10 Reconstructing the welfare state in Southern Europe

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Introduction

The images of French *routiers,* German miners or Belgian automobile-workers striking to preserve their jobs and social guarantees are likely to be remembered as the most visible symbols of that struggle around welfare reform which has been dominating Europe's political landscape in the course of the last decade. Unfortunately the international media have been paying much less attention to other, less vocal protagonists of the same scene, somewhat crowded in its background: Neapolitan streetchildren living in conditions of extreme poverty; legions of Spanish youngsters with little prospect of finding a job; forgotten neighbourhoods in the peripheries of Athens, Lisbon or Palermo where the state (let alone a welfare state) is only a vague and distant presence. Yet these images are extremely relevant for a full understanding of the stakes surrounding welfare reform in Europe today. And Southern Europe is perhaps the area where these stakes are greater. Here reforming and modernising the welfare state is not just a matter of responding to demographic challenges or globalisation and meeting the new constraints of EMU, but a crucial step towards improving the life chances of millions of 'outsiders', who still remain to a large extent beyond the social reach of the state.

The structural crisis afflicting the Southern European welfare states is partly different from that of other Continental systems. The reasons are basically geo-evolutionary. In Spain, Portugal, Greece and (to a lesser extent) Italy the welfare state developed with a later timing and had to cope with more difficult socioeconomic environments—including the deep backwardness of the South's Souths. In these four countries social protection thus entered the age of 'permanent austerity' in a state of institutional and financial underdevelopment and laden with internal imbalances, of both categorical and territorial character. Their social transfer systems display at the same time peaks of generosity (at least in terms of legal formulas) for certain occupational groups and macroscopic gaps of protection for certain others. 'Insiders' and 'outsiders' are separated by a sharp divide in terms of guarantees and opportunities—in some cases with a middling group of semi-peripheral workers bouncing between the inside and the outside. Public services are still unevenly distributed and in some cases insufficient and/

or inefficient. The most natural and politically simple way out of this syndrome would have been to complete the developmental parabola, gradually ironing out the internal imbalances with more (institutional and quantitative) growth. But this option has been ruled out, at least for the time being, by exogenous constraints. Southern European countries have thus been forced to tread on the politically perilous grounds of internal restructurings: less generous benefits for insiders in order to cut down deficits and debts and—to the extent that budgetary constraints allow it—to finance new benefits and services for the outsiders. The inherent difficulty of this path is aggravated not only by EMU's new constraints and by the winds of 'globalisation' but also by a particularly adverse demography. Southern European populations (especially those of Italy and Spain) are among the most rapidly ageing societies in the world. The intensity of the crisis and the turbulence of its politics of course vary in the four countries. Greece's predicament seems definitely the most serious: considering not only objective indicators, but also the degree of awareness of the main political actors, which still seems quite low. The Iberian countries, on the other hand, find themselves in relatively better shape—especially in terms of financial indicators. Italy's problems are more serious than those of Portugal and Spain—and her welfare politics is more unruly. With respect to Greece, however, there seems to be a much higher awareness of what ought to be done: some significant steps have been taken recently, moreover, on the road to welfare reform.

This chapter aims at sketching a general overview of the main problems and reform challenges of social protection in Southern Europe. The first section will discuss some common features of the Italian, Spanish, Portuguese and Greek welfare states which allow us to speak of a relatively distinct type of social policy in these four countries.[1] The second section will identify in its turn some perverse consequences arising from the interplay of these features and calling for incisive institutional changes. The third section will finally illustrate in more depth the specific predicament of Italy's welfare system, briefly discussing the reform debate currently ongoing in this country and the actual chances of overcoming the predicament in the foreseeable future. In the conclusion, an overall assessment will be drawn and future prospects for Southern European welfare will be briefly discussed.

A brief sketch of the Southern type of welfare

Is Southern Europe distinct with respect to other macro-areas of the continent? As is well known, there already exists a rich historical and social science literature which has answered positively to this question.[2] The nations of Southern Europe have followed a specific path to modernisation (in the broad sense of the concept) and still share a number of common traits in their contemporary political economies. There are, of course, significant differences between the countries of this region: the intra-area variation is certainly much greater than that of other families of nations, e.g. Scandinavia. Yet it would be difficult to deny that the notion of

'Southern Europe' has not only a geographical, but also a substantive, politico-economic connotation.

