1983, national trade unions, employers' peak associations and the Minister of Labour signed an important agreement, which was in fact a complex political exchange among income policies, fiscal policies and incentives policies. As far as labour policies were concerned, the agreement introduced a set of new policy instruments in favour of higher flexibility in the labour market.

Law 863/1984, following the agreement, introduced three new instruments, all belonging to the family of deregulation policies: work-sharing agreements or solidarity contracts (*contratti di solidarietà*),<sup>4</sup> work and training contracts (*contratti di formazione e lavoro*) and part time. The main beneficiaries of the new legislation were the women and the young.

In the second part of the decade, the conditions of the economy improved significantly,<sup>5</sup> except for unemployment which kept on soaring. Decision makers tried again the path of deregulation with two important active policies: the law on youth entrepreneurship (44/1986) and the reform of employment services (57/1987). A set of financial incentives for young employers creating new firms and co-operatives was established. The Southern regions were the privileged beneficiaries. In addition, regional commissions for employment were created with the specific task to foster employability, and the

procedures for placement were partially simplified.

In sum, until the end of the 1980s, Italian labour policies were marked by ambiguous trends: on the one side, the extension and widening of passive policies – that is, of social shock absorbers for the insiders of the labour market – was never questioned; on the other side, some timid steps towards flexibility and active policies – in favour of the outsiders of the labour market – were taken, but their implementation was modest and their impact was somehow made pointless by the abundant provision of passive programmes.

### 3. The 1990s and the “Big Reform”

The economic recovery that had characterised the second half of the 1980s was soon after broken by the new recession of 1992. In the same year, due to high international speculation, the lira devaluated and exited the EMS. The year 1992 has to be remembered as a sort of *annus fatalis*. Not only did the conditions of the domestic economy and finance dramatically worsen, but at the same time, the Maastricht requisites for joining the EMU made financial adjustment more and more compelling. In such a difficult situation, unemployment did not hint at declining. In 1995, it reached again 12 per cent, its major component being long-term unemployment. The territorial dualism widened as in the South unemployment surpassed 20 per cent, while in the North it hardly touched 8 per cent. In addition, the employment rate started to decline, after twenty years of positive growth: from 48.9 in 1992 to 46.9 in 1995.

The performance of the labour market slightly improved in the second part of the decade, but this was not sufficient to modify the overall picture. The employment rate increased from 47 per cent in 1996 to 53.4 per cent in 1999, which positively influenced the citizens' general propensity to look for a job, making the participation rate jump from 53.5 per cent to 60 per cent. The total unemployment rate declined from 12.1 per cent to 11.1 per cent. Female unemployment decreased from 16.6 per cent to 15.2 per cent,

while male unemployment declined from 9.4 per cent to 8.5 per cent. By contrast, youth unemployment continued its slow increase, reaching 32 per cent in 1999 and 57 per cent and 53 per cent in such regions as *Calabria* and *Campania*. The gap between the North and the South also widened. From 1996 to 1999, the unemployment rate grew from 21.7 per cent to 22.8 per cent in the *Mezzogiorno*, while it diminished in the Centre-North from 7.7 per cent to 7.5 per cent (ISTAT, 1992–1999).

Facing such alarming conditions, the governments initiated an extraordinary cycle of reforms involving at least four different issues: *a*) concertation and income policies; *b*) privatisation and decentralisation of employment services; *c*) policies for local development (the so-called “negotiated planning”, *programmazione negoziata*); *d*) convergence towards the European standards and directives.

In 1992, an important trilateral agreement between the government (Amato) and the social partners opened the way to renewed concertation after a long period of silence and suspension. In the field of the labour market, the innovations concerned the abolition of wage indexations (*scala mobile*) fifty years after their introduction, the establishment of a periodical session of income policy and the reform of collective bargaining.

The system of indexations was based on a strict link between wage increases in the public and private sectors and the national inflation levels. Starting from the 1980s, this automatic mechanism began to be perceived as the main culprit for a self-nurturing spiral between wages and inflation, which left the dynamic of public debt out of control. Until 1992, the opposition of trade unions to the abolishment of the *scala mobile* was strong, but in that year, the intolerable conditions of the public debt and the need to pursue economic adjustment in order to enter the EMU made them surrender.

