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ABSTRACT
After a decade of inertia, that left it unprepared to withstand the blow of the great recession, the Italian welfare state has witnessed significant changes since 2012. Externally driven consolidation in the wake of the sovereign debt crisis spurred yet another wave of social policy reforms after that of the 1990s. These reforms did not however invariably entail retrenchment. Both the Monti and the Renzi governments combined liberalisation with expansion of social rights, particularly in income support. As a result, the Italian welfare state looks more comprehensive than it was before the crisis. At the same time, there was no overall strategy of welfare modernisation based on coordinated social investment measures. The changes in Italian social policy since the outburst of the great recession highlight the importance of domestic politics interacting with external drivers of change. They also facilitate an assessment of the opportunity structures for further reforms in a political system that appears to be veering again towards consensus democracy.

KEYWORDS
Italy; welfare state; social investment; Jobs Act; Renzi government; Monti government

After Italy had been 'rescued by Europe' in the 1990s (Ferrera & Gualmini 2004), particularly through cost-saving welfare reforms which also aimed at more equality, the period following Italy's entry into the Economic and Monetary Union (EMU) was marked by a relaxation of reform efforts in welfare—although not in labour—policy. Overall, the 2000s witnessed modest changes at best, in the various areas of welfare policy. Despite this being a period of decent economic performance, few attempts were made to reorient the Italian welfare state towards coverage of new social risks, not to speak of any impetus for social investment. This all changed with the financial crisis, and particularly with the sovereign debt crisis, in the summer of 2011. Externally driven consolidation spurred yet another wave of welfare reforms, that did not however invariably entail retrenchment. Both the Monti and the Renzi governments combined liberalisation with expansion of social rights, in what Picot & Tassinari (2017) called embedding flexibilisation. As a result, the Italian welfare state today looks more up-to-date and comprehensive than it was before the crisis, particularly when looked at from the perspective of income support. However, at the same time, an overall strategy of welfare modernisation based on the clear identification of coordinated social investment measures to face the challenges of technological and demographic change is still not on the radar.

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This article provides an interpretative account of the trajectories of development of some core areas of Italian social policy during the decade of the economic crisis. In doing so, the article provides a fresh view of recent social policy change in Italy, highlighting the achievements and the shortcomings of reformist efforts, attempted by Monti and Renzi in particular, and also showing their potential in disrupting the structure of 'rents' (of social actors) identified by Molina & Rhodes (2007a) that militated against the adaptation of the Italian welfare state. The article also frames such changes as the outcome of the interaction between the push of exogenous forces and domestic political opportunity structures, highlighting political agency, policy intentionality and how 'external constraint' strategies are being reinterpreted in political systems where responsiveness and responsibility (Mair 2009) may well diverge. Finally, the article assesses the future potential for transformative policy change in the Italian welfare state, from the angle of the social investment paradigm (Morel, Palier & Palme 2012, Hemerijck 2017). The article focuses on policy change in pension, and particularly in labour market and social inclusion policy, as these are the fields that were most prominently addressed by the structural reforms introduced in the crisis. Besides published academic work, internal documents from the administrations involved and newspaper analysis, the article uses 16 in-depth interviews for the Monti reforms and participant observation for the Renzi and Gentiloni reforms.[1]

The next section highlights the importance of failed adaptation in the 2000s that left the Italian welfare state unprepared to withstand the blow of the great recession. Section three describes the initial reaction of the Berlusconi government to the employment consequences of the financial crisis, while section four discusses Monti's reforms, his strategy to rescue Italy by clinging to the EMU club and his failures. Section five introduces Renzi's reforms, placing them in the context of a strategy of buying reputation to be able to change the EMU, and of creating a 'social-(neo)liberal' domestic social bloc, while failing to build a frame of reference for social policy change. The last section concludes, highlighting the still many shortcomings of the Italian welfare state and some silver linings that could be forerunners of change in the new Italy that veers again towards consensus democracy.

Relaxing in the shade of the EMU

While in the 1990s Italy was the place of choice of reforms initiated by external factors, as the *vincolo esterno* argument goes (Dyson & Featherstone 1996, Ferrera & Gualmini 2004), after joining the EMU the constraint relaxed, and with that the pressure to reform. Low interest rates from 'monetarism in a non-optimal currency area' (Scharpf 2013, p. 114) blessed all southern European countries, with the yield differential on sovereign debt vis-à-vis Germany virtually annihilated. While this provided 'an initial boost to economic growth in those eurozone economies where interest rates had fallen' (Scharpf 2013, p. 114), this was not the case for Italy: growth was modest and lower than in the eurozone. However, low interest rates meant relief on the service of the Italian large public debt. This reduced the pressure for structural reforms, including welfare reforms.

In this respect, the 2000s were a lost decade (see the contributions in Ascoli & Pavolini 2015), with no policy innovations to counteract significant distributional shifts that had occurred since the 1990s (Sacchi 2014, Ranci & Migliavacca 2015). While the Italian labour market changed rapidly, with the expansion of non-standard work, due to a series of liberalising reforms from 1997 onwards (Berton, Richiardi & Sacchi 2012, Sacchi & Vesan

2015), few if any adjustments to grapple with new social risks and needs were initiated. From enhanced poverty risks, in particular among children, to income gaps due to employment discontinuity of non-standard workers; from elderly and long-term care needs related to the changing demography to training needs to match the changing skills required in the labour market related to technological change; from work–family reconciliation policy to enhance female employment to active labour market policies (ALMP): no serious intervention in the direction of 'social investment' (Morel, Palier & Palme 2012, Hemerijck 2017) was introduced in the decade.