The idea that this area is distinct also as regards social policy has already started, in its turn, to be an object of debate. The question cannot be easily answered based on the literature of the 1970s and 1980s. Past research on the political economy of Southern European countries has largely neglected the social dimension, while the mainstream of comparative welfare research has not traditionally included the Southern European countries (with the partial exception of Italy) within its samples of observation. The first comparative investigations of the 1990s do confirm, however, the existence of some systematic regional similarities, such as: the relative underdevelopment of the welfare state and the gap between promised (sometimes even legislated) and *actual* achievements (Leibfried 1992; Gough 1996); the importance and resilience of the family as a sort of clearing house for the welfare of its members—with significant implications in terms of gender (Castles 1995; Moreno 1996, 1997 and Moreno, chapter 9 in this volume; Saraceno 1994; Trifiletti 1999); a social culture imbued with a specific brand of solidarism, highly influenced by the social doctrine of the church (Castles 1994; van Kersbergen 1995). Building on this literature, I suggest that a comprehensive characterisation of the Southern welfare state should include at least seven major distinctive traits.[3]

The first of these traits is the high relevance of transfer payments and especially the internal polarisation of Southern European income maintenance systems. Cash benefits play a prominent role in the countries of this area: indeed the Southern European welfare states constitute an extreme version of the transfer-centred model typical of Continental Europe (Kohl 1981; Esping-Andersen 1990; Kosonen 1994). As in the other Bismarckian countries, Southern European income maintenance is based on occupational status, with a marked degree of institutional fragmentation. The most distinctive peculiarity of these systems is, however, the dualistic, almost polarised character of the protection which is offered. On the one hand the schemes of these countries provide generous protection to the core sectors of the labour force, located within the regular or institutional labour market; on the other hand they only provide weak subsidisation to those located in the so-called irregular or non-institutional market. Spain, Portugal, Italy and Greece are also characterised by modest safety nets. In the first three countries local schemes guaranteeing a minimum income have been introduced only recently, while Greece still virtually lacks this type of scheme (Guibentif and Bouget 1997; Matsaganis 1999).

The second distinctive trait is an unbalanced distribution of protection across the standard risks, and more generally the various functions of social policy. This imbalance is especially revealed by three indicators:

1 The overprotection of the risk of old age and of the aged as a social group. This is attested by the larger share of pension expenditure, with respect to other types of expenditures (especially in Italy and Greece) and by expenditure data which break down total social expenditure by type of

beneficiary: the aged and the non-aged. According to calculations made by the OECD (1994), for instance, in 1989 the ratio between social protection expenditure on the aged and expenditure for the non-aged was above the EC average in all four countries, remarkably so in Italy and Greece (EC average: 1.27; Portugal: 1.40; Spain: 1.30; Italy: 4.14; Greece: 3.2). According to the latest Eurostat figures, in 1996 old-age pensions absorbed 54.2 per cent of total social protection expenditure in Italy, 41.2 percent in Greece, 41 per cent in Spain (up from 36.2 in 1993) and 36 per cent in Portugal, compared to an average of 33.6 per cent in the remaining 11 member states (Eurostat 1999).

2 The underdevelopment of family benefits and services. According to Eurostat data, in 1995 family expenditures in cash and in kind averaged 2.1 per cent of GDP in the EU, but amounted to a modest 1.1 per cent in Portugal, 0.4 in Spain, 0.8 in Italy and 0.1 per cent in Greece (the four lowest figures of the 12 member states) (Commission of the European Communities 1998).[4]

3 The underdevelopment of public housing and of housing subsidies, coupled in some cases with an especially tight regulation of the private rental market. Partly as a consequence of this element, Southern European countries (especially Spain, Italy and Greece) display the highest rates of home ownership in Europe. They are also virtually the only countries in the advanced world in which the elderly (at least those who retire after a full career as employees) have institutionalised opportunities of both enjoying generous pensions and owning their homes, thus defying the logic of the 'home ownership/age pension' trade off, which seems to hold almost everywhere in the OECD (Castles and Ferrera 1996).[5]

These three interrelated elements work to activate a demographic bias in the Southern European welfare systems which—as will be argued in the next section—has very serious consequences for their overall functioning.

