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The uncertain path towards social investment in post-crisis Italy

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## The Uncertain Path towards Social Investment in Post-crisis Italy

**Abstract:** Focusing on the welfare reforms promoted by the centre left-led governments (2014-2018) and the short-lived Lega-M5s government (2018-2019) in three policy areas – the labour market, family, and education policies – the article investigates the politics of social investment (SI) in post-crisis Italy. Relying on a multidimensional theoretical framework for analyzing policy reforms, the article shows that SI expansion in Italy remains very *uncertain*. At the same time, the article demonstrates that such uncertain expansion of SI policies is primarily the consequence of a set of interlinked *political* and *contextual* variables: the new voter-party linkage in the post-Fordist era; the Southern welfare regime's policy legacies and the resulting electoral (dis)incentives; Italy's economic and financial position after the crisis; the specific party competition dynamic, and the structure of the governing coalition. The Italian case suggests that the politics of SI in the Southern countries follow a logic different from the other welfare regimes.

**Keywords:** social investment; welfare reforms; electoral realignment; policy legacies.

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### Introduction

There is a vast, well-informed comparative literature on welfare reforms in advanced Western economies in the post-Fordist era (e.g., Pierson, 2001; Esping-Andersen 2002; Häusermann, 2010; Hemerijck, 2012). In Europe, reactions to changes in economic, social, and demographic structures have been diverse. Accordingly, social policy reforms have taken different *directions*. While almost all national governments have given little room to expanding *social consumption* (SC) policies, a purely neo-liberal strategy of cost containment and institutional retrenchment has not been the only possible reform strategy. In the last few decades, *social investment* (SI) has increasingly been a new recipe for recalibrating Europe's old welfare institutions.

However, Western European governments have supported such policies to very different degrees. In the southern countries, SI has not broken through yet (e.g., Leon *et al.*, 2018), as is particularly evident if we consider Italy (e.g., Jessoula *et al.*, 2015; Kazepov and Ranci, 2017; Vesan and Ronchi, 2019). Until the economic and financial crisis, Italian governments were quite sceptical about re-directing the meagre resources at their disposal towards SI policies and modernizing the *fragmented* Italian welfare system. However, in the last few years, with economic improvements, policymakers have expressed a renewed interest in SI. It has still to be assessed whether such interest has translated into real change or whether it has remained a paper exercise. At the same time, it still needs to be understood what variables have affected actors' reform decisions.

This article investigates the recent reforms in the SI realm promoted in Italy after the economic and financial crisis by the centre left-led governments (2014-2108) and by the Lega-Five-star Movement (M5s) government (2018-2019).

The article addresses the following questions: what directions were taken by the reforms promoted after the crisis? Did these reforms imply an *expansion* of the SI policies vis-à-vis the *retrenchment* of SC ones, or did they follow a different logic? Moreover, how can we explain such reforms?

The goal of the research is, therefore, twofold. First, using the theoretical framework provided by the recent literature on social investment (Beramendi, 2015; Garritzmann *et al.*, 2017; 2019; Häusermann, 2018), I will scrutinize the government's reforms in three areas of specific interest for the SI paradigm: the labour market, the family, and the education policies. This analysis will show the specific reform *directions*, thus the government's policy positions, and whether they involved a *trade-off* between SC and SI policies.

Second, by combining the insights provided by the New School of Partisan Politics (NSPP) (Häusermann *et al.*, 2013) with those of the New Politics of the Welfare State (Pierson, 2001), I will provide a multi-causal theoretical framework for explaining the direction of these reforms. In this respect, the government's policy positions will be assumed to rely primarily on a set of interlinked *political and contextual* variables. First of all, on the *political* side, the focus will be on the specific (re)configuration of the main governing parties' interests and values, with the Partito Democratico (Democratic Party, PD) repositioning itself to represent the middle and upper social classes and the Lega and M5s representing (mostly) the interests of the *losers of globalization*.

Second, three main factors will be examined on the *contextual* side: a) the policy legacies created by the Southern welfare regime and their effects in terms of electoral (dis)incentives; b) the economic and financial context in Italy after the economic and financial crisis; c) the specific competition dynamics created by the Italian party system after the 2013 general election as well as the structure of the government coalition.

The contribution of the article is twofold. First, it applies to the Italian case a multidimensional theoretical framework for analyzing policy reforms. Therefore, it provides informative empirical material regarding *social investment vs. social consumption* policy reforms in an *adverse case* such as Italy. Furthermore, it does so by looking at two very different governments – one led by a social democratic party (the PD) and another led by an *odd* coalition between a radical right and a populist party (the Lega and the M5s respectively). Second, the article bridges the gap between the recent literature on SI policy and politics and the Southern countries' specific socio-political context. The multi-causal explanatory framework reveals that the politics of SI in post-crisis Italy has produced specific policy outputs, which are different from those identified in the other welfare regimes.

From a methodological perspective,<sup>1</sup> the empirical study is based on a qualitative policy analysis based on primary (mostly, legislative texts) and secondary sources, combined with statistical data. Then, the reform's directions *are explained* through comparative historical analysis, informed by primary (electoral surveys) and secondary sources.

The article is structured as follows. First, drawing on the most recent literature on SI, a number of theoretical points will be made concerning the development of SI policies and the multidimensional space in which policy reforms are located. Second, I will discuss my multi-causal explanatory framework. Third, I will illustrate the reforms proposed by the governments and explain them by applying my explanatory framework. The last part of the article is devoted to my conclusions.