One year later, Prime Minister Ciampi revived concerted action. The main purpose was to agree on a new virtuous system of income policies able to flexibly adjust to the expected inflation rate. Two different sessions of income policy were outlined: the session of May-June,

concerning the definition of the main objectives of the state’s budgetary policies and the session of September, devoted to sketch the parameters of wage policies in parallel with the annual financial law. In addition, a new structure of collective bargaining was organised on the basis of two negotiation levels: the national one and the firm or territorial one.

The second direction of reform in the 1990s was privatisation and decentralisation of employment services. The state’s monopoly on placement was for the first time interrupted by the Treu law of 1997 no. 196 (from the name of the Ministry of Labour), which legalised temporary work after two condemnation sentences of the European Court of Justice, allowing private agencies to organise their own employment services. In the meantime, temporary work, as it was already stated in the 1993 Ciampi’s agreement, was allowed in the industrial and service sector and, only experimentally, in agriculture and construction (Biagi 1997). Large cities of the Northern regions were the main beneficiaries of this measure.

The law on temporary work was soon followed by a legislative decree (no. 469/1997) introducing the reform of public employment services. This reform was based on three main imperatives: institutional decentralisation, admission of private organisations and associations in the management of placement, and devolution of the related active policies to the regions. The new functions of placement were considered as constituent part of active labour market policies and not just – as in the past – as pure administrative functions (Varesi 1998; Ghirotti 1998; Reyneri 1998; Amendola et al. 1997). Trade unions and employers too, after fifty years of formal exclusion, are now allowed to play an active role in job placement initiatives.

Regional laws, disciplining in detail the new services, were introduced between 1998 and 1999: for the major part they announced the creation of job centres at the provincial level, giving back to the provinces a relevant political and administrative role. In their turn, the provinces can delegate to the municipalities some tasks and functions. Moreover, in order to grant co-ordination among the various institutions, a tri-

partite (public/private) regional commission (*Commissione regionale tripartita*) and an inter-institutional co-ordination committee (*Comitato interistituzionale di coordinamento*), consisting of representatives of the regional and local levels, were established.

The regions were also given important functions in the field of active policies. Only passive policies remained under the control of the state (but their complete reform is now being discussed in parliament). The transfer of active policies from the centre to the periphery was based on the exigency to bring the regulation of labour programmes nearer to the territory, to the needs and requests of the people living in the different local areas.

The importance of localism and local autonomy is also the goal of the new policies for local development, the third innovation of the 1990s. Under the name of “negotiated planning” (*programmazione negoziata*) one can find a wide menu of policy measures aimed at fostering local entrepreneurship, at valorising local resources and institutional capabilities and finally, at creating new jobs. The programmes are numerous and are primarily based on a mix of training and job creation, of qualification and work. The most significant of them are territorial pacts and area contracts.

Territorial pacts consist in operating procedures and new bargaining tools to develop business, co-operatives and employment initiatives in a particular territory, exploiting productive and natural resources that characterise the different local areas. Bargaining does not rely upon the traditional triangle, that is upon unions, employers and the government, but on an open network of private and public actors (such as banks, chambers of commerce, non-profit associations etc.), sharing common policy problems and co-participating (with the state) in the financing of the initiatives. In 1998 and 1999, more than one hundred territorial pacts were proposed to the National Committee for Economy and Work. They were especially concentrated in the *Mezzogiorno* (ISFOL 2000).

Area contracts have the same goal as territorial pacts, the pursuit of employability in depressed areas. They are different from pacts

because they refer to areas where there already exist industrial activities (though in crisis). They are signed in order to avoid mass dismissals. Unions are willing to not respect the national contractual standard and to agree on wage and administrative flexibility. Also area contracts are swiftly diffusing.

Generally, these policies for local development must be considered more than labour policies; they reveal a wider concept of integration, based on local and industrial development, or rather on the revitalisation of the territory, globally considered.

The last innovations of the 1990s have less to do with the transformations in national decision making but rather with the recent developments in supra-national policy making. Already starting from Delors’ “White Book” of 1993, the promotion of employment became a central strategy for the European Commission. In 1995, a work group was established, headed by the Spanish Westendorp, with the task to outline the main lines of reform of the Treaty and to include the employment issue. In 1997, the Amsterdam Treaty established a procedure of “multilateral guidance” in the sector of employment, based on horizontal strategies of co-ordination and control among the member states and on vertical relationships of confrontation and benchmarking between the member states and the European institutions (Cassina 1998).