The third distinctive trait has to do with health care. While displaying high institutional fragmentation along occupational lines in their income maintenance systems, the Southern European welfare states are characterised by a universalistic approach in their health care systems. All four countries have legislated into existence a National Health Service inspired by the British model—though only Italy has implemented a fully fledged universal service, with no occupational distinctions. The mix between income maintenance occupationalism and health care universalism is a quite peculiar trait of the welfare states of this area of Europe. Enshrined in specific and detailed provisions of the Italian, Spanish, Portuguese and Greek constitutions, this dual approach sets the Southern European *via media* of welfare (Moreno and Sarasa 1992) programmatically apart from both the pan-universalistic, citizenship-centred Beveridgean model of Northern Europe and the pan-professional, insurance-centred Bismarckian model of Germanic countries. The idea that cash benefits ought to be tied to work positions (and financed by contributions); but that health care ought to be, on the contrary, tied to citizenship alone and provided on a universal basis and in decentralised forms is a relatively distinct and original welfare project of Southern European countries.[6]

The fourth trait is constituted by a highly articulated (but occasionally collusive) mix between public and non-public actors and institutions. This trait is particularly evident in the field of health care and social services. In Britain and Scandinavia the establishment of a NHS has not only implied a universalisation of coverage and a standardisation of norms and structures, but also a crowding out of private providers from the health sector. The public/private mix has evolved differently in Southern Europe. Here the establishment of an NHS (Italian or Iberian and especially Greek style) has not promoted a strengthening of the public sphere and the crowding out of private provision, but rather a peculiar collusion of public and private, often with great advantages for the latter (Mozzicafreddo 1992; Paci 1987; Pereirinha 1992).

The fifth important trait has less to do with the formal or tangible architecture of the welfare state and has more to do instead with its concrete mode of functioning. I refer here to the persistence of ‘institutional particularism’, if not outright clientelism and in some cases the formation of fairly elaborated ‘patronage’ machines for the distribution of cash subsidies. This is especially true of Italy and Greece (Petmesidou 1991), but according to some authors also in the Iberian countries examples of partisan manipulations of certain sectors of the welfare state can be found, at least during the 1980s and early 1990s (Cazorla 1992, 1994; CEMOTI 1989; Perez Diaz 1990). It is certainly true that some degree of institutional particularism characterises all developed systems of social protection. But when particularistic ties or networks play a prominent and in some cases determinant role in granting access to important benefits or services, when they even display some sort of formal institutionalisation (as was the case in Italy in the sector of invalidity benefits or in Spain in the sector of unemployment benefits for the agricultural unemployed during the 1980s), then particularistic norms and clientelistic circuits start to make a difference in systemic terms (Ferrera 1996).

The last two traits have essentially to do with the financing of welfare. Here the problem is constituted by (a) the highly uneven distribution of burdens across the various occupational groups due to legal disparities, and (b) the high incidence of the ‘black economy’ and therefore of tax evasion. The black economy is estimated to produce between 15 per cent and 30 per cent of total GDP in the countries of this area and its presence has serious implications for the welfare state—not only its financial stability, but also its overall effectiveness and legitimacy. The size and persistence of the black economy in Southern Europe represents a variant of that ‘inactivity trap’ which operates in other Continental systems as an effect of high payroll contributions and guaranteed social minima (Scharpf 1997). The role of the latter is played in Southern Europe more by the extended family (in which various income ‘crumbs’ from work or from the welfare system are pooled and redistributed) than by social assistance subsidies *per se;* and subsidised inactivity should rather be thought of as ‘underground activism’. But the two syndromes do display structural analogies, and have equally perverse implications. As Scharpf has shown, in Germany the high incidence of social security contributions tends to inhibit especially the expansion of the sector of personal services. The Italian variant of this syndrome is the peculiarly high incidence of black work precisely in this sector (ISTAT 1999).

These seven traits do not exhaust the list of social policy peculiarities of Southern Europe. Taken together, however, they do add up to a rather coherent set of elements which can be treated as a single institutional configuration, with a somewhat autonomous internal logic: a logic which to a large extent presupposes (and thus reinforces) that 'familialism' that is so often emphasised—as mentioned above—in debates about Southern European society and social policy. I have elsewhere discussed some possible historical causes of this configuration (Ferrera 1996). I will therefore devote the next section to highlighting some of its structural consequences.