## **The politics of social investment: A multidimensional theoretical framework**

Since the end of the *Trente Glorieuses*, a vast comparative literature has analyzed the impact of changes in Western European countries' economic, social, and demographic structures on their national welfare states (e.g., Pierson, 2001; Taylor-Gooby, 2004; Bonoli and Natali, 2012). In this evolving context, the idea of *recalibrating* the old industrial welfare policies has gradually become a matter of consensus. The rationale behind recalibration is to update the old *Fordist* welfare state by re-orienting resources away from *SC* towards *SI policies* (Pierson 2001). The former mitigate the economic risks of income loss through protectionist regulatory measures (e.g., employment protection) and social transfers (Beramendi, 2015), while the latter emphasize the supply side of the economy and fostering human capital development by *creating, mobilizing and preserving* skills (Häusermann, 2018).

In terms of concrete policy programmes, many different policies pursue the goals of the SI paradigm. The literature has generally focused on the spheres of the *family*, the *labour market* and *education policies* (Garrizmann *et al.*, 2017; 2019).

Public education is a core element of the 'social investment agenda' (Gingrich and Ansell, 2015; Hemerijck, 2012). With the passage from a Fordist to a knowledge-based economy,

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<sup>1</sup> For a more detailed explanation of the methodology, see the supplementary material.

investments aimed at improving education have become key to meeting demands for a highly-skilled labour force and to increasing workers' wages.

Another crucial component of the social investment (SI) agenda is family policy, particularly childcare and parental leave. SI goals are pursued in two ways: first, by fostering women's human capital to facilitate their entering or remaining in the labour market, and secondly, by strengthening the development of children's cognitive skills (Esping-Andersen, 2002).

Finally, when looking at labour market policies, attention has been paid to active labour market policies (ALMPs). Such policies are expected to enable people to enter or re-enter the labour market by equipping them with proper skills (Bonoli, 2013).

Before proceeding, three clarifications are needed. First, it would be wrong to classify the entirety of family and labour-market policies as SI policies. Instead, it is more appropriate to say that within the scope of these policies it is possible to identify SC- and SI-oriented policy instruments. Second, regarding SI policies, the borders between different social areas are quite blurred. For example, the minimum income is an anti-poverty programme, but – since it is very often associated with activation measures – it can also be seen as an *indirect* labour-market instrument. Third, social investment reforms may vary since diverse strategies can be *designed* according to actors' preferences. Garritzmann *et al.* (2019) identify three different possible social investment strategies: an *inclusive/universal* strategy in which the reform benefits all citizens; a *stratified* strategy where only a limited segment of the citizens (and not those from the lower social classes) benefits from the reform; and a *targeted* one, where the reform provides entitlement and provision of services specifically to the most disadvantaged social groups.

The second step is to understand what kind of welfare reform directions can be observed in the post-Fordist era. The literature shows that policy reforms occur in a multidimensional space that comprises traditional *SC* and new *SI policies* (Häusermann, 2010; 2018; Giuliani, 2021a; 2021b). Policy reforms can move in the same direction, i.e., *expansion* or *retrenchment* of both SC and SI policies, but they can also diverge, e.g., *retrenchment* of *SC* and *expansion* of *SI policies*. Therefore, four possible final directions can occur: *expansion*, *recalibration*, *retrenchment*, and *welfare protectionism*. While expansion and retrenchment are quite straightforward, recalibration and welfare protectionism require a brief explanation.

*Recalibration* implies a retrenchment of SC policies combined with an expansion of SI policies as compensation for the losses. In this case, the potential beneficiaries vary depending on the kind of SI strategy employed. In other words, *recalibration* can be *inclusive/universal*, *stratified* or *targeted*. The same also applies to *expansion*. On the other hand, *welfare protectionism* leads to the retrenchment of SI policies and the *expansion* or maintenance of SC policies. *Welfare protectionism* protects the privileges of existing recipients and labour-market insiders while disregarding the claims of new social-risk groups.

### **Explaining the politics of social investment: A multi-causal explanatory framework.**

By combining the insights of the New School of Partisan Politics (NSPP) (see, Häusermann *et al.*, 2013; Häusermann *et al.*, 2020) with those of the literature on the New Politics of the Welfare State (Pierson, 2001), it is possible to set up a multi-causal theoretical framework to explain reform directions that will be illustrated schematically.

The first key assumption is that the welfare preferences of political parties, once in power, are driven by their voter constituencies. Once in office, parties are motivated to pursue policies supported by their distinctive core constituencies. They can also decide to carry on specific policy reforms to attract new social groups. *Voter-party linkages*, therefore, remain crucial. Such an assumption is shared by both the Old School of Partisan Politics (OSPP) and the New School. However, the latter has pointed out that electoral constituencies have changed. Economic globalization, de-industrialization, and tertiarization have modified the nature of represented interests, and political parties now mobilize different social groups compared to the Fordist era. In this respect, social

democrats have attracted support from the new middle and upper classes to replace their shrinking historical constituency of blue-collar workers. The latter have increasingly turned to the radical right, which, since the early 1990s, has undergone a process of *proletarianization* (Oesch and Renwald, 2018). Simultaneously, the new, growing group of low-skilled service workers have gradually moved away from the left and come closer to the new anti-establishment populist parties (Gherardini and Giuliani, 2020). These shifts are not without consequences for welfare politics.