Molina & Rhodes (2007a, p. 825) identified the 'perverse incentive created by the existing labour market and welfare state regimes' which prevented 'both employers and unions from creating a cross-class, pro-reform coalition', and 'the stakes they both have in the current system', which constrained 'governments in their attempts to change it' as the major obstacles to a thorough adaptation of Italian welfare state to changing needs. This mostly caters to labour-market related policies, explaining why there was no societal demand for the introduction of a reform of income support, modernising unemployment benefits (UB) and adopting ALMP, as occurred in other European countries (Bonoli 2013), and nor could governments see any political payoff in performing any 'affordable credit claiming' through them (Bonoli 2012). As a matter of fact, it is difficult to overestimate the impact of Italy's short-time work scheme *cassa integrazione* (CIG), the structural one (*cassa integrazione straordinaria*, CIGS) in particular, on the functioning of Italian capitalism. These schemes had crowded out the development of UB to continental European standards (Sacchi, Pancaldi & Arisi 2011). A reform was introduced in 1991 aimed at curbing CIGS while at the same time providing firms eligible to benefit from it (larger firms in manufacturing or retail) and their workers with a 'premium', extremely generous, unemployment scheme: *indennità di mobilità*. This should have confined CIGS to cases of reversible company crisis and structural productive transformation processes, allowing them to manage major crises by collective dismissals, minimising social conflict thanks to the generosity of the new scheme. The latter held true, while the former did not: the distributive coalition (comprised of *Confindustria* and the trade unions) supporting the use of CIGS virtually without limits, fought back and already in 1993 everything was business as usual, only with a new tool: the premium UB for worker and firm aristocracy.

Lack of political incentives can also be invoked when comparing the Italian record in family and care policy to that of two diverse but equally least-likely cases such as Germany and Spain, that however introduced important reforms in these fields (Morgan 2013, Fleckenstein & Lee 2014, León & Pavolini 2014). Estevéz-Abe & Naldini (2016) point to the lack of a favourable electoral competition whereby new social risks could become politically salient as a crucially differential factor in the Italian case.

As a result, functional and distributive distortions that tainted the Italian welfare state did not reduce (Ascoli & Pavolini 2015). Not only did reform inertia in the 2000s distance the Italian welfare state from its main European neighbours; it also made its outcomes very vulnerable to external shocks. This is precisely what happened when the financial crisis occurred in 2008.

The crisis and Berlusconi's muddling through

When the economic outlook deteriorated in 2008, Italy did not have a safety net in place: no generalised income guarantee and a highly inaccessible and little generous UB system. Berton, Richiardi & Sacchi (2009) estimated that over three million dependent and quasi-dependent workers would receive no benefits if they lost their job, plus 5.5 million independent workers.

At the same time, because of high debt, anticipating the costs of interest rate hikes, the Italian government decided to adopt an extremely prudent fiscal stance (Sacchi 2013a). However, despite no fiscal stimulus being introduced, unemployment did not increase, at least not until 2012. This was largely due to the extensive use of CIG, thus considering workers as employed even if not actually working.

Knowing Italy's gaps in income support, but wary of expanding proper UB as this would give rise to costly rights-based automatic claims, the Berlusconi government chose a conservative course of action: maintain employment as much as possible through CIG, allowing firms to extend its duration virtually indefinitely. At the same time, CIG was extended to firms and sectors not eligible to benefit from it (*cassa in deroga*, CIGD), alongside with other special forms of income support. All these schemes, called *ammortizzatori in deroga* (AD), that is income support 'in derogation' of the rules, were conditional upon the government transferring earmarked funds to the regions, which administered the schemes according to regional tripartite agreements. Formally, recipiency of the benefits was also conditional upon activation, with European Social Fund resources devoted to this aim by the regions (Mulé 2016). However, between 2009 and 2012 less than two per cent of AD beneficiaries received workplace training or retraining, while 37 per cent received classroom training courses (Mulé 2016, Tab. 2, p. 367), which are well known in the policy evaluation literature to be far less effective (Gori et al. 2016, pp. 514–516). Where, as in Lombardy and Emilia-Romagna, developed systems of ALMP at the regional level were available, the activation component of AD was simply integrated into the pre-existing governance model (Mulé 2016). Where there were no ALMP, the passive component predominated.

Initially introduced for the 2009–2011 period, AD were extended into 2012 by the Berlusconi government, then until 2016 by the Monti government, and discontinued as of 2017 only with the income support reform within the Jobs Act in 2015, under the Renzi government. The argument by Molina & Rhodes (2007a, p. 825) about 'the systemic incentives for preserving passive forms of state labour market intervention in the absence of a stronger safety net' helps explain both the introduction of AD, and their ensuing stickiness throughout a decade. As argued by Sacchi (2013a, p. 199), their introduction 'raised the costs of changing the status quo, by raising the stakes each actor in a very powerful constellation had in preserving the current equilibrium'. Such a 'distributive coalition' (Rhodes 2012, p. 9) was comprised of: the government, which kept unemployment figures low and spending under control; employers, in particular previously ineligible firms, which free-rode on the general revenue without paying the costs; trade unions, which entered the regional agreements; and the regions, which could distribute funds. Thus the Italian political economy saw two—partly overlapping—distributive coalitions supporting 'passive forms of state labour market intervention': the traditional one supporting CIG, and the new one supporting AD. While this setting reduced the number of those ineligible to income support from 3 to between 2 and 1.5 million (plus self-employed), a vast majority of Italian citizens were still without a safety net in a time of crisis (Berton, Richiardi & Sacchi 2009).[2]

Externally driven consolidation: Monti's promises and failures

The new push for reform came in the second half of 2011, when Italian sovereign debt was under attack in the financial markets (Jones 2012, Sacchi 2015). Yield spread between comparable Italian and German sovereign paper increased by 100 basis points (from 170 to 270) between May and July, reached 400 basis points in September and surpassed 500 basis points in November.