The institutional predicament of social policy in the South

In the course of the 1990s the configuration which has just been illustrated has started to raise a number of problems, which risk entangling Southern welfare in a sort of vicious circle. The main root of such problems lies, arguably, with the polarised and demographically biased character of social protection. This state of affairs has in fact become largely incongruent with respect to the external socioeconomic context, while at the same time its internal logic works to make adaptive changes more difficult. This argument can be best spelled out in an evolutionary perspective.

In its early phases of development a polarised and demographicaily skewed pattern of social distribution did not pose particular problems to other institutional spheres (especially the family and the labour market) and it was indeed perfectly compatible with (a) the traditional 'Southern family', with its extended network of solidarities and its intense flow of intergenerational transfers, and (b) with the traditional 'Fordist' labour market, capable of offering a growing number of stable jobs providing a family wage to the younger generations. As is known, despite their late industrialisation and the persistence of a large informal sector, the Southern European economies have created in the past highly rigid labour markets, offering tenured jobs and relatively good wages to all regular employees. There is a systematic link between the existence of strong family ties, a rigid institutional labour market and an emphasis on pensions. Only the availability of secure jobs during active life and of high intra-familial transfers (material and immaterial) in the crucial phases of the life cycle can in fact sustain a concentration of benefits on the aged which in turns crowds out resources for welfare benefits and services to the young and/or to active workers and their families. In other words, in the past decades the Southern European configuration was based on the following 'circle' (maybe not a virtuous circle, but at least a relatively coherent one):

- Active workers in the regular labour market would finance—via social contributions—the benefits accruing to their parents (more generous benefits than in other Continental countries, at least for standard workers).
- Relatively high pension contributions would crowd out the possibility of other welfare benefits such as family allowances and services or public housing.
- The family and housing needs of active workers could be catered for both through the relatively generous wages drawn from tenured jobs in the regular labour market or through intra-familial transfers at the time of marriage or childrearing, etc.

The persistence of the informal economy also contributed to absorbing the adverse effect of a demographic ally skewed social distribution to the extent that it allowed working families to earn additional incomes through marginal activities or to avoid taxes on the second income.

Things still work this way to some extent. But the transformation of the external socioeconomic context, on the one hand, and the very maturation of generous pension systems, on the other, absorbing an increasing share of resources, has turned this relatively coherent institutional mechanism into a vicious circle, which is gradually eroding its very material foundations.

Let us, in fact, consider the effects of the configuration on the family. The lack of external supports and opportunities as regards housing, transfers and services has started to restrict the range of choices for young people and to act as a clear obstacle for family formation (marriages) and family expansion (children). There is evidence of a gradual delay in the age of first marriage and childbearing throughout Southern Europe, which partly explains the remarkable decline of fertility witnessed by the countries of this area (Jurado and Naldini 1996). Housing and welfare are not the only factors which influence marriage and reproductive decisions, but the current distributive status quo certainly works to aggravate the bleak demographic prospects of the Southern European populations, which seriously undermine the financial stability of this area's pension systems. Recent debates have started to revalue the familistic orientation of Southern European welfare systems, in both functional and normative terms (Perez Diaz *et al.* 1998). Even these debates have to recognise, however, that some sort of problematic syndrome is emerging in this area: an institutional configuration originally built to serve the family is now working to erode its own foundations by discouraging, precisely, family reproduction.

The consequences of the demographic bias and distributive distortions of the Southern European welfare states are equally serious in respect of the labour market. In the new globalising context, insisting on contribution-heavy and highly rigid regular jobs means only one thing: accelerating their decline. The low availability of public services for working parents and of flexible rental markets hinders in its turn that mobility which is increasingly becoming a prerequisite for processes of post-industrial or neo-industrial economic restructuring. Despite their long historical record of foreign migrations, Southern European workers are today among the least mobile of Europe. Though cultural dynamics are undoubtedly at work here, one fundamental reason for this low degree of geographical mobility of the Southern Europeans is also the cost of relocation or its sheer impossibility—for instance for lack of affordable housing. It may well be true that powerful political and institutional incentives are at work to preserve the distributive status quo (i.e. a contribution-heavy social protection mainly addressed to labour market insiders). But, again, the resulting circle is vicious, as it gradually erodes its own socioeconomic preconditions, that is, a constant supply of insider jobs.[7]