The new middle and upper classes are expected to be more sensitive to the new social risks and less interested in social-insurance schemes. Furthermore, some of the SI policies, such as ALMPs, are particularly welcomed by these social groups due to their *re-commodification* promise, allowing lower welfare state expenditure and, consequently, taxation (Bonoli, 2013). In contrast, blue-collar workers are likely to support SC policies and to be less interested in SI (Häusermann *et al.*, 2013). Low-skilled service workers' policy preferences are less straightforward as the new social risks hit them strongly. So, theoretically, they should be the first beneficiaries of SI. However, Bonoli (2013) has pointed out that members of this group do not necessarily see these policies as being to their advantage. On the contrary, they could oppose them and favour SC policies, which may be perceived as a better instrument for protecting them in the short term.

It follows that social democrats in the post-Fordist era are likely to have an increasing electoral incentive to expand SI policies and to cut back on some SC policies to preserve and increase their support among the middle and upper classes. In contrast, both the radical right and the populist parties are expected to have an electoral incentive to expand SC policies while being less interested in promoting SI measures.

The OSPP assumes a linear relationship between the type of party in power and policy output. However, the NPSS contests such direct linkage. Once in office, parties are affected by other variables that limit or expand their room for manoeuvre.

First of all, the welfare institutions inherited from the past create feedback effects that impact government reforms (Pierson, 2001). As pointed out by Vlandas (2013:9), political parties once in power 'choose policies in the context of existing policy tools, which may differ significantly in different regimes'. These policy tools, or institutions, create different groups of *winners*, which, in turn, mobilize to preserve their rights and benefits. These *institutional winners* vary according to the specific policy legacies triggered by the welfare regimes. Policy legacies thus create electoral incentives or disincentives for governing parties when proposing welfare reforms. Therefore, rephrasing Armingeon's statement (2007:913), it is possible to identify a '*regime specific predisposition*' to favour/reject SI or SC policies.

Second, *context matters*, and the social effects of the economic crisis can further limit the room for manoeuvre of parties in power. In this regard, supporting cuts in SC measures after an economic recession could be electorally risky.

Finally, what parties do when in office also depends on what other parties do, whether they are part of the governing coalition or in opposition. Therefore, the decision to expand or cut back on social policies is affected by strategic considerations concerning the other parties' positioning. The presence of a declining centre-right party may incentivize cuts in SC spending in order to attract its supporters and secure votes for future elections. Conversely, the presence of a *gentrified* social democratic party could further encourage radical right or populist parties to expand SC spending increasingly to attract and retain the loyalty of those losers of globalization who feel betrayed by the left. Furthermore, when governments take the form of *coalition* governments, welfare reforms are likely to result from a political compromise, often leading to a sort of *policy exchange*.

## Policy reforms in Italy after the economic and financial crisis

### *The centre left-led governments (2014-2108)*

In the first legislature following the economic and financial crisis (2013-2018), Italy was governed by three centre left-led coalitions, with the PD as the main party in power.<sup>2</sup> After the short-lived Letta government (2013-early 2014), Matteo Renzi, who had taken over the leadership of the party at the end of 2013, was appointed the new prime minister. The Renzi government fell in December 2016 and was replaced by the Gentiloni government (2016-2018). However, Renzi's leadership was reconfirmed in the PD's primary election in 2017. A brief analysis of the policy reforms undertaken between 2014 and 2018 by the Renzi and Gentiloni governments follows.

### *Labour-market policy*

Concerning SC policy instruments, the Renzi government's core reform was the 2014 Jobs Act (Law 183/2014). The reform introduced several measures of retrenchment coupled with expansive ones. The law reduced the rigidity associated with permanent contracts by abolishing Article 18 of the so-called workers' statute and introducing a contract with 'increasing labour safeguards'. In the case of dismissal, on economic grounds, of newly appointed workers, a new compensation system was introduced, while workers' reinstatement was no longer applied. This change was far-reaching since flexibility for the first time affected labour-market insiders (see, Giuliani, 2019). Simultaneously, flexibility *at the margins* continued to be promoted since fixed-term contracts were further liberalized. The law also modified the short-time work scheme, the 'Cassa Integrazione Guadagni' (wage guarantee or redundancy fund, CIG), in order to limit abuse. The resulting savings were supposed to be allocated to the financing of other unemployment benefit schemes. In this regard, the Jobs Act introduced a new form of unemployment insurance, the 'Nuova prestazione di Assicurazione Sociale per l'impiego' (NASpi), covering almost all salaried workers (Decree-Law 22/2015). Furthermore, other unemployment benefits ('mini-NASpi' and 'DIS-COLL': indennità di DISoccupazione per i COLLaboratori coordinate e continuative) were introduced, targeting specifically atypical workers.

Another transfer-oriented measure promoted by the Renzi government (outside the framework of the Jobs Act) was a tax break scheme for low-to-medium income employees (the '80-euro bonus'). Finally, the Jobs Act established universal unemployment assistance for the first time, the 'Assegno Sociale per la Disoccupazione' (ASDI). In 2016, the ASDI was followed by a minimum income scheme (called 'Sostegno per l'Inclusione Attiva', SIA), replaced in 2018, during the Gentiloni government, by the 'Reddito di Inclusione' (REI) (Decree-Law 147/2017), which targeted 1.8 million citizens. Nevertheless, the resources allocated remained modest.

Concerning SI policy instruments, the Jobs Act first created a new national agency, the 'Agenzia Nazionale per le Politiche Attive del Lavoro' (National Agency for Active Labour-market Policy, ANPAL) to combat the fragmentation of public employment services, which in Italy are managed by the regions (Decree-Law 150/2015). Second, it introduced a new voucher for the long-term unemployed (ANPAL Resolution 3/2018). Concerning the REI, receipt of the benefit was conditional upon signing a personalized socio-economic reinsertion pact. Through this pact, the beneficiary committed to following personalized programmes aimed at social or job activation.