Differently from other troubled countries, Italy did not enter any negotiations to join conditional aid programmes with the Troika (the International Monetary Fund, the European Commission (EC) and the European Central Bank (ECB)). Still it can be argued that 'implicit conditionality' (Sacchi 2015, p. 77) occurred (as with Spain): in order to get relief on its sovereign debt through the help of the ECB, which could purchase its sovereign paper within the Securities Markets Programme, Italy would have to introduce several reforms, listed in a letter sent by the ECB to the Italian government. Alongside seniority pensions, employment protection legislation (EPL) was to be targeted, with the reduction of protection for open-ended contracts (together with the expansion of UB). While the first type of reform is capable of producing immediate financial results, the second type of reform can produce other valuable goods, in a sovereign debt crisis: reputation and credibility. The icon of structural reforms, labour market liberalisation has a signalling value of its own, all the more so given the widespread opposition it commands among the trade unions.

Paralysed by internal conflicts (Jones 2012, Brunetta 2014), the Berlusconi government only managed to introduce partial reforms, but could not target seniority pensions, nor did it revise employment protection. The Monti government swiftly targeted pensions, introducing an extremely harsh reform, making immediately operational the adjustment of retirement age to life expectancy envisaged by the Berlusconi government,[3] equalised the retirement age for women in the private sector to that of all other workers by 2018, established a minimum retirement age of 67 for all from 2021, changed eligibility rules for old-age and, in particular, for seniority pensions. Moreover, it extended the non-financial defined contribution (NDC) system introduced by the 1995 reform to workers still subject to the former—more generous—defined benefit system; it did so introducing a pro-rata temporis rule, with the contribution periods after 1 January 2012 being accrued according to the NDC system. These interventions would create savings of 80 billion euro between 2012 and 2021, although over the following years several rounds of parliamentary interventions to shelter targeted groups reduced such amount by roughly 15 per cent, to less than 70 billion. While the pension reform was introduced unilaterally in late 2011, the labour market reform was at least initially negotiated with the social partners, although in March 2012 there was a turn to unilateral action on the part of the government and the reform was introduced in parliament without the approval of the largest Italian union, CGIL (*Confederazione Generale Italiana del Lavoro*) (Sacchi 2013a, 2013b). Signs of rebellion within the Democratic Party (PD) (member of the coalition supporting the government) and from the grassroots of the signatory unions CISL (*Confederazione Italiana Sindacati Lavoratori*) and UIL (*Unione Italiana del Lavoro*) pushed Monti towards compromising on a milder reform than he had intended. Still, the reform was pathbreaking in terms of the Italian model of employment protection since the early 1970s: economic dismissal deemed unlawful by a court no more commanded job reinstatement, but only monetary compensation. However, it still envisaged a role for the courts in deciding reinstatement over compensation in case of 'manifest non-existence' of the (economic) motive for dismissal, as assessed by the courts themselves. This element was criticised by Confindustria and the bad press it elicited contributed to downplaying the functional relevance of the reform among international and financial elites (Sacchi 2013b).

Alongside changes in employment protection, and in order to make the former palatable to the PD (Sacchi & Roh 2016), the Monti government introduced a reform of UB that significantly increased their generosity and coverage (see Table 1). While it did not change the eligibility requirements for the main scheme, it made it more generous; at the same time it introduced a new scheme geared to new entrants or those with fewer contributions, thereby increasing coverage. Still, several problems remained: eligibility for non-standard workers was still low, and confined to the residual rather than the main scheme, while even in the main scheme benefit duration was quite limited in comparative terms. At the same time, the reform phased out *indennità di mobilità* as of 2017: a momentous decision, given the role this very generous scheme played in greasing the wheels of collective dismissals, whose impact however was postponed by five years, thus reducing opposition to the decision itself, as the social partners thought they might see it reversed in due course. Due to the opposition of the social partners, CIG went untouched and, as already mentioned, AD were further extended. Bilateral funds providing benefits similar to CIG, so-called solidarity funds (*fondi di solidarietà*), became mandatory in sectors and for employers with more than 15 employees not covered by CIG. This was intended to be the way out of AD, as such funds would be established through collective agreements, completely paid for through contributions by the employers and employees, with no state funding, while being strictly regulated to ensure uniformity across sectors and financial sustainability. Employers pertaining to sectors where bilateral funds would not be established should enrol a public fund, that would still be completely funded by payroll taxes and maintain financial stability with no state funding. However, while the 2012 reform established the regulatory framework, implementation did not occur until Renzi's reform in 2015: as a matter of fact, the moment of inertia of the distributive coalition underpinning AD militated against the phasing in of a reform that would make employers pay what they were already getting for free. Finally, despite several announcements no action was taken regarding ALMP, while a new pilot measure against poverty among families with underage children was envisaged, however only in large cities, on a temporary basis and within allotted resources.