During the extraordinary summit meeting on employment, which was held in Luxembourg in November 1997, the Amsterdam guidelines received formal ratification. More in detail, four main principles were adopted as the core imperatives of each labour market policy: employability, entrepreneurship, adaptability and equal opportunities. As a response to the Luxembourg process, starting from 1998, the member states have been called to formulate an annual National Action Plan including the objectives and aims of labour policies and the instruments for their evaluation.

In March 1999, the Italian government formulated its second NAP, which is divided into four parts corresponding to the four pillars of the Luxembourg process. The first part focuses on the measures to encourage new employment

for the weak categories of the labour market. A new “preventive” approach has been thought for the young, based on an intense activity of orientation and counselling; while for the adults and the long-term unemployed public utility works and fiscal incentives constitute the main strategies. The second part is centred on the instruments to develop the growth and diffusion of small and medium-sized companies, which are considered as potential containers of new job opportunities. The third part of the national action plan includes the initiatives to modernise and innovate the organisation of work in private businesses and in the public administration. The flexibilisation of the working time plays a central role: part time, work sharing, job rotation etc. Finally, the fourth part of the plan is devoted to policies for fostering equal opportunities in the labour market and for granting more services and more assistance to families with children. Drawing lesson from the North-European countries, parental leave has become an important strategy also in the Italian context.

These policy guidelines seem to have been confirmed and even strengthened in the 2000 NAP, which is now being formulated by national decision makers.

#### 4. The “Politics” of the Labour Market

As we have described so far, the policy innovations of the 1990s in the field of labour market can be summarised in the strong increase of active policies, in the partial deregulation of the normative regime of the labour market and in the shift from state-centred regulation to a new style of governance, linked to territory and to local resources.

We argue that these changes have been the consequence of some endogenous and exogenous factors that deeply transformed the Italian political system in the last decade: *a*) the return of co-operative agreements between the public institutions and the social partners (concerted action); *b*) the upheavals in the party system during the politico-institutional transition of the early 1990s; and *c*) the influence of the process of European integration. The dynamic

between these factors has opened up wider spaces for the experimentation with new initiatives and for a more definitive break with the past.

##### 4.1. *Endogenous Factors: Concerted Action and Political Transition*

The return of concertation in the 1990s is strictly connected with the specific events that have marked the crisis of the post-war party government (the so-called “First Republic”) and that characterised the politico-institutional transition, that is, the uncertain and fluid period, which followed. Concertation developed as a substitute – with no other alternatives – for the inefficiency of the parliamentary arena in directing the policy making and for the interrupted relationship between the cabinet and the parliament (Salvati 1995; Schmitter/Grote 1997; Wiarda 1997).<sup>6</sup>

This was particularly true for the first phase of concerted action, going from 1992 to 1995, which can be defined as *emergency concertation*. In this period of transition, the technical governments (Amato, Ciampi and Dini) were the first movers; they deliberately looked for the help of the social partners in order to counter the process of the delegitimisation of the political parties. The contents of the social pacts have had primarily a “subtractive nature”: wage restraint, block of hirings in the public sector and abolishment of wage indexations.

The second phase (1996–1998), which was however closely connected to the first one, can be called *institutionalised concerted action*. The relationship among the actors as well as the contents of the social pacts changed: technical governments were no more in power and political executives restored their role (Prodi and D’Alema). Moreover, Prime Ministers were at the head of pro-labour governments (centre-left party coalitions) favouring the continuation of concerted action. Since the conditions of the economy improved and the first positive effects of the sacrifices of the past were registered, the “subtractive policies” of the first social pacts were turned into “expansive policies” – i.e.,

Table 1. *The two phases of concerted action in Italy in the 1990s*

	<b>Emergency concerted action (1992–1995)</b>	<b>Institutionalised concerted action (1996–1998)</b>
<i>Participants</i>	<ul style="list-style-type: none"> <li>■ Technical governments (as <i>first movers</i>);</li> <li>■ absence of parties;</li> <li>■ social partners making up for parties' delegitimation.</li> </ul>	<ul style="list-style-type: none"> <li>■ Political governments (pro-labour);</li> <li>■ higher number of organisations taking part in the agreements;</li> <li>■ partial return of the parties.</li> </ul>
<i>Contents</i>	<ul style="list-style-type: none"> <li>■ "Subtractive" policies (wage restraint and dismantling of some welfare benefits);</li> <li>■ financial adjustment.</li> </ul>	<ul style="list-style-type: none"> <li>■ "Expansive" policies;</li> <li>■ policies for local development;</li> <li>■ active policies for the labour market.</li> </ul>

policies for local development and policies for the activation of the labour market (see table 1).