All the SI measures discussed so far follow a typical *targeted strategy*, providing entitlement and provision of services to the lower-income classes and outsiders in general. However, while the expansion of SI measures seems coherent within the regulatory framework, it was quite inefficient in reality. First of all, the ALMPs received inadequate financing. In 2015, expenditure on labour-market services and training programmes remained very low.<sup>3</sup> Meanwhile, employment incentives – that

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<sup>2</sup> Other, small, parties joined the coalition government. The Nuovo Centro Destra (New Centre Right) was the most significant of these, but in terms of welfare reforms, its role was marginal.

<sup>3</sup> For more information concerning comparative social expenditure data, see the supplementary material.

mainly benefit employers rather than employees and are less effective in serving SI goals – went up. By prioritizing resources for employment incentives, both the Renzi and Gentiloni governments followed a *stratified strategy* that benefited the upper class. At the same time, the governments did little to improve the performance of Italian job centres (the ‘centri per l’impiego’: CPI), which would have played a vital role in REI’s ‘activation’ part (Raspanti 2019).

Second, the outcome of the 2016 constitutional referendum – which, had the constitutional changes been approved, would have brought ALMPs back under the control of the central government – reduced the role of the ANPAL. Indeed, the ALMPs have remained in the hands of the regions, and the ANPAL does not have the power to impose a centralized strategy. The result is that differences have persisted between the northern and southern regions.

Therefore, when looking at the regulatory framework, the centre left-led governments tended to *recalibrate* the fragmented Italian labour market. Nevertheless, the innovations introduced were poorly designed, and the bulk of the resources continued to go to SC measures. The result was a sort of *ambiguous recalibration*.

### *Family policy*

Concerning social-consumption policy instruments, the Renzi government introduced a new cash benefit in 2015 (2015 Budget Law), the ‘bonus bebè’, a means-tested measure aimed at low-income employees and atypical workers. Coupled with this measure was another instrument, the universal ‘mamma domani’ bonus, available to all mothers, which the Gentiloni government introduced in 2017 (2017 Budget Law). The goal of these measures was to increase income support to families.

Several other social investment measures were launched. First, both the Renzi and Gentiloni governments reconfirmed the Babysitting/Kindergarten voucher, introduced in 2012 by the Monti government. The measure sought to lower the cost of childcare provided by public or private daycare centres or child minders. To be entitled to this benefit, mothers had to give up parental leave. Therefore, the measure was meant to encourage mothers to return to work immediately at the end of maternity leave. The second innovation was the Kindergarten Voucher introduced by the Gentiloni government in 2017 (2017 Budget Law). This cash transfer was not means-tested and partially covered the cost of public or private childcare services.

Finally, as concerns the work-family reconciliation measures, the Jobs Act reform contained several measures to prolong the length and scope of parental leave. Obligatory paternity leave was also increased from 2 to 4 days.

Thus, the PD adopted an *expansionary position* in family policy, combining typical SC policy instruments with SI measures. However, the balance leaned toward the former, as is evident when looking at family expenditures. Indeed, childcare expenditure remained among the lowest in Western European countries, with no change over time. Conversely, expenditure on cash benefits increased. Furthermore, the decision to employ *vouchers* as instruments to cover childcare costs has a *stratified* effect. While, on paper, the vouchers are universal since all mothers are entitled to the benefits, they tend to favour the middle and upper classes, topping up the high costs of public or private childcare (Saraceno, 2020).

### *Education Policy*

Two main expansionary measures were introduced in this realm. First of all, in 2017, the Gentiloni government, within the framework of the Buona Scuola (Good School) Law, set up an integrated education system that recognizes childcare for 0 to 3 year-olds not as a welfare service but as an individual right within the public education system (Decree-Law 65/2017). Therefore, childcare becomes an instrument of social investment designed to foster the cognitive development of all children. Secondly, the Buona Scuola Law introduced a scheme of ‘alternanza scuola-lavoro’ (‘alternation between school and work’), a programme to facilitate the transition from school to work. The measure encourages high-school students to carry out training activities in private or public enterprises as part of the path leading to their graduation.



Both measures followed an *inclusive* strategy since all children or students can benefit and indicated new attention to the SI realm. However, even in this case, such attention was weak. First of all, education expenditure remained low, even by comparative standards. Secondly, the number of public daycare services under the Renzi and Gentiloni governments did not increase. Coverage remains very low (20%) even if private market provision is considered (Pavolini and Saraceno, 2017). Furthermore, the Buona Scuola reform did not eliminate co-payment. The cost of childcare remains very high, and very often, those who do not qualify for the discounted public-service rate do not have the resources to pay the private-market fees (Saraceno, 2020).

To summarize, with the centre left-led governments, SI policies received new attention, but their effective promotion was limited and mostly followed a de facto *stratified* strategy. Furthermore, substantial resources were allocated to SC measures as well. The *recalibration effort* thus remained more on paper than in reality.

### *The Lega-M5S government (2018-2109)*

The 2018 national elections produced an *unlikely* coalition government between the Lega and the M5s led by Giuseppe Conte. The first Conte government was, however, short-lived and fell in August 2019 after only 14 months. Considering its limited lifespan, the number of welfare reforms was lower than those promoted by the previous centre left-led governments.