Even if the predicament of the Southern European welfare state has primarily internal origins, external challenges have been working to aggravate it. These external challenges mainly stem from the process of European integration and the strong pressure to meet the Maastricht convergence criteria by 1998. This was a virtually implausible scenario for Greece, but Portugal, Spain and Italy made it in the end. Joining the EMU has markedly intensified the pressures for budgetary discipline, bureaucratic rationalisation and the containment of non-wage labour costs to maintain competitiveness. At the same time, though, the process of European integration has acted as a spur to create a more balanced system of social protection—more in line with European standards. Throughout the 1990s, the external constraint has become a major catalyst of institutional change, triggering off a much needed process of re-calibration of the welfare state. One the one hand, pensions have been the object of restrictive reforms in all four countries: in 1992 and then again in 1998 in Greece; in 1995–1997 in Spain; in 1992 in Portugal and on three subsequent occasions (1992, 1995 and 1997) in Italy. On the other hand, new benefits and services have been introduced to fill the gaps in coverage and strengthen minimum protection. European convergence has thus had both a negative and a positive side for the Southern countries and their politicians have been often able to exploit the latter in order to legitimise the former.

The difficult path to reform: the Italian experience

Italy's welfare system definitely epitomises the main Southern European's 'geo-evolutionary' contradictions—with a few extras. In comparative perspective, social expenditure is not high (25.3 per cent in 1994): above that of the other three countries, but well below that of other European countries with similar GDP per capita. The problems lie with the internal distribution of expenditure as well as with its pattern of financing (Ferrera 1997). Expenditure is markedly skewed in favour of regular employees as regards social groups and in favour of old-age pensions as regards social risks: the latter benefits alone absorb as much as 50 per cent of total social expenditure. This creates a highly polarised social distribution which, given the geography of Italy's labour markets, has also a strong territorial component. The main winners are retired civil servants and 'Fordist' workers retired from the strong sectors, while the ultimate losers are large families with unemployed spouses in the South—a social unit with virtually no access, *de facto,* to public transfers. This polarised welfare status quo rests on a highly inequitable system of financing—an element aggravated by the high levels of tax and contribution evasion. The other serious problem on the financial side is the chronic deficit between receipts and outlays of the social security sector: this deficit (which made its appearance already in the late 1960s) bears enormous responsibility for the formation of Italy's huge public debt (c. 123 per cent of GDP in 1995).

Triggered by the growing exogenous pressures connected with the 'Maastricht process', a sequence of reforms started in the early 1990s, aimed at rebalancing (in both financial and institutional terms) the Italian *stato sociale*. Not surprisingly, pensions have been the main target of retrenchment—especially the extremely generous benefit called *pensione di anzianità,* claimable after 35 years of contributions (20 for civil servants) with no age threshold. A first restrictive reform was passed in 1992 by the Amato government. In 1994 Berlusconi tried to introduce new severe cuts, but had to pull back after a harsh confrontation with the trade unions. After the fall of Berlusconi, the unions agreed, however, to negotiate with the new government a broad reform, which was eventually passed in August 1995, under the Dini government.

The main points of the Dini reform are: the shift from the old earnings-related formula to a new contribution related formula, to be phased in by 2013; the introduction of a flexible retirement age (57–65); the introduction of an age threshold for seniority pensions (57 years) for all workers, to be phased in by 2008; the gradual standardisation of rules for public and private employees; the graduation of survivor benefits according to income; finally, stricter rules on the cumulability of disability benefits and incomes from work, as well as tighter controls on the actual compliance with eligibility rules. It must be noted that opposition to patronage practices, partisan manipulations and fraudulent behaviour on the part of both administrators and beneficiaries of welfare benefits and services became an increasingly salient policy objective during the 1990s. Besides budgetary pressures, other important incentives for a move in this direction came from the judicial investigations on corruption and bribe practices launched by the Milan magistrates at the beginning of the decade and the ensuing breakdown of the traditional 'partitocratic' establishment.

The autumn of 1992 marked an important turning point also as regards health care: an incisive reform of the NHS was passed, aimed at streamlining financial flows, introducing quasi-market incentives and increasing administrative professionalism, with a view to countering the perverse effects of the existing public-private mix in provision.