While the experience of the Monti government showed the resurgence of the 'external constraint', there were still some important differences to the early 1990s when the benefit to be reaped was membership of the EMU. In contrast, in 2011–2012 the benefit was the government not having to join formal conditional aid programmes administered by the Troika as a result of market forces. Evidently, there were still traces in Monti's worldview of the technocratic exploitation of the external constraint to pass difficult yet needed reforms at home. Yet his worldview was more nuanced than just that, and had technocratic echoes of the difference between 'responsibility' and 'responsiveness' (Mair 2009, 2011): that the trade-off between short-term demands and long-term, yet-to-be articulated, needs (Bardi, Bartolini & Trechsel 2014) should be solved emphasising the latter. There was also a sense that, if all European Union (EU) member states had to a large extent lost their sovereignty, then the only way to re-acquire it was through a pooling of sovereignty at the EU level, and

Table 1. Eligibility to unemployment benefits by type of contract, 2016.*

	(1)	(2)	(3)	(4)	(5)	(6)
	Eligibility before 2012 (%)	Eligibility after 2012 reform (%)	Eligibility after Jobs Act 2015 (%)	Difference in eligibility 2012–today (percentage points)	Difference in eligibility before–after Jobs Act (percentage points)	Actual impact of Jobs Act on access to benefits in 2016** (%)
Open-ended workers	90	98	99	+9	+1	3
Fixed-term workers	62	84	88	+26	+4	7
Apprentices	21	90	92	+71	+2	7
Seasonal workers	n.a.	84	90	n.a.	+6	8
All workers	82	96	97	+15	+1	6

Source: First column: own calculations on INPS data; second and third column Table 1.30 in INPS (2017, 60); sixth column Table 1.31 in INPS (2017, 61).
Notes: *Eligibility (columns one to five) is defined as percentage of current workers who would receive unemployment benefits if they lost their job. Eligibility is assessed on workers in 2016; **Share of actual beneficiaries in 2016 who would not have received their unemployment benefit according to pre-2015 rules.

active participation of the country in the supranational institutions: meaning that Italy needed to keep its economic house in order and implement reforms to secure the necessary legitimacy and credibility at the supranational level.

However, it was precisely the implementation issue that became the Achilles heel of the Monti government. The international projection of its labour market reform was tainted by the understanding that it had been watered down (and basically left the situation untouched), still allowing the courts much discretionary power, while the government's inability to overcome vetoes and introduce further structural reforms (for instance in the service sector, see Mattina 2013) was noted in international financial and political quarters, and eventually tarnished the reputation of the Monti government.

External constraints meet domestic politics: Renzi's social coalition building attempt

External pressures and constraints were certainly relevant also in the social and labour policy reforms of the Renzi government. When Renzi became leader of the PD in December 2013 he asked his staff to work with a group of experts on a blueprint for labour market and income support reform, to be presented to the Letta government as the contribution from the largest party in its governing coalition (Sacchi & Roh 2016). The emphasis was on completing the 2012 labour market reform regarding income support (strengthening UB, reforming CIG, implementing solidarity funds to exit the age of AD), introducing ALMP, investing in white and green jobs and female employment. The original blueprint did not mention EPL, if not for the idea of reducing the number of non-standard contracts and the possibility to test an insertion contract with increasing employment protection for young entrants into the labour market (Sacchi & Roh 2016).

When Renzi became Prime Minister in March 2014, the blueprint was translated into a delegation bill that would allow the government to introduce a wide-ranging reform known as the Jobs Act. In the summer of 2014, when the parliament was discussing the part of the bill concerning simplification of labour contracts, history took a distinctive path. In the same period, in fact, Renzi came under attack from European partners and decisions-makers for advocating a change of tack in the eurozone fiscal stance, away from austerity, to be completed during the Italian presidency semester of the EU (June–December 2014). Bundesbank president Jens Weidmann, speaking at the German Christian Democrats economic meeting declared: 'Renzi now wants to tell us what to do. [...] Reforms must be done, not just announced', while Wolfgang Scheuble said he would refuse to discuss the issue of budgetary flexibility (*Sole 24ore* 2014). The issue was that of credibility of commitments and implementation capacity, and would emerge again and again in the following months: Italy was believed to suffer from a structural incapacity to deliver, to follow up on its commitments. The Jobs Act was tactically used by Renzi to refute such claims. In particular, the issue of reducing employment protection for open-ended contracts, that had until then been dismissed by Renzi whenever centre-right junior coalition partners raised it, suddenly became the emblem of the government's commitment to structural reforms. The latter were much needed in order to help ECB president Draghi in his attempt to introduce quantitative easing (QE) despite the opposition of powerful members in the ECB governing body (Picot & Tassinari 2016, Sacchi & Roh 2016). By the same token Italy was trying to get support for its proposal of budgetary flexibility to be allowed when a member state introduced structural reforms, that entail costs in the short run to bring about higher growth in the long run. Both attempts were successful: in January 2015 QE was announced and an EC communication on 'making the best use of the flexibility within the existing rules of the stability and growth pact' was introduced, comprising a 'structural reform' clause (Nannicini 2015).[4] The decision to target EPL for open-ended workers caused turbulence within the PD, that motivated Renzi to invest in loftier UB (Sacchi & Roh 2016), earmarking considerable resources: additional spending worth two billion euro per year.