### *Labour Market Policy*

Concerning SC policy instruments, with the ‘Decreto Dignità (‘Dignity Decree’), the coalition promoted a re-regulation of the labour market by making it more difficult for employers to use fixed-term contracts. Indeed, the contract length was reduced from 36 to 24 months. After 13 months, the contract’s extension must be justified, a clear change of direction compared to the previous centre left-led governments. However, the primary, indirect innovation in this realm was the introduction of the Reddito di Cittadinanza (Citizenship Income, RdC) (Decree-Law 4/2019), a selective income-protection scheme that was one of the flagship policies of the M5s. The RdC replaced the REI, though changes between the two schemes have mostly concerned economic resources (see Baldini *et al.*, 2019). The 2019 Budget Law allocated €7.1 billion (as against the REI’s €2 billion) to the new measure. Moreover, it was supposed to target 1.2 million families (those in absolute poverty). The benefit of €780 monthly is very generous for a single person, one of the highest in Europe and well above the REI. However, it is more limited for larger families. Migrants who have been resident for less than ten years are not eligible to receive it.

Entitlement to the benefit is conditional upon the beneficiaries’ activation, that is, the SI side of the RdC. In this regard, similar to the REI, two instruments were included: a job and a social inclusion agreement. Their goal is to help applicants enter or re-enter the labour market and/or combat social exclusion. To set up the RdC’s activation side, the 2019 Budget Law increased the resources allocated to the ANPAL and those dedicated to job centers to hire 3,000 new employees – popularly known as ‘navigators’, which should take charge of RdC beneficiaries, helping them during the job-seeking process. Simultaneously, the government’s 2019 Budget Law planned to increase the resources dedicated to strengthening the fight against poverty by the municipalities’ social services.

To summarize, the first Conte Government expanded both SC and SI policy instruments. However, the increased resources set aside for the latter were not sufficient to solve the enduring institutional problems of the Italian ALMPs. On the contrary, the reform created new problems. First of all, competences in the ALMP sector remained in the hands of the regions, which opposed the decision by the Ministry of Labour and Social Policies to hire navigators without an agreement regulating their entry into the public-sector workforce (Raspanti, 2019). The result was that the ANPAL had to hire the navigators directly using temporary 24-month contracts. Second, the navigators’ role seems not to have been effective. In February 2020, only 4.8% of the RdC’s

beneficiaries applying for jobs were offered a contract of employment, and just 1.1% signed permanent contracts (AnaplServizi, 2020). Put differently, the RdC's activation side appears to have been poorly designed, despite the increased resources.

### *Family Policy*

Concerning SC policy instruments, the first Conte government did not introduce significant changes (Solera, 2019). All the cash benefits promoted by the Renzi and Gentiloni governments were retained and, in some cases (i.e., the Bonus Bebè) were slightly increased (by 20% for the second child).

Turning to SI measures, the government was more ambiguous. Paternity leave was increased in the 2019 Budget Law (from 4 to 5 days, plus one more day to be deducted from the maternity leave), while the government kept the Kindergarten Voucher with an improved financial budget. Conversely, the government decided to eliminate the babysitting/kindergarten voucher.

Furthermore, the government supported expanding both SC and SI policy instruments providing more financial resources by increasing the Family Policy Fund. However, as Pesaresi (2019) noted, a substantial part of the Fund's resources was devoted to promoting occupational family welfare, thus benefiting a limited, already well-supported, population: that part of the population working in large Italian companies. In other words, the government followed a typical *stratified* strategy.

To summarize, the first Conte government expanded both SC and SI measures. However, SI was not prioritized, and the innovations introduced were limited.

### *Education Policy*

The 2019 Budget Law slightly increased the Education Policy budget compared to 2018. The funds to combat early school leaving were doubled, and the integrated education system's budget was increased by €10 million. Thus, the previous government's commitment to making primary care an individual right within the public education system was maintained, at least on paper. However, at the same time, the Conte government cut the Alternation between School and Work scheme by reducing the school hours devoted to the programme and halving its financial resources. Furthermore, the resources for tertiary education remained scanty, with a minimal increase compared to 2018. Finally, the government did nothing to increase public daycare services or to lower costs for families (Pesaresi, 2019).

To summarize, though the government increased the budget slightly, it was far from making education policy a real priority at all levels. The strategy was *inclusive* only on paper, while, in reality, it continued to be *stratified*.

To understand the general direction of the first Conte government's welfare reforms, it is necessary to look at the realm of pensions. The government indeed promoted a new early retirement pension reform, a typical SC policy, called 'Quota 100', which allowed workers to retire at 62 years of age with 38 years of contributions (Jessoula, 2019). It also introduced a 'citizenship pension', a means-tested benefit for those who had reached the pension age and had an income below the poverty threshold. The 2019 Budget Law allocated almost €22 billion to Quota 100, an extremely large amount of public money. It follows that the reform has increased the pension-spending to GDP ratio, bringing it to 15.8% in 2020 (Galasso, 2020). Furthermore, the scheme has benefited insiders and, more specifically, private and public male employees under 65 years of age, already covered by the generous earnings-related system (Giuliani, 2021a).

To summarize, while the Conte government did increase the resources for SI, the priority in quantitative and qualitative terms was devoted to three SC programmes: the Dignity Decree, Quota 100, and the RdC, specifically its 'cash-transfer-oriented' aspect.