The 1992–95 reforms represented major breakthroughs with respect to the institutional legacies of the past. They were also, however, the result of social and political compromises in which the government had to make a number of concessions (e.g. on the phasing in of the reforms) with respect to its own original plans. The most emblematic example of such concessions came in 1995, when Dini had to exempt all workers who had matured 18 years of insurance from the application of the new, less generously defined contribution pension formula. The approximation of the EMU deadlines was keeping Italian authorities under acute budgetary pressures, so, soon after each one of these compromises, the government relaunched its reformist efforts, even widening the scope of its ambitions. In this vein, the new centre-left 'Olive-Tree' coalition led by Romano Prodi and voted into office in the spring of 1996 made a comprehensive reform of the *stato sociale* one of its highest priority The objective of rebalancing the Italian model of welfare became explicit and was publicly emphasised with the motto *'più ai figli, meno ai padri'* ('more to children, less to fathers').[8] In January 1997 Mr Prodi appointed a commission of experts to draft a broad plan for reform. An articulated report was submitted by this commission (known as the Onofri Commission, after the name of its chairperson, a Bologna economist) and was centred on the idea of re-equilibrating and containing (though not reducing in the aggregate) social expenditure. The main proposals of the Onofri Commission were:

1 The introduction of additional measures of restriction and rationalisation of public pensions.[9]
2 A thorough reform of unemployment benefits and employment promotion schemes.
3 A further rationalisation of the incentive structure within the NHS.
4 A clear separation between social insurance and social assistance benefits (especially on the financing side).
5 A rationalisation of social assistance through the establishment of a guaranteed minimum income scheme.
6 The introduction of new, more effective 'selectivity' rules and procedures.

The Onofri Report was the object of a rather heated debate in the summer and autumn of 1997. In the budget law for 1997 the Prodi government tried to adopt many of the Commission's recommendations. The fierce opposition of the Refounded Communists (whose votes were crucial for reaching a majority in parliament) and difficult negotiations with social partners forced, however, the government substantially to scale down its ambitions. In the field of pensions, Prodi was able to introduce some cuts in seniority pensions, especially for public employees: their contributory requirement for claiming a seniority pension was aligned with that applying to private employees. Contributions for the self-employed were raised, a temporary freeze on the indexation of higher pensions was introduced and some steps were made on the 'harmonisation' front. However modest (with respect to the government's original ambitions), these cuts had the advantage of being immediately effective and thus made a small contribution (0.2 per cent of GDP) towards reaching the budgetary targets for 1998. The most important recommendation of the Onofri plan, i.e. a much faster phasing in of the new pension formula introduced in 1995, could not be adopted and by creating a cabinet crisis the Refounded Communists were able to obtain the exemption of blue-collar workers from the cuts in seniority pensions.[10] Nothing was achieved in the field of unemployment insurance either. But the government was able to push through some important innovations on the social assistance and selectivity fronts. More transparent rules for the financing of social assistance were introduced and the budget law for 1998—which was approved in December 1997—delegated the executive to take measures in two important directions: (1) the introduction of a new 'indicator of socioeconomic conditions' (ISE), based on both income and asset criteria, to be used as a yardstick for all means-tested benefits; (2) the introduction of a new (experimental) scheme of 'minimum insertion income' (RMI), i.e. a last resort guaranteed safety net administered by local governments. Both the ISE and the experimental RMI were actually introduced in the course of 1998.[11]

Since the mid-1990s significant steps have been made also on the financing side of welfare and on the black economy front. The legal disparities in contribution rates across occupational categories have been ironed out, the financing of the NHS has been completely fiscalised (i.e. based on taxes and user charges rather than on contributions) and specific incentives have been introduced for the emergence of underground activities.[12]