The delegation law was passed in December 2014, and the first two implementing decrees, introducing the new open-ended contract with reduced employment protection and the new UB, were approved by the Council of Ministers in the same month. Overall, the reform was comprised of eight implementing decrees, approved by the government between December 2014 and June 2015, and entered into force between March and September 2015. In order to acquire reputation and credibility, the swift implementation of the reforms was highlighted by the Italian government as a sign of capacity to act and deliver quickly (MLPS—Ministero del Lavoro e delle Politiche Sociali 2015, Nannicini 2015, Sacchi 2016).

The flagship of the reform was the introduction of *contratto a tutele crescenti*: since March 2015 all newly signed open-ended contracts entail no reinstatement in case of dismissal declared unlawful by a court (unless in case of discriminatory dismissal). Rather, monetary compensation is envisaged, in the ratio of two monthly wages for each year of seniority, between a minimum of four months and a maximum of 24 months. While there still is no mandatory severance payment, the employer can (and most likely will) make an offer to the dismissed worker to avoid litigation: if the latter withdraws his or her statutory rights to challenge the dismissal, s/he gets a sum, tax free, worth one monthly wage for each year of seniority, between a minimum of two months and a maximum of 18 months. The attractiveness of the offer for the worker is due to its being tax free, so that even in the best case scenario, litigation will result in a monetary compensation that is only modestly higher than the sum one can get immediately and hassle free. On top of legitimising, political reasons (acquiring reputation abroad and building a societal coalition domestically—see below), the reform was introduced for functional, economic reasons: over the years, the share of open-ended contracts among newly established ones had greatly reduced (Sacchi & Vesan 2015). In particular, those on fixed-term contracts receive much less training than those on open-ended ones, thus leading to entrapment and depletion of human capital among the young. This was exacerbated even further in the crisis. Thus the aim of the reform was to make (a more flexible) open-ended contract more appealing to employers, so that young workers could secure them.

As mentioned, Renzi balanced a fairly neoliberal piece of reform in EPL with a highly progressive expansion of UB. Basically, the two existing UB schemes were merged into one, with lower eligibility requirements and much longer reference period (13 weeks of contribution in a four-year period); the maximum benefit amount was raised by more than ten per cent, to 1,300 euro per month; benefit duration was linked to contribution under a one-half rule (so the benefit lasts up to two years for those with four years of contribution) for all workers. This makes the Italian UB one of the most generous and inclusive in Europe. The reform improved over the Monti reform by increasing eligibility for non-standard workers (see Table 1, columns five and six) and duration for a vast majority of workers, both standard and non-standard (see Table 2).[5] The new UB got rid of the traditional age bias of continental welfare states: benefit duration no longer depends upon age. In addition to the new UB the

Table 2. Impact of 2015 (Jobs Act) reform on unemployment benefit duration, by type of contract.

	Longer benefit* (%)	Same duration** (%)	Shorter benefit*** (%)
Open-ended workers	78	10	12
Fixed-term workers	68	16	16
Apprentices	35	56	9
Seasonal workers	50	15	35
All workers	69	14	17

Source: Own calculations on INPS data.
Notes: *Duration of benefit under the 2015 rules is at least four weeks longer than under the 2012 rules; **Duration of benefit under the 2015 rules is no more than four weeks longer or shorter than under the 2012 rules; ***Duration of benefit under the 2015 rules is at least four weeks shorter than under the 2012 rules.

reform introduced a special benefit for individual contractors, mimicking the UB for employees.

Alongside income support, the Jobs Act intervened in the traditionally neglected field of ALMP, with a strong investment both in terms of resources and political capital. A new national agency for ALMP (*Agenzia Nazionale per le Politiche Attive del Lavoro* (ANPAL)) was created, that absorbed all the competences and the resources of the Ministry of Labour in such field, including significant portions of European Social Fund resources. While this left the Ministry virtually devoid of any operational capacity in the field of employment policy, the new agency is the new key player in the field, with the task of coordinating all the actors, both private and public, issuing regulations and managing the resources. However, ANPAL was designed for good weather, envisaging a constitutional reform that never entered into force.[6] Alongside exclusive competence on vocational training, regions have concurrent competence on most ALMP, that is they have the regulatory power, while the state retains the power to issue fundamental principles (article 117 of the Italian constitution). The failed constitutional reform would have changed this, establishing a state competence in ALMP. Failure of the reform limits the role of ANPAL to that of coordinating and possibly steering regional action.

While more subtle than the previous reforms, that of CIG is possibly the one within the Jobs Act that is more amenable to bring about transformative change within the Italian political economy (see also Vesan 2017). A wide-ranging and complex reform, it basically entails a reduction of maximum cumulative duration of CIG—irrespective of type—to two years over a moving five-year period, as opposed to practically no time limits in the previous regime;[7] other limits to usage so as to avoid a situation where all workers could be simultaneously and completely suspended (so called zero-hour CIG) for the whole available time; the elimination of CIG in the case of company closure; and severe increases in the cost of firm co-payments upon usage, increasing with the length of usage, so as to align individual costs for firms to social costs for the taxpayer. These and other changes made structural savings of almost one billion euro per year, that were reinvested in UB (bringing the overall increase of resources devoted to the new UB to 2.6 billion euro per year) in addition to measures against poverty, ALMP and the extension of parental leave. At the same time, CIG was extended to apprentices (hitherto excluded). Solidarity funds now have to include all employers uncovered by CIG with more than five employees. Strict deadlines were imposed to make the funds operational, so as to allow the termination of AD. Overall, the possibility to use wage replacement in case of work reduction or suspension was extended to 150,000 new employers and 1.4 million workers previously excluded, at no cost for the state.