More in detail, the *emergency concertation* was initiated in 1992, when the investigations of the pool of "clean hand" judges reached their climax and caused the turnover of the entire political élite and when a violent and sudden fiscal and monetary crisis hit the country. Prime Minister Amato, who was at the head of a "technical" coalition, tried to get an agreement with the social partners on some effective solutions and programmes in response to the economic crisis and to the exigency to adjust to the Maastricht criteria. In a few months, a huge financial manoeuvre was passed in order to slow down the acceleration of the debt services and the wage dynamics. It was one of the most imposing manoeuvres since the Second World War, involving 93,000 billion liras. As previewed above, the most important results of the agreement were the abolition of wage indexations and the freezing of decentralised, firm-level bargaining for the years 1992 and 1993.

The new Prime Minister Ciampi, who followed the path of his predecessor, confirmed the Amato agreement in 1993: reduction of labour cost and severe financial adjustment. The abolition of wage indexations was definitively introduced, the structure of collective bargaining was completely reformed and a new more rigorous system of income policy was established.

In the meanwhile, the same emergency logic that had caused the return of concertation in the labour market and in industrial relations was at the basis of the reforms in the pensions sector. Between 1992 and 1993, some non-stop negotiations on the reorganisation of pensions started. Ciampi was again a central decision maker. He started negotiating with Confindustria (the biggest national large companies' association) in order to reach an agreement. But, the government led by Ciampi lasted only shortly and his successor Berlusconi switched to another strategy. Without negotiation, he introduced in the financial bill for 1995 some measures that targeted at the abolishment of seniority pensions. Trade unions immediately mobilised against these "unilateral" prescriptions; they staged a general strike, which found considerable resonance and led to the cancellation of the agreement. The new Prime Minister Dini then tried to re-establish the dialogue with trade unions and was finally successful in getting the consent on a new reform (even though without the signature of Confindustria), which introduced a new method for determining pension payments (the so-called "contributive method"), linking the amount of benefits to the amount of contributions paid by the workers. A fair balance between the available resources of the state and the level of provisions was therefore re-established.<sup>7</sup>

In 1996, when the transition period seemed to be over because of the re-entry of political

executives, some important changes could be observed in the relationship between the government and the social partners. First, the pro-labour governments (Prodi and D'Alema) stuck to the experience of social agreements of the past; second, the healthier economic conditions showed already the positive effects of stable concerted action. Hence, concertation seemed the logical way to go forward, although the focus now turned to introducing "expansive policies".

The "Pact for Work" signed by Prodi and by the social partners in September 1996 introduced a conspicuous amount of active policies (temporary work, territorial pacts and area contracts, the reform of vocational training and the reform of the education system).

In December 1998, D'Alema finally signed an agreement with more than 30 associations (the so-called Xmas Pact), which brought a final award to the non-stop sequence of social pacts of the previous years and established some rules and norms for the institutionalisation of concerted action. The method of concertation was strengthened and it was extended to a wider number of associations and to sub-national territorial levels.

The return to concertation, as described above, is closely linked to the changes brought in by the political transition, the second endogenous change factor: As it is widely known, the structure of the Italian political system was characterised, at least until 1992, by high pluripartitism and a lack of competition (Sartori 1982; D'Alimonte 1978). Multiparty coalition governments were not based on clearly defined and shared programmes, but rather on the proportional distribution of offices. These unstable executives were led by Prime Ministers who were poorly equipped to adopt a strong role of co-ordinators, while the ministers who borrowed their legitimisation directly from political parties enjoyed high autonomy. The lack of vertical co-ordination between the Prime Minister and the ministers also resulted in a low horizontal inter-ministerial co-ordination. The possibility to introduce innovative public policies was often hindered by the pressures posed by singular interest groups (or clientele).