This sequence of reforms has not fully eradicated the distributive and allocative distortions of the Italian welfare state which have been mentioned above. They have, however, made significant steps in this direction. More importantly, they have planted promising institutional seeds that may trigger off a sort of spontaneous and self-sustaining dynamic of internal re-equilibration. On the one hand, the setting of more transparent and clear-cut boundaries between social insurance and social assistance as well as the consolidation of new instruments such as the ISE and the RMI will work to strengthen that safety net of means-tested and need-based benefits and services which have been historically lacking (or very weak) in Italy. In this vein, the D'Alema government formed in October 1998 decided to raise social and minimum pensions and to introduce two new means-tested benefits: an allowance for families with three or more children and a maternity allowance for women not covered by compulsory insurance. On the other hand, the new architecture of the pension system will work to gradually downsize (or at least contain the further expansion of) a sector which has been historically hypertrophic. It is true that, in spite of the reforms, at the end of the 1990s, Italy still displays one of the highest ratios of pension expenditure/GDP in the whole OECD area and that the situation is going to worsen. But if one looks at the internal composition of total social expenditures, some positive signs seem to be emerging. In 1996 for the first time in several decades the share of old-age pensions started to decline (from 54.5 per cent to 54.2 per cent) with a parallel (if tiny) increase of the relative share of family benefits and services (from 3.5 per cent to 3.6 per cent). Moreover, the significance of the 1992/1995/1997 pension reforms must be appreciated when contrasted with the status quo and the 'no change' trends. As Figure 10.1 shows, in the absence of reforms, pension expenditure would have reached the impressive peak of 23.2 per cent of GDP in the year 2040, before starting to decline. After the reforms, the peak is expected to reach 'only' 15.8 per cent of GDP in the year 2032. The virtual stabilisation of pension expenditure may not have been enough to cure fully the

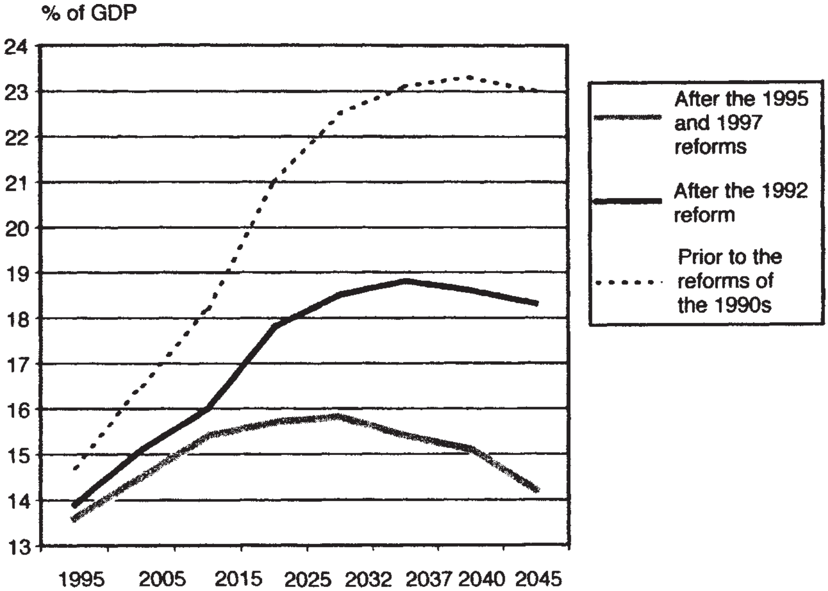

Figure 10.1 Pension expenditure projections for Italy, 1995–2045. Source: Ministero del Tesoro (1998).

long-standing disease of Italy's imbalanced welfare state. But it has certainly contained its fatal aggravation.

Conclusion

During the 1990s Italy and the other three Southern European countries have undertaken a process of gradual adjustment, in response to the institutional predicament outlined above. The specific ingredients and timing of this adjustment have obviously varied. But some basic similarities can be discerned in the reformist trends across this area: the ironing out of benefit formulas for privileged occupational groups and for standard 'Fordist' workers while at the same time upgrading minimum benefits; the introduction and consolidation of safety net programmes; steps towards remedying the conspicuous deficiency of social services to families; rationalising and, in some cases, decentralising, the organisational framework and financial incentives of the 'national' health services; and various moralising measures to combat corruption, clientelism and tax evasion. A new, accurate check on the 'state of the art' in respect of the seven traits identified above as characteristic of the Southern European welfare scene may well reveal, some time from now, that the syndrome has withered away,[13] and that the Italian, Spanish, Portuguese and Greek welfare states will have become national variants of the familiar Continental configuration—though with an unusual healthcare system. But even if this scenario should materialise, one big problem would unfortunately remain: the Continental configuration as such.