The pattern introduced by the Jobs Act (additional financial resources in the budget law to introduce and fund new schemes, coupled with a delegation bill whose implementation should rationalise a given policy field, with savings to be reinvested into the main policy provisions) was replicated a year later in the field of poverty reduction. The introduction of a minimum income scheme had been on the political agenda for some years, since *Movimento 5 Stelle* had made the proposal for a minimum income scheme one of the main issues in its political platform and the Letta government in 2013 appointed an expert committee to discuss the issue. In 2011 an advocacy group sponsored by the social catholic organisation Acli had produced a blueprint (Gori et al. 2011), and in 2013 the *Alleanza contro la povertà* was created involving Caritas, all main non-governmental organisations in the field, the trade unions and local authorities. In early 2014, however, attempts to include the issue within the Jobs Act blueprint were rebutted, as a minimum income scheme was perceived by the PD leadership as an incentive to idleness. Three years later, in December 2015, motivated by poverty figures that showed an increase in 'absolute' poverty (actually a reference-budget measure) since the onset of the crisis[8] and spurred by the *Alleanza contro la povertà*, the government earmarked new resources, structurally worth one billion per year, towards the introduction of a new policy measure against poverty. This was to be enacted through a delegation bill and ensuing implementing decrees reforming the whole system of social assistance in Italy. Contrary to the Jobs Act, however, the government was not able to defend its reformist thrust in parliament (Corriere della Sera 2016, Repubblica 2016) and the social assistance reform bill was significantly watered down, basically reduced to regulating the introduction of the new minimum income scheme, that would integrate other antipoverty measures, while leaving all other means-tested measures (and their beneficiaries) untouched.[9] This notwithstanding, the Renzi government increased the resources devoted to the scheme with the budget law for 2017 to 1.85 billion euro per year, further increased by the budget law for 2018 introduced by the Gentiloni government, up to 2.75 billion euro per year as of 2020. Overall, the scheme, called *Reddito di inclusione* and phased in at the beginning of 2018, caters for all families below a combined income and asset threshold. The benefit varies with the gap between family income and the threshold; its maximum amount is still quite meagre as it ranges between 190 euro per month for a single person, to 530 euro for a family of five or more. It is estimated that 700,000 households and 2.45 million people will qualify for the benefit, roughly half of those in 'absolute' poverty in 2016.

Despite its limitations, *Reddito di inclusione* is a clear breakthrough in Italy's social assistance policy: first, it is a structural measure, not a pilot scheme, that is it is here to stay with ongoing, considerable funding, contrary to past attempts (see Figure 1); second, it is not categorical, but caters in principle to all those in poverty; third, it comprises not only a monetary measure, but also services to promote social and work integration of the beneficiaries, funded within the scheme budget, along the lines of the blueprint proposed by the *Alleanza contro la povertà* (Gori et al. 2016) upon which it is moulded. In fact, the Gentiloni government (which inherited the enactment of the reform bill from the Renzi government) signed a memorandum of understanding with the *Alleanza* in April 2017, committing itself to implementing the scheme according to the suggestions of the advocacy group, thus drawing legitimacy from the extended social basis of the latter.

To summarise, Renzi's Jobs Act (not just EPL reform, but the whole package) certainly served the purpose of buying a number of valuable goods on the Frankfurt-Brussels market: from QE to budgetary flexibility due to the structural reform clause, worth 0.4 per cent of

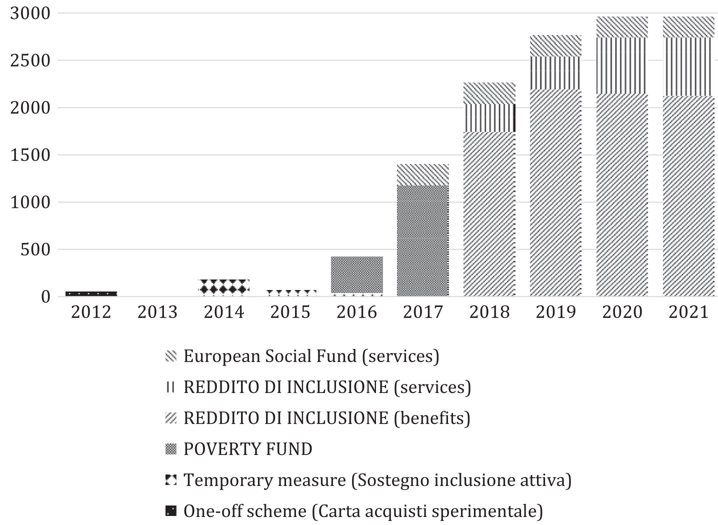

Figure 1. Funds for anti-poverty schemes, 2012–2021 (millions of euro).
Note: Structural Poverty Fund created with the Budget law for 2016; resources for 2016 and 2017 used to top up *Sostegno inclusione attiva; Reddito di inclusione* phased in in January 2018.

gross domestic product (GDP) in 2015 and 0.25 per cent in 2016. Generally speaking, to introduce such a wide spectrum of difficult reforms (think of EPL as well as CIG) in so little time provided the government with considerable credit abroad. The Jobs Act stands out as an example of a path that Picot & Tassinari (2017, p. 465) call 'embedding flexibilisation': deregulation of employment relationships coupled with increased welfare protection.[10] The same can be said of the Monti reform, where the centre-left parties influenced the shape of deregulating reforms adopted in the wake of conditionality towards balancing deregulation with expansion of social rights (Sacchi & Roh 2016, Picot & Tassinari 2017).