The fall of the First Republic brought at least five crucial changes. In the first place, we witnessed the electoral and organisational crisis of the old political parties. After the elections of 1994, the first ones with the new majority system, the core parties of the Italian party government basically disappeared. The crisis hit in the first place the Christian Democracy and the Socialist Party. The Christian Democracy, which had been the majority party since 1946, gained just 11 per cent of the votes and 5 per cent of the seats under its new name of Popular Party. The Socialist Party, which had been the growing star of the 1980s and which in 1992 had almost reached the Communist Party, in 1994 basically volatilised with nothing but 2 per cent. The three smaller coalition parties (the liberals, the republicans and the social democrats) suffered the same destiny (Cotta/Isernia 1996). Secondly, the fall of political parties brought about another related crisis, concerning the overall party system and its notorious characteristics, namely policentric structure, lack of competition, predominance of centre-coalitions, low capacity of leadership. In the third place, the crisis marked the turnover of an entire political class. In 1994, 71 per cent of the deputies were elected for the first time. The causes of the dissolution of the old political élite were numerous: the explosion of internal conflicts within the élite, the moral and judicial discredit of its leaders and members, the loss of control over the government and the entry of new actors in the political arena (Cotta/Verzichelli 1996). Fourth, the fall of the First Republic changed the dynamic among the different political institutions. The relationship between the government and the President of the Republic shifted in favour of the latter, the relationship between the executive and the parliament shifted in favour of the former and finally, the relationship between the magistrate and the overall political system shifted in favour of the judges. Especially the government was given a higher concentration in power. The technical governments led by Amato, Ciampi and Dini, which were somehow free from a strict party control, could profit from higher autonomy and from direct control of the policy making process. They

enjoyed extraordinary legitimation due not only to their personal prestige but also to specific structural factors. The fear of having to call for quick elections and the necessity not to alarm the international markets solicited political parties to support the Prime Ministers, who had been appointed with higher autonomy by the President of the Republic. Consequently, the Prime Ministers could adopt a stronger role than in the past and really co-ordinated the activities of the single ministers. The final aspect of the radical political transformation was the entry into the political arena of new parties and movements. Beside the electoral success of the *Lega Nord* already in 1992, whose main claims were against state's centralisation and a state system of taxation, in 1994 a new political movement, *Forza Italia*, was founded by Berlusconi and in just four months organised and won the election.

All these changes – the reform of the electoral system, the turnover of the old political élite, the entry of new parties – produced a new political opportunities structure. After a long period of immobilism and stagnation, the introduction and the implementation of new policy reforms and the adoption of a new style of policy making became more effective than in the past.

#### *4.2. Exogenous Factors: The Process of European Integration*

The third factor that worked as a formidable spur for innovation in the economic and labour policies has been the “E-factor”, i.e. the process of European integration, which operated in two different ways. First, as an effect of the increased competition with the other European countries it pushed the national government to deregulate the normative regime of the labour market. Second, it stimulated a process of compensation from below to supranational policy making, that is, it contributed to the restoration of the local, territorial dimension of the policy making.

The opening up of markets has placed the Italian economy and the Italian labour market in a new context, characterised by transactions of a global nature. The flows of goods and labour

into and out of the country intensified and the stepping up of transactions inevitably put Italy in contact with the experiences and regulatory regimes of other countries, first in Europe and then in the rest of the world. The rigidity of the Italian labour market immediately emerged in its entirety. The difficulty of firing, the complex procedures for hiring labour, the hyper-bureaucratic functioning of the old job-placement offices, and the high labour costs have therefore become the main targets for protest by the business community and in the political debate. The wave of laws on deregulation and flexibility – during the 1990s – can be considered the result of all this.

The increasing globalisation and internationalisation of markets also induced a revival of localism and territorial differentiation. Above all in the South, the continuously growing rate of unemployment and poverty, together with high social tensions, encouraged the promotion of new policy strategies, based on the exploitation of local resources and local institutional capabilities. These instruments are the already mentioned territorial pacts and area contracts and some other similar policies. They require concerted action among local private and public actors and the enactment of specific policy initiatives linked to the needs of the territory. The participants in the network are bound to form a co-operative society for the monitoring of the project; the financing comes from a combination of public funds and private grants (from local banks) (De Nardis/Galli 1997). Therefore, in the national political discourse the idea that the problem of unemployment cannot be solved (or even faced) with a centralised unique national strategy has gained wide acceptance.<sup>8</sup> Decision makers are increasingly trying to modulate the instruments and the legislation according to the needs of the different territories. The end of the “extraordinary state's intervention” in the South was announced in 1992 and contributed to the diffusion of this local policy paradigm. This trend is bound to continue since the new rules of the Structural Funds for the period 2000–2006 seem to put the regions and the local governments at the head of the policy making, giving them important pow-

ers to legislate and to decide the distribution of resources.