As illustrated by a vast literature (and typically by Esping-Andersen 1996, 1999), the mix of labour market rigidity, generous and passive social protection and strong 'familialism' renders this configuration highly inadequate to respond to the new social and economic challenges. An alignment of Southern European standards to Continental norms and levels would thus only mean a walk down a dead end. And if it is true—as argued by some analysts—that the Continental regime can only rescue itself through a strategy of 'de-familialisation', then Southern European systems would have little chance of salvation. The challenge is indeed serious, and not adequately perceived by the key social and political actors of these countries. The decline of Italian and Spanish fertility, for example, should be more squarely debated and explicitly addressed by public policy in these two countries than it actually is. It is most unlikely, though, that the appropriate answer to such a challenge can be a Scandinavian style collectivisation of family needs in the hands of the state: because of financial, organisational and (not least) cultural and 'discursive' obstacles. A more viable strategy in the South would be the promotion of a novel *family-serving welfare mix,* whose profile seems to be emerging in some regions of this area, such as Catalunia, or Emilia-Romagna: a mix of intelligent public regulations and incentives, corporate arrangements, third sector activism and private entrepreneurship to respond to family (and especially women's) needs. In parallel with labour market reforms introduced via social and territorial pacts, gradually establishing conditions of 'flexible security' in the labour market, easing mobility and re-absorbing the outsiders, the new family-serving mix may be a crucial ingredient for effectively reforming the Southern type of welfare: and even for turning it, perhaps, into a proper 'model'.

Notes

1 The international debate often uses the term 'model' to denote a set of attributes which are common to a given number of national experiences: e.g. the Scandinavian model or the Continental model. I have myself used this term in an earlier article on Southern Europe (Ferrera 1996). In this chapter I prefer, however, to use the term 'type', which has no normative overtones while still conveying the idea of some systemic interdependence among the attributes under discussion.

2 The state of the art of this literature is discussed in Gunther *et al.* (1995).

3 The following discussion re-elaborates what is already said in Ferrera (1996, 1998a). As all typological efforts, my characterisation is—in Weberian terms—a 'unilateral accentuation' of a much richer and heterogeneous reality. It is not intended to unveil the 'true' nature of Southern European welfare, but more simply to highlight some features that are relevant for analysing the social policies of Portugal, Spain, Italy and Greece that to some extent are interconnected. Besides these features, there remain, of course, a number of significant differences across these four countries, which are well worth exploring, as typically recommended by the *'per genus el differentiam'* approach (for a more specific discussion of such methodological issues, cf. Ferrera (1998b)). For interesting observations on the intra-area variations within Southern Europe, cf. Petmesidou (1996). A collection of contributions on Southern European social policies is contained in Rhodes (1998).

4 The figure for Greece refers to 1993. The EU average refers to 14 member states, excluding Greece.
5 Housing policies are not normally regarded as a central component of the welfare state (though Eurostat does include 'housing' as a function of social protection). This is a pity, as the distribution of housing resources—as shaped by specific governmental policies—does play an important role in determining the outcomes of the welfare state as a whole.
6 A project which—at least in Italy—has local ideal roots (in the latter country it made its first appearance as early as in 1918, after Bismarck, but long before Beveridge) connected not only with social Christianism, but also with a specific workerist and Marxist tradition (Ferrera 1993). For a survey of recent trends in Southern European health care, cf. Guillén (1999a).
7 For an analysis of the politico-institutional determinants of high unemployment in Spain and of the insider/outsider divide, cf. Maravall and Fraile (1998).
8 This was the title of a short book by Nicola Rossi, a Rome professor advising the government, which became very popular in 1997 (Rossi 1997).
9 Including: the complete harmonisation of rules across occupational funds; a more rapid phasing in of the Dini formula; more stringent rules on seniority pensions; higher contributions for the self-employed; an increase in the minimum age for retirement.
10 For a full review of the 1997 pension reform and its financial impact, cf. Mira d'Ercole andTerribile (1998).
11 A more detailed discussion of these new developments is contained in Ferrera (2000) (forthcoming).
12 The most important measure in this field has been the estabishment of 'emersion contracts' whereby underground employers can negotiate with the social security administration an amnesty on past evasion and a gradual alignment to legal rates of contribution if they commit themselves to becoming legal.
13 This is at least what some optimistic observers believe (e.g. Guillén 1999b).

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