## Explaining reform directions

Table 1 shows the weights of the five post-industrial classes within the governing parties' electoral bases in 2001 (2013 for the M5s) and 2018. What emerges regarding the PD is the sharp decline in its traditional constituency of blue-collar workers (BCs) plus low service functionaries (LSFs), with a simultaneous increase in capital accumulators (CAs), socio-cultural professionals (SCPs), and mixed-service functionaries (MSFs). The PD has thus increasingly gained support from the middle and upper classes while alienating the lower classes, as also confirmed by the fact that, in the 2018 elections, the PD was the CAs' first choice, while it was only the fourth choice among the BCs.<sup>4</sup> Thus, it is possible to talk about *the gentrification* of the PD's electoral base alongside Matteo Renzi's leadership, which shifted the party to 'Third-Way' positions.

[Table 1 about here]

The opposite is seen when considering the Lega. Support from the middle and upper classes has decreased, while the party has gained support among the lower social classes, the BCs, and the LSFs. The BCs have a strong preference for the Lega.<sup>5</sup> Therefore, under Matteo Salvini's leadership, the Lega has undergone a process of *proletarianization*. However, the share of the middle- and upper-class' votes (MSFs and CAs) has remained reasonably high. Nevertheless, within these classes, the petty bourgeoisie is overrepresented. Simply put, the Lega's constituency consists of an alliance between the *working class* and the *small-business world*.

Finally, the M5s' constituency has become more heterogeneous. Support among the CAs and SCPs has increased. However, the BCs' share has declined while the LSFs' has substantially scaled up. Even though its pure populist ideology has increasingly made the M5s a cross-class party, the lower social classes remain its key constituency. The M5s is the first choice of both the BCs and the LSFs. In particular, this latter group of low-skilled outsiders has displayed a strong preference for the party.

Given its constituency's composition, it seemed fair to assume that the PD would be particularly responsive to the preferences and values of the upper and middle classes. The Lega would pay more attention to the BCs *and* the small business world. Finally, the M5s would be responsive essentially to the LSFs.

Table 2 shows the post-industrial classes' support for SC and SI policies. The values indicate the deviation of each group from the total workforce's support for these policies. Positive deviations are highlighted. BCs and LSFs display the highest support for SC policies. In contrast, CAs and SCPs show less support for these policies.

[Table 2 about here]

These data suggest that the PD has an electoral incentive to deregulate the labour market as it did with the Jobs Act since this would directly benefit its upper-middle class constituency. Furthermore, deregulation and the bitter confrontation with the Confederazione Generale Italiana del Lavoro (Italian General Confederation of Labour, CGIL), Italy's main trade union, can be seen as an *electoral instrument* for broadening the electorate by earning the trust of centre-right voters, especially those of Forza Italia (FI). Indeed, FI's electoral decline left a political vacuum. During his electoral campaigns and interviews with the Italian press,<sup>6</sup> Matteo Renzi stated explicitly that the PD had to attract the votes of the traditional centre-right constituency (Ventura, 2018). However, majorities in all social groups, on average, support SC policies. A severe retrenchment of cash benefits was not

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<sup>4</sup> See the supplementary material.

<sup>5</sup> See the supplementary material.

<sup>6</sup> *Il Foglio* (29/09/2016) and *Il Sole 24 Ore* (13/09/2013).

possible if the PD wanted to avoid electoral punishment, partially explaining why the party decided to expand social-transfer policies.

Conversely, the Lega and the M5s had an electoral incentive to expand SC if they wanted to keep and increase votes from their *lower class* constituencies. The Lega-M5s government's reforms need to be analyzed by considering them a compromise between two different parties. Ministry assignments partially reflected the internal division of competences. Luigi Di Maio, the leader of the M5s, was appointed as Minister of Labour and Social Policies, while Matteo Salvini was made Minister of the Interior. A member of the Lega, Lorenzo Fontana, became Minister for the Family. Labour market policies were, therefore, mainly in the hands of the M5s, but the pension and family policies remained a prerogative of the Lega, which also directly managed migration issues. The welfare reforms enacted by the first Conte government were the outcome of mutual concessions between the two parties. The Lega decided reluctantly to back the Dignity Decree and the RdC, while the M5s supported the Quota 100 reform and new, stricter, migration laws known as the Security Decrees. The first two measures benefited the LSFs, the M5s' key outsiders constituency, while Quota 100 specifically targeted the Lega's insiders electorate, particularly (male) BCs and small business owners. Furthermore, by expanding SC policies, the Lega and the M5s could further attract the votes of the lower social classes, which no longer felt represented by the PD.

Support for SI policies has generally been very high, although higher among the CAs, SCPs, and MSFs, and lower among BCs and LSFs. Therefore, the PD had an electoral incentive to expand SI measures since its three key constituency groups back them. Furthermore, the specific composition of the PD's constituency, with the upper and middle classes overrepresented, provided the party with the opportunity to expand SI policies primarily through a *de facto* stratified strategy.

In contrast, the Lega and the M5s had fewer electoral incentives to expand SI, thus explaining why the bulk of the resources were allocated to SC policies. However, this did not lead to a general retrenchment of SI measures. The upper and middle classes still represent quite a significant share of the Lega's and the M5s' constituencies. At the same time, neither the BCs nor the LSFs have shown any strong opposition to SI. A sharp cut in these policies would have been electorally risky. The *widespread* expansion of both SC and SI promoted by the first Conte government must be understood as a *credit-claiming* strategy to appeal to all the governing parties' electoral groups. Nevertheless, priority was given to their key constituencies' policy preferences.

These data do not fully explain why the PD chose to use the limited resources available to expand SC measures. At the same time, it is unclear whether the SC prioritization by the Lega-M5s government had ulterior motives. The puzzle can be better understood if we consider social groups' preferences regarding a trade-off between SC and SI policies.