In conclusion, the combination of endogenous and exogenous factors pushed decision makers in the early 1990s onto the path of reforms. Policy change has been moulded by mutually linked strategies, values and ideas.

In the first place, the strengthening of the governments, as a direct result of the collapse of the First Republic's political parties, gave Prime Ministers new spaces and new opportunities for the co-ordination of the policy making process, weakening the veto and blackmailing power of political parties. Second, the "technical" nature and the personal characteristics of the Prime Ministers (well-known experts in the economic and financial fields) favoured the radicalism and the effectiveness of reforms. Third, these innovations could be introduced because the governments were able to benefit from a double legitimisation: *a*) The Maastricht criteria and the European requests to join the EMU entered the national political discourse and presented to the citizens as a compulsory choice, framed as a choice between 'the good' and 'hell'; *b*) The social partners, having taken the role of political parties in the policy making process, had abandoned the usual strategies of conflict and dissent, realising the importance to accept short-term sacrifices in sight of long-term benefits. Fourth, the specific recipe to introduce the reforms was found in consensual co-operation (concerted action) between the government and the social partners, drawing lessons from some other European countries, in particular the Dutch model (Visser/Hemerijck 1997). Finally, as for the contents of the policy reforms, the directives of the European Commission on the one hand, and the revival of localism as a specific strategy for economic and social development, on the other, offered a set of ideas to be translated into new policy instruments.

## 5. Conclusions

This article described and explained the innovations and reforms in the Italian labour market policy. Up until the 1990s, the Italian labour

market policies were dominated by distributive and passive policies, which were often introduced in an incremental way and with no reciprocal co-ordination. Parties' behaviour and strategies were mostly reactive. Labour policies represented a pre-packed outcome of private negotiations (between the social partners and the main political parties). The innovations that were introduced were not effective enough to stop the inertial force of this kind of policy process. The result was a "punctuated equilibrium" (Krasner 1984; 1988), where long periods of stasis were sometimes interrupted by sudden periods of change. In addition, the First Republic's governments were not stable enough and hence, had not sufficient time to take on structural innovations. Therefore, reforms more often turned into some other variant of distributive micro-policies.

Starting from the 1990s, something has really changed. Labour market policy making was deeply transformed as active policies became predominant and decentralisation and privatisation the main imperatives. The return of concertation, the events of the political transition and the consequences of the European integration have virtuously intertwined in promoting these changes. In other words, changes in the 'politics' somehow prepared the ground for the changes in the 'policies' and a general reform dynamic. Without the new constellation of factors and events emerging in the mid-1990s, the path of policy change would have surely been more gradual and more tortuous.

## NOTES

- 1 The literature on Italian labour policies is quite vast. Just to mention the most relevant works, cf. Reyneri (1990; 1996), Regalia (1984), Lange/Regini (1987), Frey (1993), Brunetta (1991; 1993), Gualmini (1997a; 1997b; 1998).
- 2 For discussion on the so-called "familialistic model of labour and social policies" cf. Esping-Andersen (1995), Ferrera (1993; 1997; 1998) and Ferrera/Gualmini (1999).

- 3 When not mentioned, statistical data are drawn from the statistical appendix included in Gualmini (1998).
- 4 "To work less in order to work at all" was the slogan of the French school of Guy Aznar (1994). The French *contrat de solidarité* was the model for the Italian solidarity contracts.
- 5 The annual GDP growth rose from 2.6 per cent in 1985 to 4.1 per cent in 1988 while inflation diminished from 9 per cent to 5.7 per cent in the same period of time (OECD 1995).
- 6 The 1990s concerted action has therefore been very different from the agreements of the 1970s and 1980s and has also been different from the theoretical models suggested by the mainstream literature (Streeck/Schmitter 1985; Goldthorpe 1989; Lehmbuch/Schmitter 1982).
- 7 Before the Dini reform, pensions were calculated on the basis of the workers' last five years wage.
- 8 For discussion, cf. Cossentino/Pyke/Sengenberger (1997).

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