However, the Jobs Act cannot be seen as just an act of balancing neoliberal with social goals to achieve the former, curbing opposition within the PD, or mere tactics to buy essential goods at the EU level. As pointed out by Picot & Tassinari (2017) and Vesan (2017), it was part of Renzi's deliberate social coalition building strategy, that of mustering a 'bloc bourgeois' (Amable & Palombarini 2014, p. 177): 'a political project aimed at gathering common interests for neo-liberal and market-oriented reforms [...] that are often dispersed among different social categories' (Vesan 2017, p. 13), particularly among skilled middle and upper classes. Liberalisation thus occurs through active state intervention in the political system (Baccaro & Howell 2011) and it is aimed at reducing discretionary state intervention in the economic system, either limiting the role of the courts in dismissals or significantly constraining one of the cornerstones of Italy's 'state-influenced market economy' (Schmidt 2009, p. 517) or 'mixed-market economy' (Molina & Rhodes 2007b, p. 223), that is CIG.

Experimental data show that, after the crisis, the demand for income security is high across all societal groups, even among higher income earners (INAPP 2017). This helps explain why to cater to a widespread public and try to enlarge an otherwise relatively narrow societal coalition, Renzi adopted packages that combined deregulation with welfare expansion (later followed by an unprecedented investment in the fight against poverty). By early 2016, however, the credibility of the strategy was running thin, when sluggish growth offered little repayment for such divisive reforms. Renzi's response—also shaped by his pressing need to secure approval for his constitutional reform referendum—was to revert to more traditional constituencies and accommodating modes (social concertation), to mollify the unions and elicit consensus through distributive politics. This brought about a further softening of the 2011–2012 pension reform, with interventions for special categories of workers who can now retire early under certain circumstances, as well as the unemployed, carers or those doing jobs characterised by arduous labour, who under certain conditions can get an allowance worth up to 1,500 euro per month to bridge them towards retirement age.

Conclusions

After the array of social policy reforms of the 1990s, the 2000s witnessed reform inertia. This left the Italian welfare state utterly unprepared for the brutal weather that would come at the end of the decade. While the Berlusconi government in 2008–2011 basically muddled through, the period since after 2012 witnessed a considerable degree of social and employment policy change, most notably under the Monti and Renzi governments.

If one looks back to 2007, the achievements of the past decade have been quite impressive. A series of pension reforms extended NDC to all workers, equalised retirement age among categories and genders, as well as significantly postponing it. Two major labour market reforms radically changed employment protection for open-ended workers, introducing monetary compensation in lieu of reintegration. A modern system of UB was introduced, which now stands among the most inclusive in Europe. A determined effort was made to reshape one of the major pillars of Italian state-assisted capitalism, CIG, combined with a broadening of access to temporary wage replacement schemes, both employer- and employee-wise. A strong institutional investment was made in ALMP and their coordinated governance, which is critical to shifting, over time, social partners away from passive, compensatory policies towards a new coalition supporting 'dynamic security' (Treu 2017, p. 19): a mix of anticipatory training and ALMP underpinned by inclusive income support. A minimum income scheme was introduced on a structural basis, with ongoing—albeit still limited—funding, something that was a chimera only a couple of years before. Other changes, seemingly minor but with a strong transformative potential, could be added to the list, most notably the increasing diffusion of contractually bargained and occupational welfare, spurred on by tax deductions introduced as of 2016.

Seen through the lenses of the late 2000s (e.g. Molina & Rhodes 2007a), therefore, the Italian welfare state has undergone a sea change in recent years. Yet, while the reforms have certainly modernised it and allowed it to catch up with other advanced European welfare states along some key dimensions, this does not mean that it is necessarily ready for the challenges it has to face. It could be said that the reforms have vindicated the blueprint put forward by the Onofri commission in 1997—only 20 years late. Early childhood and long-term care, work–life balance, vocational training and life-long learning, and active aging, are some of the standard constituents of contemporary advanced welfare states that have been so far neglected by Italian reforms, not to mention a specific focus on female employment. These constitute some of those enabling and rehabilitating policy measures known as social investment policies which are essential to managing the four big trends that will have widespread impact on advanced welfare states: technological change; demographic change, including migration; climate change; and globalisation. Responding to these challenges would provide significant opportunities to create employment (think of green and white jobs), particularly but not exclusively in the service sector, while reskilling and upskilling the workers to prepare them for the changing tasks in the fourth production revolution is essential to maintain employment levels (Guarascio & Sacchi 2017). To be fair, some measures are starting to find their way in the policy debate and governmental agenda, but in an uncoordinated fashion, and devoid of any overarching strategy.