Table 3 shows whether a social group will support an expanded SI policy (education and family policies) even if it implies an SC policy instrument retrenchment (unemployment benefits and old-age pensions). What emerges is that there is very little support for SI in any of the social classes if a cut in SC policies for all social groups is implied.

[Table 3 about here]

These data are not surprising if we consider the southern welfare regime's features. First of all, in Italy, the welfare state has historically been structured around a hypertrophic pensions system. In comparison, SI began to be developed only in the 1970s and increasingly in the 1990s, and was thus subject to *adverse timing*. The consequences are twofold. On the one hand, the bulk of social expenditure has been devoted to pensions, making it very difficult to re-allocate resources to new programmes, including SI. This is the 'crowding-out' effect (Bonoli, 2013). On the other hand, the pensions system has generated a group of highly-mobilized institutional winners. As shown in Table 2, this is a vast group, with all social classes opposing expansion in an SI programme if cuts in pensions spending are implied. The fact that skilled and unskilled outsiders (the SCPs and the LSFs) also give priority to pensions spending over SI is not surprising if we consider that, given their

insecure employment, for many of them, their parents' or even grandparents' pensions are the only safety net during periods of unemployment (ISTAT 2020). Italy's pensions policy legacy has limited the expansion of SI, restricting the resources available, especially in times of austerity, and has provided an electoral incentive to maintain or even expand transfer-oriented programmes.

Second, the structure of the Italian labour market disincentivizes developing solid support for SI. The Italian productive system is characterised by large numbers of small- and medium-sized enterprises, which has depressed the demand for high-skilled workers due to a lack of capital investment and an unsupportive attitude to innovation (Kazepov and Ranci, 2017). It follows that the Italian labour market has taken a *low road*, with the bulk of new jobs being precarious and low-skilled. CAs' support for SI is higher than average but they oppose any increase in education expenditure if a cut in cash-transfer programmes is involved. Put differently, skill formation for CAs is positively valued but not at the cost of unemployment and pension benefits since there is a marginal return from an upskilling process. Simultaneously, this *low road* also discourages high- and medium-skilled workers (SCPs and MSFs) from prioritizing SI over SC. Indeed, in Italy, education returns, especially for tertiary education, have declined over time, while high-skilled unemployment has increased more than in other Western European countries (Maestripieri and Ranci, 2016). Even for the educated middle class, passive measures are perceived as a more *convenient* social policy tool since Italy's SI policies do not seem very *effective* in their (*ex-ante*) protection against new social risks. Prioritizing upskilling programmes is therefore less electorally convenient than expanding passive measures.

Finally, in the post-crisis context, Italy was recovering from an economic and financial crisis that cut families' purchasing power. In 2015, average monthly expenditure for Italian families was 6.3% lower than in 2008, when the economic and financial crisis started (ISTAT, 2017). In 2018, the average family income was slightly higher than in 2008, but inequalities continued to increase. Accordingly, transfer-oriented policies for sustaining family incomes were predictably welcomed by the electorate.

## Conclusions

This article has analyzed and explained the politics of SI in Italy after the economic and financial crisis. The welfare reforms promoted by the centre left-led governments, under the leadership of the PD, and by the Lega-M5s government have shown that the path toward SI in Italy is uncertain.

The centre-left governments paid more attention than previously to SI and attempted to recalibrate the Italian welfare state. However, such recalibration remained ambiguous. SI was promoted mainly through a *stratified* strategy and was not truly prioritized. Indeed, the limited resources available were also allocated to several SC programmes. Recalibration was thus more theoretical than real.

The Lega-M5s coalition did not substantially reverse the previous governments' SI reforms. However, the bulk of the resources were devoted to typical SC measures. In other words, the government displayed a clear preference for passive and regulatory policies.

The specific directions of reform supported by the governments have been explained by looking at interlinked political and contextual variables.

The PD had an electoral incentive to expand SI through a stratified strategy since it appeals mainly to the middle and upper classes, which display greater support for SI programmes. Furthermore, the retrenchment of some SC measures was a way to steal votes from the declining Italian centre-right. However, the PD's electoral incentive to expand SI was limited by other contextual factors. Because of the specific policy legacy of the southern welfare regime and the legacy of Italy's economic context after the international financial crisis for all social classes, SI was less attractive compared to SC and this pushed the centre left-led governments to enact an ambiguous strategy where it combined deregulation, a poorly designed SI expansion, and the promotion of fragmented cash-transfer measures.

The Lega-M5s reforms were the result of a compromise between two different parties whose core constituencies are represented by the lower social classes that firmly back SC measures. These parties had an electoral incentive to expand cash transfers and re-regulation measures. In contrast to the PD, such an electoral incentive was further reinforced by contextual factors. The policy legacies of the southern regime, the post-crisis economic context, and a gentrified centre left made it more convenient for the government to expand SC. At the same time, to gain support among all social classes, the coalition refrained from cutting back on SI. The Lega-M5s government thus adopted a credit-claiming strategy, where SC still was prioritized over SI.

Analysis of the Italian case prompts a number of theoretical considerations. First, the partisan effect has not disappeared in the post-Fordist era since political parties continue to appeal to different constituencies. The Italian case study has shown that social democrats are more inclined to support SI while radical and populist parties are more prone to back SC. However, partisanship is affected by contextual factors that can scale differences up or down. The specific welfare institutions inherited from the past create constraints and opportunities for expanding SI. Italy has remained an inhospitable environment for SI, which social groups perceive as less effective than SC policies. As a result, regardless of *party family* affiliation, the electoral gain for governing parties from an expansion of measures such as ALMPs is minimal. Finally, concerning the demand side, the Italian case has shown that higher support for SI from the governing party's core constituency is insufficient to determine whether the government will prioritize its expansion. It is also crucial to consider how the core constituency behaves when it faces a trade-off. While it can favour SI, it may not support its expansion if this means a retrenchment of SC programmes. In other words, *policy priorities* in the post-Fordist era seem increasingly more important than general *policy support*.

Future work could study further the interaction of political and contextual variables through a comparative perspective and broaden this study's scope by investigating reforms adopted during and after the Covid pandemic.

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**Table 1.** Governing parties' constituencies (Oesch's class scheme re-elaborated by Schwander and Häusermann).

|  | <b>PD</b>               |                         |               | <b>Legu</b>             |                         |               | <b>M5s</b>              |                         |               |
|--|-------------------------|-------------------------|---------------|-------------------------|-------------------------|---------------|-------------------------|-------------------------|---------------|
|  | <b>2001<sup>1</sup></b> | <b>2018<sup>2</sup></b> | <b>Change</b> | <b>2001<sup>1</sup></b> | <b>2018<sup>2</sup></b> | <b>Change</b> | <b>2013<sup>3</sup></b> | <b>2018<sup>2</sup></b> | <b>Change</b> |
| <b>Capital Accumulators<br/>- CA</b>         | 20.6                    | 23.1                    | +2.5          | 21.9                    | 20.6                    | -1.3          | 21.7                    | 27.1                    | +5.4          |
| <b>Socio Cultural Professionals<br/>-SCP</b> | 13.1                    | 15.7                    | +2.6          | 10.4                    | 5.3                     | -5.1          | 7                       | 10.2                    | +3.3          |
| <b>Blue Collars<br/>-BC</b>                  | 24.3                    | 16.7                    | -7.6          | 18.8                    | 25.1                    | +6.3          | 29.8                    | 16.6                    | -13.2         |
| <b>Low Service Functionaries<br/>-LSF</b>    | 15.2                    | 13.1                    | -2.1          | 14.1                    | 15.2                    | +1.1          | 13.7                    | 19.7                    | +6            |
| <b>Mixed-Service Functionaries<br/>-MSF</b>  | 27.4                    | 31.5                    | +4.1          | 34.6                    | 33.6                    | -1            | 27.9                    | 26.4                    | -1.5          |

<sup>1</sup> For 2001, scores for The Daisy and the Left Democrats have been merged. Source: ESS Round 1.

<sup>2</sup> Source: ESS Round 9.

<sup>3</sup> Source: ESS Round 8.

**Table 2.** Post-industrial classes' support for SC and SI Policies (2016)

|  | <b>Pro-social<br/>consumption</b> | <b>Pro-SI_<br/>childcare</b> | <b>Pro-SI_<br/>work-family<br/>balance</b> | <b>Pro-SI_<br/>social investment<br/>for the<br/>unemployed</b> |
|--|-----------------------------------|------------------------------|--|---|
| <b>Capital Accumulators<br/>- CA</b>         | -5.44                             | +0,94                        | +1.32                                      | +1.86   |
| <b>Socio Cultural Professionals<br/>-SCP</b> | -3.78                             | -0,4                         | +6.58                                      | +3.48   |
| <b>Blue Collars<br/>-BC</b>                  | +2.85                             | 0,03                         | -3.41                                      | -2.98   |
| <b>Low Service Functionaries<br/>-LSF</b>    | +7.86                             | -2.96                        | -2.47                                      | -1.51   |
| <b>Mixed-Service Functionaries<br/>-MSF</b>  | -1.51                             | +1.24                        | +1.3                                       | +0.26   |
| <i>Mean Support in the Workforce</i>         | 80.25                             | 92.56                        | 64.55                                      | 80.44   |

Source: ESS, round 8 and 9.

**Table 3.** Post-industrial classes' support for social investment over social consumption policies (2014)

|  | <b>Increase spending on<br/>education by 10% by<br/>cutting benefits for the<br/>unemployed</b> | <b>Increase<br/>spending on<br/>education by<br/>10% by cutting<br/>benefits for the<br/>elderly</b> | <b>Increase<br/>spending on<br/>families with<br/>children by<br/>10% by<br/>cutting<br/>benefits for<br/>the<br/>unemployed</b> | <b>Increase spending<br/>on families with<br/>children by 10%<br/>by cutting<br/>benefits for the<br/>elderly</b> |
|--|---|--|--|---|
| <b>Capital Accumulators<br/>- CA</b>         | 15.21%  | 14.21%   | 15.89%   | 45.85%  |
| <b>Socio Cultural Professionals<br/>-SCP</b> | 41.59%  | 4%   | 26.46%   | 9.50%   |
| <b>Blue Collars<br/>-BC</b>                  | 18%   | 13.79%   | 6.01%  | 20.70%  |
| <b>Low Service Functionaries<br/>-LSF</b>    | 28.81%  | 13.79%   | 2.20%  | 0%  |
| <b>Mixed-Service Functionaries<br/>-MSF</b>  | 27.43%  | 33.9%  | 5.89%  | 25.31%  |
| <i>Support in the Workforce</i>              | 18.44%  | 8.07%  | 12.25%   | 16.15%  |

Notes: Values indicate percentage support (strongly agree + agree)

Source: INVEDUC, round 1.