The absence of a broader ideational and discursive framework to locate a transformative policy strategy underpinned by a more sophisticated articulation than merely the *tòpos* (La Spina 2016) of 'change for the sake of change', represented a specific shortcoming in Renzi's approach, irrespective of the substantive import of his reforms (Ferrera 2016). True, labour market liberalisation, strengthening of income support, construction of a safety net, investments in education and the modernisation of public administration, accompanied by interventions to sustain aggregate demand (through individual consumption rather than public investment) were all parts of an overall strategy to build a 'bourgeois bloc', but they were not developed in a consistent way across policy sectors, connecting 'background ideational abilities' within a coordinative discourse, or building an effective communicative discourse through a combined justificatory narrative (Schmidt 2008, Piattoni 2016). In fact, neither Monti's nor Renzi's path-breaking reforms were framed in a long-term future-oriented narrative able to convey the message that, alongside their immediate payoff, such reforms would be the cornerstones of a wholly new approach, based on social investment rather than compensation of traditional categories. In this light, what are the prospects for future-oriented welfare reforms?

Writing just before the onset of the great recession, Molina & Rhodes (2007a) envisaged no change without major shocks. Major shocks have occurred, and policy change too, with exogenous drivers for change being filtered, and moulded, by domestic political dynamics. *Vincolo esterno*, however, is not likely to create a favourable soil for the introduction of social investments, given the nature of deferred gratification of these measures—unless of course their costs could be disregarded in the EU economic governance regulations. Nor, by the same token, do they seem likely to be any easier to adopt in the shifting political dynamics (with a greater emphasis on political consensus than majoritarianism) since the rejection of Renzi's constitutional reform and his resignation. If so, the risk of the Italian welfare state failing to respond to the challenges of the fourth production revolution, is real; or at least, this is the pessimistic view.

The more optimistic outlook is that the combined challenges of technological and demographic change can be a powerful driver, influencing societal actors' preferences towards policy innovation. Some hints can be detected in the surprising support given by the trade unions to a minimum income scheme in the *Alleanza contro la povertà*; in the emphasis given by the social partners to the importance of ALMP to balance the reduction of CIG and the demise of *articolo 18* (the provision in the workers statute that granted reinstatement in firms employing more than 15 workers) and *indennità di mobilità*; in the new mantra of workers' rights to training, possibly as an individualised right, as in the 2016 metalworking collective agreement, marking the shift from defending job security to promoting employment security in transitions.[11] Genuine as these new stances of the social partners may be, they were made possible by the game-changing reforms of Monti and Renzi, disrupting the old landscape and weakening the old distributive coalition.

According to Jacobs (2011) the institutional conditions which are more conducive to promoting future-oriented policy change occur either when the policy-makers have low insulation or are hyper-insulated from societal pressures (see also Ferrera 2016). While Monti and (at least before the 2016 concertative turn) Renzi were clearly at the hyper-insulation end of the spectrum, the conditions of Italian politics since the resignation of Renzi suggest that a more inclusive policy style is the only available option in the future. This is nothing new for Italy (Piattoni 2016), although the consensus dimension of Italian policy style was traditionally coupled with a reactive, rather than anticipatory, problem-solving approach (to adopt the framework of Richardson, Gustafson & Jordan 1982). What is possible, however, is that the formidable external threat posed to the Italian economy by technological and demographic change can trigger domestic change, whereby emerging demands articulated by societal actors who have seen their positional 'rents' seriously harmed by recent reforms and are on the search for renewed legitimacy can help meet such challenges. The new *proporz* tone of the Italian political system may favour the conversion of such demands into policies in an anticipatory-consensus style, provided, of course, political leaders are able to aggregate such demands and translate them into a future-oriented agenda in the context of an effective coordinative discourse.

Notes

1. The list of interviews is available from the author upon request. The author was involved in a formal capacity in the social policy reforms of the Renzi government and was one of the main protagonists behind the introduction of the new minimum income scheme.
2. A means-tested scheme (*carta acquisti*) was introduced to alleviate poverty among the elderly and families with small children, but with a meagre benefit (40€ per month).
3. Berlusconi introduced two pension reforms in 2009 and 2010 to equalise the retirement age between men and women in the public sector at 65, pursuant to a ruling by the European Court of Justice, and automatically to increase retirement age in line with life expectancy increases.
4. COM 2015 012 final of 13 January 2015.
5. As compared to the scheme introduced by the Monti reform, based on fixed-duration benefits increasing with age, the new UB was directly linked to the contribution record, after contribution periods already used to draw UB in the reference period had been deducted.
6. Renzi's envisaged constitutional reform would have introduced a large number of changes to the current constitution. However, after being approved by the parliament it was voted down by a large majority (59 per cent) in a referendum on 4 December 2016. Renzi resigned three days later, after the budget law for 2017 had been approved.
7. Maximum duration can be extended to three years if *contratti di solidarietà*, a special type of CIGS that subsidises reduction of worktime across a large pool of workers, are used.
8. The incidence of absolute poverty, as calculated by the National Bureau of Statistics Istat, increased from 3.5 per cent of households in 2007 to 6.1 per cent in 2015.
9. Compare the text of Article 1, par. 1, letter b) and par. 3, letter a) of the Bill N. 3594, presented by the Minister of Labour and Social Policy on 8 February 2016 to the Chamber of Deputies, with that of the same parts in the finally adopted Law n. 33 of 15 March 2017.
10. The concept is derived from Thelen's 'embedded flexibilisation' (2014, p. 14) and identifies the introduction of new forms of flexibility 'while improving coverage, which starts from a low level' (Picot & Tassinari 2017, p. 465), rather than maintaining an already high degree of coverage, as in Thelen's framework.
11. Annamaria Furlan, the secretary-general of CISL, in her keynote speech to the CISL general assembly in June 2017 said that 'il diritto alla formazione è il nuovo articolo 18', the right to training is the new employment protection (Furlan 2017).

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